ANNUAL REPORT 2018

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 **2,379 million** in 2018 with almost **2,800 employees** in **47 countries** on **6 continents**.

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IMCD’S BUSINESS GROUPS AT THE HEART OF WHAT WE DO

AN OUTSTANDING YEAR

Rotterdam, the Netherlands, south bank of the river Maas (*Kop van Zuid*)

IMCD's global headoffice is located in Rotterdam, the Netherlands, on the south bank of the river Maas. Like IMCD, the neighbourhood where IMCD is located, has known a continuous and dynamic evolution over the years.

Since the 1990s, the *Kop van Zuid* district transformed from a historic port area to a lively hub for business, housing and leisure, sometimes nicknamed 'Manhattan on the Maas'. It benefited greatly from the landmark Erasmus bridge (also known as the 'Swan") that connected the south and north river bank as of 1996.

Nowadays, the area is visited by cruiseships from all over the world and its renovated warehouses and contemporary sky scrapers add to the optimistic and vibrant athmosphere.

(Image: Gerhard van Roon/Kunst en Vliegwerk RP)

Dear Reader,

I would like to start this foreword by thanking Jean-Charles Pauze, who resigned in May of last year as a member of our Supervisory Board. Jean-Charles became Chairman of this board in 2014 at the time of our listing on Euronext Amsterdam. With his experience as a leader and board member of major companies in France, he supported us during our first years as a public company. We are grateful for all his council and support.

Through acquisitions, IMCD welcomed 471 new colleagues in 2018, of which 192 are based in the US (E.T. Horn), 208 in Europe (Velox) and 71 in India (Aroma Chemicals). Elsewhere in this report, you will find information on our total staff of 2,799 people, detailing how we are a diversified group of women and men who live and work in many different places around the world. They have been responsible for one of the best years in our company's history. This shows that borders and backgrounds do not matter when working with a common purpose.

Our business relies heavily on the quality of our people. We strive for a culture which is entrepreneurial, where people enjoy what they do, have the freedom to act and can decide what is best for their business. We aim to minimise bureaucracy in the workplace and instead encourage an organisation based on transparency, integrity and trust.

This report describes facts, figures and "our world" of chemicals and ingredients. We sell specialities and to enable us to do so, we focus on helping our customers to formulate these specialities into their own (end) products. We have a unique position in the chain which requires technical expertise, application know-how and a commercial sense for what works and what doesn't. We value our relationships with our suppliers and will continue to support their brands and strategic and commercial goals as best as we can. Of course, we explore all angles to enhance our business model with digital tools and we are not afraid to radically change our way of working when we can improve the customer experience.

In 2018, we made significant progress in building a global digital infrastructure. More needs to be done but we are certain that through our innovative and customer-centric approach, we will become a leader in our industry in this respect as well.

Finally, a few words on our financial accomplishments in 2018: we achieved record growth as operating EBITA grew with 25% (+30% on a constant currency basis) to EUR 202.1 million. Other KPI's developed very positively as well, like our cash earnings per share (+23% to EUR 2.53) which will allow us to propose to our shareholders an increased dividend. All regions contributed to our growth. We are particularly pleased with developments in the US and Canada where we moved forward with integrating existing businesses; the acquisition of E.T. Horn means that we made significant progress in realising our strategy. In 2019, IMCD US will become a nationally operating organisation. In Europe, we strengthened our business in advanced materials with the acquisition of Velox; we expect to complete the integration of Velox into IMCD during the course of this year. In India, we are excited about the acquisition of Aroma Chemicals; this is an important step in realising our ambition to become a pan-India organisation covering all key market segments.

To summarise: looking back, 2018 was a great year for us and looking ahead, we remain positive despite trade wars, Brexit and slowing economies. Over the years, we have demonstrated both our resilience and our adaptability as we continued to grow even when faced with difficult macroeconomic circumstances. This ability to transform challenges into opportunities will prove valuable as we continue to work hard to deliver another year of growth.

Rotterdam, 28 February 2019
Piet van der Slikke

HIGHLIGHTS 2018

Our customer is at the core of what we do
Our customer is at the core of what we do. In 2018, IMCD made important steps in building a truly global digital infrastructure. The objectives are to make operations more efficient, enable 24/7 access to information and at the same time remain attractive for our commercial teams and create new business opportunities based on our customer's needs. IMCD's new CRM platforms aim to bring all customer information into one integrated ecosystem that incorporate marketing, lead generation, sales, customer service and in-depth business analytics. The development of both IMCD's customer and principal portals is an on-going project for our marketing and digital teams and sales teams around the globe. Full development and availability of platforms will take place in 2019.

Expanding our technical offerings with four new laboratories

We have added four new facilities to our existing network of application labs dedicated to the Food & Nutrition business (Germany) and the Coatings & Construction business (Asia and Italy). These fully operating facilities allow us to offer added value services to our partners. Furthermore, these labs provide us with the means to fully explore local markets, showcase synergies between the top-quality raw materials of our suppliers and help them to develop innovative application concepts to build their own product lines. We now have 43 laboratories worldwide in total.

Industry recognition for our work

This year, we were again honoured with various awards worldwide. For example, IMCD Spain was the first distributor in Spain to receive the Lean & Green Award, for its progress against the set goal of reducing its carbon footprint emissions over a five-year period by 20%. In Italy, Norway, Sweden and the Philippines, our enitites received Silver Level Recognition Awards in Ecovadis sustainability assessments.

Working together with one of our suppliers, we also received the 2018 Impact Award in the Winemaking category in Australia. Here, we introduced an innovative way of testing the stability of protein in wine. Our impressive test kit is fast, easy and very accurate, reducing standard industry testing from 25 hours down to just 5 minutes.

We are also proud to receive awards from suppliers on a regular basis, due to the way we function as their extended technical sales force; reducing the complexity of their operations and improving purchasing and logistic processes.

Constantly optimising our supply chain

We aim to maintain a well-designed supply chain network to further improve margins, support expansion into new markets, enhance our customer experience and reduce operating costs. For example, in the Philippines we optimised our set up resulting in compliant and accredited storage facilities, better commercial agreements and system-to-system connectivity. This resulted in ensuring business simplification for our supplier who now has a steady stream of deliveries, less delays, on-site efficiency (less tracks / movements) and reduced risk (less handling).

Over sixty industry trade shows worldwide

Worldwide we connected with our customers and suppliers by being present at more than sixty trade shows and congresses in our industry in 2018. This allows us to showcase the ingredients from our first-class suppliers, our technical formulation expertise and serves as an opportunity to enhance the business relationships we have. IMCD was present in shows such as in-cosmetics for the Personal Care industry in Amsterdam, FIC (Food Ingredients China) for the Food & Nutrition business in Jakarta, Supply Side West for the Pharmaceuticals business in the US, Fakuma for the Advanced Materials industry in Germany, Eurocoat for the Coatings & Construction industry in France, Sepawa for the Home Care and I&I in Germany and Goma Fuels for Lubricants in Croatia.

Over forty seminars for greener solutions in chemistry

The increasing attention on sustainability in chemistry requires our customers to produce their materials in the safest and most environmentally friendly way possible. In order to help them achieve this goal, over forty seminars were organised in Europe involving more than 450 process research and development chemists. The focus was on Regulated Synthesis: Pharmaceutical, Agrochemical and Aroma chemical synthesis. As a result, our customers are now better informed with insight on how to replace their current raw materials with a more sustainable choice. Looking ahead, we see great opportunities to expand our greener solutions initiative through organising more seminars across all regions.

Addressing market demands with In-Sight Days and seminars worldwide

We build on the trust of our customers by showing that we understand the needs in their markets. Our customers need to adapt constantly to market demands. They need to reformulate for instance when less sugar is needed in cookies. Or they need new formulations that include more sustainable ingredients. Through our labs we can propose new ingredient opportunities optimising customers' processes and quality of their products. Because of our deep understanding of the market and market trends, we have the knowledge and expertise to meet the demands of our customers or even exceed them with our pro-active formulation approach. We share our knowledge to help our customers succeed by organising trend specific and hands-on In-sight Days and seminars.

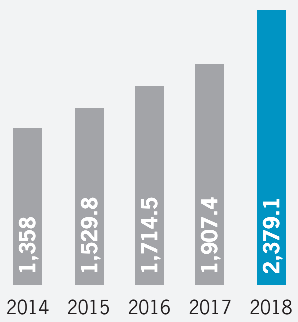
FINANCIAL HIGHLIGHTS 2018

EUR million, unless stated otherwise

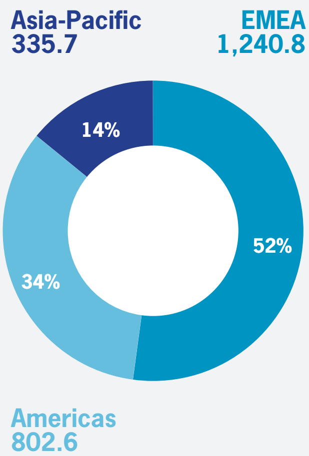
Revenue

↑25%

+29% on a constant currency basis



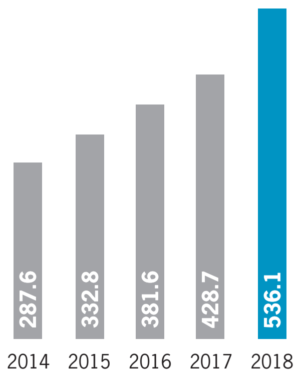
Revenue per region



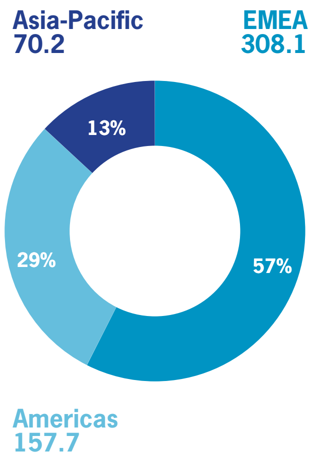
Gross profit

↑25%

+29% on a constant currency basis



Gross profit per region



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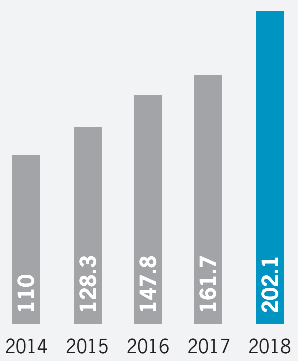
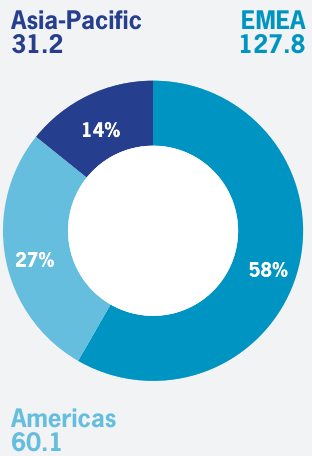
Operating EBITA

↑25%

+30% on a constant currency basis



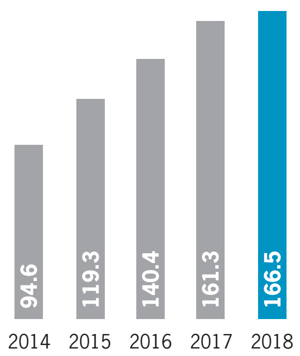
Operating EBITA per region
excluding Holdings



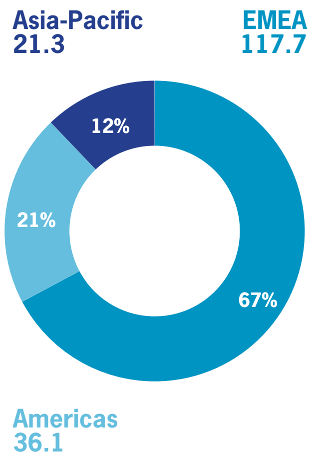
Free cash flow

↑3%

EUR 167 million
2017: EUR 161 million



Free cash flow per region
excluding Holdings



Net result before amortisation and non-recurring items

↑27%

139.7

110.1
2017

Cash earnings per share in euro

↑23%

2.53

2.06
2017

Dividend proposal in cash per share in euro

↑29%

0.80

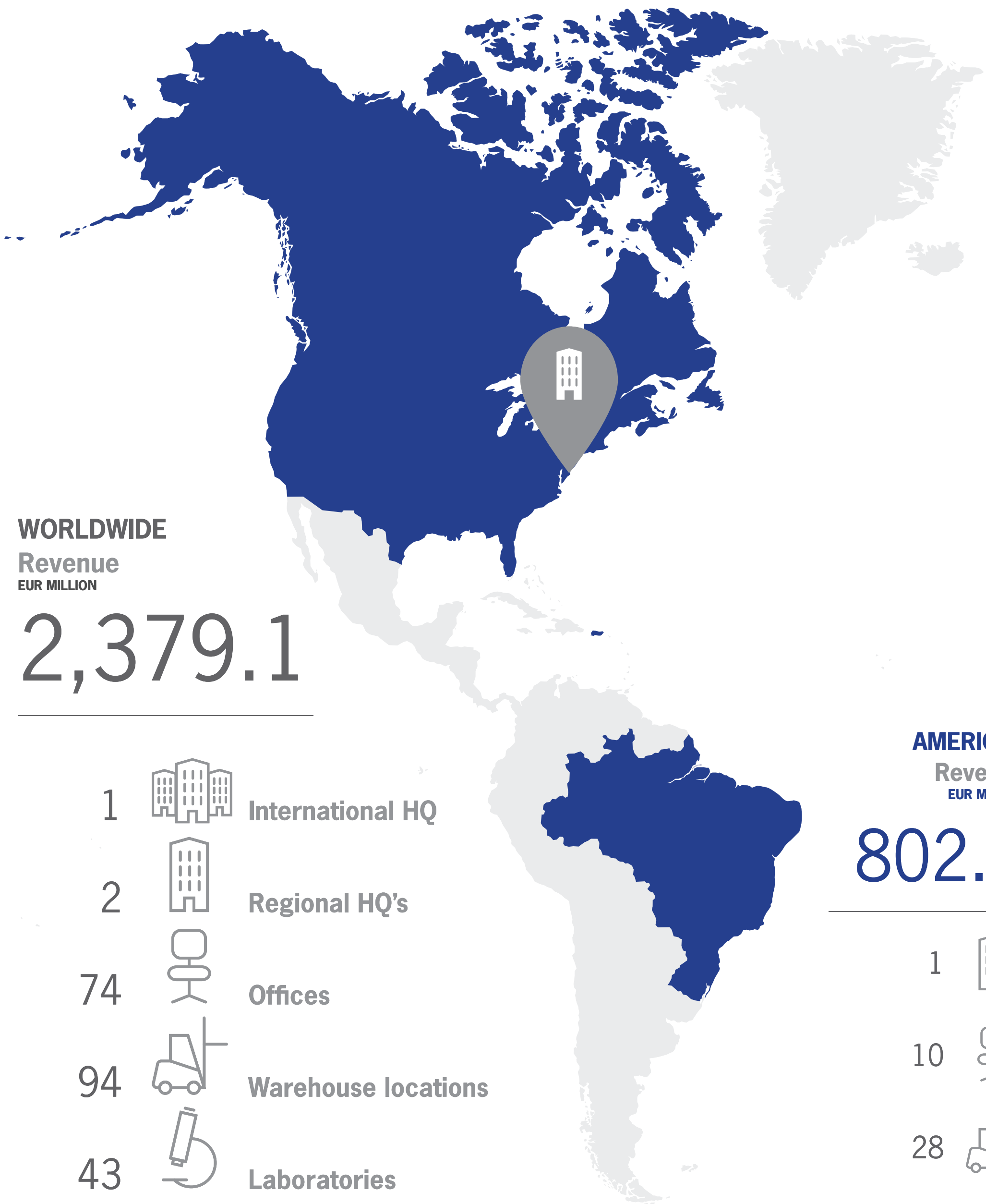
0.62
2017

Key Figures

EUR MILLION	2018	2017	CHANGE
Results			
Revenue	2,379.1	1,907.4	25%
Gross profit	536.1	428.7	25%
Gross profit in % of revenue	22.5%	22.5%	0.0%
Operating EBITA [1]	202.1	161.7	25%
Operating EBITA in % of revenue	8.5%	8.5%	0.0%
Conversion margin [2]	37.7%	37.7%	0.0%
Net result before amortisation / non-recurring items	139.7	110.1	27%
Cash flow			
Free cash flow [3]	166.5	161.3	3%
Cash conversion margin [4]	80.2%	97.2%	(17.0%)
Balance sheet			
Working capital	399.8	314.3	27%
Total equity	786.3	729.2	8%
Net debt	610.7	490.0	25%
Net debt / Operating EBITDA ratio [5]	2.8	2.8	-
Employees			
Number of full time employees end of period	2,799	2,265	24%
Shares			
Numbers of shares issued at year-end (x 1,000)	52,592	52,592	0%
Weighted average number of shares (x 1,000)	52,443	52,425	0%
Earnings per share (weighted)	1.91	1.47	29%
Cash earnings per share (weighted) [6]	2.53	2.06	23%
Proposed dividend per share	0.80	0.62	29%

[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] Including full year impact of acquisitions
[6] Result for the year before amortisation (net of tax)

GLOBAL PRESENCE



WORLDWIDE
Revenue
EUR MILLION

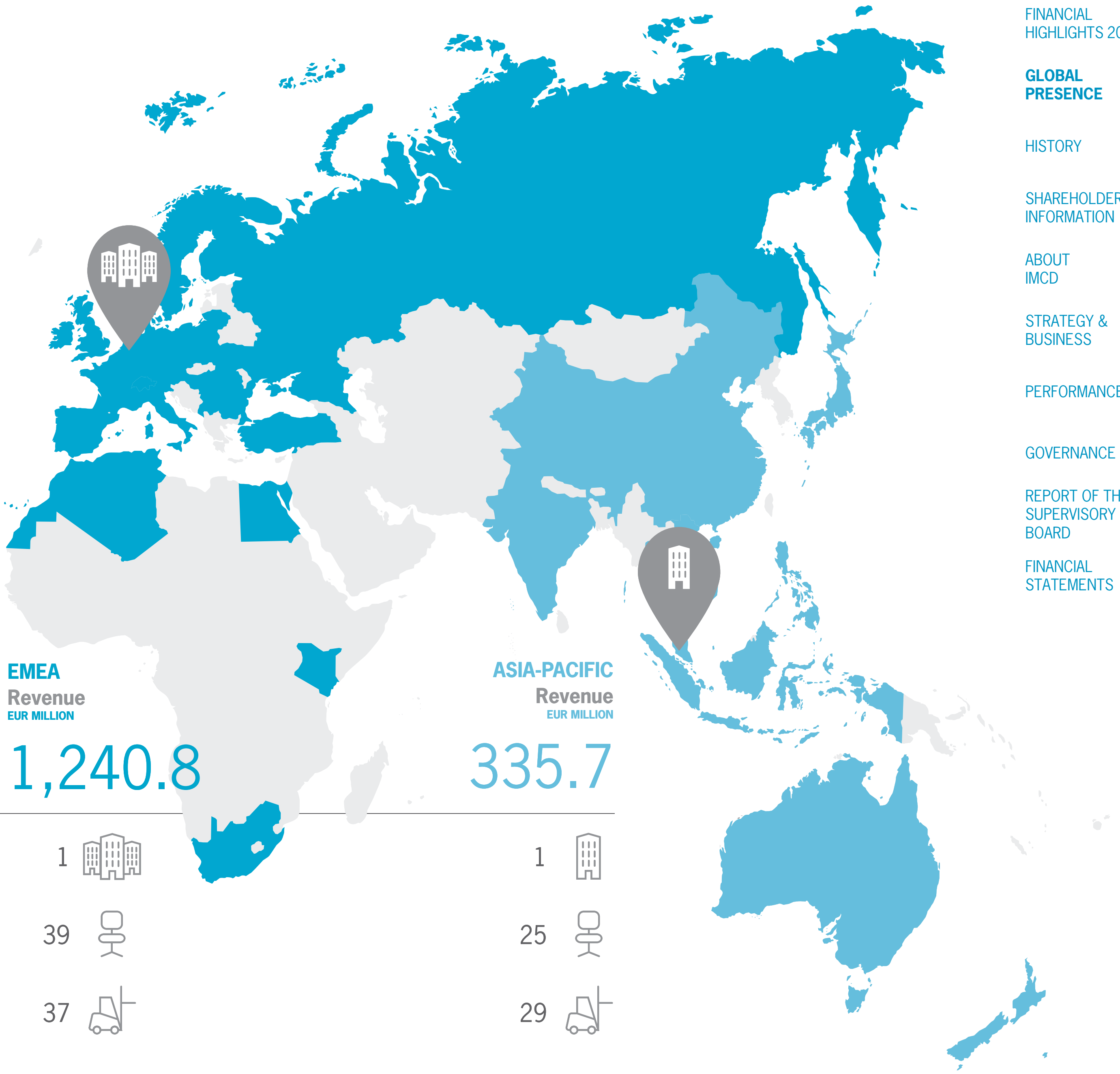
2,379.1

1	International HQ
2	Regional HQ's
74	Offices
94	Warehouse locations
43	Laboratories
2,799	Employees
50%	Male
50%	Female

AMERICAS
Revenue
EUR MILLION

802.6

1
10
28
8
759
50%
50%



EMEA

Revenue
EUR MILLION

1,240.8

ASIA-PACIFIC

Revenue
EUR MILLION

335.7

1	1
39	25
37	29
21	14
1,426	614
45%	59%
55%	41%

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.

Cleveland, Ohio, US
Home to the office of IMCD US

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 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).

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

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

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).

2017

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.

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.

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

2018

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.

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

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.

1,900	**Suppliers**
43,000	**Customers**
37,000	**Products**
2,799	**Employees**
>50	**Countries***

* IMCD operates in over 50 countries

SHAREHOLDER INFORMATION

IMCD was first listed on Euronext Amsterdam on June 27, 2014 at an initial price of EUR 21.00 per share, resulting in a market capitalisation of EUR 1.1 billion. Since March 2015, IMCD shares are included in the Euronext Amsterdam Midcap Index and in July of that same year Euronext decided to launch options on IMCD. These options are traded in the Euronext Amsterdam Spotlight options segment. The total number of issued shares is 52.6 million, which did not change during 2018. In January and March 2018 respectively, IMCD transferred 32,483 and 15,876 own shares to settle its annual obligation under the long-term incentive plan. As at the end of December 2018, the amount of treasury shares held by IMCD was 146,641.

Share price performance in 2018

In 2018, the total number of traded IMCD shares was 72 million of which 20 million shares were traded on Euronext Amsterdam (2017: 15 million). The average total daily trading volume was approximately 280 thousand shares of which approximately 77 thousand shares traded on Euronext Amsterdam (2017: 60 thousand).

In 2018, the share price increased by 7% from EUR 52.43 to a closing price at December 31, 2018 of EUR 56.00. As at the end of 2018, IMCD's market capitalisation was EUR 2.9 billion (EUR 2.8 billion end of 2017).

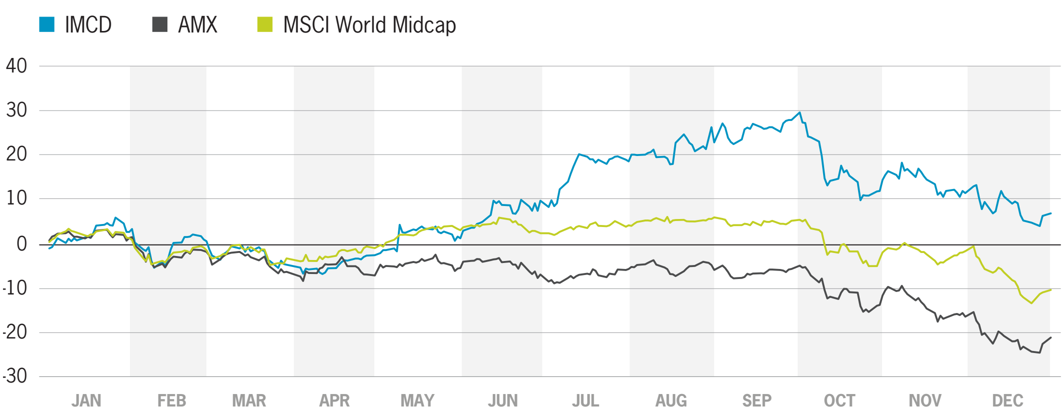
Investor relations policy

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 2018, the Company organised roadshows to investors in France, the UK, the Netherlands and Germany. Investor conferences were attended in Tarrytown (US), Paris, Brussels, Zürich 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

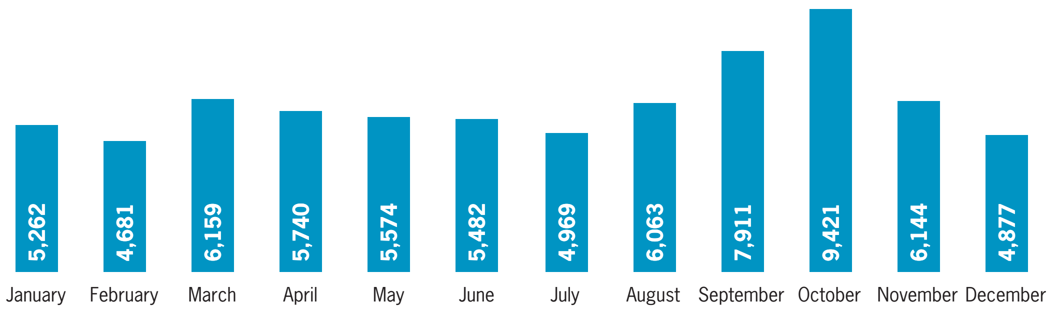
Barring exceptional circumstances IMCD has a dividend policy with a targeted annual dividend in the range of 25% to 35% of adjusted net income (reported result for the year plus amortisation charges, net of tax) to be paid out either in cash or in shares. A proposal will be submitted to the Annual General Meeting of Shareholders to pay a cash dividend of EUR 0.80 per ordinary share (2017: EUR 0.62), which means an increase of 29% compared to previous year. This dividend represents a pay-out ratio of 32% of adjusted net income (2017: 30% of adjusted net income).

Share price performance 2018
In %



Trading volumes 2018

In number of shares x 1,000



THE IMCD SHARE	2018	2017
Highest price	67.95	55.87
Lowest price	48.82	40.17
Year-end price	56.00	52.43
Earnings per share (weighted)	1.91	1.47
Cash earnings per share (weighted)	2.53	2.06
Proposed dividend per share	0.80	0.62
Number of shares at year-end (x 1,000)	52,592	52,592
Weighted average number of shares (x 1,000)	52,443	52,425

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 at 31 December 2018. There are no known holdings of short positions visible in the AFM register.

