Press release

IMCD reports 24% EBITA growth in the first half of 2018

Rotterdam, The Netherlands (17 August 2018) - IMCD N.V. ("IMCD" or "Company"), a leading distributor of speciality chemicals and food ingredients, today announces its first half year 2018 results.

Highlights

- Gross profit growth of 24% to EUR 263.1 million (+30% on a constant currency basis)
- Operating EBITA increase of 24% to EUR 105.2 million (+30% on a constant currency basis)
- Net result before amortisation and non-recurring items increase of 28% to EUR 74.2 million (+34% on a constant currency basis)
- Cash earnings per share increased by 20% to EUR 1.31 (first half of 2017: EUR 1.09)
- Acquisition of E.T. Horn, completed on 31 July 2018, supporting IMCD´s strategy of offering its suppliers and customers national US coverage and dedicated segment expertise

Piet van der Slikke, CEO: *'It goes without saying that we are happy with the results over the first six months. We could optimally benefit from our strong business model combined with favourable economic conditions. The signing and closing of our acquisition of E.T. Horn (La Mirada, California) represents an important milestone in the execution of our North American strategy. We will work hard to create an organisation in this region which will offer the best possible service to our suppliers and customers and great opportunities for our staff.'*

Key figures

EUR million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017	Change	Change	Fx adj. change
Revenue	1,151.8	936.2	215.6	23%	29%
Gross profit	263.1	212.2	50.9	24%	30%
Gross profit in % of revenue	22.8%	22.7%	0.1%		
Operating EBITA[1]	105.2	84.6	20.6	24%	30%
Operating EBITA in % of revenue	9.1%	9.0%	0.1%		
Conversion margin[2]	40.0%	39.9%	0.1%		
Net result before amortisation/non-recurring items	74.2	57.9	16.3	28%	34%
Free cash flow[3]	54.0	73.8	(19.8)	(27%)	
Cash conversion margin[4]	50.2%	84.9%	(34.7%)		
Earnings per share (weighted)	1.02	0.82	0.20	26%	30%
Cash earnings per share (weighted)[5]	1.31	1.09	0.22	20%	25%
Number of full time employees end of period	2,280	1,912	368	19%	

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

IMCD

Value through expertise

Revenue

Revenue increased from EUR 936.2 million to EUR 1,151.8 million, an increase of 23% compared to the first half of 2017. On a constant currency basis, the increase in revenue is 29%, consisting of organic growth (+11%) and the impact of the first time inclusion of businesses acquired in 2017 (+18%).

Gross profit

Gross profit, defined as revenue less costs of materials and inbound logistics, increased by 24% from EUR 212.2 million in the first half of 2017 to EUR 263.1 million in the same period of 2018. On a constant currency basis, the gross profit growth was 30%, consisting of organic growth of 14% and the impact of the first time inclusion of businesses acquired in 2017 of 16%.

Gross profit in % of revenue increased from 22.7% in the first half of 2017 to 22.8% in 2018. This increase is the result of the first time inclusion of acquired companies, local market circumstances, currency changes and the usual fluctuations in the product mix.

Operating EBITA

Operating EBITA increased by 24% from EUR 84.6 million in the first half of 2017 to EUR 105.2 million in the same period of 2018 (+30% on a constant currency basis).

The growth in operating EBITA is a combination of organic growth and the first time inclusion of acquisitions completed in 2017. The operating EBITA in % of revenue increased by 0.1%-point from 9.0% in the first half of 2017 to 9.1% in 2018.

The conversion margin, defined as operating EBITA as a percentage of gross profit, improved from 39.9% in the first half of 2017 to 40.0% in 2018.

Cash flow and capital expenditure

Free cash flow was EUR 54.0 million compared to EUR 73.8 million in the first half of 2017, a decrease of EUR 19.8 million. The cash conversion margin, defined as free cash flow as a percentage of operating EBITDA, was 50.2% compared to 84.9% in the first half of 2017. The higher operating EBITDA was more than offset by higher working capital investments, driven by organic revenue growth.

Working capital investment in the first half of 2018 of EUR 52.7 million (EUR 12.6 million in the first half of 2017) was the result of new and increased business activities, partly offset by the impact of the weakening of non-EUR currencies in 2018.

Capital expenditure was EUR 1.8 million in the first half of 2018 compared to EUR 1.5 million in the same period of 2017 and mainly relates to investments in ICT infrastructure, office furniture and equipment.

