ANNUAL REPORT 2019

IMCD

Value through expertise

IMCD is a market leader in the marketing, sales and distribution of speciality chemicals and food ingredients. Listed on the Euronext, Amsterdam (IMCD), IMCD realised revenues of EUR **2,690 million** in 2019 with nearly **3,000 employees** in over **50 countries** on **6 continents**.

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FOREWORD CEO

Dear Reader,

Later this year, IMCD will celebrate its 25th anniversary in its present form. Back in 1995, we started with an idea that would change the way speciality chemicals and food ingredients were sold, marketed and distributed – first in Europe, later in other parts of the world. Trust and transparency towards our partners have always been our core business principles. The companies that we have acquired over the years also adopted these values, as we welcomed new colleagues to become part of the IMCD family.

IMCD's approach has not fundamentally changed. Of course we have adapted to changing circumstances and markets, but we still remain focused on executing our strategy to grow the businesses of our suppliers and helping our customers to formulate new products. We do all this while remaining asset-light. In these 25 years, we were able to grow, both in quality of service and in results. Our growth pattern has not always been linear, but the overall trend has been positive and I can say that we have confidence in our business model.

We could not have achieved such success without the passion and expertise of our people: I am

proud to say that IMCD is a very inclusive company, the diversity that we have in nationalities, genders and backgrounds is an essential part of our strength. From the beginning, we have tried to stay entrepreneurial and non-bureaucratic. Our organisation has a flat structure with short decision-making lines. Joining the IMCD family means working in a dynamic environment, alongside energetic people with the curiosity to constantly ask 'what's next'?

So what is next for IMCD? In 2019, we were able to achieve important objectives: our results were solid although not as spectacular as in 2018. Market circumstances, in particular in Europe, were more difficult. We made a key strategic step in the US by integrating E.T. Horn into IMCD US. Our team of more than 350 people is already working coast-to-coast in one organisation under one name. It is now our job to convince our partners that a unified channel strategy in the US – or even North America – is more beneficial and powerful than one that is fragmented.

We also further expanded our global footprint through a number of strategic acquisitions. This included strengthening our business in India by acquiring Monachem, a company based in Gujarat which is predominately focused on Advanced Materials. Today, we have a team of almost 180 people in the country and our strategy to become active nationwide, and in all important market segments, is close to being realised. We made important steps in the pharma market segment globally: we opened four technical centres, one in New Jersey and the other three in new locations in India, Southeast Asia and China. These technical centres serve to help our customers formulate and to train them and our own staff. We also acquired DCS in Switzerland. As a specialist in selling active pharmaceutical ingredients to various markets worldwide, such as Mexico, it is a great addition to our portfolio and complements our existing pharmaceutical excipient offering.

An add-on to our Latin America presence was the acquisition of Unired, in Colombia, focusing in the markets of pharmaceuticals, food and personal care.

Finally, towards the end of the year we acquired a 57% share in Whawon, an important company in South Korea again serving the pharma industry.

As we look to the next 25 years, we are more resilient than ever: financially stable and with the foundations in place to continue to grow alongside our customers and suppliers. Transparency, trust and partnership remain our key values and we are ready to adapt to societal changes, uncertainties within global economies and Industry 4.0. I have written of global expansion, but we continue to innovate in our core markets through important initiatives such as digitisation. Here, we are making strong progress to enhance our capabilities to reach out to suppliers and customers digitally and to increase service levels. These projects will be ongoing in 2020. Last year, we published our first Sustainability Report and we can now support our customers with more sustainable solutions as we launch the first concepts. We also invested further in our Regulatory, Safety and Quality capabilities to ensure that we comply in every country where we operate.

I thank all of our stakeholders for contributing to the success of IMCD during the past 25 years. By staying true to our principles, I have every confidence that the next 25 will be equally transformational.

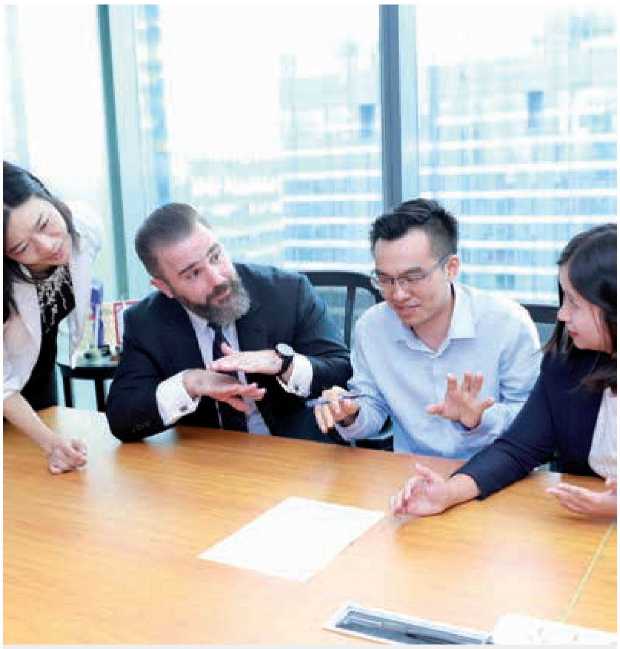
Rotterdam, 26 February 2020
Piet van der Slikke

HIGHLIGHTS 2019

A team built for growth

Full integration of Velox, Aroma and E.T. Horn completed

Acquisitions strengthen our leading position as a distributor in speciality chemicals and food ingredients. By growing our global teams, we bring levels of knowledge, skill and diversity into the company. By doing so, we encourage greater efficiencies and drive innovation. In 2019, we expanded the teams in the US, Europe and Asia Pacific with the full integration of Velox, Aroma and E.T. Horn. We have increased the number of sales, marketing and formulatory experts to better serve our markets. With the passion and dedication of our people, we are certain that we will continue to deliver operational excellence and quality.



IMCD SUSTAINABLE SOLUTIONS

IMCD introduces Sustainable Solutions

Solutions that increase performance and decrease environmental impact

We proudly launched our programme Sustainable Solutions which serves as an instrument for our suppliers to place their own new sustainable products on the market, by marketing them through IMCD Sustainable Solutions. At IMCD, we believe that we should go further and explore other paths to positively impact our environment along the lifecycle of our products, from cradle to grave. To that end, we need to act outside of our own gates and involve suppliers and customers in the implementation of a unique portfolio of products. These products are not only safe for the environment and for people, but also generate value for our partners and ourselves while reducing their overall carbon footprint.

Watch the video
https://youtu.be/fqtYGfdhufQ

10th anniversary of IMCD China

2019 marks IMCD's 10th year of distribution in China. In the past decade, IMCD China's team grew to a size of more than 60 professionals. The company's success is the result of continued focus on formulatory expertise, close alignment with suppliers and operational excellence. At the centre of it all, stand the great women and men, industry experts working every day on new concepts and solutions. IMCD's business covers food & nutrition, plastics, pharmaceuticals and personal care. Eugen Rothermel, Director of Operations of IMCD Asia-Pacific elaborates: "IMCD's experts continue to innovate, and dedicate themselves to providing efficient solutions, helping our customers remain ahead of the curve, and meet emerging manufacturing challenges head-on."

About IMCD China

2009:	Incorporation of IMCD (Shanghai) Trading Co. Ltd ("IMCD China")
2010:	First distributorships in coatings, personal care and food
2011:	Expansion of scope to pharmaceuticals and plastics
2012:	Geographic expansion to Beijing, Nanjing, Chengdu and Guangdong
2013:	Acquisition of Paceco Industrial Supplies Pte. Ltd
2017:	IMCD China Food & Nutrition Technical Excellence Centre opens
2019:	IMCD China Life Science Technical Excellence Centre opens

FOREWORD CEO
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B2B Commerce

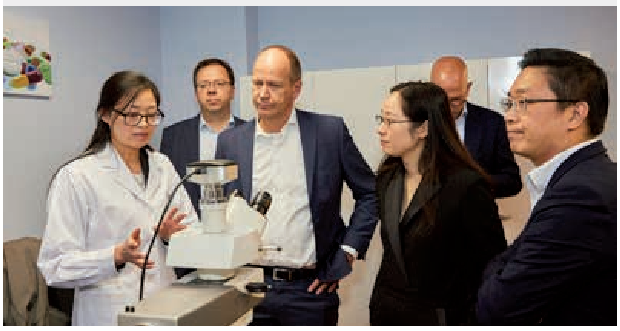
IMCD Customer Portal goes live

In 2019, honouring our commitment of becoming a truly digital company, IMCD launched the B2B Customer Portal, a platform for IMCD customers to handle their ongoing business with the organisation. With this portal, IMCD customers have 24/7 access to their information and product data, one-click interaction with their sales managers and a seamless experience on all devices. Taking a step further in the direction of personalisation, the user experience has been tailored to the specific role a customer has in their company (purchaser, technical or regulatory), making it as intuitive and simple to use as possible. The rollout is set to continue in 2020, with more countries in Europe, Asia and the Americas adopting B2B Commerce as a catalyst for change towards digitalisation, as well as the next natural step in IMCD's journey to adapt to the omnichannel world.

Three Pharma Technical Centres in Asia Pacific

We expanded our global network of Pharmaceutical Technical Centres with the opening of three new locations in India, South East Asia and China respectively. These three new centres are part of IMCD's continuous efforts to expand its pharmaceuticals network globally and in particular in the APAC region. They will each provide formulation support to the pharma industry in their respective geographies, offering a complete range of formulatory capabilities in oral solid, semi solid and topical pharmaceutical formulations. These capabilities will not only support our customers in formulation development but will also provide training and development opportunities for our sales team in Asia Pacific. This network of technical centres will be invaluable in growing both IMCD's and its supplier partners' business pipeline in the years ahead.

Watch the video
https://youtu.be/gjBaXrsOnYc



IMCD published its first sustainability report

IMCD launched its first Sustainability Report, providing amongst others energy consumption, water use, and emissions data on the full year 2018. The world in which we operate requires our commitment to sustainability and transparency along with open communication about our business, environmental footprint and social goals. Led by our Group Director Regulatory, Quality and Sustainability and his teams, we have developed an ambitious plan, set objectives and started to collect data. The result is our first sustainability report. We measure many variables to determine our environmental impact. We believe this is the only way to improve. Greenhouse gas emissions, waste, water use and diversity are just a few of the areas in which we want to improve further: not only within the organisation, but also in collaboration with our suppliers and customers. We want to "create value through expertise", commercially and responsibly.

Read the report
https://tinyurl.com/v5mjszj

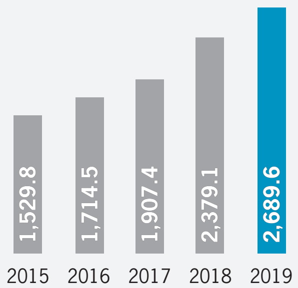
FINANCIAL HIGHLIGHTS 2019

EUR million, unless stated otherwise

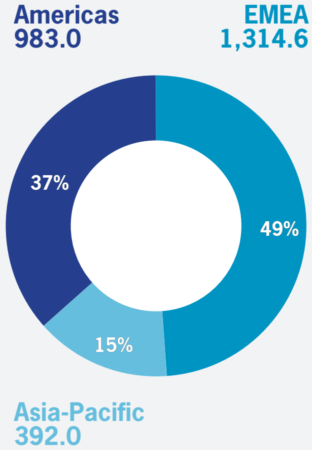
Revenue

↑ 13%

+12% on a constant currency basis



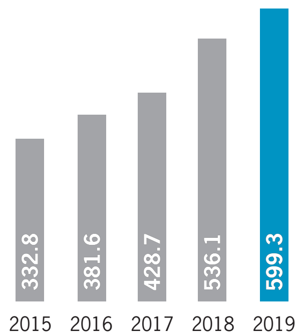
Revenue per region



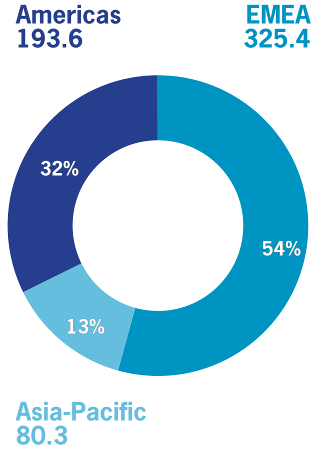
Gross profit

↑ 12%

+11% on a constant currency basis



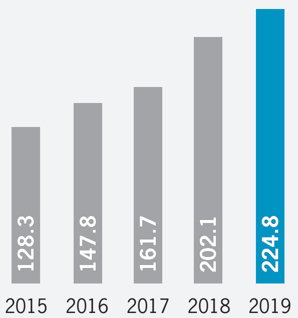
Gross profit per region



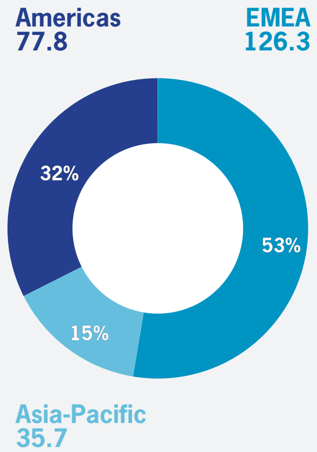
Operating EBITA

↑ 11%

+10% on a constant currency basis



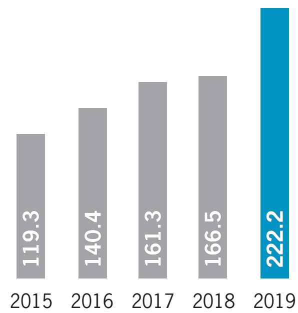
Operating EBITA per region
excluding Holdings



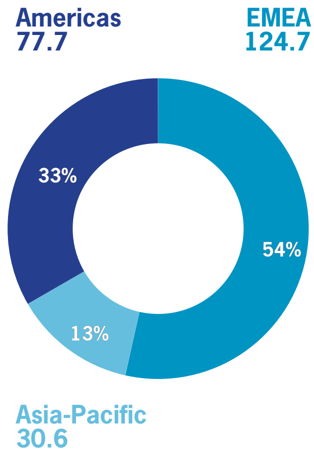
Free cash flow

↑ 33%

EUR 222.2 million
2018: EUR 166.5 million



Free cash flow per region
excluding Holdings



Net result before amortisation and non-recurring items

↑ 12%

156.2

139.7
2018

Cash earnings per share in euro

↑ 13%

2.85

2.53
2018

Dividend proposal in cash per share in euro

↑ 13%

0.90

0.80
2018

Key Figures

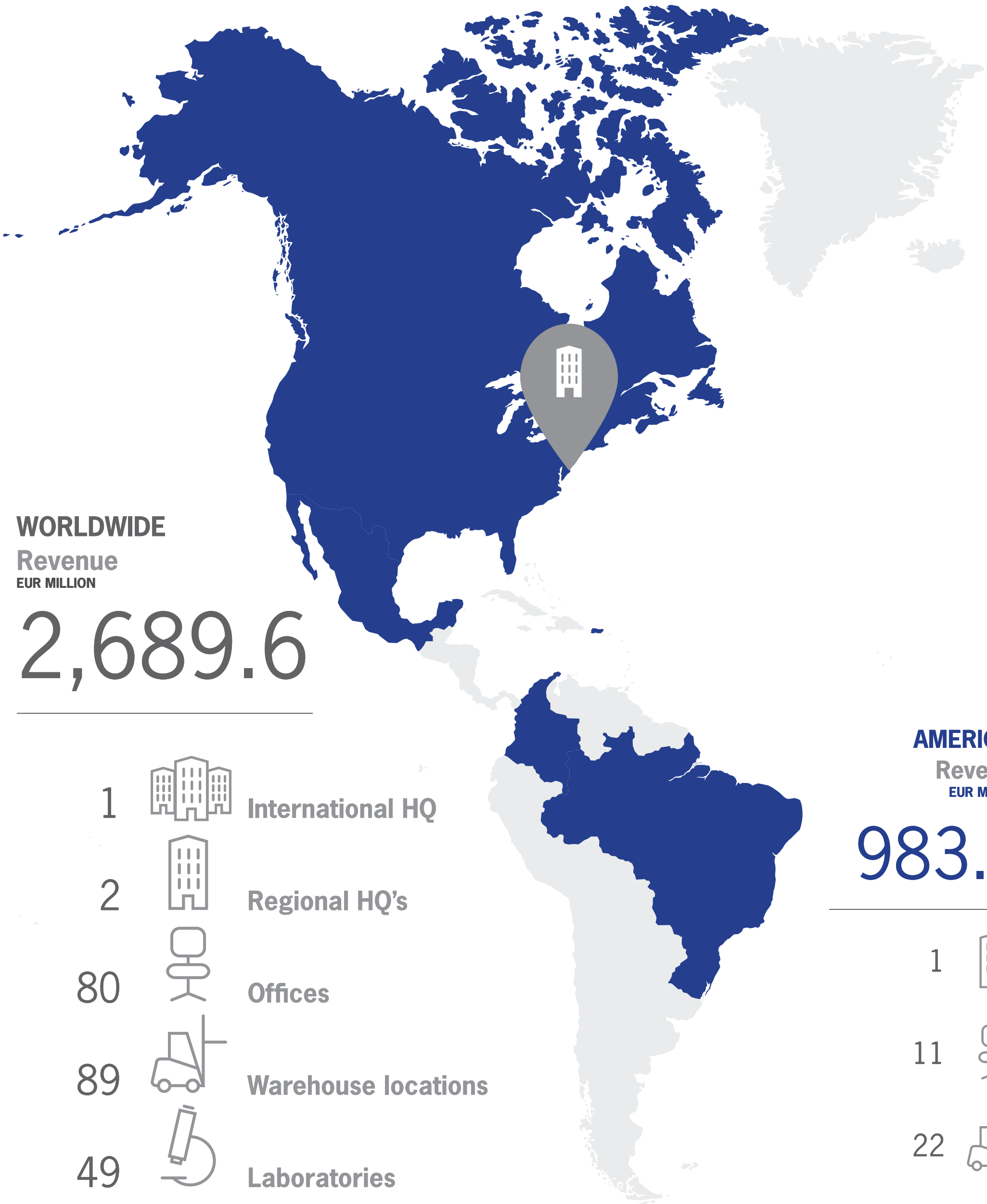
EUR MILLION	2019	2018	CHANGE
Results			
Revenue	2,689.6	2,379.1	13%
Gross profit	599.3	536.1	12%
Gross profit in % of revenue	22.3%	22.5%	(0.2%)
Operating EBITA [1]	224.8	202.1	11%
Operating EBITA in % of revenue	8.4%	8.5%	(0.1%)
Conversion margin [2]	37.5%	37.7%	(0.2%)
Net result before amortisation / non-recurring items	156.2	139.7	12%
Result for the year	108.0	100.1	8%
Cash flow			
Free cash flow [3]	222.2	166.5	33%
Cash conversion margin [4]	97.4%	79.3%	18.1%
Balance sheet			
Working capital	435.9	399.8	9%
Total equity	866.5	786.3	10%
Net debt	735.2	610.7	20%
Net debt / Operating EBITDA ratio [5]	2.8	2.8	0.0
Employees			
Number of full time employees end of period	2,991	2,799	7%
Shares			
Numbers of shares issued at year-end (x 1,000)	52,592	52,592	0%
Weighted average number of shares (x 1,000)	52,475	52,443	0%
Earnings per share (weighted)	2.06	1.91	8%
Cash earnings per share (weighted) [6]	2.85	2.53	13%
Proposed dividend per share	0.90	0.80	13%

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 Adjusted Operating EBITDA (Operating EBITDA plus non-cash share-based payment costs minus lease payments)
5 Including full year impact of acquisitions
6 Result for the year before amortisation (net of tax)

Ayanna Hughey
Head of Human Resources
IMCD US

"Our IMCD values help to capture and channel our collective energies, resulting in organisational empowerment and a collegial synergy that helps to bind us to our common goal of **winning together, no matter how far apart in the world we are**."

GLOBAL PRESENCE



WORLDWIDE
Revenue
EUR MILLION

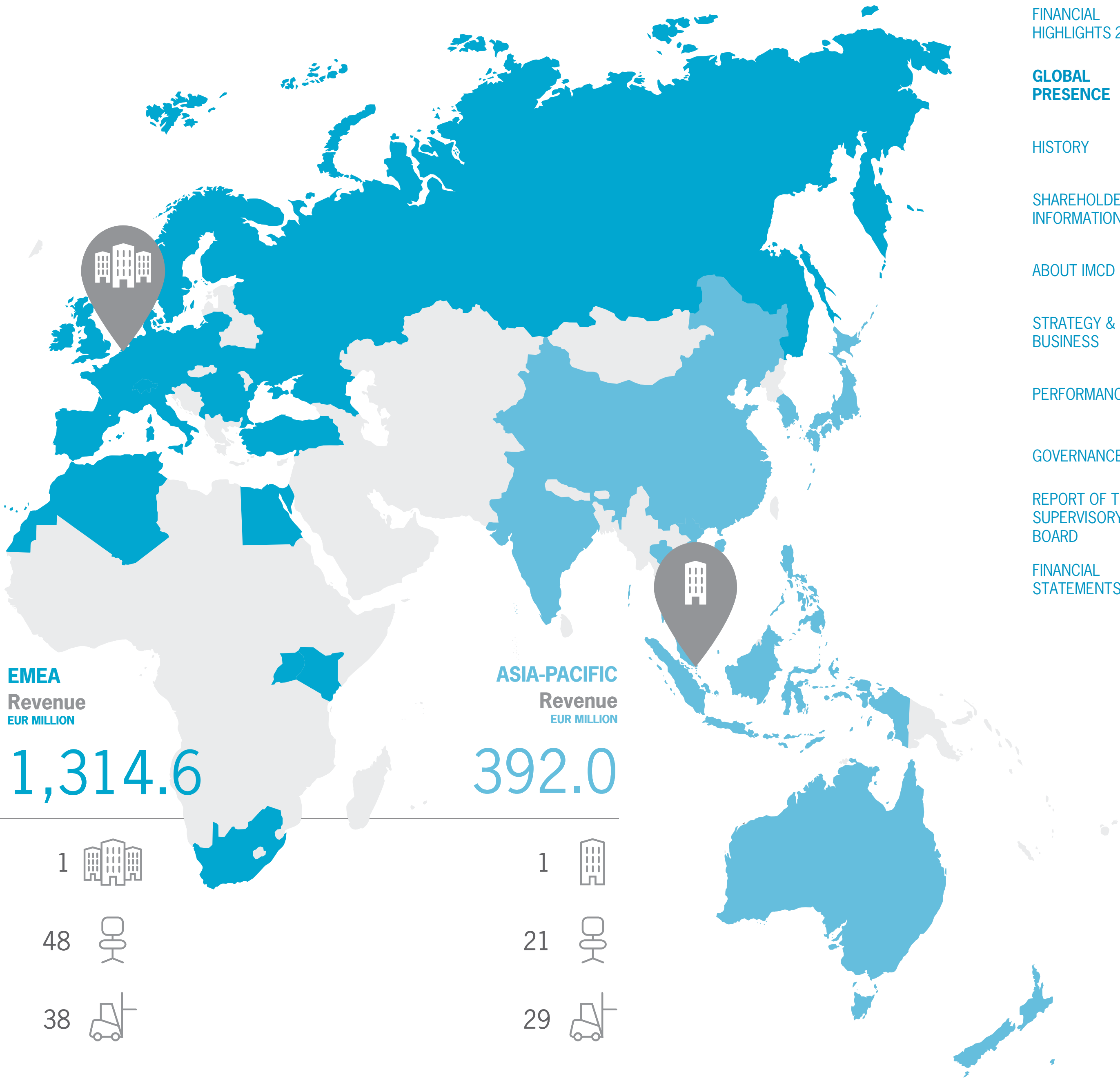
2,689.6

1	International HQ
2	Regional HQ's
80	Offices
89	Warehouse locations
49	Laboratories
2,991	Employees
50%	Male
50%	Female

AMERICAS
Revenue
EUR MILLION

983.0

1	Regional HQ
11	Offices
22	Warehouse locations
9	Laboratories
787	Employees
50%	Male
50%	Female



EMEA
Revenue
EUR MILLION
1,314.6

ASIA-PACIFIC
Revenue
EUR MILLION
392.0

EMEA	ASIA-PACIFIC
1	1
48	21
38	29
21	19
1,471	733
45%	57%
55%	43%

OUR HISTORY

1995-2005

Internatio-Müller combines its speciality chemicals distribution activities in Benelux, France, Australia and New Zealand as a separate division under the name **Internatio-Müller Chemical Distribution**.

1995

Add-on acquisitions take place to further **strengthen the division's position in Australia and New Zealand**.

With the acquisition of businesses in the UK, Germany, Spain, Italy and other Western European countries, **IMCD builds a pan-European network**.

Management and a private equity partner acquire the Company, which adopts **the name 'IMCD'** (2001).

Greenfield operations are initiated in Austria, Turkey, India and Russia.

IMCD establishes a **matrix organisation along geographic lines and end markets**, enabling distribution on a broad geographical basis, supported by integrated IT systems.

2006-2016

IMCD completes various acquisitions **strengthening its market presence in EMEA**.

IMCD **enhances and expands its centres of excellence by opening various labs**, including a Food & Nutrition lab in India, a Personal Care lab in Brasil and a Home Care and I&I lab in Germany.

IMCD is listed on the **Euronext stock exchange** in Amsterdam (2014).

Diversification by suppliers, customers, end markets, products and geographies proves to add to IMCD's resilience through challenging economic cycles.

IMCD enters the Americas region with the acquisition of Makeni Chemicals in Brazil (2013) and M.F. Cachat in the US (2015), which was later renamed IMCD US.

IMCD opens its **regional head office for the Americas** in New Jersey, US (2015).

Acquisition of Mutchler Inc. and Mutchler of Puerto Rico Inc. to **expand US operations into the pharmaceuticals market** (2016).

IMCD expands to the Asia-Pacific region through acquisitions (e.g. Malaysia, Indonesia, Philippines, Singapore, India) and greenfield operations (e.g. Thailand, Vietnam, Japan), supported by a regional head office in Singapore.

2011

2017-2018

IMCD acquires Neuvendis in Italy, further **strengthening its European network**.

With the acquisition of Bossco Industries Inc. in the US, **IMCD expands IMCD US's operations**.

The acquisition of E.T. Horn provides IMCD with **US national coverage** and an excellent positioning to pursue further accelerated growth across the region.

IMCD further builds its centres of excellence by opening a Coatings lab and a Personal Care lab in the US, a Food & Nutrition lab in Australia and China and a Pharma lab in Germany.

Acquisition of L.V. Lomas in Canada and the US, further **strengthening IMCD's market presence in the North-American region**.

IMCD strengthens its technical offering with the opening of three Coatings & Construction application laboratories in Asia, Italy and a Food and Nutrition application laboratory in Germany. Clients can be better served by this extension of IMCD's laboratory landscape.

By acquiring Velox, IMCD **strengthened its presence in the advanced materials market and further built its European network**.

Acquisition of Aroma Chemicals in India to expand IMCD's operations and **create a pan-India organisation** covering all key market segments.

2019

In the Americas, IMCD expanded its presence in the Latin-American market with the **acquisition of Unired Químicas SAS in Colombia.**

With the acquisition of Whawon Pharm Co. Ltd, **IMCD establishes its geographical footprint** in South-Korea and enhances its leading global pharmaceutical position. IMCD's presence in the Asia-Pacific region was further strengthened with the acquisition of Monachem Additives in India and Matrix Ingredients in Singapore and Malaysia.

IMCD continued to expand its technical capabilities with the addition of a new application laboratory in Istanbul, Turkey with a focus on paints, coatings and inks. IMCD added a Pharma Technical Centre in New Jersey, United States and a Lubricants & Fuels laboratory in Australia.

With the acquisition of Swiss-based DCS Pharma AG, **IMCD further improved its position in the pharmaceutical market** and extended its focus to the distribution of Active Pharmaceutical Ingredients and Excipients.

In March 2019, **IMCD was included into the Dutch blue chip AEX index.**

To support further growth in the APAC region, **IMCD expanded its global network of Pharmaceutical Technical Centres** with three new locations in India, Southeast Asia and China. Each centre offers regional support and a training function in their respective markets, and will focus on specific areas of formulation technology as part of IMCD's efforts to cross-fertilise expertise in its growing global network.

SHAREHOLDER INFORMATION

IMCD was first listed on Euronext Amsterdam on 27 June 2014, at an initial price of EUR 21.00 per share, resulting in a market capitalisation of EUR 1.1 billion. In March 2015, IMCD shares were included in the Euronext Amsterdam Midcap Index and in July of that same year Euronext decided to launch share options on IMCD. These options are traded in the Euronext Amsterdam Spotlight options segment. Since March 2019, IMCD shares are included in the Euronext Amsterdam AEX Index. The total number of issued shares is 52.6 million, which did not change during 2019. In January and March 2019 respectively, IMCD transferred 22,261 and 9,611 own shares to settle its annual obligation under the long-term incentive plan. As at the end of December 2019, the number of treasury shares held by IMCD was 114,768.

Share price performance in 2019

In 2019, the total number of traded IMCD shares was 65.3 million, up 89% versus the 34.7 million shares traded in 2018. These numbers represent the total LIT consolidated market volume which includes Euronext Amsterdam: 40 million in 2019 versus 20 million in 2018 and multilateral trading facilities ("MTFs": Turquoise, CBOE CXE, CBOE BXE)" 25.3 million in 2019 versus 14.6 million in 2018. The average total LIT daily trading volume was approximately 250 thousand shares in 2019 versus 133 thousand in 2018. For Euronext Amsterdam the average daily volume was 154 thousand in 2019 versus 77 thousand in 2018.

In 2019, the share price increased by 39% from EUR 56.00 as of 31 December 2018, to a closing share price of EUR 77.80 as of 31 December 2019. As at the end of 2019, IMCD's market capitalisation was close to EUR 4.1 billion (EUR 2.9 billion end of 2018).

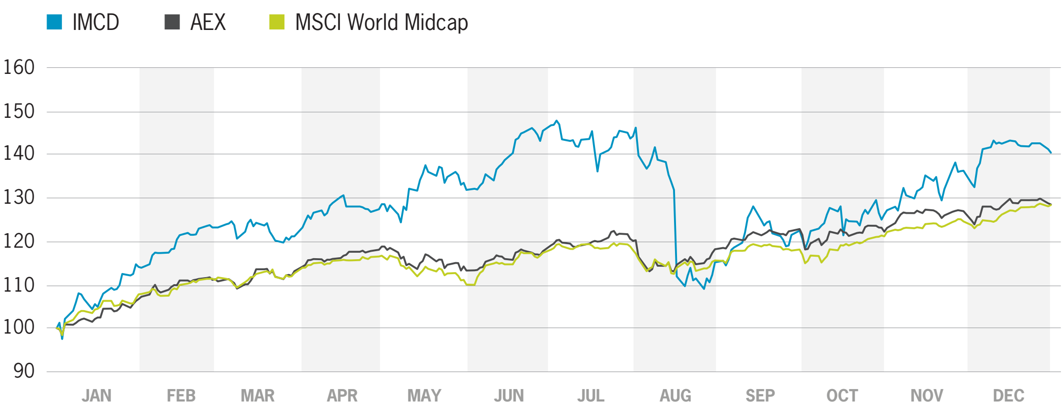
Investor Relations policy

IMCD values maintaining an active dialogue with its financial stakeholders such as existing and potential shareholders, brokers and the (financial) media. IMCD considers it very important to explain the IMCD business model and execution in order to give stakeholders the information they need to form an opinion on the Company. In 2019, the Company organised roadshows to investors in France, the UK, the Netherlands and the US. Investor conferences were attended in Paris and London. Also, a considerable number of meetings with (potential) investors took place in IMCD's office in Rotterdam. IMCD is currently covered by 10 international analysts.

Dividend policy

Barring exceptional circumstances, IMCD has a dividend policy with a targeted annual dividend in the range of 25% to 35% of adjusted net income (reported result for the year plus amortisation charges, net of tax) to be paid out either in cash or in shares. A proposal will be submitted to the Annual General Meeting of Shareholders to pay a cash dividend of EUR 0.90 per ordinary share (2018: EUR 0.80), which means

Share price performance 2019
In %



an increase of 13% compared with the previous year. This dividend represents a pay-out ratio of 32% of adjusted net income (2018: 32% of adjusted net income).

Major shareholders

The register maintained by the Netherlands Authority for the Financial Markets (AFM) in connection with the disclosure of major holdings in listed companies exceeding 3% of the issued capital contains details of the following investors as of 31 December 2019. There are no known holdings of short positions visible in the AFM register.

BlackRock, Inc.	5.41%
Capital Research and Management Comp.	5.24%
Baillie Gifford & Co	5.16%
Ameriprise Financial Inc	5.10%
FMR LLC	5.10%
Smallcap World Fund, Inc.	5.01%
Jupiter Asset Management Ltd.	3.28%
Marshall Wace LLP	3.01%

Ticker symbols

Euronext Amsterdam	IMCD
Euronext Amsterdam derivatives market	IMD
Reuters	IMCD
Bloomberg	IMCD.NA

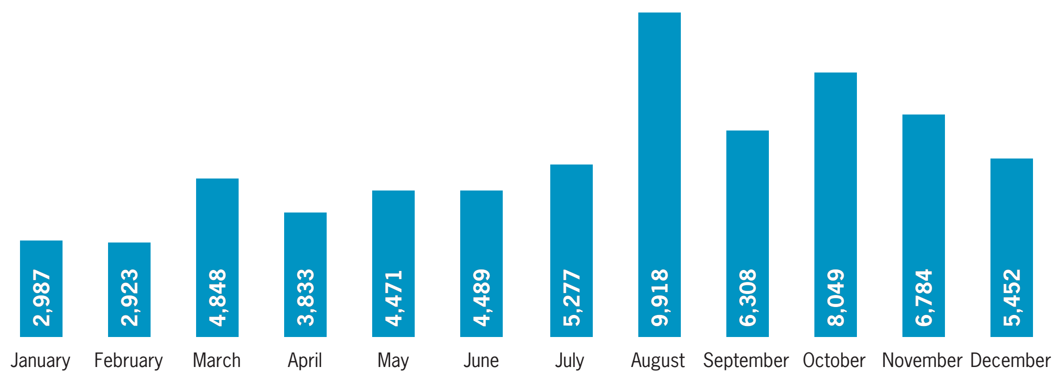
FINANCIAL CALENDAR	
27 February 2020	Full year 2019 results
7 May 2020	First quarter 2020 trading update
	Annual General Meeting
	Dividend announcement
11 May 2020	Ex-dividend date
12 May 2020	Record date
13 May 2020	Payment date
18 August 2020	First half year 2020 results
11 November 2020	Third quarter 2020 Trading update

Investor relations

ir@imcdgroup.com
www.imcdgroup.com/investor-relations

Trading volumes 2019

In number of shares x 1,000



THE IMCD SHARE	2019	2018
Highest price	82.75	67.95
Lowest price	54.60	48.82
Year-end price	77.80	56.00
Earnings per share (weighted)	2.06	1.91
Cash earnings per share (weighted)	2.85	2.53
Proposed dividend per share	0.90	0.80
Number of shares at year-end (x 1,000)	52,592	52,592
Weighted average number of shares (x 1,000)	52,475	52,443

CHAPTER CONTENTS

ABOUT IMCD

IMCD is a market leader in the sales, marketing and distribution of speciality chemicals and food ingredients. We began in 1995 as a small group of companies with a common ambition and a harmonised business model. From there, we have grown to have a global footprint in over 50 countries on six continents. In 2019, our 2,991 employees generated revenue of almost EUR 2.7 billion. Today, we are an increasingly digitised distributor unlike any other: formulation experts and solutions providers who continuously add value.

IMCD's technical expertise and formulation support are strengths that differentiate us from our competitors. With our in-depth understanding of consumer trends, our highly skilled and results-driven professionals innovate with our comprehensive product portfolios to provide market-focused solutions that meet the needs of customers across our eight business groups. By partnering with IMCD, our suppliers benefit from our market intelligence and accelerated growth through direct access to markets across the world.

Our market

The products in our portfolio are used in almost every aspect of daily life, ranging from home, industrial and institutionalised care, personal care, food & nutrition and pharma to lubricants & fuels, coatings & construction, advanced materials and synthesis. The constant demand for product improvement and higher performance drives the requirement for innovative speciality chemicals and food and pharmaceutical ingredients.

Diverse, complex and international markets require suppliers with first-class knowledge and support. For this reason, IMCD invests heavily in technical expertise and application know-how, as well as sales and marketing excellence. But we go further than that. Both our suppliers and our customers benefit from IMCD's ability to simplify their business; providing access to numerous partners, without the complexity that this normally involves. In our unique position, we are instigators of innovation, contributors of insight and safeguarders of timely supply.

The speciality chemicals distribution market is still made up of large global or pan-regional companies and a large number of, often, family-owned, local players. There is strong demand from major suppliers for pan-regional distributors that can streamline business operations and work as a strategic partner to support long-term growth. As a result, further consolidation within the sector is taking place with an ongoing focus on local excellence and technical expertise.

The rationalisation of the global speciality chemicals distribution industry will continue to be shaped by the following trends:

1. Selective outsourcing
The outsourcing of sales, marketing and distribution to a more limited number of third-party distributors, remains an important part of the channel strategy of suppliers. The greater complexity in the breadth of speciality products, lower order volumes and specific customer requirements in the various end markets are expected to drive outsourcing to a decreasing number of speciality chemicals distributors.

2. Preferred partnership
Suppliers in developed markets are generally looking for more structured pan-regional management of sales and distribution. By entering into a sole third-party rights of distribution relationship with a preferred distribution partner for multiple countries or regions, suppliers are able to significantly simplify and optimise their route-to-market.

3. Increased regulation
In sophisticated markets, increasing regulation will require chemical distributors to obtain a certain minimum scale in order for them to be able to fully comply with the requirements at an affordable cost. In order to be compliant, smaller distributors may need to upgrade their facilities or alter their processes. Smaller, locally-oriented distributors that currently do not comply with the additional requirements generally are required to make comparatively large investments to comply,

whereas larger distributors can more easily make such investments due to their scale.

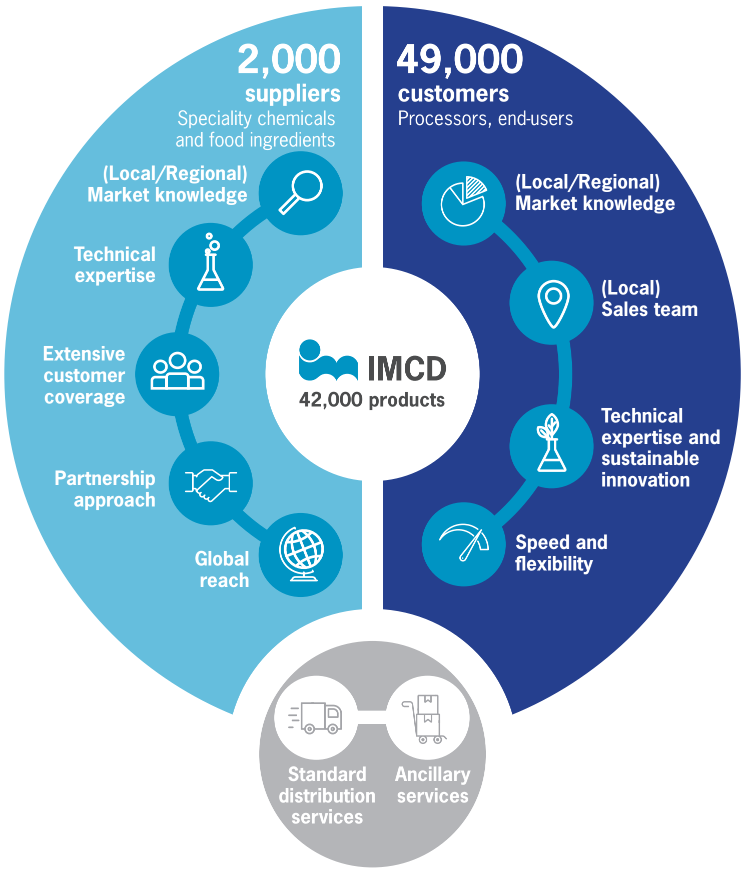
Our business model

In close cooperation with its key stakeholders, IMCD strives for operational excellence in all aspects of its business operations. With the overarching principles of product stewardship and fostering open relationships with its partners, IMCD aims to create long-term value across its value chain.

Core activities
IMCD's core activity is the sales, marketing and distribution of speciality chemicals and food and pharmaceutical ingredients. By building strong relationships, IMCD seeks to simplify its suppliers' business operations while supporting growth through its extensive local networks, market intelligence and technical expertise. A single point of contact, coordinated inventory management, business process integration and the digitisation of transactions are all examples of the benefits that IMCD brings to its suppliers, which in turn accelerate their value-added growth.

At the other end of the value chain, IMCD focuses on its customers: manufacturers that need speciality chemicals for the production of end products. By maintaining a large and diverse product portfolio, IMCD offers its customers a broad range of solutions to meet specific requirements. IMCD aims to develop lasting customer relationships by providing customers with quality assurance and highly specialised product knowledge, alongside technical advice and formulation support. In addition to its sales and marketing activities, IMCD provides distribution and other ancillary services. Wherever possible, IMCD outsources its physical distribution and other ancillary activities, such as warehousing, bulk breaking, mixing, blending, packaging and labelling to professional third-party logistics service providers.

Technical expertise
IMCD strives to make a positive impact for both its business partners and society as a whole. Its technical experts analyse new technologies and proactively offer innovative solutions for the constantly developing and demanding markets in which IMCD operates. Together with its business partners, IMCD turns market trends into sustainable products that benefit the lives of consumers worldwide and help reduce the environmental impact.



Jane Wu
Marketing Manager
IMCD China

"Digitalisation empowers us to better serve our customers and suppliers. It significantly increases the level of service we can provide by offering a platform that gives them access to IMCD's technical and commercial expertise anywhere, anytime. This **enables them to grow their business through various channels**."

To extend our technical support and innovation, we have established centres of excellence for our key market segments, such as pharmaceuticals, lubricant and food & nutrition. In 2019, this network included 49 technical centres in 22 countries. In these technical facilities, we develop formulations and marketing concepts, test materials, train our salesforce and organise supplier and customer workshops, all with a view to building and maintaining mutually rewarding relationships with our stakeholders. Our sales teams and product managers work symbiotically with these technical teams. This approach ensures we have the specialised know-how, products and market experience not only to innovate with our portfolio, but also help our customers and suppliers achieve their ambitions. In 2019, highlights included:

A. New product analysis and development to provide formulation advice to customers
IMCD works in close collaboration with its customers' research and development departments, carrying out competitive matching, sharing new application opportunities and assisting them in formulating the most effective and innovative products. Some of our greatest successes this year were in the nutraceuticals and construction markets.

B. Customer seminars to promote new market trends and products from within the IMCD portfolio
IMCD organises workshops and seminars for its customers to introduce new products, investigate trends in the market or to look into material alternatives for their production processes. In IMCD's technical centres, customers can test product performance, run stability and application tests and experience the finished product with the support of IMCD's scientists and technical managers.

C. Supplier workshops to support product and application development
Within the IMCD technical centres, suppliers are able to gain an understanding as to how their products interact and function (in combination with other products from within the IMCD portfolio) as part of a finished formulation. With this understanding and market trend awareness, IMCD is able to assist the supplier to develop new product concepts for the future.

D. Embedding our technical expertise
Workshops and training sessions are regularly held for the IMCD team, ensuring individuals stay abreast of market trends and developments and fully understand the functionality and characteristics of the products within the portfolio. This enables our people to better understand issues that customers may face.

Our organisation

IMCD's business is organised into a number of strategic market sectors with dedicated business groups in each country where we operate. This matrix structure enables us to provide fully integrated and coordinated distribution services on a global scale and facilitates the exchange of commercial and technical expertise across our organisation. In this way, our expert chemists and technical teams can offer customers both in-depth local market insight and state-of-the-art application knowledge.

Each end market is managed by (global) business group management to ensure the same high level performance across the IMCD organisation. In turn, IMCD's country management is responsible for the optimisation of our services to customers locally, throughout the various market segments.

Our local activities are further strengthened by the support of our two regional headquarters in the Americas and Asia-Pacific. In addition, our global headquarters in the Netherlands provides guidance, alignment and central policies with regards to sustainability, digitalisation, IT, HR, finance & control and compliance, among other functions.

An overview of our business groups is provided on the following pages.

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OUR BUSINESS GROUPS

HOME CARE AND I&I

Business group Home Care and I&I (Industrial and Institutional) offers a range of speciality chemicals used in the manufacture of cleaning products. For instance for clothes, dishes, cars and floors.