Ameriprise Financial Inc.	5.10%
BlackRock, Inc.	5.03%
FMR, LLC	4.99%
Dynamo Int. Gestao de Recursos Ltda.	4.98%
Capital Research and Management Comp.	3.08%
Marshall Wace LLP	3.01%
Baillie Gifford & Co	3.00%

Ticker symbols

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

FINANCIAL CALENDAR	
1 March 2019	Full year 2018 results
8 May 2019	Q1 2019 Trading Update
	Annual General Meeting
	Dividend announcement
10 May 2019	Ex-dividend date
13 May 2019	Record date
14 May 2019	Payment date
16 August 2019	First half year 2019 results
12 November 2019	Q3 2019 Trading Update

Investor relations

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STRONG RELATIONSHIPS DELIVER

ABOUT IMCD

With 43 laboratories around the world and a continuous investment in high-end technical capabilities IMCD strives to ensure operational excellence and added value for its business partners. Our technical experts develop innovative application concepts to support the technical needs of our suppliers and customers.

We work in close collaboration with our customers' R&D departments, carrying out competitive matching, sharing new application opportunities and assisting them in formulating the most effective and innovative products. IMCD organises workshops and seminars for its customers to introduce a new product, investigate new trends or to look into material alternatives for their production processes. Finally, we give technical training to our employees, ensuring they stay abreast of market trends and developments and fully understand the functionality and characteristics of the products within our portfolio.

ABOUT IMCD

IMCD is a market leader in sales, marketing and distribution of speciality chemicals and food ingredients. Our result-driven professionals provide formulation expertise and market focused solutions to suppliers and customers across all regions, offering a range of comprehensive product portfolios that embrace industry trends.

By partnering with IMCD, our suppliers can innovate and simplify their business operations with our (tailor-made) distribution solutions and technical expertise, whilst accelerating their business development by making use of IMCD's global presence and direct access to markets and customers.

For our customers, we can serve as a reliable 'one-stop-shop' purchasing channel, offering a comprehensive portfolio of speciality chemicals, food and pharmaceutical ingredients, together with expert technical advice and formulatory support.

Our market

We focus on the distribution of speciality chemicals and food ingredients.

The products in our portfolio are used in almost every aspect of daily life, ranging from cosmetics, food, beverages, transportation, detergents, paint and medication. The constant demand for product improvement and higher performance drives the requirement for innovative speciality chemicals and food ingredients.

IMCD's focus: speciality chemicals

	Focus Speciality chemicals	Commodity chemicals
Product:	Examples: additives, excipients, pigments, flavours, actives	Examples: petrochemicals, bulk polymers, acids, alkalis, rubber
Order size:	Small	Large
Suppliers:	Few	Many
Key capabilities:	Skilled and technical staff	Logistics / Infrastructure
Operations:	Human capital intensive	Infrastructure intensive

The sales of speciality chemicals requires technical expertise and application know-how, as well as marketing and sales competence. Chemicals suppliers often service their larger customers directly but utilise the skills and market coverage of a speciality chemicals distribution company to serve the small and medium-sized accounts. In effect, the speciality chemical distribution company acts as a cost-effective extension of the suppliers' sales and marketing 'arm'.

By working with a speciality orientated distribution company, a supplier benefits from having one loyal business partner as opposed to dealing directly with many small customers, thus simplifying their route-to-market. In addition, the supplier may benefit from the distributor's local market intelligence, know-how and customer coverage.

Aside from a small number of regional distributors, the speciality chemicals distribution market is still highly fragmented with a lot of, often family owned, local distributors. In general, there is still a clear demand from major suppliers for pan-regional distributors who are capable of offering both business simplification and long-term growth. Due to these ongoing supplier demands, it is anticipated that there will be further consolidation within the sector with a continued focus on local excellence and expertise.

The following trends are expected to continue to have an impact on the rationalisation of the global speciality chemicals distribution industry.

Selective outsourcing
There is a trend towards outsourcing of sales, marketing and distribution to a more limited number of third party distributors. 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.

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.

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 to alter 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 the key stakeholders in its value chain, IMCD strives for operational excellence in all aspects of its business operations. On the basis of the principles of product stewardship and open relationships with its business partners, IMCD aims to create long-term value for its stakeholders.

Core activities

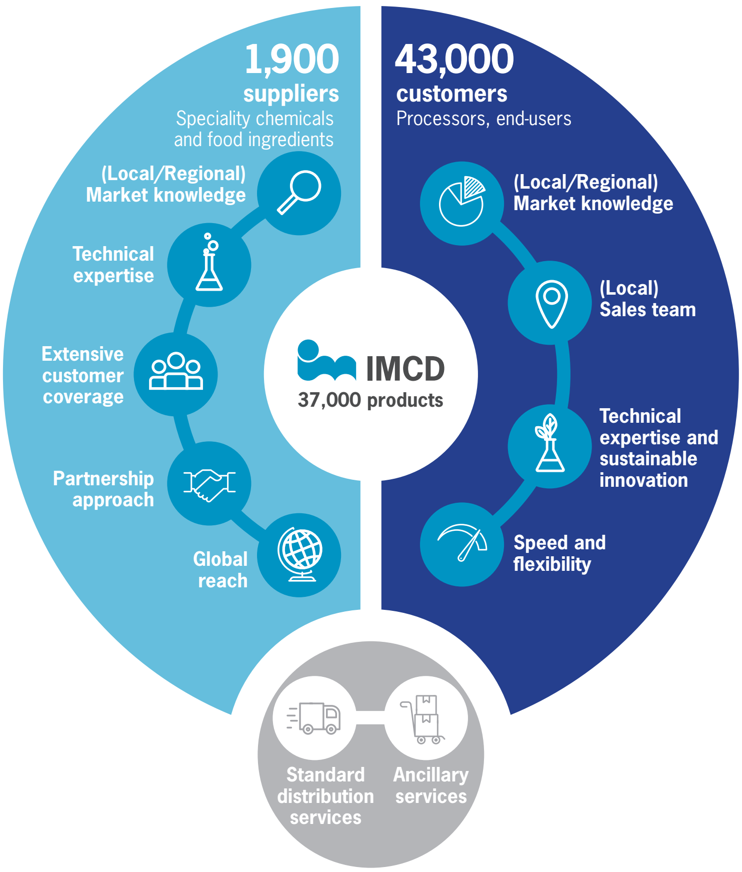
IMCD's core activity is the marketing and sales and distribution of speciality chemicals. IMCD offers its suppliers, reputable manufacturers of high quality speciality chemicals and ingredients, an outsourced yet integrated marketing, sales and distribution channel. Via its broad geographic reach and specialised sales network in local markets, IMCD provides its suppliers an extensive customer coverage. By building enduring relationships with its suppliers, IMCD seeks to simplify suppliers' business operations while supporting their business development and providing them with valuable market intelligence and technical expertise. Examples of simplification of suppliers' operation are the use of a single point of contact, coordinated inventory management and electronic processing of transactions.

At the other end of the speciality chemicals value chain, IMCD focuses on customers, typically manufacturing companies that require speciality chemicals for the production of, or inclusion in, their end products. By maintaining a large and diverse product portfolio, IMCD offers its customers suitable and complementary solutions for the customers specific requirements. IMCD aims to develop lasting customer relationships by providing customers with product quality assurance, technical advice, formulation support and highly specialised product knowledge specific to the speciality distribution market obtained from suppliers, from industry experience and in the IMCD laboratories.

In addition to its marketing and sales 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

To support its role as a leading speciality chemicals and food ingredients distributor, IMCD forms centres of excellence for its key market segments. In 2018, IMCD's operations included 43 laboratories in 20 countries. IMCD's focused laboratory technical teams build, maintain and expand relationships with both suppliers and customers, creating growth opportunities and



delivering (added) value. The primary functions of IMCD's laboratories include the following:

Technical training of IMCD employees

Workshops and training sessions are held within the facilities for the IMCD sales force, ensuring they stay abreast of market trends and developments and fully understand the functionality and characteristics of the products within the portfolio. This enables them to better understand issues that customers may face.

New product analysis and development to provide formulatory 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.

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 laboratories, customers may test product performance, run stability and application tests and experience the finished product with the support of IMCD's scientists and technical managers.

Supplier workshops to support product and application development

Within the IMCD laboratories, 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.

Technical expertise and sustainable innovation

IMCD strives to ensure operational excellence and added value for both its business partners and the 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 viable green, healthy and more sustainable applications, formulations and solutions.

Value through expertise

“Our entrepreneurial culture is a real asset to attract and retain the best experts of the industry.”

Ben van Stekelenburg
Global HR director

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 along geographic lines and end-markets, 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 can offer customers thorough local market insight and state-of the-art application knowledge to develop their business.

Each end market is managed by (global) business group management to ensure the same high level of 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.

In day-to-day business, our local activities are strengthened by the support from our two regional headquarters in the Americas and Asia-Pacific. In addition, our global headquarters in the Netherlands provides alignment, guidance and corporate support on important topics such as (financial) reporting, HR, compliance and legal affairs, quality, health and sustainability.

Our business groups are supported by market-focussed laboratories located across the globe. In these technical facilities, we develop formulations and marketing concepts, test materials, train our sales force, organise supplier and customer workshops, and establish best practices stakeholders' success in life science and industrial markets. This approach ensures we have the specialised know-how, products and market experience to meet our stakeholders' requirements and provide innovative solutions.

An overview of our business groups, the products in their portfolios and end-markets they serve, as well as their main characteristics, is provided on the pages hereafter.

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

Coatings & Construction

Whether used in construction, painting, printing or sticking, Business Group Coatings delivers speciality ingredients for the manufacture of a variety of products.

PRODUCTS
- Additives
- Filters
- Pigments

CHARACTERISTICS
- High dependence on automotive & construction industries

END-MARKETS
- Adhesives
- Construction
- Industrial coatings & paints
- Inks

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Food & Nutrition

Business Group Food & Nutrition offers a range of speciality food ingredients and additives used in the manufacture of food and beverages that are consumed as part of people's daily diets.

PRODUCTS
- Additives
- Ingredients
- Carriers
- Dairy

CHARACTERISTICS
- Local tastes dictate formulation
- Increasing regulation
- Fragmented

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

Lubricants

Business Group Lubricants offers a range of speciality chemicals that are used to enhance both the performance and longevity of lubricants and greases.

PRODUCTS
- Additives
- Base oils
- Tackifiers

CHARACTERISTICS
- Regulatory changes drive opportunity in Asia-Pacific and other markets
- High performance requirements
- Consolidated market

END-MARKETS
- Lubricants
- Oil & gas
- Greases

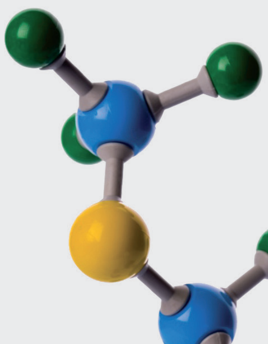
Synthesis

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 offers speciality additives and compounds for the production of plastic, rubber, composite and polyurethane end-products.

PRODUCTS
- Additives
- Compounds

CHARACTERISTICS
- Innovation in light weight and durable solutions
- 'Green' and environmentally friendly formulations
- Economically sensitive

END-MARKETS
- Food & speciality packaging
- Wire & cable
- Medical & healthcare
- Bioplastics
- Automotive & transportation
- Sport & leisure
- Electrical & electronics
- Industry & consumer
- Home appliances
- Telecommunication

DELIVERING SUSTAINABLE VALUE

As a leading distributor in speciality chemicals and food ingredients, we take full responsibility for our impact on society and the environment. Therefore, we have made it part of our strategy to reduce our negative impact as much as possible while focusing on initiatives and products which improve our customer / suppliers and end- consumer needs. Our aim is to be a financially resilient and innovative partner, which forces us to include society and the environment in our core approach. Hence, we measure impact, through specific indicators that we have determined with our stakeholders. These are financial resilience, people fulfillment and diversity, product stewardship, responsible operations and business integrity. They are the foundation of our strategic approach and have the highest impact and importance to our business.

To assess the impact of our operations we measure and analyse our carbon footprint and other environmental impact categories for our operations and in our supply chain. To ensure high quality and safe products we are developing a global regulatory tool which sits at the heart of our group Regulatory, Quality and Sustainability function. This function ensures we meet both regulatory (global, regional, national and local) standards in all our operations but also the standards of our clients. With this approach we can bring real value through expertise for our and the next generation.

OUR VALUES, BUSINESS PRINCIPLES AND CULTURE

As a leading speciality chemicals distribution partner, IMCD wants to contribute to improve society's health, welfare and prosperity.

IMCD strives to be the global sales channel partner of choice to which suppliers of speciality chemicals and food ingredients turn for first class technical expertise, optimum logistics and solutions that help them innovate, simplify and grow their business in a sustainable way.

Our values
IMCD has certain core values and principles that are essential to IMCD's business operations and are key to its ambition to deliver sustainable and profitable growth. By giving 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 IMCD's core business values that promote a climate of trust and respectful relationships with its business partners, investors and 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 chain.

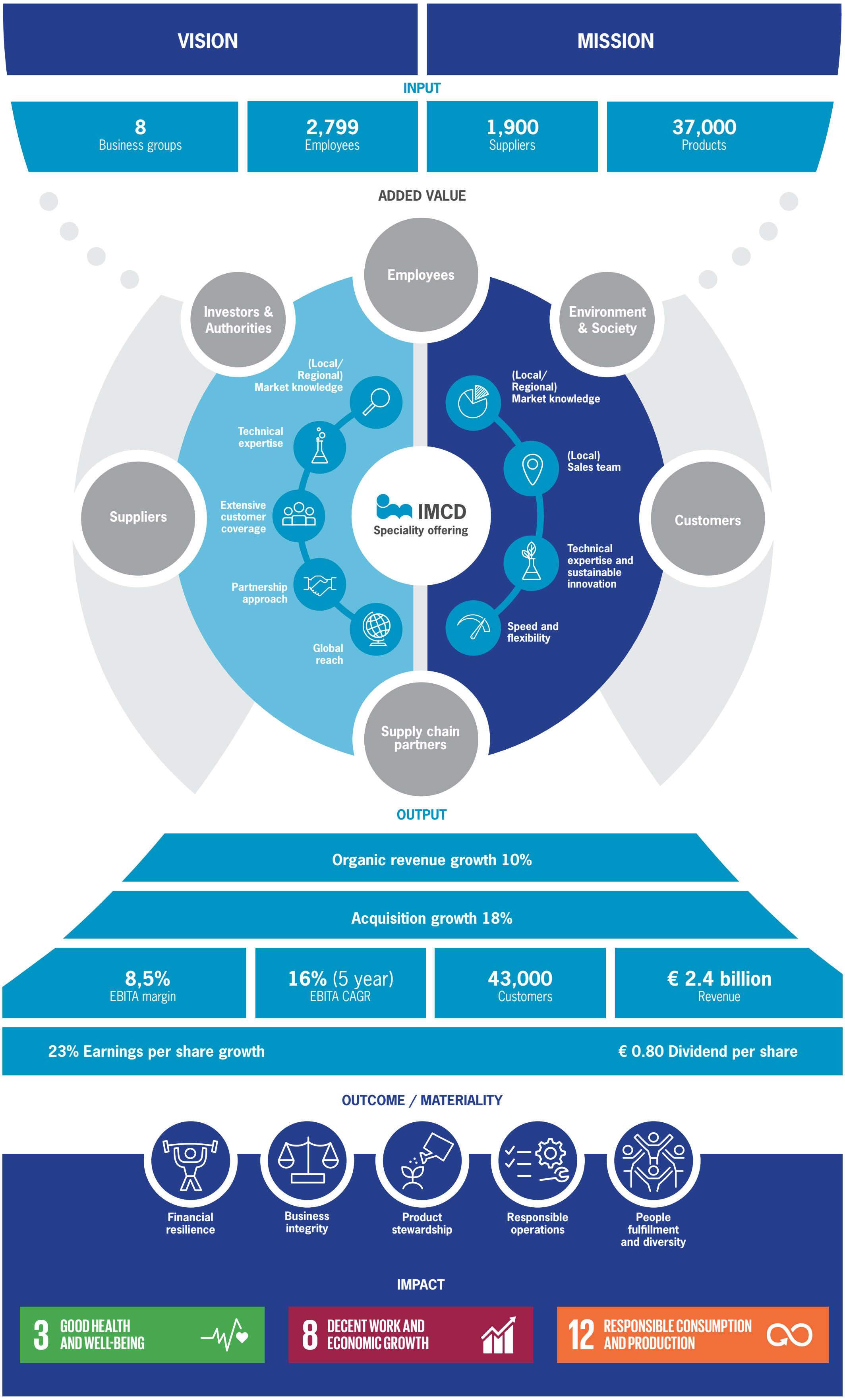
IMCD's business principles, core values and ethics, to which all IMCD companies worldwide are equally and fully committed, are embedded in the Company's corporate culture and reflected in IMCD's Code of Conduct, available at IMCD's website.

Our culture
In addition to its fundamental ethical and compliance principles, IMCD's culture can be best characterised as client focused, supplier sensitive, decentralised, entrepreneurial, open and transparent with short decision-making lines. Despite the rapid growth and constant acquisitions IMCD has only few management layers in between the CEO and customer facing staff and is hungry for success externally.

Since IMCD conducts business on two sides with suppliers and customers IMCD also observes in its best people a certain humility or genuine desire to support its counterparties. We have recently revisited the IMCD culture, values and desired leadership traits and concluded that our culture is strong and an important factor to make the best people successful.

Value creation
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.

Value creation model



The numbers 3, 8 and 12 refer to the respective sustainable development goal as adopted by the United Nations Member States as part of the United Nations' 2030 Agenda for Sustainable Development.

Our strategy

IMCD originates from independent businesses located in different geografic areas, brought together in 1995, under a clear growth strategy. The successful execution thereof over the last 23 years has led IMCD to become a global player in the sales, marketing and distribution of speciality chemicals and food ingredients, with a revenue of almost EUR 2.4 billion, 2,799 employees, 43 laboratories and offices in nearly 50 countries on 6 continents in 2018.

IMCD aims to create long-term value for its stakeholders through pursuit of sustainable growth of its revenues and results, driven by organic growth and through strategic acquisitions. First and foremost, IMCD strives to grow the market share of products of the suppliers it represents. In addition, IMCD uses its market intelligence and expertise to identify strategic product gaps, possible acquisition targets and related opportunities across the different geographies.

The ongoing consolidation of the speciality chemicals distribution market, with outsourcing by chemical manufacturers to an increasingly selective number of sales channel partners, a demand for multi-territory distribution partnerships and the complexities of increased regulation, is the basis for continuation of the long-term growth strategy formulated above.

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

Growth strategy execution

IMCD focusses 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 speciality chemicals focused sales, marketing and distribution platform
- diversified and resilient business model
- superior margin conversion and cash conversion
- demonstrated ability to deliver organic and acquisition led growth
- proven and committed management team
- highly professional team of technical experts supported by state-of-the-art ICT tools

Organic growth

IMCD's organic growth strategy has three main drivers:

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

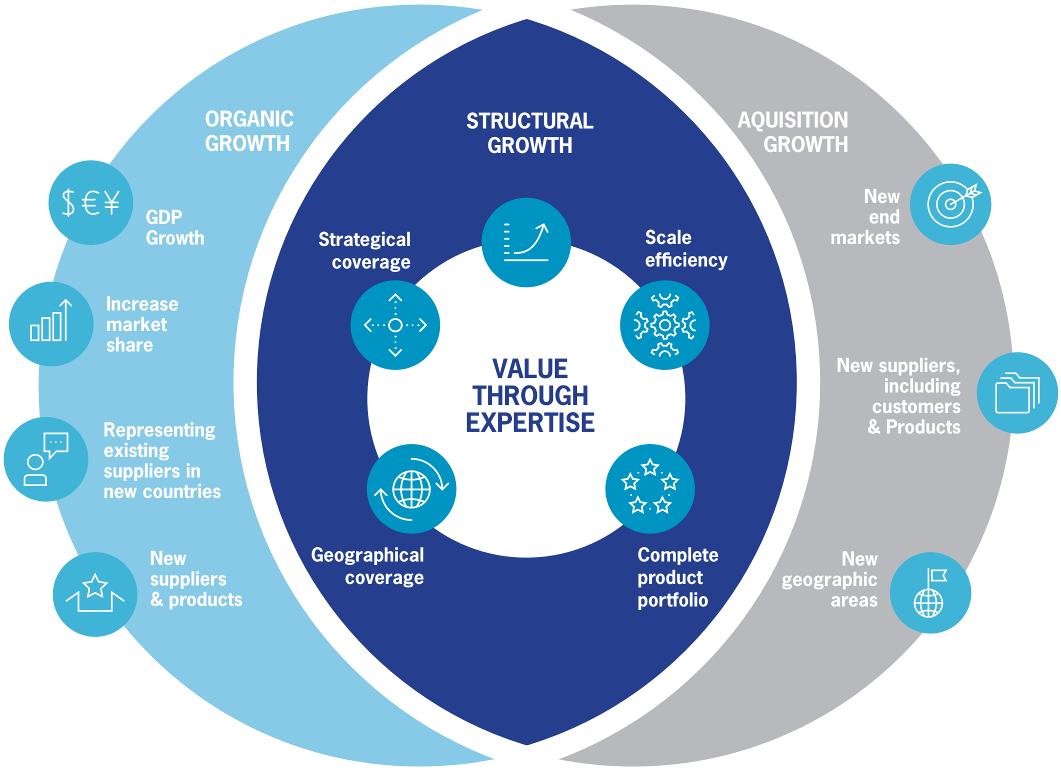
Throughout IMCD, there is a coordinated and focused approach towards expanding market share of existing products and towards business development with the primary aim of expanding the product portfolio with both existing and new suppliers. IMCD aims to achieve organic revenue growth that is higher than market growth in general.

Acquisition growth

Acquisitions have historically been an important part of IMCD’s growth and will remain a focus going forward to assist in building scale and efficiencies, complementing its product portfolio and expanding its geographic and strategic market coverage.

IMCD benefits from the highly fragmented distribution market and the continuing consolidation trend, largely driven by supplier demands to optimise their sales channels. Since its formation, IMCD has acquired over 50 companies, providing the current presence in EMEA, Asia-Pacific and the Americas.

IMCD has demonstrated its capacity to identify, execute and successfully integrate acquisitions. Finding suitable acquisition targets is an ongoing process with a high level of complexity related to ensuring that there is the right cultural and business fit combined with a willingness of the target company to become part of IMCD.



IMCD's selective acquisition strategy is not determined by take-over budgets or revenue growth targets. IMCD's strict acquisition criteria focus, first and foremost, on a strategic fit providing a platform for further growth both geographically and in complementary product markets.

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.

IMCD's acquisition activities are driven centrally by an experienced management team supported by external advisors. Detailed and critical valuation and full scope due diligence is carried out in order to identify and assess any price impacts and potential risks. Transaction structures and purchase contracts are tailored to mitigate identified and unidentified risks.

Integration of newly acquired companies is effected through a well-structured integration program providing for a swift transition to IMCD's internal reporting, control and compliance systems and ensuring an optimal realisation of operational and business synergies. Acquisitions are always subject to the availability of appropriate management attention and to IMCD's requirements for maintaining a strong balance sheet and limiting financial and operational risks. Most acquisitions are financed by IMCD's strong cash flow generation and its flexible loan facilities.

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.

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 focussed on growing the brands of its suppliers and customers. To enhance our product offering and to enter new markets, IMCD continues to look for acquisition opportunities that present a strategic fit in line with IMCD's long-term growth strategy. IMCD pursues growth in all regions with the aim to establish 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. Important steps have been taken in 2018 by the global roll-out of an integrated CRM and product management system. These systems function as foundation for further digitalisation of IMCD's business processes.

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. Furthermore, results can be influenced 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.

Diversity in product, market and geographical coverage helps to protect against the impact of specific market conditions such as product availability, local economic circumstances or application downturn. IMCD is financially resilient, as a result of its wide geographical presence, the coverage of various market segments and its large number of suppliers, customers and products. Price fluctuations of basic raw materials generally have a smaller impact, as the speciality products within IMCD's portfolios are highly functional, generally used in relatively lower volumes and are not easily replaced. IMCD's resilience is further enhanced by its outsourced supply chain infrastructure and asset light business model, which provides flexibility to adjust to changes in the market environment and decreases IMCD's cost base and risk profile. IMCD's financial resilience is backed by a capital structure that is focused on flexibility, a strong balance sheet and limited financial risks.

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, is given in the risk management section of this Annual Report.

Sustainability

As IMCD increases its global presence, its impact on the environment and society becomes more important every year. IMCD believes that sustainability can be found not only in social or environmental impacts but also in its financial performance and business model.

IMCD's efforts to reduce the environmental impact is directly linked to costs and revenue, both financially as well as reputation. Environmentally sustainable and ethically sourced product demands are increasing and are clear business opportunities. IMCD's environmental and societal contributions begin with its suppliers and via its people expands throughout the value chain.

Management approach

Corporate social responsibility goes beyond compliance with law and regulations and beyond current profitability and success. A sustainable global economy should combine long-term profitability with social justice and environmental care.

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 it serves and recognises the importance of responsible distribution within the life cycle of chemical products.

IMCD's sustainability agenda is determined by the Management Board. The topics that are assessed to be most relevant to IMCD's business are monitored at group level, by the appropriate directors and employees responsible for quality, health and sustainability, supply chain, human resources and legal affairs.

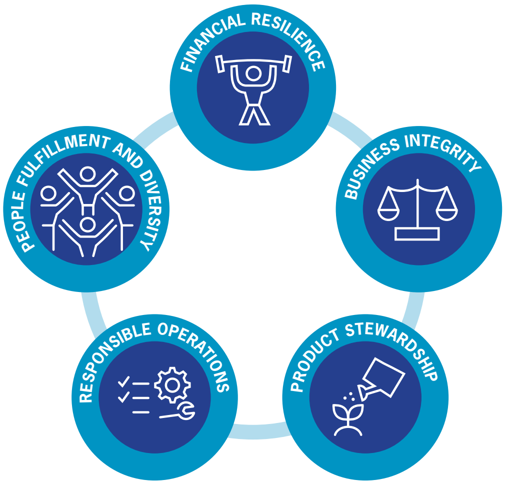
IMCD's group companies are encouraged to take on an active role in the local implementation and development of relevant practices that contribute to the globally set agenda. Health, safety and compliance are subjects which we believe are essential and are at the basis of IMCD's further growth in the future.

IMCD strives to grow its business while reducing its environmental footprint with clear and measurable metrics. We are committed to offer within our product portfolio products and solutions that focus on health, sustainability and wellbeing for consumers, the environment and society.

Key areas for sustainability

In 2018, IMCD worked on redefining its group-wide sustainability approach. An internal sustainability task force was set up to determine the key sustainability topics for IMCD's business. The task force conducted an internal stakeholder survey, amongst a group of 100+ employees globally, selected based on managerial responsibility and active involvement in (local) sustainability practices. Participants in the survey were invited to rate a list of selected economic, environmental and social topics in order of importance and relevance (impact on day-to-day decision making). The participants were also able to comment on the topics and indicate additional topics.