Net debt

As at 30 June 2018, net debt was EUR 506.2 million compared to EUR 490.0 million as at 31 December 2017. The leverage ratio (net debt/operating EBITDA ratio including full year impact of acquisitions) at the end of June 2018, was 2.7 times EBITDA (31 December 2017: 2.8). The leverage ratio at the end of June 2018, based on definitions used in the IMCD loan documentation, was 2.7 times EBITDA (31 December 2017: 2.7) which is well below the maximum required under the loan documentation of 3.5 (excluding acquisition spike).

Second quarter 2018 leverage development was amongst others influenced by a EUR 32.6 million dividend payment in May.

In March 2018, IMCD successfully placed an EUR 300 million unrated corporate bond with institutional investors. This seven-year senior unsecured bond, maturing in March 2025, has a fixed coupon of 2.5% and is listed on the Luxemburg Stock Exchange MTF market. The proceeds have been used to repay outstanding term loans and part of existing revolving facilities.

Early April IMCD entered into a new 5-year syndicated EUR 400 million multi-currency revolving facility. This new facility has a slightly lower interest margin, a fixed leverage covenant of 3.75 (previously variable up to 3.5) with an acquisition spike of 4.25 (previously: 4.00) and improved other terms and conditions.

Transaction costs related to these refinancings are EUR 2.9 million and will be amortised over the expected duration of these loans. Repayment of the old term loans and revolving facilities resulted in accelerated amortisation of related transaction costs (non-cash) of EUR 4.6 million reflected as non-recurring item in the first half of 2018.

The refinancing improved terms and conditions of IMCD´s financing structure, extended the maturity profile and provides further flexibility with appropriate leverage levels to support future business development.

Developments by operating segment

The reporting segments are defined as follows:

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

The developments by operating segment in the first half of 2018 are as follows.

EMEA

EUR million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017	Change	Change	Fx adj. change
Revenue	634.5	589.8	44.7	8%	9%
Gross profit	158.1	141.6	16.5	12%	13%
Gross profit in % of revenue	24.9%	24.0%	0.9%		
Operating EBITA	70.3	61.1	9.2	15%	17%
Operating EBITA in % of revenue	11.1%	10.4%	0.7%		
Conversion margin	44.5%	43.1%	1.3%		

Revenue growth of 8% to EUR 634.5 million in the first half of 2018 (+9% on a constant currency basis). Gross profit increased by 12% to EUR 158.1 million (+13% on a constant currency basis). Gross profit margin improved by 0.9%-point to 24.9%.

Operating EBITA increased by 15% from EUR 61.1 million in the first half of 2017 to EUR 70.3 million in 2018. On a constant currency basis Operating EBITA growth was 17%. Operating EBITA in % of revenue increased by 0.7%-point to 11.1% compared to 10.4% in the first half of 2017.

Asia Pacific

EUR million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017	Change	Change	Fx adj. change
Revenue	164.2	158.7	5.6	4%	13%
Gross profit	34.5	33.0	1.5	5%	14%
Gross profit in % of revenue	21.0%	20.8%	0.2%		
Operating EBITA	15.7	14.4	1.3	9%	19%
Operating EBITA in % of revenue	9.6%	9.1%	0.5%		
Conversion margin	45.6%	43.6%	1.9%		

Compared to the same period of 2017, revenue increased by 4% to EUR 164.2 million (13% on a constant currency basis) in the first half of 2018. Gross profit increased by 5% to EUR 34.5 million with a gross profit in % of revenue of 21.0% (20.8% in the first half of 2017).

Operating EBITA increased by 9% from EUR 14.4 million in the first half of 2017 to EUR 15.7 million in 2018. In the first half of 2018, operating EBITA in % of revenue was 9.6% compared to 9.1% in the same period of last year.

Americas

EUR million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017	Change	Change	Fx adj. change
Revenue	353.1	187.8	165.3	88%	112%
Gross profit	70.5	37.6	32.9	88%	112%
Gross profit in % of revenue	20.0%	20.0%	0.0%		
Operating EBITA	28.1	16.5	11.6	70%	91%
Operating EBITA in % of revenue	8.0%	8.8%	(0.8%)		
Conversion margin	39.9%	43.9%	(4.0%)		

In the first half of 2018 revenue growth was 88% compared to the same period of 2017 (+112% on a constant currency basis). Gross profit increased by 88% to EUR 70.5 million in 2018, compared to EUR 37.6 million in the first half of 2017. Gross profit margin was 20.0% in the first half of 2018, in line with last year´s gross profit margin.