PRODUCTS

- Surfactants
- Builders
- Functional additives

CHARACTERISTICS

- Focus on environmentally friendly formulations

END-MARKETS

- Laundry care
- Dish wash
- Cleaning & surface care
- Automotive care
- Air care

PHARMACEUTICALS

Business Group Pharmaceuticals offers a wide range of speciality chemicals used in the manufacture of medicinal products that can be found in any pharmacy, nutritional supplement or at home in a medicine cabinet.

PRODUCTS

- Excipients
- Active ingredients
- Speciality solvents

CHARACTERISTICS

- High levels of regulation

END-MARKETS

- Pharmaceuticals formulation
- Pharmaceuticals synthesis
- Biotechnology
- Laboratory

PERSONAL CARE

Business Group Personal Care supplies a complete range of speciality additives, actives and sensorial ingredients used in the formulation of products to clean, perfume, protect, maintain and enhance the healthy appearance of the body.

PRODUCTS

- Additives
- Actives
- Functional ingredients

CHARACTERISTICS

- Innovative
- Fast and dynamic formulation processes

END-MARKETS

- Hair care
- Skin care
- Make-up
- Toiletries
- Oral care

COATINGS & CONSTRUCTION

Business Group Coatings & Construction delivers a wide range of speciality chemicals that are used to add colour, drive performance and enhance durability of adhesives, paints, coatings, inks and construction chemicals.

PRODUCTS

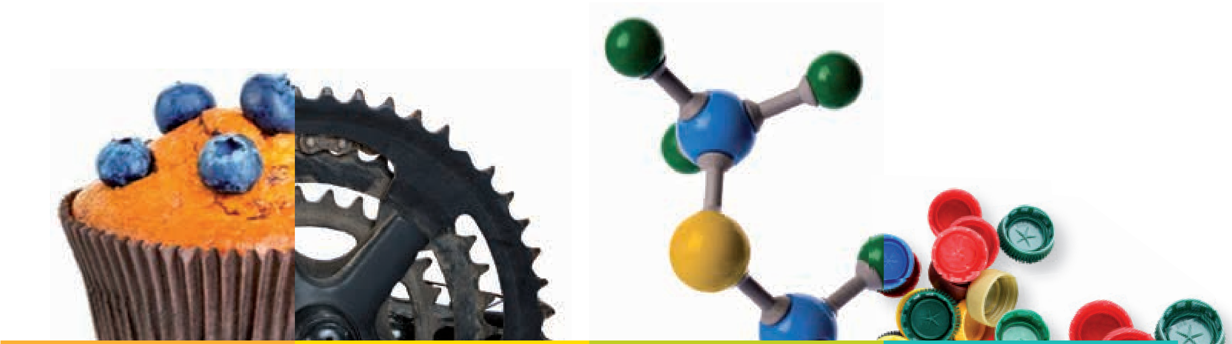
- Resins & binders
- Additives
- Functional fillers
- Pigments
- Speciality solvents

CHARACTERISTICS

- Local market requirements drive formulations
- Increasing regulation
- Focus on functionality & sustainability

END-MARKETS

- Adhesivesand sealants
- Construction chemicals
- Industrial coatings
- Decorative paints
- Printing inks



FOOD & NUTRITION

Business Group Food & Nutrition offers a complementary portfolio of ingredients that allow food producers to re-formulate to meet consumer expectations for convenient, healthy and sustainable products that taste great.

PRODUCTS
- Texturants
- Proteins
- Flavours & colours
- Enzymes & cultures
- Natural fibres
- Health ingredients

CHARACTERISTICS
- Rapidly evolving consumer trends
- Local tastes
- Increasing regulation
- Highly fragmented markets

END-MARKETS
- Bakery
- Beverage
- Confectionery
- Dairy
- Nutrition
- Savoury

LUBRICANTS & FUELS

Business Group Lubricants & Fuels offers a range of speciality lubricant and fuel additives as well as synthetic base oils to enhance both the performance and longevity of the products.

PRODUCTS
- Additive packages and components
- Base oils

CHARACTERISTICS
- High performance requirement
- Major trend: energy consumption and emission reductions
- Evolving chemistry for regulatory changes

END-MARKETS
- Automotive and industrial lubricants
- Greases
- Fuels

SYNTHESIS

Business Group Synthesis offers a range of process chemicals, intermediates and speciality solvents that are used in chemical reactions.

PRODUCTS
- Monomers
- Process chemicals
- Solvents

CHARACTERISTICS
- Trend for ‘green’ chemistry (plant-based materials)
- Volume trends follow downstream segments (construction, automotive, personal care, lubricants)

END-MARKETS
- Industrial synthesis
- Polymerisation

ADVANCED MATERIALS

Business Group Advanced Materials serves our clients in Converting, Compounding, Composites and Rubber industries to develop innovative and sustainable solutions and speciality products for a safer and healthier life.

PRODUCTS
- Polymers, speciality Compounds
- Functional additives, fillers and reinforcements
- Resins and advanced composites
- Pigments

CHARACTERISTICS
- Sustainable solutions to stimulate circular economy
- Innovation in light weighting and durable solutions
- Latest materials for safer and healthier living

END-MARKETS
- Automotive
- Medical & healthcare
- Wire & cables
- Packaging
- Electrical & electronics
- Sports & leisure
- Marine
- Aerospace
- Building & construction
- Industrial

Home Care and I&I

Paving the way for a new generation of fabric conditioners

Two years ago, one of IMCD's supplier partners discovered that its polymer product was a possible replacement for esterquats in fabric conditioners, which could result in the manufacturing of home care products that are more sustainable.

Replacing esterquats in fabric conditioners is an interesting notion for a number of reasons. Firstly, the manufacture of fabric conditioners containing esterquats requires high temperatures, using a significant amount of energy. Secondly, esterquat formulations can thicken over time, causing issues for consumers. Lastly, esterquat-based fabric softeners are not recommended to be used with synthetic fibres such as lycra, making them unsuitable for sportswear garments.

Put to the test

In order to explore the options to replace esterquats, IMCD decided to run several tests in the Home Care and I&I laboratory in Germany. The results revealed that the polymer product was too thick to be poured into the washing machine and was achieving a level of softness that did not meet European standards.

Innovation through collaboration

Knowing that silicones reduce viscosity in shampoos and are used to improve smoothness in fabric softeners, our IMCD experts suggested combining the polymer with a silicone from another supplier partner. IMCD was able to bring the two suppliers together in creating a first formulation, which has even been published in an industry publication (ip.com). This formulation can be produced using a cold process, therefore saving energy and allowing companies manufacturing laundry detergents to also produce fabric softeners without any further investment.

Once the compatibility with synthetic fibres has been proven, this should open a new sportswear application for fabric softeners - demonstrating how IMCD's collaborative approach and wide formulation knowledge results in true innovation.

"We had a formulation concept of interest to two global principals. **Partnering with them made it possible to explore a new way of formulating for fabric conditioners.**"

Claudia Sturm
Application Laboratory Manager
Home Care I&I

Claudia has over 30 years of experience in the industry. With her knowledge of the Personal Care industry she is instrumental in concept development, training and research to support our sales teams worldwide.

Pharmaceuticals

Championing **greener chemistry**

IMCD Regulated Synthesis (part of IMCD Business Group Pharmaceuticals) distributes speciality solvents, process chemicals and intermediates for the manufacture of active pharmaceutical ingredients (APIs). Over recent years, IMCD's Regulated Synthesis team has steadily evolved its mission and strategy in line with industry needs, including the proliferation of green chemistry.

The challenge with API production

API production has the potential to generate significant amounts of waste by-products and pollutants. A lifecycle case study by a leading pharmaceutical company estimated that 80% of waste produced from its API manufacturing facilities is solvent-related. Solvent selection can, therefore, play an important role in alleviating environmental burdens associated with API manufacture.

IMCD 'Greener Solutions'

In response to this need, IMCD Regulated Synthesis launched its 'Greener Solutions' initiative to support customers in developing more sustainable processes.

The first iteration of the initiative is the 'Greener Solvents' seminar, a complimentary discourse on alternatives to more commonly used solvents that are potentially toxic and/or environmentally harmful. Partnering with world-leading principals, our Regulated Synthesis team has assembled (and continues to add to) a portfolio of speciality solvents offering various green credentials.

Since its launch in 2018, the seminar has had more than 700 participants from more than 50 customers, whilst also being delivered to academic institutions in an effort to reach the next generation of process chemists.

In 2020, IMCD Regulated Synthesis will introduce a new seminar entitled ‘Greener Reactions’, which will widen the discussion to include greener process chemicals and reagents. By responding to this industry need, IMCD has become even more in tune with its customers and, as a result, has become the partner of choice for its customers and principals alike.

“When producing new medicines, the pharma industry has a significant waste footprint. **By influencing change to switch to more sustainable solutions, IMCD makes a difference.**”

Hashim Javaid Ph.D
International Technical Manager
Regulated Synthesis

Before moving into the commercial sector, Hashim had over ten years of experience as a medicinal chemist in drug discovery.

Connecting our suppliers with indie beauty brands

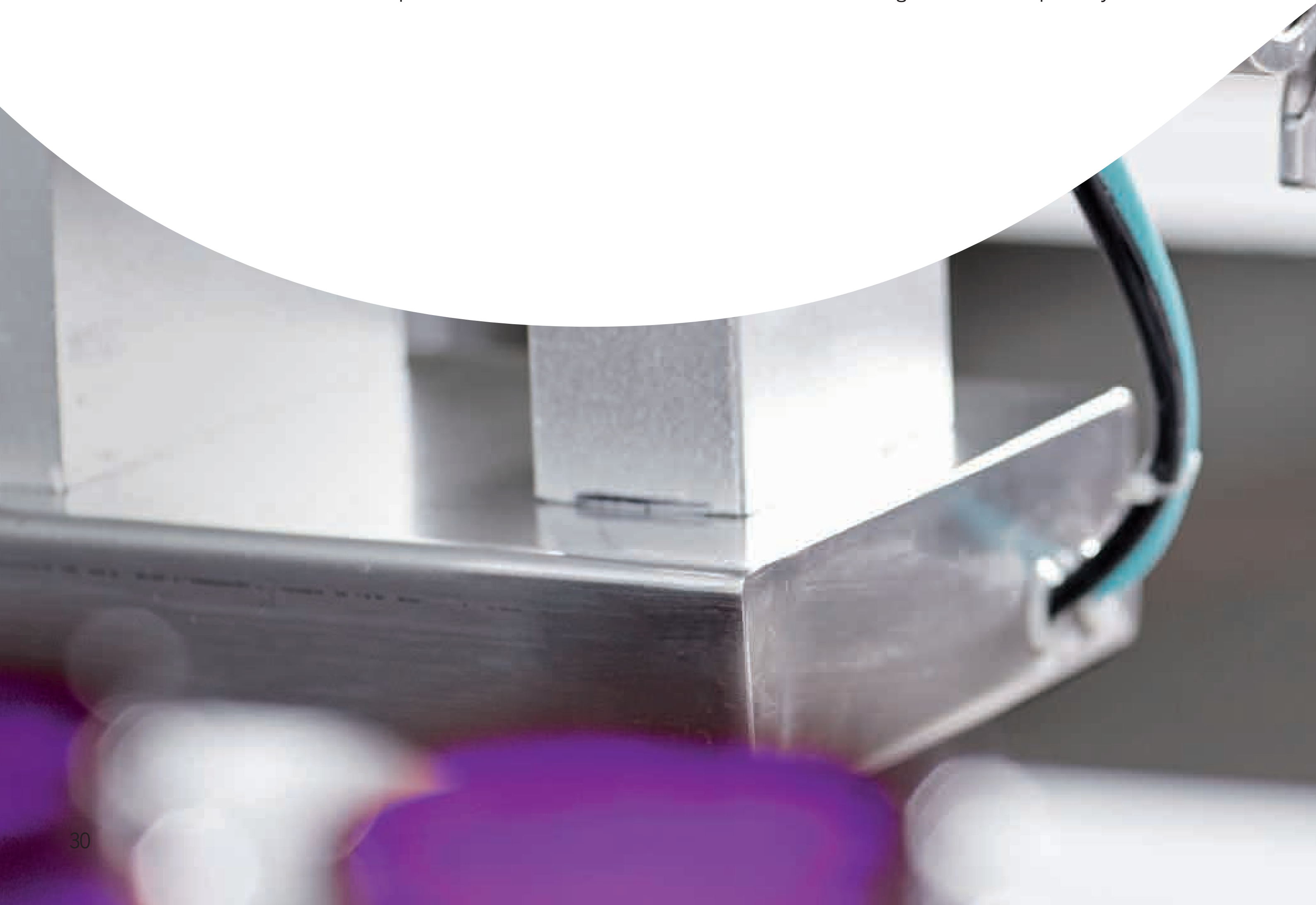
In the US, there are many marketing brands or indie brands that are fast and first to market. Their products are primarily sold in the most relevant beauty store chains and direct to the consumer. These organisations want innovative and unique concepts that are trend-forward, with many multinational corporations monitoring them and their activities for future acquisitions. Our supplier partners look to IMCD US to connect them to these indie brands.

Supporting innovation

There are two particular instances where IMCD's labs have shined to support innovation. The first was a meeting with the R&D Global Head of Acquired Brands for a leading beauty company, which led to a request for assistance in a formulation with a short development cycle. IMCD was able to develop a stable dandruff treatment shot spray for one of its brands that then resulted in discussions for future formulation developments.

Bridging the gap

The second example was for a very large contract manufacturer. They met IMCD at one of our tradeshows where our technical experts demonstrated an illuminating fluid gel cleanser developed in our laboratory that utilised ingredients from two of our top supply partners. The contact manufacturer was very impressed by this product, but was having issues reproducing a stable formulation with a very high level of fragrance that is required by the brand.



We were able to assist in making a stable formulation with their fragrance and it's now a top project in its innovation pipeline.

Successes such as these, along with many others, are key to showing our value in connecting our principal partners with the customer.

“Cosmetic innovation is an ongoing process. Especially with new ingredients and technology coming into the industry to **enable innovation and meet the demands of consumer needs**.”

Cindy Zhang
Senior Application Scientist

Cindy has over 15 years of experience in the industry and joined IMCD when E.T. Horn merged with IMCD.

Making water-based paints **even safer**

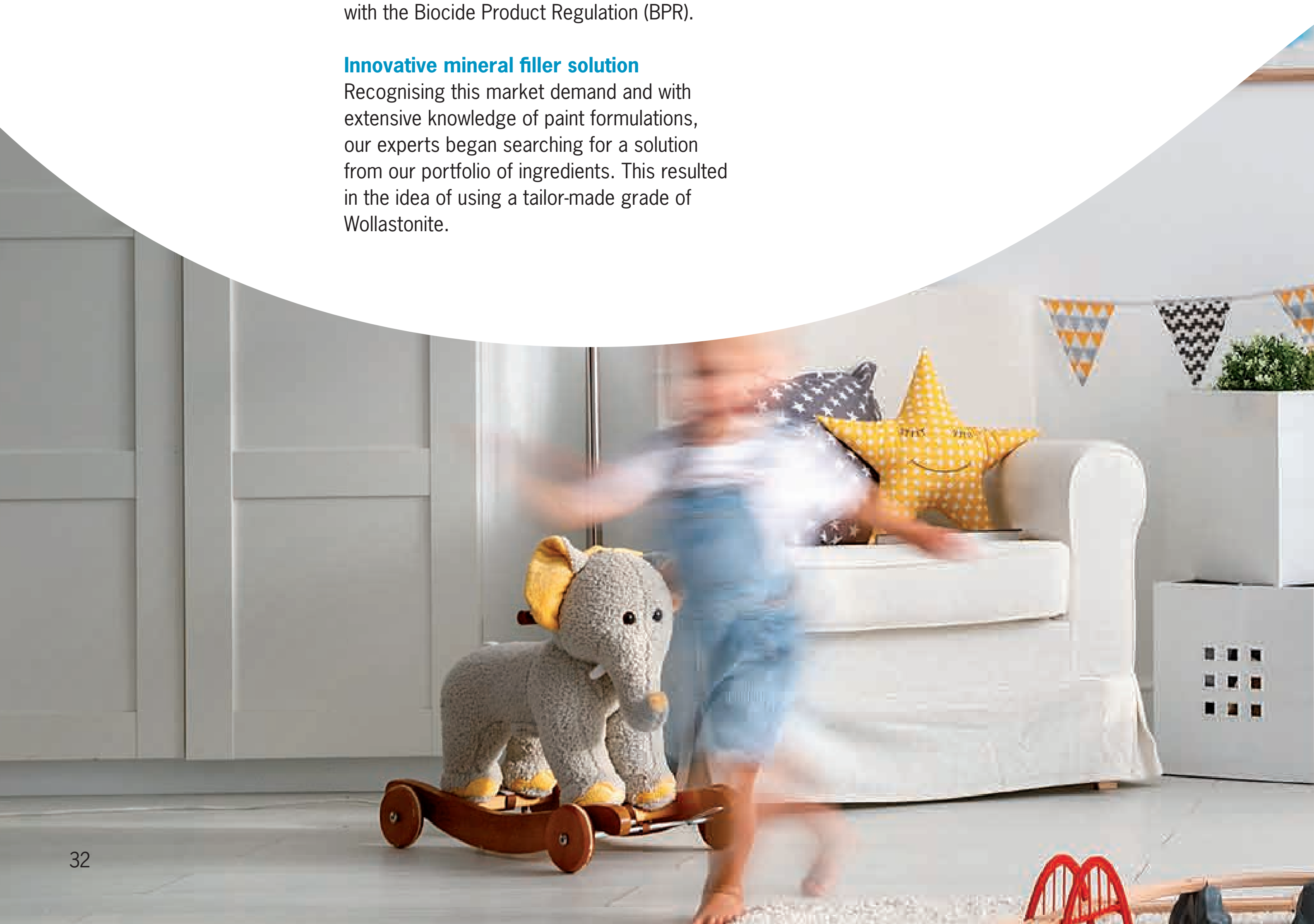
For many years, biocides have been used in water-based paints as a way of keeping them stable. Biocides are preservatives that protect paint from microbial attack, inhibiting the growth of bacteria and other harmful organisms and increasing the shelf life of the product.

Whilst biocides are important for preventing spoilage in water-based paints, there is a growing concern for the health and safety impacts with this type of chemical. Biocides are a known cause of allergens and in line with the Globally Harmonised System (GHS) of Classification and Labelling of Chemicals, companies are required to clearly communicate any hazardous ingredients in their products. IMCD's customers have therefore been actively seeking to reduce biocide levels so that their paints can be GHS label-free. This also means that they can comply with the Biocide Product Regulation (BPR).

Innovative mineral filler solution

Recognising this market demand and with extensive knowledge of paint formulations, our experts began searching for a solution from our portfolio of ingredients. This resulted in the idea of using a tailor-made grade of Wollastonite.

Wollastonite is a mineral typically used as a filler, however after performing tests in our labs, we found that it has a synergistic effect with incan preservatives, increasing the storage stability of water-based paints. This unexpected and innovative Wollastonite application allows biocide levels to be kept very low (up to 75% reduction in biocide levels), helping paint manufacturers to overcome their challenge of achieving a GHS label-free paint formulation with a suitable shelf life.



Successful launch

Together with one of our major supplier partners, we jointly launched this new application. IMCD was able to deliver a solution that customers could implement immediately, whilst helping them to make safer and more environmentally friendly products.

"Reducing the amount of biocides in waterborne coating systems results in **products that are more health-friendly for the paint producers as well as professional and DIY painters.**"

Jerome Bollard
Technical Manager
Coatings & Construction

Jerome has over ten years of experience in the industry and manages five European laboratories of Coatings & Construction of the 11 facilities we have worldwide.

Creating tasty **plant-based food**

Plant-based food is the hottest topic in the industry. Younger generations are showing increasing concern for issues surrounding the environment, and animal welfare is a pressing moral issue. Initially limited to a niche vegan market, plant proteins now represent 4.4% of the total number of new product launches for food & beverages, with a 17% compound annual growth rate*.

The challenge

The challenge when formulating meat alternatives is to offer a great culinary experience with no additives or ultra-processed ingredients, but also a nutritionally balanced product. Good taste remains the most important factor for consumers and is key to ensuring a strong repeat purchase rate on the shelves and therefore a successful launch.

IMCD combined expertise in proteins, texture and taste

Through several customer briefs and intense joint work with key principal partners, IMCD Food & Nutrition has extensive knowledge on developing formulations based on different plant proteins (pea, wheat, soy), clean label texturising solutions and products with a unique sensorial impact. Examples of challenges faced by customers when formulating plant-based foods include masking specific vegetal green notes with the use of specially selected natural flavours, or creating a pleasant "bite" and mouthfeel, either with a pre-texturised protein or through an additional process step.

* Source: Innova

Based on this expertise, IMCD has provided valuable formulation support to its partners and has gained several new customers that are launching plant-based meat analogues in the European and North American market.

“**Bringing value to customers that addresses the changes in consumer needs** is the most exciting driver for our teams.”

Gilles Donneaud
Business Unit Manager
Food & Nutrition

Gilles has been with IMCD since 1998 and has extensive experience in the development of local and international products for the food industry.

Lubricants & Fuels

Setting our customers **apart from the crowd**

At the beginning of 2019, IMCD Lubricants & Fuels embarked on a project to switch one of its customers from its additive supplier to our alternative principal partner. This customer is an oil marketer and lubricant and fuel blender and seller with 60 service stations across Kenya.

Our team in Kenya was approached with an ambitious growth plan to double their service stations and volume by the end of 2020. Having only been selling unadditised fuels, they had been grappling for market share and had been limiting their opportunities for growth. IMCD recognised that if the customer were to sell fuels formulated with performance-enhancing additives, it would be able to differentiate its offering from the mass fuel market in Kenya and have a competitive edge.

Value-added solution

Together with our additive principal partner, IMCD Lubricants & Fuels was able to nurture the customer's ambition to join the multinationals in selling additised fuels. We provided a complete solution for the customer, including expert formulation advice, fuel additive formulation guidance from our dedicated Lubricants & Fuels Technical Centre, a pumping/dosing system solution, and support with consumption projections. Through our additive supplier, we were even able to offer marketing propositions and materials.

Boosting business

IMCD is the first to partner with a local fuel marketer to partake in the commercialised additised fuel market segment in Kenya. The solution we provided has not only allowed our customer to differentiate itself from the mass market, but has also ensured that

it is able to provide quality fuels to its customers whilst enhancing the growth of its business. IMCD Lubricants & Fuels hopes to implement this same successful approach with other customers in the future.

"Teamwork was the fuel that allowed us to find a solution that met the immediate need of our customer."

Joseph Juma
Industry Manager

Joseph has been with IMCD for two years and drives results across the business units Lubricants & Fuels, Advanced Materials and Coatings & Construction.

Synthesis

Utilising our **synergistic portfolio**

IMCD launched the distribution of a supplier partners' range of speciality acrylates across the EMEA region. Acrylates are widely used for the manufacture of multiple resin families for paints, adhesives and composites. This range includes 'long chain acrylates', which were sampled to a number of our customers.

Long chains provide flexibility, weatherability and gloss to final products. One major piece of technical feedback that we received was that a complete reaction couldn't occur, due to chemical incompatibility in water.

In parallel to this, IMCD attended a technical meeting with another supplier partner that, in principle, has little to do with acrylates. During this meeting, we were introduced to cyclodextrine. It appeared that this material was able to make long chain monomers compatible in water.

Creative solution

With this information, combined with the knowledge of the long chain acrylates issue, it soon became obvious that cyclodextrines could be a solution to help our customers move forward with their development projects. After ensuring both portfolios of products were distributed in the same regions and following open discussions with both suppliers, IMCD decided to create a one-pager that would present the technical interest of cyclodextrines and long chain acrylates together in aqueous systems.

Providing the tools to support customers

This initiative allowed us to jointly promote products from two different principal partners which are technically synergistic and managed by two different IMCD Business Groups. It also demonstrated IMCD's technical strength, portfolio relevancy and ability to understand customers' needs.

Since then, we have already received positive feedback from various customers across the EMEA region, who have shown great interest in the products and are moving forward with further testing.

“Working for two suppliers at once to realise the same goal by smartly developing a business was rewarding. **We were able to fulfil the requirements of all parties involved.**”

Shani Renau Ferrer
Sales and Product Line Manager Industrial Synthesis

Shani is a Chemist with eight years of Industrial R&D Project Management experience. She joined IMCD in January 2017 and is primarily responsible for acrylates monomers portfolio for the EMEA area.

Advanced Materials

Helping customers to **get ahead of the game**

REACH is a regulation of the European Union, adopted to improve the protection of human health and the environment from the risks that can be posed by chemical substances. Customers are increasingly seeking non-hazardous solutions.

The ECHA (European Chemicals Agency) has recently given cobalt octoate – a free form of cobalt – a more stringent reproductive toxicity classification. This led to a reclassification of nearly all commonly used cobalt-based catalyst products. In the long term, further restrictions for cobalt octoate are expected, which would stop its use in consumer products. The industry therefore faces the challenge of finding a suitable replacement without compromising performance or without having to modify the whole production chain.

Finding an effective alternative

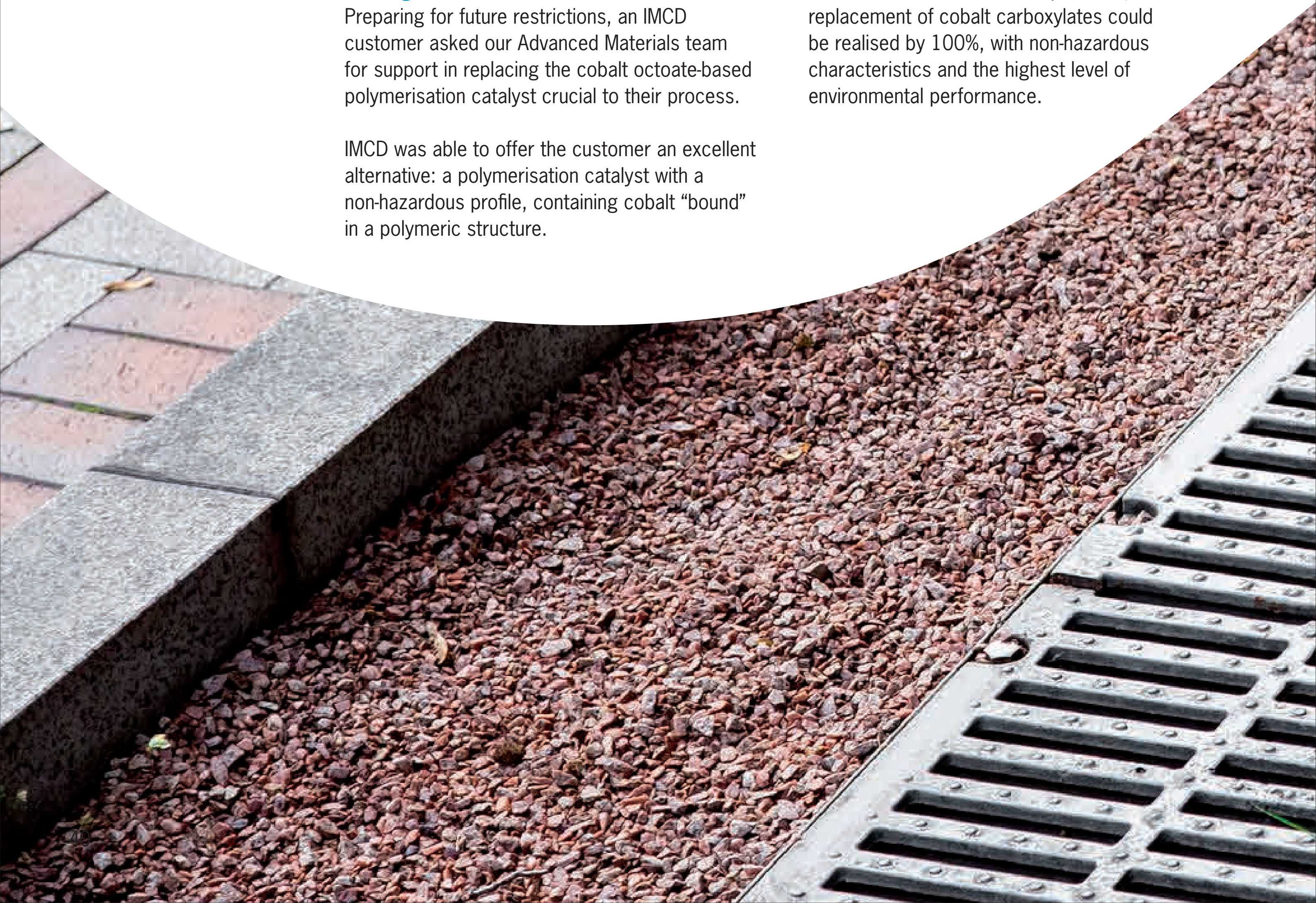
Preparing for future restrictions, an IMCD customer asked our Advanced Materials team for support in replacing the cobalt octoate-based polymerisation catalyst crucial to their process.

IMCD was able to offer the customer an excellent alternative: a polymerisation catalyst with a non-hazardous profile, containing cobalt “bound” in a polymeric structure.

In cooperation with its principal, IMCD also developed several custom-made mix accelerators based on this non-hazardous catalyst. These bespoke 1:1 drop-in solutions allowed the customer to replace reclassified cobalt carboxylate complexes without having to modify current formulations.

Hazardous-free solutions

The very close technical collaboration between IMCD, its principal and its customer led to a range of tailor-made solutions and catalyst variations. Thanks to the complex matrix polymer structure of those innovative products, the replacement of cobalt carboxylates could be realised by 100%, with non-hazardous characteristics and the highest level of environmental performance.



Worldwide launch

After a very successful introduction and a series of production trials, the customer has started to launch this sustainable solution in its worldwide facilities with the support of IMCD's technical experts and widespread presence.

“This new cobalt technology demonstrates how product and processing innovations **play a key role in the success of our customers and our contribution to sustainability.**”

Jürgen H. Aurer
New Business Development & Key Account Manager

Jürgen joined IMCD when Velox merged with IMCD. He has a background in Business Development and over 30 years of experience in the Composites industry from a distributor's as well as from a manufacturer's side.

STRATEGY &
BUSINESS

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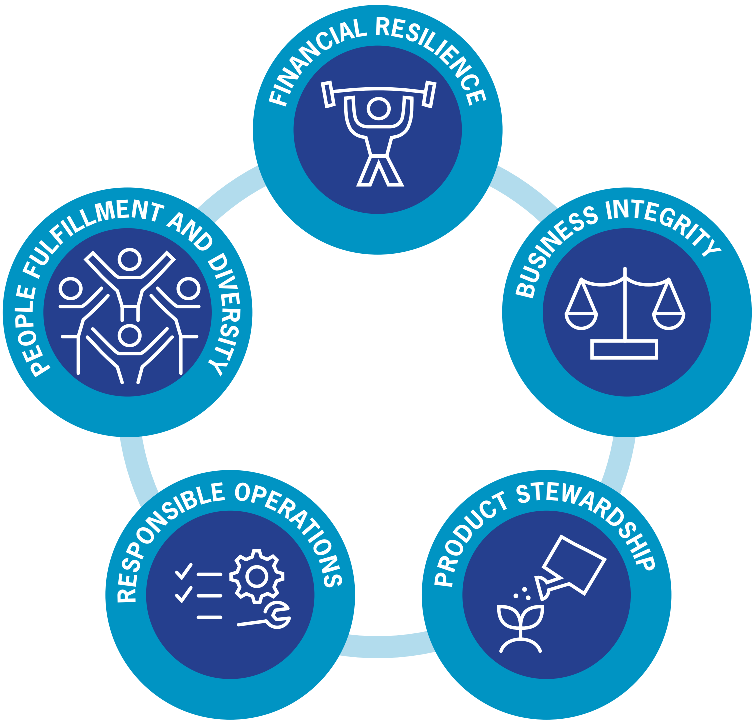

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STRATEGY & BUSINESS

As a leading speciality chemicals distribution partner, IMCD has an important role to play in society, including protecting health and welfare, improving economic prosperity and helping to create a more sustainable future.

IMCD strives to be the global sales channel partner of choice – a distributor that suppliers of speciality chemicals and food ingredients turn to for first-class technical expertise and solutions that help them innovate and align their business operations to realise their growth targets.

Our culture

By giving its people the freedom to act and empowering them to drive business forward, IMCD has established a dynamic and entrepreneurial culture. Integrity, transparency and compliance are elements of IMCD's core business values that promote a climate of trust and respectful relationships with our business partners, investors and regulatory authorities. Through a continuous focus on operational excellence, the constant development of product know-how and technical expertise and further strengthening of its market position, IMCD can be trusted to be a reliable and transparent link in its partners' value chains.

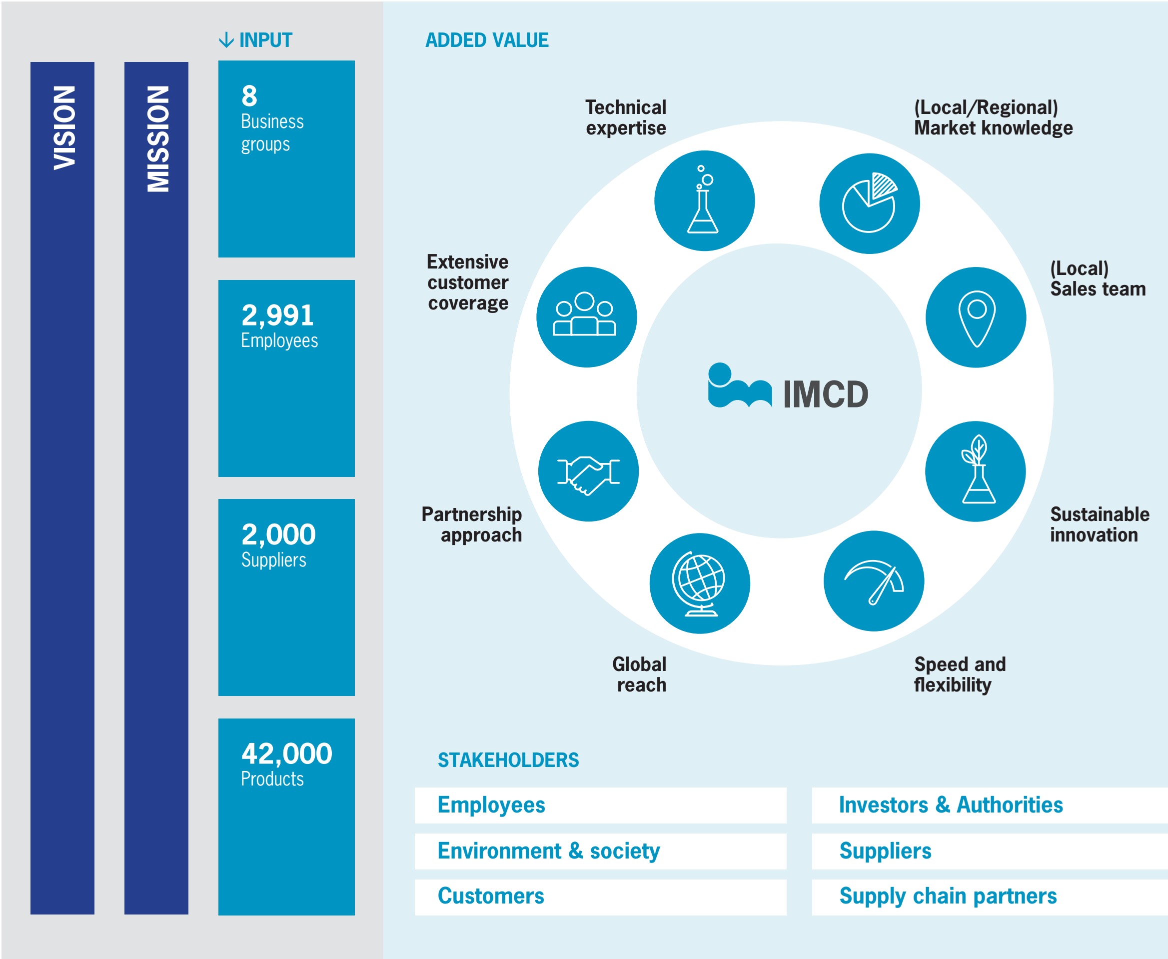
IMCD's business principles, core values and ethics are reflected in its Code of Conduct, which is available on IMCD's website.

Value creation

IMCD's value creation model shows how it uses the resources, capabilities and expertise at its disposal to the benefit of its key stakeholders. Through its operations, IMCD transforms capital inputs into outputs and outcomes that create value for the organisation, its stakeholders and society at large over the short, medium and long term.

Our strategy

IMCD aims to create value for its stakeholders through the pursuit of sustainable growth of its revenues and results, driven by organic growth alongside strategic acquisitions where appropriate. First and foremost, IMCD strives to increase market share for the suppliers it represents. In addition, IMCD uses its market intelligence and technical expertise to identify



opportunities to grow its business across the different geographies.

The long-term strategy is in line with the ongoing consolidation of the speciality chemicals distribution market, with manufacturers increasingly looking to outsource to a select number of multi-territory partners.

As part of its approach, IMCD maintains a diversified and asset-light business model with an outsourced supply chain infrastructure. This provides us with the flexibility and resilience to respond and adapt to changing circumstances and demands from both the market and society.

Growth strategy execution

IMCD focuses on achieving growth through long-term partnerships combined with market expertise, technical development and innovation. This strategy has yielded solid growth based on the following strengths:

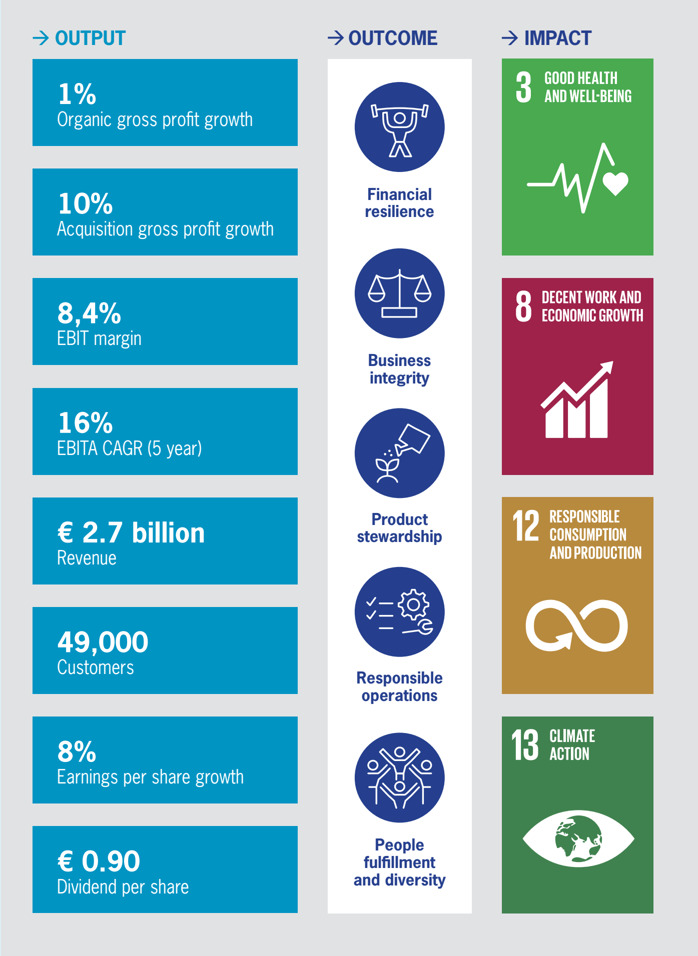
- leading international sales, marketing and distribution platform focused on speciality chemicals and food and pharmaceutical ingredients
- a diversified and resilient business model
- superior margin conversion and cash conversion
- proven and committed management team
- highly professional team of technical experts supported by state-of-the-art digital tools
- ability to deliver organic and acquisition led growth

Organic growth

IMCD's organic growth strategy has three main drivers:

- increasing market share by outperforming through sales excellence
- investing in product and formulation know-how
- expanding with existing suppliers in additional geographies and adding new suppliers and products to the portfolio
- GDP growth in the different geographies where IMCD operates

IMCD aims to achieve organic growth that exceeds market growth in general. Expanding our current supplier relationships and identifying new ones that add value and choice for our customers is a fundamental aspect of our organic growth strategy. We have a coordinated and focused approach towards both expanding market share



IMCD's value creation model shows how it uses the resources, capabilities and expertise at its disposal to create value for IMCD's key stakeholders. IMCD's business model transforms these capital inputs into value outputs and outcomes that over the short, medium and long term create value for the organisation, its stakeholders and society at large.

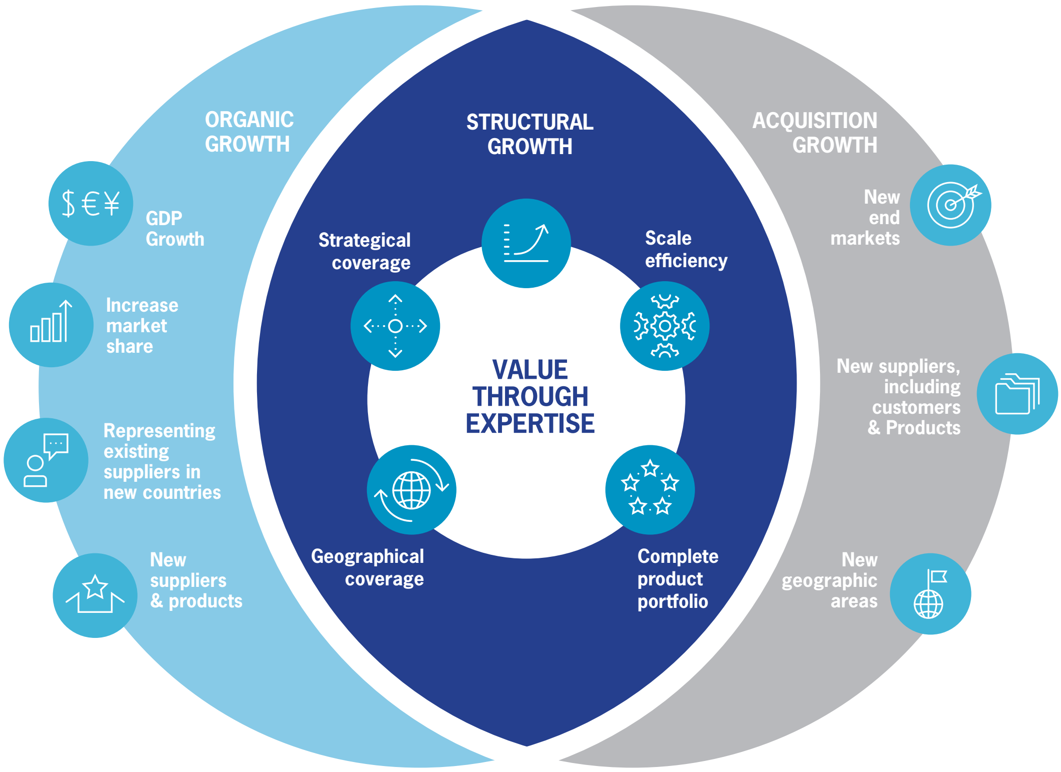
of our existing products and our own business development, with the aim of offering full product portfolios across all geographies.

Acquisition growth
IMCD continues to benefit from the highly fragmented distribution market and the continuing consolidation trend, largely driven by suppliers looking to optimise their sales channels. Since its formation, IMCD has acquired more than 60 companies, resulting in a broad geographical footprint across EMEA, Asia-Pacific and the Americas. Using its extensive network and in-depth market knowledge, IMCD will continue to pursue selected acquisition opportunities to further expand and enhance its business model in both developed and emerging markets.

Finding suitable acquisition targets is an ongoing process related to ensuring there is the right cultural and business alignment. IMCD has strict acquisition criteria that are, first and foremost, based on identifying a strategic fit that provides a platform for further growth both geographically and in complementary product markets. Acquisitions are always subject to the availability of appropriate management attention and to IMCD's requirements for maintaining a strong balance sheet while limiting financial and operational risks.

The primary aim in all acquisitions is to support sustainable added value growth for IMCD's suppliers and customers. Barring exceptional circumstances, an acquired company should be able to contribute to IMCD's cash earnings per share from the date of acquisition. The majority of our acquisitions are financed by our own strong cashflow and flexible loan facilities.

Integration of newly acquired companies is affected through a well-structured integration program providing a swift transition to IMCD's internal reporting, control and compliance systems and ensuring an optimal realisation of operational and business synergies.



Opportunities, risks and resilience

Identifying, assessing and managing risks and opportunities is a constant and integral part of IMCD's strategy execution and business operations.

Opportunities and focus areas

IMCD is focused on growing the brands of its suppliers and customers. IMCD continues to pursue growth in all regions with the aim of maintaining a (local) leading position in the distribution of speciality chemicals and food ingredients.

IMCD is actively exploring ways to optimise its services by using further digitalisation of its business processes. IMCD's global and integrated CRM and product management systems function as the foundation for further digitalisation of IMCD's business processes. In 2019, IMCD launched its B2B customer portal, enabling customers to digitally handle their ongoing business with IMCD and gain 24/7 access to relevant product and commercial data.