Based on the results of the stakeholder survey and dialogue that sprouted from it, five key areas were identified where IMCD strives to stimulate sustainable practices. Throughout 2019, IMCD will engage with its stakeholders to further develop and define its policies in these five areas.



Value through expertise

“As a customer centric company the introduction of our new CRM system will create new opportunities to provide solutions for our customers’ needs. The possibilities are immense from the first point of contact, 24/7 access to information and data, to the follow-up of our activity.”

Eric Coenen
International Product Manager

Global organisation

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 this role on. This is called the regulatory, quality and sustainability organisation and reports directly to the Board of Management. Further roll-out of the strategy, policies and systems will be done in 2019.

Sustainability reporting

As a result of the aforementioned new approach IMCD is now capable of publishing its first sustainability year report over the year 2018, in which IMCD will report its performance quantitatively and provide further insight in its operations, locations and environmental impact. The report is expected to be made public mid 2019.

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.

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 it's employees always operate in an ethical way. By asking our partner to do the same, we aim to have a positive influence across our value chain.

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.

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 carbon footprint within our activities and in the 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 over-all performance.

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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 three of the SDG's 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 availablity of products with health and safety benefits, while reducing their environmental footprint.

8 DECENT WORK AND ECONOMIC GROWTH

IMCD employs almost 2,800 people globally and through its operational activities reaches more than 1,900 suppliers and more than 43,000 customers. Hence, IMCD plays a key role in generating rewarding work opportunities, high level working conditions and delivers an important contribution to economic growth, both directly and indirectly.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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

IMCD'S BUSINESS GROUPS AT THE HEART OF WHAT WE DO

IMCD's business groups are a vital part of our company and play an important role in executing our strategy. Our commercial and technical teams provide state of the art application and formulation advice, aiming to make a difference in our suppliers and customers day to day delivery of end-products. On the following pages, IMCD illustrates several success stories of our major business groups in collaboration with our partners, show casing impact and flawless execution.

Home Care and I&I

Proving less is more for laundry detergents

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.

End products come in the form of the powder, liquid, tablets, capsules and wipes and can be used around the home in washing machines and dishwashers or in industrial sites such as hospitals or factories. Detergent chemicals perform a variety of functions from digesting dirt and removing stains, killing bacteria, softening and perfuming fabrics, brightening colours in clothes and producing sparkling shiny finishes to surfaces.

Across Europe, there is an increasing demand for sustainable and more concentrated detergents that minimise the environmental impact during the laundry process. This includes using less raw materials and packaging, reducing waste and cutting carbon emissions.

IMCD has therefore been working hand in hand with many of its customers that are participating in the A.I.S.E project to promote compaction in liquid laundry. A.I.S.E is the International Association for Soaps, Detergents and Maintenance Products, representing over 900 companies and leading several initiatives that focus on continual improvement in sustainability.

Smaller dose, same high-quality performance

Those participating in this A.I.S.E project commit to reducing the standard dosage for their liquid laundry detergents from 70-75ml per wash, to just 50-55ml per wash - all while maintaining the same cleaning performance. By concentrating their liquid laundry detergents, companies are promoting a more sustainable level of product consumption and energy during washing.

Enzyme solution

Whilst a smaller dosage has many ecological benefits, compacting the detergent means a reduced level of surfactants in the wash, creating some performance challenges. With support from IMCD's application laboratory in Cologne, Germany, our Home Care and I&I experts utilised their formulation knowledge to provide an innovative enzyme solution. Enzymes help to break down soils into smaller pieces, making them easier to remove. Offering leading technology from one of our supplier partners, we optimised the enzymes being used in our customers' detergent formulations to ensure they maintained the same excellent performance. Not only have our customers now reached their goals in line with A.I.S.E, but IMCD can also be proud to have contributed towards a safer, more sustainable environment.

-20ml per wash

Smaller dosage liquid detergents needed to perform

Pharmaceuticals

Technical facilities deliver coating success

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.

End-products come in the form of the powders, liquids and syrups, tablets, capsules, inhalers and nasal sprays, to name but a few. Pharmaceutical chemicals can be the building blocks of the drug, the drug itself or the ingredients that help to make it into the end-product. Many have a function to help the drug do its work after administration, by disintegrating the product in the stomach or helping transport the drug to the affected area and relieving symptoms.

One of IMCD's key suppliers launched a new product that improves efficacy and flexibility in a range of nutraceutical applications, including omega-3, dietary supplements and botanicals. As an alginates-based coating system, this ingredient is designed to work at low temperatures on softgel capsules, offering something called 'enteric protection'. This is a coating system that keeps the capsule intact for 2-3 hours in the stomach, until it passes further along the digestive system where the active ingredient is released.

To support the launch, our nutraceutical experts developed an innovative finished dose concept to showcase the functionality and benefits of the ingredient. This resulted in one of our customers, taking samples of the product.

Equipment challenge

Whilst the unique quality of the product was very interesting for our customer, the coater machine they use in Research & Development could not meet a critical parameter for success - the temperature and humidity needs of the coating. With extensive application knowledge, IMCD's technical specialists worked in close cooperation with our customer, providing advice on how they could resolve this issue and achieve their aims in using the coating.

Innovation through collaboration

As a solution, our customer visited IMCD's Pharmaceutical Technical Centre in Cologne to conduct trials with our coating expert and the supplier's product specialist. These trials demonstrated that the coating did in fact work on their capsules. Further scale increases and trials were then successfully executed at the supplier's facility.

Through this support and collaboration, IMCD was able to provide our customers' R&D with scale-up data, helping them to overcome the challenge created by their equipment. In 2019, our customer will undertake full-scale trials without doing any of their own R&D level testing.

2-3 hours

Coating system keeps capsule intact

Personal Care

Making progress in palm oil

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.

These ingredients perform various functions from adding colour to a lipstick, improving the texture of a face cream and adding moisturising properties to a body lotion. IMCD customers produce end-products that have become an important part of daily life, including cosmetics, dental care, deodorants, fragrances, hair care, skin care and toiletries.

Palm oil is one of the most widely used vegetable oils in the world. It can be found in almost everything, from biofuel to food and even cosmetics. Whilst palm oil is in very high demand, the increase in palm plantations has led to a mass devastation of tropical rainforests, taking with it the natural habitats of endangered species as well as the homes and livelihoods of indigenous people. Palm oil cultivation also has links to global warming, pollution, trafficking and child labour.

Roundtable of Sustainable Palm Oil

Our customers are therefore placing increasing importance on finding suitable solutions that minimise their contributions to the palm oil problem. Attentive to their needs and to our environmental impact, IMCD took the decision to join the Roundtable of Sustainable Palm Oil (RSPO). RSPO is a non-profit organisation that unites stakeholders from the palm oil industry, developing criteria that must be met in order to produce Certified Sustainable Palm Oil (CSPO). By complying with these criteria, companies help to reduce the negative impact of palm oil on the environment and communities.

Responsibly sourced offering

As an RSPO member, IMCD promotes sustainable palm oil production, procurement and consumption. We work with certified supplier partners to offer responsibly sourced ingredients to our customers, helping them to meet consumer and market demands. As part of this initiative, our Personal Care technical experts have also developed the 'IMCD Sustainable Beauty Concept' - a selection of sustainable ingredients and formulations for skin care, sun care, make-up and toiletry applications. This includes oleochemical ingredients that are produced with RSPO sources or without any palm derivatives at all. Our customers can therefore be safe in the knowledge that they are taking a positive step in the movement towards a better, more respectful future.

RSPO member

Roundtable of sustainable Palm Oil

Coatings & Construction

Solving material shortages with innovation

Whether used in construction, painting or printing, Business Group Coatings & Construction delivers speciality ingredients for the manufacture of a variety of products. Serving customers in the adhesives, paints, coatings, inks and construction industries, IMCD's portfolio of products add colour, enhance durability and increase protection.

End-products of Coatings & Construction can be found in almost all aspects of day-to-day life; from decorative indoor paints to car components held together by adhesives; from brickwork waterproofing to paper & ink in books; and from road markings to protective coatings on bridges.

The construction industry uses dry mortars for a multitude of applications such as tiling adhesives, self-levelling flooring compounds, wall renders and joint fillers. With a growing demand for housing, office space and improved infrastructures, high-performing construction products are essential. As it happens, the key ingredient to drive fast-setting dry mortars – lithium compounds – is also in high demand for re-chargeable batteries used, for example, in electric cars and thus is becoming tight in supply and increasing in price.

New lithium carbonate alternative

Technical experts at IMCD Coatings & Construction's dedicated laboratories have developed an innovation that means two booming markets no longer have to compete for the same resource. The patented solution based on non-scarce resources matches the acceleration of lithium compounds in cementitious dry mortars. What's more, it delivers extended workability times at almost equal adhesion-, flexural- and compressive strength.

Patented product launch

With our construction expert Dr. Olaf Hetche as the registered inventor, this is the first time that R&D activities within IMCD have resulted in a patent application. IMCD is proud to have delivered a cost-effective solution that customers can easily implement in their dry mortar formulations, without compromising on quality of their products and without facing the increasingly difficult task of sourcing lithium carbonate.

Patent

Replacing lithium carbonate in dry mortars

Food & Nutrition

Improving shelf life for clean label products

Business Group Food & Nutrition offers a range of speciality food ingredients and additives used in the manufacture of food and beverages that are consumed as part of people's daily diets. These specialised products are used to improve the taste, visual appeal and texture of food, as well as adding preservative properties and health and safety benefits.

With dedicated food technical centres, IMCD's local sales and technical teams provide application expertise and recipe know-how to support manufacturers and customers operating in many market segments including bakery, savoury, dairy, edible oils and fats, confectionery, beverages and nutrition.

44% increase

Shelf life increased from 50 to 72 days

Clean label is a consumer-driven movement calling for natural food products - removing artificial ingredients in favour of familiar, simple ingredients.

To meet this consumer demand, one of IMCD's customers produces a line of "natural" deli lunch meats free from phosphates, artificial flavours and modified starches, yet has similar organoleptic and shelf life attributes compared to its standard counterparts.

Challenge to improve shelf life

Formulating sliced and packaged deli meats without phosphates and modified starches causes some issues. Due to reduced water binding, there was a premature moisture release from the sliced product causing a high amount of precipitation in the package. This resulted in customer complaints and reduced shelf life.

Potato fibre solution

As a solution, our technical experts recommended adding potato fibre to bind the water and reduce the amount of purge. Not only did potato fibre meet their clean label requirements as it can simply be labelled as "potato starch", but the customer already had native potato starch in their existing formulation, meaning no changes would be required on the product label.

Using our technical expertise in meat processing and understanding of ingredients, we evaluated the manufacturing process together with the customer and determined the optimal time at which to add the fibre, ensuring proper incorporation of the fibre into the meat without causing any unwanted issues.

Tested and approved

Our customer performed a plant trial on sliced ham first, since this product experienced the most issues with purge. This trial proved to be a great success; the amount of purge was significantly reduced, the shelf life increased from 50 to 72 days and the slicing of the product was improved, thereby making the production line much more efficient.

Lubricants

Enhancing Formula 1 engine performance

Business Group Lubricants offers a range of speciality chemicals that are used to enhance both the performance and longevity of lubricants and greases.

The main function of lubricants is reducing friction between surfaces but also are used for transmitting forces or heating, cooling and protecting surfaces.

Lubricants and greases are commonly used in the automotive (e.g. engine oils, transmission and hydraulic fluids) and industrial (e.g. marine lubricants, metal working oils and process oils) market sectors.

Mercedes-AMG Petronas was recently awarded Formula 1 Constructor World Champion for the 5th year in a row (2014-2018), whilst their world-famous racing driver Lewis Hamilton also won the Formula 1 World Champion title for an impressive 5th time.

To win these races, every second counts and attention to detail is required across every aspect, including the engine fluid formulations. Season after season, the Mercedes-AMG team based in Brackley in the UK works hand in hand with Petronas Lubricants Italy in Turin. Together, they work to develop and improve the transmission oil, fuel and engine oil that help to save those precious seconds and contribute towards their Formula 1 victories.

New oil to boost engine performance

In 2016, Petronas, with the help of IMCD Italy, developed a new oil that dramatically boosted engine performance. This was achieved using a hydrocarbon base oil from one of IMCD's leading supplier partners. This high performing fluid has been used every season since 2016 and has undoubtedly played a part in the successes of Mercedes-AMG Petronas.

Next generation engines

Petronas has now started working on developing the next generation Formula 1 engine oil. As part of this process, IMCD Italy's lubricants experts have been utilising their extensive technical and product knowledge to select and provide the best suited raw materials for the job. Among all the samples Petronas has tested, two base oils from IMCD's comprehensive portfolio of innovative products are now undergoing final engine performance tests for use in the 2019 racing oils.

Next level

Racing oils to boost engine performance

Synthesis

Shift from road to rail does deliver

Business Group Synthesis offers a range of process chemicals, intermediates and speciality solvents that are used in chemical reactions. The resultant building blocks are then further reacted or formulated within both the regulated (pharmaceuticals, agrochemicals, cosmetics) and industrial (coatings, plastics, textiles) downstream markets. The Synthesis Business Group is a differentiator of IMCD, with a special focus on the reaction step of the chemical industry.

71% less CO2

Increasing site handling efficiency while reducing carbon footprint

Our customer, a unique speciality polyamide whose products reach every aspect of our daily lives, from cars to kitchen utensils and eyewear. They approached IMCD Switzerland with the challenge of achieving further growth for their business while reducing cost/Mt and increasing site efficiency. IMCD Group Supply Chain engineered a solution to switch the supply of Purified Terephthalic Acid (PTA) from road to rail transport, so we were able to grow the business and deliver a cost-effective solution that drastically increased site handling efficiency while also reducing the carbon footprint by 71%.

Bespoke rail solution

Previously, we delivered the material by container and as result, our customer experienced a huge amount of on-site container traffic. We therefore decided to develop a logistics structure to transport the PTA by rail tank cars (RTCs). One RTC can carry up to 2.5x the capacity of a bulk container, meaning less movements were required to supply the same volume. All road transport could be eliminated, bringing more structure to the customer site. After conducting a market review to find reliable rail freight providers, we partnered with a leading rail transportation company who could both rent us the required rail wagons and arrange transportation from the supplier to the customer. They provided us with the required routing, the right wagon type and the rail wagon modifications based on the customer's specifications. Together with our supplier and a custom agent specialised in rail traffic, we also engineered a tailored handling process to ensure our customers' every requirement was met.

Successful execution

Through open communication, creative flexibility and teamwork with our PTA supplier and the various partners involved, IMCD has implemented a flawless and stable supply solution where not only is the material transported at a reduced cost, but also quickly, efficiently and sustainably.

Advanced materials

Biodegradable solution for fish trays

Business Group Advanced Materials (formally known as Business Group Plastics) offers a comprehensive portfolio of speciality chemicals, delivering innovative solutions to customers in the plastics, additives, composites and rubber industries worldwide. Products range from speciality additives to high-quality compounds, used to improve production efficiency, to enhance the performance of basic materials and to strengthen the properties of end products.

With extensive market knowledge, IMCD's teams serve customers across many market segments including automotive & transportation, medical & healthcare, wire & cable, packaging, construction, electrical & electronics, sports & leisure, home appliance and telecommunications.

A client of our customer, a leading multinational retailer, has announced that they will be the first to use a recyclable and biodegradable plastic tray as the container for all their fresh fish-related products. This tray will be the first container of this kind being used in retail distribution in Spain. They will roll out the tray across all their supermarkets in the country and will more than likely extend its use to other regions in the near future.

Innovative approach

The secret to this success has been the close collaboration between the IMCD Spain Advanced Materials team and Bandesur, the manufacturer and current supplier of the retailer's disposable trays for fresh food products. Using their knowledge and expertise, IMCD Spain's advanced materials' specialists supported Bandesur in formulating a biodegradable solution that would meet sustainable market demands.

One key ingredient made this development possible. Poly-Bi is an innovative product supplied by one of IMCD's Principal partners in Spain. It is compatible with the most commonly used materials in food containers and is particularly suitable for use with fish products. When placed in the right environmental conditions, Poly-Bi makes the biodegradation of polyethylene, polypropylene and polystyrene possible. The resulting tray product degrades 60 times faster than a traditional tray!

Unique product

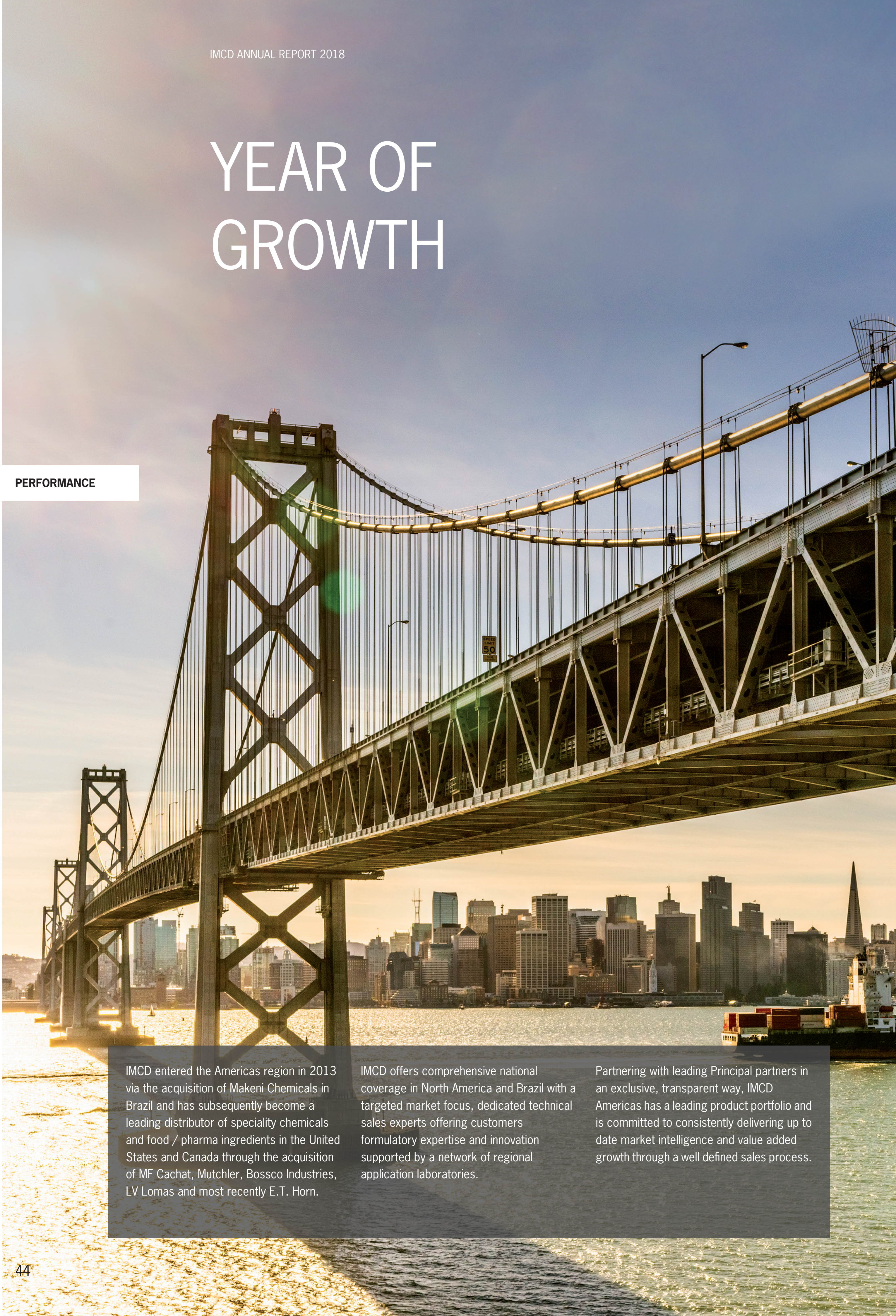
IMCD supports the promotion of sustainable alternatives wherever possible and this unique development was something that our customer, as a food industry leader, could simply not ignore. The biodegradable tray provided the perfect solution for the concern and their commitment to reducing single-use plastics in favour of environmentally-friendly packaging.

60 times

Poly-Bi trays degrade 60 times faster than a traditional tray

YEAR OF GROWTH

PERFORMANCE



IMCD entered the Americas region in 2013 via the acquisition of Makeni Chemicals in Brazil and has subsequently become a leading distributor of speciality chemicals and food / pharma ingredients in the United States and Canada through the acquisition of MF Cachat, Mutchler, Bossco Industries, LV Lomas and most recently E.T. Horn.

IMCD offers comprehensive national coverage in North America and Brazil with a targeted market focus, dedicated technical sales experts offering customers formulatory expertise and innovation supported by a network of regional application laboratories.

Partnering with leading Principal partners in an exclusive, transparent way, IMCD Americas has a leading product portfolio and is committed to consistently delivering up to date market intelligence and value added growth through a well defined sales process.

DEVELOPMENTS IN 2018

2018 was another succesful year with strong growth for IMCD. Through its technical, marketing and supply chain expertise, IMCD continued to deliver added value and growth to both its customers and principal partners in over 45 countries in the world.

New and further expansion of supplier relationships were realised and by means of offering a comprehensive and complementary product portfolio, IMCD was able to further grow its customer base. IMCD succesfully integrated businesses acquired in 2017 and further expanded its infrastructure in Europe, the US and Asia by acquiring reputable speciality chemical distributors.

In general, macroeconomic conditions within the regions IMCD operates were positive in 2018. All regions showed GDP growth numbers. Despite these favourable market conditions, a certain level of uncertainty surrounds the economic outlook. Global trade tensions, necessary national and international initiatives to combate climate change and the implications of the Brexit process are just examples of concerns for future growth. IMCD’s multi-market and geographical coverage, combined with its diversified supplier and product portfolio provides financial resilience and enabled IMCD to outperform its end markets.

To support customers’ technical needs, sharing detailed application knowledge of its comprehensive speciality ingredient portfolio from leading supplier partners, IMCD operates 43 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 2018, IMCD opened three coatings & construction laboratories and a food & nutrition application laboratory.

In 2018, 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. In 2018 important steps were taken in IMCD's journey towards digitalisation, by means of the global roll-out of an integrated customer relation management system and an integrated product information management system. These systems function as the foundation for the further digitalisation of IMCD's business processes.

Acquisitions

In order to further expand its geographical and strategic market coverage, complement its product portfolio and to benefit from economies of scale, IMCD considers acquisitions as an

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important part of its growth strategy. In 2018 IMCD acquired three businesses.

In July IMCD acquired E.T. Horn (Horn). Horn is a leading speciality chemicals distributor in the US, having its head office in La Mirada, California. Horn represents leading suppliers and is primarily focused on the West and South West regions in the US, complementing IMCD's current organisation and business in the US. The acquisition of Horn will support IMCD's strategy of offering its suppliers and customers national US coverage and dedicated segment expertise.

In September, IMCD acquired Velox GmbH (Velox), a European distributor with a focus on specialities for the plastics, composites, additives, rubber, paints and coating industries. Velox, headquartered in Hamburg, Germany, has an extensive commercial network across Europe and long-standing relationships with its global suppliers. Velox is an excellent fit with IMCD's existing operations in Europe. IMCD is working on the integration of Velox into the IMCD organisation.

In November, IMCD completed the acquisition of Aroma Chemicals Agencies (India) Pvt. Ltd. and Alchemie Agencies Pvt. Ltd. (together 'Aroma'). Aroma has its headquarter in Mumbai, India and offices throughout the country. With an extensive commercial network across India and its long-standing relationships with global suppliers in the coatings, plastics and other speciality chemicals industries, Aroma further strengthens the IMCD's position in all regions of India.

Value through expertise

Business group Advanced Materials

After the acquisition of Velox in Europe and E.T. Horn in North America, in 2018, IMCD Business Group Plastics was renamed to IMCD Business Group Advanced Materials to reflect the enlarged range of our product portfolio of high-quality additives and compounds and the extensive technical expertise of our teams. Business Group Advanced Materials strives to deliver innovative solutions to enhance the performance of materials, strengthen the properties of end products and improve production efficiency. Worldwide, we support our customers in the plastics, additives, composites and rubber industries.

With extensive market knowledge, IMCD’s teams serve customers across many market segments including automotive & transportation, medical & healthcare, wire & cable, packaging, construction, electrical & electronics, sports & leisure, home appliance and telecommunications.

Financial performance

Key performance indicators 2018

EUR MILLION	2018	2017	CHANGE	FX ADJ. CHANGE
Revenue	2,379.1	1,907.4	25%	29%
Gross profit	536.1	428.7	25%	29%
Gross profit in % of revenue	22.5%	22.5%	- %	
Operating EBITA	202.1	161.7	25%	30%
Operating EBITA in % of revenue	8.5%	8.5%	- %	
Cash conversion margin	80.2%	97.2%	(17.0%)	
Cash earnings per share	2.53	2.06	23%	

In 2018 IMCD realised revenue and gross profit growth of both 25% (+29% on a constant currency basis). Operating EBITA increased by 25% to EUR 202.1 million (+30% on a constant currency basis) with an operating EBITA margin of 8.5%, in line with 2017.

The cash conversion margin was 80.2% in 2018, 17% below the margin in 2017. The weighted cash earnings per share increased from EUR 2.06 in 2017 to EUR 2.53 in 2018.

Revenue

	EUR MILLION				GROWTH			
	2018	IN % TOTAL	2017	IN % TOTAL	ORGANIC	ACQUISITION	FOREIGN EXCHANGE	TOTAL
EMEA	1,240.8	52.2%	1,141.7	59.9%	5.6%	4.4%	(1.3%)	**8.7%**
Americas	802.6	33.7%	450.7	23.6%	18.3%	65.0%	(5.3%)	**78.0%**
Asia-Pacific	335.7	14.1%	314.9	16.5%	11.4%	1.4%	(6.2%)	**6.6%**
Total	**2,379.1**	**100.0%**	**1,907.4**	**100.0%**	**9.6%**	**18.2%**	**(3.1%)**	**24.7%**

Revenue increased by 25% from EUR 1,907 million in 2017 to EUR 2,379 million in 2018. The revenue growth is the balance of organic growth (10%), the first-time inclusion of acquisitions (18%) and a negative impact of foreign currency exchange differences (-3%).

All segments contributed to the organic growth of revenue. Diverse market dynamics in the different regions and market segments had an impact on organic growth. In general, most economies within the regions IMCD operates, showed underlying GDP growth, having a positive impact on the demand for chemicals. The weakening of various local currencies versus the Euro, resulted in a negative impact on the revenue of 3%.