Operating EBITA increased by 70% from EUR 16.5 million in the first half of 2017 to EUR 28.1 million in 2018 (91% on a constant currency basis).

The increase in operating EBITA is the result of organic growth and the impact of the acquisition of Bossco Industries completed in July 2017 and L.V. Lomas completed in September 2017.

On 31 July 2018, IMCD acquired 100% of the outstanding shares of E.T. Horn (HORN). HORN is a leading speciality chemicals distributor in the US with a focus on coatings, construction, plastics, personal care, human food & nutrition, animal nutrition, nutraceuticals and other specialities. With a head office in La Mirada, California, HORN represents leading suppliers and is primarily focused on the West and South West regions in the US. In 2017, HORN generated revenue of USD 276 million and normalised EBITDA of USD 12 million. HORN has approximately 200 employees.

IMCD believes that by the combination of its existing operations in the US and the activities of HORN, IMCD is excellently positioned to achieve accelerated growth in the US through its specialist market focused teams.

Holding companies

EUR million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017	Change	Change	Fx adj. change
Operating EBITA	(8.9)	(7.3)	(1.6)	(22%)	(25%)

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

Outlook

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

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

Based on the performance in the first half of 2018 and the strong fundamentals of the business, IMCD expects operating EBITA growth in 2018.

Financial calendar

7 November 2018	Third quarter 2018 results
1 March 2019	Full year 2018 results
8 May 2019	Annual General Meeting
8 May 2019	First quarter 2019 trading update
For further information:	Investor Relations T: +31 (0)102908684 ir@imcdgroup.com

Further information

Today's analysts call will start at 10:00 CET. A recording of this call will be made available on the IMCD website (www.imcdgroup.com).

About IMCD

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

Listed at Euronext, Amsterdam (IMCD), IMCD realised revenues of EUR 1,907 million in 2017 with more than 2,200 employees in over 45 countries on 6 continents. IMCD's dedicated team of technical and commercial experts work in close partnership to tailor best in class solutions and provide value through expertise to about 37,000 customers and a diverse range of world class suppliers.

For further information, please visit www.imcdgroup.com

Disclaimer forward looking statements

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

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

This press release contains inside information as meant in clause 7 of the Market Abuse Regulation and was issued on 17 August 2018, 07:00 CET.

IMCD N.V.

Condensed consolidated interim financial statements for the first half year 2018

Condensed consolidated statement of financial position

EUR 1,000	30 June 2018	31 December 2017
Assets		
Property, plant and equipment	17,585	18,827
Intangible assets	931,452	948,859
Other financial assets	3,603	3,438
Deferred tax assets	23,753	24,199
Non-current assets	**976,393**	**995,323**
Inventories	281,232	265,826
Trade and other receivables	405,972	331,709
Cash and cash equivalents	68,215	61,383
Current assets	**755,419**	**658,918**
Total assets	**1,731,812**	**1,654,241**

Condensed consolidated statement of financial position

EUR 1,000	Note	30 June 2018	31 December 2017
Equity	6		
Share capital		8,415	8,415
Share premium		657,514	657,514
Reserves		(63,150)	(53,330)
Retained earnings		82,767	39,320
Unappropriated result		53,744	77,262
Equity attributable to owners of the Company		**739,290**	**729,181**
Total equity		**739,290**	**729,181**
Liabilities			
Loans and borrowings	7	475,580	367,451
Employee benefits		16,731	16,716
Provisions		2,572	4,219
Deferred tax liabilities		67,108	69,583
Total non-current liabilities		**561,991**	**457,969**
Loans and borrowings	7	397	344
Other short term financial liabilities	7	98,481	183,547
Trade payables		250,822	213,437
Other payables		80,831	69,763
Total current liabilities		**430,531**	**467,091**
Total liabilities		**992,522**	**925,060**
Total equity and liabilities		**1,731,812**	**1,654,241**