Risks and resilience

The ability to respond and adapt to changing circumstances and demands from both the market and society is a prerequisite for IMCD's long-term strategy to create sustainable growth and value for its stakeholders.

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 as well as the ability to maintain and expand commercial relationships and the timing, scope and impact of acquisitions.

IMCD is financially resilient, as a result of its wide geographical and market presence and its large number of suppliers, customers and products. Price fluctuations of basic raw materials generally have a limited impact, as the speciality products within IMCD's portfolios are highly functional and typically used in relatively low volumes. IMCD's resilience is further enhanced by its outsourced supply chain infrastructure and asset-light business model. IMCD's financial resilience is backed by a capital structure that is focused on flexibility, a strong balance sheet and limited risk.

An overview of the key risks to IMCD's strategy execution and business operations and a description of how IMCD assesses and manages these risks are given in the risk management section of this Annual Report.

Management approach
As a responsible distributor and importer of chemicals, IMCD cares for the safety and health of people and the environment. IMCD ensures compliance with applicable laws and regulations in the markets we serve, and recognises the importance of responsible distribution within the lifecycle of chemical products.

In order to fully engage in its redefined compliance and sustainability plans, IMCD adopted a more centralised approach and re-organised part of its global organisation to take on this role. This is called the Regulatory, Quality and Sustainability organisation and it reports directly to the Board of Management. Roll-out of its strategy, policies, systems and digital tools will continue in 2020.

IMCD's group companies are encouraged to take on an active role in the local implementation and development of relevant practices that contribute to the globally set agenda.

Sustainability

IMCD recognises that as it increases its global presence, its impact on the environment and society becomes progressively more important. We believe that growing sustainably is not only measured by our social or environmental impact, but also by striving to improve financial performance and embed it in the IMCD business model.

IMCD's environmental and societal contributions begin with its suppliers and via its people, expand throughout the value chain. The purpose of IMCD's sustainability approach is to grow the business while reducing its environmental footprint with clear and measurable metrics. We are committed to offering products and solutions within our portfolio that focus on the health and wellbeing of our consumers, the environment and society, whilst managing our operational footprint in a responsible way.

In 2018, IMCD started to work on redefining its group-wide sustainability approach. An internal sustainability task force identified five key areas in which IMCD strives to stimulate sustainable practices: financial resilience, people fulfilment and diversity, product stewardship, responsible operations and business integrity. Its sustainability priorities support at least four of the United Nations Sustainable Development Goals (SDGs), in line with the Chemical Sector SDG Roadmap (published in July 2018 under the guidance of the World Business Council for Sustainable Development). We have incorporated clear targets into our annual sustainability report and finalised our commercial approach related to these targets.

FINANCIAL RESILIENCE

Operating globally, in a fast-paced and competitive market, exposure to risks is inevitable. Being able to adapt to disruptions and rebound quickly during adverse circumstances is paramount. IMCD works hard to cultivate a culture of resilience, combining an entrepreneurial spirit with sound financials and reporting discipline.

PRODUCT STEWARDSHIP

Product stewardship is at the core of IMCD's activities. Our regulatory and quality teams ensure compliant and sustainable performance and our technical experts constantly analyse new technologies and turn market trends into viable green, healthy and more sustainable applications, formulations and solutions.

BUSINESS INTEGRITY

Integrity is fundamental to the way that IMCD does business. IMCD has strong values and clear policies and standards in place to ensure that its employees always operate in an ethical way. By asking our partners to do the same, we aim to have a positive influence across our value chain.

PEOPLE FULFILMENT AND DIVERSITY

IMCD is proud of its people and considers this by far its most valuable asset. IMCD fosters its international and entrepreneurial business culture that enables employees to develop within an inspiring atmosphere. We believe that our diversity contributes to the overall performance.

RESPONSIBLE OPERATIONS

IMCD is dedicated to the safe and reliable handling of chemicals, ensuring its warehouse operations and transport are up to all standards and its waste disposal is treated according to the highest standards to avoid unnecessary spills or environmental impact. IMCD continuously seeks to optimise daily operations and focus on the reduction of greenhouse gas emissions and the carbon footprint within our activities and in the value chain.

Key areas for sustainability

In 2019, IMCD worked on executing its group-wide sustainability approach. We published our 2018 sustainability report and created a commercial program called "IMCD Sustainable Solutions". This program will promote products that have a better environmental or health performance compared with mainstream products in the market. In this way, we can use our role as distributor to have a bigger impact than only focusing on our internal operations.

In our sustainability report 2018, we provided clear CO^2 emission reduction targets per million EUR EBITDA which we will follow up every year. In this way we can manage our progress and show commitment towards improving our performance.

For our sustainability report 2018 we performed an internal stakeholders survey which resulted in 5 key areas which IMCD will focus on, also taking into account our external stakeholders interests. Throughout 2020, IMCD will engage with its stakeholders to further develop and define its policies in these five areas.

Global organisation

Next to the centralisation and reorganisation of our Regulatory, Quality and Sustainability organisation, we have built our new compliance system which will be rolled out early 2020 to create a faster, more automated approach which fits the future and takes digitalisation into account. In addition, we have built a centralised service centre (GRQC; global regulatory questionnaire centre) where we centralise all regulatory/quality, product and supplier information, and customer product and supplier questionnaires. This centre is located in Mumbai and strengthens our capability in providing better and more timely services to our customers and suppliers.

Sustainability reporting

As a result of the aforementioned new approach, IMCD was capable of publishing its first sustainability report over the year 2018, in which IMCD reported its performance quantitatively and provided further insight into its operations, locations and environmental impact.

SDG alignment

IMCD supports the initiative by a selection of leading chemical companies and industry associations to translate the United Nations Sustainable Development Goals (SDGs) into a Chemical Sector SDG Roadmap (published in July 2018 under the guidance by the World Business Council for Sustainable Development).

IMCD's sustainability priorities align with targets underlining at least four of the SDGs that the chemical sector identified to contribute to:

3 GOOD HEALTH AND WELL-BEING

IMCD is committed to product stewardship. Its technical experts constantly analyse new technologies and turn market trends into viable green, healthy and more sustainable applications, formulations and solutions. By putting this expertise to work for the benefit of our suppliers and customers, IMCD contributes to increased availability of products with health and safety benefits, while reducing their environmental footprint.

8 DECENT WORK AND ECONOMIC GROWTH

IMCD employs nearly 3,000 people globally and through its operational activities reaches approximately 2,000 suppliers and more than 49,000 customers. Hence, IMCD plays a key role in generating rewarding work opportunities, high-level working conditions and delivering an important contribution to economic growth, both directly and indirectly.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

By simplifying its suppliers' supply chains on a local and a global scale, IMCD enhances process efficiency, leading to efficiency in resource usage as well as emissions, energy and waste reductions. IMCD not only achieves this for its partners, but is also committed to always work in a responsible, ethical and sustainable manner itself.

Maurits van Kolck
Group Director Regulatory,
Quality and Sustainability
IMCD Group

"By actively promoting 'IMCD Sustainable Solutions', we focus on reducing the environmental footprint both upstream and downstream. We do this by leveraging our suppliers products and data. In this way, we can directly **help our customers in becoming more environmentally and financially sustainable**."

CHAPTER CONTENTS

PERFORMANCE

2019 can be characterised as a year with challenging macro-economic market conditions. In particular, the industrial market segment in parts of the EMEA and Americas regions experienced volatility in customer demand. Nevertheless, IMCD was able to deliver a solid performance by further expanding its supplier relationships and product portfolios and growing its customer base.

IMCD successfully integrated the businesses acquired in 2018 and further expanded its infrastructure in Europe, the Americas and Asia by acquiring reputable speciality chemical distributors.

Through its technical, marketing and supply chain expertise, IMCD continues to deliver added value and growth to both its customers and principal partners in more than 50 countries.

Macroeconomic conditions in the regions where IMCD operates were diverse in 2019. In particular, certain countries in the EMEA region and latin America had rather low production growth numbers, impacting the growth of the chemical industry. Due to many uncertainties, including trade relationships with China and Europe, the US production growth numbers slowed down as well in 2019. The industrial market segments most notably faced volatile economic market conditions. IMCD's multi-market and geographical coverage, combined with its diversified supplier and product portfolio, provides financial resilience and enabled IMCD to deliver solid results.

To support customers' technical needs, sharing detailed application knowledge of its comprehensive speciality ingredient portfolio from leading supplier partners, IMCD operates 49 application laboratories throughout the world. Together with IMCD's business partners, IMCD's technologists are developing innovative application concepts. IMCD's state-of-the-art laboratory facilities also play an important role in training IMCD sales force and knowledge sharing, ensuring they stay abreast of market trends and developments and fully understand the functionalities and characteristics of the products within the portfolio. In 2019, IMCD opened three Pharma Technical Centres in Asia-Pacific and one in the US, an application laboratory focused on paints, coatings and inks in Turkey and a lubricants laboratory in Australia.

In 2019, IMCD further harmonised its global (pre-)sales, supply chain, health, safety, quality and finance and control processes in order to assure operational excellence. Operational improvements are facilitated by using sophisticated and modern ICT solutions supported by external specialists. In order to secure a leading position in the speciality chemicals distribution market, IMCD continues to invest in its ICT infrastructure. As part of IMCD's journey to become a truly digital company, in 2019 IMCD launched its B2B Customer Portal, a platform for IMCD's customers to handle their ongoing business with IMCD. We consider this digital platform as an important step to adapt to the omnichannel world.

IMCD is committed to sustainability and transparency along with open communication about its business, environmental footprint and social goals. IMCD developed an ambitious plan, set objectives and started to collect data, resulting in IMCD's first sustainability report. The 2018 sustainability report describes the variables which determine IMCD's environmental impact on which IMCD further wants to improve, in collaboration with its business partners.

In 2019, IMCD launched its “IMCD Sustainable Solutions” programme. Together with its suppliers, IMCD assesses its product portfolio per business line to determine which products qualify as “sustainable”. The program enables IMCD to generate increasing awareness of sustainable alternatives which can improve the footprint in the use phase of the products IMCD supplies, considering topics, including: operational costing, waste processing and contributions to the circular economy, total cost of ownership and potential carbon tax implications.

Acquisitions

IMCD considers acquisitions as an important pillar of its growth strategy to further expand its geographical and strategic market coverage, complement its product portfolio and to benefit from economies of scale. IMCD acquired five businesses in 2019.

On 30 August 2019, IMCD acquired the food distribution business of Matrix Ingredients International Pte. Ltd., Maxim Ingredients International Pte. Ltd. and Matrix Ingredients Sdn. Bhd. (together: "Matrix"), in Singapore and Malaysia. Matrix was integrated into IMCD’s existing organisation directly after closing the transaction. Matrix provides ingredients, technical services and formulation advice in the savoury and processed meat segment in the Singapore and the Malaysia markets. The services offered by Matrix form a valuable addition to IMCD’s food and ingredients portfolio aiming to strengthen IMCD’s savoury and processed meat segment.

On 18 September 2019, IMCD acquired 100% of the shares of Monachem Additives Private Limited ("Monachem") and Addpol Chemspecialities Private Limited ("Addpol"). Monachem and Addpol, with an office in Vadodara, India, are engaged in supplying and selling a comprehensive range of speciality chemicals products for the advanced materials industry. Both entities will be fully integrated into IMCD’s existing Indian organisation in 2020.

On 20 November 2019, IMCD acquired 100% of the outstanding shares of the Colombia-based ingredient distributor, Unired Químicas SAS (“Unired”). With an office in Bogota, Colombia, Unired distributes speciality chemicals and ingredients to the pharmaceutical, food and personal care markets.

On 10 December 2019, IMCD acquired 90% of the shares of Basel (Switzerland) based pharmaceutical distributor DCS Pharma AG ("DCS"). The remaining 10% of the shares will be acquired as of 31 December 2021. DCS’ product portfolio covers a range of Active Pharmaceutical Ingredients for the pharmaceutical and nutraceutical industries and operates in eight markets, including Spain, Italy, Germany, Mexico, and China.

On 18 December 2019, IMCD acquired 57% of the outstanding shares of Seoul (South Korea) based pharmaceutical ingredients distributor Whawon Pharm Co. Ltd. ("Whawon"). The remaining 43% of the shares will be acquired in 2024 at the latest. Whawon is a leading pharmaceutical distributor in South Korea with a focus on Pharmaceutical Formulation Ingredients.

General

All financial information in this section is presented in EUR million. Rounding differences may occur as the underlying figures as retrieved from the consolidated financial statements are rounded to the nearest thousand.

Financial performance

Key performance indicators 2019

EUR MILLION	2019	2018	CHANGE	FX ADJ. CHANGE
Revenue	2,689.6	2,379.1	13%	12%
Gross profit	599.3	536.1	12%	11%
Gross profit in % of revenue	22.3%	22.5%	(0.2%)	
Operating EBITA	224.8	202.1	11%	10%
Operating EBITA in % of revenue	8.4%	8.5%	(0.1%)	
Conversion margin	37.5%	37.7%	(0.2%)	
Cash conversion margin	97.4%	79.3%	18.1%	
Cash earnings per share	2.85	2.53	13%	

In 2019 IMCD realised revenue growth of 13% (+12% on a constant currency basis) and gross profit growth of 12% (+11% on a constant currency basis). Operating EBITA increased by 11% to EUR 224.8 million (+10% on a constant currency basis) with an operating EBITA margin of 8.4% (8.5% in 2018).

The cash conversion margin was 97.4% in 2019, an increase of 18.1%-point compared with the cash conversion margin of 2018. The weighted cash earnings per share increased from EUR 2.53 in 2018 to EUR 2.85 in 2019.

Revenue

	EUR MILLION				GROWTH			
	2019	IN % TOTAL	2018	IN % TOTAL	ORGANIC	ACQUISITION	FOREIGN EXCHANGE	TOTAL
EMEA	1,314.6	48.9%	1,240.8	52.2%	(4%)	10%	(0%)	**6%**
Americas	983.0	36.5%	802.6	33.7%	(2%)	20%	4%	**22%**
Asia-Pacific	392.0	14.6%	335.7	14.1%	7%	9%	1%	**17%**
Total	**2,689.6**	**100.0%**	**2,379.1**	**100.0%**	**(1%)**	**13%**	**1%**	**13%**

Revenue increased by 13% from EUR 2,379 million in 2018 to EUR 2,690 million in 2019. The revenue growth is the balance of organic growth (-1%), the first-time inclusion of acquisitions (13%) and a positive impact of foreign currency exchange differences (1%).

Diverse market dynamics in the different regions and market segments had an impact on organic growth. The strengthening of various local currencies versus the Euro, resulted in a positive impact on the revenue of 1%.

The overall organic revenue development was the balance of local macroeconomic circumstances, further strengthening of the product portfolio by adding new supplier relationships, expanding relationships with existing suppliers and increasing customer penetration by adding new products and selling more products to existing and new customers.

Revenue was positively impacted by acquisitions completed in 2018: E.T. Horn (Americas), Velox (EMEA) and Aroma (Asia-Pacific) and acquisitions completed in 2019: Matrix, Monachem and Addpol, Unired and DCS. The total impact of acquisitions on the revenue growth in 2019 was an increase of 13%.

Gross profit

	EUR MILLION				GROWTH			
	2019	IN % REVENUE	2018	IN % REVENUE	ORGANIC	ACQUISITION	FOREIGN EXCHANGE	TOTAL
EMEA	325.4	24.8%	308.1	24.8%	(2%)	8%	(0%)	**6%**
Americas	193.6	19.7%	157.7	19.7%	2%	17%	4%	**23%**
Asia-Pacific	80.3	20.5%	70.2	20.9%	10%	4%	1%	**14%**
Total	**599.3**	**22.3%**	**536.1**	**22.5%**	**1%**	**10%**	**1%**	**12%**

Gross profit, defined as revenue less cost of materials and inbound logistics, increased by 12% from EUR 536 million in 2018 to EUR 599 million in 2019. The increase in gross profit was the balance of organic growth (1%), the first-time inclusion of acquisitions (10%) and the positive impact of foreign currency exchange rate developments (1%).

Gross profit in % of revenue was 22.3% in 2019, compared with 22.5% in 2018. The gross profit in % of revenue remained stable in Americas at 19.7% and decreased in EMEA (-0.1%-point) and Asia-Pacific (-0.4%-point). Gross profit margins showed the normal level of differences in margins per region, margins per product and margins per product market combination. Differences between and within the regions are caused by local market circumstances, product mix variances, product availability, foreign currency fluctuations and the impact of newly acquired businesses.

Operating EBITA

Operating EBITA is defined as the result from operating activities before amortisation of intangible assets and excluding non-recurring income and expenses. It is one of the key performance indicators IMCD uses for controlling the performance of its operating activities.

The bridge between result from operating activities and operating EBITA is as follows.

Bridge operating EBITA

EUR MILLION	2019	2018
Result from operating activities	**176.1**	**162.6**
Amortisation of intangible assets	44.2	37.2
Non-recurring items	4.6	2.3
Operating EBITA	**224.8**	**202.1**

Operating EBITA increased by EUR 22.7 million (11%), from EUR 202.1 million in 2018 to EUR 224.8 million in 2019. On a constant currency basis, the increase was by 10%.

The growth in operating EBITA of 11% was a combination of organic growth, the first-time inclusion of acquisitions completed in 2018 and 2019, the impact of the initial application of the new lease accounting standard (IFRS 16) and the positive impact of foreign currency exchange differences (1%). The application of IFRS 16 had a positive impact on the operating EBITA of EUR 5.1 million.

The integration of acquired businesses into existing IMCD organisations makes it practically impossible to accurately distinguish organic and acquisition-related EBITA growth.

Operating EBITA

	EUR MILLION			
	2019	IN % REVENUE	2018	IN % REVENUE
EMEA	126.3	9.6%	127.8	10.3%
Americas	77.8	7.9%	60.1	7.5%
Asia-Pacific	35.7	9.1%	31.2	9.3%
Holding companies	(15.0)	-	(17.0)	-
Total	**224.8**	**8.4%**	**202.1**	**8.5%**

The operating EBITA in % of revenue slightly decreased from 8.5% in 2018 to 8.4% in 2019. Both regions EMEA and Asia-Pacific showed a decrease of the EBITA margin. In EMEA the EBITA margin decreased by 0.7%-point from 10.3% in 2018 to 9.6% in 2019. In Asia-Pacific the EBITA margin decreased by 0.2%-point from 9.3% to 9.1%. Segment Americas showed an improvement in EBITA margin of 0.4%-point, from 7.5% in 2018 to 7.9% in 2019.

The conversion margin, defined as operating EBITA as a percentage of gross profit decreased from 37.7% in 2018 to 37.5% in 2019. The conversion margin is negatively impacted by the first-time inclusion of acquired companies with lower than IMCD's average conversion margins.

The implementation of IFRS 16 Lease accounting had a positive impact on the operating EBITA of EUR 5.1 million. Further details of this impact are provided in note 2.e of the consolidated financial statements.

Operating EBITA by operating segment

IMCD distinguishes the following operating segments:

- 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, Uruguay, Colombia and Mexico
- Asia-Pacific: all operating companies in Australia, New Zealand, India, China, Malaysia, Indonesia, Philippines, Thailand, Singapore, Vietnam, Japan and South Korea
- 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 segments are described in the following sections.

EMEA

EUR MILLION	2019	2018	CHANGE	FX ADJ. CHANGE
Revenue	1,314.6	1,240.8	6%	6%
Gross profit	325.4	308.1	6%	6%
Gross profit in % of revenue	24.7%	24.8%	(0.1%)	
Operating EBITA	126.3	127.8	(1%)	(1%)
Operating EBITA in % of revenue	9.6%	10.3%	(0.7%)	
Conversion margin	38.8%	41.5%	(2.7%)	

The EMEA region realised revenue growth of 6% in 2019, which is a combination of organic revenue development (-4%) and the impact of the first-time inclusion of acquisitions completed in 2018 and 2019 (10%). In particular, the more industrial part of the business in EMEA was effected by the challenging macroeconomic market circumstances. The 10% acquisition impact mainly relates to the acquisition of Velox (2018). The acquisition of DCS Pharma AG (DCS) in December 2019 had a limited impact on the results of EMEA.

Gross profit increased by 6%, from EUR 308.1 million in 2018 to EUR 325.4 million in 2019. This increase was the balance of organic gross profit development (-2%) and the first-time inclusion of acquisitions (8%). Despite the more difficult market conditions in a number of countries in EMEA, IMCD successfully added new supplier relationships and further expanded its relationships with existing suppliers in new territories and with additional business lines. Organic gross profit development further included the usual variations in the product and customer mix.

On 10 December 2019, IMCD acquired 90% of the outstanding shares of Basel (Switzerland) based pharmaceutical distributor DCS Pharma AG. The remaining 10% of the shares will be acquired as per 31 December 2021. DCS' product portfolio covers a range of Active Pharmaceutical Ingredients for the pharmaceutical and nutraceutical industries and operates in eight markets, including Spain, Italy, Germany, Mexico, and China. In 2018, DCS generated a consolidated revenue of CHF 68 million (EUR 59 million) with 64 employees.

In 2019 IMCD completed the commercial and organisational integration of the Velox organisation, acquired in 2018, into its existing organisation.

IMCD continued to optimise its supply chain network in 2019, to enhance customer service levels and to reduce operating costs in the supply chain. System-to-system connectivity and process integration of the supply chain partners is crucial for achieving the optimisation.

IMCD operates 21 Technical Centres in EMEA. These Technical Centres are instrumental in exploring local markets and developing product applications for IMCD's business partners. In addition, in the various application laboratories market and product expertise is exchanged between IMCD, suppliers and customers on a local, regional and global level.

In 2019, operating EBITA was EUR 126.3 million compared with EUR 127.8 million in 2018, a decrease of 1%. Operating EBITA in % of revenue decreased by 0.7%-point from 10.3% in 2018 to 9.6% in 2019.

The conversion margin decreased by 2.7%-point, from 41.5% in 2018 to 38.8% in 2019. The difficult market conditions, combined with the impact of the lower than IMCD's average conversion margin of acquisitions were the main drivers of the development of the conversion margin in 2019. IMCD continues to focus on gross profit margin improvement and strict cost control.

As at the end of 2019, the number of full-time employees in EMEA was 1,419, an increase of 3%

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compared with the end of 2018. The acquisition of DCS added 42 employees to the total number of staff in EMEA. Without the impact of acquisitions, the number of full-time employees was slightly below the number as at the end of 2018. The decrease in the number of full-time employees is the balance of additional staff hired to fill vacancies and to strengthen the technical expertise and reduced number of employees as a consequence of the integration of the Velox entities into the IMCD organisation.

Americas

EUR MILLION	2019	2018	CHANGE	FX ADJ. CHANGE
Revenue	983.0	802.6	22%	18%
Gross profit	193.6	157.7	23%	18%
Gross profit in % of revenue	19.7%	19.7%	- %	
Operating EBITA	77.8	60.1	30%	24%
Operating EBITA in % of revenue	7.9%	7.5%	0.4%	
Conversion margin	40.2%	38.1%	2.1%	

Despite continuing geopolitical uncertainties, including the consequence of the implementation of trade measures, the North American production showed growth in 2019, albeit at a lower pace than in 2018. In Brazil the macroeconomic recovery continued in 2019 with GDP growth slightly exceeding expectations with decreasing unemployment rates.

In 2019, segment Americas showed good performance. Revenue increased by 22%, from EUR 802.6 million in 2018 to EUR 983.0 million in 2019. The organic revenue growth in 2019 was -2% and the growth as a result of acquisitions completed in 2018 (E.T. Horn) and 2019 (Unired Químicas SAS and DCS) was 20%. The favourable developments of foreign currency exchange rates in the Americas region, resulted in a positive currency exchange impact of 4% on the revenues in 2019.

In the fourth quarter of 2019, IMCD completed the integration of E.T. Horn into the IMCD US organisation and as a result enables IMCD US to act as one US organisation with dedicated market focus. The integration activities in the US not only resulted in an integrated commercial organisation, but in integrated systems and harmonised business processes as well.

On 20 November 2019, IMCD acquired 100% of the outstanding shares of the Colombia-based ingredient distributor, Unired Químicas SAS ("Unired"). With an office in Bogota, Colombia, Unired distributes speciality chemicals and ingredients to the pharmaceutical, food and personal care markets. In 2018, Unired generated revenue of USD 8 million (EUR 7 million) and had 15 employees.

IMCD's industrial activities in Brazil delivered sales performance in line with 2018, with improved profitability. The pharmaceutical activities of IMCD Brasil again delivered strong top-line and operational result growth numbers in 2019.

In 2019, gross profit of operating segment Americas increased by 23% from EUR 157.7 million in 2018 to EUR 193.6 million. The increase in gross profit was the result of organic growth (2%), the impact of the first-time inclusion of acquired companies (17%) and positive foreign currency exchange results (4%).

Despite the impact of acquired businesses with gross profit margins below IMCD's average, gross profit margin remained stable at 19.7% in 2019. The impact on the gross profit margin of acquisitions completed in 2018 and 2019 was for the larger part offset by margin improvement initiatives and changes in the product mix.

Operating EBITA increased by 30% from EUR 60.1 million in 2018 to EUR 77.8 million in 2019. On a constant currency basis the increase was 24%. It is reasonable to assume that approximately half of the operating EBITA growth is the result of the (full year) impact of acquisitions completed in 2018 and 2019.

The operating EBITA margin increased by 0.4%-point from 7.5% in 2018 to 7.9% in 2019. The conversion margin increased by 2.1%-point from 38.1% in 2018 to 40.2% in 2019. The increase in EBITA margin and conversion margin in 2019 was the result of lower margins of companies acquired in 2018 and 2019, more than offset by relatively lower growth of own costs in 2019.

The number of full-time employees in the Americas increased from 755 as at the end of 2018 to 783 as at the end of 2019. This increase includes 8 and 16 full-time employees of DCS and Unired respectively.

Asia-Pacific

EUR MILLION	2019	2018	CHANGE	FX ADJ. CHANGE
Revenue	392.0	335.7	17%	16%
Gross profit	80.3	70.2	14%	13%
Gross profit in % of revenue	20.5%	20.9%	(0.4%)	
Operating EBITA	35.7	31.2	14%	13%
Operating EBITA in % of revenue	9.1%	9.3%	(0.2%)	
Conversion margin	44.4%	44.4%	0.0%	

Overall, the region Asia-Pacific recorded strong growth numbers in 2019. Australia and New Zealand, responsible for approximately half of the revenues of the Asia-Pacific region, continued to deliver solid results and healthy cash flows in 2019. The operations in India and Indonesia realised double-digit growth numbers in 2019, mainly resulting from new supplier relationships, additional product portfolios and expansion of market segments. The operation in China reported growth numbers, albeit at a lower level than in 2018.

The investments in the start-up activities in Japan, Thailand and Vietnam over the past few years, to build and strengthen IMCD's presence in Asia-Pacific, resulted in considerable revenue growth in these countries. In particular, IMCD Japan more than doubled its revenues in 2019.

On 29 March 2019, IMCD completed the sale of IMCD Australia's Muskvale flavour and fragrance manufacturing business. Muskvale is an Australian manufacturer and supplier of fragrances, flavours, food colours and essential oils for the food, health and wellness, personal care and chemical industries. IMCD Australia acquired the business of Muskvale in 2012. In 2018, the Muskvale-related business generated a revenue of EUR 3.6 million with a gross profit margin of about 60%.

On 30 August 2019, IMCD acquired the food distribution business of Matrix Ingredients International Pte. Ltd., Maxim Ingredients International Pte. Ltd. and Matrix Ingredients Sdn. Bhd. (together: "Matrix"), in Singapore and Malaysia. Matrix was integrated into IMCD's existing organisation directly after closing the transaction. Matrix provides ingredients, technical services and formulation advice in the savoury and processed meat segment in both the Singapore and Malaysia markets. In 2018, Matrix generated revenue of SGD 6.5 million (EUR 4.1 million). The services offered by Matrix form a valuable addition to IMCD's food and ingredients portfolio aiming to strengthen IMCD's savoury and processed meat segment.

On 18 September 2019, IMCD acquired 100% of the shares of Monachem Additives Private Limited (Monachem) and Addpol Chemspecialities Private Limited (Addpol). Monachem and Addpol, with an office in Vadodara, India, are engaged in supplying and selling a comprehensive range of speciality chemicals products for the advanced materials industry. In the financial year ending 31 March 2019, Monachem and Addpol generated revenue of INR 800 million (about EUR 10 million) with 22 employees. Both entities will be fully integrated into IMCD's existing Indian organisation in 2020.

On 18 December 2019, IMCD acquired 57% of the outstanding shares of Seoul (South Korea) based pharmaceutical ingredient distributor Whawon Pharm Co. Ltd. (Whawon). The remaining 43% will be acquired not later than 2024. Whawon is a leading pharmaceutical distributor in South Korea with a focus on Pharmaceutical Formulation Ingredients. In 2018, the company generated a revenue of KRW 57 billion (about EUR 44 million) with 54 employees. Due to the timing of the transaction, no results are included in the consolidated figures of the Group. The assets and liabilities of Whawon are fully consolidated.

In 2019, IMCD expanded its technical capabilities in Asia-Pacific with the addition of three Pharma Technical Centres in India, South East Asia and China. The three new centres will facilitate IMCD to provide formulation support to the pharma industry in the region. In addition to the formulation support function, the centres will be used for training and development purposes for IMCD's sales teams.

In Asia-Pacific, revenue increased by 17% from EUR 335.7 million in 2018 to EUR 392.0 million in 2019. On a constant currency basis, revenue growth was 16%, consisting of organic growth of 7% and growth as a result of acquisitions completed in 2018 and 2019 of 9%.

In 2019, gross profit increased by 14% (13% on a constant currency basis) of which 10% is organic. The gross profit margin was 20.5% in 2019 compared with 20.9% in 2018. The gross profit margin decrease was primarily the result of changes in the product portfolio and the sale of the Muskvale business in 2019.

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Operating EBITA increased by 14% from EUR 31.2 million in 2018 to EUR 35.7 million in 2019. On a constant currency basis, the growth of operating EBITA was 13%.

Operating EBITA in % of revenue decreased by 0.2%-point from 9.3% in 2018 to 9.1% in 2019. The conversion margin remained stable at 44.4% in 2019.

The number of full time employees in the Asia-Pacific region increased by 20% from 605 as at the end of 2018 to 724 as at the end of 2019. Without the impact (69 FTE) of the acquisitions of Matrix, Monachem, DCS and Whawon and the divestment of Muskvale, the number of full-time employees increased by 8%.

Holding Companies

EUR MILLION	2019	2018	CHANGE	FX ADJ. CHANGE
Operating EBITA	(15.0)	(17.0)	12%	13%
Operating EBITA in % of total revenue	(0.6%)	(0.7%)	0.1%	

Operating EBITA of Holding Companies represents costs related to the central head office in Rotterdam and the regional head offices in Singapore and New Jersey, US.

Operating costs decreased by EUR 2.0 million from EUR 17.0 million in 2018 to EUR 15.0 million in 2019 (12%). On a constant currency basis, the decrease is 13%, which is the balance of organic costs increase (+12%) and the impact of the first-time application of IFRS 16 (-25%). The organic cost increase reflects the growth of IMCD and as a consequence the need to strengthen the support functions in both Rotterdam and the regional head offices. Despite the increase in absolute value, operating costs of the Holding Companies in percentage of consolidated revenue decreased from 0.7% in 2018 to 0.6% in 2019.

As at the end of 2019, the number of full-time employees of the Holding Companies was 65 compared with 57 at year-end 2018.

Result for the year

The bridge between Operating EBITA, one of IMCD's key performance indicators used for controlling the performance of the operating activities, the result from operating activities (based on IFRS) and result for the year (based on IFRS) is as follows:

Result for the year

EUR MILLION	2019	2018
Operating EBITA	**224.8**	**202.1**
Amortisation right-of-use intangible assets	(4.1)	-
Amortisation of other intangible assets	(40.1)	(37.2)
Non-recurring income and expenses	(4.6)	(2.3)
Result from operating activities	**176.1**	**162.6**
Recurring net finance costs	(26.8)	(18.8)
Non-recurring net finance cost	-	(4.6)
Share of profit of equity-accounted investees, net of tax	0.1	(0.0)
Result before income tax	**149.4**	**139.2**
Recurring income tax expenses	(39.3)	(39.1)
Non-recurring income tax expenses	(2.1)	-
Result for the year	**108.0**	**100.1**

Amortisation of intangible assets

Amortisation of intangible assets are non-cash costs mainly related to the amortisation of right-of-use intangible assets, supplier relationships, distribution rights and other intangibles. Amortisation of right-of-use assets relates to the amortisation of the capitalised rights of the usage of software. These right-of-use assets are initially recognised in 2019 since the implementation of IFRS 16. The amortisation of other intangible assets increased from EUR 37.2 million in 2018 to EUR 40.1 million in 2019 as a result of the acquisitions completed in 2018 and 2019.

Non-recurring income and expenses

Operational non-recurring income and expenses of EUR 4.6 million (2018: EUR 2.3 million) include income (EUR 2.0 million) related to the sales of real estate and divestment of the Muskvale operations, costs of EUR 1.2 million related to realised and non-realised acquisitions and costs related to other one-off adjustments to the organisation of EUR 5.3 million. Non-recurring income tax expenses in 2019 relate to the restructuring and reorganisation of acquired businesses.

Net finance costs

The net finance costs consist of the following items:

EUR MILLION	2019	2018
Interest income on loans and receivables	0.7	0.5
Interest expenses on financial liabilities	(20.5)	(17.8)
Changes in deferred considerations	(0.4)	(0.0)
Changes in the fair value of derivative financial instruments	-	(0.1)
Amortisation of finance costs	(0.6)	(0.8)
Non-recurring amortisation of finance costs	-	(4.6)
Interest costs re employee benefits	(0.6)	(0.5)
Interest expenses on lease liabilities	(2.7)	-
Foreign currency exchange results	(2.8)	(0.1)
Net finance costs	**(26.8)**	**(23.4)**

Net finance costs amounted to EUR 26.8 million in 2019 compared with EUR 23.4 million in 2018. The main drivers of the increase in costs of EUR 3.4 million were additional interest costs on financial liabilities (EUR +2.7 million), interest expenses on lease liabilities (before the adoption of IFRS 16 reported as other operating expenses) and higher foreign currency exchange results. In 2018 the net finance costs included non-recurring accelerated amortisation of finance costs of EUR 4.6 million, as a result of the redemption of bank loans in 2018.

Income tax

Income tax expenses increased by EUR 2.3 million from EUR 39.1 million in 2018 to EUR 41.4 million in 2019. This increase could be specified as follows.

EUR MILLION	2019	2018
Regular income tax expenses	(43.0)	(44.9)
Adjustments for prior years	0.2	(0.2)
(De-)recognition of previously (un)recognised tax losses	0.6	1.4
Tax credits related to amortisation of intangible assets	2.6	4.5
Reduction in tax rates	0.4	0.1
Non-recurring tax expenses	(2.1)	-
Income tax expenses	**(41.3)**	**(39.1)**

The regular corporate income tax expenses decreased from EUR 44.9 million in 2018 to EUR 43.0 million in 2019. Regular tax as a percentage of result before income tax and amortisation of intangibles (EUR 193.6 million in 2019 and EUR 176.4 million in 2018) was 22.2% compared with 25.5% in 2018.

The increase in income tax expenses in 2019 is mainly due to the higher profitability of the group. The restructuring and integration of acquired businesses led to a non-recurring income tax expense of EUR 2.1 million in 2019.

Further details of the tax calculation can be found in note 14 of the consolidated financial statements.

Net result before amortisation and non-recurring items

In 2019, net result before amortisation of intangible assets, net of tax and before non-recurring items was EUR 156.2 million, compared with EUR 139.7 million in 2018, an increase of 12%. The main drivers of this increase were the higher operating EBITA (+11%) partly offset by increased (recurring) net financing costs (+42%).

EUR MILLION	2019	2018
Result for the year	**108.0**	**100.1**
Amortisation of intangible assets	44.2	37.2
Tax credits related to amortisation	(2.6)	(4.5)
Non-recurring result from operating activities	4.6	2.3
Non-recurring finance costs	-	4.6
No recurring tax expenses	2.1	-
Net result before amortisation and non-recurring items	**156.2**	**139.7**

The implementation of IFRS 16 Lease accounting had a negative impact on the result for the year of EUR 1.2 million. Further details of this impact are provided in note 2.e of the consolidated financial statements.

Weighted cash earnings per share, calculated as earnings per share before amortisation of intangible assets, net of tax, increased from EUR 2.53 in 2018 to EUR 2.85 in 2019 (+13%).

Earnings per share and cash earnings per share

Weighted earnings per share increased by 8% from EUR 1.91 in 2018 to EUR 2.06 in 2019.

EUR MILLION	2019	2018
Result for the year	108.0	100.1
Amortisation of intangible assets	44.2	37.2
Tax credits related to amortisation of intangible assets	(2.6)	(4.5)
Result for the year before amortisation (net of tax)	**149.6**	**132.8**
Weighted average number of shares (x million)	52.5	52.4
Cash earnings per share (weighted)	**2.85**	**2.53**

Dividend

The Company has a dividend policy with a target future annual dividend in the range of 25% to 35% of adjusted net income to be paid out in cash or in shares. Adjusted net income is defined as the reported result for the year plus non-cash amortisation charges (net of tax). The outcome could be adjusted for material non-recurring items.

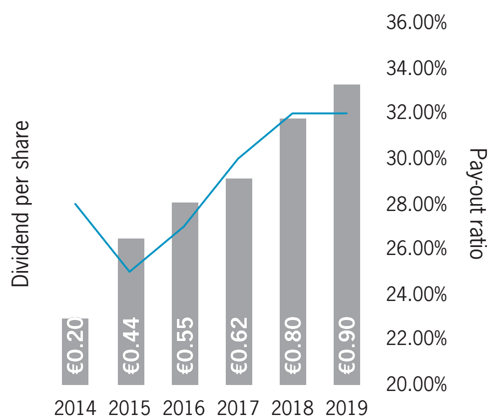
The adjusted net income in 2019 was EUR 149.6 million (2018: EUR 132.8 million) or EUR 2.85 per share (2018: EUR 2.53).

The main rationale for the dividend proposal of IMCD is a combination of maintaining room for further acquisition growth combined with assuring reasonable leverage levels, facilitating IMCD's long-term growth strategy. For the financial year 2019 a dividend of EUR 0.90 per share will be proposed to the Annual General Meeting. Compared with 2018 this means an increase of EUR 0.10 per share or 13%.

Approval of the dividend proposal by the Annual General Meeting will lead to a dividend distribution of EUR 47.3 million in cash, which is 32% of the net result 2019 adjusted for non-cash amortisation charges, net of tax (2018: 32%).

The development of the dividend per share and the dividend as a percentage of the adjusted net income since IMCD's listing in 2014 is as follows:

Development dividend per share



Cash flow

EUR MILLION	2019	2018
Operating EBITA	**224.8**	**202.1**
Depreciation	22.0	5.4
Operating EBITDA	**246.8**	**207.5**
Lease payments	(21.7)	0.0
Share based payments	3.0	2.4
Adjusted Operating EBITDA	**228.1**	**209.9**
Inventories	(0.5)	(55.0)
Trade and other receivables	0.6	7.3
Trade and other payables	(0.7)	8.7
Change operational working capital	**(0.5)**	**(39.1)**
Capital expenditure	(5.4)	(4.4)
Free cash flow	**222.2**	**166.5**
Cash conversion margin	97.4%	79.3%

Free cash flow is defined as operating EBITDA excluding non-cash share-based payment expenses, less lease payments, plus or less changes in working capital, less capital expenditures. Free cash flow increased by EUR 55.7 million from EUR 166.5 million in 2018 to EUR 222.2 million in 2019. The cash conversion margin, defined as free cash flow as a percentage of Adjusted operating EBITDA increased by 18.1%-point from 79.3% in 2018 to 97.4% in 2019.

In order to make IMCD's cash conversion ratio more comparable to other peers in the market and to get closer to previous years' calculations (before implementation of IFRS 16), the calculation method of the cash conversion ratio has been slightly adjusted. Instead of using Operating EBITDA, an Adjusted Operating EBITDA is used as a divisor for calculating the cash conversion ratio. The Adjusted Operating EBITDA is the Operating EBITDA adjusted for non-cash share-based payments and lease premiums.

The increase in conversion margin in 2019 is mainly the result of higher operating EBITDA in combination with less working capital investments. The investment in operational working capital in 2019, excluding additional working capital as a result of acquisitions completed, amounts to EUR 0.5 million, compared with EUR 39.1 million in 2018.

The investments in operational working capital of EUR 0.5 million were relatively modest in 2019 compared with the investment in 2018. In particular the investments in stock positions were considerably lower in 2019 compared with 2018, partly due to further optimisation of stock control in certain regions and to some more incidental impacts in 2018. As at year-end 2018, stock positions were influenced by additional stock to cater for the start-up of new supplier relationships, additional temporary safety stock in IMCD US to mitigate potential risks of the migration to IMCD's standard ERP system and lower than planned customer deliveries in the last weeks of December. The working capital investments in 2019 includes an increase of EUR 6.4 million as a result of the strengthening of non-EUR currencies in 2019.

IMCD's asset-light business model resulted in relatively low capital expenditure considering the size of the overall operations and amounted to EUR 5.4 million in 2019 compared with EUR 4.4 million in 2018. Capital expenditure was mainly related to investments in the ICT infrastructure, office furniture and technical, warehouse and office equipment.

Balance sheet

EUR MILLION	31 DECEMBER 2019	31 DECEMBER 2018
Property, plant and equipment	90.3	25.3
Intangible assets	1,141.2	1,039.6
Financial assets	40.1	47.0
Non-current assets	**1,271.7**	**1,111.9**
Net working capital	**435.9**	**399.8**
Provisions and deferred tax liabilities	**(105.8)**	**(114.6)**
Total capital employed	**1,601.8**	**1,397.1**
Equity	**866.5**	**786.3**
Net debt	**735.2**	**610.7**
Total financing	**1,601.8**	**1,397.1**

Working capital

Net working capital is defined as inventories, trade and other receivables less trade payables and other payables. In 2019, net working capital increased by 9% from EUR 399.8 million as at the end of 2018 to EUR 435.9 million as of 31 December 2019. The increase in net working capital of EUR 36.1 million is the result of a combination of increased business activities and further supply chain optimisation activities leading to lower working capital levels (EUR -0.6 million), impact of exchange rate differences on year-end balance sheet positions (EUR 6.4 million) and the impact of acquisitions (EUR 30.3 million).

Monitoring working capital positions is a permanent focus of management and IMCD has various processes and tools in place to optimise working capital.

Financing

IMCD aims to maintain a capital structure that offers flexibility and enables IMCD to cover its potential financial requirements and to execute its growth and acquisition strategy. The corporate treasury team in the head office in Rotterdam manages liquidity and interest risks.

At 25 February 2019, IMCD successfully executed an option whereby the initial termination date of the syndicated EUR 400 million multi-currency revolving facility was extended by 1 year to 27 March 2024. No extension fee was paid. All other conditions of the syndicated revolving facility remained the same.

As at the end of 2019, net debt was EUR 735.2 million, compared with EUR 610.7 million as at year-end 2018. The increase in net debt is predominantly the balance of positive and healthy cash flows from operating activities set-off by cash outflows as a result of acquisition-related payments of EUR 88.9 million and a dividend payment of EUR 42.1 million in 2019. The adoption of IFRS 16 resulted in additional net debt of EUR 74.8 million as at the end of 2019. Furthermore, net debt includes approximately EUR 38 million deferred and contingent considerations related to acquisitions made (31 December 2018: EUR 4 million).

As at the end of December 2019, the leverage ratio (net debt/operating EBITDA ratio including full-year impact of acquisitions) was 2.8 times EBITDA (31 December 2018: 2.8). The actual leverage as of 31 December 2019, calculated on the basis of the definitions used in the IMCD loan documentation, was 2.6 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 of 31 December 2019, the actual leverage of 2.6 times EBITDA is well below the applicable maximum leverages.

The interest cover, calculated based on the definitions used in the Schuldschein Darlehen documentation, is 12.1 times EBITDA (31 December 2018: 13.0), which is well above the required minimum of 4.0 times EBITDA.