The overall organic revenue growth 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 2017: Neuvendis (EMEA), Lomas and Bossco (both Americas) and acquisitions completed in 2018: Horn (Americas), Velox (EMEA) and Aroma (Asia-Pacific). The total impact of acquisitions on the revenue growth in 2018 was 18%.

Gross profit

	EUR MILLION				GROWTH			
	2018	IN % REVENUE	2017	IN % REVENUE	ORGANIC	ACQUISITION	FOREIGN EXCHANGE	TOTAL
EMEA	308.1	24.8%	274.2	24.0%	10.2%	3.8%	(1.6%)	**12.4%**
Americas	157.7	19.7%	89.4	19.8%	22.5%	59.7%	(5.8%)	**76.4%**
Asia-Pacific	70.2	20.9%	65.2	20.7%	13.3%	0.7%	(6.3%)	**7.7%**
Total	**536.1**	**22.5%**	**428.7**	**22.5%**	**13.2%**	**15.0%**	**(3.2%)**	**25.1%**

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Gross profit, defined as revenue less cost of materials and inbound logistics, increased by 25% from EUR 429 million in 2017 to EUR 536 million in 2018. The increase in gross profit was the balance of organic growth (13%), the first time inclusion of acquisitions (15%) and the negative impact of foreign currency exchange rate developments (-3%).

On a consolidated level, gross profit in % of revenue remained stable at 22.5% in 2018. The gross profit in % of revenue improved in EMEA (+0.8%-point) and Asia-Pacific (+0.2%-point) and slightly decreased in the Americas (-0.1%-point), a decrease mainly as a result of acquisitions made. 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 used for controlling the performance of the operating activities.

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

Bridge operating EBITA

EUR MILLION	2018	2017
Result from operating activities	162.6	125.2
Amortisation of intangible assets	37.2	34.2
Non-recurring items	2.3	2.3
Operating EBITA	**202.1**	**161.7**

Operating EBITA increased by EUR 40 million (25%), from EUR 161.7 million in 2017 to EUR 202.1 million in 2018. On a constant currency basis, the increase was by 30%.

The growth in operating EBITA of 25% was a combination of organic growth, the first-time inclusion of acquisitions completed in 2017 and 2018 and the negative impact of foreign currency exchange differences (-5%).

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

The operating EBITA in % of revenue remained stable at 8.5% in 2018. Both regions EMEA and Asia-Pacific showed an improvement of the EBITA margin. In EMEA the EBITA margin increased by 0.4%-point from 9.9% in 2017 to 10.3% in 2018. In Asia Pacific the EBITA margin improved by 0.4%-point from 8.9% to 9.3%. Segment Americas showed a decrease in EBITA margin of 0.4%-point, from 7.9% in 2017 to 7.5% in 2018. This decrease was mainly due to the impact of the acquisition of L.V. Lomas in 2017 and Horn in 2018, both having lower than average operating EBITA margins.

In 2018, the conversion margin, defined as operating EBITA as a percentage of gross profit remained stable at 37.7%. The impact of first time inclusion of acquired companies with lower than IMCD's average conversion margins was offset by the improved margin of the existing operations.

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 and Uruguay
- Asia-Pacific: all operating companies in Australia, New Zealand, India, China, Malaysia, Indonesia, Philippines, Thailand, Singapore, Vietnam and JapanHolding companies: all non-operating companies, including the head office in Rotterdam and the regional offices in Singapore and New Jersey, US

Operating EBITA

	EUR MILLION			
	2018	IN % REVENUE	2017	IN % REVENUE
EMEA	127.8	10.3%	112.6	9.9%
Americas	60.1	7.5%	35.5	7.9%
Asia-Pacific	31.2	9.3%	28.1	8.9%
Holding companies	(17.0)	-	(14.5)	-
Total	**202.1**	**8.5%**	**161.7**	**8.5%**

The developments by operating segments are described in the following sections.

EMEA

EUR MILLION	2018	2017	CHANGE	FX ADJ. CHANGE
Revenue	1,240.8	1,141.7	9%	10%
Gross profit	308.1	274.2	12%	14%
Gross profit in % of revenue	24.8%	24.0%	0.8%	
Operating EBITA	127.8	112.6	14%	16%
Operating EBITA in % of revenue	10.3%	9.9%	0.4%	
Conversion margin	41.5%	41.1%	0.4%	

EMEA continued its trend of the last years to deliver strong growth, both in terms of top line as well as operating EBITA. The well established IMCD organisation in EMEA supported by positive macroeconomic market circumstances, realised a revenue growth of 9% in 2018. This increase was a combination of organic growth (6%), the first-time inclusion of acquisitions (4%) and a negative impact of foreign currency exchange results (-1%).

The 4% acquisition impact relates to the acquisition of Neuvendis (2017) and Velox (2018).

On 25 September 2018, IMCD acquired 100% of the shares of Velox GmbH (Velox). Velox is a European distributor with a focus on specialities for the plastics, composites, additives, rubber, paints and coating industries. With approximately 225 employees in 18 countries Velox generated EUR 155 million revenue and a normalised EBITDA of EUR 5.4 million in 2017. IMCD is working on the commercial and organisational integration of Velox into the IMCD organisation.

Gross profit increased by 12%, from EUR 274.2 million in 2017 to EUR 308.1 million in 2018. This increase was the balance of organic growth (10%), first time inclusion of acquisitions (4%) and negative foreign exchange results (-2%). In 2018, IMCD was able to add interesting new supplier relationships and to further expand the relationships with existing suppliers in new territories and with additional business lines. Organic growth further included the usual variations in the product and customer mix.

IMCD continued to optimise its supply chain network in 2018, to enhance customer service levels and to reduce operating costs in the supply chain. System-to-system connectivity between the partners in the supply chain is one of the key drivers for achieving the optimisation.

In order to further enhance value added services delivered to its business partners, in 2018 IMCD opened application laboratories for the Food & Nutrition business in Germany and Coatings & Construction business in Italy. These labs are instrumental to exploring local markets and developing product applications for IMCD's business partners. In addition, in the various application labs market and product development opportunities are discussed between IMCD, suppliers and customers.

Despite the acquisition of Velox, with a lower than IMCD's average gross profit margin, gross profit margin improved from 24.0% in 2017 to 24.8% in 2018, primarily as a result of margin optimisation efforts and changes in the product mix.

Compared to 2017, operating EBITA increased by 14% to EUR 127.8 million in 2018. On a constant currency basis, the increase in operating EBITA was 16%. The majority of the realised growth is organic. Operating EBITA in % of revenue improved by 0.4%-point from 9.9% in 2017 to 10.3% in 2018.

IMCD's continuous focus on gross profit margin improvement, combined with strict cost control were the main drivers of the increase in conversion margin of 0.4%-point to 41.5% in 2018.

As at the end of 2018, the number of full time employees in EMEA was 1,382, an increase of 22% compared to the end of 2017. The acquisition of Velox added 206 employees to the total number of staff in EMEA. Without the impact of acquisitions the number of full time employees increased by 4% in 2018. The additional staff were hired to fill vacancies, strengthen the technical expertise and to cater for future growth.

Americas

EUR MILLION	2018	2017	CHANGE	FX ADJ. CHANGE
Revenue	802.6	450.7	78%	88%
Gross profit	157.7	89.4	76%	87%
Gross profit in % of revenue	19.7%	19.8%	(0.1%)	
Operating EBITA	60.1	35.5	69%	79%
Operating EBITA in % of revenue	7.5%	7.9%	(0.4%)	
Conversion margin	38.1%	39.7%	-1.6%	

Segment Americas showed a strong performance in 2018. Revenue increased by 78%, from EUR 450.7 million in 2017 to EUR 802.6 million in 2018. The organic growth in 2018 was 18% and the growth as a result of acquisitions completed in 2017 (Lomas and Bossco) and 2018 (Horn) was 65%. The unfavourable developments of foreign currency exchange rates in the Americas region, resulted in a negative currency exchange impact on the revenues in 2018 (-5%).

In 2018, IMCD continued to execute its strategy to offer its suppliers and customers an organisation with national US coverage and dedicated segment expertise. During the last 4 years, IMCD built a strong North American organisation. In 2018, IMCD made good progress with the integration of the existing businesses in the US and in Canada and completed the acquisition of E.T. Horn.

On 31 July 2018, IMCD acquired 100% of the shares of E.T. Horn (Horn). Horn is a leading speciality chemicals distributor in the US. 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, a normalised EBITDA of USD 12 million and has approximately 200 employees.

The acquisition of Horn and the further integration of the businesses in the US, will enable IMCD US to become a nationally operating market faced organisation in 2019.

Despite various geopolitical uncertainties, including the consequence of the implementation of trade measures, the North American chemicals distribution market showed growth in 2018. Brazil's economic recovery continued in 2018. Returning confidence in the economy is expected to have buttressed momentum with improved business and consumer sentiment. Unemployment rates decreased, stimulating household consumption and export growth accelerated towards the end of 2018.

After two difficult years, IMCD's industrial activities in Brazil recovered. The pharmaceutical activities of IMCD Brasil delivered solid growth numbers in 2018.

Gross profit of operating segment Americas increased from EUR 89.4 million in 2017 to EUR 157.7 million, an increase of 76%. The increase in gross profit was the result of organic growth (22%), the impact of the first time inclusion of acquired companies (60%) and negative foreign currency exchange results (-6%).

Due to the impact of acquired businesses with gross profit margins below IMCD's average, gross profit margin slightly decreased by 0.1%-point from 19.8% in 2017 to 19.7% in 2018. The impact on the gross profit margin of acquisitions completed in 2017 and 2018 was for the larger part offset by margin improvement initiatives and changes in the product mix.

Operating EBITA increased by 69% from EUR 35.5 million in 2017 to EUR 60.1 million in 2018. On a constant currency basis the increase was 79%. 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 2017 and 2018.

The operating EBITA margin decreased by 0.4%-point from 7.9% in 2017 to 7.5% in 2018. The conversion margin decreased from 39.7% in 2017 to 38.1%. The decrease in EBITA margin and conversion margin in 2018 was mainly the result of lower margins of companies acquired in 2017 and 2018.

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The number of full time employees in the Americas increased from 572 as at the end of 2017 to 755 as at the end of 2018. This increase includes 192 full time employees of Horn.

Asia-Pacific

EUR MILLION	2018	2017	CHANGE	FX ADJ. CHANGE
Revenue	335.7	314.9	7%	14%
Gross profit	70.2	65.2	8%	15%
Gross profit in % of revenue	20.9%	20.7%	0.2%	
Operating EBITA	31.2	28.1	11%	19%
Operating EBITA in % of revenue	9.3%	8.9%	0.4%	
Conversion margin	44.4%	43.2%	1.2%	

Despite substantial differences between the various countries in the region, in general Asia-Pacific showed good performance in 2018. Australia and New Zealand, responsible for approximately half of the revenues in the Asia-Pacific region, continued to contribute solid results and healthy cash generation in 2018. The operations in India and China continued to realise double digit growth numbers in 2018, mainly resulting from the addition of new supplier relationships and expansion of market segments. Overall, South East Asia was able to realise satisfactory results in 2018.

The investments in the start-up activities in Japan, Thailand and Vietnam over the last few years, to build and strengthen IMCD's presence in Asia-Pacific, resulted in considerable revenue growth in these countries.

On 13 November 2018, IMCD acquired 100% of the shares of Aroma Chemicals Agencies (India) Pvt. Ltd. and Alchemie Agencies Pvt. Ltd. (together: "Aroma"), expanding IMCD's existing network across India in the coatings, plastics and other speciality chemicals industries. The companies together employ approximately 70 employees in India and generated EUR 26 million revenue in full year 2017/2018 (financial year ending 31 March 2018).

In 2018, IMCD expanded its technical capabilities in Asia-Pacific with the addition of two Coatings & Construction laboratories; one in Indonesia and one in Malaysia. The primary focus of the new laboratories is to support customers and suppliers, offering formulation guidance, innovative solutions to overcome technical challenges and product performance testing.

In Asia-Pacific, revenue increased by 7% from EUR 314.9 million in 2017 to EUR 335.7 million in 2018. Revenue growth is the balance of organic growth (12%), the first time inclusion of Aroma (1%) and the negative impact of currency exchange rate developments (-6%). On a constant currency basis revenue growth was 14%. Gross profit increased by 15% on a constant currency basis, with an improved gross profit margin of 20.9% (2017: 20.7%). This gross profit margin increase was primarily the result of strong focus on margin improvement, the addition of new supplier relationships and changes in the product portfolio.

In 2018 operating EBITA was EUR 31.2 million, an increase of 11% compared to 2017. Corrected for the negative currency exchange rate developments in 2018, operating EBITA increased by 19%.

Operating EBITA in % of revenue further improved from 8.9% in 2017 to 9.3% in 2018. The conversion margin increased from 43.2% in 2017 to 44.4% in 2018 and is the result of improved gross profit margins and adequate cost control.

The number of full time employees in the Asia-Pacific region increased by 18% from 511 as at the end of 2017 to 605 as at the end of 2018. Without the impact of the acquisition of Aroma, the number of full time employees increased by 5%.

Holding Companies

EUR MILLION	2018	2017	CHANGE	FX ADJ. CHANGE
Operating EBITA	(17.0)	(14.5)	(17%)	(19%)
Operating EBITA in % of total revenue	(0.7%)	(0.8%)	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 increased by EUR 2.5 million from EUR 14.5 million in 2017 to EUR 17.0 million in 2018. This 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 by 0.1% from 0.8% in 2017 to 0.7% in 2018.

As at the end of 2018, the number of full time employees of the Holding Companies was 57 compared to 49 at year-end 2017.

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 is as follows:

Result for the year

EUR MILLION	2018	2017
Operating EBITA	202.1	161.7
Amortisation of intangible assets	(37.2)	(34.2)
Non-recurring income and expenses	(2.3)	(2.3)
Result from operating activities	**162.6**	**125.2**
Recurring net finance costs	(18.8)	(15.1)
Non-recurring net finance cost	(4.6)	-
Share of profit of equity-accounted investees, net of tax	0.0	(0.1)
Result before income tax	**139.2**	**110.0**
Income tax expenses	(39.1)	(32.7)
Result for the year	**100.1**	**77.3**

Amortisation of intangible assets

Amortisation of intangible assets are non-cash costs mainly related to the amortisation of supplier relationships, distribution rights and other intangibles. Amortisation of intangibles increased from EUR 34.2 million in 2017 to EUR 37.2 million in 2018 as a result of the acquisitions completed in 2017 and 2018.

Non-recurring income and expenses

Non-recurring items of EUR 2.3 million (2017: EUR 2.3 million) include costs of EUR 1.7 million related to realised and non-realised acquisitions and costs related to other one-off adjustments to the organisation of EUR 0.6 million.

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Net finance costs

The net finance costs comprise of the following items:

EUR MILLION	2018	2017
Interest income on loans and receivables	0.5	0.5
Interest expenses on financial liabilities	(17.8)	(11.8)
Changes in the fair value of derivative financial instruments	(0.1)	0.4
Amortisation of finance costs	(0.8)	(1.6)
Non-recurring amortisation of finance costs	(4.6)	-
Interest costs re employee benefits	(0.5)	(0.2)
Foreign currency exchange results	(0.1)	(2.4)
Net finance costs	**(23.4)**	**(15.1)**

In 2018, net finance costs amounted to EUR 23.4 million compared to EUR 15.1 million in 2017. Main driver of the increase in cost of EUR 8.3 million were additional interest costs on financial liabilities (EUR +6.0 million) and the non-recurring accelerated amortisation of finance costs (EUR 4.6 million) as a result of the redemption of bank loans in 2018.

Income tax

Income tax expenses increased by EUR 6.4 million from EUR 32.7 million in 2017 to EUR 39.1 million in 2018. This increase could be specified as follows.

EUR MILLION	2018	2017
Regular income tax expenses	(44.9)	(36.8)
Adjustments for prior years	(0.2)	(2.0)
(De-)recognition of previously (un)recognised tax losses	1.4	0.6
Tax credits related to amortisation of intangible assets	4.5	3.6
Reduction in tax rates	0.1	1.9
Income tax expenses	**(39.1)**	**(32.7)**

The regular corporate income tax expenses increased from EUR 36.8 million in 2017 to EUR 44.9 million in 2018, an increase of 22%. Regular tax as a percentage of result before income tax and amortisation of intangibles (EUR 176.4 million in 2017 and EUR 144.2 million in 2017) remained stable at 25.5%.

The increase in income tax expenses in 2018 is mainly due to the higher profitability of the group. The reduction in the future corporate income tax rates in The Netherlands from 25.00% in 2018 to 22.55% in 2020 and 20.50% in 2021, resulted in an EUR 0.3 million non-cash benefit on deferred tax positions.

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

Net result before amortisation and non-recurring items

Net result before amortisation of intangible assets, net of tax and before non-recurring items was EUR 139.7 million compared to EUR 110.1 million in 2017, an increase of 27%. The main drivers of this increase were the higher operating EBITA (+25%) partly offset by increased (recurring) financing costs (+24%) and tax expenses (+20%).

EUR MILLION	2018	2017
Result for the year	**100.1**	**77.3**
Amortisation of intangible assets	37.2	34.2
Tax credits related to amortisation	(4.5)	(3.6)
Non-recurring result from operating activities	2.3	2.3
Non-recurring finance costs	4.6	-
Net result before amortisation and non-recurring items	**139.7**	**110.1**

Earnings per share and cash earnings per share

Weighted earnings per share increased by 29% from EUR 1.47 in 2017 to EUR 1.91 in 2018.

Weighted cash earnings per share, calculated as earnings per share before amortisation of intangible assets, net of tax, increased from EUR 2.06 in 2017 to EUR 2.53 in 2018 (+23%).

EUR MILLION	2018	2017
Result for the year	100.1	77.3
Amortisation of intangible assets	37.2	34.2
Tax credits related to amortisation of intangible assets	(4.5)	(3.6)
Result for the year before amortisation (net of tax)	**132.8**	**107.9**
Weighted average number of shares (x million)	52.4	52.4
Cash earnings per share (weighted)	**2.53**	**2.06**

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 either 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.

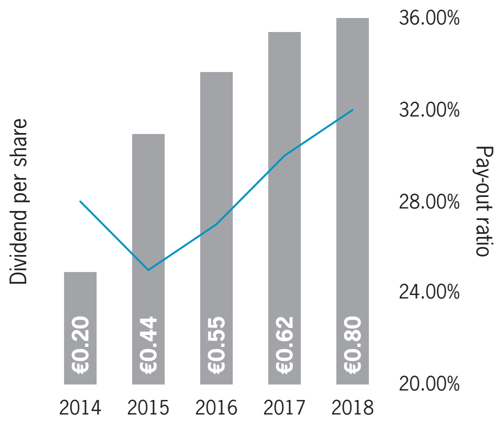
The adjusted net income in 2018 amounted to EUR 132.8 or EUR 2.53 per share.

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 2018 a dividend of EUR 0.80 per share will be proposed to the Annual General Meeting. Compared to 2017 this means an increase of EUR 0.18 per share or 29%.

Approval of the dividend proposal by the Annual General Meeting will lead to a dividend distribution of EUR 42.1 million in cash, which is 32% of the net result 2018 adjusted for non-cash amortisation charges, net of tax (2017: 30%).

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



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Cash flow

EUR MILLION	2018	2017
Operating EBITA	202.1	161.7
Depreciation	5.4	4.3
Operating EBITDA	**207.5**	**166.0**
Share based payments	2.4	2.5
Inventories	(55.0)	(16.9)
Trade and other receivables	7.3	(13.3)
Trade and other payables	8.7	26.1
Change operational working capital	(39.1)	**(4.1)**
Capital expenditure	(4.4)	(3.1)
Free cash flow	**166.5**	**161.3**
Cash conversion margin	80.2%	97.2%

Free cash flow is defined as operating EBITDA excluding non-cash share based payment expenses, plus or less changes in working capital, less captial expenditures. In 2018, free cash flow increased by 3% from EUR 161.3 million in 2017 to EUR 166.5 million in 2018. The cash conversion margin, defined as free cash flow as a percentage of operating EBITDA, decreased by 17%-point from 97.2% in 2017 to 80.2%.

The decrease in conversion margin in 2018 is the result of higher operating EBITDA partly offset by increased working capital investments, driven by organic growth of the business. The investment in operational working capital in 2018, excluding additional working capital as a result of acquisitions completed, amounts to EUR 39.1 million, compared to EUR 4.1 million in 2017.

The increased working capital investments in 2018 were driven by increased business activities, partly offset by the impact of the weakening of non-EUR currencies in 2018 (EUR -4.5 million). Year-end stock positions were further influenced by building additional stock to cater for the start-up of new supplier relations, 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.

IMCD's asset light business model resulted in relatively low capital expenditure compared to the size of the overall operations and amounted to EUR 4.4 million in 2018 compared to EUR 3.1 million in 2017. 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 2018	31 DECEMBER 2017
Property, plant and equipment	25.3	18.8
Intangible assets	1,039.6	948.9
Financial assets	47.0	27.6
Non-current assets	**1,111.9**	**995.3**
Net working capital	**399.8**	**314.3**
Provisions and deferred tax liabilities	**(114.6)**	**(90.5)**
Total capital employed	**1,397.1**	**1,219.1**
Equity	786.3	729.2
Net debt	610.7	490.0
Total financing	**1,397.1**	**1,219.1**

Working capital

Net working capital is defined as inventories, trade and other receivables less trade payables and other payables. In 2018, net working capital increased by EUR 85.5 million from EUR 314.3 million as at the end of 2017 to EUR 399.8 as at 31 December 2018. The increase in net working capital is the result of a combination of increased business activity leading to higher working capital levels (EUR 34.4 million), impact of exchange rate differences on year-end balance sheet positions (EUR -4.5 million), impact of acquisitions (EUR 56.7 million) and adjustments related to the implementation of IFRS 9 (EUR -1.1 million).

Monitoring working capital positions is a permanent focus of management attention 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. As at the end of 2018, net debt was EUR 610.7 million, compared to EUR 490.0 million as at year-end 2017. 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 141.3 million and a dividend payment of EUR 32.6 million in 2018. Furthermore, net debt includes approximately EUR 4 million deferred and contingent considerations related to acquisitions made (31 December 2017: EUR 3 million).

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 term loans and revolver 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 were EUR 2.9 million and will be 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 related to these loans, of EUR 4.6 million in 2018. These amortised transactions costs are part of net finance costs and reported as non-recurring in the net result before amortisation/non-recurring items.

The refinancing in 2018 has improved 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.

At 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 is paid. All other conditions of the syndicated EUR 400 million multi-currency revolving facility will remain the same.

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

The interest cover, calculated based on the definitions used in the Schuldschein Darlehen documentation, is 13.0 times EBITDA (31 December 2017: 16.3) which is well above the required minimum of 4.0 times EBITDA.

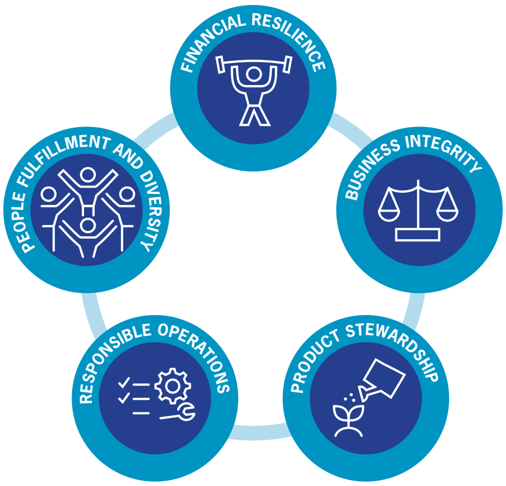
Equity

The equity attributable to holders of ordinary shares increased by EUR 57.1 million to EUR 786.3 million (31 December 2017: EUR 729.2 million). This increase is the balance of the addition of the net profit for the year of EUR 100 million, other comprehensive income of negative EUR 9 million, dividend payments in cash of EUR 33 million and an adjustment resulted from the adoption of IFRS 9 of EUR -1 million. The increase of equity resulted in a solid ratio at year-end whereby net equity covers 40.3% of the balance sheet total (31 December 2017: 44.1%).

In 2018, IMCD did not acquire additional own shares. In January and March 2018, IMCD transferred respectively 32 thousand and 16 thousand treasury shares in order to fulfil its obligations from the long-term incentive plan.

Non financial performance

As set out on page31 and onwards in this Annual Report, IMCD redefined its group-wide sustainability approach in 2018. The outcome of this process led to 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 2018. IMCD aims to publish its first sustainability year report mid-2019, 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

With a record high growth in revenue, gross profit and operating EBITA, IMCD has had a successful year when it comes to financial KPIs. Detailed information on IMCD's financial performance is available in the Financial Performance chapter (page 47 of this Annual Report). The financial results of 2018, as well as the refinancing that was carried out in the first half of the year, 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. Together with the improved terms and conditions of IMCD's overall financing structure and extended maturity profile, this 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 the most valuable asset. IMCD believes that People and Culture make the difference. IMCD operates in a highly technical world of speciality chemicals & 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. To get the very best out of its employees IMCD not only needs to attract and hire very capable individuals but also to get the very best out of them and 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.

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. Commercial employees make up the vast majority of IMCD's organisation.

In 2018, 64% of the IMCD staff worked in a supplier or customer facing role and that focus is valuable to the group; it makes the difference between good and great. Education levels of our employees are high. IMCD employs 600 individuals with a completed Master's degree or higher and another 1,195 with a Bachelor's or equivalent.

IMCD believes that strong commercial talent flourishes in a non-bureaucratic environment with freedom to act and supported by state of the art IT tools. That is why IMCD has embarked on a Digital Transformation initiative and are implementing new sales support tools and systems.

IMCD has been an active acquirer of other chemical distribution businesses and last year 471

FTE
Total

2,799

Growth 2018

+534 FTE | 471 Acquisition
63 Organic

↑ 24% | 21% Acquisition
3% Organic

DIFFERENT NATIONALITIES

>50

NUMBERS OF FTE PER REGION

AMERICAS
Employees
759
27%

EMEA
Employees
1,426
51%

ASIA
Employees
614
22%

new employees joined the group as a result of an acquisition. IMCD integrates new businesses quickly and this helps to further strengthen the talent base. 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 rather constant. In 2018, total turnover, for all reasons, was 10.7% worldwide. This includes voluntary resignations, terminations, retirements and all other sources. The attrition rate for sales employees went down to 10.2% which is lower than the Company's average. IMCD's biggest region EMEA has the lowest attrition of 9.4% despite the strong business results, growth and a changing labour market that is waking up after many years of oversupply.

The labour market balance in EMEA is starting to shift in favour of the employee, but IMCD believes that its freedom to act, open and entrepreneurial business culture, its employer brand, 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 2,799 FTEs as at year-end 2018 (2017: 2,265). The increase of 534 FTEs is primarily the result of acquisitions in the U.S., Europe and India. Excluding acquisitions, the number of FTEs increased by 63 which reflects IMCD's organic growth.