Condensed consolidated statement of profit or loss and comprehensive income

EUR 1,000	Note	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Revenue		1,151,822	936,217
Other income		5,539	2,120
Operating income		**1,157,361**	**938,337**
Cost of materials and inbound logistics		(888,708)	(724,026)
Cost of warehousing, outbound logistics and other services		(30,320)	(26,569)
Wages and salaries		(74,592)	(57,228)
Social security and other charges		(20,930)	(16,316)
Depreciation of property, plant and equipment		(2,323)	(2,277)
Amortisation of intangible assets		(17,272)	(16,107)
Other operating expenses		(35,936)	(27,899)
Operating expenses		**(1,070,081)**	**(870,422)**
Result from operating activities		**87,280**	**67,915**
Finance income		237	272
Finance costs	7	(14,127)	(7,857)
Net finance costs		**(13,890)**	**(7,585)**
Share of profit of equity-accounted investees, net of tax		(20)	(31)
Result before income tax		**73,370**	**60,299**
Income tax expense		(19,626)	(17,542)
Result for the year		**53,744**	**42,757**
Gross profit[1]		263,114	212,191
Gross profit in % of revenue		22.8%	22.7%
Operating EBITA[2]	4	105,172	84,631
Operating EBITA in % of revenue		9.1%	9.0%

[1] Revenue minus cost of materials and inbound logistics

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

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

EUR 1,000	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Result for the year	**53,744**	**42,757**
Defined benefit plan actuarial gains/(losses)	281	-
Related tax	(74)	-
Items that will never be reclassified to profit or loss	**207**	**-**
Foreign currency translation differences re foreign operations	(9,702)	(24,092)
Effective portion of changes in fair value of cash flow hedges	(8)	(77)
Related tax	(195)	751
Items that are or may be reclassified to profit or loss	**(9,905)**	**(23,418)**
Other comprehensive income for the period, net of income tax	**(9,698)**	**(23,418)**
Total comprehensive income for the period	**44,046**	**19,339**
Result attributable to:		
Owners of the Company	53,744	42,757
Total comprehensive income attributable to:		
Owners of the Company	44,046	19,339
Weighted average number of shares	52,439,991	52,437,254
Basic earnings per share	1.02	0.82
Diluted earnings per share	1.04	0.83

Condensed consolidated statement of changes in equity

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

Condensed consolidated statement of changes in equity

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

Condensed consolidated statement of cash flows

EUR 1,000	Note	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Cash flows from operating activities			
Result for the period		53,744	42,757
Adjustments for:			
• Depreciation of property, plant and equipment		2,323	2,277
• Amortisation of intangible assets		17,272	16,107
• Net finance costs excluding currency exchange results		12,318	6,522
• Currency exchange results		1,572	1,063
• Cost of share based payments		1,085	1,009
• Share of profit of equity-accounted investees, net of tax		20	31
• Income tax expense		19,626	17,542
		107,960	**87,308**
Change in:			
• Inventories		(20,077)	(4,333)
• Trade and other receivables		(79,436)	(49,311)
• Trade and other payables		46,800	41,060
• Provisions and employee benefits		(1,254)	(158)
Cash generated from operating activities		**53,993**	**74,566**
Interest paid		(5,056)	(5,025)
Income tax paid		(17,640)	(14,508)
Net cash from operating activities		**31,297**	**55,033**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(230)	(21,258)
Acquisition of intangible assets		(3,768)	(146)
Acquisition of property, plant and equipment		(1,830)	(1,498)
Acquisition of other financial assets		(178)	7
Net cash used in investing activities		**(6,006)**	**(22,895)**
Cash flows from financing activities			
Proceeds from issue of share capital net of related costs		-	-
Dividends paid	6	(32,607)	(28,840)
Payment of transaction costs related to loans and borrowings	7, 8	(2,892)	-
Movements in bank loans and other short term financial liabilities	7, 8	(86,491)	61,034
Proceeds from issue of current and non-current loans and borrowings	7, 8	300,000	-
Repayment of loans and borrowings	7, 8	(192,926)	(56,143)
Net cash from financing activities		**(14,916)**	**(23,949)**
Net increase in cash and cash equivalents		**10,375**	**8,189**
Cash and cash equivalents as at 1 January		61,383	56,502
Effect of exchange rate fluctuations		(3,543)	(10,570)
Cash and cash equivalents as at 30 June		**68,215**	**54,121**

Notes to the condensed consolidated interim financial statements

1. Reporting entity

IMCD N.V. (the ‘Company’) is a company domiciled in The Netherlands and registered in The Netherlands Chamber of Commerce Commercial register under number 21740070. The address of the Company’s registered office is Wilhelminaplein 32, Rotterdam. The condensed consolidated interim financial statements of the Company as at and for the first half year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the ‘Group’ and individually as ‘Group entities’). The Company is acting as the parent company of the IMCD Group, a group of companies leading in sales, marketing and distribution of speciality chemicals, pharmaceutical and food ingredients. The Group has offices in Europe, Asia Pacific, Africa, North America and Latin America.