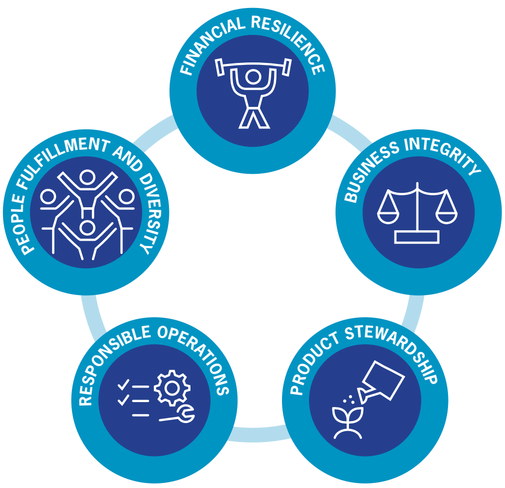
Equity

The equity attributable to holders of ordinary shares increased by EUR 80.2 million from EUR 786.3 million as of 31 December 2018 to EUR 866.5 million as of 31 December 2019. The increase in total equity is the balance of the addition of the net profit for the year of EUR 108.0 million, other comprehensive income of EUR 12.8 million, dividend payments in cash of EUR 42.1 million and transactions related to the group's share-based payment program of EUR 1.5 million. The increase of equity resulted in a solid ratio at year-end whereby net equity covers 39.6% of the balance sheet total (31 December 2018: 40.3%).

In 2019, IMCD did not acquire additional own shares. In January and March 2019, IMCD transferred respectively 22,261 and 9,611 treasury shares in order to fulfil its obligations from the long-term incentive plan.

Non financial performance

As set out on page 47 and onwards in this Annual Report, IMCD executed its group-wide sustainability approach in 2019. The process was built on five focus areas for IMCD where it strives to improve its sustainability practices through its business activities.



Hereafter, we report on the key actions taken in these five areas in 2019. IMCD aims to publish its second sustainability year report mid-2020, which will provide further details on its operations, locations and environmental impact, as well as quantitative data in respect of greenhouse gas emissions, energy and water usage and waste handling.

FINANCIAL RESILIENCE

Despite encountering more volatile economic conditions, IMCD's operating results remained solid and growth was again achieved in revenue, gross profit and operating EBITA. Detailed information on IMCD's financial performance is available in the Financial Performance chapter (page 53 of this Annual Report). The financial results of 2019 contributed to further improvement of IMCD's financial resilience.

IMCD believes that the combination of its net debt/ operating EBITDA ratio, interest cover, equity attributable to shareholders and increased free cash flow, show a sound financial position, resilient to potential adverse conditions. IMCD's overall financing structure provides sufficient flexibility with appropriate leverage levels to support future business development.

PEOPLE FULFILMENT AND DIVERSITY

IMCD is proud of its people and culture and considers this by far its most valuable asset. IMCD believes that "people and culture" make the difference. IMCD operates in a highly technical world of speciality chemicals and ingredients as a professional services organisation where highly educated key people in a flat organisational structure make the difference for suppliers, customers and each other. IMCD not only needs to attract and hire very capable individuals, but also train and develop them to get the very best out of everybody. Lastly, we are keen to retain the best. Our culture is the glue that keeps the talent together, it cuts across geographies and helps to integrate newly acquired businesses quickly and ensures IMCD has winning teams all over the world.

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Our talent base

Most of its employees join IMCD with deep previous knowledge of and experience in speciality chemicals or food ingredients and work in sales, marketing and product management or in technical development/application research. Commercial employees make up the vast majority of IMCD's organisation.

In 2019, 66% of the IMCD staff worked in a supplier- or customer-facing role, and that focus is valuable to the group. Education levels of our employees are high. IMCD employs 714 individuals with a completed Master's degree or higher and another 1,336 with a Bachelor's or equivalent. This makes the difference between a good and great business.

IMCD believes that the best talent is constantly looking for development opportunities to sharpen their skills, learn new things and acquire novel capabilities. That's why IMCD has implemented in 2019 a new learning management system which we branded "IMCD Digital Campus" where all our employees can enrol in more than 4,000 online training courses. Examples are sales or marketing training but also personal skills and digital tools. Furthermore, we are leveraging this 'IMCD Digital Campus' to roll out special technical training, proprietary business group training and compliance courses, all this with the aim to strengthen the expertise and continuous learning of our employees.

IMCD has always been an active acquirer of other chemical distribution businesses and last year the balance was that 130 new employees joined the group as a result of an acquisition, mainly in Europe and Asia. IMCD integrates new businesses quickly and this helps to make newly acquired employees feel part of IMCD. It makes IMCD more diverse in geographies, nationalities and cultures. IMCD prefers to recruit and promote its senior leaders from within the organisation and considers home-grown leaders including those from acquired companies as crucial for driving business growth and future acquisitions.

Employee retention

IMCD's employee attrition levels have been monitored closely. In 2019, total turnover, for all reasons, including acquisition effects, was 14% worldwide. This includes voluntary resignations, terminations, redundancies, retirements and all

FTE
Total

2,991

Growth 2019

+192 FTE | 130 Acquisition
62 Organic

↑ 7% | 5% Acquisition
2% Organic

DIFFERENT NATIONALITIES

>50

NUMBERS OF FTE PER REGION

AMERICAS
Employees
787
26%

EMEA
Employees
1,471
49%

ASIA
Employees
733
25%

other sources. This year the integration of the Velox and Horn businesses led to one-off higher attrition since we needed to streamline the support roles, reduce double functions and improve the organisational effectiveness. IMCD's APAC region had the lowest attrition of 11% despite a very competitive Asian labour market and strong business growth. The attrition rate for sales employees for all regions went to 10.9%, which is significantly lower than the Company's average. This is a testament of the staffing stability we provide to our suppliers and customers, our partners appreciate the longevity of key people in commercial roles.

The labour market balance in all regions is shifting in favour of the employee, but IMCD believes that its freedom to act, open and entrepreneurial business culture, its employer brand, all play an important role in keeping IMCD's position as one of the most attractive employers in the chemical distribution sector.

The growth and development of the Company is not only reflected in the financial figures, but also in the composition of its workforce. IMCD employed 2,991 FTEs at year-end 2019 (2018: 2,799). The increase of 192 FTEs is primarily the result of acquisitions in Europe, India and South Korea. Excluding acquisitions, the number of FTEs increased by 62, which reflects IMCD's continued focus on organic growth.

Diversity

From a diversity perspective, IMCD has a well-balanced employee base and employs slightly more females than males (1,506 females versus 1,485 male FTE's), which for an organisation operating in the highly technical world of chemicals and ingredients is a testament to IMCD's commitment to diversity. IMCD has female managing directors leading businesses in Turkey, Vietnam, the Philippines and Indonesia and females leading senior functions in the Group Office.

Education levels of our employees are high to very high. The female education levels are comparable to those of males, albeit this year females inched ahead with 69% of our female employees bringing a Bachelor's and/or Master's degree versus 68% of the males. This is an improvement to last year when 64% of our employees had a Bachelor's or a Master's degree.

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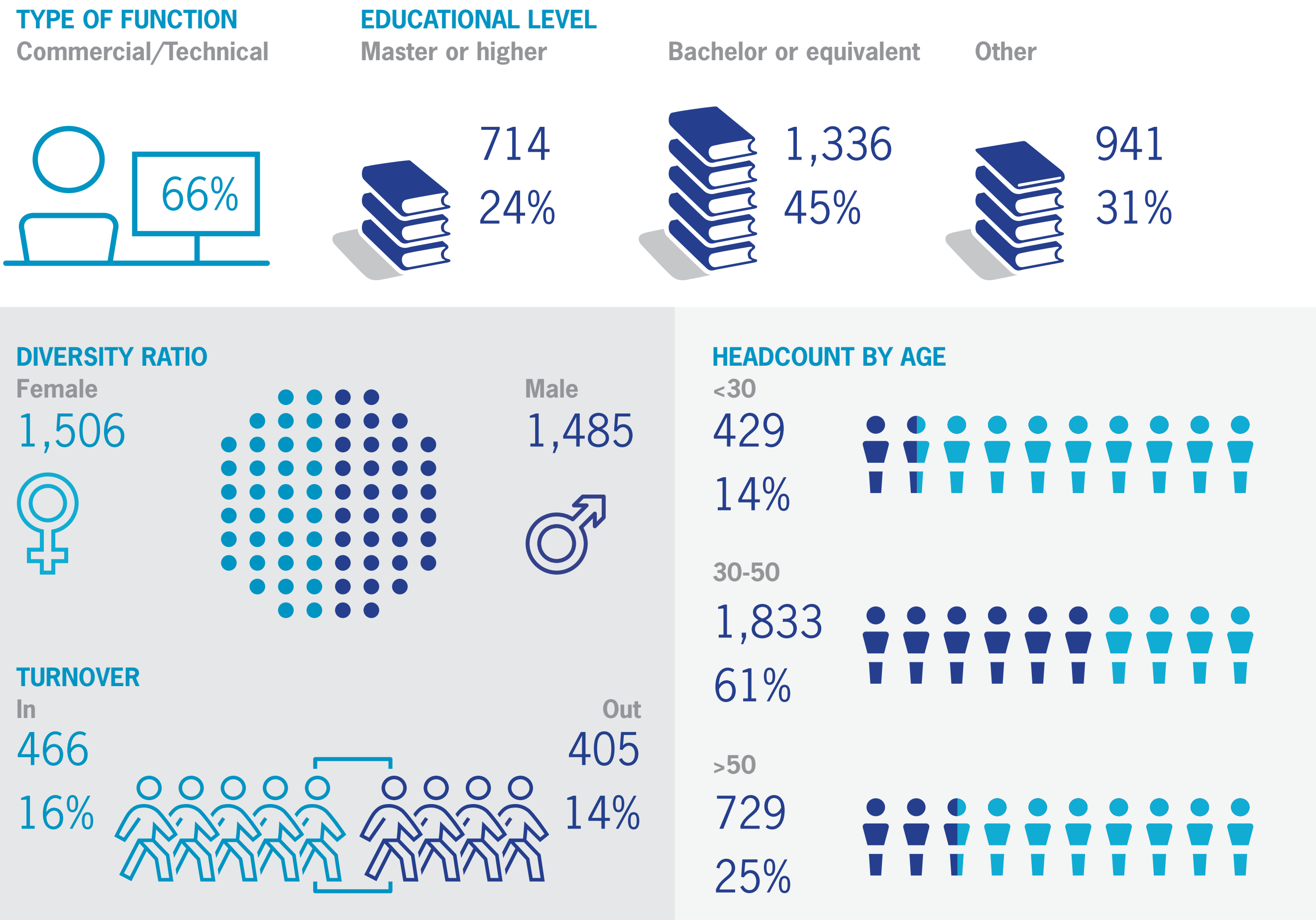

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IMCD's age profile remained the same, with 61% of the employee workforce between 30 and 50 years of age. It also reflects that IMCD mainly hires highly educated, knowledgeable and experienced staff who can add value to its customers and suppliers immediately.

The vast majority of IMCD jobs are full-time with 2,849 individuals versus only 149 part-timers. Most part-timers have chosen for themselves to have such a flexible working schedule. Also, almost all our positions are staffed by permanent employees with 99% or 2,970 positions in this category and less than 1% being temporary, mainly new recruits in the beginning of their career with IMCD.

PRODUCT STEWARDSHIP

IMCD takes full responsibility for its operations and the impact it has on society and the environment. As a distributor of a wide range of speciality chemicals and food ingredients, we strive to offer a well-balanced product portfolio to our customers, in which they are ensured of safe and responsible products. Next to the products that we offer directly from our suppliers, IMCD creates formulations through which it can further execute its sustainability approach. Using its laboratories and technical centres, IMCD's scientists and technical teams analyse market trends and new technologies, share their technical expertise and product formulation, process and application knowledge to support sustainable innovation by both its suppliers and customers. By doing so, IMCD contributes to the increased availability of greener, healthier and more sustainable products that have a benefit on the environment and society. In its laboratories and/or technical centres, IMCD does not carry out research or tests involving animals.

IMCD has a global regulatory, quality and sustainability organisation in place, supported by automated systems to monitor developments on a day-to-day basis and to ensure our products are safe, meet the right quality standards and our offering contributes to our sustainability agenda.

REACH

IMCD fully endorses the objectives of the European Union's chemicals regulations REACH (Regulation EC 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals). This legislation forms the legal framework for improved handling of chemicals in order to protect human health and the environment. REACH encourages the chemical industry to innovate and to replace substances of very high concern by suitable alternative ones, or use them in a way in which risks are adequately controlled. IMCD cooperates with (co-)producers, suppliers, and customers to fully and successfully implement REACH objectives. REACH became fully operational in mid-2018, when registration of all chemical substances became mandatory.

Currently, IMCD has 21,000 products in its portfolio that require a REACH registration. All of these have been registered by our suppliers or their representatives. IMCD completed 23 active REACH registrations itself. Hence, throughout 2019, IMCD was fully compliant with REACH.

Quality management and accreditation

IMCD aims to be a valued partner to all its suppliers and customers by providing continuous training to all employees to ensure competence and ability to deliver quality service. The Company uses its ISO 9001 and ISO 14001 accreditation as the framework for fulfilling the expectations of its suppliers and customers. IMCD's operating companies implement quality management systems on the bases of these ISO standards on a local level. In addition, operating companies also implement other quality management systems if relevant to the specific products they distribute, such as ISO 22000 / HACCP / BRC (food safety management), OHSAS 18001 (occupational health and safety), GMP+ (good manufacturing practices for food, pharmaceutical and cosmetic products), GDP (good distribution practices for pharmaceutical products) and ECO (for organic products). In 2019 IMCD revisited its approach on quality management and accreditation and formulated a new strategy on getting a group-wide accreditation for ISO 9001 and 14001. This approach will be executed in the upcoming years.

RESPONSIBLE OPERATIONS

Chemical distribution is a highly complex and multi-faceted business comprising purchase, storage and tailored logistics solutions. Being a responsible partner for all its stakeholders, health, safety, the environment and quality are of key importance to IMCD and essential for safe and reliable business operations. IMCD endeavours to comply with chemical- and market-specific regulatory requirements (for example, related to pharmaceutical, food and personal care products) as well as with our internal and our business partners' standards - which sometimes raise the bar above mere legal requirements. Next to this we ensure compliance with health, safety and environmental legal requirements for our operations, which include import and export regulations and marketing and use restrictions in all our operations and sales organisations. Our supply chain strategy and organisation ensures logistics which are cost-efficient, at the correct standards and have a minimal environmental impact.

Greenhouse gas emissions
IMCD supports the reduction of product lifecycle greenhouse gas emissions and continuously explores further ways to reduce the carbon footprint with its suppliers, customers and supply chain partners. IMCD uses the Green Tender method developed by Connekt, to carefully select logistic partners with a focus on sustainable activities and capabilities.

In 2019, IMCD implemented operational and organisation measures and started the reporting on its own greenhouse gas emissions. The results were included in IMCD's 2018 sustainability report and efforts will be extended to cover more and more of our operations and supply chain.

Energy, water and waste management
IMCD is committed to meeting relevant legislative requirements, as well as requirements agreed with customers and suppliers, for the environment, waste treatment and disposal. A waste disposal policy is in place globally, to promote the recycling of waste materials that is intended to ensure that all waste generated by the operations are properly identified and sent for licensed disposal, in accordance with relevant legislative requirements. The policy applies to supply chain related materials and Company office related waste.

In its offices and other locations, IMCD supports the use of green energy and encourages the recycling of used (office) material, including minimising its paper consumption. IMCD's laboratories have modern liquid and fume waste management in place. Local offices furthermore develop and maintain incentive programs to promote more efficient ways of travelling.

Minimising waste by aligning and optimising infrastructure and logistic processes is also part of IMCD's integration process for new acquisitions. IMCD actively looks to create synergies on these important topics.

IMCD aims to offer to its stakeholders transparency on the environmental impact of its operations. In 2019, the quality, health and sustainability team has worked to improve and harmonise existing systems for the monitoring of energy and water use of IMCD's offices worldwide. The quantitative data obtained through these systems were included in IMCD's 2018 sustainability report.

Supply chain optimisation
IMCD's centralised supply chain team and local supply chain experts are committed to ensuring the most efficient routing, the optimal volume mileage ratio and the implementation of sustainable transport modes, wherever possible. In this respect, IMCD partnered with several of its principal suppliers in 2019 to redesign their logistics set-up, which resulted in more cost-effective models, faster market access and a reduction of carbon footprint.

External sustainability initiatives
Throughout 2019 IMCD was a committed participant in various external initiatives, networks and platforms with a focus on sustainable logistics. Examples hereof are the Lean & Green initiative; Europe's leading program for sustainable logistics, and EcoVadis' Together for Sustainability (TfS) initiative, aiming to develop and implement a global audit program to assess and improve sustainability practices within the supply chains of the chemical industry. In prior years, IMCD entities in China, India, South Africa and the US all received bronze-level recognition awards by EcoVadis. In 2019, IMCD as a group was awarded with an EcoVadis Silver recognition.

IMCD is particularly proud of the achievements of its entities in Spain and Germany, that, in 2019, both improved their prior silver award to an outstanding gold level recognition (previously already granted to IMCD France). IMCD Germany's excellent result puts it among the top 1% performers evaluated by EcoVadis for the German chemical distribution industry. As a member of the Lean & Green program, IMCD Spain set the goal of achieving a 20% reduction in its CO^2 emissions by 2020.

IMCD remains a proud member of the Roundtable of Sustainable Palm Oil (RSPO), a non-profit organisation that unites stakeholders from seven sectors of the palm oil industry, aiming to develop and implement global standards for sustainable palm oil. In 2019, the number of IMCD entities that joined in IMCD's group membership increased to 29, with the addition of entities in Kenya, Brazil, Portugal, Morocco, Tunisia, Egypt, The Philippines, Algeria, Russia, India and South Africa, next to the entities listed in the 2018 Annual Report.

Responsible Care and Responsible Distribution
Most of IMCD's operating companies take part through local associations in the 'Responsible Care' or 'Responsible Distribution' programs of

the organisation of the International Council of Chemical Associations (ICCA). These operating companies have stated that they are committed to the sustained development and observance of the guidelines laid down in the global program covering eight guiding principles.

The commitment to these guidelines and policies is assessed by independent third-party experts applying the relevant regional assessment systems. Independent experts also review and document the relevant operating Company's environmental performance and safe handling of chemicals.

Third-party screening

IMCD requires third-party service providers to comply with its health and safety policy. To evaluate compliance, IMCD visits its third-party service providers at least once prior to engagement and reviews their performance through site visits and questionnaires periodically, the frequency of which is based on the types and quantities of products stored or transported by that third-party service provider. IMCD requests quality management certifications (ISO 9001, ISO 14001, Responsible Care, among others) from its third-party service providers. In addition, the Company has instituted procedures in order to confirm with third-party service providers that they comply with applicable health, safety and environmental legal requirements.

BUSINESS INTEGRITY

Integrity is fundamental to the way that IMCD does business. IMCD has strong values and clear policies and standards in place to ensure its employees always operate in an ethical and responsible way. We expect our (business) partners to do the same and support that they adhere to and implement similar standards in their organisation.

IMCD's key commitment and core principle is to provide an environment that promotes trust, confidence and respect of its employees, suppliers, customers, local and international stakeholders, media, governmental authorities and industry and society organisations. On the basis of this ethos, IMCD has created a culture where integrity and transparency are essential to the way IMCD does business and where unethical behaviour will not be tolerated.

In the IMCD Code of Conduct, available at the Company's website, IMCD's business principles, core values and ethics, to which all IMCD companies worldwide are equally and fully committed, are described. Specific internal policies are in place on the subjects of anti-corruption and anti-bribery, offering our employees clear examples of behaviour that should be avoided. A continuous compliance training program is in place to create and maintain awareness of ethical business practices and to ensure compliance with, *inter alia*, applicable trade restrictions, antitrust and anti-bribery laws, market abuse rules and other compliance regulations. In 2019, IMCD implemented a global e-learning platform, which it will use to support its compliance training programme.

Internal alert procedure & 24-hour incident reporting line

IMCD has installed an internal alert procedure, available on its website, that enables and protects IMCD employees worldwide to report any irregularities or deviations in IMCD operations regarding, amongst other, IMCD's business principles as described in the Code of Conduct. The Internal alert procedure is made available in several local languages. Furthermore, IMCD has a 24-hour emergency service line in place, facilitated by independent external experts, for the reporting of any (acute) incidents.

Anti-corruption and anti-bribery

IMCD does not tolerate any form of corruption or bribery, including facilitation payments, and is committed to its prevention. Its employees are strictly prohibited from making, offering or authorising bribes or facilitation payments. All IMCD employees must strictly adhere to any applicable anti-bribery and/or anti-corruption laws in force nationally and internationally.

In the reporting year of 2019, IMCD did not learn of any violation in respect to its stringent anti-corruption and/or anti-bribery policies within its corporate group.

Trade sanction and export control

IMCD's global trade sanction policy and guideline on restrictive measures and export control were updated in 2018 and training of key employees on the revised guidelines took place in 2019. These updated procedures are used in combination with automated software to screen business partners against various sanctions-related lists.

Business human rights

IMCD recognises its responsibility under the United Nations Universal Declaration of Human Rights to respect human rights affected by its activities, as well as its responsibility to ensure that IMCD's business operations and employees do not contribute, neither directly nor indirectly, to human rights violations. IMCD expects their (business) partners to do the same and support that they adhere to and implement similar standards in their organisation. This core principle is embedded in IMCD's Code of Conduct, available on its website. In the reporting year of 2019, IMCD did not learn of any violation of human rights within its corporate group.

Tax strategy and tax transparency

Taxation is a subject of growing interest in the global society of which IMCD is part. IMCD pursues a principled and transparent tax strategy that is aligned with organisational values and aims to support the overall business strategy and objectives. IMCD sees tax as part of its corporate social responsibility.

IMCD's tax strategy is based on the key values and principles as described in its code of conduct which provides a framework for a business culture that stimulates integrity, honesty, transparency, sustainability, compliance, expertise and cultural diversity. These values promote a climate of trust and respectful relationships with IMCD's business partners, investors and tax authorities. The principles of IMCD's code of conduct are further embodied in IMCD's management instructions.

IMCD's tax principles require compliance with applicable tax rules and regulations in the jurisdictions in which IMCD operates. This means that IMCD strives to comply with the letter and spirit of the applicable tax laws. Where tax laws do not give clear guidance, prudence and transparency are the guiding principles while adhering to IMCD's code of conduct. Transfer pricing-related issues are dealt with at an arm's-length basis in accordance with IMCD's transfer pricing policy, which is consistent with the internationally accepted standards of the OECD guidelines for multinational companies.

The Company's genuine commercial activities are leading when setting up international structures. Profits are declared and taxes are paid where the economic activity occurs. Acquisitions are a significant part of IMCD's business strategy to achieve growth. The different acquisition structures and tax consequences of such transactions are considered and evaluated before carrying out an acquisition to minimise the potential tax risk and tax cost. IMCD does not make use of tax havens or non-cooperative jurisdictions for the avoidance of tax.

In accordance with its tax strategy, IMCD takes a conservative approach to tax risk, as it does to other risks in the business. Tax risks can arise from unclear laws and regulations as well as differences in interpretation. There is always some level of risk on taxation because of the complexity of taxes (including frequent changes in laws), variety and volume of different taxes that affect the Company's business and differences on the interpretation of regulations or at arm's-length concepts meaning tax authorities may take a different view. Tax risks IMCD is exposed to are among others acquisition and integration risk, non-compliance risk, legislative risk, operational risk, financial risk and reputation risk. To manage its tax risks, the corporate tax department cooperates with all internal and external stakeholders to ensure it complies with these regulations with the overall objective to mitigate these risks while at the same time aiming to be tax-efficient in order to be cost-effective.

IMCD seeks to maintain an open, honest and constructive dialogue with tax authorities based on transparency, respect and trust. As part of the OECD country-by-country regulations, IMCD annually files a country-by-country report with the Dutch tax authorities in which it provides on a per-country basis information on its taxes paid. Where appropriate IMCD may enter into agreements with the tax authorities to ensure upfront clarity and eliminate uncertainty about tax implications of certain positions.

IMCD has a tax policy in place in which IMCD's view on taxation and the strategy are described and in which guidance is given to all tax-related activities that are carried out by IMCDs corporate tax team and local finance teams of the group companies. The tax policy provides a framework between the corporate tax teams' and local finance teams' responsibilities in order to efficiently manage and control tax risks. For example, tax compliance and reporting is managed locally with support and guidance from the corporate tax department and external tax counsel and is periodically monitored through IMCD's corporate controlling department. The tax policy has been discussed with internal stakeholders and is signed off by the management board of IMCD. The tax policy has also been shared with IMCD's external stakeholders such as tax advisors and the Dutch tax authorities.

Potential tax-related risks are assessed by IMCD's Management Board and discussed with the (Audit Committee of the) Supervisory Board to ensure a sustainable and viable tax strategy that is compliant with IMCD's business principles and enhances long-term profitability.

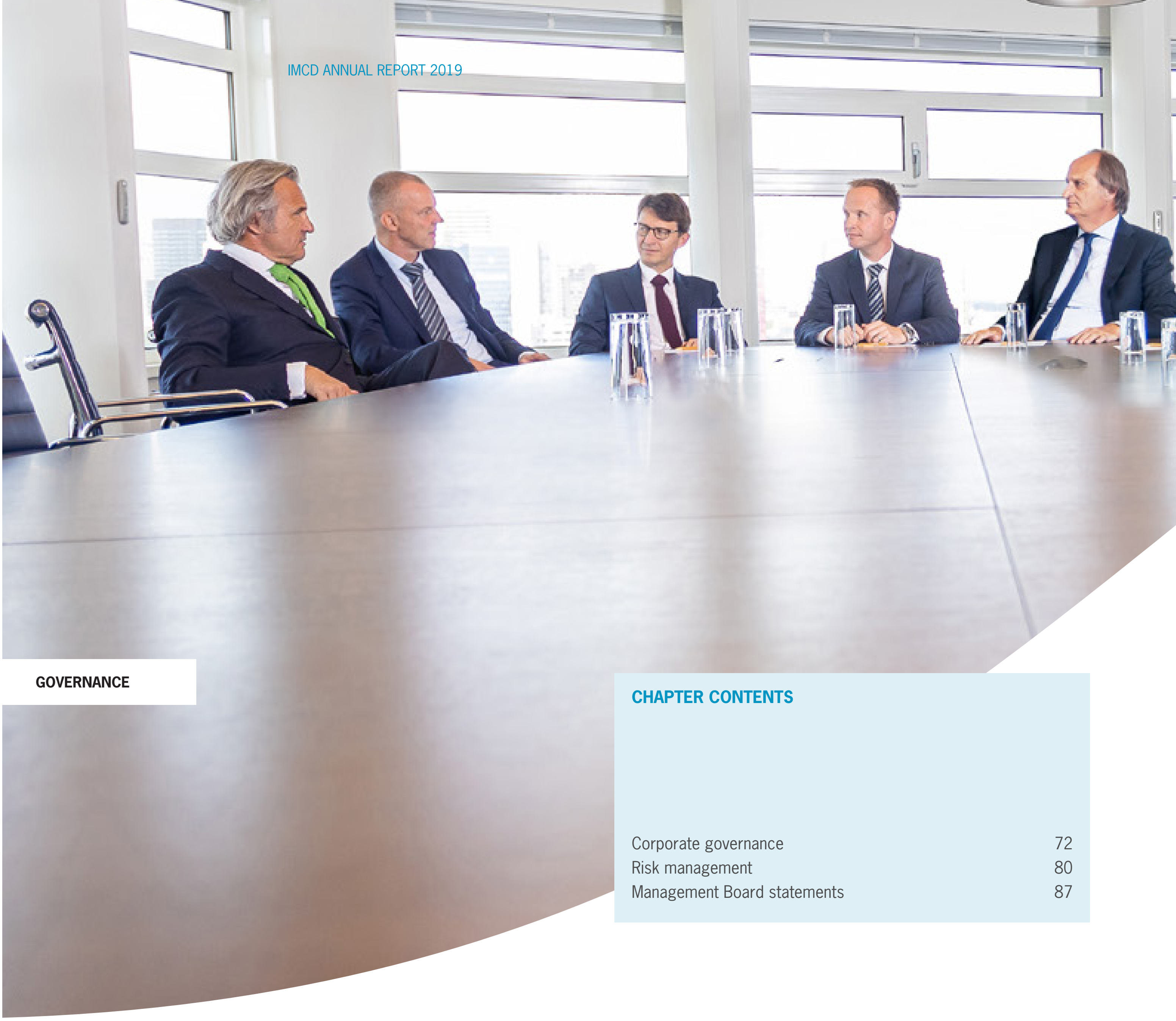
Because of new legislation and tax authorities with enhanced capabilities, IMCD's tax function is designing digital tools. This will improve efficiency, quality and the compliance process.

Outlook 2020

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, among 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 further increase its global footprint and expand its product portfolio both organically and by acquisitions in 2020. Other than in the ordinary course of the business, IMCD does not foresee significant investments or changes to the organisation in 2020.



GOVERNANCE

CHAPTER CONTENTS

Executive Committee
From left to right:
Frank Schneider, John Robinson, Olivier Champault, Marcus Jordan, Piet van der Slikke and Hans Kooijmans

CORPORATE GOVERNANCE

IMCD N.V. is a public company with limited liability (*naamloze vennootschap*) under Dutch law with a two-tier board structure. IMCD is managed by a Management Board under the supervision of a Supervisory Board. The Management Board and the Supervisory Board are accountable to the General Meeting of IMCD's shareholders (General Meeting). The Management Board has chosen to work with an Executive Committee. The role, duties and composition of the Executive Committee are described hereafter.

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Governance structure

The Dutch corporate governance code (the "Code") provides principles and guidance for the governance of Dutch listed companies, aimed at effective cooperation and good governance. IMCD fully endorses the objective of the Code to foster good governance by encouraging fair and transparent dealings on the part of management, Supervisory Board members and shareholders. In addition, IMCD is committed to a governance structure that best and effectively supports its business, that meets the needs of its stakeholders and that complies with all relevant rules and regulations.

IMCD's corporate governance structure is designed in accordance with the Code and has been approved by the General Meeting on 26 June 2014. After the revison of the Code in December 2016, and the revised Code applying to IMCD for the first full year in 2017, the key aspects of IMCD's corporate governance structure and compliance with the revised Code have again been presented and discussed at the 2018 Annual General Meeting (AGM).

IMCD's governance structure is subject to Dutch law and regulated by the Company's Articles of Association (available on the Company's website). The provisions of the Dutch Civil Code (DCC) that are commonly referred to as the 'large company regime' (*structuurregime*) do not apply to the Company.

Management Board

The Management Board manages the day-to-day operations of IMCD and is responsible for setting out and realising the Company's objectives and strategy. The Management Board has two members bearing collective responsibility and is supported by the Executive Committee that is responsible for, among other things, regional operations and certain general group level management activities. The Management Board members are appointed (and may be reappointed) for a term of four years by the General Meeting pursuant to a binding nomination by the Supervisory Board. The General Meeting can overrule the binding character of the nomination by an absolute majority of the votes cast, representing at least one-third of the issued share capital.

The Management Board represents the Company and acts in accordance with the articles of association and the Management Board rules (available on the Company's website), which provide a detailed description of the Management Board's responsibilities and functioning. Certain important resolutions of the Management Board identified in the articles of association require the approval of the Supervisory Board and/or the General Meeting.

The Management Board has been designated, most recently at the 2019 AGM, as the corporate body authorised to issue shares, 10% of the issued shares plus an additional 10% relating to acquisitions, and grant rights to acquire shares, subject to the prior approval of the Supervisory Board. By virtue of its authorisation by the General Meeting, the Management Board is also authorised to purchase shares in the Company, up to a maximum of 10% of the issued shares and subject to the prior approval of the Supervisory Board. These designations and authorisations are given for a period of 18 months and renewal is requested annually at the AGM. The authorisation to restrict and/or exclude pre-emptive rights in respect of any shares issued pursuant to the designation referred to above, was denied by the General Meeting at the 2019 AGM. No authorisation from the General Meeting is required for the acquisition of fully paid up shares for the purpose of transferring these shares to employees of the Company or of an IMCD group company pursuant to any employee share plan.

Executive Committee

During 2019, IMCD's Executive Committee returned to a composition of six members: the two members of the Management Board and four managing or business group directors. The (non-Management Board) members of the Executive Committee take on certain management activities at group level in addition to their specific managing director or business group director roles.
The (non-Management Board) members of the Executive Committee are appointed by the Management Board. The responsibilities of the Executive Committee include general strategy, group performance, realisation of operational and financial objectives, people strategy and identification and management of risks connected to the business activities. The Management Board remains accountable for the actions and decisions of the Executive Committee and has ultimate responsibility for the Company's external reporting and reporting to the Company's shareholders.
The Supervisory Board engages with the members of the Executive Committee during its Supervisory Board meetings and/or work visits, as well as through informal contact outside of such meetings. In December 2019, all members of the

Members of the Management Board

P.C.J. (Piet) van der Slikke
(1956, Dutch)

Chief Executive Officer
since 1995

In 1988, Mr. van der Slikke, started with the stock-listed Rotterdam-based Internatio-Müller Group as general counsel and in 1993 he was appointed Group Director. In 1995, he started to develop the chemical distribution activities to what has become IMCD today. Mr. Van der Slikke has a law background and started his career as an attorney in law firms in The Hague, Amsterdam and New York.

H.J.J. (Hans) Kooijmans
(1961, Dutch)

Chief Financial Officer
since 1996

In 1991, Mr. Kooijmans joined the Technical Division of Internatio-Müller, where he held various financial management positions.
In 1996, he joined Mr. Piet van der Slikke in the management of IMCD. Mr. Kooijmans holds a CPA degree from NIVRA Nijenrode, the Netherlands, with registration until June 2016. He has had an extensive career at KPMG in the Netherlands.

Executive Committee were present during the Supervisory Board meeting, where, amongst other things, budget, strategy and risk management were discussed.

Supervisory Board
The Supervisory Board monitors and supervises the activities of the Management Board and the general course of business within IMCD. It also supports the Management Board with advice. In performing their duties, the Supervisory Board members are guided by the Company's interests and the enterprise connected therewith, taking into account the relevant interests of all stakeholders. The Supervisory Board bears collective responsibility and assesses its own performance.

The Supervisory Board must consist of at least five members. The composition of the Supervisory Board is such that the combined experience, expertise and independence of its members enables the Supervisory Board to best carry out the variety of the Supervisory Board's responsibilities.

The Supervisory Board members are appointed by the General Meeting pursuant to a binding nomination by the Supervisory Board. The General Meeting may overrule the binding character of the nomination by an absolute majority of the votes cast, representing at least one-third of the issued share capital. Members of the Supervisory Board are appointed for a term of four years and may be reappointed for a second term of four years. Thereafter, two additional prolongations are possible of two years each, bringing the total period of appointment to a maximum of 12 years.

Other members of the Executive Committee

Marcus Jordan
(1974, British)

President for IMCD in the Americas since 2016; Executive Committee member since 2014

Mr. Jordan joined IMCD over 20 years ago and has held various strategic local and global roles within the IMCD UK and Group organisation including as international product manager, business unit manager and director group development & operations. He started his career as a formulation and application chemist in 1995 at Carrington Performance Fabrics. Mr. Jordan holds a Chemistry degree from the University of East Anglia, UK.

Olivier Champault
(1967, French)

Business Group Director Advanced Materials

President IMCD France since 2018; Executive Committee member since 2018

Mr. Champault has an extensive international career in Latin America, Europe and Asia and has worked in management and strategy consulting. Before joining IMCD, he held senior positions in several large speciality chemicals companies.
Mr. Champault holds an MBA from INSEAD and graduated from EDHEC.

Frank Schneider
(1959, German)

Business Group Director Coatings and Construction since 2006; Executive Committee member since 2011

Mr. Schneider started his career at IMCD in 2000 within the business group coatings in Germany, where he later took on the role as business group director. In 2010 he was appointed managing director of IMCD in Germany. Before joining IMCD, he held senior positions in leading global industrial adhesives providers. Mr. Schneider studied law at the University of Freiburg, Germany and Business Administration at the University of Ludwigshafen.

John Robinson
(1966, British)

Business Group Director Pharmaceuticals since 2000; Executive Committee member since 2011

Dr. Robinson joined IMCD in 1998, upon the acquisition by IMCD of the chemical distribution operations of British Petroleum, where he had a marketing role.
He was managing director of IMCD UK from 2008 to 2014. He holds a PhD in Biochemistry and started his career with GSK, where he held a post-doctoral research position.

The Supervisory Board is supported by two committees:

- an Audit Committee, responsible for supervising the quality and integrity of the IMCD's financial reporting and internal risk management and control systems, including legal and ethical compliance, and advising the Supervisory Board and Management Board in relation to these matters; and
- a Remuneration Committee, responsible for advising the Supervisory Board on the remuneration of the Management Board.

Both committees are made up of (at least) two Supervisory Board members.

The Supervisory Board acts in accordance with the articles of association and the Supervisory Board rules, which include the Supervisory Board profile, a resignation rota and the rules governing the Supervisory Board committees. The Supervisory Board rules are available on the Company's website.

Diversity Supervisory Board, Management Board, Executive Committee

IMCD recognises the importance of diversity within its Supervisory Board, Management Board and Executive Committee, and believes that the Company's business activities benefit from a wide range of skills and a variety of backgrounds and nationalities. A diverse composition contributes to a well balanced decision-making process and proper functioning of the respective board and/or committee. The Supervisory Board's diversity policy is available on the Company's website.

Members of the Supervisory Board

M.G.P. (Michel) Plantevin
(1956, male, French)

Chairman and member of the Remuneration Committee; appointed as of 28 February 2011, current term expiring in 2021

Most important positions

- Managing Director at Bain Capital.
- In his capacity as Managing Director at Bain Capital, Mr. Plantevin holds several Supervisory Board and non-executive positions.
- Former Managing Director at Goldman Sachs International.
- Former Supervisory Board member of Brenntag S.A., NXP and Trinseo.

A.J.Th. (Arjan) Kaaks
(1966, male, Dutch)

Vice-chairman and chairman of the Audit Committee; appointed as of 10 February 2015, current term expiring in 2022

Most important positions

- CFO Dümmen Orange.
- Former CFO and member of the Executive Boards of AGRO Merchants Group, CEVA Logistics, Maxeda DIY Group and Royal Grolsch.
- Former non-executive board member of Philadelphia Zorg and Red Star Holding.

S.R. (Stephan) Nanninga
(1957, male, Dutch).

Chairman of the Remuneration Committee; appointed as of 9 May 2018, current term expiring in 2022

Most important positions

- Former executive director of Dutch Star Companies One NV.
- Member of the supervisory board of CM.com NV.
- Non-executive director of Bunzl Plc.
- Former CEO of SHV Holdings NV.

The objective of the diversity policy is to realise that the Supervisory Board, the Management Board and the Executive Committee have a diverse composition of members, that ensures complementarity of knowledge, skills and experience, enabling each of the members to have a valuable contribution in carrying out the (variety of) respective board or committee's responsibilities. When considering vacancies, achieving and/or maintaining an appropriate balance in gender, age and geographic background or nationality are important aspects that will be taken into account as well. However, complementary expertise and experience, as well as (expected) team dynamics have priority in the selection and nomination process.

The diversity policy is implemented naturally. For the Supervisory Board and Executive Committee, the diversity policy will be taken into account in the selection and nomination process for each future vacancy. As to the composition of the Management Board, the diversity policy will be taken into account if and when the current members of the Management Board will be succeeded.

In 2019, no vacancies occurred in the Management Board and Executive Committee. Upon termination of the employment of Mr. Gabrielle Bonomi, it was decided to return to a composition of the Executive Committee of six members.

J. (Janus) Smalbraak
(1967, male, Dutch)

Member of the Remuneration Committee; appointed as of 12 May 2016, current term expiring in 2020

Most important positions
- CEO of Pon Holdings.
- Member of the board of RAI Vereniging.
- Member of the advisory boards of Gilde Buy Out Fund and CVC Capital.
- Former member of the Supervisory Board of Koninklijke Nedschroef.

J. (Julia) Van Nauta Lemke - Pears
(1968, female, British and Dutch)

Member of the Audit Committee; appointed as of 12 May 2016, current term expiring in 2020

Most important positions
- Senior partner at MaiAx Advisors.
- Mrs. Van Nauta Lemke previously held various international management positions with Shell and Cargill.
- Former associate with Mercer Management Consulting (US).

Within the Supervisory Board, one vacancy occurred due to the resignation rota, which was filled by reappointment of the chairman, Michel Plantevin for a final term of two more years (ending in 2021). Upon review of its composition and size, the Supervisory Board decided it would benefit from expansion with a sixth member, leading to an additional, new vacancy. The Diversity Policy was taken into account in the search to fill this vacancy. By press release of 27 February 2020, the Supervisory Board announced three nominations, including the nomination of Mrs. Valerie Diele-Braun and Mrs. Amy Hebert as new members to the Supervisory Board. Upon the approval of the General Meeting during the 2020 AGM, the proposed appointments will ensure further diversification of the Supervisory Board in terms of gender, age and nationality, whilst adding in-depth knowledge and expertise of the speciality chemicals industry.

General Meeting

Shareholders of IMCD may exercise their rights through annual and extraordinary general meetings of shareholders (the General Meeting). The annual General Meeting of shareholders (AGM) is held each year before July. In 2020, the AGM is scheduled to take place on 7 May.

Extraordinary General Meetings of shareholders (EGM) are held as often as the Management Board and/or the Supervisory Board deem desirable. In addition, one or more shareholders, who solely or jointly represent at least one-tenth of the issued capital, may request that a General Meeting is convened. Notice of General Meetings is given no later than 42 days before the day of the meeting through the publication of a convocation notice on the website of IMCD.

Shareholders representing, either solely or jointly with other shareholders, at least 3% of the issued share capital of IMCD, may request the Company to put an item on the agenda provided that the Company has received the request no later than on the 60th day prior to the day of the General Meeting.

Each shareholder may attend General Meetings, address the General Meeting and exercise voting rights pro rata to its shareholding, either in person or by proxy. Shareholders may exercise these rights if they are the holders of shares on the record date, which is the 28th day before the day of the General Meeting, and if they or their proxy have notified the Company of their intention to attend the General Meeting. Subject to certain exceptions set forth by law or the Articles of Association, resolutions of the General Meeting are passed by an absolute majority of votes cast.

The powers of the General Meeting are specified in the Articles of Association and include, among other things, adoption of IMCD's financial statements, appointment and dismissal of Supervisory Board and Management Board members and the allocation of profit, insofar as this is at the disposal of the General Meeting. Resolutions to amend the articles of association or to dissolve the Company may only be taken by the General Meeting upon a proposal of the Management Board with the approval of the Supervisory Board.

Shares

The authorised capital of the Company comprises a single class of registered shares. All shares are traded via the giro-based securities transfer system and are registered under the name and address of Euroclear. All issued shares are fully paid up and each share confers the right to cast a single vote in the General Meeting. Shares held by IMCD are non-voting shares and do not count when calculating the amount to be distributed on shares or the attendance at a General Meeting. IMCD purchases shares to hedge its obligations arising from conditionally awarded performance shares under IMCD's long-term incentive plan.

Anti-takeover mechanisms

IMCD respects the one-share/one-vote principle and did not have any anti-takeover or control mechanisms in place in 2019.

Remuneration

With its remuneration policy, IMCD aims to attract, motivate and retain highly qualified members of the Management Board with a balanced and competitive remuneration package that is focused on sustainable results and is aligned with the Company's strategy for long-term creation of value. Pursuant to the remuneration policy, the remuneration packages of the Management Board members consist of fixed and variable components, including a long-term incentive plan (for the annual award of conditional performance shares) approved by the General Meeting. The remuneration policy is available on the Company's website. The remuneration of the individual members of the Management Board (including the awarding of shares) is determined by the Supervisory Board, with due observance of the remuneration policy.

The current Management Board remuneration policy was approved by the General Meeting at the 2018 AGM. Due to the implementation of the Revised Shareholders' Rights Directive (EU directive 2017/828 of 17 May 2017) in Dutch law, the Supervisory Board has prepared a revision of the remuneration policy in order to meet the statutory requirements. The revised remuneration policy for the Management Board and a remuneration policy for the Supervisory Board will be submitted to the General Meeting for approval during the 2020 AGM. More detailed information is available in the 2019 remuneration report, available through the Company's website.

In compliance with the Code, the service agreements with the Management Board members contain provisions related to severance arrangements, clawback and public offering consequences. Annually, the Supervisory Board reports on the implementation of the remuneration policy in its remuneration report, which is published on the Company's website.

The General Meeting determines the remuneration of the members of the Supervisory Board. The Supervisory Board periodically submits proposals to the General Meeting in respect of the remuneration of the chair, the vice-chair and the other members of the Supervisory Board. In order to comply with the Revised Shareholders' Rights Directive, a policy for the remuneration of the Supervisory Board will be submitted to the General Meeting for approval during the 2020 AGM, which includes a proposal for revision of the (fixed fee) remuneration amounts as well. The guiding principle remains that remuneration of the Supervisory Board may not be made dependent on the Company's results. None of the members of the Supervisory Board receive shares, options for shares or similar rights to acquire shares as part of their remuneration.