Diversity

From a diversity perspective, IMCD has a well-balanced employee base and employs 1,407 females versus 1,392 males, in FTEs, which is for an organisation operating in the highly technical world of chemicals and ingredients a testament for IMCD's commitment to diversity. IMCD has female managing directors leading businesses in Turkey, Vietnam, the Philippines and Indonesia and senior females leading functions in the Group Office.

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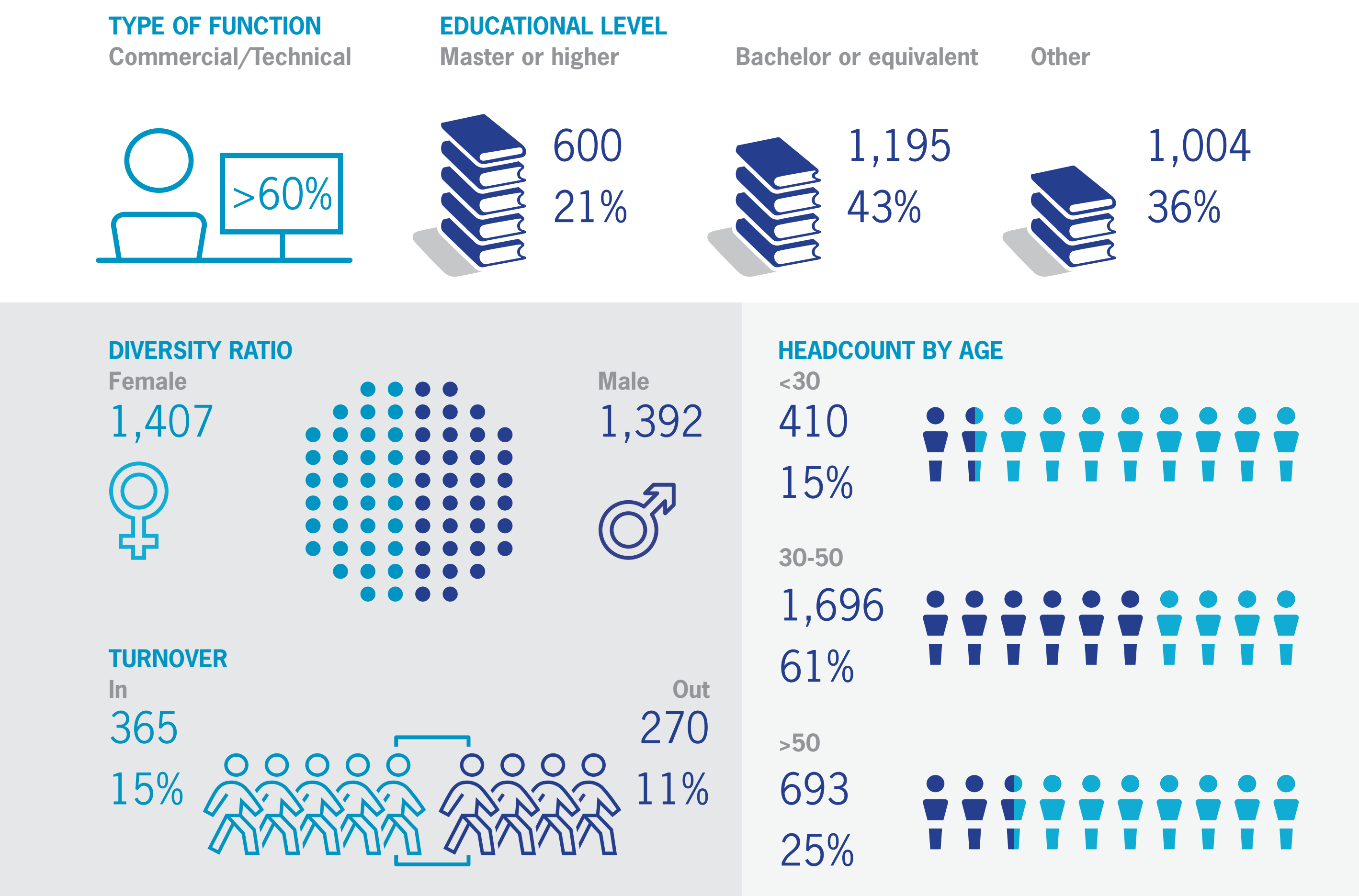


University education levels of females are comparable to those of males, both at 64% combining Bachelor's and Master's degrees.

IMCD's age profile remained more or less the same with 61% of the employee workforce in between 30 and 50 years of age (2017: 62%). It also reflects that IMCD mainly hires knowledgeable and experienced staff who can add value to its customers and suppliers immediately.

The vast majority of jobs are full-time with 2,675 individuals versus 172 part-timers. Also, almost all our positions are staffed by permanent employees with 98% or 2,750 positions in this category and less than 2% of temporary, mainly new recruits in the beginning of their career with IMCD.

PRODUCT STEWARDSHIP

IMCD takes full responsibility in its own operations and 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 which underline 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 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 that 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 either 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 which 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 2018, 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).

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 pharma, 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 at minimal environmental impact.

Greenhouse gas emissions
IMCD supports the reduction of product life cycle 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 2018, IMCD implemented operational and organisation measures to be able to start reporting on its own greenhouse gas emissions. The results will be included in IMCD's sustainability report that is expected to be published mid-2019.

Energy, water and waste management
IMCD is committed to meeting relevant legislative requirements, as well as requirements agreed to with customers and suppliers, for 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 2018, 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 will be included in IMCD's sustainability report that is expected to be published mid-2019.

Supply chain optimisation
IMCD's centralised supply chain team and local supply chain experts are committed to ensure 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 2018 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
IMCD remained a committed participant in various external initiatives, networks and platforms with a focus on sustainable logistics, throughout 2018. 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 2018, further audits were conducted for IMCD entities in Italy, Norway, Sweden and the Philippines, leading to well-deserved silver recognition level awards for all of these companies.

IMCD is in particularly proud of the achievements of its entities in Spain and Germany, that 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. In addition to the gold level recognition, IMCD Spain was also the first distributor to be awarded the prestigious Lean & Green award in 2018. As a member of the Lean & Green program, IMCD Spain set the goal of achieving a 20% reduction in its CO2 emissions by the year 2020. Already by the end of 2017, IMCD was able to reduce its carbon footprint by almost 10%.

IMCD is also 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 2018, the number of IMCD entities that joined in IMCD's group membership increased to 17, now also including our entities in Sweden, Denmark, Canada and the US, next to IMCD entities in Italy, Belgium, the Netherlands, UK, Spain, France, Australia, Poland, Switzerland, New Zealand, Germany and Austria (through which

IMCD services a wide range of market sectors across the South East European region).

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. In order 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 on a periodic basis, 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 that 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, anti-trust and anti-bribery laws, market abuse rules and other compliance regulations.

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 authorizing 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 2018, IMCD did not learn of any violation in respect of its stringent anti-corruption and/or anti-bribery policies within its corporate group.

Trade sanction and export control

In 2018, particular attention was given to a revision of IMCD's global trade sanction policy and guideline on restrictive measures and export control. 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 2018, IMCD did not learn of any violation of human rights within its corporate group.

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 aims to support its overall business strategy and objectives. IMCD's tax strategy is based on the key values and principles of its code of conduct that provides a framework for a business culture that stimulates honesty, transparency, sustainability, compliance, expertise and cultural diversity. The principles of IMCD's code of conduct are further embodied in IMCD's management instructions.

Acquisitions are a significant part of IMCD's business strategy to achieve growth. Often alternative methods are available in order to achieve the same commercial result. The tax consequences of such transactions are considered and weighted before carrying out such a transaction to minimise the potential tax risk and tax cost before deciding on the best method.

The Company's genuine commercial activities lead the setting up of international structures and profits are declared and taxes are paid where the economic activity occurs. IMCD does not make use of tax havens for the avoidance of tax.

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 on an at 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.

IMCD seeks to maintain an open, honest and constructive dialog with tax authorities based on transparency, respect and trust. 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.

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 due to 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 that tax authorities may take a different view. 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 aims to be tax efficient in order to be cost effective.

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.

Outlook 2019

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.

IMCD MANAGEMENT TEAM

Executive Committee

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

Function summary

Management Board
IMCD's Management Board has two members:

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 legal background and started his career as an attorney at De Brauw law firm in The Hague, Amsterdam and New York offices.

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 and had an extensive career at KPMG in the Netherlands.

Executive Committee

IMCD's Executive Committee has seven members: the two members of the Management Board and five Directors. Next to the members of the Management Board, the members of the Executive Committee are:

Frank Schneider
1959, German

- Business Group Director Coatings and Construction since 2006
- Executive 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 speciality chemical companies. 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 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.

Gabriele Bonomi
1962, Italian

- Business Group Director Personal Care since 2003
- Executive Member position since 2014

Mr. Bonomi joined IMCD in 2001 and was appointed managing director of IMCD Italy in 2003. Before joining IMCD, he started his career as a sales manager at a Japanese chemical firm and gained further experience in sales & marketing roles within life science markets. Mr. Bonomi holds a Business Administration & Marketing degree from the Bocconi University of Milano, Italy.

Marcus Jordan
1974, British

- President for IMCD in the Americas since 2016
- Executive member position since 2014

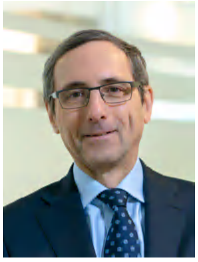
Mr. Jordan joined IMCD 20 years ago and has held various strategic local and global roles within the IMCD UK and Group organisation including international product manager, business unit manager and director group development & operations. He started his career as a formulation and application chemist 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 and President IMCD France since 2018
- Executive member position 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 specialty chemicals companies. Mr. Champault holds an MBA from INSEAD and graduated from EDHEC.

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 2019

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.T. (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
Member of the Supervisory Board of Red Star Holding B.V.
Former CFO AGRO Merchants Group
Former CFO and member of the Executive Board of Ceva Logistics, Maxeda DIY Group B.V. and Royal Grolsch N.V.

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
Executive director Dutch Star Companies One NV
Non-executive director of Bunzl Plc
Former CEO of SHV Holdings NV

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)

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

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.

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 being applicable 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, among other things, for regional operations and certain general group level management activities. The Management Board members are appointed (and may be re-appointed) 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 for 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 2018 AGM, as the corporate body authorised to issue shares, 10% of the issued shares plus an additional 10% relating to acquisitions, grant rights to acquire shares and to limit or exclude pre-emptive rights pertaining to the issue of 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 eighteen months and renewal is requested annually at the 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
As of December 2018, IMCD's Executive Committee has seven members: the two members of the Management Board and five 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 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 2018, all members of the 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 re-appointed 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.

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 different 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

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Supervisory Board's diversity policy is available at the Company's website.

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 2018, both members of the Management Board were re-appointed for a further term of four years. Three vacancies occurred within the Supervisory Board, of which two were filled by re-appointment of the chairman, Michel Plantevin, and the chairman of the audit committee, Arjan Kaaks. The Diversity Policy was taken into account in the search to fill the third vacancy. The Supervisory Board is of the opinion that Stephan Nanninga's broad managerial experience in international business environments as well as his specific experience in M&A, the chemical industry and distribution are complementary to the over-all board knowledge and expertise.

In the Executive Committee, the Management Board appointed an additional member in 2018, Olivier Champault, managing director of IMCD France and director of the Company's (global) advanced materials business group. In line with the diversity policy, Olivier Champault broadens the international character of the Executive Committee, whilst also bringing highly relevant international management experience and in depth knowledge of the speciality chemical and distribution business to the team.

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 2019, the AGM is scheduled to take place on May 8th.

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 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 sixtieth 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 twenty eighth 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 2018.

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 aproved by the General Meeting at the 2018 AGM.

In compliance with the Code, the service agreements with the Management Board members contain provisions related to severance arrangements, claw back and public offering consequences. Annually, the Supervisory Board reports on the implementation of the remuneration policy in its remuneration report, which is published at 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 chairman, the vice chairman and the other members of the Supervisory Board. The remuneration of the Supervisory Board may not be made dependent on the Company's results. None of the members of the Supervisory Board may 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 2018, 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.

In 2016 the Company 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 2018 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 years term appointment of all Supervisory Board members at IMCD's listing in 2014, the Supervisory Board's original resignation rota provided for the same re-appointment and retirement dates for all Supervisory Board members. With resignations and further appointments, this number has been brought down throughout the years. As of the 2018 AGM, the adjusted resignation rota, available at the Company's website, was brought fully in line with best practice provision 2.2.4 of the Code and now avoids the retirement of a majority of the Supervisory Board members 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.

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.

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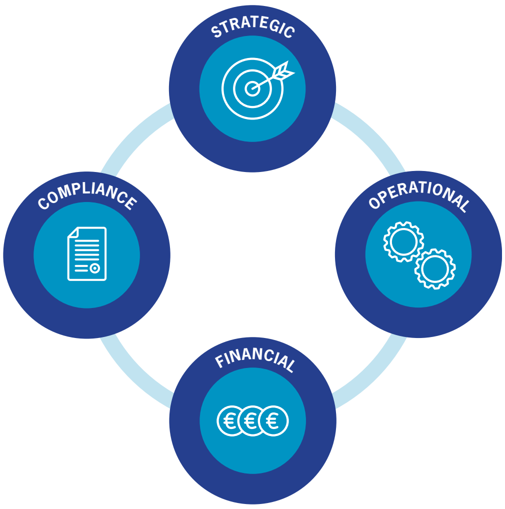
Risk management

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
- Financial: with respect to financial risks, IMCD maintains a cautious financing structure and stringent cash management policy
- 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

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.

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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 auditor

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. The main risks and their importance are disclosed below.

	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
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 but also new acquisitions and integration programs, IMCD requires a stable and agile ICT environment. Increased risk of cybercrime leads to an emphasis on improving cybersecurity, but also 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. In addition, IMCD is in the process of the rollout of the ICT governance improvement program, aiming 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 its business processes. In 2017 the Corporate HSEQ policy was implemented to improve and harmonise HSEQ procedures and guidelines globally. 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 that 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 that both employees and logistic service providers are aware of recent and future developments and changes in laws and regulations.

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 harming the Company's reputation.	Reference is made to the Corporate Governance section on how these risks are mitigated.

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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 the 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 at 31 December 2018 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 2018; 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, 28 February 2019

Management Board:
Piet van der Slikke
Hans Kooijmans

SUPERVISORY BOARD REPORT

Supervisory Board

From left to right:
Stephan Nanninga,
Julia Van Nauta Lemke - Pears,
Michel Plantevin, Janus Smalbraak,
Arjan Kaaks

In 2018, the hard work and ongoing dedication of the IMCD management and employees, supported by favourable market conditions, resulted in another year with strong operational performance. The Supervisory Board is pleased to see that, again, the execution of the Company's long-term growth strategy paid off and resulted in significant added value for the Company and its stakeholders.

Strong organic growth was accomplished, together with further growth through strategic acquisitions. The acquisition of E.T. Horn Company (Horn) enabled IMCD to strengthen its position further in North America. With Horn's focus on the West and South-West regions of the US, IMCD made a significant step towards its strategic goal of offering to its suppliers and customers an organisation with national US coverage and dedicated segment expertise.

In addition, IMCD's advanced materials and coating & constructions businesses were strengthened globally, by the acquisition of Velox GmbH (Velox) in Germany, with an extensive commercial network across Europe, and the acquisition of Aroma Chemical Agencies (India) Pvt. Ltd. and Alchemie Agencies Pvt. Ltd. (Aroma) in India.

Strategy
IMCD's solid long-term growth strategy, delivering sustainable value to the Company and its stakeholders throughout the years, and its execution were discussed with the Supervisory Board on several occasions. In these discussions with the Management Board it was confirmed that this strategy works well and remains the basis for IMCD's future ambitions. As part of the continuous dialogue with the Management Board, regional growth strategies are discussed as well.

Organisation
The Company continued its work to further strengthen its internal organisation and enhance central corporate support functions. Considerable time and energy was spent on integrating prior acquisitions, with a focus on L.V. Lomas (Lomas) that was acquired in 2017. Effective per September 2018, the organisational and operational integration of Lomas in IMCD's North American activities was successfully completed and the company was renamed into IMCD Canada and (partly) IMCD Food US.

The Supervisory Board encouraged and supported the further strengthening of IMCD's senior management teams. In 2018, new globally operating directors were appointed for the business groups Food & Nutrition and Advanced Materials. The Executive Committee was expanded with an additional member and the management of the Asian region was strengthened by the appointment of a new Vice President APAC. At head office level, the central corporate support functions were enhanced with the appointment of group directors in the field of regulatory, health and sustainability and corporate communications.

2018 was also the first full year for IMCD with an independent internal audit function in place. The internal auditor has an independent role within IMCD's organisation and has direct access to the Audit Committee and its chairman. In close consultation with the Audit Committee and the CFO, the framework for the internal audit role was fine tuned and approved, a charter was drafted and the audit plans for 2018 and 2019 were presented and adopted. The results of the first year of internal auditing were discussed with the Audit Committee in May and November 2018.

The further strengthening of the internal organisation and corporate support functions remains a topic that has the Supervisory Board's full support and is considered an important element to facilitate IMCD's growth ambitions in line with its long-term strategy. The Supervisory Board continues to see to it that this topic is on the agenda of the Management Board and progress is discussed regularly throughout the year.

Composition of the Supervisory Board
IMCD N.V.'s Supervisory Board consists of five members. The particulars of the current Supervisory Board members and their Supervisory

Board committee memberships are set out on page 69.

Changes in 2018

The Supervisory Board's retirement schedule led to vacancies for three of the five positions in 2018. In two positions, the current members were reappointed.

Michel Plantevin was reappointed for a third term of one year and remained as chairman of the Supervisory Board. The term of one year was chosen to bring the number of board members resigning at once down to two (so that the retirement schedule adheres to best practice provision 2.2.4 of the Code), whilst also not exceeding with the maximum duration of a third term as provided by best practice provision 2.2.2 of the Code.

Arjan Kaaks was reappointed for a second term of four years and remained as the Chairman of the Audit Committee.

Mr. Jean-Charles Pauze informed the Supervisory Board that for personal reasons he would not seek reappointment upon the regular expiration of his term. Stephan Nanninga was appointed to fill this vacancy.

Foreseen changes 2019

At the end of the upcoming AGM (on 8 May 2019) , the current term of Michel Plantevin will expire. This is the consequence of the fact that he was reappointed for a relatively short third term of one year as stated above. The Supervisory Board considers it important to maintain Michel Plantevin's vast expertise accumulated within his membership of the Supervisory Board and over-all knowledge of both IMCD and the market in which it operates and therefore nominated him for re-apointment of a fourth term of two years (in line with best practice provision 2.2.2 of the Dutch Corporate Governance Code). Further information on the nomination is included in the explanatory notes to the AGM convocation, published at the Company's website.

Independency / No conflicts of interest

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.

Throughout 2018, 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 option 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 2018.

The Supervisory Board is of the opinion that the size and composition of the Supervisory Board in 2018 fulfilled the specifications laid down in Supervisory Board profile and was appropriate in view of the nature and size of IMCD and its activities.

Diversity within the Supervisory Board

As stated in its Diversity Policy, available at the Company's website, 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 Boards 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 2018, the Supervisory Board realised more diversity in planned resignations, bringing the maximum of members retiring at the same time down to two. The retirement schedule is now in line with the Code.

The Diversity Policy was taken into account in the search for a new board member to fill the vacancy upon retirement of Jean-Charles Pauze. Although the Supervisory Board recognises that the appointment of Stephan Nanninga does not add to the board's diversity in gender or nationality, it is of the opinion that - within the portfolio of selected candidates - Stephan Nanninga's managerial experience (both international and in responsible positions) and his market knowledge, complement the overall professional diversity of the board very well, which was considered decisive for his nomination.

Supervisory Board activities and meetings
In 2018, the Supervisory Board held a total of seven formal meetings with both members of the Management Board present, two of which were video- or telephone-conferences. In addition the members of the Supervisory Board held regular consultations by telephone and email.

Attendance rate
The attendance rate for the meetings of the Supervisory Board and its committee's in 2018 was as follows.

	SB meetings	SB conf. calls	AC meetings	RC meetings
Mr. Michel Plantevin (Chairman)	100% (5/5)	100% (2/2)	-	100% (2/2)
Mr. Arjan Kaaks (Vice-Chairman)	100% (5/5)	100% (2/2)	100% (4/4)	-
Mrs. Julia van Nauta Lemke	100% (5/5)	100% (2/2)	100% (4/4)	-
Mr. Janus Smalbraak	100% (5/5)	100% (2/2)	-	100% (1/1)
Mr. Stephan Nanninga*	100% (3/3)	100% (2/2)	-	0% (0/1)
Mr. Jean-Charles Pauze*	100% (2/2)	-	-	100% (1/1)

* The attendance rate for Stephan Nanninga and Jean-Charles Pauze is provided only for meetings during their respective membership on the Supervisory Board.

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. The Management Board reported to the Supervisory Board on the Company's strategy (for long-term value creation), including regional components thereof (The Americas, APAC) and the risks associated with it, on the functioning of the Company's risk management and control systems and on IMCD's company culture. The budget for 2019, market developments and competitor analysis, (senior) management development and succession, investor relations, ICT management (including specific - new and ongoing - ICT related projects for the upcoming years) and IMCD's environmental, social and governance (ESG) profile and activities were also discussed.

As part of the continuous Supervisory Board training program, the Supervisory Board was informed of developments in relevant legislation, which in 2018 included, amongst other, the European General Data Protection Regulation. The Supervisory Board also received several presentation on business group developments, which included strategy discussions with the management of the Personal Care and Advanced Materials business groups. The development and execution of the HR strategy was an important topic for the Supervisory Board that was discussed with the global HR director. This also included a discussion on IMCD's culture, management succession and an in-depth analysis of IMCD's senior talent pool.

In October, the full Supervisory Board, together with the Management Board, visited IMCD Canada, where it met with the senior IMCD management for Canada and the broader North American region. The primary topics during this two day work-visit were the progress of the integration of Lomas and the over-all strategy for the North American region.

The Supervisory Board meeting in December was attended by all members of the Executive Committee and included discussions on next year's budget, strategy and risk management, market circumstances, competitors, opportunities and other developments in IMCD's business groups.

In their absence the Supervisory Board discussed and decided on the performance appraisal and related remuneration of the individual Management Board members. A self-assessment of the composition and functioning of the Supervisory Board, its members and its committees was carried out and was evaluated and discussed during a closed meeting of the Supervisory Board. These discussions included a review of the Supervisory Board profile, diversity policy and overview of other positions.

In 2018, the Supervisory Board gave due consideration to a number of potential acquisitions and approved the acquisitions of Horn in the US, Velox in Germany (with subsidiaries in several European countries) and Aroma in India.

The division of 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 that the needs of all IMCD's stakeholders are met in a manner that is transparent, effective and suitable to IMCD's operations. On the basis of these principles, the Supervisory Board reviewed and discussed the annual report and the financial statements for

2018 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 2018.

Supervisory Board committees

The Supervisory Board has installed two committees, an Audit Committee and a Remuneration Committee.

Audit Committee

The Audit Committee held four meetings in 2018. At all meetings, the CFO, the director corporate control, the internal auditor and representatives of the external auditor, Deloitte Accountants B.V. were present. Minutes of the meetings were submitted to the Supervisory Board.

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 2018: IMCD's refinancing and bond issue (in the first quarter of the year), the relationship with and reappointment of the external auditor (approved by the General Meeting during the 2018 AGM), post-acquisition reviews for recent acquisitions, IMCD's ICT infrastructure and strategy and internal control, governance and related risks.

In February, the Audit Committee discussed the 2017 audit in depth with the external auditor. In addition, the CFO presented the details of a refinancing and bond issue, which received the Audit Committee's support.

In May, the internal audit framework and internal audit plan for 2018 were discussed with the Audit Committee and subsequently approved by the Supervisory Board. The internal auditor also presented his first findings (for the period up to and including March 2018). Furthermore, time was spent on an in-depth discussion on the post-acquisitions review which contained the evaluation of seven completed acquisitions.

IMCD's global ICT director attended the Audit Committee's meeting in June 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. The June meeting was furthermore dedicated to the assessment of (scope and effectiveness of) IMCD's risk management and control systems and related internal review and monitoring activities. Both the internal auditor and the director corporate control were present for this discussion. The Audit Committee reported its findings to the Supervisory Board in August, where it was concluded that all required and desirable internal control elements were still effectively assumed within the agenda, program and tasks of the internal auditor and the corporate (control) team.

In November, the Internal Audit Plan for 2019 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 discussed the draft Internal Audit Charter and received a presentation by the internal auditor on his internal audit findings up to and including October 2018.

Remuneration Committee

The Remuneration Committee convened two times in 2018 (in March and December), with IMCD's global HR director attending both meetings and held regular consultations to discuss and formulate proposals for the remuneration of the individual members of the Management Board. As of October 2018, the Remuneration Committee exists of three members; Michel Plantevin, Janus Smalbraak and Stephan Nanninga, with appointment of Stephan Nanninga as chairman.

The Remuneration Committee presented its findings and proposals to the Supervisory Board and prepared the Supervisory Board's remuneration report for 2019.

Management Board (re)appointment and remuneration

Re-appointment

The Supervisory Board is happy to report that the members of IMCD's Management Board, Piet van der Slikke (CEO) and Hans Kooijmans (CFO), were re-appointed with a vast majority of votes at the AGM in 2018. The Supervisory Board believes that it is in IMCD's and its stakeholders' best interest that the Management Board in its current composition continues to lead IMCD.

Remuneration

In preparation of the re-appointment of the Management Board members and accompanying renewal of their contracts during 2018, an evaluation of the remuneration policy and package(s) took place, which led to the conclusion that the remuneration packages for both members of the Management Board needed to be amended in order to remain competitive. This amendment was approved by the General Meeting during the

2018 AGM and entered into force with immediate effect.

The Supervisory Board's remuneration report on 2018, as published at the Company's website, contains further details on how the remuneration policy was implemented in 2018. As the remuneration policy was only recently amended, no further changes are currently foreseen for the upcoming year(s).

Detailed information on the compensation of the Management Board and Supervisory Board in 2018 is set forth in note 50 to the financial statements.

Financial statements 2018 and profit appropriation

The financial statements for the financial year 2018 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 2018 and February 2019.

The financial statements 2018 were endorsed by all Management Board and Supervisory Board members and are, together with Deloitte's auditor's report, included in the Other information (page 165) of this annual report. The Management Board will present the financial statements 2018 and its report at the Annual General Meeting.

The Supervisory Board recommends the Annual General Meeting to adopt the financial statements 2018, including a proposed dividend of EUR 0.80 in cash per share.