2. Basis of preparation

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of IMCD as at and for the year ended 31 December 2017. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2017.

The condensed consolidated interim financial statements were prepared by the Management Board and were authorised for issue by the Supervisory Board on 16 August 2018.

Functional and presentation currency

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

Use of estimates and judgements

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

The significant judgements made by Management in applying the Group’s accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2017.

3. Significant accounting policies

With the exception of the newly adopted accounting policies as explained below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

IFRS 15 Revenue from contracts with customers

IFRS 15, effective as of 1 January 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

Sales of goods

Revenue was previously recognised when the customer had accepted the goods and the related risks and rewards of ownership had been transferred. Under IFRS 15, revenue is recognised when the customer obtains control of the goods. Based on analyses carried out no key impacts of the implementation of IFRS 15 were identified compared with previous revenue recognition method applied by the Group.

Commissions

For commissions earned by the Group, the Group has determined that it acts in the capacity of an agent. Under IFRS 15, the assessment is based on whether the Group controls the specific goods before transferring to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods. Based on analyses performed on these transactions, no significant impacts of the implementation of IFRS 15 on the Group´s consolidated financial statements were identified.

IFRS 9 Financial Instruments

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

It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group has determined the impact of this new standard on its consolidated financial statements.

Classification and measurement

The classification and measurement requirements of IFRS 9 did not have a significant impact on its balance sheet or equity. All financial assets and liabilities are measured on the same bases as currently adopted under IAS 39.

Impairment

IFRS 9 requires the Group to recognise loss allowances for expected credit losses on financial assets measured at cost (loans and trade receivables), lease receivables, contract assets, loan commitments and financial guarantee contracts to which the impairment requirements from IFRS 9 apply.

The Group makes use of the practical expedient to apply the simplified approach and assess lifetime expected losses on all trade receivables.

The assessment of the expected credit loss as at 1 January 2018 lead to an additional credit loss allowance of EUR 0.1 million, which has been recognised in the opening balance of the retained earnings.

Hedge accounting
The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships continues to qualify for hedge accounting under IFRS 9.

As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 did not have a significant impact on the Group's consolidated financial statements.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these consolidated interim financial statements. The one which may be relevant to the Group is set out below. The Group has not adopted this standard early.

IFRS 16 Leases

IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. The standard will be applicable as of 1 January 2019. Reference is made to the Group's financial statements 2017 for more detailed information on this new standard and how the standard will be applied by the Group.

The Group continues to assess the impact of IFRS 16 on its consolidated financial statements. In the Financial Statements 2017, the nominal lease obligation as at year-end 2017 (EUR 50.7 million) is disclosed. The net present value of the lease obligation as at year-end 2017 is estimated to be EUR 47.7 million. If the standard would have been applicable as at 1 January 2018, the carrying values of Right-to-Use Asset and Lease liability would have been EUR 47.7 million. The actual impact on 1 January 2019 will be different from the before mentioned amount due to passing of time, new lease contracts and changes to existing contracts, acquired lease contracts in business combinations, currency exchange rate developments and various developments impacting the discount rate used, including the developments in risk free interest rates in the countries where the Group holds lease contracts.

4. Operating segments

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

The reporting segments used are defined as follows:
- EMEA: all operating companies in Europe, Turkey and Africa
- Asia Pacific: all operating companies in Australia, New Zealand, India, China, Malaysia, Indonesia, Philippines, Thailand, Singapore, Vietnam and Japan
- Americas: all operating companies in the United States of America, Canada, Brazil, Puerto Rico, Chile, Argentina and Uruguay
- Holding companies: all non-operating companies, including the head office in Rotterdam and the regional offices in Singapore and in New Jersey, US.