Conflicts of interest

All legal acts in which there are conflicts of interest with members of the Management Board must be agreed on at arm's-length terms and must be approved by the Supervisory Board. Each Management Board member or Supervisory Board member is required to immediately report any potential direct or indirect personal conflict of interest to the chairman of the Supervisory Board, providing all relevant information. If the chairman of the Supervisory Board determines that there is a conflict of interest, a member of the Management Board or the Supervisory Board is not permitted to take part in any discussion or decision-making that involves a subject or transaction relating to the conflict of interest.

During 2019, there were no transactions reported and/or identified involving (potential) conflicts of interests with Management Board members or Supervisory Board members, nor were there any transactions with shareholders owning more than 10% of the shares.

Rules regarding inside information

IMCD implemented measures to comply with the provisions of the Financial Markets Supervision Act and the EU Market Abuse Regulation intended to prevent market abuse, such as insider trading, tipping and market manipulation. In addition, the Company maintains rules regarding the reporting and regulation of transactions in IMCD shares or other IMCD financial instruments. The IMCD insider trading rules are being kept up to date to reflect legislative developments and are applicable to members of the Management Board, the Executive Committee, the Supervisory Board and other designated IMCD insiders. The IMCD insider trading rules are available on the Company's website.

The Company has established a Disclosure Committee to manage the disclosure of inside information and to ensure compliance with regulatory requirements regarding all disclosures and filings to be made to the Dutch Authority for the Financial Markets, Euronext Amsterdam N.V. and any other relevant stock exchange or supervisory authority. The Disclosure Committee meets periodically throughout the year and reports to the Audit Committee.

Accountability Corporate Governance Code

In 2019 IMCD complied with the principles and best practices of the Code with the exception of the following deviations.

As a consequence of the initial four-year term appointment of all Supervisory Board members at IMCD's listing in 2014, the Supervisory Board's original resignation rota provided for the same reappointment and retirement dates for all Supervisory Board members. With resignations and further appointments, this number has been brought down throughout the years so that not more than two Supervisory Board members retire at the same time.

The Supervisory Board strives for a diverse composition and balance in terms of, amongst other things, gender and age but does not strictly follow the recommendation of best practice provision 2.1.5 of the Code to formulate an explicit target on diversity in terms of gender or age. The overriding principle for the Company remains that the Supervisory Board should have a diverse composition of members with a valuable contribution in terms of experience and knowledge of the speciality chemicals distribution industry in the regions in which the Company is active or other relevant business knowledge.

During 2019, article 2:166 of the Dutch Civil Code provided for statutory targets for the gender diversity of the Management Board and Supervisory Board. Although the Company pays close consideration to gender diversity in the profiles of new Management Board and Supervisory Board members in accordance with article 2:166 section 2 of the Dutch Civil Code, IMCD does not strictly follow the recommendation for an explicit target on gender diversity and has not established concrete targets in this respect.

In deviation of best practice provision 2.3.2 of the Code and as agreed by the General Meeting the Company does not have a Selection and Appointment Committee. The Supervisory Board as a whole carries out the activities of a Selection and Appointment Committee and refers specific tasks to the most appropriate delegation of Supervisory Board members.

The Corporate Governance Declaration is available at www.imcdgroup.com/investor-relations.

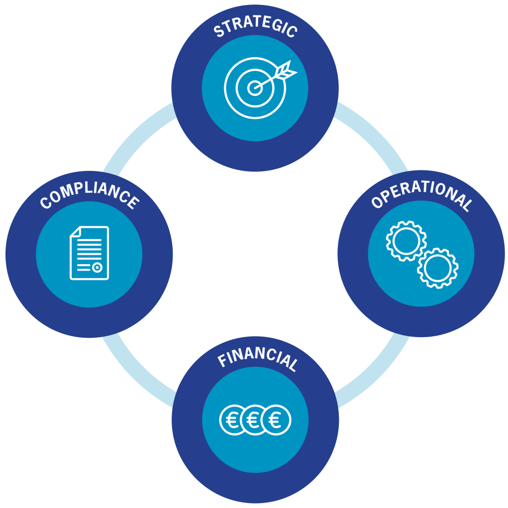
Risk management

In achieving its objectives, IMCD faces risks and uncertainties, including those due to macroeconomic conditions, regional and local market developments and internal factors. IMCD strives to identify and control those risks and uncertainties as early as possible. Risk management is an essential element of IMCD's corporate governance and is embedded in the company's business processes.

Although the company recognises the risks and uncertainties associated with its business activities, IMCD believes that the broad diversity of its business in terms of product portfolio, geographies, suppliers, end-market sectors and customers can lessen the impact of local and regional economic changes. However, if adverse circumstances are pronounced and/or long-lasting, they can have a significant impact on the company's business and results of operations. IMCD is affected by demand fluctuations and other developments in the broader economy and weak economic conditions may have a material adverse effect on the group.

The IMCD risk management policy is aimed at optimisation of the balance between maximisation of business opportunities within the framework of the company's strategy, while managing the risks involved.

IMCD distinguishes the following risk categories in its risks management framework.



Risk appetite

IMCD's risk appetite differs per risk category and per type of risk. The risk appetite per risk category is as follows:

STRATEGIC	Moderate
OPERATIONAL	Low
COMPLIANCE	Low
FINANCIAL	Low

- Strategic: in pursuing its strategy, IMCD is prepared to take moderate risk, including the exploration of new business opportunities and possibilities for acquisitions and expansion
- Operational: with respect to operational risks, IMCD seeks to minimise the risks of unforeseen operational failures within its businesses
- Compliance: with respect to compliance risks, IMCD maintains a risk-averse strategy. IMCD strives to comply with all applicable laws and regulations, with a particular focus on health, safety and environmental laws
- Financial: with respect to financial risks, IMCD maintains a cautious financing structure and stringent cash management policy

Risk management framework
Although IMCD benefits from its geographical, market, client and product portfolio spread, IMCD's well-structured risk management process is designed to manage the residual risks in a transparent and controlled manner. IMCD's comprehensive controlling and risk management systems, including supporting tools, are continuously monitored by the Supervisory Board, Management Board, Corporate Control, Internal Audit and by regional and local management, improved when required and modified to changes in internal and external conditions.

Risk management tasks and responsibilities
IMCD's risk management and control systems are established to identify and analyse the risks faced by the group at various levels, to determine and implement appropriate risk controls, and to monitor risks and the way the risks are controlled.

Key activities within IMCD's risk management and control systems are:
- identification of key business risks, based on likelihood of occurrence and their potential impact
- setting and maintaining key controls for managing and preventing the key risks

The Management Board, under supervision of the Supervisory Board, has overall responsibility for the IMCD risk management and control systems. Management of regional holding and operating companies are responsible for operational performance and compliance and for managing the associated local risks.

Risk management elements
The elements of IMCD's risk management system are the following:

1. *Control environment, including:*
- organisational culture based on ethical conduct and compliance, clear responsibilities and short and open communication lines
- IMCD group policies including business principles, management instructions and manuals
- continuous compliance training of employees
- risk management embedded in the business processes on all organisational levels

2. *Risk assessment and control procedures, including:*
- identification of risks via risk self-assessments, coordinated by corporate Controlling and corporate Health Safety and Quality (HSEQ)
- implementation and optimisation of effective and efficient control procedures on various levels of the organisation

3. *Information, communication and monitoring, including:*
- harmonised reporting on operations, financial results, financial positions and key risks
- periodical monitoring and reviews of financial results and risk management by corporate management
- periodical reviews on HSEQ management by corporate HSEQ
- regular review meetings between corporate and local management
- internal audits performed by IMCD's internal auditors

The Management Board is responsible for establishing and maintaining adequate internal risk management and control systems. Such systems are developed to manage risks, but cannot provide absolute certainty that human errors, losses, fraud and infringements of laws and regulations will be prevented. Management has assessed whether IMCD's risk management and control systems provide reasonable assurance that the financial reporting does not contain any material misstatements.

Based on the approach outlined above, the Management Board is of the opinion that, to the best of its knowledge, the internal risk management and control systems are adequately designed and operated effectively in the year under review and hence provide reasonable assurance that the financial statements are free of material misstatements.

Significant risks and uncertainties

In the following section, the main risks and the way IMCD manages these risks are described. None of the significant risks and uncertainties materially affected the position of IMCD. The main risks and their importance are disclosed in the following table.

	RISK	LIKELIHOOD	IMPACT
STRATEGIC	Decline in customer demand	Moderate	Moderate
	Supplier dependency	Moderate	Moderate
	Acquisition and integration risk	Moderate	Moderate
OPERATIONAL	Dependency on key personnel	Moderate	High
	Cybercrime and continuity of ICT	Moderate	High
	Health / safety / environmental incidents	Low	High
	Climate change	Moderate	Moderate
COMPLIANCE	Non-compliance with laws and regulations	Low	High
	Anti-corruption and bribery	Low	High
FINANCIAL	Volatility of foreign currencies	High	Low
	Credit risk	Moderate	Low
	Liquidity risk	Low	Moderate
	Interest rate risk	Moderate	Low

STRATEGIC

RISK	RISK DESCRIPTION	RISK MEASURES
Decline in customer demand	IMCD's business depends on its customers' demand for chemicals used in the manufacture of a wide array of products, which in turn is driven by the demand of consumers and other end users for the products made by IMCD's customers. To a large extent, demand levels depend on macroeconomic conditions on a global level. An improvement or deterioration in levels of economic activity and consumer demand tends to be reflected in the overall level of production and consumption of chemicals.	The broad diversity of IMCD's business in terms of product portfolio, geographies, suppliers, end market sectors and customers can lessen the impact of local and regional economic changes. However, if these changes are pronounced and/or long-lasting, they can have a significant impact on the company's business and results of operations.
Supplier dependency	IMCD is dependent on its suppliers to develop and supply the product portfolio that it markets, sells and distributes. Shortages in supply of certain products or non-competitiveness of product lines could negatively affect operating results. The termination of a major supplier relationship could have a material adverse effect on the Company's product portfolio, sales volumes, revenues and profit margins.	Maintaining close relationships with supply partners is essential for IMCD to be able to achieve its growth strategy. By acting in an open and transparent way towards its suppliers and with a focus on growing suppliers' product brands, IMCD seeks to maintain long-standing relationships.
Acquisition and integration risk	Execution of IMCD's strategy will require the continued pursuit of acquisitions and investments and will depend on the Company's ability to identify suitable acquisition candidates and investment opportunities. Acquisitions and investments involve risks, including assumptions about revenues and costs being inaccurate, unknown liabilities and customer or key employee losses at the acquired businesses, potentially leading to impairment losses on intangible assets recognised. Moreover, a successful acquisition is dependent on the swift integration of the acquiree within the Company, both on an organisational and cultural level.	IMCD tries to limit these risks by means of diligent identification of targets, strict selection criteria, including the determination of the cultural and organisational fit within the company. This is followed by a structured execution, including determining the structure of the transaction, a thorough due diligence and the contract and integration process. Acquisition activities are driven centrally by an experienced management team supported by external consultants.

OPERATIONAL

RISK	RISK DESCRIPTION	RISK MEASURES
Dependency on key personnel	IMCD relies significantly on the skills and experience of its managerial staff and technical and sales personnel. A loss of these individuals or the failure to recruit suitable managers and other key personnel, both for expanding the group's operations and for replacing people who leave IMCD, could have a material adverse effect on the performance of the group.	IMCD limits these risks by providing an inspiring and entrepreneurial working environment, offering international career opportunities, performance-based incentive schemes and long-term succession planning. In addition, in order to secure the valuable relationships with key suppliers and key customers, these relationships are maintained by commercial teams rather than individual commercial staff members.
Cybercrime and ICT continuity	IMCD relies upon its information technology infrastructure and upon certain critical information and communication technology systems for operating and managing its business. IMCD's ICT infrastructure and systems are subject to damage and interruption from different sources, including natural disasters, software viruses, malware and power failures. In order to cope with rapidly changing ICT requirements, resulting from changed and increased business needs, changes in legislation, new acquisitions and integration programs, IMCD requires a stable and agile ICT environment. Increased risk of cybercrime leads to an emphasis on improving cybersecurity, on raising awareness amongst employees and focus on prevention of social engineering.	IMCD continuously invests in hardware and software in order to cope with the needs and requirements of its business, coordinated and monitored by its central ICT team. IMCD maintains and continuously enhances a wide range of security measures including access and authorisation controls, data back-up and system recovery mechanisms. IMCD has rolled out its ICT governance improvement program in order to further optimise business processes and enhance ICT security.
Health / safety / environmental incidents	Marketing, sales and distribution of speciality chemicals, food and pharmaceutical ingredients entails exposures to health, safety and environmental risks which could potentially lead to reputational and financial damage. Examples of such exposures are: • Employees and logistic service providers which are not properly trained and informed on the treatment of the products • Products used for illegal purposes • Lack of quality management • Missing permits and notifications • Product disposal is not properly controlled, leading to pollution and environmental damage	The majority of IMCD's subsidiaries have implemented certified quality systems and make use of monitoring systems for recording and analysing any non-conformities in order to further optimise their business processes. IMCD applies a Corporate HSEQ policy. IMCD has outsourced the majority of its logistic operations to reputable third-party logistic service providers, which are carefully selected and continually monitored by the supply chain team to ensure quality standards and performance are optimised. Employees, customers and logistics service providers are provided with adequate safety instructions and operating procedures for handling chemical products. Critical product data is managed by a team of experienced specialists. Yearly training programmes are established and executed to ensure both employees and logistic service providers are aware of recent and future developments and changes in laws and regulations.
Climate change	It is widely recognised that climate change poses significant risks to natural and socio-economical systems across the globe. The range of hazards is wide, from slow onset weather pattern changes to sudden extreme events. The consequent potential impacts affect ecosystems and natural environments, and therefore might directly or indirectly cause serious technical, financial, geopolitical and other changes in society. Some of these risks might impact IMCD's activities, for example disruptions to transportation infrastructures due to extreme weather events, or shortages of some feedstock due to agricultural losses.	Potential climate factors are considered in the selection process of logistical service providers with respect to accessibility and back up procedures in case of environmental incidents.

COMPLIANCE

RISK	RISK DESCRIPTION	RISK MEASURES
Non-compliance with laws and regulations	Being present in various countries across the globe, IMCD is exposed to local and international legal and compliance risk. It is IMCD's main principle to comply with all applicable national and international laws and regulations (including local tax laws and regulations).	IMCD has set up an internal competition compliance framework and trains its employees by means of a compliance program to observe national and international antitrust laws. By doing so, IMCD makes its employees aware of potential conflicts with competition law and actively helps them to avoid any potential adverse consequences of competition law infringements. IMCD neither engages in nor supports the use of forced labour, bonded or involuntary labour or child labour. IMCD therefore complies with the standards of the International Labour Organisation and the minimum age requirements in all countries in which IMCD conducts business. Taxes are paid where the economic activity occurs. In cases when there is insufficient local knowledge with respect to tax cases, the Company makes use of external advisors to ensure compliance with local tax requirements.
Anti-corruption and bribery	Non-compliance to anti-corruption and bribery laws could lead to fines, potential prosecution of employees and substantially harm the Company's reputation.	Specific internal policies are in place on the subjects of anti-corruption and anti-bribery, offering our employees clear examples of behaviour that should be avoided. A continuous compliance training program is in place to create and maintain awareness of ethical business practices and to ensure compliance with, inter alia, applicable trade restrictions, antitrust and anti-bribery laws, market abuse rules and other compliance regulations. During 2019, IMCD has implemented an online (e-)learning platform, which will further strengthen IMCD's compliance programme.

FINANCIAL

RISK	RISK DESCRIPTION	RISK MEASURES
Volatility of foreign currencies	IMCD is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company.	IMCD uses forward exchange contracts to hedge currency risks, most of these contracts have a maturity of less than one year. Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations, providing an economic hedge without derivatives being entered into. In respect of other monetary assets and liabilities denominated in foreign currencies, the company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.
Credit risk	IMCD's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, IMCD also considers the demographics of the customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. There is no significant geographical concentration or concentration at individual customer level of credit risk.	IMCD has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. IMCD's review includes the use of external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount. These limits are reviewed periodically, at a minimum once a year. Customers that fail to meet the Company's benchmark creditworthiness may transact with IMCD only on a prepayment basis.
Liquidity risk	Liquidity risk is the risk that IMCD encounters difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.	IMCD's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to IMCD's reputation. Typically IMCD ensures that it has sufficient cash on demand to meet expected operational expenses for the next twelve months, including the servicing of financial obligations.
Interest rate risk	IMCD is exposed to interest rate risk with respect to its financial assets and liabilities, either from fixed rate or variable rate instruments.	IMCD adopts a policy of ensuring that at least a large element of its exposure to changes in interest rates on long-term loans is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates. When required, interest rate swap contracts are used for hedging variable into fixed interest rates.

Management Board statements

The Management Board of IMCD N.V. hereby declares, in accordance with article 5:25c of the Dutch Financial Supervision Act, that to the best of its knowledge:

1. the financial statements, which have been prepared in accordance with IFRS-EU and Part 9 of Book 2 of the Dutch Civil Code, and included in the annual report, provide a true and fair view of the assets, liabilities and financial position as of 31 December 2019 as well as the profit or loss of IMCD N.V. and all the business undertakings included in the consolidation;
2. this report provides a true and fair view of the condition, the business performance during the financial year of IMCD N.V. and the companies associated with it whose details are included in the financial statements, as at the balance sheet date of 31 December 2019; and
3. this report describes the material risks to which IMCD N.V. is exposed.

In accordance with best practice provision 1.4.3. of the Code, the Management Board of IMCD N.V. furthermore states that:

1. this report provides sufficient insight into any shortcomings in the effectiveness of the internal risk management and control systems;
2. those systems provide reasonable assurance that the financial report does not contain any material misstatements;
3. in the current situation, it is appropriate for the financial report to be prepared on a going concern basis; and
4. this report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the report.

Rotterdam, 26 February 2020

Management Board:
Piet van der Slikke
Hans Kooijmans

CHAPTER CONTENTS

REPORT OF THE SUPERVISORY BOARD

This report provides further information on the activities of the Supervisory Board during 2019. Its supervision includes the policies pursued by and the performance of the Management Board and the general course of affairs within the Company, as well as giving advice to the Managing Board. In addition, the Supervisory Board supervises the dynamics and relationship between the Management Board and the other members of the Executive Committee.

FOREWORD CEO
HIGHLIGHTS 2019
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Introduction by the Chair

Dear reader,

After the exceptionally good year 2018, IMCD encountered more challenging market circumstances in 2019, most noticeably in the industrial market segments in (parts of) the EMEA region. Despite more volatile economic and market conditions, the Supervisory Board is pleased to see that IMCD's diversified business model proved resilient, with operational performance on the whole remaining solid. Looking back on this year, growth was again accomplished both organically and through further strategic acquisitions, resulting once more in significant added value for the Company and its stakeholders.

IMCD's long-term growth strategy remained unchanged and during the year important steps were taken in the further execution thereof. The Supervisory Board supported the Company in new market entries offering customers and suppliers of IMCD extended geographical presence (for example, in South Korea and Colombia). The Company furthermore strengthened its activities in the APAC region with add-on acquisitions in India, Singapore and Malaysia and the opening of three Pharma Technical Centres in the region.

These Technical Centres, through which IMCD offers technical expertise in support of its distribution activities, are a compelling and valuable asset to IMCD's overall business proposition offering added value to customers and suppliers alike. By the end of 2019, IMCD operated 49 laboratories worldwide. Whilst each Technical Centre focuses on its own specific area of formulation technology, together, these laboratories form a global network offering not only local or regional support and a training function, but further synergies through cross-fertilisation of specialised expertise in a global network.

2019 was a year of consolidating the strong growth that took place in recent years and further expansion of the global footprint. The Supervisory Board recognises the hard work that took place to fully integrate the substantial acquisitions of 2018 in EMEA (Velox GmbH) and North America (E.T. Horn Company). In the US this has lead to the completion of 'one IMCD US organisation', operating coast to coast, offering full national coverage.

Another significant achievement in 2019 was the publication of IMCD's first Sustainability Report, providing IMCD's stakeholders with transparency and insight on energy consumption, water use and emissions data. The Supervisory Board is impressed by the work done behind the scenes enabling this publication with assurance by IMCD's external auditor. In the coming year(s), the further development of IMCD's sustainability strategy and targets will be a topic that the Supervisory Board will pay close attention to.

Looking ahead, the Supervisory Board is confident that IMCD is well positioned to continue the successful execution of its long-term growth strategy and remain a leader in the global landscape of speciality chemicals and food ingredient distribution.

Michèl Plantevin

FOREWORD CEO
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Composition, diversity and independence

The Supervisory Board currently consists of five members, as per the particulars set out on page 75. An overview of the composition, characteristics and skills of the Supervisory Board members is provided in the below matrixes.

Composition Supervisory Board

name + position in 2019	nationality	gender	year of birth	initial appointment	term expires in	number of terms	independent (DCGC)
Michèl Plantevin - Chair of the SB - Member of the RC	French	male	1956	2011	2021	fourth / final	yes
Arjan Kaaks - Member of the SB - Chair of the AC	Dutch	male	1966	2015	2022	second	yes
Stephan Nanninga - Member of the SB - Chair of the RC	Dutch	male	1957	2018	2022	first	yes
Janus Smalbraak - Member of the SB - Member of the RC	Dutch	male	1967	2016	2020	first	yes
Julia van Nauta Lemke - Member of the SB - Member of the AC	Dutch British	female	1968	2016	2020	first	yes

Skills & characteristics matrix Supervisory Board IMCD

	Michèl Plantevin	Arjan Kaaks	Stephan Nanninga	Janus Smalbraak	Julia van Nauta Lemke
Skills					
Managing large organisations	x	x	x	x	
International business experience	x	x	x	x	x
Industry knowledge: (speciality) chemicals / food ingredients	x		x		x
Market knowledge: distribution	x	x	x	x	
M&A experience	x	x	x	x	x
Finance, audit & risk	x	x			x
Governance, (regulatory) compliance & legal	x	x	x	x	x
People, culture and HR expertise		x	x	x	x
Sustainability & CSR				x	
Investor relations	x	x	x	x	
Other characteristics					
Currently active in an executive position at another company	x	x		x	x
Mainly non-executive role			x		

Changes in 2019

In accordance with the resignation schedule, the term of Michèl Plantevin (Chair) expired at the date of the 2019 AGM. He was reappointed for a fourth and final term of two years and remained the Chair of the Supervisory Board. In its nomination decision, the Supervisory Board took into account as an important aspect the relatively short terms of office of the other Supervisory Board members (most being appointed in 2016 and 2018). The Supervisory Board valued Mr. Plantevin's contribution and chairmanship over the past years and considered it important to maintain the expertise and knowledge accumulated within its current composition for another two years.

Foreseen changes as per the resignation rota
At the end of the upcoming AGM (on 7 May 2020), the current term of Janus Smalbraak and Julia van Nauta Lemke will expire. The Supervisory Board has announced its nomination for reappointment of Janus Smalbraak by press release of 27 February 2020. Julia van Nauta Lemke indicated not to seek reappointment for a second term. For this vacancy, and a further vacancy that has arisen pursuant to the decision to broaden the Supervisory Board with a sixth member, the Supervisory Board has announced the nomination of Valerie Diele-Braun and Amy Hebert. Further information is included in the explanatory notes to the AGM convocation, published on the Company's website.

Diversity within the Supervisory Board
The Supervisory Board strives to achieve and maintain a professional diversity that ensures complementarity of knowledge, skills and experience, enabling each of its members to have a valuable contribution in carrying out the (variety of the) Supervisory Board's responsibilities. In addition, the Supervisory Board strives for diversity in planned resignations of its members. When considering vacancies, achieving and/or maintaining an appropriate balance in gender, age and geographic background are important aspects to take into account, however, complementary expertise and experience are a first priority in the selection and nomination process.

In 2019, with one vacancy filled by reappointment, the composition of the Supervisory Board remained unchanged and no further diversification was reached. Evaluation of its composition by the Supervisory Board led to the conclusion that it was desirable to broaden the Supervisory Board with a sixth member. During 2019, a search was initiated to fill this new position, whereby the Diversity Policy was taken into account. As a result of this search, the Supervisory Board is pleased to have been able to nominate two strong candidates for appointment as new member to the Supervisory Board during the 2020 AGM, Valerie Diele-Braun and Amy Hebert. Both candidates are proven international executives, with strong records in the speciality chemicals and food ingredients industry, strengthening the Board with significant industry expertise. Their proposed appointment also brings further diversity in gender, age, nationality and international expertise. Further information is included in the explanatory notes to the AGM convocation, published on the Company's website.

Independence / No conflicts of interest
Throughout 2019, all Supervisory Board members qualified as independent within the meaning of best practice provision 2.1.8 of the Dutch Corporate Governance Code. IMCD did not grant any loans, advances, guarantees, shares or options to its Supervisory Board members. Their remuneration is not dependent on the results of IMCD. No Supervisory Board members held any shares or options on shares in IMCD, and no transactions involving a (potential) conflict of interest occurred for Supervisory Board members in 2019.

In carrying out their duties all Supervisory Board members are well aware of, and abide by, the conflict of interest provisions of the Supervisory Board Rules and their personal statutory and fiduciary duties to act independently and in the interest of the Company and its stakeholders.

Supervision in 2019

In performing their duties, the members of the Supervisory Board are guided by the interests of IMCD and all its stakeholders. The below provides an overview of the activities that the Supervisory Board engaged in as well as the material topics on which its supervision was focused during 2019.

Meetings and attendance
The Supervisory Board held five face-to-face meetings in 2019, and one meeting per conference call. All of these meetings were held with both Management Board members present. Three Supervisory Board meetings included a closed session without the Management Board members' attendance. Between meetings, the members of the Supervisory Board had regular contact with each other, by telephone and email. To prepare for meetings and to discuss the current state of affairs, the Chair had regular contact with the CEO. The full Executive Committee was present during the Supervisory Board meeting in December 2019.

The table below provides the record of attendance of the individual Supervisory Board members. Attendance is expressed as the number of meetings attended out of the number eligible to attend.

Attendance record

	SB meetings	SB conf. calls	AC meetings	RC meetings
Michèl Plantevin (Chair) [1]	5/5*	1/1	-	2/4*
Arjan Kaaks (Vice-Chair)	5/5	1/1	4/4	-
Stephan Nanninga	5/5	1/1	-	4/4
Janus Smalbraak	5/5	1/1	-	4/4
Julia van Nauta Lemke	5/5	1/1	4/4	-

[1] Due to travel limitations whilst recovering from a medical procedure, Mr. Plantevin joined 3 of the regular SB meetings and 1 RC meeting via audio/ video connection.

Site visit

The Supervisory Board interacted with IMCD employees on various occasions. Following site visits to Belgium (2017) and Canada (2018), the Supervisory Board in 2019, together with the Management Board, visited IMCD's facilities in France (Paris). During this two-day work visit, the Supervisory Board members met with the senior management of IMCD France and IMCD Italy. The French team is led by Olivier Champault, who is also part of the Executive Committee and business group director for IMCD's global Advanced Materials business. Through interaction with IMCD's employees and the presentations that covered, amongst others, organisational and strategy development for IMCD France and IMCD Italy, the Supervisory Board deepened its understanding of IMCD's activities, opportunities and risks in both countries. The in-depth business presentations provided by the Personal Care, Food and Pharmaceutical teams also attributed to the further knowledge of the Board in respect of the important trends and strategies for these market segments. The Supervisory Board members were impressed by the professionalism, knowledge and energy encountered. The visit included a tour through IMCD's Personal Care laboratory and a diner allowing further opportunity for interaction with all employees that presented during the day.

Topics of discussion and advice

Regular items on the Supervisory Board agenda were the development of results, the financial position, acquisition projects and evaluations thereof and reports on any matters related to material risks, claims or compliance issues. To provide more insight, some material topics in the supervision by the Supervisory Board are discussed below in more detail.

Strategy

On various occasions, the Management Board and the Supervisory Board discussed the (execution of the) Company's strategy for long-term value creation, and upon request of the Board, spend time on the regional aspects and developments thereof. Often these conversations took place in close connection to potential acquisitions or other business opportunities as presented by the Management Board. The annual report by the Management Board on the strategy and associated risks, was discussed with the full Executive Committee present, providing the Supervisory Board with a more thorough insight into the ambitions for the Company.

Acquisitions

In 2019, the Supervisory Board gave due consideration to a number of potential acquisitions and approved the acquisitions of Matrix Ingredients in Singapore and Malaysia, Monachem Additives in India, Swiss-based DCS Pharma (also operational in Spain, Italy, Germany, Mexico and China), Whawon Pharm Co. Ltd. in South Korea, Unired Quimicas in Colombia and Zifroni Chemical Suppliers Ltd. In Israel (announced in January 2020).

Operational performance and budget planning

In all meetings, the up-to-date operational performance and development of results were discussed in detail, for the Company as a whole and per region, as well as - if there was reason to do so - per country. During such updates, the Management Board informs the Supervisory Board about material developments in the markets, or any changes in economic circumstances relevant to IMCD. Furthermore, any important organisational changes per region and important developments concerning IMCD's relationship with its major supplier and/or customers are reported and the opportunities or risks to be expected from such developments are discussed.

During the Supervisory Board's meeting in December 2019, the Management Board presented the budget for 2020, which is the outcome of an extensive internal process of local and regional budget discussions. The budget was discussed with the full Executive Committee present, providing opportunity for the Supervisory Board members to discuss market circumstances, competitors, opportunities and risks or other developments within specific regions and IMCD's business groups in more depth.

Digitalisation
In the presence of the Management Board and Executive Committee, the Supervisory Board discussed IMCD's digital strategy with IMCD's Group Director Digital Transformation. A lot of work has been done to fully integrate IMCD's digital platform, both internally, by unifying processes and aligning sales, marketing and technical teams, and externally, through projects in the field of marketing and business analytics. A big achievement in 2019 was the 'go-live' of IMCD's online customer portal. Digitalisation remains a primary focus for the Supervisory Board and to support further progress the Supervisory Board decided to include this topic in the personal KPIs of the Management Board members for 2020.

Sustainability
During its meeting in May, the Supervisory Board discussed IMCD's environmental, social and governance (ESG) profile and activities with the company's Group Director Regulatory, Quality and Sustainability. An important topic was the revision of the regulatory and quality organisation into a more centralised organisation, as well as the introduction of further automated systems. In addition, the Supervisory Board members discussed IMCD's sustainability strategy and the introduction of 'IMCD Sustainable Solutions' to the market. The Supervisory Board is excited about the significant steps made in 2019, including the publication of IMCD's first Sustainability Report and fully supports the further development of both the strategy and further metrics and targets in 2020 and the years to come.

IMCD Culture and Values
2019 was a year in which the company worked hard to integrate substantial acquisitions of recent years. The Supervisory Board was pleased to see that, as part of these efforts, a lot of attention was given to the strengthening of the IMCD culture and the global rollout of IMCD's values. As part of the rollout programme, a movie explaining IMCD's values was introduced and further material was provided at all IMCD locations. The Management Board was actively involved as well and discussed the programme and values during live townhall meetings.

Talent development & succession planning
The development and execution of the HR strategy remains an important topic for the Supervisory Board that was again discussed in the presence of the Global HR Director. In 2019, discussions included, next to the IMCD's culture and values, the leadership changes and new (senior) hires in the organisation and mid- and entry-level initiatives on the labour market. On several occasions, the Supervisory Board took time to discuss the management succession plan, and a separate session of the Remuneration Committee was

convened in which, together with the Global HR Director, an in-depth analysis of IMCD's senior talent pool took place.

ICT infrastructure and controls

An annually recurring topic of great attention is the operation and management of IMCD's ICT infrastructure. IMCD's operations are supported by sophisticated and modern ICT solutions, which play an important role in the further digitalisation of the business model. The global roll-out of an integrated customer relations management system and an integrated product information management system have been significant steps to prepare for and be able to support further digitalisation efforts. Projects in this field were initiated in 2017 and 2018, and the work to complete these projects continued during 2019. In its review, which includes a separate AC meeting in which the ICT developments were discussed in depth with the Group Director for ICT, the Supervisory Board established that good progress has been made on all strategic objectives of IMCD's ICT strategy.

This year, IMCD's IT controls were also a topic of discussion during the AGM. As was explained by the external auditor at the time, IMCD has improved a lot in terms of accountability of its general IT controls during recent years. In 2019, further projects have been undertaken to strengthen the internal processes and documentation concerning these controls, including, by way of example, the implementation of a new Information Security Policy, formalised procedures for access control and change management, and the appointment of a global Information Security Officer. During the Supervisory Board's meeting in December, the feedback provided by the external auditor on IMCD's efforts was positive and confirmed that substantial progress was made in 2019.

Ongoing training and performance assessment

In absence of the Management Board members, the Supervisory Board discussed and decided on their individual performance appraisal and related remuneration. In addition, in closed sessions, the Supervisory Board discussed its own composition and diversity, the Supervisory Board profile and its remuneration. In a separate closed session, the Supervisory Board members discussed the outcome of its self-assessment in respect of the functioning of the Supervisory Board, its members and its committees, including topics such as the interaction between the Supervisory Board and the Management Board and information provision to the Supervisory Board. An overview of the other positions of the Supervisory Board members was discussed as well.

As part of the continuous Supervisory Board training program, the Supervisory Board was informed of developments in relevant legislation, which in 2019 included, amongst others, the Revised Shareholders' Rights Directive. The Supervisory Board also received presentations on business group developments, which this year included strategy discussions with the management of IMCD's Food business group, in addition to other topics mentioned above (e.g. country strategies and global strategies on sustainability and digitalisation). The Supervisory Board members furthermore have access to market reports covering IMCD and/or its competitors to inform themselves and develop deeper knowledge about relevant market circumstances, opportunities and challenges that IMCD faces.

Supervisory Board committees

The Supervisory Board has installed two committees: an Audit Committee (AC) and a Remuneration Committee (RC). The split in tasks and responsibilities and the working method of the Supervisory Board and its committees are described in more detail in the Corporate Governance chapter. In all its activities, the Supervisory Board pays close attention to an efficient implementation of IMCD's corporate governance structure, ensuring the needs of all IMCD's stakeholders are met in a manner that is transparent, effective and suitable to IMCD's operations.

Audit Committee

The Audit Committee held four meetings in 2019. At all meetings, the CFO, the Director Corporate Control, the Internal Auditor and representatives of the external auditor, Deloitte Accountants B.V., were present. Arjan Kaaks (Chair) and Julia van Nauta Lemke were the members of this committee during 2019.

Minutes of the meetings were submitted to the Supervisory Board and the Chair of the Audit Committee provided regular updates of the discussions that took place.

As preparation for the regular Supervisory Board meetings, IMCD's accounting policies and valuation methods as used in its quarterly, semi-annual and annual financial reporting were discussed in the Audit Committee's meetings. In addition, the following topics were given particular attention in 2019: post-acquisition reviews for recent acquisitions, IMCD's ICT infrastructure and strategy and internal control, governance and related risks.

In February 2019, the Audit Committee discussed the financial statements and 2018 audit in depth with the external auditor.

In May, the Internal Auditor presented his first findings (for the period up to and including March 2019). Furthermore, time was spent on the post-acquisitions review (reviewing five acquisitions) and the external audit evaluation as well as the external audit plan for 2019.

IMCD's Group Director for ICT attended the Audit Committee's meeting in July where ICT controls, ICT strategy (including running projects, project plans and project budget), an ICT SWOT analysis, cybersecurity and fraud risk were discussed in depth. IMCD's Director Corporate Control provided an update on the developments in IMCD's internal control and risk management approach. The Audit Committee reported its findings to the Supervisory Board in August, when it was concluded that all required and desirable internal control elements were still effectively assumed within the agenda, programme and tasks of the Internal Auditor and the corporate (control) team.

In November, the Internal Audit Plan for 2020 was presented to the Audit Committee, which was subsequently approved by the Supervisory Board in its December meeting. At this occasion, the Audit Committee also received a presentation by the Internal Auditor on his internal audit findings up to and including October 2019 and a presentation by IMCD's Group Director for Tax and Treasury. Additional time was scheduled to continue the discussions on fraud (risks) and cybersecurity, which were not fully concluded during the July meeting. IMCD's Information Security Officer, appointed in 2019, was present for this topic.

External auditor

The Supervisory Board is responsible for engaging and supervising the performance of the external auditor. Deloitte Accountants B.V. (Deloitte) was reappointed as IMCD's external auditor for the financial years 2019 and 2020 at the 2018 AGM. The Audit Committee and the Management Board reported to the Supervisory Board on Deloitte's envisaged audit plan for 2019, the relationship with and functioning of Deloitte as external auditor, as well as on other audit and non-audit services provided by Deloitte to IMCD. Deloitte attended the meetings of the Supervisory Board in February and December, in which discussions took place on the financial statements and the key audit points, observations and recommendations as presented in the accountants' management letter.

Deloitte confirmed its independence from IMCD in accordance with the professional standards applicable to statutory auditors of public-interest entities.

Remuneration Committee

The Remuneration Committee had three regular scheduled meetings in 2019 (in February, November and December) and one additional meeting (November). The members furthermore held regular consultations to discuss, amongst others, the proposals for the remuneration of the individual members of the Management Board. Stephan Nanninga (Chair), Janus Smalbraak and Michèl Plantevin were the members of this committee during 2019.

Minutes of the Remuneration Committee meetings were shared with the full Supervisory Board and the Chair of the Remuneration Committee provided regular updates of the discussions that took place. All four meetings in 2019 were attended by IMCD's Global HR Director.

Two of the meetings of the Remuneration Committee focused on the performance and related remuneration of the members of the Management Board. One meeting was scheduled to review with the Remuneration Committee members the succession planning for the MB and SB, and to discuss in more depth the development of the senior management talent pool. The performance and remuneration of the Executive Committee members were also shared with the Remuneration Committee.The additional meeting focused on the evaluation of the Remuneration Policy for the Management Board and possible changes given the (at the time foreseen) implementation of the Revised Shareholders' Rights Directive.

The Remuneration Committee presented its findings and proposals to the Supervisory Board and prepared the Supervisory Board's remuneration report for 2019, which is published on the Company's website.

MB and SB Remuneration

In the light of the implementation of the Revised Shareholders' Rights Directive, an evaluation of the remuneration policy for the Management Board took place, which led to certain amendments in order to comply with the new legislation. Most notably, the Supervisory Board has decided to, in addition to the existing policy for the Management Board remuneration, formalise a remuneration policy for the Supervisory Board. Both documents will be submitted to the General Meeting for approval during the 2020 AGM.

The Supervisory Board's remuneration report for 2019, as published on the Company's website, contains further details on how the remuneration policy was implemented in 2019. Detailed information on the compensation of the Management Board and Supervisory Board in 2019 is set forth in note 51 to the financial statements.

Due to the implementation of the Revised Shareholders' Rights Directive, the format of the remuneration report has been further amended to ensure compliance with the new legislation. The remuneration report 2019 will be submitted to the General Meeting during the 2019 AGM for an advisory vote.

Financial statements 2019 and profit appropriation

The Supervisory Board reviewed and discussed the annual report and the financial statements for 2019 with all parties involved in the preparations thereof. These discussions allow the Supervisory Board to conclude that the annual report provides a solid basis for the Supervisory Board's accountability for its supervision in 2019.

The financial statements for the financial year 2019 have been prepared by the Management Board and were audited by Deloitte Accountants B.V. The financial statements and the outcome of the audit performed by the external auditor were discussed by the Supervisory Board in the presence of the external auditor in December 2019 and February 2020.

The financial statements 2019 were endorsed by all Management Board and Supervisory Board members and are, together with Deloitte's auditor's report, included in the Other information on page 176 of this annual report. The Management Board will present the financial statements 2019 and its report at the AGM.

The Supervisory Board recommends the AGM to adopt the financial statements 2019, including a proposed dividend of EUR 0.90 in cash per share.

In addition, the Supervisory Board recommends that the members of the Management Board and Supervisory Board are discharged from liability in respect of their respective management and supervisory activities performed in 2019.

The Supervisory Board would like to thank all IMCD employees, under the strong leadership of the Management Board and Executive Committee, for their continued hard work and commitment shown in 2019.

Rotterdam, 26 February 2020

Supervisory Board:

Michèl Plantevin
Arjan Kaaks
Stephan Nanninga
Janus Smalbraak
Julia van Nauta Lemke

FINANCIAL STATEMENTS


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Company financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2019

Before profit appropriation

EUR 1,000	NOTE	31 DECEMBER 2019	31 DECEMBER 2018
Assets			
Property, plant and equipment	16	90,331	25,262
Goodwill		749,001	663,628
Other intangible assets		392,248	376,001
Intangible assets	17	**1,141,249**	**1,039,629**
Equity-accounted investees	20	65	38
Other financial assets	21	5,368	3,780
Deferred tax assets	22	34,663	43,170
Non-current assets		**1,271,676**	**1,111,879**
Inventories	23	377,229	354,269
Trade and other receivables	24	434,624	398,019
Cash and cash equivalents	25	104,357	85,162
Current assets		**916,210**	**837,450**
Total assets		**2,187,886**	**1,949,329**

The notes are an integral part of these consolidated financial statements

EUR 1,000	NOTE	31 DECEMBER 2019	31 DECEMBER 2018
Equity	26		
Share capital		8,415	8,415
Share premium		657,514	657,514
Reserves		(46,725)	(61,564)
Retained earnings		139,315	81,926
Unappropriated result		108,006	100,057
Equity attributable to owners of the Company		**866,525**	**786,348**
Total equity		**866,525**	**786,348**
Liabilities			
Loans and borrowings	27	565,646	481,237
Employee benefits	28	24,053	22,286
Provisions	29	4,358	8,385
Deferred tax liabilities	22	77,422	83,894
Total non-current liabilities		**671,479**	**595,802**
Loans and borrowings	27	-	465
Short-term financial liabilities	27	273,950	214,176
Trade payables	30	279,796	263,679
Other payables	30	96,136	88,859
Total current liabilities		**649,882**	**567,179**
Total liabilities		**1,321,361**	**1,162,981**
Total equity and liabilities		**2,187,886**	**1,949,329**

The notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

for the year ended 31 December 2019

EUR 1,000	NOTE	2019	2018
Revenue	8	2,689,626	2,379,099
Other income	9	16,937	9,515
Operating income		**2,706,563**	**2,388,614**
Cost of materials and inbound logistics	23	(2,090,366)	(1,843,000)
Cost of warehousing, outbound logistics and other services		(72,582)	(64,568)
Wages and salaries	10, 11	(179,265)	(157,895)
Social security and other charges	10	(49,708)	(42,494)
Depreciation of property, plant and equipment	16, 18	(21,987)	(5,439)
Amortisation of intangible assets	17, 18	(44,171)	(37,234)
Other operating expenses	12	(72,426)	(75,391)
Operating expenses		**(2,530,505)**	**(2,226,021)**
Result from operating activities		**176,058**	**162,593**
Finance income	13	695	491
Finance costs	13	(27,513)	(23,884)
Net finance costs		**(26,818)**	**(23,393)**
Share of profit of equity-accounted investees, net of tax	20	112	(9)
Result before income tax		**149,352**	**139,191**
Income tax expense	14	(41,346)	(39,134)
Result for the year		**108,006**	**100,057**
Gross profit [1]		599,260	536,099
Gross profit in % of revenue		22.3%	22.5%
Operating EBITA [2]	6	224,783	202,113
Operating EBITA in % of revenue		8.4%	8.5%

1 Revenue minus cost of materials and inbound logistics

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

The notes are an integral part of these consolidated statements.

EUR 1,000	NOTE	2019	2018
Result for the year		**108,006**	**100,057**
Defined benefit plan actuarial gains/(losses)	28	(1,767)	(29)
Related tax	14	445	(60)
Items that will never be reclassified to profit or loss		**(1,322)**	**(89)**
Foreign currency translation differences related to foreign operations		15,101	(9,559)
Effective portion of changes in fair value of cash flow hedges		33	47
Related tax	14	(1,041)	205
Items that are or may be reclassified to profit or loss	13	**14,093**	**(9,307)**
Other comprehensive income for the period, net of income tax		**12,771**	**(9,396)**
Total comprehensive income for the period		**120,777**	**90,661**
Result attributable to:			
Owners of the Company		108,006	100,057
Total comprehensive income attributable to:			
Owners of the Company		120,777	90,661
Weighted average number of shares	15	52,475,335	52,442,825
Basic earnings per share	15	2.06	1.91
Diluted earnings per share	15	2.11	1.95

The notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

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	26	**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		-	-	-	-	-	-	-	108,006	**108,006**
Total other comprehensive income		-	-	14,060	33	-	(1,322)	-	-	**12,771**
Total comprehensive income for the year		**-**	**-**	**14,060**	**33**	**-**	**(1,322)**	**-**	**108,006**	**120,777**
Cash dividend	26	-	-	-	-	-	-	-	(42,074)	**(42,074)**
Issue of shares minus related costs	26	-	-	-	-	-	-	-	-	**-**
Share based payments	26	-	-	-	-	-	1,071	(1,508)	-	**(437)**
Purchase and transfer of own shares	26	-	-	-	-	997	-	914	-	**1,911**
Total contributions by and distributions to owners of the Company		**-**	**-**	**-**	**-**	**997**	**1,071**	**(594)**	**(42,074)**	**(40,600)**
Balance as at 31 December 2019		**8,415**	**657,514**	**(36,169)**	**(96)**	**(4,686)**	**(5,774)**	**139,315**	**108,006**	**866,525**

The notes are an integral part of these consolidated statements.