In addition, the Supervisory Board recommends that the members of the Management Board and Supervisory Board be discharged from liability in respect of their respective management and supervisory activities performed in 2018.

External auditor

The Supervisory Board is responsible for engaging and supervising the performance of the external auditor. Deloitte Accountants B.V. (Deloitte) was re-appointed as IMCD's external auditor for the financial year 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 2018, 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 confirmed its independence from IMCD in accordance with the professional standards applicable to statutory auditors of public-interest entities.

The Supervisory Board extends its gratitude and appreciation to the members of the Management Board and all employees of IMCD for their continuous efforts and dedication shown in 2018.

Rotterdam, 28 February 2019

Supervisory Board:
Michel Plantevin
Arjan Kaaks
Julia van Nauta Lemke
Janus Smalbraak
Stephan Nanninga

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

Before profit appropriation

EUR 1,000	NOTE	31 DECEMBER 2018	31 DECEMBER 2017
Assets			
Property, plant and equipment	16	25,262	18,827
Goodwill		663,628	567,547
Other intangible assets		376,001	381,312
Intangible assets	17	**1,039,629**	**948,859**
Equity-accounted investees	19	38	-
Other financial assets	20	3,780	3,438
Deferred tax assets	21	43,170	24,199
Non-current assets		**1,111,879**	**995,323**
Inventories	22	354,269	265,826
Trade and other receivables	23	398,019	331,709
Cash and cash equivalents	24	85,162	61,383
Current assets		**837,450**	**658,918**
Total assets		**1,949,329**	**1,654,241**

The notes are an integral part of these consolidated financial statements

EUR 1,000	NOTE	31 DECEMBER 2018	31 DECEMBER 2017
Equity	25		
Share capital		8,415	8,415
Share premium		657,514	657,514
Reserves		(61,564)	(53,330)
Retained earnings		81,926	39,320
Unappropriated result		100,057	77,262
Equity attributable to owners of the Company		**786,348**	**729,181**
Total equity		**786,348**	**729,181**
Liabilities			
Loans and borrowings	26	481,237	367,451
Employee benefits	27	22,286	16,716
Provisions	28	8,385	4,219
Deferred tax liabilities	21	83,894	69,583
Total non-current liabilities		**595,802**	**457,969**
Loans and borrowings	26	465	344
Other short term financial liabilities	26	214,176	183,547
Trade payables	29	263,679	213,437
Other payables	29	88,859	69,763
Total current liabilities		**567,179**	**467,091**
Total liabilities		**1,162,981**	**925,060**
Total equity and liabilities		**1,949,329**	**1,654,241**

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 2018

EUR 1,000	NOTE	2018	2017
Revenue	8	2,379,099	1,907,354
Other income	9	9,515	4,795
Operating income		**2,388,614**	**1,912,149**
Cost of materials and inbound logistics	22	(1,843,000)	(1,478,686)
Cost of warehousing, outbound logistics and other services		(64,568)	(52,994)
Wages and salaries	10, 11	(157,895)	(122,535)
Social security and other charges	10	(42,494)	(34,196)
Depreciation of property, plant and equipment	16	(5,439)	(4,346)
Amortisation of intangible assets	17	(37,234)	(34,249)
Other operating expenses	12	(75,391)	(59,983)
Operating expenses		**(2,226,021)**	**(1,786,989)**
Result from operating activities		**162,593**	**125,160**
Finance income	13	491	958
Finance costs	13	(23,884)	(16,072)
Net finance costs		**(23,393)**	**(15,114)**
Share of profit of equity-accounted investees, net of tax	19	(9)	(61)
Result before income tax		**139,191**	**109,985**
Income tax expense	14	(39,134)	(32,723)
Result for the year		**100,057**	**77,262**
Gross profit [1]		536,099	428,668
Gross profit in % of revenue		22.5%	22.5%
Operating EBITA [2]	6	202,113	161,659
Operating EBITA in % of revenue		8.5%	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	2018	2017
Result for the year		**100,057**	**77,262**
Defined benefit plan actuarial gains/(losses)	27	(29)	14
Related tax	14	(60)	(17)
Items that will never be reclassified to profit or loss		**(89)**	**(3)**
Foreign currency translation differences related to foreign operations		(9,559)	(42,518)
Effective portion of changes in fair value of cash flow hedges		47	(190)
Related tax	14	205	959
Items that are or may be reclassified to profit or loss	13	**(9,307)**	**(41,749)**
Other comprehensive income for the period, net of income tax		**(9,396)**	**(41,752)**
Total comprehensive income for the period		**90,661**	**35,510**
Result attributable to:			
Owners of the Company		100,057	77,262
Total comprehensive income attributable to:			
Owners of the Company		90,661	35,510
Weighted average number of shares	15	52,442,825	52,424,550
Basic earnings per share	15	1.91	1.47
Diluted earnings per share	15	1.95	1.52

The notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

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	25	**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	25	-	-	-	-	-	-	-	(32,607)	**(32,607)**
Issue of shares minus related costs	25	-	-	-	-	-	-	-	-	**-**
Share based payments	25	-	-	-	-	-	(348)	(1,980)	-	**(2,328)**
Purchase and transfer of own shares	25	-	-	-	-	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.

EUR 1,000	NOTE	SHARE CAPITAL	SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	RESERVE OWN SHARES	OTHER RESERVES	RETAINED EARNINGS	UNAPPRO-PRIATED RESULT	TOTAL EQUITY
Balance as at 1 January 2017	25	**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		-	-	-	-	-	-	-	77,262	**77,262**
Total other comprehensive income		-	-	(41,559)	(190)	-	(3)	-	-	**(41,752)**
Total comprehensive income for the year		**-**	**-**	**(41,559)**	**(190)**	**-**	**(3)**	**-**	**77,262**	**35,510**
Cash dividend	25	-	-	-	-	-	-	-	(28,840)	**(28,840)**
Issue of shares minus related costs	25	-	-	-	-	-	-	-	-	**-**
Share based payments	25	-	-	-	-	-	2,456	-	-	**2,456**
Purchase own shares	25	-	-	-	-	(2,004)	-	-	-	**(2,004)**
Total contributions by and distributions to owners of the Company		**-**	**-**	**-**	**-**	**(2,004)**	**2,456**	**-**	**(28,840)**	**(28,388)**
Balance as at 31 December 2017		**8,415**	**657,514**	**(40,875)**	**(176)**	**(7,193)**	**(5,086)**	**39,320**	**77,262**	**729,181**

The notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

EUR 1,000	NOTE	2018	2017
Cash flows from operating activities			
Result for the period		100,057	77,262
Adjustments for:			
• Depreciation of property, plant and equipment	16	5,439	4,346
• Amortisation of intangible assets	17	37,234	34,249
• Net finance costs excluding currency exchange results	13	23,303	12,678
• Currency exchange results	13	90	2,436
• Cost of share based payments	11	2,414	2,456
• Share of profit of equity-accounted investees, net of tax	19	9	61
• Income tax expense	14	39,134	32,723
		207,680	**166,211**
Change in:			
• Inventories	22	(54,995)	(16,872)
• Trade and other receivables	23	7,269	(13,317)
• Trade and other payables	29	8,665	26,111
• Provisions and employee benefits	27, 28	680	(417)
Cash generated from operating activities		**169,299**	**161,717**
Interest paid		(12,027)	(13,027)
Income tax paid		(43,012)	(34,739)
Net cash from operating activities		**114,260**	**113,950**
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	7, 30	(141,300)	(168,879)
Acquisition of intangible assets	17	(8,377)	(9,727)
Acquisition of property, plant and equipment	16	(4,358)	(3,087)
Proceeds from disposals of (in)tangible assets	16, 17	212	-
Acquisition of other financial assets		(204)	313
Net cash used in investing activities		**(154,027)**	**(181,380)**
Cash flows from financing activities			
Proceeds from issue of share capital net of related costs	25	-	-
Dividends paid	25	(32,607)	(28,840)
Purchase and transfer of own shares	25	1,510	(2,004)
Payment of transaction costs related to loans and borrowings	26	(2,892)	-
Movements in bank loans and other short term financial liabilities	26	(3,846)	(1,200)
Proceeds from issue of current and non-current loans and borrowings	26	300,000	173,451
Repayment of loans and borrowings		(192,923)	(45,430)
Net cash from financing activities		**69,242**	**95,977**
Net increase in cash and cash equivalents		**29,475**	**28,547**
Cash and cash equivalents as at 1 January	24	61,383	56,502
Effect of exchange rate fluctuations		(5,696)	(23,666)
Cash and cash equivalents as at 31 December	24	**85,162**	**61,383**

The notes are an integral part of these consolidated statements.

NOTES TO THE CONSOLIDATED 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 consolidated financial statements of the Company as at and for the year ended 31 December 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 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 28 February 2019.

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 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 32: whether the Group has de facto control over an investee.

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 21 – recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used
- Note 27 – 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 30: financial instruments
- Note 7: acquisition of subsidiaries
- Note 27: employee benefits

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. Standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2018 did not have a material impact on the financial statements of the Group.

The impact of IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers is as follows.

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, measurement and initial recognition of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and more lenient general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: disclosures that were applied to the disclosures for 2018 and to the comparative period.

The Group has applied the transition provisions of IFRS 9 in which comparative figures are not restated. As such, the difference between the carrying amount of the financial assets under IAS 39 and the amount determined under IFRS 9 has been included in opening retained earnings as at 1 January 2018.

Classification and measurement
The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 did not have a significant impact on the classification and measurement of financial assets and liabilities. All financial assets and liabilities are measured on the same bases as previously 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 expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised

The Group makes use of the simplified approach to assess lifetime expected losses for trade receivables, contract assets and lease receivables.

The assessment of the expected credit loss as at 1 January 2018 led to an additional credit loss allowance of EUR 1.1 million, which has been recognised in the opening balance of the retained earnings:

EUR 1,000	IAS 39 CARRYING AMOUNT AT 31 DECEMBER 2017	ADJUSTMENT FOR IFRS 9	IFRS 9 CARRYING AMOUNT AT 1 JANUARY 2018
Loans and receivables			
Trade and other receivables	331,709	(1,085)	330,624

Hedge accounting
The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

The Group applied the changes in hedge accounting prospectively. At the date of initial application, all existing hedge relationships were eligible to be treated as continuing hedging relationships. The Group has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

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.

Consistent with prior periods, when a forward contract is used in a cash flow hedge or fair value hedge relationship, the Group has designated the change in fair value of the entire forward contract, i.e. including the forward element, as the hedging instrument.

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.

Sale 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 the 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 the analyses performed on these transactions, no significant impacts of the implementation of IFRS 15 on the Group's consolidated financial statements were identified.

Amendments to IFRSs effective on or after 1 January 2018

IMCD has applied the following amendments to standards, with a date of initial application of 1 January 2018:

- Amendments to IFRS 2 Classification and measurement of share-based payment transactions
- Amendments to IFRIC 22 Foreign currency transactions and advance consideration

Application of these 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, and 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 not 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 in 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 dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated 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 retranslated 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 retranslation are recognised in profit or loss, except for differences arising on the retranslation 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 dates of transaction 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 forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

Other non-trading derivatives
When a derivative financial instrument is not designated in a hedge 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 integral to 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. Leased 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
Hard- 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 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.g 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. 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 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 CGU. 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.h 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.i 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.j Revenue

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is recognised when the performance obligation is satisfied. 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, 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. Usually the transfer of control occurs and the performance obligation is satisfied as soon as the product is received at the customer's location.

Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

3.k 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.l 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.m 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 and Japan
- Americas: all operating companies in the United States of America, Canada, Brazil, Puerto Rico, Chili, 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.

3.n 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 2018 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below.

The Group does not plan to adopt these standards early.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 replaces current leases guidance IAS 17 'Leases' and the related interpretations when it becomes effective. The standard is effective for annual periods beginning on or after 1 January 2019.

The Group assessed the impact of IFRS 16 on its consolidated financial statements. The most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of offices, certain software contracts, certain warehouse facilities and most of its company cars lease agreements. In addition, the nature of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation or amortisation charge for right-of-use assets and interest expense on lease liabilities.

As a lessee, the Group can either apply the standard using a retrospective approach or a modified retrospective approach with optional practical expedients. The Group will apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach ("cumulative catch-up approach") with the optional practical expedient to measure the-right-to-use assets initially at an amount equal to lease obligation (corrected for prepaid and accrued lease payments as at December 31, 2018).

Currently the Group determines at contract inception whether an arrangement is or contains a lease under IFRIC 4. On the initial application of IFRS 16, for all existing contracts the Group assesses whether these contracts contain a lease and will assess at the inception of new contracts whether the contracts contain a lease, based on the definition of a lease in IFRS 16. IFRS 16 determines "A contract is, or contains a lease if the "contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration". Regarding existing contracts not containing a lease under IFRIC 4, the Group specifically reviewed its contracts with Logistical Service Providers (e.g. third party warehouses) and Software contracts to assess if these contracts are or contain a lease and concluded that most of its logistics services contracts do not classify as a lease under IFRS 16, while a number of material software contracts do classify as lease contracts.

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

- The Group will apply 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 elects not to separate non-lease components for all intangible fixed assets, (office) equipment and computer hardware.
- The Group will not apply the optional portfolio application.

The Group will apply 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 when applying IFRS 16 to leases previously classified as operating lease under IAS 17:
- Apply 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.

The Group has determined the impact of the adoption of IFRS 16 on its reported assets, liabilities and equity as at 1 January 2019. On 1 January 2019 the Group expects to recognise additional right-of-use assets of approximately EUR 63 million and additional lease liabilities of approximately EUR 64 million. The difference between right-of-use assets and lease liabilities mainly relates to prepaid and accrued lease payments reported in the Statement of Financial Position as at 31 December 2018 offset by lease incentives received. The initial application has no impact on equity.

The lease liabilities as of January 1, 2019 that are reported as operational leases or not as leases at all will be discounted using a weighted average incremental borrowing rate of 3.65%.

The lease obligation reported in note 31 reconciles with the expected lease obligation as of 1 January 2019 as follows:

RECONCILIATION OPERATING LEASE COMMITMENT (EUR 1,000)

Operating leases commitments at 31 December 2018	65,618
Short-term leases exemption	(1,842)
Low-value assets exemption	(277)
Non-lease components	(3,411)
Extension and termination options reasonably certain to be excercised	4,185
Variable lease payments based on index or a rate	(485)
Contracts not classifying as lease contract under IFRIC4/IAS17	13,159
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**

Adoption of IFRS 16 will not impact the outcome of loan covenant ratio's as described in note 26.

The Group does not expect a material impact on net result for 2019 as a result of the change in accounting policy. Solely based on the existing lease contracts commencing on or before 1 January 2019 and applying the year-end (1 January) foreign exchange rates, the expected impact in 2019 is approximately EUR 4 to 5 million less operational expenses and additional amortisation charges of the same amount.

3.o Non-recurring income and expenses

The non-recurring items in 2018 and 2017 mainly consist of costs incurred for acquiring businesses, costs related to one-off adjustments to the organisation and accelerated amortisation of finance costs as a consequence of the repayment of senior credit facilities.

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

EUR 1,000	NOTE	2018	2017
Personnel expenses and other operating expenses	10, 12	(2,286)	(2,250)
Finance costs	13	(4,631)	-
Impact on result for the year		**(6,917)**	**(2,250)**

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 30 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 under 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, LIBOR plus currently applicable 130 base points for amounts drawn in other currencies. As at 31 December 2018, the Group had an undrawn revolving facility of EUR 209 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 non-current financial liabilities, including estimated interest payments.

EUR 1,000		CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	6 MONTHS OR LESS	6-12 MONTHS	1 - 2 YEARS	2 - 5 YEARS	>5 YEARS
Non-derivative financial liabilities								
Schuldscheindarlehen	EUR	99,662	105,211	456	876	1,336	102,543	-
Schuldscheindarlehen	USD	78,346	88,241	1,589	1,617	3,220	81,815	-
Bond loan	EUR	296,064	352,500	7,500	-	7,500	22,500	315,000
Contingent consideration	IDR	3,831	3,831	-	-	1,530	-	2,301
Other liabilities	USD	2,176	2,175	-	-	154	461	1,561
Other liabilities	EUR	987	987	-	-	294	693	-
Other liabilities	PLN	171	171	-	-	106	65	-
		481,237	**553,116**	**9,545**	**2,493**	**14,140**	**208,077**	**318,862**

Estimated interest payments are based on the EURIBOR and LIBOR rates and margins prevailing at 31 December 2018. Further details of the non-derivative financial liabilities can be found in note 26.

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 at 31 December 2018 was as follows:

EUR 1,000	USD	GBP	AUD	ZAR	BRL	INR	IDR	CAD	TRY	OTHER	TOTAL
Non current assets	94	-	-	7	-	251	2,324	177	3	685	**3,541**
Current assets	116,489	18,785	24,177	11,196	19,103	18,139	7,472	26,945	10,012	45,584	**297,902**
Non current liabilities	(180,387)	(249)	-	-	(3,499)	(2,347)	(2,301)	-	(639)	(2,409)	**(191,831)**
Current liabilities	(85,778)	(13,499)	(12,723)	(9,740)	(5,381)	(5,474)	(1,131)	(12,932)	(1,040)	(18,942)	**(166,640)**
Net statement of currency risk exposure	**(149,582)**	**5,037**	**11,454**	**1,463**	**10,223**	**10,569**	**6,364**	**14,190**	**8,336**	**24,918**	**(57,028)**

The risk exposure above includes the mitigating effects of hedged net liability positions in USD to the amount of EUR 9.8 million (2017: EUR 10.6 million).

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2018	2017	2018	2017
USD	0.8471	0.8859	0.8734	0.8338
GBP	1.1292	1.1442	1.1179	1.1271
AUD	0.6333	0.6782	0.6165	0.6516
ZAR	0.0645	0.0666	0.0608	0.0675
BRL	0.2330	0.2766	0.2253	0.2520
INR	0.0124	0.0136	0.0125	0.0131
IDR	0.0001	0.0001	0.0001	0.0001
CAD	0.6536	0.6813	0.6408	0.6649
TRY	0.1829	0.2443	0.1659	0.2215

Sensitivity analysis

A 10% strengthening of the EUR, as indicated below, against the USD, GBP, AUD, ZAR, BRL, INR, IDR, CAD and TRY at 31 December 2018 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
	2018	2018	2017	2017
USD	(32,083)	9,873	(17,918)	2,106
GBP	(2,387)	(311)	(464)	(211)
AUD	(6,449)	-	(3,395)	(2)
ZAR	(3,033)	-	(2,970)	(18)
BRL	(7,168)	-	(3,574)	-
INR	(4,080)	-	(2,520)	-
IDR	(1,997)	(652)	(1,723)	(580)
CAD	(11,103)	(72)	(10,034)	(56)
TRY	(1,429)	-	(1,673)	-

A 10% weakening of the EUR against the above currencies at 31 December 2018 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	2018	2017
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(347,722)	(50,617)
	(347,722)	**(50,617)**
Variable rate instruments		
Financial assets	85,162	61,383
Financial liabilities	(344,325)	(498,386)
	(259,163)	**(437,003)**

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 26 details the variable interest rates applicable for the non-current loans. As the long term syndicated bank loans were redeemed in 2018 and the new long term (bond) loans have a fixed interest rate, no interest rate swap contracts were outstanding as at the end of 2018.

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	2018	2017
Total liabilities	1,162,981	925,060
Less: Cash and cash equivalents	(85,162)	(61,383)
Net liabilities	**1,077,819**	**863,677**
Total equity	786,348	729,181
Less: Amounts accumulated in equity relating to cash flow hedges	129	176
Adjusted equity	**786,477**	**729,357**

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	2018	2017
Result from operating activities	162,593	125,160
Amortisation of intangible assets	37,234	34,249
Non-recurring items	2,286	2,250
Operating EBITA	**202,113**	**161,659**

The non-recurring income and expenses included in the result from operating activities of 2018 and 2017 mainly relate to costs of acquisitions of businesses and 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.

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The results of the operating segments are as follows:

EMEA

EUR 1,000	2018	2017
Revenue	1,240,818	1,141,717
Gross profit	308,138	274,157
Operating EBITA	127,845	112,592
Result from operating activities	110,557	95,639
Total Assets	852,502	770,586
Total Liabilities	260,897	284,660

AMERICAS

EUR 1,000	2018	2017
Revenue	802,594	450,733
Gross profit	157,732	89,381
Operating EBITA	60,084	35,494
Result from operating activities	44,058	22,739
Total Assets	517,761	378,536
Total Liabilities	129,924	79,203

ASIA-PACIFIC

EUR 1,000	2018	2017
Revenue	335,687	314,942
Gross profit	70,229	65,166
Operating EBITA	31,215	28,121
Result from operating activities	26,139	23,350
Total Assets	292,686	265,105
Total Liabilities	78,025	66,663

HOLDING COMPANIES

EUR 1,000	2018	2017
Operating EBITA	(17,030)	(14,548)
Result from operating activities	(18,161)	(16,568)
Total Assets	286,380	240,014
Total Liabilities	694,135	494,534

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 43,000 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 1,900 suppliers and product portfolio of about 37,000 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 three acquisitions during the financial year 2018.

On 31 July 2018, IMCD acquired 100% of the shares of E.T. Horn (Horn). Horn is a leading speciality chemicals distributor in the US. 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. The acquisition will support IMCD's strategy of offering its suppliers and customers national US coverage and dedicated segment expertise. In 2017, Horn generated revenue of USD 276 million, a normalised EBITDA of USD 12 million and has approximately 200 employees.

On 25 September 2018, IMCD acquired 100% of the shares of Velox GmbH (Velox). Velox is a European distributor with a focus on specialities for the plastics, composites, additives, rubber, paints and coating industries. With approximately 225 employees in 18 countries Velox generated EUR 155 million revenue and a normalised EBITDA of EUR 5.4 million in 2017. With this acquisition, IMCD further strengthens its position as a distributor of speciality plastics and additives.

On 13 November 2018, IMCD acquired 100% of the shares of Aroma Chemical Agencies (India) Pvt. Ltd. and Alchemie Agencies Pvt. Ltd. (hereafter together "Aroma"), expanding IMCD's network across India in the coatings, plastics and other speciality chemicals industries. The companies together employ approximately 70 employees in India and generated EUR 26 million revenue in the full year 2017/2018 (ending 31 March 2018).

The three aforementioned transactions added EUR 138.8 million of revenue and EUR 1.4 million of net profit to the Group's results in 2018.

If all acquisitions had occurred on 1 January 2018, management estimates that consolidated revenue would have been EUR 2,680.4 million and consolidated result for the year would have been EUR 107.8 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 2018.

The total consideration related to the aforementioned transactions, transferred in cash in 2018, amounts to EUR 150.9 million. As at 31 December 2018, the deferred and contingent considerations payable related to the acquisition of Aroma amounts to EUR 1.5 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	HORN	VELOX	AROMA	TOTAL
Property, plant and equipment	16	7,671	292	140	**8,103**
Intangible assets	17	13,804	6,039	3,731	**23,574**
Deferred tax assets	21	1,521	2,959	148	**4,628**
Other financial assets		39	71	76	**186**
Inventories		18,543	16,196	3,767	**38,506**
Trade and other receivables		37,984	32,685	8,474	**79,143**
Cash and cash equivalents		832	8,319	2,267	**11,418**
Loans and borrowings		(2,435)	-	-	**(2,435)**
Other short term financial liabilities		(11,470)	(20,781)	-	**(32,251)**
Employee benefits and other provisions	27, 28	(3,839)	(5,397)	(253)	**(9,489)**
Deferred tax liabilities	21	-	(1,500)	(1,058)	**(2,558)**
Trade and other payables		(28,089)	(26,376)	(6,512)	**(60,977)**
Total net identifiable assets		**34,562**	**12,507**	**10,779**	**57,848**

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 80.6 million of which EUR 38.7 million relates to Horn, EUR 33.4 million to Velox and EUR 8.5 million to Aroma.

The purchase price allocation is on a provisional basis, as final agreement still has to be reached on certain tax positions included in the purchase price allocation. 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	HORN	OTHER ACQUISITIONS	TOTAL
Total considerations		102,549	49,876	**152,425**
Less: Fair value of identifiable net assets		34,562	23,286	**57,848**
Goodwill	17	**67,987**	**26,590**	**94,577**

Goodwill recognised as a result of the acquisitions in the financial year relate to Horn, Velox and Aroma. 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, 72% relates to Horn, 22% to Velox and 6% to Aroma.

Amortisation expenses related to the goodwill paid to the sellers of Horn is deductible for corporate income tax purposes. Amortisation of goodwill related to Velox and Aroma is not eligible for deduction from taxable income.

Acquisition related costs

The Group incurred acquisition related costs of EUR 1,687 thousand (2017: EUR 1,407 thousand) predominantly related to external legal fees and due diligence costs for completed and non-completed acquisitions. The legal fees and due diligence costs have been included in other operating expenses in the Group's consolidated statement of profit or loss and comprehensive income.

8 Revenue

EUR 1,000	2018	2017
Sales of goods	2,369,105	1,898,016
Commissions	9,994	9,338
	2,379,099	**1,907,354**

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	2018	2017
Netherlands	56,939	54,730
Rest of EMEA	1,183,879	1,086,949
EMEA	**1,240,818**	**1,141,679**
Americas	802,594	450,733
Asia-Pacific	335,687	314,942
	2,379,099	**1,907,354**

9 Other income

EUR 1,000	2018	2017
Other income	9,515	4,795
	9,515	**4,795**

Other income mainly refers to logistic and other services charged separately to customers.

10 Personnel expenses

EUR 1,000	NOTE	2018	2017
Wages and salaries	11	157,895	122,535
Social security contributions		25,690	22,735
Contributions to defined contribution plans		6,968	4,863
Expenses related to defined benefit plans	27	770	464
Expenses related to termination and other long term employee benefit plans	27	1,764	996
Other personnel expenses		7,302	5,138
		200,389	**156,731**

The personnel expenses 2018 include non-recurring severance costs of EUR 1.2 million (2017: EUR 0.7 million).

The average number of employees in the financial year by region and by function, measured in full time equivalents, is as follows:

FTE	2018	2017
The Netherlands (excluding Dutch Holding companies)	66	64
Rest of EMEA	1,129	1,031
EMEA	**1,195**	**1,095**
Americas	642	429
Asia-Pacific	538	495
Holding companies	50	45
	2,425	**2,064**
Management and administration	378	321
Sales	1,540	1,317
ICT/HSEQ/Warehouse/Other	507	426
	2,425	**2,064**

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 2018 is as follows:

	NUMBER OF SHARES	BASED ON SHARE PRICE
Shares granted to the Management Board	19,373	52.66
Shares granted to Executive Committee and certain senior managers	46,998	52.66

The number of performance shares granted in 2018 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 165,555 with vesting dates in 2019, 2020 and 2021.