EMEA

EUR 1,000	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Revenue	634,522	589,801
Gross profit	158,099	141,646
Operating EBITA	70,268	61,091
Result from operating activities	61,726	52,683
Total Assets	817,868	814,170
Total Liabilities	249,056	318,641

Asia Pacific

EUR 1,000	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Revenue	164,230	158,659
Gross profit	34,500	32,980
Operating EBITA	15,719	14,389
Result from operating activities	13,138	12,077
Total Assets	264,500	256,383
Total Liabilities	56,828	57,038

Americas

EUR 1,000	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Revenue	353,070	187,758
Gross profit	70,515	37,565
Operating EBITA	28,105	16,490
Result from operating activities	21,078	11,228
Total Assets	413,543	229,537
Total Liabilities	107,239	47,692

Holding Companies

EUR 1,000	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Operating EBITA	(8,920)	(7,339)
Result from operating activities	(8,664)	(8,073)
Total Assets	235,901	222,146
Total Liabilities	579,399	385,298

Results from operating activities

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

EUR 1,000	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Result from operating activities	87,280	67,915
Amortisation of intangible assets	17,272	16,107
Non-recurring items in result from operating activities	620	609
Operating EBITA	**105,172**	**84,631**

The non-recurring expenses in 2018 and 2017 relate to acquisition of businesses and one-off adjustments to the organisation.

5. Seasonality of operations

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

6. Equity

Following the decision about the appropriation of the financial result 2017 by the Annual General Meeting of May 9, 2018, the Company distributed a dividend in cash of EUR 32.6 million (EUR 0.62 per share). In 2017 the Company distributed a dividend in cash of EUR 28.8 million (EUR 0.55 per share).

7. Loans and borrowings

In March 2018, IMCD issued an EUR 300 million unrated corporate bond loan with institutional investors. This seven-year senior unsecured bond loan, maturing in March 2025, has a fixed coupon of 2.5% and had an issue price of 99.481%. The bond loan is listed on the Luxemburg Stock Exchange MTF market. The proceeds of the bond loan issue have been used to repay outstanding EUR 193 million term loans and part of the existing revolving facilities.

Early April 2018, IMCD discontinued its EUR 300 million revolving credit facility and entered into a new 5-year syndicated EUR 400 million multi-currency revolving facility. This new revolving facility has a lower interest margin (1.30% margin on Euribor early May 2018 compared to 1.60% for the previous revolver) and a fixed leverage covenant of 3.75 (previously: 3.50) with an acquisition spike of 4.25 (previously: 4.00).

The transaction costs related to these refinancings are EUR 2.9 million and are amortised over the expected duration of the loans, using the effective interest method. The repayment of the term loans and revolving credit facilities resulted in accelerated amortisation of transaction costs of EUR 4.6 million in the first half of 2018. These amortised transactions costs are part of net finance costs and reported as a non-recurring item in the net result before amortisation/non-recurring items.

These refinancing will improve terms and conditions of IMCD's financing structure, extends the maturity profile and provides further flexibility with appropriate leverage levels to support future business development.

As at the end of June 2018, the leverage ratio (net debt/operating EBITDA ratio including full year impact of acquisitions) was 2.7 times EBITDA (31 December 2017: 2.8). The actual leverage as at 30 June 2018, calculated on the basis of the definitions used in the IMCD loan documentation, was 2.7 times EBITDA (31 December 2017: 2.7).

Two leverage covenants are applicable to the Group:

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

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

8. Financial instruments

30 June 2018		Carrying amount								Fair value			
EUR 1,000	Note	Held-for-trading	Designated at fair value	Fair value - hedging instruments	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value													
Forward exchange contracts used for hedging		-	-	907	-	-	-	-	907	-	907	-	907
		-	**-**	**907**	**-**	**-**	**-**	**-**	**907**	**-**	**907**	**-**	**907**
Financial assets not measured at fair value													
Trade and other receivables		-	-	-	-	405,065	-	-	405,065				
Cash and cash equivalents		-	-	-	-	68,215	-	-	68,215				
		-	**-**	**-**	**-**	**473,280**	**-**	**-**	**473,280**				
Financial liabilities measured at fair value													
Interest rate swaps used for hedging		-	-	506	-	-	-	-	506	-	506	-	506
Forward exchange contracts used for hedging		-	-	53	-	-	-	-	53	-	53	-	53
Contingent consideration	8	-	2,597	-	-	-	-	-	2,597	-	-	2,597	2,597
		-	**2,597**	**559**	**-**	**-**	**-**	**-**	**3,156**	**-**	**559**	**2,597**	**3,156**
Financial liabilities not measured at fair value													
Other short term financial liabilities	7	-	-	-	-	98,798	-	-	98,798				
Bank loans	7	-	-	-	-	472,235	-	-	472,235				
Other loans and borrowings		-	-	-	-	1,462	-	-	1,462				
Trade payables		-	-	-	-	-	-	250,822	250,822				
Other payables		-	-	-	-	-	-	80,272	80,272				
		-	**-**	**-**	**-**	**572,495**	**-**	**331,094**	**903,589**				