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 2018	26	**8,415**	**657,514**	**(40,875)**	**(176)**	**(7,193)**	**(5,086)**	**39,320**	**77,262**	**729,181**
Impact of adoption of IFRS 9		-	-	-	-	-	-	(1,085)	-	**(1,085)**
Balance as at 1 January 2018 restated		**8,415**	**657,514**	**(40,875)**	**(176)**	**(7,193)**	**(5,086)**	**38,235**	**77,262**	**728,096**
Appropriation of prior year's result		-	-	-	-	-	-	44,655	(44,655)	**-**
		8,415	**657,514**	**(40,875)**	**(176)**	**(7,193)**	**(5,086)**	**82,890**	**32,607**	**728,096**
Result for the year		-	-	-	-	-	-	-	100,057	**100,057**
Total other comprehensive income		-	-	(9,354)	47	-	(89)	-	-	**(9,396)**
Total comprehensive income for the year		**-**	**-**	**(9,354)**	**47**	**-**	**(89)**	**-**	**100,057**	**90,661**
Cash dividend	26	-	-	-	-	-	-	-	(32,607)	**(32,607)**
Issue of shares minus related costs	26	-	-	-	-	-	-	-	-	**-**
Share based payments	26	-	-	-	-	-	(348)	(1,980)	-	**(2,328)**
Purchase own shares	26	-	-	-	-	1,510	-	1,016	-	**2,526**
Total contributions by and distributions to owners of the Company		**-**	**-**	**-**	**-**	**1,510**	**(348)**	**(964)**	**(32,607)**	**(32,409)**
Balance as at 31 December 2018		**8,415**	**657,514**	**(50,229)**	**(129)**	**(5,683)**	**(5,523)**	**81,926**	**100,057**	**786,348**

The notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

EUR 1,000	NOTE	2019	2018
Cash flows from operating activities			
Result for the period		108,006	100,057
Adjustments for:			
• Depreciation of property, plant and equipment	16	21,987	5,439
• Amortisation of intangible assets	17	44,171	37,234
• Net finance costs excluding currency exchange results	13	24,064	23,303
• Currency exchange results	13	2,754	90
• Cost of share based payments	11	2,979	2,414
• Share of profit of equity-accounted investees, net of tax	20	(112)	9
• Income tax expense	14	41,346	39,134
		245,195	**207,680**
Change in:			
• Inventories	23	(461)	(54,995)
• Trade and other receivables	24	626	7,269
• Trade and other payables	30	(667)	8,665
• Provisions and employee benefits	28, 29	(3,448)	680
Cash generated from operating activities		**241,245**	**169,299**
Interest paid		(23,223)	(12,027)
Income tax paid		(43,877)	(43,012)
Net cash from operating activities		**174,145**	**114,260**
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	7, 31	(89,443)	(141,300)
Acquisition of intangible assets	17	(11,402)	(8,377)
Acquisition of property, plant and equipment	16	(6,320)	(4,358)
Proceeds from disposals of (in)tangible assets	16, 17	286	212
Acquisition of other financial assets		(548)	(204)
Net cash used in investing activities		**(107,428)**	**(154,027)**
Cash flows from financing activities			
Proceeds from issue of share capital net of related costs	26	-	-
Dividends paid	26	(42,074)	(32,607)
Purchase and transfer of own shares	26	997	1,510
Payment of transaction costs related to loans and borrowings	27	-	(2,892)
Movements in bank loans and other short-term financial liabilities	27	23,705	(3,846)
Proceeds from issue of current and non-current loans and borrowings	27	-	300,000
Repayment of loans and borrowings		(2,654)	(192,923)
Repayment of lease liabilities		(20,657)	-
Net cash from financing activities		**(40,683)**	**69,242**
Net increase in cash and cash equivalents		**26,034**	**29,475**
Cash and cash equivalents as at 1 January	25	85,162	61,383
Effect of exchange rate fluctuations		(6,839)	(5,696)
Cash and cash equivalents as at 31 December	25	**104,357**	**85,162**

The notes are an integral part of these consolidated statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

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 consolidated financial statements of the Company as at and for the year ended 31 December 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 leading companies in sales, marketing and distribution of speciality chemicals and pharmaceutical and food ingredients. The Group has offices and warehouses in Europe, Asia-Pacific, Africa and in North and Latin America.

2 Basis of preparation

2.a Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

The consolidated financial statements were authorised for issue by all members of the Management Board and the Supervisory Board on 26 February 2020.

2.b Basis of measurement

The consolidated financial statements are prepared on a going concern basis and on the historical cost principle, except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value
- non-derivative financial instruments at fair value through profit or loss are measured at fair value
- contingent considerations assumed in a business combination are measured at fair value
- the defined benefit asset/liability is recognised as the net total of the plan assets, less the present value of the defined benefit obligation and is adjusted for any effect of the asset ceiling

2.c Functional and presentation currency

These consolidated financial statements are presented in EUR, which is the Company's functional currency. All financial information presented in this report in EURO has been rounded to the nearest thousand, unless stated otherwise.

2.d Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are included in the following notes:

- Note 7 and 33: whether the Group has (de facto) control over an investee and whether a non-controlling interest is recognized.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial year are included in the following notes:

- Note 7 – acquisition of subsidiaries – fair value measured on a provisional basis
- Note 17 – impairment test: key assumptions underlying recoverable amounts
- Note 22 – recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used
- Note 28 – measurement of defined benefit obligations: key actuarial assumptions

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has a structured control framework with respect to the measurement of fair values. This includes a dedicated team that has responsibility for overseeing all significant fair value measurements, including Level 3 fair values, reporting directly to the CFO.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- **level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 7: acquisition of subsidiaries
- Note 28: employee benefits
- Note 31: financial instruments

2.e Changes in accounting policies

The Group has consistently applied the accounting policies set out in note 3 to all periods presented in these consolidated financial statements.

The Group has initially adopted IFRS 16 Leases as from 1 January 2019. Other standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2019 did not have a material impact on the financial statements of the Group.

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 leases 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 of 1 January 2019:

RECONCILIATION OPERATING LEASE COMMITMENT (EUR 1,000)

Operating leases commitments at 31 December 2018	**65,618**
Contracts identified as containing a lease upon adoption of IFRS 16	13,159
Short-term leases exemption	(1,842)
Low-value assets exemption	(277)
Non-lease components	(3,411)
Extension and termination options reasonably certain to be exercised	4,185
Variable lease payments based on an index or a rate	(485)
Contracts commencing after 1 January 2019	(8,021)
Residual values guarantees	-
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**

EUR 1,000	1 JANUARY 2019	IMPACT IFRS 16	1 JANUARY 2019 RESTATED
Property, plant and equipment	25,262	51,449	76,711
Goodwill	663,628	-	663,628
Other intangible assets	376,001	11,895	387,896
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	63,344	2,012,673
Total equity	786,348	-	786,348
Non-current liabilities	595,802	47,935	643,737
Current liabilities	567,179	15,409	582,588
Total equity and liabilities	1,949,329	63,344	2,012,673

The adoption of IFRS 16 as of 1 January 2019 has resulted in the recognition of right-of-use assets of EUR 63.3 million of which EUR 51.4 million relates to operating leases of offices, warehouse facilities and company cars and EUR 11.9 million relates to software usage contracts. Existing financial lease liabilities, prepayments and lease incentives received were incorporated in the IFRS 16 impact.

As a result of the adoption of IFRS 16, certain assets (primarily financial leases) which were previously classified as owned property, plant and equipment or intangible assets have been reclassified to right-of-use assets as these particular assets meet the IFRS 16 criteria. These assets have been reclassified as an adjustment for change in accounting policies in the movement schedules of the property, plant and equipment, intangible assets and leases.

The weighted average incremental borrowing rate used for discounting the lease liabilities as of 1 January 2019 is 3.65%.

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

Impact of IFRS 16 on the result for the year

EUR 1,000	BEFORE IFRS 16	IMPACT IFRS 16	INCLUDING IFRS 16 IMPACT
Operating income	**2,706,563**	**-**	**2,706,563**
Cost of materials and inbound logistics	(2,090,366)		(2,090,366)
Cost of warehousing, outbound logistics and other services	(75,235)	2,653	(72,582)
Wages and salaries	(179,265)	-	(179,265)
Social security and other charges	(49,708)	-	(49,708)
Depreciation of property, plant and equipment	(5,468)	(16,519)	(21,987)
Amortisation of intangible assets	(40,062)	(4,109)	(44,171)
Other operating expenses	(91,441)	19,015	(72,426)
Operating expenses	**(2,531,545)**	**1,040**	**(2,530,505)**
Result from operating activities	**175,018**	**1,040**	**176,058**
Net finance costs	(24,131)	(2,687)	(26,818)
Share of profit of equity-accounted investees, net of tax	112	-	112
Result before income tax	**150,999**	**(1,647)**	**149,352**
Income tax expense	(41,802)	456	(41,346)
Result for the year	**109,197**	**(1,191)**	**108,006**
Operating EBITA [1]	219,634	5,149	224,783
Earnings per share	2.08	(0.02)	2.06

[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 20.6 million) and interest costs (EUR 2.7 million), instead of operating lease expenses (EUR 21.7 million).

Adoption of IFRS 16 did not impact the outcome of loan covenant ratios as described in note 27 as the calculation of the loan covenants is based on the accounting principals applicable at the moment of arranging the loan facilities (IAS 37).

Impact of IFRS 16 on the free cash flow for the year

EUR 1,000	BEFORE IFRS 16	IMPACT IFRS 16	INCLUDING IFRS 16 IMPACT
Operating EBITA	**219,634**	**5,149**	**224,783**
Depreciation tangible assets	5,468	-	5,468
Depreciation right-of-use assets	-	16,519	16,519
Operating EBITDA	**225,102**	**21,668**	**246,770**
Non-cash share based payments	2,979	-	2,979
IAS 17 lease payments	-	(21,668)	(21,668)
Adjusted Operating EBITDA	**228,081**	**-**	**228,081**
Inventories	(461)	-	(461)
Trade and other receivables	626	-	626
Trade and other payables	(667)	-	(667)
Change working capital	(502)	-	(502)
Capital expenditure	(6,320)	-	(6,320)
Free Cash flow	**221,259**	**-**	**221,259**
Cash conversion margin [1]	**97.0%**	- %	**97.0%**

[1] Free cash flow in percentage of Adjusted Operating EBITDA (Operating EBITDA plus non-cash share based payment costs minus lease payments)

In the consolidated statement of cash flows, payments for operating leases, previously included in cash generated from operating activities, are now included in the net cash from operating activities (Interest paid: EUR 2.7 million) and in net cash from financing activities (Repayment of lease liabilities: EUR 20.7 million).

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. In order to make the margin more comparable to IMCD's peers in the market, for calculation of the cash conversion margin, as from 2019, an adjusted EBITDA is used. Adjusted EBITDA is calculated by deducting lease payments and share based payment related expenses from the EBITDA. The first-time application of IFRS 16 had no impact on the Free Cash flow, nor on the Cash conversion margin.

Standards and amendments to IFRSs effective on or after 1 January 2019

IMCD has applied the following standards and amendments to standards, with a date of initial application of 1 January 2019:

- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement
- Improvements to IFRS 3 related to joint operations and IFRS 11 Joint arrangements
- Improvements to IAS 12 related to income tax consequence of dividend
- Improvements to IAS 23 related to treatment of borrowing related to a specific asset

Application of these standards and amendments did not have a significant impact.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. They have been applied consistently by Group entities, except as explained in note 2.e, which addresses changes in accounting policies.

3.a Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Exception hereon are deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss as finance income or costs.

Written put options to acquire a non-controlling interest are accounted for by the anticipated-acquisition method. The fair value of the consideration payable is included in financial liabilities; future changes in the carrying value of the put option are recognised in profit or loss.

The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred
- plus the recognised amount of any non-controlling interest in the acquiree
- plus, if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree
- less the net recognised amount (at fair value) of the identifiable assets acquired and liabilities assumed

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but no control over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.b Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of financial liabilities designated as qualifying cash flow hedges, which are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated into Euro at an average rate for the month in which the transactions occurred. However, if exchange rates fluctuate significantly, the use of the average rate for a period is inappropriate and exchanges rates at the date of transactions are used.

Foreign currency differences on the translation of foreign operations to the functional currency of the group are recognised in other comprehensive income, and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and are presented in the translation reserve in equity.

3.c Financial instruments

Non-derivative financial assets

Financial assets are classified on the basis of the business model within which they are held and their contractual cash flow characteristics.

The Group initially recognises trade and other receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets:
- trade and other receivables
- cash and cash equivalents

Trade and other receivables

Trade and other receivables are financial assets held to collect the contractual cash flows. Trade receivables are recognised initially at transaction price minus expected credit losses. Other receivables are recognised initially at fair value plus any directly attributable transaction costs minus expected credit losses. Subsequent to initial recognition trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, other short-term financial liabilities, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented within share premium.

Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the following conditions are met:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio is the same as that resulting from actual quantities of hedged items and hedging instruments used for risk management.

For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value at trading date; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity.

Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the hedge ratio will be adjusted so that it meets the qualifying criteria again. If the hedging instrument ceases to meet the qualifying criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecasted transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedging relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

3.d Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is an integral part of the functionality of the related equipment is capitalised as part of that equipment.

If major components of an item of property, plant and equipment have different useful lives, these components are accounted for separately.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Right of use assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

Buildings	: 20 - 40 years
Reconstructions and improvements	: 5 - 12 years
Hardware and software	: 3 - 5 years
Other non-current tangible assets	: 3 - 5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.e Intangible assets

Goodwill

Goodwill arising on the acquisition of subsidiaries is included in intangible assets. Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

Supplier relations

At acquisition date, the supplier relations are recognised at fair value based on the excess earnings method. For all material supplier bases the initial valuation has been performed by an external valuator. Subsequent measurement is based on costs less amortisation. The estimation of the useful life of each supplier base is based on a cut-off calculation that excludes future years from the remaining useful life that account for less than 5% of the total present value of the excess earnings.

Intellectual property rights, distribution rights, brand names and other intangible assets

In addition to supplier relations, other intangible assets include intellectual property rights, distribution rights, brand names, and non-compete rights. Other intangible assets acquired as part of business combinations are measured on initial recognition at their fair value on the date of acquisition. Intangible assets acquired separately are measured at cost. Subsequently, intangible assets which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for the current and comparative years are as follows:

IMCD brand name	: indefinite
Intellectual property rights	: 7 years
Supplier relations acquired through business combinations	: 10 - 20 years
Other distribution, non-compete rights and order books	: (initial) contract term

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.f Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee except for short-term leases (defined as leases with a lease term of 12 months or less) and low-value leases. For these leases the Group recognises the lease payments as an operating expenses on a straight line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercising a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 3.h.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Other operating expenses” in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3.g Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method and includes expenditure incurred in acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.h Impairment

Financial assets

For all financial assets not carried at fair value through profit or loss an allowance for expected credit losses (ECL) is recognised.

An ECL is determined as the difference between the contractual cash flows and the estimated expected cash flows to be collected, considering the potential risk of default.

An ECL is provided for a credit loss that results from a loss event possible within the next 12 months (a 12-month ECL). For credit exposures with a significant increase in credit risk a lifetime ECL is recognised and assessed at each reporting date to determine whether there is objective evidence that it is impaired.

Objective evidence that financial assets require an ECL can include the default of or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers or observable data indicating that there is a measurable decrease in expected cash flows from a group of financial assets.

A simplified approach is used to determine the ECL for trade receivables, contract assets and lease receivables. A loss allowance is determined based on lifetime ECL on each reporting date.
The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

A provision matrix is used to determine the expected credit loss based on the Group's historical trends of incurred losses, allocated to each aging category, adjusted for specific debtor provisions, insurance coverage and general economic developments. Management judges whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Equity accounted investees
An impairment loss in respect of an equity accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non-financial assets
The carrying amounts of the Group's non-financial assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and other intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at reporting date.

An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.i Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The obligation arising from these defined benefit plans are determined on the basis of projected unit credit method. The calculation of the defined benefit obligations is performed by qualified actuaries on an annual basis.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

The calculation of the other long-term employee benefits is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then these benefits are discounted.

Share based payment transactions

The grant date fair value of equity-settled share based payment awards granted to employees is recognised as personnel expenses, with a corresponding increase in equity, over the vesting period of the awards. The grant date fair value is generally equal to the share price at grant date, adjusted for:
1. expected dividends
2. marketability discounts for restriction periods (using the Finnerty model)
3. market conditions (using Monte Carlo simulations)

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the

Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.j Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

3.k Revenue

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is recognised when the performance obligation is satisfied and transfer of control is established. The amount recognised is the amount of the transaction price allocated to the performance obligation.

If the consideration promised in a contract includes a variable amount, such as discounts and/or rebates, the Group estimates the amount of consideration to which the Group will be entitled in exchange for the sale of goods.

The timing of the transfer of control varies depending on the individual terms of the sales agreement.

Commissions

When the Group arranges to provide goods from the supplier to the customer and does not obtain control over the goods, the Group acts in the capacity of an agent rather than as the principal. The revenue arising from such a transaction is recognised as the net amount of commission made by the Group.

3.l Finance income and expenses

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, impairment losses recognised on financial assets (other than trade receivables) and losses on hedging instruments that are recognised in profit or loss.

Finance income and expenses includes results of changes of the fair value of contingent considerations classified as financial liabilities.

Borrowing costs that are not directly attributable to the acquisition of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.m Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future
- taxable temporary differences arising on the initial recognition of goodwill

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.n Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The segmentation used by the Group is based on geography, organisation and management structure and commercial interdependencies.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities and are presented in a separate reporting unit 'Holding companies'.

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, Japan and South Korea
- Americas: all operating companies in the United States of America, Canada, Brazil, Puerto Rico, Chili, Argentina, Uruguay, Mexico and Colombia
- Holding companies: all non-operating companies, including the head office in Rotterdam and the regional offices in Singapore and in New Jersey, US.

3.o New standards and interpretations not yet adopted
The following standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these consolidated financial statements:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 3 Definition of a business
- Amendments to IAS 1 and IAS 8 Definition of material
- Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform

The Group does not plan to adopt these standards early and does not expect the new standards to have a significant impact.

3.p Non-recurring income and expenses

The non-recurring items in 2019 and 2018 mainly consist of costs incurred in acquiring businesses, costs related to one-off adjustments to the organisation, sale of real estate and accelerated amortisation of finance costs as a consequence of the repayment of senior credit facilities. Non recurring income tax expenses in 2019 relate to the restructuring and reorganisation of acquired businesses.

The non-recurring income and expenses were recognised in profit or loss and are summarised as follows:

EUR 1,000	NOTE	2019	2018
Other operating income	9	1,956	-
Personnel expenses and other operating expenses	10, 12	(6,510)	(2,286)
Finance costs	13	-	(4,631)
Impact on result before income tax		**(4,554)**	**(6,917)**
Non-recurring income tax expenses	14, 22	(2,064)	-
Impact on result for the year		**(6,618)**	**(6,917)**

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability and in note 31 Financial Instruments.

Property, plant and equipment
The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an at arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

Intangible assets
The fair value of other intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Inventories
The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Forward exchange contracts and interest rate swaps
The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on quotes acquired from financial institutions. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Other non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Contingent considerations
The fair value of contingent considerations is calculated using the income approach based on the expected payment amounts and their associated probabilities (i.e. probability-weighted). Contingent considerations with a term longer than one year are discounted to present value.

Defined benefit plans
The fair value of the plan assets is based on the actuarial assumptions determined by certified actuaries.

5 Financial risk management

5.a Risk management framework

Risk management tasks and responsibilities

The IMCD risk management policy is aimed at optimising the balance between maximisation of business opportunities within the framework of the Group's strategy, while managing the risks involved.

Although the Group benefits from geographical, market, client and product portfolio spread, the Group's well structured risk management process should manage its residual risks in a transparent and controlled manner.

The Group's risk management and control systems are established to identify and analyse the risks faced by the Group at various levels, to set appropriate risk controls, and to monitor risks and the way the risks are controlled.

Key activities within the Group´s risk management and control systems are:
- identification of key business risks, based on likelihood of occurrence and their potential impact
- setting controls for managing these key risks

Risk management elements

The elements of IMCD's risk management system are the following:

Control environment, including:
- organisational culture based on ethical conduct and compliance, clear responsibilities and short and open communication lines
- IMCD's policies including business principles, management instructions and manuals
- continuous compliance training of employees
- risk management embedded in the business processes on all organisational levels
- internal financial reviews and risk assessments performed by the Group, in accordance with Internal Audit

Risk assessment and control procedures, including:
- identification of risks via risk self-assessments coordinated by corporate Controlling and corporate HSEQ
- implementing and optimisation of effective and efficient control procedures on various levels of the organisation

Information, communication and monitoring, including:
- harmonised reporting on operations, financial results and positions and risks
- periodical reviews of financial results and risk management by the Management Board and Corporate Controlling
- periodical reviews on HSEQ management by Corporate HSEQ
- regular review meetings between Group and local management

The Management Board, under supervision of the Supervisory Board, has overall responsibility for the IMCD risk management and control systems. Management of regional and operating companies are responsible for local operational performance and for managing the associated local risks.

5.b Overview financial risks

The Group has exposure to the following financial risks:
- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

5.c Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. There is no geographical concentration of credit risk nor significant credit risk on individual customer level.

The Group has established a credit policy in which each new customer is analysed individually for creditworthiness before the Group's payment and delivery terms and conditions are offered. The Group's review includes the use of external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount. These limits are reviewed periodically.

Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that are expected but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets, adjusted for forward-looking information.

To mitigate the counter party risk with financial institutions the Group has the policy to make use of financial institutions which are investment grade. The Group's main financial institutions are systemically important and are under close supervision by their respective financial regulatory bodies.

5.d Liquidity risks

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it generally has sufficient cash on demand to meet expected operational expenses for the next twelve months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

In addition, the Group maintains the following lines of credit:

- EUR 400 million revolving facility. Interest would be payable at the rate of EURIBOR plus the currently applicable 130 base points for amounts drawn in EURO and LIBOR plus currently applicable 130 base points for amounts drawn in other currencies. As of 31 December 2019, the Group had an undrawn revolving facility of EUR 162 million.
- Several credit facilities available to the subsidiaries, mainly in Spain, Indonesia, India, South Africa, Brazil and the United States.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

EUR 1,000		CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	12 MONTHS OR LESS	1 - 2 YEARS	2 - 5 YEARS	>5 YEARS
Non-derivative non-current financial liabilities							
Schuldscheindarlehen	EUR	99,759	103,879	1,336	61,332	41,211	-
Schuldscheindarlehen	USD	79,949	85,846	2,869	82,977	-	-
Bond loan	EUR	296,734	345,000	7,500	7,500	22,500	307,500
Contingent consideration	IDR	2,434	2,434	-	-	-	2,434
	KRW	25,635	25,635	-	-	25,635	-
	CHF	4,951	4,951	-	4,951	-	-
	SGD	1,191	1,191	-	1,191	-	-
Lease liabilities	[1]	53,861	59,317	-	19,562	28,095	11,660
Other liabilities	EUR	1,132	1,132	-	269	863	-
		565,646	**629,385**	**11,705**	**177,782**	**118,304**	**321,594**
Non-derivative current financial liabilities							
Contingent consideration	INR	1,726	1,726	1,726	-	-	-
	SGD	1,191	1,191	1,191	-	-	-
	IDR	534	534	534	-	-	-
	CHF	563	563	563	-	-	-
Lease liabilities	[1]	20,967	23,039	23,039	-	-	-
Other short-term financial liabilities	[1]	248,969	248,969	248,969	-	-	-
Trade payables	[1]	279,796	279,796	279,796	-	-	-
Other payables	[1]	94,993	94,993	94,993	-	-	-
		648,739	**650,811**	**652,201**	**177,782**	**118,304**	**321,594**

[1] Various currencies

Estimated interest payments are based on the EURIBOR and LIBOR rates and margins prevailing at 31 December 2019. Further details of the non-derivative financial liabilities can be found in note 27.

5.e Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. Group management focuses on managing and controlling market risk exposures within acceptable parameters, while optimising the operating result.

The Group buys derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by Group Management. Generally the Group seeks to use hedging instruments to manage volatility in profit or loss.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Euro (EURO), United States of America Dollar (USD) and the Pound Sterling (GBP).

The currencies in which these transactions primarily are denominated are EUR, USD and GBP.

The Group uses forward exchange contracts to hedge its currency risk, mainly by using contracts having a maturity of less than one year from the reporting date.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily EUR and USD. This provides an economic hedge without derivatives being entered into. No hedge accounting is applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The Group's net exposure to foreign currency risk based on notional and hedged amounts of monetary assets and liabilities as of 31 December 2019 was as follows:

EUR 1,000	USD	CAD	BRL	AUD	INR	CHF	KRW	ZAR	GBP	IDR	OTHER	TOTAL
Non-current assets	74	333	-	-	396	-	1,011	7	-	2,458	567	**4,847**
Current assets	127,700	26,869	24,717	25,468	21,261	10,371	14,842	14,585	22,937	8,626	67,972	**365,347**
Non-current liabilities	(179,870)	-	(1,951)	-	-	(9,075)	(1,137)	-	-	(2,434)	(18,007)	**(212,474)**
Current liabilities	(76,499)	(23,450)	(6,490)	(18,278)	(6,769)	(12,964)	(1,235)	(7,046)	(27,036)	(1,960)	(27,845)	**(209,570)**
Net statement of currency risk exposure	**(128,594)**	**3,751**	**16,275**	**7,190**	**14,889**	**(11,668)**	**13,481**	**7,547**	**(4,099)**	**6,690**	**22,687**	**(51,850)**

The risk exposure above includes the mitigating effects of hedged net liability positions in USD to the amount of EUR 5.0 million (2018: EUR 9.8 million).

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2019	2018	2019	2018
USD	0.8928	0.8471	0.8902	0.8734
CAD	0.6730	0.6536	0.6850	0.6408
BRL	0.2272	0.2330	0.2208	0.2253
AUD	0.6216	0.6333	0.6252	0.6165
INR	0.0127	0.0124	0.0125	0.0125
CHF	0.8988	0.8673	0.9213	0.8874
KRW	0.0008		0.0008	
ZAR	0.0618	0.0645	0.0634	0.0608
GBP	1.1400	1.1292	1.1754	1.1179
IDR	0.0001	0.0001	0.0001	0.0001

Sensitivity analysis

A 10% strengthening of the EUR, as indicated below, against the USD, CAD, BRL, AUD, INR, CHF, KRW, ZAR, GBP and IDR at 31 December 2019 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	EQUITY	PROFIT OR LOSS	EQUITY	PROFIT OR LOSS
	2019	2019	2018	2018
USD	(31,711)	8,213	(32,083)	9,873
CAD	(10,489)	3	(11,103)	(72)
BRL	(7,767)	-	(7,168)	-
AUD	(5,877)	-	(6,449)	-
INR	(5,285)	-	(4,080)	-
CHF	(3,952)	-	(463)	-
KRW	(3,400)	-		
ZAR	(3,340)	(17)	(3,033)	-
GBP	(2,268)	(602)	(2,387)	(311)
IDR	(2,755)	-	(1,997)	(652)

A 10% weakening of the EUR against the above currencies at 31 December 2019 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Group adopts a policy of ensuring that a substantial part of its exposure to changes in interest rates on long-term financing is on a fixed rate basis, taking into account assets with exposure to changes in interest rates. If required the Group makes uses of interest rate swap contracts.

Interest rate profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	CARRYING AMOUNT	
EUR 1,000	2019	2018
Fixed rate instruments		
Financial liabilities	(348,867)	(347,722)
	(348,867)	**(347,722)**
Variable rate instruments		
Financial assets	104,357	85,162
Financial liabilities	(456,518)	(344,325)
	(352,161)	**(259,163)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial asset and liability at fair value through profit and loss.

Fair value sensitivity analysis for variable rate instruments

Note 27 details the variable interest rates applicable for the non-current loans.

5.f Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

5.g Capital management

The primary objective when managing capital is to safeguard the Group's ability to continue as a going concern. The Company does not have an explicit return on capital policy. There have been no changes in the capital management policies during the year. Capital is considered by the Company to be equity as shown in the statement of financial position.

The Group's net debt and adjusted equity at the reporting date are as follows:

EUR 1,000	2019	2018
Total liabilities	1,321,361	1,162,981
Less: Cash and cash equivalents	(104,357)	(85,162)
Net liabilities	**1,217,004**	**1,077,819**
Total equity	866,525	786,348
Less: Amounts accumulated in equity relating to cash flow hedges	96	129
Adjusted equity	**866,621**	**786,477**

6 Operating segments

In presenting information on the basis of operating segments, segment revenue is based on the geographical location of the Group´s operations. 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.

Transactions between companies within an operating segment have been eliminated; transactions between operating segments are based on arm's-length principle.

A key performance indicator for controlling the results of the operating segments is Operating EBITA.

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:

- cost of corporate restructurings and reorganisations
- cost related to realised and non-realised acquisitions

While the amounts included in Operating EBITA are derived from the Group's financial information, it is not a financial measure determined in accordance with adopted IFRS and should not be considered as an alternative to operating income or result from operating activities as a sole indication of the Group's performance or as an alternative to cash flows as a measure of the Group's liquidity. The Group uses Operating EBITA as a key performance indicator in its business operations to, among other things, develop budgets, measure its performance against those budgets and evaluate the performance of its operations.

The bridge from result from operating activities to operating EBITA is as follows.

EUR 1,000	2019	2018
Result from operating activities	**176,058**	**162,593**
Amortisation of intangible assets	44,171	37,234
Non-recurring items	4,554	2,286
Operating EBITA	**224,783**	**202,113**

The non-recurring income and expenses included in the result from operating activities of 2019 and 2018 mainly relate to income from divestments, costs of acquisitions of businesses and costs related to one-off adjustments to the organisation.

Operating expenses of non-operating companies are reported in the segment Holding companies. Inter-segmented amounts receivable and amounts payable are not considered in the value of the total assets and total liabilities of each segment.

The effect of the application of IFRS 16 on the operating EBITA in 2019 is EUR 5.1 million. The following table shows the positive impact of the application of IFRS 16 on the operating EBITA by segment.

EUR 1,000	EMEA	AMERICAS	ASIA-PACIFIC	HOLDING COMPANIES	CONSOLIDATED
Operating EBITA before IFRS 16	126,069	77,525	35,312	(19,273)	219,634
Impact IFRS 16	208	292	379	4,270	5,149
Operating EBITA after IFRS 16	**126,277**	**77,817**	**35,691**	**(15,003)**	**224,783**

The results of the operating segments are as follows:

EMEA

EUR 1,000	2019	2018
Revenue	1,314,635	1,240,818
Gross profit	325,365	308,138
Operating EBITA	126,277	127,845
Result from operating activities	108,017	110,557
Total Assets	925,505	852,502
Total Liabilities	293,447	260,897

AMERICAS

EUR 1,000	2019	2018
Revenue	982,999	802,594
Gross profit	193,563	157,732
Operating EBITA	77,817	60,084
Result from operating activities	63,014	44,058
Total Assets	542,771	517,761
Total Liabilities	139,883	129,924

ASIA-PACIFIC

EUR 1,000	2019	2018
Revenue	391,991	335,687
Gross profit	80,332	70,229
Operating EBITA	35,691	31,215
Result from operating activities	29,859	26,139
Total Assets	375,849	292,686
Total Liabilities	106,360	78,025

HOLDING COMPANIES

EUR 1,000	2019	2018
Operating EBITA	(15,003)	(17,030)
Result from operating activities	(24,832)	(18,161)
Total Assets	343,761	286,380
Total Liabilities	781,671	694,135

Reported revenue per segment relates to revenue with third parties, hence no inter-segment revenues are included. IMCD and its operating segments have a diverse customer base of about 49,000 customers in many countries and of various sizes. IMCD and its segments do not rely on a single customer or a single group of customers for its operations. With a supplier base of approximately 2,000 suppliers and product portfolio of about 42,000 products, the same applies with regard to the reliance on a single supplier or a single group of suppliers and a single product or range of products.

7 Acquisition of subsidiaries

The Group completed five acquisitions during the financial year 2019.

On 30 August 2019, IMCD acquired the food distribution business of Matrix Ingredients International Pte. Ltd., Maxim Ingredients International Pte. Ltd. and Matrix Ingredients Sdn. Bhd. (together: "Matrix"), in Singapore and Malaysia. Matrix was integrated into IMCD's existing organisation directly after closing the transaction. Matrix provides ingredients, technical services and formulation advice in the savoury and processed meat segment in both the Singapore and the Malaysia markets. In 2018, Matrix generated revenue of SGD 6.5 million (EUR 4.1 million) with three employees. The services offered by Matrix form a valuable addition to IMCD's food and ingredients portfolio aiming to strengthen IMCD's savoury & processed meat segment.

On 18 September 2019, IMCD acquired 100% of the shares of Monachem Additives Private Limited (Monachem) and Addpol Chemspecialities Private Limited (Addpol). Monachem and Addpol, with offices in Vadodara, India, are engaged in supplying and selling a comprehensive range of speciality chemicals products for the advanced materials industry. In 2018/2019 (financial year ending March 31st, 2019), Monachem and Addpol, generated revenue of INR 800 million (about EUR 10 million) with 22 employees. Both entities will be fully integrated into IMCD's existing Indian organisation in 2020.

On 20 November 2019, IMCD acquired 100% of the outstanding shares of the Colombia-based ingredient distributor, Unired Químicas SAS ("Unired"). With an office in Bogota, Colombia, Unired distributes speciality chemicals and ingredients to the pharmaceutical, food and personal care markets. In 2018, Unired generated revenue of USD 8 million (EUR 7 million) and had 15 employees. The company will be fully integrated with IMCD's organisation in 2020.

On 10 December 2019, IMCD acquired 90% of the outstanding shares of Basel (Switzerland) based pharmaceutical distributor DCS Pharma AG (DCS). The remaining 10% of the shares will be acquired as per 31 December 2021. DCS' product portfolio covers a range of Active Pharmaceutical Ingredients for the pharmaceutical and nutraceutical industries and operates in eight markets, including Spain, Italy, Germany, Mexico, and China. In 2018, DCS generated a revenue of CHF 68 million (EUR 59 million) with 64 employees. DCS has been fully consolidated and the remainder of the purchase price is accounted for as a deferred consideration instead of a non-controlling interest.

On 18 December 2019, IMCD acquired 57% of the outstanding shares of Seoul (South Korea) based pharmaceutical ingredient distributor Whawon Pharm Co. Ltd. (Whawon). The remaining 43%, will be maintained by the management, for a period up to 5 years after closing. Whawon is a leading pharmaceutical distributor in South Korea with a focus on Pharmaceutical Formulation Ingredients. In 2018, the company generated a revenue of KRW 57 billion (about EUR 44 million) with 54 employees. The share purchase agreement contains an option for management to sell the remaining shares between 3 and 5 years after closing. After 5 years IMCD has the obligation to purchase these shares for an upfront agreed amount. As a result Whawon has been fully consolidated and the remainder of the purchase price is accounted for as a deferred consideration instead of a non-controlling interest.

In addition to the forementioned acquisitions, on 29 March 2019, IMCD completed the sale of IMCD Australia's Muskvale flavour and fragrance manufacturing business. Muskvale is an Australian manufacturer and supplier of fragrances, flavours, food colours and essential oils for the food, health & wellness, personal care and chemical industries. IMCD Australia acquired the exclusive distribution rights for Muskvale in 2012. Muskvale related business generated a revenue of EUR 3.6 million in 2018.

The aforementioned transactions added EUR 6.3 million of revenue and EUR 0.6 million of net profit to the Group's results in 2019.

If all acquisitions had occurred on 1 January 2019, management estimates that the consolidated revenue would have been EUR 2,808.4 million and the consolidated result for the year would have been EUR 113.9 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 2019.

The total consideration related to the aforementioned transactions, transferred in cash in 2019, amounts to EUR 94.8 million. As of 31 December 2019, the deferred and contingent considerations payable related to the acquisitions of Matrix, DCS and Whawon amount to EUR 2.4 million, EUR 5.5 million and EUR 25.6 million. The final consideration amounts for Matrix and DCS depend upon meeting certain earnings targets. The consideration of Whawon depends on the timing of acquiring the remaining part of the shares and the net cash / debt position at execution date, with a range between EUR 24.3 million and EUR 27 million.

Identifiable assets recognised and liabilities assumed

The recognised amounts of assets acquired and liabilities assumed on the basis of provisional purchase price allocation at the acquisition dates, are as follows:

EUR 1,000	NOTE	WHAWON	DCS	OTHER ACQUISITIONS	TOTAL
Property, plant and equipment	16	3,500	978	(22)	**4,456**
Intangible assets	17	8,402	10,872	9,714	**28,988**
Deferred tax assets	22	350	760	111	**1,221**
Other financial assets		1,011	2	-	**1,013**
Inventories		11,109	3,701	1,452	**16,262**
Trade and other receivables		13,578	13,958	3,662	**31,198**
Cash and cash equivalents		1,337	3,237	800	**5,374**
Loans and borrowings		(219)	(665)	151	**(733)**
Other short-term financial liabilities		(1,228)	(10,672)	(675)	**(12,575)**
Employee benefits and other provisions	28, 29	(28)	(83)	(183)	**(294)**
Deferred tax liabilities	22	(2,101)	(2,398)	(2,061)	**(6,560)**
Trade and other payables		(2,056)	(13,242)	(1,845)	**(17,143)**
Total net identifiable assets		**33,656**	**6,448**	**11,103**	**51,207**

The intangible assets recognised primarily relate to supplier relationships and order books acquired.

The gross contractual value of the trade and other receivables acquired amounts to EUR 38.2 million of which EUR 14.5 million relates to Whawon and EUR 19.1 million to DCS.

The purchase price allocation of Unired, Whawon and DCS is performed on a provisional basis, due to the timing of the closure of the transactions towards the year end. Based on the information currently available we do not anticipate significant adjustments to the purchase price allocation.

Goodwill

Goodwill recognised as a result of the acquisitions in the financial year is as follows.

EUR 1,000	NOTE	WHAWON	DCS	OTHER ACQUISITIONS	TOTAL
Total considerations		60,383	44,539	23,405	**128,327**
Less: Fair value of identifiable net assets		33,656	6,448	11,103	**51,207**
Goodwill	17	**26,727**	**38,091**	**12,302**	**77,120**

Goodwill recognised as a result of the acquisitions in the financial year relate to Whawon, DCS, Matrix, Monachem and Addpol and Unired. The goodwill is attributable mainly to the skills and technical talent of the workforce, the commercial relationships, the international network and the synergies expected to be achieved from integrating the acquired companies into the Group's existing distribution business.

Of the total recognised goodwill, 35% relates to Whawon, 49% to DCS and 16% to the other acquired businesses.

Amortisation expenses related to the goodwill paid to the sellers of Matrix is deductible for corporate income tax purposes. Amortisation of goodwill related to Monachem, Addpol, Unired, DCS and Whawon is not eligible for deduction from taxable income.

Acquisition-related costs
The Group incurred acquisition-related costs of EUR 1.2 million (2018: EUR 1.7 million) predominantly related to external legal fees and due diligence costs for completed and non-completed acquisitions. The income related to the divestment of the Muskvale business has been included in the other operating income in the Group's consolidated statement of profit or loss and comprehensive income.

8 Revenue

EUR 1,000	2019	2018
Sales of goods	2,679,230	2,369,105
Commissions	10,396	9,994
	2,689,626	**2,379,099**

Management considered the requirements in IFRS 15 in distinguishing between sales of goods and commissions.

The breakdown of revenue by geographical market is as follows:

EUR 1,000	2019	2018
Netherlands	58,519	56,939
Rest of EMEA	1,256,116	1,183,879
EMEA	**1,314,635**	**1,240,818**
Americas	982,999	802,594
Asia-Pacific	391,991	335,687
	2,689,626	**2,379,099**

9 Other income

EUR 1,000	2019	2018
Other income	16,937	9,515
	16,937	**9,515**

Other income includes non recurring income of (EUR 2.0 million) related to the sale of real estate in the Netherlands and a net result realised on the sale of the Muskvale operations in Australia and New Zealand. Recurring other income refers to logistic and other services charged separately to customers and non-recurring income related .

10 Personnel expenses

EUR 1,000	NOTE	2019	2018
Wages and salaries	11	179,265	157,895
Social security contributions		28,115	25,690
Contributions to defined contribution plans		7,218	6,968
Expenses related to defined benefit plans	28	70	770
Expenses related to termination and other long-term employee benefit plans	28	1,510	1,764
Other personnel expenses		12,795	7,302
		228,973	**200,389**

The personnel expenses 2019 include non-recurring severance costs of EUR 2.2 million (2018: EUR 1.2 million).

The average number of employees in the financial year by region and by function, measured in full-time equivalents, is as follows:

FTE	2019	2018
The Netherlands (excluding Dutch Holding companies)	66	66
Rest of EMEA	1,323	1,129
EMEA	1,389	1,195
Americas	761	642
Asia-Pacific	639	538
Holding companies	62	50
	2,851	**2,425**
Management and administration	453	378
Sales	1,836	1,540
ICT/HSEQ/Warehouse/Other	562	507
	2,851	**2,425**

11 Share based payment arrangements

Description of the share based payment arrangement

As from 1 January 2015 the Group established a long-term incentive plan (LTIP) for the Management Board, the Executive Committee and certain senior managers. Under this equity settled LTIP, performance shares are awarded based on certain performance conditions. Aims of the LTIP are long-term value creation, motivation and sharing of success and retention of key employees.

The performance conditions applicable for the Management Board are:

- relative Total Shareholder Return performance (market-related condition) compared with a selected group of peer companies and
- cash earnings per share (internal performance condition)

The performance period starts yearly on 1 January and lasts three financial years. After vesting, the unconditional shares are subject to a holding period of two years and become unrestricted five years after grant date.

The performance conditions for the Executive Committee and for senior managers are solely internal performance conditions and include:

- growth in cash earnings per share (only for the Executive Committee)
- operating EBITA
- discretionary assessment by the Management Board

The performance period starts yearly on 1 January and lasts one year. The shares become unconditional after a service period of three years.

Reconciliation of outstanding performance shares

The number of performance shares granted in 2019 is as follows:

	NUMBER OF SHARES	BASED ON SHARE PRICE
Shares granted to the Management Board	20,126	56.87
Shares granted to Executive Committee and certain senior managers	45,932	56.87

The total number of performance shares granted in 2019 is based on a target performance (100 per cent) with an upward and downward potential for the Management Board and the Executive Committee. The expected total number of performance shares is 155,260 with vesting dates in 2020, 2021 and 2022.

The weighted average share price and the number of performance shares are as follows:

	2019		2018	
	WEIGHTED AVERAGE SHARE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE SHARE PRICE	NUMBER OF SHARES
Outstanding as at 1 January	**44.10**	**165,555**	**34.70**	**185,577**
Forfeited during the year	51.65	(10,497)	43.88	(5,787)
Exercised during the year	33.84	(49,513)	29.55	(88,525)
Granted during the year	69.78	66,058	50.51	66,371
Performance adjustment	-	(16,343)	-	7,919
Outstanding as at 31 December	**56.50**	**155,260**	**44.10**	**165,555**

The weighted average share price of granted shares is equal to the share price at grant date adjusted for the expected retention and expected dividends, based on the Company's dividend policy, during the vesting period. In addition, the weighted average share price of shares granted to the Management Board is adjusted for market-related performance conditions and for the impact of the restriction period.

Expenses recognised in profit or loss

EUR 1,000	2019	2018
Shares granted	2,979	2,414

12 Other operating expenses

The other operating expenses are as follows:

EUR 1,000	2019	2018
Accommodation and other rental costs	7,819	15,614
Other office expenses	17,073	16,484
Car expenses	6,413	8,963
Business travel and representation expenses	18,334	15,648
Professional service fees	12,171	10,630
Credit sales expenses	1,182	859
Insurance costs	3,506	2,912
Other operating expenses	5,928	4,281
	72,426	**75,391**

The other operating expenses include an amount of EUR 4.3 million (2018: EUR 1.1 million) related to non-recurring items. The non-recurring items in 2019 and 2018 include professional services fees incurred during acquisition projects and subsequent integration processes and costs related to one-off adjustments to the organisation.