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The weighted average share price and the number of performance shares are as follows:

	2018		2017	
	WEIGHTED AVERAGE SHARE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE SHARE PRICE	NUMBER OF SHARES
Outstanding as at 1 January	**34.70**	**185,577**	**31.08**	**132,470**
Forfeited during the year	43,88	(5,787)	35.84	(3,184)
Exercised during the year	29,55	(88,525)	-	-
Granted during the year	50.51	66,371	45.35	46,090
Performance adjustment	-	7,919	-	10,201
Outstanding as at 31 December	**44.10**	**165,555**	**34.70**	**185,577**

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	2018	2017
Shares granted	2,414	2,456

12 Other operating expenses

The other operating expenses are as follows:

EUR 1,000	2018	2017
Accommodation and other rental costs	15,614	13,296
Other office expenses	16,484	10,981
Car expenses	8,963	7,886
Other personnel related expenses	15,648	12,340
Professional service fees	10,630	7,499
Credit sales expenses	859	940
Insurance costs	2,912	2,244
Other operating expenses	4,281	4,797
	75,391	**59,983**

The other operating expenses include an amount of EUR 1.1 million (2017: EUR 1.6 million) related to non-recurring items. The non-recurring items in 2018 and 2017 mainly relate to professional services fees incurred during acquisition projects and subsequent integration processes.

13 Net finance costs

The following finance income and finance costs are recognised in profit or loss:

EUR 1,000	2018	2017
Interest income on loans and receivables	491	515
Change in fair value of contingent considerations	-	-
Change in fair value of derivative financial instruments	-	443
Currency exchange results	-	-
Finance income	**491**	**958**
Interest expenses on financial liabilities measured at amortised cost	(18,609)	(13,427)
Non-recurring interest expenses	(4,631)	-
Interest expenses on provisions for pensions and similar obligations	(455)	(199)
Change in fair value of contingent considerations	(42)	(10)
Change in fair value of derivative financial instruments	(57)	-
Currency exchange results	(90)	(2,436)
Finance costs	**(23,884)**	**(16,072)**
Net finance costs recognised in profit or loss	**(23,393)**	**(15,114)**

Finance income and expenses recognised in other comprehensive income are as follows:

EUR 1,000	2018	2017
Foreign currency translation differences of foreign operations	(9,559)	(42,518)
Effective portion of changes in fair value of cash flow hedges	47	(190)
Tax on foreign currency translation differences and changes in fair value of cash flow hedges recognised in other comprehensive income	205	959
Finance income recognised in other comprehensive income, net of tax	**(9,307)**	**(41,749)**

14 Income tax expense

Income tax expenses recognised in profit or loss

EUR 1,000	2018	2017
Current tax expense		
Current year	43,136	37,078
Adjustment for prior years	203	1,983
	43,339	**39,061**
Deferred tax expense		
Reduction in tax rate	(117)	(1,867)
Origination and reversal of temporary differences	(2,659)	(3,900)
Recognition of previously unrecognised tax losses	(756)	(184)
Recognition of current year tax losses	(673)	(387)
	(4,205)	**(6,338)**
Total income tax expense	**39,134**	**32,723**

In 2017 the impact of the reduction of the income tax rate in the US resulted in a (non-cash) gain of EUR 2.0 million.

The reported tax expenses include an amount of minus EUR 5.1 million (2017: EUR 5.5 million) related to temporary differences regarding amortisation of intangible assets.

Income tax recognised in the other comprehensive income and expenses

	2018			2017		
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	(9,559)	205	**(9,354)**	(42,518)	959	**(41,559)**
Cash flow hedges	47	-	**47**	(190)	-	**(190)**
Defined benefit plan actuarial gains/(losses)	(29)	(60)	**(89)**	14	(17)	**(3)**
	(9,541)	**145**	**(9,396)**	**(42,694)**	**942**	**(41,752)**

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

	2018		2017	
EUR 1,000	%	EUR 1,000	%	EUR 1,000
Profit for the year		100,057		77,262
Total income tax expense	28.1	39,134	29.8	32,723
Profit before income tax		**139,191**		**109,985**
Income tax using the Company's domestic tax rate	25.0	34,798	25.0	27,496
Effect of tax rates in foreign jurisdictions	2.1	2,875	3.5	3,820
Effect of change in tax rate	(0.1)	(117)	(1.7)	(1,867)
Tax effect of:				
Non-deductible expenses	1.7	2,351	2.0	2,162
Tax incentives and tax exempted income	(0.4)	(585)	(0.9)	(946)
Utilisation of tax losses	0.0	(12)	-	-
Recognition of previously unrecognised tax losses	(0.5)	(756)	(0.2)	(184)
Derecognition of previously recognised tax losses	-	-	-	-
Current year losses for which no deferred tax asset was recognised	0.1	177	0.5	600
(De)recognition of previously (un)recognised temporary differences	0.1	200	(0.3)	(341)
Under provided in prior years	0.1	203	1.8	1,983
	28.1	**39,134**	**29.8**	**32,723**

15 Earnings per share

Basic earnings per share

The basic earnings per share of EUR 1.91 (2017: EUR 1.47) is determined by dividing the result for the year due to the owners of the Company of EUR 100.1 million (2017: EUR 77.3 million) by the weighted average number of shares in circulation amounting to 52.4 million (2017: 52.4 million). As at 31 December 2018, the number of ordinary shares outstanding was 52.5 million (31 December 2017: 52.5 million).

Profit attributable to ordinary shareholders

EUR 1,000		2018	2017
Profit/(loss) for the year, attributable to the owners of the Company (basic)	(A)	100,057	77,262

Weighted average number of ordinary shares

IN THOUSAND SHARES	NOTE		2018	2017
Issued ordinary shares as at 1 January	25		52,592	52,592
Increase from change in nominal value	25		-	-
Conversion from shareholders' loans	25		-	-
Effect of shares issued	25		-	-
Effect of purchase or transfer of own shares	25		(149)	(168)
Weighted average number of ordinary shares as at 31 December		(B)	**52,443**	**52,425**
Earnings per share (A/B)			1.91	1.47

Diluted earnings per share

The calculation of the diluted earnings per share of EUR 1.95 (2017: EUR 1.52) 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		2018	2017
Profit/(loss) for the year, attributable to the owners of the Company (basic)			100,057	77,262
Share based payments, net of tax	11		2,414	2,456
Profit/(loss) for the year, attributable to the owners of the Company (diluted)		(C)	**102,471**	**79,718**

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		2018	2017
Weighted average number of ordinary shares (basic) as at 31 December	25		52,443	52,425
Effect of share based payments			101	138
Weighted average number of ordinary shares (diluted) at 31 December		(D)	**52,545**	**52,563**
Diluted earnings per share (C/D)			1.95	1.52

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16 Property, plant and equipment

The movements for the financial year are as follows:

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	7	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**

EUR 1,000	NOTE	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	HARDWARE & SOFTWARE	OTHER ASSETS	TOTAL
Cost						
Balance as at 1 January 2017		**11,772**	**6,188**	**17,886**	**13,258**	**49,104**
Acquisitions through business combinations		2,355	1,633	300	-	**4,288**
Additions for the year		416	440	1,446	879	**3,181**
Disposals		(1,770)	(7)	(2,756)	(293)	**(4,826)**
Effect of movements in exchange rates		(1,097)	(338)	(414)	(313)	**(2,162)**
Balance as at 31 December 2017		**11,676**	**7,916**	**16,462**	**13,531**	**49,585**
Depreciation and impairment losses						
Balance as at 1 January 2017		**2,136**	**3,529**	**12,827**	**9,717**	**28,209**
Depreciation for the year		865	1,036	1,500	945	**4,346**
Disposals		(120)	(82)	(632)	(105)	**(939)**
Effect of movements in exchange rates		(186)	(165)	(295)	(212)	**(858)**
Balance as at 31 December 2017		**2,695**	**4,318**	**13,400**	**10,345**	**30,758**
Carrying amounts						
As at 1 January 2017		**9,636**	**2,659**	**5,059**	**3,541**	**20,895**
As at 31 December 2017		**8,981**	**3,598**	**3,062**	**3,186**	**18,827**

17 Intangible assets

The movements for the financial period 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 2018		**581,978**	**104**	**21,453**	**25,000**	**487,207**	**19,509**	**1,135,251**
Acquisitions through business combinations	7	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**

EUR 1,000	NOTE	GOODWILL	INTELLECTUAL PROPERTY RIGHTS	DISTRIBUTION RIGHTS	BRAND NAMES	SUPPLIER RELATIONS	OTHER INTANGIBLES	TOTAL
Cost								
Balance as at 1 January 2017		**522,564**	**100**	**12,755**	**25,000**	**489,679**	**13,979**	**1,064,077**
Acquisitions through business combinations		-	-	-	-	21,611	1,264	**22,875**
Additions for the year		81,646	6	8,728	-	-	4,674	**95,054**
Disposals		-	-	-	-	-	(4)	**(4)**
Effect of movements in exchange rates		(22,232)	(2)	(30)	-	(24,083)	(404)	**(46,751)**
Balance as at 31 December 2017		**581,978**	**104**	**21,453**	**25,000**	**487,207**	**19,509**	**1,135,251**
Amortisation and impairment losses								
Balance as at 1 January 2017		**14,431**	**49**	**6,026**	**-**	**123,910**	**12,103**	**156,519**
Amortisation for the year		-	6	1,641	-	29,916	2,686	**34,249**
Impairment loss		-	-	-	-	-	-	**-**
Disposals		-	-	-	-	-	(4)	**(4)**
Effect of movements in exchange rates		-	-	(20)	-	(3,964)	(388)	**(4,372)**
Balance as at 31 December 2017		**14,431**	**55**	**7,647**	**-**	**149,862**	**14,397**	**186,392**
Carrying amounts								
As at 1 January 2017		**508,133**	**51**	**6,729**	**25,000**	**365,769**	**1,876**	**907,558**
As at 31 December 2017		**567,547**	**49**	**13,806**	**25,000**	**337,345**	**5,112**	**948,859**

Goodwill impairment testing

For the purpose of goodwill impairment testing, goodwill is allocated to the following cash generating units.

EUR 1,000	2018	2017
EMEA	304,441	283,670
Americas	271,001	199,840
Asia-Pacific	88,186	84,037
	663,628	**567,547**

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 2019 and the plan years 2020 and 2021 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 2022 and 2023. For the period after 2023 a growth rate equal to the weighted average of the forecasted annual real GDP growth rate for the period 2023-2048 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 2018 for each CGU are as follows:

	PRE-TAX WACC	TERMINAL GROWTH RATE
EMEA	11.5%	1.6%
Americas	11.6%	2.0%
Asia-Pacific	14.2%	3.2%
Total Group	10.5%	1.9%

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 2019-2023 to the terminal growth rate
- Decrease of the terminal growth rate by 1.0%
- Increase of the WACC (post-tax) 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		2018	2017
Supplier bases	**RUL**		
EMEA	4-13	144,213	155,394
Americas	8-16	133,135	130,314
Asia Pacific	4-16	50,393	51,637
		327,741	**337,345**

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 13.1 million, Asia-Pacific: EUR 3.5 million and Americas: EUR 8.4 million.

18 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	1,201	162,543	-
Rest of EMEA	6,747	21,171	38
EMEA	**7,948**	**183,714**	**38**
Americas	14,797	140,396	-
Asia-Pacific	2,517	51,891	-
Total	**25,262**	**376,001**	**38**

19 Equity-accounted investees

The equity accounted investees relates 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	2018	2017
Balance as at 1 January	**-**	**13**
Capital contributions	-	-
Acquisitions through business combinations	38	-
Result for the year	(9)	(61)
Addition to provision	9	48
Balance as at 31 December	**38**	**-**

The net assets of SARL IMCD Group Algerie consist of current assets amounting to EUR 249 thousand (2017: EUR 200 thousand) and current liabilities of EUR 401 thousand (2017: EUR 330 thousand). The loss from continuing operations in the financial year amounted to EUR 18 thousand. The net loss for the year 2017 amounted to EUR 124 thousand. As at 31 December 2018 net equity value of SARL IMCD Group Algerie was minus EUR 57 thousand.

The net assets of Velox China consist of current assets amounting to EUR 140 thousand and current liabilities of EUR 64 thousand. The net result for the year 2018 amounted to EUR 41 thousand. Net equity value was EUR 76 thousand.

20 Other financial assets

The other financial assets relates to receivables with a remaining term exceeding one year and includes rent and other deposits.

21 Deferred tax assets and liabilities

Unrecognised deferred tax assets

The Group has unrecognised deferred tax assets of EUR 1.0 million (2017: 2.0 million), consisting of unrecognised deferred tax asset of entities in EMEA EUR 0.1 million (2017: EUR 0.1 million) and entities in Asia-Pacific EUR 0.9 million (2017: EUR 0.9 million). The previously unrecognised deferred tax asset from entities in Brazil has been recognised in 2018.

Unrecognised deferred tax liabilities

As at 31 December 2018, the group has unrecognised deferred tax liabilities to the amount of EUR 3.8 million (2017: EUR 3.1 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	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Property, plant and equipment	447	178	1,366	1,162	**(918)**	(984)
Intangible assets	17,610	2	86,319	73,584	**(68,710)**	(73,582)
Financial fixed assets	20	18	1	-	**19**	18
Trade debtors and other receivables	616	591	79	69	**537**	522
Inventories	1,550	1,522	260	176	**1,290**	1,346
Share based payment reserve	318	284		-	**318**	284
Loans and borrowings	96	345	20	21	**76**	324
Employee benefits and other provisions	6,290	3,795	1,043	1,022	**5,247**	2,773
Trade and other payables	2,969	3,220	123	5	**2,846**	3,215
Other items	28	133	10	4	**18**	129
Tax loss carry-forwards	18,553	20,571		-	**18,553**	20,571
Tax assets/(liabilities)	**48,497**	**30,659**	**89,221**	**76,043**	**(40,724)**	**(45,384)**
Set off of tax	(5,327)	(6,460)	(5,327)	(6,460)	**-**	-
Net tax assets/ (liabilities)	**43,170**	**24,199**	**83,894**	**69,583**	**(40,724)**	**(45,384)**

The increase of the deferred tax asset for intangible assets is related to the tax deductibility of goodwill. The increase of the deferred tax liability for intangible assets is due to the non-tax deductibility of supplier relations.

Tax loss carry-forwards include EUR 3.9 million of tax credits (2017: EUR 3.1 million).

Movement in temporary differences during the year

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 (NOTE 7)	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)**
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**
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**
Tax losses carried forward	**20,569**	477	-	-	18	(2,511)	**18,553**
Net tax assets/ (liabilities)	**(45,384)**	**4,205**	**3**	**(48)**	**2,071**	**(1,571)**	**(40,724)**

Movement in temporary differences during the year (continued)

EUR 1,000	BALANCE AS AT 1 JANUARY 2017	RECOGNISED IN PROFIT OR LOSS	RECOGNISED DIRECTLY IN EQUITY	RECOGNISED IN OTHER COMPREHENSIVE INCOME	ACQUIRED IN BUSINESS COMBINATIONS	OTHER	BALANCE AS AT 31 DECEMBER 2017
Property, plant and equipment	**(1,113)**	144	-	-	(123)	108	**(984)**
Intangible assets	**(76,300)**	5,467	-	-	(5,148)	2,399	**(73,582)**
Financial fixed assets	**283**	(241)	-	-	-	(24)	**18**
Trade debtors and other receivables	**637**	(181)	-	-	48	18	**522**
Inventories	**788**	48	-	-	94	416	**1,346**
Share based payment reserve	**-**	284	-	-	-	-	**284**
Loans and borrowings	**(538)**	416	-	434	-	12	**324**
Employee benefits and other provisions	**1,370**	(235)	-	(122)	1,983	(223)	**2,773**
Trade and other payables	**2,111**	(76)	-	5	1,263	(88)	**3,215**
Other items	**127**	141	-	-	474	(611)	**131**
Tax losses carried forward	**23,045**	571	-	-	-	(3,047)	**20,569**
Net tax assets/ (liabilities)	**(49,590)**	**6,338**	**-**	**317**	**(1,409)**	**(1,040)**	**(45,384)**

22 Inventories

The value of the inventory is as follows:

EUR 1,000	2018	2017
Trade goods	354,269	265,826
	354,269	**265,826**

Cost of materials and inbound logistics included in the profit or loss of 2018 amounted to EUR 1,843.0 million (2017: EUR 1,478.7 million). Within this cost are write-downs of inventories to net realisable value of EUR 3.0 million (2017: EUR 2.4 million). The reversal of write-downs amounted to EUR 1.1 million (2017: EUR 1.0 million). The write-down of inventories is mainly due to inventories past their expiration dates or inventories which are not marketable. The write-down and reversal are included in cost of materials and inbound logistics.

23 Trade and other receivables

All trade and other receivables are current.

EUR 1,000	2018	2017
Trade receivables	374,572	311,487
Other receivables	23,447	20,222
Trade and other receivables	**398,019**	**331,709**

The composition of the other receivables is as follows:

EUR 1,000	2018	2017
Derivatives used for hedging	485	-
Taxes and social securities	8,977	5,488
Receivables from employees	211	167
Prepaid expenses	9,598	10,272
Other receivables	4,176	4,295
Total other receivables	**23,447**	**20,222**

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:

	2018		2017	
EUR 1,000	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
Current 0 - 30 days past due	382,078	713	319,558	130
Past due 30 - 60 days	10,893	602	9,151	240
Past due 60 - 90 days	2,887	360	2,499	403
More than 90 days	10,409	6,573	7,141	5,867
	406,267	**8,248**	**338,349**	**6,640**

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	2018	2017
Balance at 1 January	**6,640**	**6,492**
Adjustment adoption IFRS 9	1,085	-
Acquisitions through business combinations	1,427	413
Impairment loss recognised	1,799	1,439
Impairment loss reversed	(792)	(657)
Trade receivables written-off	(1,690)	(648)
Currency exchange result	(221)	(399)
	8,248	**6,640**

At 31 December 2018 the total impairment includes an amount EUR 1,604 thousand (2017: EUR 3,426 thousand) related to customers declared insolvent. The remainder of the impairment loss at 31 December 2018 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	2018	2017
Carrying amount		
EMEA	213,696	193,475
Americas	122,289	84,097
Asia-Pacific	62,034	54,137
	398,019	**331,709**

24 Cash and cash equivalents

The cash and cash equivalents are as follows:

EUR 1,000	2018	2017
Cash and cash equivalents	85,162	61,383
Cash and cash equivalents in the statement of cash flows	**85,162**	**61,383**

The cash and cash equivalent balances are available for use by the Group.

25 Capital and reserves

Share capital and share premium

As at 31 December 2018, 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 2018, the Company distributed a dividend in cash of EUR 32.6 million (2017: EUR 28.8 million).

The share premium as at 31 December 2018 amounted to EUR 657.5 million (31 December 2017: 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 2018, the Group held 146,641 of the Company's shares (At 31 December 2017: 195,000 shares). During 2018 the Group transferred 48,359 shares to fulfil its annual obligation from the 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
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)**
2017				
Foreign currency translation differences for foreign operations, net of tax	(41,559)	-	-	**(41,559)**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	(190)	-	**(190)**
Defined benefit plan actuarial gains and losses net of tax	-	-	(3)	**(3)**
Total other comprehensive income	**(41,559)**	**(190)**	**(3)**	**(41,752)**

26 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	2018	2017
Bank loans	474,072	363,749
Other liabilities	7,165	3,702
	481,237	**367,451**

Terms and debt repayment schedule

The terms and conditions of outstanding non-current loans were as follows:

EUR 1,000	CURR	NOMINAL INTEREST RATE	YEAR OF MATURITY	FACE VALUE 2018	CARRYING AMOUNT 2018	FACE VALUE 2017	CARRYING AMOUNT 2017
Senior bank loans	AUD	3.20%	2021	-	-	32,364	32,063
Senior bank loans	EUR	1.40%	2021	-	-	120,544	116,170
Senior bank loans	GBP	1.92%	2021	-	-	23,387	23,157
Senior bank loans	USD	3.09%	2021	-	-	18,122	18,095
Schuldscheindarlehen (fix rate)	EUR	1.20%	2021	15,000	14,953	15,000	14,937
Schuldscheindarlehen (fix rate)	EUR	1.58%	2023	15,000	14,943	15,000	14,931
Schuldscheindarlehen (floating rate)	EUR	1.20%	2021	45,000	44,860	45,000	44,811
Schuldscheindarlehen (floating rate)	EUR	1.45%	2023	25,000	24,906	25,000	24,886
Schuldscheindarlehen (fix rate)	USD	3.11%	2021	21,834	21,762	20,845	20,749
Schuldscheindarlehen (floating rate)	USD	4.38%	2021	56,769	56,584	54,198	53,950
Bond loan (fix rate)	EUR	2.50%	2025	300,000	296,064	-	-
Profit sharing arrangements	EUR	1.53%	2021	1,171	987	1,160	1,160
Other interest bearing liabilities				2,628	2,347	203	203
Total interest-bearing liabilities				**482,402**	**477,406**	**370,823**	**365,112**
Total non- interest-bearing liabilities				3,831	3,831	2,339	2,339
Total non-current liabilities				**486,233**	**481,237**	**373,162**	**367,451**

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.

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 were EUR 2.9 million and will be amortised over the expected duration of the loans, using the effective interest method.

At 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 is paid. All other conditions of the syndicated EUR 400 million multi-currency revolving facility will remain the same.

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TEN YEARS SUMMARY

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.

	2018		2017	
	OUTCOME	COVENANT	OUTCOME	COVENANT
Reported leverage	2.9		3.0	
Leverage including pro-forma results	2.8		2.8	
Leverage loan documentation	2.8	max. 3.5	2.7	max. 3.5
Interest cover	13.0	min. 4.0	16.3	min. 4.0

The actual reported leverage ratio as at 31 December 2018 was 2.9 times EBITDA (31 December 2017: 3.0 times EBITDA). Including the full year impact of acquisitions completed in 2017 and 2018, the leverage at the end of the financial year is 2.8 times EBITDA (31 December 2017: 2.8 times EBITDA). The leverage ratio calculated on the basis of the definitions used in the loan documentation was 2.8 times EBITDA (31 December 2017: 2.7 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 13.0 times EBITDA (2017: 16.3 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.

The difference between the changes in bank loans in the financial year (increase of EUR 114.3 million) and the cash flows from financing activities in the consolidated cash flow statement (cash inflow of EUR 111.8 million) comprises the loans and borrowings from business combinations (EUR 2.4 million) and the effect of foreign exchange rates (EUR 0.1 million).

Current liabilities

EUR 1,000	2018	2017
Loans and borrowings	**465**	**344**
Deferred and contingent considerations	345	699
Other short term financial liabilities	213,831	182,848
Other short term financial liabilities	**214,176**	**183,547**

Other short term financial liabilities include a revolving credit facility, bank overdrafts and other short term credit facilities, including discounted bills and discounted notes.

27 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	2018	2017
Net defined benefit liability	11,303	8,874
Termination benefits and other long term employee benefits	10,983	7,842
Total employee benefit liabilities	**22,286**	**16,716**

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	2018	2017	2018	2017	2018	2017
Balance as at 1 January	**59,969**	**49,339**	**51,095**	**47,087**	**8,874**	**2,252**
Included in profit or loss						
Current service cost	747	470	-	-	747	470
Past service cost	23	(6)	-	-	23	(6)
Settlements	-	-	-	-	-	-
Interest cost/(income)	1,455	1,171	1,125	1,117	330	54
	2,225	**1,635**	**1,125**	**1,117**	**1,100**	**518**
Included in OCI						
Remeasurement; loss/(gain):	-	-	-	-	-	-
Actuarial loss/(gain) arising from changes in:						-
- Demographic assumptions	(2,016)	(297)	-		(2,016)	(297)
- Financial assumptions	(308)	(635)	-		(308)	(635)
- Experience	1,029	979	-		1,029	979
Return on plan assets excluding interest income	-	-	(1,674)	(166)	1,674	166
Asset ceiling	-	-	-	-	-	-
Effect of movements in exchange rates	(391)	(1,148)	(237)	(1,162)	(154)	14
	(1,686)	**(1,101)**	**(1,911)**	**(1,328)**	**225**	**227**
Other						
Business combinations	2,565	10,933	-	4,079	2,565	6,854
Contributions paid by the employer	-	-	1,461	977	(1,461)	(977)
Contributions paid by the plan members	2,774	259	2,774	259	-	-
Benefits paid	(4,348)	(1,096)	(4,348)	(1,096)	-	-
	991	**10,096**	**(113)**	**4,219**	**1,104**	**5,877**
Balance as at 31 December	**61,499**	**59,969**	**50,196**	**51,095**	**11,303**	**8,874**

Plan assets

EUR 1,000	2018	2017
Equity securities	11,125	14,133
Government bonds	14,562	14,734
Qualifying insurance policies	24,286	22,440
Other plan assets	263	202
Total plan assets	**50,236**	**51,509**

Due to the asset ceiling applicable to the UK pension plan, in 2017 the actual fair value of the plan assets (EUR 51,5 million) exceeded the recognised plan assets (EUR 51.1 million) by EUR 0.4 million.

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Expense recognised in profit or loss

EUR 1,000	2018	2017
Current service costs	747	470
Past service costs	23	(6)
Settlements	-	-
Expense recognised in the line item 'Social security and other charges'	**770**	**464**
Interest cost	330	54
Expense recognised in the line item 'Finance costs'	**330**	**54**
Total expense recognised in profit or loss	**1,100**	**518**

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:

	2018	2017
Discount rate as at 31 December	2.69%	2.40%
Future salary increases	2.39%	2.92%
Future pension increases	1.49%	1.63%
Price inflation	2.43%	2.25%

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 2017 model [1.25%]
- Canada: CPM 2014 Public & Private with 2D projections using Scale B
- Germany: Richttafel 2005G Klaus Heubeck
- Switzerland: BVG 2015 Generational
- Austria: AVÖ 2018-P "Angestellte" -Rechnungsgrundlagen für die Pensionsversicherung-Pagler & Pagler

The Group expects EUR 1,811 thousand in contributions to be paid to its defined benefit plans in 2019. 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. 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 30 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 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)	(3,747)	4,896
Defined benefit plan The United Kingdom		
Discount rate (1% point movement)	(3,577)	4,695
Future salary growth (1% point movement)	335	(335)
Future pension growth (1% point movement)	3,913	(3,130)
Future inflation (1% point movement)	3,913	(3,466)
Future mortality (1 year)	671	(671)
Defined benefit plan Canada		
Discount rate (1% point movement)	(1,267)	1,567
Future salary growth (1% point movement)	37	(29)
Future pension growth (1% point movement)	395	(292)
Future inflation (1% point movement)	395	(292)
Future mortality (1 year)	(256)	249

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	2018	2017
Liabilities as at 1 January		**7,842**	**7,845**
Assumed in business combinations	7	2,243	115
Additions (excluding interest cost)		1,764	996
Interest cost		56	54
Withdrawals		(393)	(662)
Releases		-	-
Actuarial results		(332)	(227)
Effect of movement in exchange rates		(197)	(279)
Liabilities as at 31 December		**10,983**	**7,842**

The termination and other long term employee benefits comprises statutory imposed obligations for long or after-service benefits.