31 December 2017		Carrying amount								Fair value			
EUR 1,000	Note	Held-for-trading	Designated at fair value	Fair value - hedging instruments	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value													
Forward exchange contracts used for hedging		-	-	-	-	-	-	-	-	-	-	-	-
		-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets not measured at fair value													
Trade and other receivables		-	-	-	-	331,709	-	-	331,709				
Cash and cash equivalents		-	-	-	-	61,383	-	-	61,383				
		-	**-**	**-**	**-**	**393,092**	**-**	**-**	**393,092**				
Financial liabilities measured at fair value													
Interest rate swaps used for hedging		-	-	744	-	-	-	-	744	-	744	-	**744**
Forward exchange contracts used for hedging		-	-	1,058	-	-	-	-	1,058	-	1,058	-	**1,058**
Contingent consideration	8	-	3,038	-	-	-	-	-	3,038	-	-	3,038	**3,038**
		-	**3,038**	**1,802**	**-**	**-**	**-**	**-**	**4,840**	**-**	**1,802**	**3,038**	**4,840**
Financial liabilities not measured at fair value													
Other short term financial liabilities		-	-	-	-	182,848	-	-	182,848				
Bank loans		-	-	-	-	363,749	-	-	363,749				
Other loans and borrowings		-	-	-	-	1,707	-	-	1,707				
Trade payables		-	-	-	-	-	-	213,437	213,437				
Other payables		-	-	-	-	-	-	67,961	67,961				
		-	**-**	**-**	**-**	**548,304**	**-**	**281,398**	**829,702**				

Measurement of fair values

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

Financial instruments measured at fair value

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

Financial instruments not measured at fair value

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

[1] Financial assets include trade and other receivables and cash and cash equivalents.

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

Level 3 fair values

Contingent consideration

EUR 1,000	Contingent consideration
Balance as at 1 January 2018	**3,038**
Paid contingent consideration	(397)
Result included in profit or loss	-
Effect of movement in exchange rates	(44)
Balance as at 30 June 2018	**2,597**

The contingent considerations paid in 2018 mainly relates to the remaining purchase price of Chemicals and Solvents (EA) Ltd, Kenya, acquired in 2016.

9. Related parties

The Group has related party relationships with its shareholders, subsidiaries, associates, Management Board, Supervisory Board and post-employment benefit plans. The financial transactions between the Company and its subsidiaries comprise financing related transactions and operational transactions in the normal course of business and are eliminated in the consolidated financial statements. The related party transactions in the first half of 2018 do not substantially deviate from the transactions as reflected in the financial statements as at and for the year ended 31 December 2017.

10. Subsequent events

On 31 July 2018, IMCD acquired 100% of the outstanding shares of E.T. Horn (HORN). HORN is a leading speciality chemicals distributor in the US with a focus on coatings, construction, plastics, personal care, human food & nutrition, animal nutrition, nutraceuticals and other specialities. With a head office in La Mirada, California, HORN represents leading suppliers and is primarily focused on the West and South West regions in the US. In 2017, HORN generated revenue of USD 276 million and normalised EBITDA of USD 12 million. HORN has approximately 200 employees.

IMCD believes that by the combination of its existing operations in the US and the activities of HORN, IMCD is excellently positioned to achieve accelerated growth in the US through its specialist market focused teams.

11. Auditor's review

The consolidated interim financial statements for the first half year of 2018 have not been audited or reviewed by the external auditor.

12. Responsibility statement

The Management Board of IMCD N.V. hereby declares that, to the best of its knowledge, the Interim Consolidated Financial information for the first half year of 2018 as prepared in accordance with IAS 34 Interim Financial Reporting gives a true and fair view of the assets, liabilities, financial position and the profit or loss of IMCD N.V. and its jointly consolidated companies included in the consolidation as a whole, and that the semi-annual report gives a fair view of the information required in accordance with Section 5:25d subsection 8 and 9 of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

Rotterdam, 17 August 2018

Management Board:

P.C.J. van der Slikke, CEO

H.J.J. Kooijmans, CFO