13 Net finance costs

The following finance income and finance costs are recognised in profit or loss:

EUR 1,000	2019	2018
Interest income on loans and receivables	695	491
Change in fair value of contingent considerations	-	-
Change in fair value of derivative financial instruments	-	-
Currency exchange results	-	-
Finance income	**695**	**491**
Interest expenses on financial liabilities measured at amortised cost	(21,097)	(18,609)
Non-recurring interest expenses	-	(4,631)
Interest expenses on provisions for pensions and similar obligations	(595)	(455)
Interest expenses on lease liabilities	(2,687)	
Change in fair value of contingent considerations	(380)	(42)
Change in fair value of derivative financial instruments	-	(57)
Currency exchange results	(2,754)	(90)
Finance costs	**(27,513)**	**(23,884)**
Net finance costs recognised in profit or loss	**(26,818)**	**(23,393)**

Finance income and expenses recognised in other comprehensive income are as follows:

EUR 1,000	2019	2018
Foreign currency translation differences of foreign operations	15,101	(9,559)
Effective portion of changes in fair value of cash flow hedges	33	47
Tax on foreign currency translation differences and changes in fair value of cash flow hedges recognised in other comprehensive income	(1,041)	205
Finance income recognised in other comprehensive income, net of tax	**14,093**	**(9,307)**

14 Income tax expense

Income tax expenses recognised in profit or loss

EUR 1,000	2019	2018
Current tax expense		
Current year	48,201	43,136
Adjustment for prior years	(201)	203
	48,000	**43,339**
Deferred tax expense		
Reduction in tax rate	(415)	(117)
Origination and reversal of temporary differences	(5,593)	(2,659)
Recognition of previously unrecognised tax losses	(318)	(756)
Recognition of current year tax losses	(328)	(673)
	(6,654)	**(4,205)**
Total income tax expense	**41,346**	**39,134**

The reported tax expenses include an amount of minus EUR 4.2 million (2018: EUR 5.1 million) related to temporary differences regarding amortisation of intangible assets. The restructuring and integration of acquired businesses led to a non-recurring income tax expense of EUR 2.1 million in 2019.

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Income tax recognised in the other comprehensive income and expenses

	2019			2018		
EUR 1,000	BEFORE TAX	TAX BENEFIT/ (EXPENSE)	NET OF TAX	BEFORE TAX	TAX BENEFIT/ (EXPENSE)	NET OF TAX
Foreign currency translation differences for foreign operations	15,101	(1,041)	**14,060**	(9,559)	205	**(9,354)**
Cash flow hedges	33	-	**33**	47	-	**47**
Defined benefit plan actuarial gains/(losses)	(1,767)	445	**(1,322)**	(29)	(60)	**(89)**
	13,367	**(596)**	**12,771**	**(9,541)**	**145**	**(9,396)**

The reconciliation between the Company's domestic income tax rate and related tax charge and the effective income tax rate and related effective income tax charge is as follows:

Reconciliation effective tax rate

	2019		2018	
EUR 1,000	%	EUR 1,000	%	EUR 1,000
Profit for the year		108,006		100,057
Total income tax expense	27.7	41,346	28.1	39,134
Profit before income tax		**149,352**		**139,191**
Income tax using the Company's domestic tax rate	25.0	37,339	25.0	34,798
Effect of tax rates in foreign jurisdictions	1.7	2,593	2.1	2,875
Effect of change in tax rate	(0.3)	(415)	(0.1)	(117)
Tax effect of:				
Non-deductible expenses	1.6	2,372	1.7	2,351
Tax incentives and tax exempted income	(0.3)	(505)	(0.4)	(585)
Utilisation of tax losses	(0.2)	(259)	(0.0)	(12)
Recognition of previously unrecognised tax losses	(0.2)	(318)	(0.5)	(756)
Derecognition of previously recognised tax losses	-	-	-	-
Current year losses for which no deferred tax asset was recognised	0.1	132	0.1	177
(De)recognition of previously (un)recognised temporary differences	0.4	608	0.1	200
Under provided in prior years	(0.1)	(201)	0.1	203
	27.7	**41,346**	**28.1**	**39,134**

The following countries within the IMCD Group were subject to changes in the applicable corporate income tax rates in the financial year compared with the previous financial year: France 31% (2018: 34%), Germany 30% (2018: 32%), India 35% (2018: 33%), Italy 28% (2018: 24%), Norway 22% (2018: 23%), Sweden 21% (2018: 22%) and Switzerland 21% (2018: 24%).

15 Earnings per share

Basic earnings per share

The basic earnings per share of EUR 2.06 (2018: EUR 1.91) is determined by dividing the result for the year due to the owners of the Company of EUR 108.0 million (2018: EUR 100.1 million) by the weighted average number of shares in circulation amounting to 52.5 million (2018: 52.4 million). As of 31 December 2019, the number of ordinary shares outstanding was 52.5 million (31 December 2018: 52.5 million).

Profit attributable to ordinary shareholders

EUR 1,000		2019	2018
Profit/(loss) for the year, attributable to the owners of the Company (basic)	(A)	108,006	100,057

Weighted average number of ordinary shares

IN THOUSAND SHARES	NOTE		2019	2018
Issued ordinary shares as at 1 January	26		52,592	52,592
Increase from change in nominal value	26		-	-
Conversion from shareholders' loans	26		-	-
Effect of shares issued	26		-	-
Effect of purchase or transfer of own shares	26		(117)	(149)
Weighted average number of ordinary shares as at 31 December		(B)	**52,475**	**52,443**
Earnings per share (A/B)			2.06	1.91

Diluted earnings per share

The calculation of the diluted earnings per share of EUR 2.11 (2018: EUR 1.95) has been based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

Profit attributable to ordinary shareholders (diluted)

EUR 1,000	NOTE		2019	2018
Profit/(loss) for the year, attributable to the owners of the Company (basic)			108,006	100,057
Share based payments, net of tax	11		2,979	2,414
Profit/(loss) for the year, attributable to the owners of the Company (diluted)		(C)	**110,985**	**102,471**

The total number of shares granted based on the Group's share based payment scheme are included in the calculation of the diluted weighted average number of shares.

Weighted average number of ordinary shares (diluted)

IN THOUSAND SHARES	NOTE		2019	2018
Weighted average number of ordinary shares (basic) as at 31 December	26		52,475	52,443
Effect of share based payments			100	101
Weighted average number of ordinary shares (diluted) at 31 December		(D)	**52,575**	**52,545**
Diluted earnings per share (C/D)			2.11	1.95

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16 Property, plant and equipment

Property, plant and equipment comprises of owned and leases assets:

EUR 1,000	NOTE	2019
Property, plant and equipment owned		28,972
Right-of-use assets	18	61,359
		90,331

The movements for the financial year of the property, plant and equipment are as follows:

EUR 1,000	NOTE	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	HARDWARE & SOFTWARE	OTHER ASSETS	TOTAL
Cost						
Balance as at 1 January 2019		**15,987**	**10,732**	**17,737**	**14,394**	**58,850**
Adjustment for change in accounting policy, see note 18			**(223)**	**(2,198)**	**(1,452)**	**(3,873)**
Restated balance as at 1 January 2019		**15,987**	**10,509**	**15,539**	**12,942**	**54,977**
Acquisitions through business combinations	7	3,937	(769)	56	272	**3,496**
Additions for the year		589	1,060	1,667	3,004	**6,320**
Disposals		(152)	361	(711)	(269)	**(771)**
Effect of movements in exchange rates		(428)	62	140	260	**34**
Balance as at 31 December 2019		**19,933**	**11,223**	**16,691**	**16,209**	**64,056**
Depreciation and impairment losses						
Balance as at 1 January 2019		**3,782**	**4,574**	**14,155**	**11,077**	**33,588**
Adjustment for change in accounting policy, see note 18			**247**	**(2,019)**	**(1,089)**	**(2,861)**
Restated balance as at 1 January 2019		**3,782**	**4,821**	**12,136**	**9,988**	**30,727**
Acquisitions through business combinations	7		(600)		(360)	**(960)**
Depreciation for the year		1,693	1,356	1,342	1,077	**5,468**
Disposals		(28)	404	(654)	(207)	**(485)**
Effect of movements in exchange rates		97	61	92	84	**334**
Balance as at 31 December 2019		**5,544**	**6,042**	**12,916**	**10,582**	**35,084**
Carrying amounts						
As at 1 January 2019		**12,205**	**6,158**	**3,582**	**3,317**	**25,262**
As at 31 December 2019		**14,389**	**5,181**	**3,775**	**5,627**	**28,972**

EUR 1,000	NOTE	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	HARDWARE & SOFTWARE	OTHER ASSETS	TOTAL
Cost						
Balance as at 1 January 2018		**11,676**	**7,916**	**16,462**	**13,531**	**49,585**
Acquisitions through business combinations		4,277	2,476	1,238	112	**8,103**
Additions for the year		803	1,459	1,034	1,062	**4,358**
Disposals		(323)	(1,034)	(918)	(166)	**(2,441)**
Effect of movements in exchange rates		(446)	(85)	(79)	(145)	**(755)**
Balance as at 31 December 2018		**15,987**	**10,732**	**17,737**	**14,394**	**58,850**
Depreciation and impairment losses						
Balance as at 1 January 2018		**2,695**	**4,318**	**13,400**	**10,345**	**30,758**
Depreciation for the year		1,427	1,346	1,711	955	**5,439**
Disposals		(218)	(957)	(910)	(144)	**(2,229)**
Effect of movements in exchange rates		(122)	(133)	(46)	(79)	**(380)**
Balance as at 31 December 2018		**3,782**	**4,574**	**14,155**	**11,077**	**33,588**
Carrying amounts						
As at 1 January 2018		**8,981**	**3,598**	**3,062**	**3,186**	**18,827**
As at 31 December 2018		**12,205**	**6,158**	**3,582**	**3,317**	**25,262**

17 Intangible assets

The intangible assets comprise of owned and leased assets:

EUR 1,000	NOTE	2019
Intangible assets owned		1,127,486
Right-of-use assets	18	13,763
		1,141,249

The movements for the financial year for the intangible assets owned are as follows:

EUR 1,000	NOTE	GOODWILL	INTELLECTUAL PROPERTY RIGHTS	DISTRIBUTION RIGHTS	BRAND NAMES	SUPPLIER RELATIONS	OTHER INTANGIBLES	TOTAL
Cost								
Balance as at 1 January 2019		**678,059**	**104**	**23,051**	**25,000**	**507,209**	**28,748**	**1,262,171**
Adjustment for change in accounting policy, see note 18		**-**					**(1,572)**	**(1,572)**
Restated balance as at 1 January 2019		**678,059**	**104**	**23,051**	**25,000**	**507,209**	**27,176**	**1,260,599**
Acquisitions through business combinations	7	-	-	-	-	25,138	3,326	**28,464**
Additions for the year		77,120	-	1,915	-	300	9,187	**88,522**
Disposals		-	-	-	-	-	(1,077)	**(1,077)**
Effect of movements in exchange rates		8,253	-	207	-	3,286	130	**11,876**
Balance as at 31 December 2019		**763,432**	**104**	**25,173**	**25,000**	**535,933**	**38,742**	**1,388,384**
Amortisation and impairment losses								
Balance as at 1 January 2019		**14,431**	**61**	**10,352**	**-**	**179,468**	**18,230**	**222,542**
Adjustment for change in accounting policy, see note 18		**-**					**(737)**	**(737)**
Restated balance as at 1 January 2019		**14,431**	**61**	**10,352**	**-**	**179,468**	**17,493**	**221,805**
Acquisitions through business combinations	7	-	-	-	-	(524)	-	**(524)**
Amortisation for the year		-	6	3,098	-	32,549	4,409	**40,062**
Impairment loss		-	-	-	-	-	-	**-**
Disposals		-	-	-	-	-	(1,052)	**(1,052)**
Effect of movements in exchange rates		-	-	63	-	422	122	**607**
Balance as at 31 December 2019		**14,431**	**67**	**13,513**	**-**	**211,915**	**20,972**	**260,898**
Carrying amounts								
As at 1 January 2019		**663,628**	**43**	**12,699**	**25,000**	**327,741**	**10,518**	**1,039,629**
As at 31 December 2019		**749,001**	**37**	**11,660**	**25,000**	**324,018**	**17,770**	**1,127,486**

EUR 1,000	NOTE	GOODWILL	INTELLECTUAL PROPERTY RIGHTS	DISTRIBUTION RIGHTS	BRAND NAMES	SUPPLIER RELATIONS	OTHER INTANGIBLES	TOTAL
Cost								
Balance as at 1 January 2018		**581,978**	**104**	**21,453**	**25,000**	**487,207**	**19,509**	**1,135,251**
Acquisitions through business combinations		809	-	-	-	20,555	2,210	**23,574**
Additions for the year		94,577	-	1,333	-	-	7,044	**102,954**
Disposals		-	-	-	-	-	-	**-**
Effect of movements in exchange rates		695	-	265	-	(553)	(15)	**392**
Balance as at 31 December 2018		**678,059**	**104**	**23,051**	**25,000**	**507,209**	**28,748**	**1,262,171**
Amortisation and impairment losses								
Balance as at 1 January 2018		**14,431**	**55**	**7,647**	**-**	**149,862**	**14,397**	**186,392**
Amortisation for the year		-	6	2,703	-	30,640	3,885	**37,234**
Impairment loss		-	-	-	-	-	-	**-**
Disposals		-	-	-	-	-	-	**-**
Effect of movements in exchange rates		-	-	2	-	(1,034)	(52)	**(1,084)**
Balance as at 31 December 2018		**14,431**	**61**	**10,352**	**-**	**179,468**	**18,230**	**222,542**
Carrying amounts								
As at 1 January 2018		**567,547**	**49**	**13,806**	**25,000**	**337,345**	**5,112**	**948,859**
As at 31 December 2018		**663,628**	**43**	**12,699**	**25,000**	**327,741**	**10,518**	**1,039,629**

Goodwill impairment testing

For the purpose of goodwill impairment testing, goodwill is allocated to the following cash generating units.

EUR 1,000	2019	2018
EMEA	343,186	304,441
Americas	282,120	271,001
Asia-Pacific	123,695	88,186
	749,001	**663,628**

A cash generating unit (CGU) represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Key assumptions used in discounted cash flow projections

The recoverable amount per CGU is based on its value in use and is determined by discounting the future cash flows to be generated from the continuing use of the CGUs. The cash flow forecasts were derived from the budget for 2020 and the plan years 2021 and 2022 which were established on legal entity level and approved by Management Board and Supervisory Board. The forecasted cash flows have been extrapolated to the years 2023 and 2024. For the period after 2024 a growth rate equal to the weighted average of the forecasted annual real GDP growth rate for the period 2024-2049 is considered.

The pre-tax weighted average cost of capital (WACC) is estimated per CGU and varies mainly due to differences in risk free rates. The risk-free rates per CGU are equal to the weighted average of the rate of return on local sovereign bonds or strips. The main assumptions used to determine the WACC were provided by an external certified valuation expert.

The key assumptions 2019 for each CGU are as follows:

	PRE-TAX WACC	TERMINAL GROWTH RATE
EMEA	10.8%	2.1%
Americas	10.3%	2.4%
Asia-Pacific	13.6%	3.0%
Total Group	9.7%	2.3%

Sensitivity to changes in assumptions

No impairment of goodwill was necessary following impairment tests on all cash generating units within the Group. The discounted future cash flows from all cash generating units exceed the value of the goodwill and other relevant net assets.

It is inherent in the method of computation used that a change in the assumptions may lead to a different conclusion. Therefore, a sensitivity analysis is performed based on a change in a key assumption while holding all other assumptions constant.

The following changes in assumptions are assessed:
- Decrease of the average growth rate 2020-2024 to the terminal growth rate
- Decrease of the terminal growth rate by 1.0%
- Increase of the WACC by 1.0%

Based on the sensitivity analysis performed it is concluded that any reasonable change in the key assumptions would not lead to an impairment.

Amortisation and impairment testing supplier relationships

The supplier relationships consist of supplier bases within the following regions and remaining useful lives (RUL):

EUR 1,000	RUL	2019	2018
EMEA	4-13	137,526	144,213
Americas	8-16	126,582	133,135
Asia-Pacific	4-16	59,910	50,393
		324,018	**327,741**

The remaining useful lives of supplier bases are assessed at each reporting date and adjusted if appropriate. Furthermore, triggering events for a possible impairment are evaluated annually by means of assessing the potential impact of available internal and external information sources.

Impairment testing for cash-generating units containing intangible assets with indefinite useful lives other than goodwill

Brand names relate to the IMCD brand. As no assumption can be made about the durability of its economic use, the brand name has an indefinite useful life. The IMCD brand name is considered as a corporate asset and hence allocated to the individual CGUs for goodwill impairment testing purposes. The carrying amount of the brand name has been allocated to the CGUs as follows: EMEA: EUR 12.2 million (2018: EUR 13.1 million), Asia-Pacific: EUR 3.7 million (2018: EUR 3.5 million) and Americas: EUR 9.1 million (2018: EUR 8.4 million).

18 Leases

Right of use assets

Right of use assets carrying amounts comprise:

		PROPERTY, PLANT AND EQUIPMENT				INTANGIBLE ASSETS	
EUR 1,000	NOTE	LAND AND BUILDINGS	CARS	OTHER ASSETS	TOTAL	SOFTWARE	TOTAL
Balance as at 1 January 2019		-	-	-	-	-	-
Adjustment for change in accounting policy	2.e	44,971	6,627	863	52,461	12,730	12,730
Restated balance as at 1 January 2019		44,971	6,627	863	52,461	12,730	12,730
Acquisitions through business combinations		791	-	-	791	-	-
Depreciation and amortisation for the year		12,309	3,597	613	16,519	4,109	4,109
Additions for the year		19,216	5,130	1,122	25,468	5,142	5,142
Disposals		(894)	(430)	(83)	(1,407)	-	-
Effect of movements in exchange rates		466	76	23	565	-	-
Balance as at 31 December 2019		**52,241**	**7,806**	**1,312**	**61,359**	**13,763**	**13,763**

The Group leases several assets including offices and warehouses, cars and software.

Lease liabilities

The balance sheet shows the following lease liabilities:

EUR 1,000	NOTE	2019	1 JANUARY 2019
Current	27	20,967	16,548
Non-current	27	53,861	48,047
		74,828	**64,595**

In previous years, the Group only recognised lease assets and liabilities in relation to leases that were classified as 'financial leases' under IAS 17 Leases. For adjustments recognised at adoption of IFRS 16, please refer to note 2.e.

EUR 1,000	2019
Less than one year	23,039
One to five years	47,657
More than 5 years	11,660
Total undiscounted lease liabilities at 31 December	**82,356**

The weighted average discount rate as of 31 December 2019 is 3.97%.

If it is reasonably certain that enforceable extension options will be used, these have been included in the lease. The Group has not included enforceable extension options with a cash flow of EUR 5.1 million.

Amounts recognised in profit and loss

AMOUNT RECOGNISED IN PROFIT AND LOSS

EUR 1,000	2019
Depreciation	16,519
Amortisation	4,109
Interest on lease liabilities	2,687
Variable lease payments not included in the measurement of lease liabilities	127
Income from sub-leasing right-of-use assets	225
Expense related to short-term leases	2,054
Expense related to leases of low-value assets, excluding short-term leases of low-value assets	180

Amounts recognised in the statement of cash flows

AMOUNT RECOGNISED IN THE STATEMENT OF CASH FLOWS

EUR 1,000	2019
Total cash flows for leases (including short-term and low-value leases)	23,683

19 Non-current assets by geographical market

The non-current assets other than goodwill, financial instruments, deferred tax assets and post employment benefit assets, comprise property, plant and equipment, other intangible assets and equity-accounted investees. The aforementioned non-current assets by geographical location are as follows:

EUR 1,000	PROPERTY, PLANT AND EQUIPMENT	OTHER INTANGIBLE ASSETS	EQUITY-ACCOUNTED INVESTEES
Netherlands	5,074	167,134	-
Rest of EMEA	33,532	29,301	65
EMEA	**38,606**	**196,435**	**65**
Americas	31,397	134,778	-
Asia-Pacific	20,328	61,035	-
Total	**90,331**	**392,248**	**65**

20 Equity-accounted investees

The equity accounted investees relate to the 49% share in SARL IMCD Group Algerie and the 50% share in Velox China.

The following table analyses the carrying amount and share of profit and OCI of the equity interest.

EUR 1,000	2019	2018
Balance as at 1 January	**38**	**-**
Capital contributions	-	-
Acquisitions through business combinations	-	38
Result for the year	112	(9)
Addition to provision	(85)	9
Balance as at 31 December	**65**	**38**

The net assets of SARL IMCD Group Algerie consist of current assets amounting to EUR 269 thousand (2018: EUR 249 thousand) and current liabilities of EUR 235 thousand (2018: EUR 401 thousand). The net gain for the financial year amounted to EUR 209 thousand. The net loss for the year 2018 amounted to EUR 18 thousand. As of 31 December 2019 net equity value of SARL IMCD Group Algerie was EUR 51 thousand (2018: minus EUR 57 thousand).

The net assets of Velox China consist of current assets amounting to EUR 98 thousand (2018: EUR 140 thousand) and current liabilities of EUR 20 thousand (2018: EUR 64 thousand). The net loss for the year 2019 amounted to EUR 6 thousand (2018: net gain of EUR 41 thousand). Net equity value was EUR 80 thousand (2018: EUR 76 thousand).

21 Other financial assets

The other financial assets relate to receivables with a remaining term exceeding one year and includes rent and other deposits.

22 Deferred tax assets and liabilities

Unrecognised deferred tax assets

The Group has unrecognised deferred tax assets of EUR 10.5 million (2018: 1.0 million), consisting of unrecognised deferred tax asset of entities in EMEA EUR 0.1 million (2018: EUR 0.1 million) and entities in Asia-Pacific EUR 10.4 million (2018: EUR 0.9 million). The increase in Asia-Pacific mainly relates to unrecognised capital losses in Australia with an infinite carry forward period.

Unrecognised deferred tax liabilities

As of 31 December 2019, the group has unrecognised deferred tax liabilities to the amount of EUR 9.0 million (2018: EUR 3.8 million) for potential withholding tax liabilities related to investments in subsidiaries. The liabilities are not recognised because the Company controls the dividend policy of the subsidiaries and does not foresee reversal of the temporary differences in the foreseeable future.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
EUR 1,000	2019	2018	2019	2018	2019	2018
Property, plant and equipment	611	447	902	1,366	**(291)**	(918)
Intangible assets	8,813	17,610	80,046	86,319	**(71,233)**	(68,710)
Right-of-use assets	-	-	12,217	-	**(12,217)**	-
Financial fixed assets	92	20	-	1	**92**	19
Trade debtors and other receivables	1,795	616	102	79	**1,693**	537
Inventories	2,262	1,550	401	260	**1,861**	1,290
Share based payment reserve	670	318	0		**670**	318
Loans and borrowings	205	96	67	20	**138**	76
Lease liabilities	12,896	-	-		**12,896**	-
Employee benefits and other provisions	5,100	6,290	1,192	1,043	**3,908**	5,247
Trade and other payables	3,804	2,969	21	123	**3,783**	2,846
Other items	98	28	16	10	**82**	18
Unused tax losses and unused tax credits	15,860	18,553	-	-	**15,860**	18,553
Tax assets/(liabilities)	**52,206**	**48,497**	**94,965**	**89,221**	**(42,759)**	**(40,724)**
Set off of tax	(17,543)	(5,327)	(17,543)	(5,327)	**-**	-
Net tax assets/(liabilities)	**34,663**	**43,170**	**77,422**	**83,894**	**(42,759)**	**(40,724)**

The unused tax losses and unused tax credits include EUR 4.6 million of tax credits (2018: EUR 3.9 million) related to foreign withholding taxes.

Movement in temporary differences during the year

EUR 1,000	BALANCE AS AT 1 JANUARY 2019	RECOGNISED IN PROFIT OR LOSS	RECOGNISED DIRECTLY IN EQUITY	RECOGNISED IN OTHER COMPREHENSIVE INCOME	ACQUIRED IN BUSINESS COMBINATIONS (NOTE 7)	OTHER	BALANCE AS AT 31 DECEMBER 2019
Property, plant and equipment	**(918)**	690	-	-	(57)	(5)	**(291)**
Intangible assets	**(68,710)**	4,163	-	-	(6,401)	(285)	**(71,233)**
Right-of-use assets	**-**	(11,964)			(202)	(51)	**(12,217)**
Financial fixed assets	**19**	(25)	-	-	34	64	**92**
Trade debtors and other receivables	**537**	182	-	-	785	189	**1,693**
Inventories	**1,290**	544	-	-	227	(200)	**1,861**
Share based payment reserve	**318**	344	-	-	-	8	**670**
Loans and borrowings	**76**	(143)	-	211	-	(6)	**138**
Lease liabilities	**-**	12,620	-	-	203	73	**12,896**
Employee benefits and other provisions	**5,247**	(1,601)	-	369	-	(107)	**3,908**
Trade and other payables	**2,846**	853	-	(14)	78	20	**3,783**
Other items	**18**	78	(4)	(9)	(3)	2	**82**
Unused tax losses and unused tax credits	**18,553**	913	-	-	-	(3,606)	**15,860**
Net tax assets/ (liabilities)	**(40,724)**	**6,654**	**(4)**	**558**	**(5,336)**	**(3,906)**	**(42,759)**

The group utilised deferred tax assets related to unused tax losses and unused tax credits to an amount of EUR 3.6 million in the financial year (2018: EUR 2.5 million).

Movement in temporary differences during the year (continued)

EUR 1,000	BALANCE AS AT 1 JANUARY 2018	RECOGNISED IN PROFIT OR LOSS	RECOGNISED DIRECTLY IN EQUITY	RECOGNISED IN OTHER COMPREHENSIVE INCOME	ACQUIRED IN BUSINESS COMBINATIONS	OTHER	BALANCE AS AT 31 DECEMBER 2018
Property, plant and equipment	**(984)**	(400)	-	-	364	102	**(918)**
Intangible assets	**(73,582)**	5,151	-	-	(1,593)	1,314	**(68,710)**
Right-of-use assets							
Financial fixed assets	**18**	110	-	-	-	(109)	**19**
Trade debtors and other receivables	**522**	(10)	3	-	30	(8)	**537**
Inventories	**1,346**	(43)	-	-	5	(18)	**1,290**
Share based payment reserve	**284**	314	-	-	-	(280)	**318**
Loans and borrowings	**324**	(531)	-	-	-	283	**76**
Lease liabilities							
Employee benefits and other provisions	**2,773**	(938)	-	(51)	2,353	1,110	**5,247**
Trade and other payables	**3,215**	169	-	3	894	(1,435)	**2,846**
Other items	**131**	(94)	-	-	-	(19)	**18**
Unused tax losses and unused tax credits	**20,569**	477	-	-	18	(2,511)	**18,553**
Net tax assets/ (liabilities)	**(45,384)**	**4,205**	**3**	**(48)**	**2,071**	**(1,571)**	**(40,724)**

23 Inventories

The value of the inventory is as follows:

EUR 1,000	2019	2018
Trade goods	377,229	354,269
	377,229	**354,269**

Cost of materials and inbound logistics included in the profit or loss of 2019 amounted to EUR 2,090.4 million (2018: EUR 1,843.0 million). Within this cost are write-downs of inventories to net realisable value of EUR 5.0 million (2018: EUR 3.0 million). The reversal of write-downs amounted to EUR 1.2 million (2018: EUR 1.1 million). The write-down of inventories is mainly due to inventories past their expiration dates or inventories which are not marketable.

24 Trade and other receivables

All trade and other receivables are current.

EUR 1,000	2019	2018
Trade receivables	409,717	374,572
Other receivables	24,907	23,447
Trade and other receivables	**434,624**	**398,019**

The composition of the other receivables is as follows:

EUR 1,000	2019	2018
Derivatives used for hedging	87	485
Taxes and social securities	8,141	8,977
Receivables from employees	248	211
Prepaid expenses	9,094	9,598
Other receivables	7,337	4,176
Total other receivables	**24,907**	**23,447**

The Group's exposure to currency risks related to trade and other receivables is disclosed in note 5.

The ageing of trade and other receivables at the reporting date was as follows:

	2019		2018	
EUR 1,000	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
Current 0 - 30 days past due	410,227	1,031	382,078	713
Past due 30 - 60 days	14,497	634	10,893	602
Past due 60 - 90 days	6,280	816	2,887	360
More than 90 days	16,398	10,297	10,409	6,573
	447,402	**12,778**	**406,267**	**8,248**

Impairment losses

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

EUR 1,000	2019	2018
Balance at 1 January	**8,248**	**6,640**
Adjustment on adoption of IFRS 9	-	1,085
Acquisitions through business combinations	5,991	1,427
Impairment loss recognised	1,360	1,799
Impairment loss reversed	(855)	(792)
Trade receivables written-off	(1,944)	(1,690)
Currency exchange result	(22)	(221)
	12,778	**8,248**

At 31 December 2019 the total impairment includes an amount EUR 2,136 thousand (2018: EUR 1,604 thousand) related to customers declared insolvent. The remainder of the impairment loss at 31 December 2019 relates to several customers who are expected to be unable to pay their outstanding balances, mainly due to economic circumstances, and the general provision for expected credit losses for trade and other receivables. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectable, based on historic payment behaviour and analyses of the underlying customers' creditworthiness.

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was as follows:

EUR 1,000	2019	2018
Carrying amount		
EMEA	221,846	213,696
Americas	127,437	122,289
Asia-Pacific	85,341	62,034
	434,624	**398,019**

25 Cash and cash equivalents

The cash and cash equivalents are as follows:

EUR 1,000	2019	2018
Cash and cash equivalents	104,357	85,162
Cash and cash equivalents in the statement of cash flows	**104,357**	**85,162**

The cash and cash equivalent balances are available for use by the Group.

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26 Capital and reserves

Share capital and share premium

As of 31 December 2019, the authorised share capital comprised 150,000,000 ordinary shares of which 52,592,254 shares have been issued. The shares have a nominal value of EUR 0.16 each and all shares rank equally with regard to the Company's residual assets.

The shareholders are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. Following the decision of the Annual General Meeting in 2019, the Company distributed a dividend in cash of EUR 42.1 million (2018: EUR 32.6 million).

The share premium as of 31 December 2019 amounted to EUR 657.5 million (31 December 2018: EUR 657.5 million).

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in foreign subsidiaries.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Reserve own shares

The reserve own shares comprises the cost of the Company's shares held by the Group to fund its long-term incentive plan. At 31 December 2019, the Group held 114,768 of the Company's shares (At 31 December 2018: 146,641 shares). During 2019 the Group transferred 31,873 shares to fulfil its annual obligation from the long-term incentive plan.

Other reserve

Other reserves relate to the accumulated actuarial gains and losses recognised in the other comprehensive income.

Other comprehensive income

	ATTRIBUTABLE TO OWNERS OF THE COMPANY			
EUR 1,000	TRANSLATION RESERVE	HEDGING RESERVE	OTHER RESERVES	TOTAL OTHER COMPREHENSIVE INCOME
2019				
Foreign currency translation differences for foreign operations, net of tax	14,060	-	-	**14,060**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	33	-	**33**
Defined benefit plan actuarial gains and losses net of tax	-	-	(1,322)	**(1,322)**
Total other comprehensive income	**14,060**	**33**	**(1,322)**	**12,771**
2018				
Foreign currency translation differences for foreign operations, net of tax	(9,354)	-	-	**(9,354)**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	47	-	**47**
Defined benefit plan actuarial gains and losses net of tax	-	-	(89)	**(89)**
Total other comprehensive income	**(9,354)**	**47**	**(89)**	**(9,396)**

27 Loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 5.

Non-current liabilities

EUR 1,000	2019	2018
Bank loans	476,442	474,072
Lease liabilities	53,861	-
Other liabilities	35,343	7,165
	565,646	**481,237**

Terms and debt repayment schedule

The terms and conditions of outstanding non-current loans are as follows:

EUR 1,000	CURR	NOTE	NOMINAL INTEREST RATE	YEAR OF MATURITY	FACE VALUE 2019	CARRYING AMOUNT 2019	FACE VALUE 2018	CARRYING AMOUNT 2018
Schuldscheindarlehen (fix rate)	EUR		1.20%	2021	15,000	14,970	15,000	14,953
Schuldscheindarlehen (fix rate)	EUR		1.58%	2023	15,000	14,955	15,000	14,943
Schuldscheindarlehen (floating rate)	EUR		1.20%	2021	45,000	44,909	45,000	44,860
Schuldscheindarlehen (floating rate)	EUR		1.45%	2023	25,000	24,925	25,000	24,906
Schuldscheindarlehen (fix rate)	USD		3.11%	2021	22,254	22,208	21,834	21,762
Schuldscheindarlehen (floating rate)	USD		4.38%	2021	57,860	57,741	56,769	56,584
Bond loan (fix rate)	EUR		2.50%	2025	300,000	296,734	300,000	296,064
Profit sharing arrangements	EUR		1.53%	2021	1,132	1,132	1,171	987
Lease liabilities	[1]		0.22% - 23.90%	2021-2062	59,317	53,861	-	
Other interest-bearing liabilities					-	-	2,628	2,347
Total interest-bearing liabilities					**540,563**	**531,435**	**482,402**	**477,406**
Total non- interest-bearing liabilities		7, 31			34,211	34,211	3,831	3,831
Total non-current liabilities					**574,774**	**565,646**	**486,233**	**481,237**

[1] Various currencies

The total non-current lease liabilities of EUR 59.3 million consist of lease liabilities denominated in various currencies, of which EUR 26.3 million in EUR, EUR 9.9 million in CAD, EUR 5.7 million in AUD, EUR 1.4 million in BRL and EUR 1.1 million in CHF.

On 25 February 2019, IMCD successfully executed an option whereby the initial termination date of the syndicated EUR 400 million multi-currency revolving facility is extended by 1 year to 27 March 2024. No extension fee was paid. All other conditions of the syndicated EUR 400 million multi-currency revolving facility will remain the same.

The Group is obliged to meet requirements from the covenants in connection with the interest bearing loan facilities. These requirements relate to ratios for interest cover and maximum leverage.

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.

	2019		2018	
	OUTCOME	COVENANT	OUTCOME	COVENANT
Reported leverage	3.0		2.9	
Leverage including pro-forma results	2.8		2.8	
Leverage loan documentation	2.6	max. 3.5	2.8	max. 3.5
Interest cover	12.1	min. 4.0	13.0	min. 4.0

The actual reported leverage ratio as at 31 December 2019 was 3.0 times EBITDA (31 December 2018: 2.9 times EBITDA). Including the full year impact of acquisitions completed in 2019, the leverage at the end of the financial year is 2.8 times EBITDA (31 December 2018: 2.8 times EBITDA). The leverage ratio calculated on the basis of the definitions used in the loan documentation was 2.6 times EBITDA (31 December 2018: 2.8 times EBITDA) which is well below the defined maximum of 3.5 times EBITDA.

The actual interest cover covenant for the financial year, based on the definitions used in the Schuldschein Darlehen documentation, was 12.1 times EBITDA (2018: 13.0 times EBITDA) and was well above the required minimum of 4.0.

For details of the contractual maturities of financial liabilities, reference is made to note 5.

Current liabilities

EUR 1,000	NOTE	2019	2018
Loans and borrowings		**-**	**465**
Deferred and contingent considerations	7, 31	4,014	345
Lease liabilities		20,967	-
Other short term financial liabilities		248,969	213,831
Short-term financial liabilities		**273,950**	**214,176**

Other short-term financial liabilities include a revolving credit facility, bank overdrafts and other short-term credit facilities, including discounted bills and discounted notes.

28 Employee benefits

The liabilities associated with employee benefits consist of net defined benefit liabilities (pension schemes), termination benefits and other long-term employee benefits.

EUR 1,000	2019	2018
Net defined benefit liability	11,851	11,303
Termination benefits and other long-term employee benefits	12,202	10,983
Total employee benefit liabilities	**24,053**	**22,286**

The Group supports defined benefit plans in The Netherlands, The United Kingdom, Canada, Germany, Switzerland, Austria, The United States and the Philippines.

Movement in net defined benefit liability/(asset)

	DEFINED BENEFIT OBLIGATION		FAIR VALUE OF PLAN ASSETS		NET DEFINED BENEFIT LIABILITY/(ASSET)	
EUR 1,000	2019	2018	2019	2018	2019	2018
Balance as at 1 January	**61,499**	**59,969**	**50,196**	**51,095**	**11,303**	**8,874**
Included in profit or loss						
Current service cost	779	747	-	-	779	747
Past service cost	-	23	-	-	-	23
Settlements	(725)	-	-	-	(725)	-
Interest cost/(income)	1,638	1,455	1,226	1,125	412	330
	1,692	**2,225**	**1,226**	**1,125**	**466**	**1,100**
Included in OCI						
Remeasurement; loss/(gain):	-	-	-	-	-	-
Actuarial loss/(gain) arising from changes in:						
- Demographic assumptions	(474)	(2,016)	-	-	(474)	(2,016)
- Financial assumptions	6,477	(308)	-	-	6,477	(308)
- Experience	(335)	1,029	-	-	(335)	1,029
Return on plan assets excluding interest income	-	-	4,754	(1,674)	(4,754)	1,674
Asset ceiling	-	-	(445)	-	445	-
Effect of movements in exchange rates	2,146	(391)	1,563	(237)	583	(154)
	7,814	**(1,686)**	**5,872**	**(1,911)**	**1,942**	**225**
Other						
Business combinations	-	2,565	-	-	-	2,565
Contributions paid by the employer	-	-	1,859	1,461	(1,859)	(1,461)
Contributions paid by the plan members	808	2,774	808	2,774	-	-
Benefits paid	(2,356)	(4,348)	(2,356)	(4,348)	-	-
	(1,548)	**991**	**311**	**(113)**	**(1,859)**	**1,104**
Balance as at 31 December	**69,457**	**61,499**	**57,606**	**50,196**	**11,851**	**11,303**

Plan assets

EUR 1,000	2019	2018
Equity securities	12,662	11,125
Government bonds	17,231	14,562
Qualifying insurance policies	27,883	24,286
Other plan assets	307	263
Total plan assets	**58,083**	**50,236**

Due to the asset ceiling applicable to the UK pension plan, in 2019 the actual fair value of the plan assets (EUR 58.1 million) exceeds the recognised plan assets (EUR 57.6 million) by EUR 0.5 million.

Expense recognised in profit or loss

EUR 1,000	2019	2018
Current service costs	779	747
Past service costs	-	23
Settlements	(725)	-
Expense recognised in the line item 'Social security and other charges'	**54**	**770**
Interest cost	411	330
Expense recognised in the line item 'Finance costs'	**411**	**330**
Total expense recognised in profit or loss	**465**	**1,100**

The settlement relates to the elimination of post-retirement benefits coverage for employees with an age under 55 at 31 December 2020 in Canada under the non-pension plan. The past service costs recognised in 2018 are primarily the result of an equalisation of guaranteed minimum pensions in the UK.

Actuarial assumptions

Principal actuarial assumptions at the reporting date, expressed as weighted average:

	2019	2018
Discount rate as at 31 December	1.93%	2.69%
Future salary increases	2.57%	2.39%
Future pension increases	1.34%	1.49%
Price inflation	2.10%	2.43%

Assumptions regarding future mortality are based on published statistics and mortality tables. The following tables have been used:

- The Netherlands: Prognosetafel AG2018 based on income class high-medium
- The United Kingdom: before retirement – as per post retirement, after retirement -males: 90% S2PXA_L / -females: 90% S2PXA_L, CMI 2018 model [1.25%]
- Canada: CPM 2014 Public & Private with 2D projections using Scale B
- Germany: Richttafel 2018G Klaus Heubeck
- Switzerland: BVG 2015 Generational
- Austria: AVÖ 2018-P ‘Angestellte’ –Rechnungsgrundlagen für die Pensionsversicherung-Pagler & Pagler

The Group expects EUR 2,060 thousand in contributions to be paid to its defined benefit plans in 2020. The Canadian pension plans are partially unfunded. The duration of the funded obligation based on expected cash flows is 14 years, the unfunded plans have an expected duration of 15 years.

Sensitivity analysis

The defined benefit plans in Austria, Germany, Switzerland and the United States relate to a limited number of (retired) employees. For that reason, sensitivity analyses for these plans are not provided. The three significant defined benefit plans are the schemes in The Netherlands, the United Kingdom and Canada.

The plan in The Netherlands has 84 members and was an average salary defined benefit plan until 31 December 2016. The plan is financed through an insurance policy. No direct asset allocation is held in relation to the insurance contract. Hence, no asset-liability matching strategies are applicable. There are no specific material entity risks to which the plan is exposed and the plan assets are not invested in a single class of investments. From 2016 onwards no additional retirement benefits accrue in the defined benefit plan. The retirement benefits related to employee services in 2017 and onwards accrued in a new pension plan, effective from 1 January 2017. As a result of the parameters in the new pension contract, it classifies as a defined contribution plan.

The plan in The United Kingdom has 29 members and is a final salary defined benefit plan. The plan is financed through a pension fund. The plan assets are not invested in a single class of investments. The pension fund has the responsibility for decision-making on investments matters, including the asset-liability matching strategy to react to changes in market conditions in a similar way to the liabilities of the plan. The use of liability matching assets is expected to protect the financial position of the plan.

The plan in Canada consists of three separate plans: a pension and supplementary retirement pension plan for certain (former) executive members (11 members) and a non-pension post-retirement benefit plan providing extended health, dental, life insurance and accidental death and dismemberment benefits. The supplementary plan and non-pension plan are unfunded.

The obligations arising from the defined benefit plans mentioned above are determined using the projected unit credit method. The projected unit credit method determines the expected benefits to be paid after retirement, taking dynamic measurement parameters into account and spreading them over the entire length of service of the employees participating in the plan. For this purpose, an actuarial valuation is obtained every year. The actuarial assumptions for the discount rate, salary growth rate, pension trend and life expectancy, which are used to calculate the defined benefit obligation are established on the basis of the respective economic circumstances.

The plan assets measured at fair value are deducted from the present value of the defined benefit obligation (gross pension obligation). Plan assets are assets where the claim to said assets has, in principle, been assigned to the beneficiaries. This results in a net liability or a net asset to be recognised.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations of the three significant defined benefit plans by the amounts shown below.

EUR 1,000	INCREASE	DECREASE
Defined benefit plan The Netherlands		
Discount rate (1% point movement)	(4,421)	5,911
Defined benefit plan The United Kingdom		
Discount rate (1% point movement)	(3,996)	5,172
Future salary growth (1% point movement)	235	(235)
Future pension growth (1% point movement)	4,231	(3,761)
Future inflation (1% point movement)	4,349	(3,879)
Future mortality (1 year)	823	(823)
Defined benefit plan Canada		
Discount rate (1% point movement)	(1,104)	1,385
Future salary growth (1% point movement)	48	(33)
Future inflation (1% point movement)	519	(376)
Future mortality (1 year)	(276)	273

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Termination benefits and other long-term employee benefits
The movements in the termination benefits and other long-term employee benefits are as follows:

EUR 1,000	NOTE	2019	2018
Liabilities as at 1 January		**10,983**	**7,842**
Assumed in business combinations	7	125	2,243
Additions (excluding interest cost)		1,510	1,764
Interest cost		154	56
Withdrawals		(897)	(393)
Releases		-	-
Actuarial results		265	(332)
Effect of movement in exchange rates		61	(197)
Liabilities as at 31 December		**12,202**	**10,983**

The termination and other long-term employee benefits comprises statutory imposed obligations for long or after-service benefits.

29 Provisions

The movements in provisions are as follows:

EUR 1,000	NOTE	2019	2018
Balance as at 1 January		**8,385**	**4,219**
Assumed in business combinations	7	169	4,681
Provisions made during the year		1,754	2,606
Provisions used during the year		(4,700)	(2,892)
Provisions released during the year		(1,413)	(25)
Effect of movement in exchange rates		163	(204)
Balance as at 31 December		**4,358**	**8,385**

The provision of 2018 mainly related to the costs arising from organisational changes. This provision has been used in 2019.

30 Trade and other payables

The trade and other payables are as follows:

EUR 1,000	2019	2018
Trade payables	279,796	263,679
	279,796	**263,679**

EUR 1,000	2019	2018
Derivatives used for hedging	1,143	195
Taxes and social securities	19,128	19,110
Pension premiums	1,691	1,836
Current tax liability	10,037	6,854
Other creditors	3,331	4,232
Accrued interest expenses	6,513	6,677
Liabilities to personnel	29,106	31,417
Other accrued expenses	25,187	18,538
	96,136	**88,859**

At 31 December 2019, with the exception of some derivatives used for hedging, all trade and other payables have a term of less than one year.

The Group's exposure to currency risk related to trade and other payables is disclosed in note 5.