28 Provisions

The movements in provisions are as follows:

EUR 1,000	NOTE	2018	2017
Balance as at 1 January		**4,219**	**1,164**
Assumed in business combinations	7	4,681	3,528
Provisions made during the year		2,606	220
Provisions used during the year		(2,892)	(511)
Provisions released during the year		(25)	(167)
Effect of movement in exchange rates		(204)	(15)
Balance as at 31 December		**8,385**	**4,219**

The provisions mainly relate to the costs arising from organisational changes.

29 Trade and other payables

The trade and other payables are as follows:

EUR 1,000	2018	2017
Trade payables	263,679	213,437
	263,679	**213,437**

EUR 1,000	2018	2017
Derivatives used for hedging	195	1,802
Taxes and social securities	19,110	15,686
Pension premiums	1,836	1,007
Current tax liability	6,854	7,194
Other creditors	4,232	8,737
Accrued interest expenses	6,677	936
Liabilities to personnel	31,417	21,493
Other accrued expenses	18,538	12,908
	88,859	**69,763**

At 31 December 2018, 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.

30 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 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	23	485	-	-	-	485	-	485	-	485
Trade and other receivables	23	-	397,534	-	-	397,534				
Cash and cash equivalents	24	-	85,162	-	-	85,162				
Interest rate swaps used for hedging	29	-	-	-	-	-				
Forward exchange contracts used for hedging	29	-	-	195	-	195	-	195	-	195
Contingent consideration	26	-	-	4,176	-	4,176	-	-	4,176	4,176
Other short term financial liabilities	26	-	-	-	213,831	213,831				
Bank loans	26	-	-	-	474,072	474,072				
Other loans and borrowings	26	-	-	-	3,799	3,799				
Trade payables	29	-	-	-	263,679	263,679				
Other payables	29	-	-	-	88,664	88,664				

31 DECEMBER 2017		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	23	-	-	-	-	-				
Trade and other receivables	23	-	331,709	-	-	331,709				
Cash and cash equivalents	24	-	61,383	-	-	61,383				
Interest rate swaps used for hedging	29	-	-	744	-	744				
Forward exchange contracts used for hedging	29	-	-	1,058	-	1,058	-	1,058	-	1,058
Contingent consideration	26	-	-	3,038	-	3,038	-	-	3,038	3,038
Other short term financial liabilities	26	-	-	-	182,848	182,848				
Bank loans	26	-	-	-	363,749	363,749				
Other loans and borrowings	26	-	-	-	1,707	1,707				
Trade payables	29	-	-	-	213,437	213,437				
Other payables	29	-	-	-	67,961	67,961				

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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	CONTINGENT CONSIDERATION
Balance as at 1 January 2018	**3,038**
Assumed in a business combination	1,542
Paid contingent consideration	(293)
Gain included in profit or loss	(42)
Effect of movement in exchange rates	(69)
Balance as at 31 December 2018	**4,176**
Balance as at 1 January 2017	**61,450**
Assumed in a business combination	-
Paid contingent consideration	(56,506)
Gain included in profit or loss	(10)
Effect of movement in exchange rates	(1,896)
31 December 2017	**3,038**

The net gain included in profit and loss of EUR 42 thousand (2017: EUR 10 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, holding other assumptions constant, are set out below.

31 DECEMBER 2018	PROFIT OR LOSS	
EUR 1,000	INCREASE	DECREASE
EBITDA margin (10% movement)	(41)	29
Risk-adjusted discount rate (discount rate 1% point movement)	17	(17)

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 2018 NET AMOUNT
Trade and other receivables	400,385	(2,366)	398,019	-	398,019
Cash and cash equivalents	85,162	-	85,162	-	85,162
Other financial assets	3,780	-	3,780	-	3,780
Trade payables	265,688	(2,009)	263,679	-	263,679
Other payables	90,387	(1,528)	88,859	-	88,859
Other short term financial liabilities	214,235	(59)	214,176	-	214,176

31 Off-balance sheet commitments

Operating leases

Financial commitments, contracted for a number of years under leasehold, rental and operational lease agreements, amount in total to EUR 65.6 million (2017: EUR 50.8 million).

Obligations for future minimum long lease and rent payments mainly relate to offices and warehouses; obligations for future minimum operating lease payments mainly relate to vehicles and other equipment, including office equipment.

These obligations, expressed in nominal amounts, are divided over the future years as follows:

EUR 1,000	2019	2020 - 2023	AFTER 2023	TOTAL
Long lease and rent	13,478	34,098	8,527	56,103
Operational lease	4,569	4,946	-	9,515
	18,047	**39,044**	**8,527**	**65,618**

During the year an amount of EUR 18.1 million was recognised as an expense in profit or loss in respect of operating leases (2017: EUR 15.3 million).

Guarantees

As at 31 December 2018, the Group has granted guarantees of EUR 6.1 million (31 December 2017: EUR 1.5 million) in total. Those guarantees consist of bank guarantees provided to customs and tax authorities of EUR 1.8 million (31 December 2017: EUR 1.2 million), office rental guarantees of EUR 1.4 million (31 December 2017: EUR 0.3 million), credit facilities of EUR 1.3 million (31 December 2017: nil), guarantees for goods of EUR 1.1 million (31 December 2017: nil) and other guarantees of EUR 0.5 million (31 December 2017: nil).

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.

32 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 2018 on page 161.

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 50.

Transactions with associates

The Group owns 49% of the shares in SARL IMCD Group Algerie. At 31 December 2018 the Group has outstanding receivables from SARL IMCD Group Algerie of EUR 315 thousand (2017: EUR 262 thousand) and outstanding payables to Velox China of EUR 31 thousand.

Transactions with post-employment benefit plan
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 1,461 thousand (2017: EUR 977 thousand). The outstanding payable to the defined benefit plans as at the year-end 2018 is EUR 75 thousand (2017: EUR 74 thousand).

33 Subsequent events

There were no material events after 31 December 2018 that would have changed the judgement and analysis by management of the financial condition as at 31 December 2018 or the result for the year of the Group.

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2018

before profit appropriation

EUR 1,000	NOTE	31 DECEMBER 2018	31 DECEMBER 2017
Fixed assets			
Participating interest in group company	39	1,262,476	890,378
Deferred tax assets	40	14,963	17,604
Total fixed assets		**1,277,439**	**907,982**
Current assets			
Trade and other receivables	41	63	63
Accounts receivable from subsidiary	42	976	661
Cash and cash equivalents		16	38
Total current assets		**1,055**	**762**
Total assets		**1,278,494**	**908,744**
Shareholders' equity	43		
Issued share capital		8,415	8,415
Share premium		657,514	657,514
Translation reserve		(50,229)	(40,875)
Hedging reserve		(129)	(176)
Other reserves		(11,206)	(12,279)
Retained earnings		81,926	39,320
Unappropriated result		100,057	77,262
Total equity		**786,348**	**729,181**
Non-current liabilities	44	474,072	173,594
Accounts payable to subsidiaries	45	10,066	4,279
Other current liabilities	45	8,008	1,690
Current liabilities		**18,074**	**5,969**
Total equity and liabilities		**1,278,494**	**908,744**

COMPANY INCOME STATEMENT

for the year ended 31 December 2018

EUR 1,000	NOTE	2018	2017
Operating income	36	2,394	1,442
Wages and salaries	37	(2,783)	(2,511)
Social security and other charges	37	(191)	(99)
Other operating expenses		(647)	(721)
Operating expenses		**(3,621)**	**(3,331)**
Net finance costs		(11,322)	(4,274)
Share in results from participating interests, after taxation	39	116,136	86,390
Result before income tax		**103,587**	**80,227**
Income tax expense	38	(3,530)	(2,965)
Result for the year		**100,057**	**77,262**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

34 General

The company financial statements are part of the 2018 financial statements of IMCD N.V. (the ‘Company’).

35 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.

36 Operating income

Other operating income predominantly relates to management service fees charged to IMCD Group B.V.

37 Personnel expenses

The personnel expenses 2018 comprise the wages and salaries including bonuses, cost related to the employee benefit plan and social security expenses. Further details are provided in note 50.

38 Income tax expenses

In 2018 the Company did not recognise previously unrecognised deferred tax assets related to tax losses carried forward (2017: nil). The Company utilised deferred tax assets to an amount of EUR 3.0 million in the financial year (2017: EUR 3.4 million). Other movements in deferred tax assets relate to EUR 0.9 million new tax credits (2017: EUR 0.6M), EUR -1.0 million change in tax rates (2017: nil) and EUR 0.5 million prior year adjustments (2017: nil).

39 Participating interest in group companies

The movements of the participating interest in group companies can be shown as follows:

EUR 1,000	2018	2017
Balance as at 1 January	**890,378**	**911,311**
Changes:		
Investments in participating interests	295,000	-
Impact of adoption of IFRS 9	(1,085)	-
Share in results from participating interest after taxation	116,136	86,390
Dividends declared	(32,100)	(55,525)
Movement hedging reserve	47	(190)
Exchange rate differences	(6,973)	(52,058)
Movement other reserves	1,073	450
Balance as at 31 December	**1,262,476**	**890,378**
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.

40 Deferred tax assets

EUR 1,000	2018	2017
Balance as at 1 January	17,604	20,438
Changes:		
Recognition and use of tax losses	(2,641)	(2,834)
Balance as at 31 December	**14,963**	**17,604**

41 Trade and other receivables

The trade and other receivables primarily relate to prepaid insurance premiums.

42 Accounts receivable from subsidiary (current)

The accounts receivable from subsidiary relates to a receivable from IMCD Group B.V. regarding management service fees.

43 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 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**
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**
Total recognised income and expense	-	-	-	-	-	-	-	77,262	**77,262**
Share based payments	-	-	-	-	-	2,456	-	-	**2,456**
Purchase own shares	-	-	-	-	(2,004)	-	-	-	**(2,004)**
Cash dividend	-	-	-	-	-	-	-	(28,840)	**(28,840)**
Movement in other reserves	-	-	(41,559)	(190)	-	(3)	-	-	**(41,752)**
Balance as at 31 December 2017	**8,415**	**657,514**	**(40,875)**	**(176)**	**(7,193)**	**(5,086)**	**39,320**	**77,262**	**729,181**

Share capital and share premium

	ORDINARY SHARES	
EUR 1,000	2018	2017
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 2018, 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 2018, the Group held 146,641 of the Company's shares (31 December 2017: 195,000 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 2018 will be proposed: an amount of EUR 42,074 thousand to be paid out as dividend (EUR 0.80 per share) and EUR 57,983 thousand to be added to the retained earnings.

44 Non-current liabilities

The movement in the non-current liabilities during 2018 is as follows:

EUR 1,000	2018	2017
Balance as at 1 January	**173,594**	**183,554**
Additions	300,000	-
Transaction and other finance costs paid	(4,375)	-
Amortisation of transaction and other finance costs	1,294	375
Effect of movements in exchange rates	3,559	(10,335)
Balance as at 31 December	**474,072**	**173,594**

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	6 MONTHS OR LESS	6-12 MONTHS	1 - 2 YEARS	2 - 5 YEARS	>5 YEARS
Schuldscheindarlehen	EUR	99,662	105,211	456	876	1,336	102,543	-
Schuldscheindarlehen	USD	78,346	84,644	1,184	1,208	2,401	79,851	-
Bond loan	EUR	296,064	352,500	7,500		7,500	22,500	315,000
Total		**474,072**	**542,355**	**9,140**	**2,084**	**11,237**	**204,894**	**315,000**

Further details of the Schuldscheindarlehen are provided in note 26 of the consolidated financial statements.

45 Current liabilities

The Company's current liabilities as at 31 December 2018 amounts to EUR 18.1 million (31 December 2017: EUR 6.0 million) and consists of a short term liability to IMCD Finance B.V. and other current liabilities.

EUR 1,000	2018	2017
Accounts payable to subsidiaries	10,066	4,279
Other current liabilities		
Creditors	148	123
Liabilities to personnel	760	592
Accrued interest expenses	6,427	708
Other accrued expenses	673	267
	8,008	**1,690**
Current liabilities	**18,074**	**5,969**

46 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.

47 Off-balance sheet commitments

The Company forms part of a tax entity for corporate income tax together with other Dutch group companies. As a consequence, the company is jointly and severally liable for the corporate income taxes due by these tax entities.

48 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 fees 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		2018			2017	
Statutory audits of annual accounts	550	1,013	1,563	486	835	1,321
Other assurance services	-	-	-	-	-	-
Tax advisory services	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-
	550	**1,013**	**1,563**	**486**	**835**	**1,321**

49 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 50.

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 2018 amounted to EUR 2,394 thousand (2017: EUR 1,442 thousand). All related party transactions were priced on an at arm's length basis.

50 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	**2018**	**580**	**480**	**355**	**40**	**47**	**1,502**
	2017	515	300	444	42	46	1,347
H.J.J. Kooijmans	**2018**	**440**	**363**	**265**	**36**	**42**	**1,146**
	2017	378	222	326	38	41	1,005
Total	**2018**	**1,020**	**843**	**620**	**76**	**89**	**2,648**
	2017	893	522	770	80	87	2,352

As at 31 December 2018, the total number of shares conditionally granted to P.C.J. van der Slikke and H.J.J. Kooijmans is 25,177 respectively 18,776. The reported bonus and share based payment amounts include adjustments related to prior years. 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	2018	2017
M.G.P. Plantevin	65	65
A.J.T. Kaaks	50	50
J.C. Pauze (until May 2018)	17	48
J. Van Nauta Lemke-Pears	47	47
J. Smalbraak	41	40
S. Nanninga	28	-
Total	**248**	**250**

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.

51 Subsequent events

There were no material events after 31 December 2018 that would have changed the judgement and analysis by management of the financial condition at 31 December 2018 or the result for the year of the Company.

Rotterdam, 28 February 2019

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 2018

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
CBG Chemie Beteiligungsgesellschaft mbH	Cologne	Germany
IMCD Deutschland GmbH & Co. KG	Cologne	Germany
Otto Aldag Handel GmbH	Cologne	Germany
IMCD France Investments S.A.S.	Paris	France
IMCD Holding France S.A.S.	Paris	France
IMCD France S.A.S.	Paris	France
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
IMCD Ireland Ltd.	Dublin	Ireland
IMCD South Africa Pty. Ltd.	Isando	South Africa
Chemimpo South Africa Pty. Ltd.	Randburg	South Africa
IMCD Switzerland AG	Zürich	Switzerland
IMCD Ticaret, Pazarlama ve Danişmanlik Limited Şirketi	Istanbul	Turkey
IMCD Rus LLC	Saint-Petersburg	Russia
IMCD Ukraine LLC	Kiev	Ukraine
IMCD Czech Republic s.r.o.	Prague	Czech Republic
IMCD Polska Sp.z.o.o.	Warsaw	Poland
Jan Dekker Polska Sp.z.o.o. [1]	Warsaw	Poland
IMCD South East Europe GmbH	Vienna	Austria
IMCD Nordic AB	Malmö	Sweden
IMCD Sweden AB	Malmö	Sweden
IMCD Finland Oy	Helsingfors	Finland
IMCD Danmark AS	Helsingør	Denmark
IMCD Norway AS	Ski	Norway
IMCD Baltics UAB	Vilnius	Lithuania
IMCD Italia S.p.A.	Milan	Italy
Neuvendis S.p.A.	Milan	Italy
IMCD Espanã Especialidadis Quimicas S.A.	Madrid	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
IMCD Australasia Investments Pty. Ltd	Melbourne	Australia
IMCD Australasia Pty. Ltd. [2]	Melbourne	Australia
IMCD Australia 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
IMCD Philippines Corporation	Manila	Philippines
PT IMCD Indonesia (90.01% of shares)	Jakarta	Indonesia
PT Sapta Permata (90.01% of shares)	Surabaya	Indonesia
IMCD Holding Brazil Ltda. [3]	São Paulo	Brazil
IMCD Brasil Comércio e Indústria de Produtos Quimicos Ltda.	São Paulo	Brazil
IMCD Brasil Farmacêuticos Importação, Exportação e Representações Ltda	São Paulo	Brazil
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
IMCD Puerto Rico Inc. [4]	Cayey	Puerto Rico
IMCD India Pte. Ltd.	Mumbai	India
IMCD Vietnam Company Ltd	Ho Chi Minh City	Vietnam
IMCD Kenya Ltd.	Nairobi	Kenya
IMCD Japan Godokaisha	Tokyo	Japan
IMCD Canada Limited [5]	Brampton	Canada
IMCD US Food Inc. [6]	Washington	United States of America
Internatio Special Products Egypt LLC	Cairo	Egypt
IMCD Chile SpA	Santiago de Chile	Chile
IMCD Argentina SRL	Buenos Aires	Argentina
IMCD Egypt LLC	Cairo	Egypt
IMCD Uruguay SA	Montevideo	Uruguay
E.T. Horn Company [7]	La Mirada	United States of America
ETH Investment Group LLC	La Mirada	United States of America
Velox GmbH [8]	Hamburg	Germany
Velox Composite GmbH [8]	Hamburg	Germany
Velox Italia S.r.l [8]	Varese	Italy
Velox S.L. [8]	Barcelona	Spain
Velox France SAS [8]	Charnoz-sur-Ain	France
Velox U.K. Ltd [8]	High Wycombe	United Kingdom
Velox CMS s.r.o. [8]	Prague	Czech Republic
Velox Specialities AB [8]	Göteborg	Sweden
Velox DIS TISCARET [8]	Istanbul	Turkey
Velox OY [8]	Helsinki	Finland
Velox Poland sp.z.o.o [8]	Poznan	Poland
Velox Norway AS [8]	Oslo	Norway
Velox Specialities srl [8]	Bucarest	Romania
Velox China Ltd (50% of the shares) [8]	Shanghai	China
Velox China HK Co. Ltd (50% of the shares) [8]	Hong Kong	Hong Kong
Aroma Chemical Agencies (India) Private Ltd [9]	Mumbai	India
Alchemie Agencies Private Ltd [9]	Mumbai	India

1 Liquidated January 2018
2 Deregistered since December 2018
3 Merged with IMCD Brasil Farmacêuticos Importação, Exportação e Representações Ltda
4 Formerly known as Mutchler of Puerto Rico Inc.
5 Formerly known as L.V. Lomas Limited
6 Formerly known as L.V. Lomas Inc.
7 As from July 2018
8 Since September 2018
9 Since November 2018

OTHER INFORMATION

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.

Provision regarding the appropriation of profit

At the Annual General Meeting the following appropriation of the result for 2018 will be proposed: an amount of EUR 42,074 thousand to be paid out in cash as dividend (EUR 0.80 per share) and EUR 57,983 thousand to be added to the retained earnings.

Independent auditor's report

To the Shareholders and the Supervisory Board of IMCD N.V.,

REPORT ON THE FINANCIAL STATEMENTS 2018 INCLUDED IN THE ANNUAL REPORT

Our Opinion

We have audited the accompanying financial statements 2018 of IMCD N.V. 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 these annual accounts give a true and fair view of the financial position of IMCD N.V. as at 31 December 2018 (before profit appropriation), and of its result and its cash flows for 2018 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 these annual accounts give a true and fair view of the financial position of IMCD N.V. as at 31 December 2018 (before profit appropriation), and of its result for 2018 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 2018.
2. The following statements for 2018: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and 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 2018 (before profit appropriation).
2. The accompanying Company profit and loss account for 2018.
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 10 million. Based on our experience with the company, we selected materiality at 7.5% of earnings before tax (last year 6%) 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 500 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.

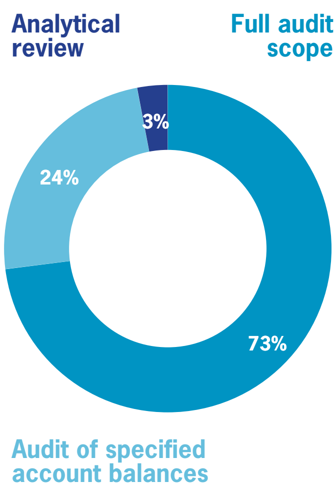
Scope of the group audit

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.

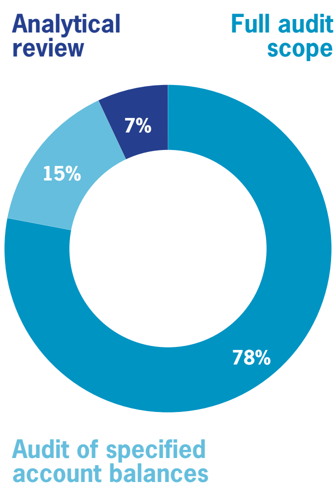
Because we are ultimately responsible for the opinion, we are directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for components. The extent of the procedures have been determined based on size and a number of more qualitative circumstances. Examples of such circumstances are 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 recent acquisitions. On this basis, we selected components for which a full audit, audit of specified account balances 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 of E.T. Horn, Velox GmbH and Aroma Group, sales and costs of goods sold, loans and borrowings and testing of manual journal entries.
- Involved Deloitte experts for impairment testing, information technology, tax and accounting.
- Used the work of component audit teams of Deloitte for all significant international components. For the audit of Velox GmbH and IMCD France SAS, we used auditors that are not part of the Deloitte network. The group audit team provided detailed written instructions to communicate requirements, significant audit areas and create awareness for risks related to management override. 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 664 million and other intangibles for a carrying amount of EUR 376 million on the balance sheet as per 31 December. EUR 328 million out of the EUR 376 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 E.T. Horn and Velox GmbH. (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 inherent 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 experts in benchmarking the inflationary growth and discount rates applied with capital market's expectations. We also engaged our specialists 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. **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.

KEY AUDIT MATTER	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN THE AUDIT AND OUR OBSERVATION
Geographical diversity IMCD has built a large portfolio of businesses. The entities are geographically spread and operating in a variety of established and emerging markets. The operating entities are of different size and scale and vary in maturity of operating and financial processes. Some of the entities run on globally deployed ERP systems, whilst other operate legacy ERP systems.	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 audits or audit of specified account balances). In addition to this we have visited six entities, amongst which quantitative and/or qualitative significant operations and the two entities audited by non-Deloitte firms, to understand the business dynamics, to plan the audits with the component auditors and review their audit procedures. As group auditor we performed audit procedures related to 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. **Observation** Based on the procedures performed centrally and those performed by the component audit teams, in the context of our audit and based on the materiality applied, we are of the risks of material misstatement are sufficiently addressed.
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 audit procedures that are appropriate for our audit.	In 2018, similar to 2017, we were not able to rely on automated data processing for certain processes. Alternatively, we 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 specialists have been deployed to assist us in making various data analyses. During 2018 the Management Board has given high priority to a program aiming for further improvement in a number of processes in the area of reducing and better monitoring of access to and maintenance of the systems of automated data processing. IMCD is continuously monitoring and enhancing the effectiveness of its internal control framework. Currently, the Company's management is upgrading its ERP solution and (subsequently) investing in measures that should enable us to further rely on the IT environment and related general IT controls. **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 E.T. Horn and Velox GmbH on respectively July 31, 2018 and September 25, 2018. Accounting for this acquisition 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 95 million) and other intangibles (24 million) increased as a consequence of the acquisitions in 2018. 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, and engaged Deloitte experts to validate the valuations of assets including the supplier relations and 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 E.T. Horn and Velox GmbH is in line with the requirements of IFRS 3, and that these acquisitions are adequately disclosed in Note 7 of the financial statements.

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 accounts contain 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 8, 2018, for the audit of the year 2018. 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 fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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.

Because we are ultimately responsible for the opinion, we are also responsible for 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 group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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 28, 2019

Deloitte Accountants B.V.

J. Hendriks

OTHER INFORMATION NOT FORMING PART OF THE FINANCIAL STATEMENTS

Ten years summary

EUR MILLION	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
RESULTS										
Revenue	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	686.6
Year on year revenue growth	25%	11%	12%	13%	10%	10%	9%	20%	24%	
Gross profit	536.1	428.7	381.6	332.8	287.6	261.3	237.9	218.0	182.0	146.0
Gross profit in % of revenue	22.5%	22.5%	22.3%	21.8%	21.2%	21.2%	21.3%	21.3%	21.4%	21.3%
Result from operating activities	162.6	125.2	107.5	91.2	82.4	73.4	69.7	48.4	50.1	34.5
Operating EBITDA [1]	207.5	166.0	152.1	131.8	112.7	99.0	92.0	86.6	69.1	51.2
Operating EBITA [2]	202.1	161.7	147.8	128.3	110.0	96.6	90.2	85.3	68.0	50.1
Year on year Operating EBITA growth	25%	9%	15%	17%	14%	7%	6%	25%	36%	
Operating EBITA in % of revenue	8.5%	8.5%	8.6%	8.4%	8.1%	7.8%	8.1%	8.3%	8.0%	7.3%
Conversion margin [3]	37.7%	37.7%	38.7%	38.5%	38.2%	37.0%	37.9%	39.1%	37.4%	34.4%
Net result before amortisation / non-recurring items	139.7	110.1	102.6	87.2	54.3	13.1	(0.7)	6.1	36.2	19.6
CASH FLOW										
Free cash flow [4]	166.5	161.3	140.4	119.3	94.6	80.5	86.5	76.3	56.6	62.7
Cash conversion margin [5]	80.2%	97.2%	92.3%	90.5%	83.9%	81.3%	94.0%	88.1%	81.9%	122.4%
BALANCE SHEET										
Working capital	399.8	314.3	248.4	227.8	179.7	150.7	121.0	105.9	90.4	61.2
Total equity	786.3	729.2	722.1	653.8	530.8	(67.1)	(49.7)	(27.9)	60.6	17.4
Net debt	610.7	490.0	397.6	437.5	266.6	823.5	724.6	671.6	256.5	256.6
Net debt/Operating EBITDA ratio [6]	2.8	2.8	2.6	2.9	2.4	8.3	7.9	7.8	3.7	5.0
EMPLOYEES										
Number of full time employees end of period	2,799	2,265	1,863	1,746	1,512	1,452	1,108	979	937	798
SHARES										
Number of shares issued at year-end (x 1,000)	52,592	52,592	52,592	52,592	50,000					
Weighted average number of shares (x 1,000)	52,443	52,425	52,477	51,612	25,118					
Earnings per share (weighted)	1.91	1.47	1.39	1.20	0.79					
Cash earnings per share (weighted) [7]	2.53	2.06	2.01	1.79	1.42					
Proposed dividend per share	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 Operating EBITDA

6 Including full year impact of acquisitions

7 Result for the year before amortisation (net of tax)

Colophon

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