31 Financial Instruments

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 DECEMBER 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	24	87	-	-	-	87	-	87	-	87
Trade and other receivables	24	-	434,537	-	-	434,537				
Cash and cash equivalents	25	-	104,357	-	-	104,357				
Interest rate swaps used for hedging	30	-	-	-	-	-				
Forward exchange contracts used for hedging	30	-	-	1,143	-	1,143	-	1,143	-	1,143
Contingent consideration	27	-	-	38,225	-	38,225	-	-	38,225	38,225
Other short-term financial liabilities	27	-	-	-	269,936	269,936				
Bank loans	27	-	-	-	476,442	476,442				
Other loans and borrowings	27	-	-	-	54,993	54,993				
Trade payables	30	-	-	-	279,796	279,796				
Other payables	30	-	-	-	94,993	94,993				

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	24	485	-	-	-	485	-	485	-	485
Trade and other receivables	24	-	397,534	-	-	397,534				
Cash and cash equivalents	25	-	85,162	-	-	85,162				
Interest rate swaps used for hedging	30	-	-	-	-	-				
Forward exchange contracts used for hedging	30	-	-	195	-	195	-	195	-	195
Contingent consideration	27	-	-	4,176	-	4,176	-	-	4,176	4,176
Other short-term financial liabilities	27	-	-	-	213,831	213,831				
Bank loans	27	-	-	-	474,072	474,072				
Other loans and borrowings	27	-	-	-	3,799	3,799				
Trade payables	30	-	-	-	263,679	263,679				
Other payables	30	-	-	-	88,664	88,664				

Measurement of fair values

Valuation techniques and significant unobservable inputs

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, loans from shareholders, other loans and borrowings, other short-term financial liabilities, trade payables and other payables.

Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

EUR 1,000	NOTE	CONTINGENT CONSIDERATION
Balance as at 1 January 2019		**4,176**
Assumed in a business combination	7	33,531
Paid contingent consideration		-
Loss / (Gain) included in profit or loss		374
Effect of movement in exchange rates		144
Balance as at 31 December 2019		**38,225**
Balance as at 1 January 2018		**3,038**
Assumed in a business combination		1,542
Paid contingent consideration		(293)
Loss / (Gain) included in profit or loss		(42)
Effect of movement in exchange rates		(69)
31 December 2018		**4,176**

The net loss included in profit and loss of EUR 374 thousand (2018: gain of EUR 42 thousand) is the result of remeasuring contingent considerations.

Sensitivity analysis

The fair value of contingent consideration is subject to two principle assumptions. The effects of reasonable changes to these assumptions, keeping other assumptions constant, are set out below.

31 DECEMBER 2019	PROFIT OR LOSS	
EUR 1,000	INCREASE	DECREASE
EBITDA margin (10% movement)	(30)	268
Risk-adjusted discount rate (discount rate 1% point movement)	723	(756)

Offsetting financial assets and liabilities

Gross amounts of financial assets and liabilities are offset on the basis of offsetting arrangements or are subject to enforceable master netting arrangements or similar agreements that do not meet the requirements for offsetting in the balance sheet.

EUR 1,000	GROSS AMOUNT OF FINANCIAL ASSETS AND LIABILITIES	OFFSETTING	GROSS CARRYING AMOUNTS IN THE BALANCE SHEET	ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR ARRANGEMENTS	31 DECEMBER 2019 NET AMOUNT
Trade and other receivables	445,452	(10,828)	434,624	-	434,624
Cash and cash equivalents	104,357	-	104,357	-	104,357
Other financial assets	5,368	-	5,368	-	5,368
Trade payables	281,901	(2,105)	279,796	-	279,796
Other payables	105,033	(8,897)	96,136	-	96,136
Other short term financial liabilities	274,120	(170)	273,950	-	273,950

32 Off-balance sheet commitments

Operating leases

The Group leases various offices, warehouses, cars, software and other assets. From 1 January 2019 the Group has recognised right-to-use assets for these leases, except for short-term, low-value leases, and leases commencing on or after 1 January 2020. See note 2.e and 18 for further information.

Commitments for minimum lease payments in relation to operating leases, applying the practical expedients as described above, are payable as follows:

EUR 1,000	2019	2018
Within one year	1,214	18,047
Later than one year but not later than five years	6,143	39,044
Later than five years	4,553	8,527
	11,910	**65,618**

Guarantees

As of 31 December 2019, the Group has granted guarantees of EUR 29.8 million (31 December 2018: EUR 6.1 million) in total. Those guarantees mainly consist of bank guarantees related to acquisitions, amounting to EUR 26.5 million. Furthermore, the guarantees consist of bank guarantees to customs and tax authorities of EUR 1.2 million (31 December 2018: EUR 1.8 million), office rental guarantees of EUR 1.3 million (31 December 2018: EUR 1.4 million), credit facilities of EUR 0.6 million (31 December 2018: EUR 1.3 million), guarantees for goods of EUR 0.1 million (31 December 2018: EUR 1.1 million) and other guarantees of EUR 0.1 million (31 December 2018: EUR 0.5 million).

Claims

The Group is a party to a limited number of legal proceedings incidental to its business. As is the case with other companies in similar industries, the Company faces exposures from actual or potential claims and legal proceedings. Although the ultimate disposition of legal proceedings cannot be predicted with certainty, it is the opinion of the Company's management that the outcome of any claim which is pending or threatened, either individually or on a combined basis and considering the insurance cover available, will not have a material effect on the financial position of the Company, its cash flows and result of operations.

33 Related parties

Identity of related parties

The Group has related party relationships with its shareholders, subsidiaries, Management Board and Supervisory Board and post-employment benefit plans. For an overview of the group companies, reference is made to the List of group companies as per 31 December 2019 on page 173.

Transactions with subsidiaries

The financial transactions between the Company and its subsidiaries comprise financing related transactions and operational transactions in the normal course of business. Transactions within the Group are not included in these disclosures as these are eliminated in the consolidated financial statements.

Transactions with key management personnel

The members of the Management Board and the Supervisory board are considered key management personnel as defined in IAS 24 'Related party disclosures'. For details on their remuneration, reference is made to note 51.

Transactions with associates

The Group owns 49% of the shares in SARL IMCD Group Algerie. At 31 December 2019 the Group has outstanding receivables from SARL IMCD Group Algerie of EUR 189 thousand (2018: EUR 315 thousand) and outstanding payables to Velox China of EUR 5 thousand (2018: EUR 31 thousand).

Transactions with post-employment benefit plans

The Group's main post-employment benefit plans are the defined benefit plans in The United Kingdom, Canada and The Netherlands.

In the financial year, the contributions to the defined benefit plans were EUR 1,859 thousand (2018: EUR 1,461 thousand). The outstanding payable to the defined benefit plans as at the year-end 2019 is EUR 75 thousand (2017: EUR 75 thousand).

34 Subsequent events

On 16 January 2020, IMCD completed the acquisition of the Israeli distributor Zifroni Chemical Suppliers Limited ("Zifroni"). Zifroni, based in Rishon Le-Zion, was founded in 1950 and is a leading distributor of pharmaceutical, personal care and other specialty chemical ingredients in Israel. The company has 9 employees and generated a revenue of EUR 10.2 million in 2019 through their representation of world leading producers from the US, Europe and Asia. The transaction is not considered as significant to the financial position as of 31 December 2019.

There were no material events after 31 December 2019 that would have changed the judgement and analysis by management of the financial position as of 31 December 2019 or the result for the year of the Group.

COMPANY BALANCE SHEET AS OF 31 DECEMBER 2019

before profit appropriation

EUR 1,000	NOTE	31 DECEMBER 2019	31 DECEMBER 2018
Fixed assets			
Participating interest in group company	40	1,338,271	1,262,476
Deferred tax assets	41	12,291	14,963
Total fixed assets		**1,350,562**	**1,277,439**
Current assets			
Trade and other receivables	42	91	63
Accounts receivable from subsidiary	43	2,089	976
Cash and cash equivalents		57	16
Total current assets		**2,237**	**1,055**
Total assets		**1,352,799**	**1,278,494**
Shareholders' equity	44		
Issued share capital		8,415	8,415
Share premium		657,514	657,514
Translation reserve		(36,169)	(50,229)
Hedging reserve		(96)	(129)
Other reserves		(10,460)	(11,206)
Retained earnings		139,315	81,926
Unappropriated result		108,006	100,057
Total equity		**866,525**	**786,348**
Non-current liabilities	45	477,562	474,072
Accounts payable to subsidiaries	46	513	10,066
Other current liabilities	46	8,199	8,008
Current liabilities		**8,712**	**18,074**
Total equity and liabilities		**1,352,799**	**1,278,494**

COMPANY INCOME STATEMENT

for the year ended 31 December 2019

EUR 1,000	NOTE	2019	2018
Operating income	37	2,835	2,394
Wages and salaries	38	(3,114)	(2,783)
Social security and other charges	38	(112)	(191)
Other operating expenses		(790)	(647)
Operating expenses		**(4,016)**	**(3,621)**
Net finance costs		(13,043)	(11,322)
Share in results from participating interests, after taxation	40	123,918	116,136
Result before income tax		**109,694**	**103,587**
Income tax expense	39	(1,688)	(3,530)
Result for the year		**108,006**	**100,057**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2019

35 General

The company financial statements are part of the 2019 financial statements of IMCD N.V. (the 'Company').

36 Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the Company makes use of the option provided in section 2:362 (8) of The Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of the Company are the same as those applied for the consolidated EU-IFRS financial statements. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and endorsed by the European Union (hereinafter referred to as EU-IFRS). Reference is made to the notes to the consolidated financial statements.

Participating interests are valued on the basis of the equity method.

The share in results from participating interests, after taxation consists of the share of the Company in the results of these participating interests. Results on transactions, where the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealised.

37 Operating income

Other operating income predominantly relates to management service fees charged to IMCD Group B.V.

38 Personnel expenses

The personnel expenses 2019 comprise the wages and salaries including bonuses, cost related to the employee benefit plan and social security expenses. Further details are provided in note 51.

39 Income tax expenses

The reconciliation between the Company's domestic income tax rate and related tax charge and the effective income tax rate and related effective income tax charge is as follows:

Reconciliation effective tax rate

	2019		2018	
EUR 1,000	%	EUR 1,000	%	EUR 1,000
Profit for the year		108,006		100,057
Total income tax expense	1.5	1,688	3.4	3,530
Profit before income tax		**109,694**		**103,587**
Income tax using the Company's domestic tax rate	25.0	27,424	25.0	25,897
Adjustments in respect of tax exempt income	(23.1)	(25,379)	(20.0)	(20,692)
Effect of change in tax rate	0.1	55	(0.3)	(317)
Tax effect of:				
Non-deductible expenses	0.5	515	0.5	556
Tax incentives and tax exempted income			(0.2)	(156)
Recognition of previously unrecognised tax losses			(0.5)	(549)
(De)recognition of previously (un)recognised temporary differences			(0.0)	(19)
Tax charge other members fiscal unity	(0.8)	(848)	(1.2)	(1,199)
Under provided in prior years	(0.1)	(79)	0.0	9
	1.5	**1,688**	**3.4**	**3,530**

Except for withholding taxes, corporate income tax expenses of the Dutch subsidiaries are allocated to the Company as head of the fiscal unity.

40 Participating interest in group companies

The movements of the participating interest in group companies can be shown as follows:

EUR 1,000	2019	2018
Balance as at 1 January	**1,262,476**	**890,378**
Changes:		
Investments in participating interests	-	295,000
Impact of adoption of IFRS 9	-	(1,085)
Share in results from participating interest after taxation	123,918	116,136
Dividends declared	(64,200)	(32,100)
Movement hedging reserve	33	47
Exchange rate differences	15,298	(6,973)
Movement other reserves	746	1,073
Balance as at 31 December	**1,338,271**	**1,262,476**
Accumulated impairments at 31 December	-	-

The Company, statutorily seated in Rotterdam, owns the Group through a 100% share in the issued capital of IMCD Finance B.V., statutorily seated in Rotterdam. In 2018 the Company made capital contributions of EUR 295.0 million to IMCD Finance B.V.

41 Deferred tax assets

In 2019 the Company did not recognise previously unrecognised deferred tax assets related to tax losses carried forward (2018: nil). The Company utilised deferred tax assets to an amount of EUR 3.7 million in the financial year (2018: EUR 3.0 million). Other movements in deferred tax assets relate to EUR 0.8 million new tax credits (2018: EUR 0.9 million), EUR 0.3 million change in tax rates (2018: EUR -1.0 million) and EUR nil prior year adjustments (2018: EUR 0.5 million).

The deferred tax asset relates to unused tax losses and unused tax credits.

EUR 1,000	NOTE	2019	2018
Balance as at 1 January		14,963	17,604
Movements during the year	39	(2,672)	(2,641)
Balance as at 31 December		**12,291**	**14,963**

42 Trade and other receivables

The trade and other receivables primarily relate to prepaid insurance premiums.

43 Accounts receivable from subsidiary (current)

The accounts receivable from subsidiary relates to a receivable from IMCD Group B.V. regarding management service fees.

44 Shareholders' equity

Reconciliation of movement in capital and reserve

EUR 1,000	ISSUED 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**
Total recognised income and expense	-	-	-	-	-	-	-	108,006	**108,006**
Share based payments	-	-	-	-	**-**	1,071	(1,508)	-	**(437)**
Purchase and transfer of own shares	-	-	-	-	997	-	914	-	**1,911**
Cash dividend	-	-	-	-	-	-	-	(42,074)	**(42,074)**
Movement in other reserves	-	-	14,060	33	-	(1,322)	-	-	**12,771**
Balance as at 31 December 2019	**8,415**	**657,514**	**(36,169)**	**(96)**	**(4,686)**	**(5,774)**	**139,315**	**108,006**	**866,525**
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 adopton of IFRS 9	-	-	-	-	-	-	(1,085)	-	(1,085)
Balance at 1 January 2018 restated	**8,415**	**657,514**	**(40,875)**	**(176)**	**(7,193)**	**(5,086)**	**38,235**	**77,262**	**728,096**
Appropriation of prior year's result	-	-	-	-	-	-	44,655	(44,655)	-
	8,415	**657,514**	**(40,875)**	**(176)**	**(7,193)**	**(5,086)**	**82,890**	**32,607**	**728,096**
Total recognised income and expense	-	-	-	-	-	-	-	100,057	**100,057**
Share based payments	-	-	-	-	-	(348)	(1,980)	-	**(2,328)**
Purchase and transfer of own shares	-	-	-	-	1,510	-	1,016	-	**2,526**
Cash dividend	-	-	-	-	-	-	-	(32,607)	**(32,607)**
Movement in other reserves	-	-	(9,354)	47	-	(89)	-	-	**(9,396)**
Balance as at 31 December 2018	**8,415**	**657,514**	**(50,229)**	**(129)**	**(5,683)**	**(5,523)**	**81,926**	**100,057**	**786,348**

Share capital and share premium

	ORDINARY SHARES	
EUR 1,000	2019	2018
In issue at 1 January	**665,929**	**665,929**
Conversion from shareholders' loans	-	-
Issue of shares minus related cost	-	-
In issue at 31 December - fully paid	**665,929**	**665,929**

Ordinary shares

At 31 December 2019, the authorised share capital comprised 150,000,000 ordinary shares of which 52,592,254 shares have been issued. All shares have a par value of EUR 0.16 each and are fully paid.

The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Translation reserve

The translation reserve (legal reserve) comprises all exchange rate differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in foreign subsidiaries.

Hedging reserve

The hedging reserve (legal reserve) comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Reserve own shares

The reserve own shares comprises the cost of the Company's shares held by the Group. At 31 December 2019, the Group held 114,769 of the Company's shares (31 December 2018: 146,641 shares).

Other reserves

Other reserves relate to the accumulated actuarial gains and losses recognised in other comprehensive income.

Unappropriated result

At the Annual General Meeting the following appropriation of the result for 2019 will be proposed: an amount of EUR 47,333 thousand to be paid out as dividend (EUR 0.90 per share) and EUR 60,673 thousand to be added to the retained earnings.

45 Non-current liabilities

The movement in the non-current liabilities during 2019 is as follows:

EUR 1,000	2019	2018
Balance as at 1 January	**474,072**	**173,594**
Additions	1,120	300,000
Transaction and other finance costs paid	16	(4,375)
Amortisation of transaction and other finance costs	843	1,294
Effect of movements in exchange rates	1,511	3,559
Balance as at 31 December	**477,562**	**474,072**

The non-current liabilities consist of the carrying value of the debt capital market issuance ("Schuldscheindarlehen") with notional values of EUR 100 million and USD 90 million and the carrying value of the Bond loan issued in 2018, net of capitalised finance costs.

EUR 1,000	CURR	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	12 MONTHS OR LESS	1 - 2 YEARS	2 - 5 YEARS	>5 YEARS
Schuldscheindarlehen	EUR	99,759	103,879	1,336	61,332	41,211	-
Schuldscheindarlehen	USD	79,949	85,846	2,869	82,977	-	-
Bond loan	EUR	296,734	345,000	7,500	7,500	22,500	307,500
Loans from subsidiaries	EUR	1,120	1,120	-	661	489	-
Total		**477,562**	**535,845**	**11,705**	**152,470**	**64,200**	**307,500**

Further details of the Schuldscheindarlehen are provided in note 27 of the consolidated financial statements.

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46 Current liabilities

The Company's current liabilities as of 31 December 2019 amounts to EUR 8.7 million (31 December 2018: EUR 18.1 million) and consists of a short-term liability to IMCD Finance B.V. and other current liabilities.

EUR 1,000	2019	2018
Accounts payable to subsidiaries	513	10,066
Other current liabilities		
Creditors	166	148
Liabilities to personnel	592	760
Accrued interest expenses	6,443	6,427
Other accrued expenses	998	673
	8,199	**8,008**
Current liabilities	**8,712**	**18,074**

47 Financial instruments

The Company has exposure to the following risks:

- credit risk
- liquidity risk
- market risk
- operational risk

In note 5 to the consolidated financial statements information is included about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

These risks, objectives, policies and processes for measuring and managing risk, and the management of capital apply also to the company financial statements of IMCD N.V.

48 Off-balance sheet commitments

The Company is head of a tax entity for corporate income tax. The Company together with other Dutch group companies form part of this fiscal unity. As a consequence, the Company is jointly and severally liable for the corporate income taxes due by these tax entities.

49 Fees of the auditor

With reference to Section 2:382a(1) and (2) of The Netherlands Civil Code, the following fees for the financial year have been charged by Deloitte Accountants B.V. and other Deloitte member firms and affiliates to the Company, its subsidiaries and other consolidated entities.

	Deloitte Accountants B.V.	Other Deloitte member firms and affiliates	Total Deloitte	Deloitte Accountants B.V.	Other Deloitte member firms and affiliates	Total Deloitte
EUR 1,000		2019			2018	
Statutory audits of annual reports	608	1,077	1,685	550	1,013	1,563
Other assurance services	65	-	65	-	-	-
Tax advisory services	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-
	673	**1,077**	**1,750**	**550**	**1,013**	**1,563**

50 Related parties

Transactions with key management personnel

The members of the Management Board and the Supervisory board are considered key management personnel as defined in IAS 24 'Related party disclosures'. For details on their remuneration, reference is made to note 51.

Other related party transactions

The Company, as service provider, maintains a management service agreement with IMCD Group B.V. for services rendered by the Management Board to the group. The total management service fees charged in 2019 amounted to EUR 2,835 thousand (2018: EUR 2,394 thousand). All related party transactions were priced on an at arm's-length basis.

51 Compensation of the Management Board and the Supervisory Board

The Management Board and Supervisory board members' compensation, including pension obligations as intended in Section 2:383(1) of The Netherlands Civil Code, which were charged in the financial year to the Company and group companies is as follows:

Compensation Management Board

EUR 1,000	YEAR	SALARY	BONUS	SHARE BASED PAYMENT	PENSION	OTHER	TOTAL
P.C.J. van der Slikke	**2019**	**643**	**310**	**648**	**44**	**48**	**1,693**
	2018	580	480	355	40	47	1,502
H.J.J. Kooijmans	**2019**	**501**	**242**	**492**	**39**	**42**	**1,316**
	2018	440	363	265	36	42	1,146
Total	**2019**	**1,144**	**552**	**1,140**	**83**	**90**	**3,009**
	2018	1,020	843	620	76	89	2,648

As of 31 December 2019, the total number of shares conditionally granted to P.C.J. van der Slikke and H.J.J. Kooijmans is 28,837 (31 December 2018: 25,177) respectively 21,962 (31 December 2018: 18,776). The reported bonus and share based payment amounts include adjustments related to prior years. The other remunerations include health insurance premiums, business expense allowances, social security premiums and company car expenses. Further details of the Management Board compensation are provided in the Remuneration Report published at the Company's website.

Compensation Supervisory Board

EUR 1,000	2019	2018
M.G.P. Plantevin	65	65
A.J.T. Kaaks	50	50
J. Van Nauta Lemke-Pears	47	47
J. Smalbraak	45	41
S. Nanninga	48	28
J.C. Pauze (until May 2018)	-	17
Total	**255**	**248**

In addition to the aforementioned compensation, the Management Board and Supervisory Board members receive reimbursements for out-of-pocket expenses. Since these benefits serve to cover actual costs incurred and are not considered to form part of the remuneration as such, they have not been included in the above totals.

52 Provision regarding the appropriation of profit

At the Annual General Meeting the following appropriation of the result for 2019 will be proposed: an amount of EUR 47,333 thousand to be paid out as dividend (EUR 0.90 per share) and EUR 60,673 thousand to be added to the retained earnings.

53 Subsequent events

There were no material events after 31 December 2019 that would have changed the judgement and analysis by management of the financial condition at 31 December 2019 or the result for the year of the Company.

Rotterdam, 26 February 2020

The Management Board:
P.C.J. van der Slikke
H.J.J. Kooijmans

The Supervisory Board:
M.G.P. Plantevin
A.J.T. Kaaks
S. Nanninga
J. Van Nauta Lemke-Pears
J. Smalbraak

LIST OF GROUP COMPANIES AS PER 31 DECEMBER 2019

The list of group companies is as follows (100% owned unless mentioned otherwise):

IMCD Finance B.V.	Rotterdam	The Netherlands
IMCD Group B.V.	Rotterdam	The Netherlands
IMCD Participations II B.V.	Rotterdam	The Netherlands
Internatio Special Products B.V.	Rotterdam	The Netherlands
IMCD Benelux B.V.	Rotterdam	The Netherlands
Jan Dekker B.V.	Rotterdam	The Netherlands
IMCD Benelux N.V.	Mechelen	Belgium
IMCD France Investments S.A.S.	Paris	France
IMCD Holding France S.A.S.	Paris	France
IMCD France S.A.S.	Paris	France
Velox France SAS [1]	Charnoz-sur-Ain	France
IMCD Espanã Especialidadis Quimicas S.A.	Madrid	Spain
Velox S.L. [2]	Barcelona	Spain
IMCD Portugal Produtos Quimicos Lda	Lisbon	Portugal
IMCD Maroc S.a.r.l.	Casablanca	Morocco
IMCD Manufacturing Tunisia S.a.r.l.	Tunis	Tunisia
IMCD Tunisia S.a.r.l.	Tunis	Tunisia
S.a.r.l. IMCD Group Algerie (49% of the shares)	Algiers	Algeria
CBG Chemie Beteiligungsgesellschaft mbH	Cologne	Germany
IMCD Deutschland GmbH	Cologne	Germany
Otto Aldag Handel GmbH	Cologne	Germany
Velox GmbH [3]	Hamburg	Germany
Velox Composite GmbH [3]	Hamburg	Germany
IMCD UK Acquisitions Ltd.	Sutton	United Kingdom
IMCD Holding UK Ltd.	Sutton	United Kingdom
IMCD UK Investments Ltd.	Sutton	United Kingdom
IMCD UK Ltd.	Sutton	United Kingdom
Velox U.K. Ltd	High Wycombe	United Kingdom
IMCD Ireland Ltd.	Dublin	Ireland
IMCD Italia S.p.A.	Milan	Italy
Neuvendis S.p.A.	Milan	Italy
Velox Italia S.r.l [4]	Varese	Italy
IMCD Norway AS	Ski	Norway
Velox Norway AS [5]	Oslo	Norway
IMCD Nordic AB	Malmö	Sweden
IMCD Sweden AB	Malmö	Sweden
Velox Specialities AB [6]	Göteborg	Sweden
IMCD Finland Oy	Helsingfors	Finland
Velox OY [7]	Helsinki	Finland
IMCD Danmark AS	Helsingør	Denmark
IMCD Baltics UAB	Vilnius	Lithuania
IMCD South East Europe GmbH	Vienna	Austria
IMCD Czech Republic s.r.o.	Prague	Czech Republic
Velox CMS s.r.o. [8]	Prague	Czech Republic
IMCD Specialities srl [9]	Bucarest	Romania
IMCD Switzerland AG	Zürich	Switzerland
IMCD Polska Sp.z.o.o.	Warsaw	Poland
Velox Poland sp.z.o.o [10]	Poznan	Poland
IMCD Rus LLC	Saint-Petersburg	Russia
IMCD Ukraine LLC	Kiev	Ukraine
IMCD Ticaret, Pazarlama ve Danişmanlik Limited Şirketi	Istanbul	Turkey

Velox DIS TISCARET [11]	Istanbul	Turkey
Internatio Special Products Egypt LLC	Cairo	Egypt
IMCD Egypt LLC	Cairo	Egypt
IMCD South Africa Pty. Ltd.	Isando	South Africa
Chemimpo South Africa Pty. Ltd.	Randburg	South Africa
IMCD Kenya Ltd.	Nairobi	Kenya
IMCD Uganda SMC Ltd.	Kampala	Uganda
IMCD Holdings US, Inc.	Jersey City	United States of America
IMCD US LLC	Cleveland	United States of America
MJS Sales Inc.	Cleveland	United States of America
E.T. Horn Company [12]	La Mirada	United States of America
ETH Investment Group LLC [12]	La Mirada	United States of America
IMCD US Food Inc.	Washington	United States of America
IMCD Puerto Rico Inc.	Cayey	Puerto Rico
IMCD Canada Limited	Brampton	Canada
IMCD Brasil Comércio e Indústria de Produtos Quimicos Ltda.	São Paulo	Brazil
IMCD Brasil Farmacêuticos Importação, Exportação e Representações Ltda	São Paulo	Brazil
IMCD Chile SpA	Santiago de Chile	Chile
IMCD Argentina SRL	Buenos Aires	Argentina
IMCD Uruguay SA	Montevideo	Uruguay
Unired Quimicas SAS [13]	Bogota	Colombia
IMCD Australasia Investments Pty. Ltd	Melbourne	Australia
IMCD Australia Pty Ltd.	Melbourne	Australia
IMCD New Zealand Ltd.	Auckland	New Zealand
IMCD Asia Pacific Sdn Bhd	Shah Alam	Malaysia
IMCD Malaysia Sdn Bhd	Shah Alam	Malaysia
IMCD Asia Pte. Ltd.	Singapore	Singapore
IMCD Singapore Pte. Ltd.	Singapore	Singapore
IMCD (Thailand) Co., Ltd.	Bangkok	Thailand
IMCD (Shanghai) Trading Co. Ltd.	Shanghai	China
IMCD International Trading (Shanghai) Co. Ltd.	Shanghai	China
IMCD Plastics (Shanghai) Co. Ltd.	Shanghai	China
Velox China Ltd (50% of the shares)	Shanghai	China
Velox China HK Co. Ltd (50% of the shares)	Hong Kong	Hong Kong
IMCD Philippines Corporation	Manila	Philippines
PT IMCD Indonesia (90.01% of shares)	Jakarta	Indonesia
PT Sapta Permata (90.01% of shares)	Surabaya	Indonesia
IMCD India Pte. Ltd.	Mumbai	India
Aroma Chemical Agencies (India) Private Ltd	Mumbai	India
Alchemie Agencies Private Ltd	Mumbai	India
Monachem Additives Pvt Ltd [14]	Vadodara	India
Addpol Chemspecialities Pvt Ltd [14]	Vadodara	India
IMCD Vietnam Company Ltd	Ho Chi Minh City	Vietnam
IMCD Japan Godokaisha	Tokyo	Japan
Tentum Holding AG (80% of the shares) [15]	Basel	Switzerland
DCS Pharma AG (90% of the shares) [15]	Basel	Switzerland
DCS Pharma Iberia S.L. (90% of the shares) [15]	Barcelona	Spain
DCS Pharma China Co. (90% of the shares) [15]	Shanghai	China
DCS Pharma GmbH (90% of the shares) [15]	Lüneburg	Germany
Chemsource SA (90% of the shares) [15]	Lugano	Switzerland
Gopharma S.r.l. (90% of the shares) [15]	Milan	Italy
DCS Pharma S.A. de C.V. (90% of the shares) [15]	Miguel Hidalgo	Mexico
Whawon Pharm Co. Ltd. (57% of the shares) [15]	Seoul	South Korea

[1] Merged with IMCD France S.A.S.

[2] Merged with IMCD Espanã Especialidadis Quimicas S.A.

[3] Merged with IMCD Deutschland GmbH & Co. KG
[4] Merged with IMCD Italia S.p.A.
[5] Merged with IMCD Norway AS
[6] Merged with IMCD Sweden AB
[7] Merged with IMCD Finland Oy
[8] Merged with IMCD Czech Republic s.r.o.
[9] Formerly known as Velox Specialities srl
[10] Merged with IMCD Polska Sp.z.o.o.
[11] IMCD Ticaret, Pazarlama ve Danişmanlik Limited Şirketi
[12] Merged with IMCD US LLC
[13] Since November 2019
[14] Since September 2019
[15] Since December 2019

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Provisions in the Articles of Association governing the appropriation of profit

Article 22 of the Company's articles of association stipulates the following with regard to the appropriation of the profit: The Management Board, with the approval of the Supervisory Board, decides how much of the freely distributable profit will be reserved. The remaining profit shall be at the free disposal of the Annual General Meeting.

Independent auditor's report

To the Shareholders and the Supervisory Board of IMCD N.V.,

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2019 INCLUDED IN THE ANNUAL REPORT

Our Opinion

We have audited the accompanying financial statements 2019 of IMCD N.V. ('The Company') based in Rotterdam, The Netherlands. The financial statements include the consolidated financial statements and the accompanying Company financial statements.

In our opinion:

- The accompanying consolidated financial statements in the annual report give a true and fair view of the financial position of IMCD N.V. as at 31 December 2019 (before profit appropriation), and of its result and its cash flows for 2019 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 included in the annual report give a true and fair view of the financial position of IMCD N.V. as at 31 December 2019 (before profit appropriation), and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2019.
2. The following statements for 2019: the consolidated statement of profit and loss and comprehensive income, the consolidated statement of changes in equity the consolidated statement of cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The accompanying Company financial statements comprise:

1. The accompanying Company balance sheet as at 31 December 2019 (before profit appropriation).
2. The accompanying Company income statement for 2019.
3. The notes comprising a summary of the accounting policies and other explanatory information.

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 “Our responsibilities for the audit of the financial statements” section of our report.

We are independent of IMCD N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in The Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 11 million. Based on our experience with the company, we selected materiality at 7.5% of result before income tax (last year 7.5%) taking into consideration certain non-recurring income and expenses. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Component audits are performed using materiality levels determined by the judgement of the group audit team, considering materiality for the consolidated financial statements as a whole and the reporting structure of the group. Component materiality did not exceed EUR 5 million.

We agreed with the Supervisory Board that misstatements in excess of EUR 550 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

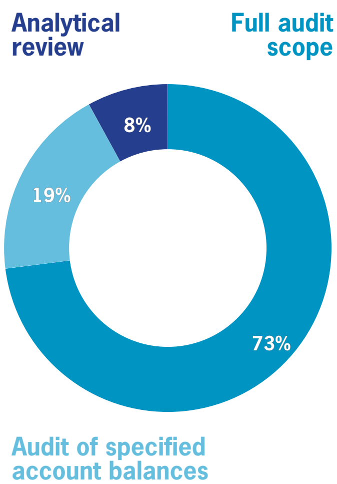
Scope of the group audit

IMCD N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of IMCD N.V.

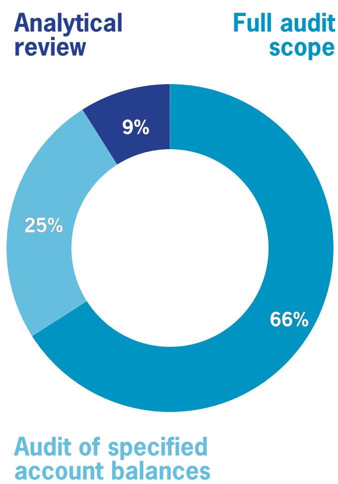
Because we are ultimately responsible for the opinion, we are directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for components. The extent of the procedures have been determined based on size and a number of more qualitative circumstances. Such circumstances include the financial performance of the foreign entities and the maturity of markets these entities are operating in. Furthermore, we increased the extent of procedures for new acquisitions. On this basis, we selected components for which an audit, specified audit procedures or review had to be carried out on the component financial information.

This resulted in the coverage as presented below:

Scoping on revenue



Scoping on assets



We have:

- Performed audit procedures ourselves at the corporate entities and the operations in The Netherlands. We have assessed group-wide internal controls that have been implemented by the Management Board to monitor and manage the financial and operating performance of the various operating units and have scoped our audit procedures responding to this situation. In particular, we have conservatively allocated the materiality to the operating entities ("components") and we made a choice to increase our coverage of the components for local audit procedures (full audit or audit of specified account balances). Furthermore the group audit team performed audit procedures on the key audit areas such as consolidation, IT systems, valuation of goodwill and supplier relations, purchase price allocation for new acquisitions, sales and costs of goods sold, loans and borrowings and testing of manual journal entries.
- Involved Deloitte experts for impairment testing, valuation, information technology, tax and accounting.
- Used the work of component audit teams of Deloitte for all significant international components. The group audit team provided detailed written instructions to communicate requirements, significant audit areas and create awareness for (fraud) risks related to management override of controls. Furthermore, we developed a plan for overseeing each component audit team based on its relative significance and certain other risk characteristics. This included procedures such as visiting components, performing file reviews, attending meetings and reviewing component audit team deliverables. For smaller components we have performed analytical procedures or specified audit procedures.

By performing the procedures mentioned above at components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

KEY AUDIT MATTER	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN THE AUDIT AND OUR OBSERVATION
Impairment of goodwill and supplier relations IMCD grows its business through organic growth and acquisitions. IMCD has capitalized goodwill for a carrying amount of EUR 749 million and other intangibles for a carrying amount of EUR 392 million on the balance sheet as per 31 December 2019. EUR 324 million out of the EUR 392 million comprises of supplier relations and related to IMCD's dependency on suppliers to develop and supply the product portfolio. This year goodwill and other intangibles increased mainly due to the acquisition of Whawon and DCS (see Key Audit Matter: Business combinations). We identified the valuation of these assets as a key audit matter because of the amounts involved, the importance of management estimates on key assumptions and the risk of the assumed growth expectations. Management estimates are particularly relevant for the projections of future free cash flows of businesses acquired, for estimating inflationary and autonomous growth as well as for the discount rates applied to calculate net present values of the future cash flows.	Our audit focused on both testing the design and implementation of internal control measures on behalf of the Management Board including the basis for the forecasts and estimates, segregation of duties in connection with preparation and assessment of the projections. We verified whether the projections are based on the internal budgets and forecasts that have been approved by the Supervisory Board. Furthermore, we performed a number of substantive tests amongst which auditing the outcome of the estimates of last year (back testing), reviewing the support of the estimates based on the local and group wide recurring annual budgeting and mid-term operating plan processes. We engaged Deloitte valuation experts in benchmarking the inflationary growth and discount rates applied with capital market's expectations. We also engaged our experts in evaluating the calculation models benchmarking against comparable transactions. We challenged management on the impairment triggers identified for the assessment of potential impairments for the other intangible assets, including supplier relations. **Observation** Within the context of our audit and based on the materiality applied, we have concluded that the assumptions used in the impairment calculations are reasonable within acceptable ranges. Furthermore, the allocation of goodwill to the three CGU's and the sensitivity of the impairment test to changes in assumptions have been sufficiently disclosed in Note 17 of the financial statements.

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KEY AUDIT MATTER	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN THE AUDIT AND OUR OBSERVATION
IT landscape and financial reporting IMCD is globally deploying and implementing a standardized ERP solution for all operating entities. A substantial number of the operating entities already implemented this system; though a number of more recent acquisitions is still running legacy IT systems. We considered IMCD's IT landscape and controls over financial reporting as basis of designing appropriate audit procedures.	IMCD is continuously monitoring and enhancing the effectiveness of its internal control framework. Currently, the majority of significant operating entities operate on the global ERP application. This centralized IT environment and subsequent investments in IT measures should enable us to rely on automated data processing for certain processes in 2020. For 2019, we did not rely on the IT environment and gained the required level of assurance from additional activities including data analytics and verification and analyses of relations between movements in cash and goods, as well as supplier and warehouse confirmations on transactional and year-end positions. IT audit experts have been deployed to assist us in making various data analyses. **Observation** Based on our procedures performed the risks of material misstatement we identified are sufficiently addressed.

KEY AUDIT MATTER	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN THE AUDIT AND OUR OBSERVATION
Business combinations As set out in Note 7 of the financial statements, the Company concluded acquisitions throughout the year. Most notably the acquisition of DCS and Whawon on respectively December 10, 2019 and December 18, 2019. Accounting for these acquisitions in accordance with IFRS 3 requires management to apply estimates to determine the fair value of the identifiable assets and liabilities, and any resulting goodwill. In aggregate goodwill (EUR 77 million) and other intangibles (29 million) increased as a consequence of the acquisitions in 2019. We identified these assets to be an audit area of focus as the valuation is based on a number of assumptions such as discount rate and growth rate which are subject to significant judgement.	We have performed audit procedures and assessed the 'Purchase Price Allocation' in line with the requirements of IFRS 3. The Management Board has engaged a reputable independent valuation expert to assist them in the fair value accounting. We inspected the Share Purchase Agreements, evaluated the identification of assets and liabilities acquired. We engaged Deloitte valuation experts to validate the valuations of assets including goodwill and supplier relations as well as the assumptions applied. We also validated the appropriateness of the related disclosures in Note 7 of the financial statements. **Observation** Based on our materiality and procedures performed, we are of the opinion that the recognition of assets and liabilities from the acquisition of DCS and Whawon is in line with the requirements of IFRS 3, and that these acquisitions are adequately disclosed in Note 7 of the financial statements.

Compared with last year we excluded the key audit matter with respect to Geographical diversity as it is now fully incorporated in our section Scope of the group audit.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report, the annual report contains other information that consists of:

- Report of the Management Board.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
- Other information.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as 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 through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

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

Management is responsible for the preparation of other information, the report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the Supervisory Board as auditor of IMCD N.V. on May 7, 2019, for the audit of the year 2019. Since 2016 we have operated as statutory auditor.

No prohibited non-audit services

We have not provided non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of Management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as 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, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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 audit included e.g.:

- 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 fraudsters generally try to hide the implications of their fraud. Committing fraud and the hiding thereof may involve

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TEN YEARS SUMMARY

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. In identifying potential risks of material misstatement due to fraud, we evaluated the group's risk assessment, had inquiries with management, those charged with governance and others within the group, including but not limited to, legal counsel, Director Corporate Control, Director Group Treasury & Tax and component management. Intially, we designed our audit approach engaging our forensic experts and we have not made significant changes to this approach since. Following these procedures, and the presumed risks under the prevailing auditing standards, we considered the fraud risks in relation to management override of controls. Furthermore we identified and considered the fraud risk related to manual adjustments in the recording of revenue including non-standard entries. Such entries are considered as fraud risk as employees or management may override key controls or exercise undue influence on others to record improper or fictitious revenues to achieve certain targets. As part of our audit procedures to respond to these fraud risks, we evaluated the internal controls relevant to mitigate these risks and performed supplementary substantive audit procedures, including detailed testing of journal entries and supporting documentation in relation to post-closing adjustments. Data analytics, including testing journal entries based on certain risk-based characteristics, is part of our audit approach to address fraud risks.

We have concluded the fraud risks leading to material misstatement in the financial statements related to regular revenue transactions to be low; based on the large number of small transactions, the strong regulatory environment on trading and shipping chemicals, the transparency of price-setting between buyers and sellers, the relatively simple pricing and bonus structures and the internal processes and controls.

We obtained written representations that all known instances of (suspected) fraud and other irregularities have been disclosed to us.

- Identifying and assessing the relevant risks and effects from non-compliance with laws and regulations as corporate tax law, Chemical regulations, Dutch Stock exchange regulations, competition regulations, financial reporting regulations and the requirements under Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements to the extent material for the financial statements of IMCD. Apart from these, IMCD is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance through imposing fines or litigation. As a response to relevant non-compliance risks, we evaluated the related internal controls to identify non-compliance with the relevant laws and regulations and performed audit procedures that address these non-compliance risks. Our procedures included inquiries of management, those charged with governance and others within the group and we inspected board minutes, correspondence with relevant authorities and lawyers' letters. We also remained alert to indications of (suspected) non-compliance throughout the audit, both at component and group levels. We obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.
- 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 management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events 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. 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.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. 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.

Eindhoven, February 26, 2020

Deloitte Accountants B.V.

J. Hendriks

OTHER INFORMATION NOT FORMING PART OF THE FINANCIAL STATEMENTS

Ten years summary

EUR MILLION	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
RESULTS										
Revenue	2,689.6	2,379.1	1,907.4	1,714.5	1,529.8	1,358.3	1,233.4	1,116.6	1,023.4	852.0
Year on year revenue growth	13%	25%	11%	12%	13%	10%	10%	9%	20%	24%
Gross profit	599.3	536.1	428.7	381.6	332.8	287.6	261.3	237.9	218.0	182.0
Gross profit in % of revenue	22.3%	22.5%	22.5%	22.3%	21.8%	21.2%	21.2%	21.3%	21.3%	21.4%
Result from operating activities	176.1	162.6	125.2	107.5	91.2	82.4	73.4	69.7	48.4	50.1
Operating EBITDA [1]	228.1	207.5	166.0	152.1	131.8	112.7	99.0	92.0	86.6	69.1
Operating EBITA [2]	224.8	202.1	161.7	147.8	128.3	110.0	96.6	90.2	85.3	68.0
Year on year Operating EBITA growth	11%	25%	9%	15%	17%	14%	7%	6%	25%	36%
Operating EBITA in % of revenue	8.4%	8.5%	8.5%	8.6%	8.4%	8.1%	7.8%	8.1%	8.3%	8.0%
Conversion margin [3]	37.5%	37.7%	37.7%	38.7%	38.5%	38.2%	37.0%	37.9%	39.1%	37.4%
Net result before amortisation / non-recurring items	156.2	139.7	110.1	102.6	87.2	54.3	13.1	(0.7)	6.1	36.2
CASH FLOW										
Free cash flow [4]	222.2	166.5	161.3	140.4	119.3	94.6	80.5	86.5	76.3	56.6
Cash conversion margin [5]	97.4%	79.3%	97.2%	92.3%	90.5%	83.9%	81.3%	94.0%	88.1%	81.9%
BALANCE SHEET										
Working capital	435.9	399.8	314.3	248.4	227.8	179.7	150.7	121.0	105.9	90.4
Total equity	866.5	786.3	729.2	722.1	653.8	530.8	(67.1)	(49.7)	(27.9)	60.6
Net debt	735.2	610.7	490.0	397.6	437.5	266.6	823.5	724.6	671.6	256.5
Net debt/Operating EBITDA ratio [6]	2.8	2.8	2.8	2.6	2.9	2.4	8.3	7.9	7.8	3.7
EMPLOYEES										
Number of full time employees end of period	2,991	2,799	2,265	1,863	1,746	1,512	1,452	1,108	979	937
SHARES										
Number of shares issued at year-end (x 1,000)	52,592	52,592	52,592	52,592	52,592	50,000				
Weighted average number of shares (x 1,000)	52,475	52,443	52,425	52,477	51,612	25,118				
Earnings per share (weighted)	2.06	1.91	1.47	1.39	1.20	0.79				
Cash earnings per share (weighted) [7]	2.85	2.53	2.06	2.01	1.79	1.42				
Proposed dividend per share	0.90	0.80	0.62	0.55	0.44	0.20				

[1] Result from operating activities before depreciation of tangible assets and amortisation of intangible assets and non-recurring items

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

[3] Operating EBITA in percentage of Gross profit

[4] Operating EBITDA excluding non-cash share-based payment expenses, plus/less changes in working capital, less capital expenditures

[5] Free cash flow in percentage of Adjusted Operating EBITDA (Operating EBITDA plus non-cash share-based payment costs minus lease payments); before 2018 calculated as free cash flow in percentage of Operating EBITDA

[6] Including full year impact of acquisitions

[7] Result for the year before amortisation (net of tax)

Colophon

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