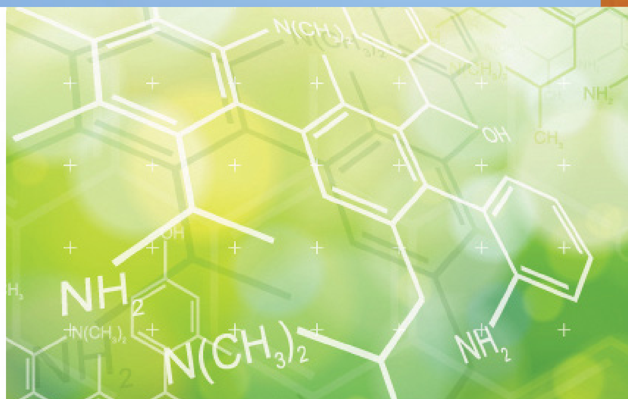
ANNUAL REPORT 2017

IMCD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ANNUAL REPORT 2017

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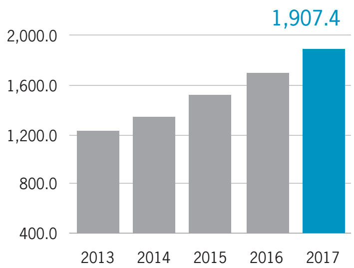
Financial highlights 2017

Sustainable growth in 2017

- Revenue growth of 11% to EUR 1,907.4 million (+12% on a constant currency basis)
- Gross profit growth of 12% to EUR 428.7 million (+13% on a constant currency basis)
- Operating EBITA increased by 9% to EUR 161.7 million (+11% on a constant currency basis)
- Net result before amortisation and non-recurring items of EUR 110.1 million (2016: EUR 102.6 million)
- Cash conversion ratio improved to 97.2% (2016: 92.3%)
- Cash earnings per share increased by 3% to EUR 2.06 (2016: EUR 2.01)
- Dividend proposal of EUR 0.62 in cash per share (2016: EUR 0.55)

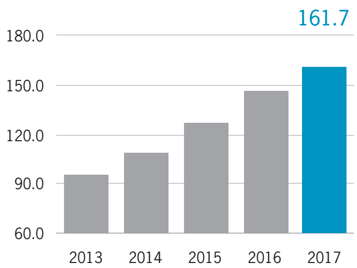
Revenue

in EUR million



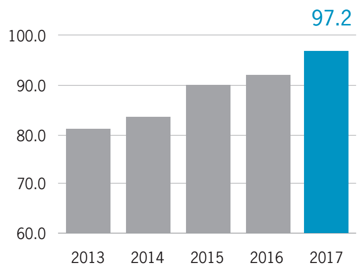
Operating EBITA

in EUR million



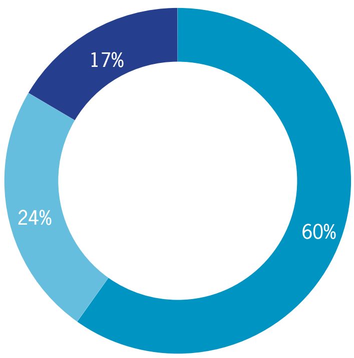
Cash conversion

in %



Revenue per region

EUR million

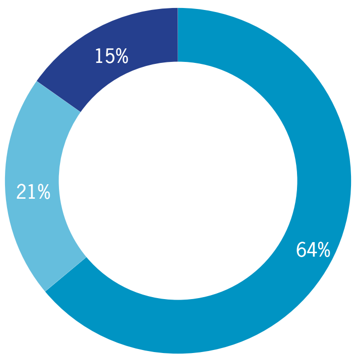


EUR million

- EMEA: 1,141.7
- Americas: 450.7
- Asia-Pacific: 314.9

Gross profit per region

EUR million

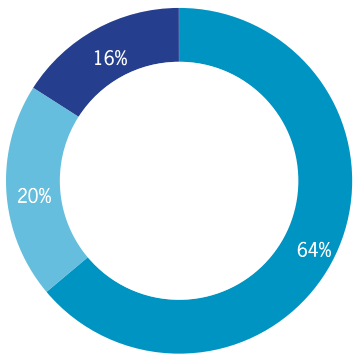


EUR million

- EMEA: 274.1
- Americas: 89.4
- Asia-Pacific: 65.2

Operating EBITA per region (excl. Holdings)

EUR million



EUR million

- EMEA: 112.6
- Americas: 35.5
- Asia-Pacific: 28.1

Key Figures

EUR million	2017	2016	Change
Results			
Revenue	1,907.4	1,714.5	11%
Gross profit	428.7	381.6	12%
Gross profit in % of revenue	22.5%	22.3%	0.2%
Operating EBITA[1]	161.7	147.8	9%
Operating EBITA in % of revenue	8.5%	8.6%	(0.1%)
Conversion margin[2]	37.7%	38.7%	(1.0%)
Net result before amortisation / non-recurring items	110.1	102.6	7%
Cash flow			
Free cash flow[3]	161.3	140.4	15%
Cash conversion margin[4]	97.2%	92.3%	4.9%
Balance sheet			
Working capital	314.3	248.4	27%
Total equity	729.2	722.1	1%
Net debt	490.0	397.6	23%
Net debt / Operating EBITDA ratio[5]	2.8	2.6	0.2
Employees			
Number of full time employees end of period	2,265	1,863	22%
Shares			
Numbers of shares issued at year-end (x 1,000)	52,592	52,592	0%
Weighted average number of shares (x 1,000)	52,425	52,477	0%
Earnings per share (weighted)	1.47	1.39	6%
Cash earnings per share (weighted)[6]	2.06	2.01	3%
Proposed dividend per share	0.62	0.55	13%

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

[2] Operating EBITA in percentage of Gross profit

[3] Operating EBITDA excluding non-cash share based payment expenses, 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)

FOREWORD CEO

Dear reader,

When thinking about this message, a quote attributed to the famous American baseballer Yogi Berra came to mind: "It's like déjà vu all over again". Since our listing in 2014, this is our 4th Annual Report and for the fourth time I can report that IMCD can look back on another year of growth. Favourable economic circumstances helped of course. We need a back wind like everybody else, but we can only benefit from it when our organisation is strong and when we have qualified and motivated staff. We recognise the importance of an open and transparent culture where employees and business partners are treated fairly. Entrepreneurship and freedom to operate combined with financial discipline are key values within IMCD. As are strict compliance with any legal and regulatory requirements. We remain stubbornly globalist: a company like ours can only be successful by embracing diversity in the broadest sense.

EMEA had an exceptional year with strong growth, most of it organic. In Italy we acquired Neuvendis with business activities primarily focused on the construction industry. We welcome its strong and capable team. We continue to invest in technical facilities and formulation expertise and in Cologne we opened a new pharma lab to support our sales force and our customers.

In North America, we made an important step in executing our strategy by acquiring L.V. Lomas with head office in Toronto, Canada. Lomas is a leading distributor in Canada and the US. We started to integrate our activities in the region and we have formed centres of excellence for our key market segments. As a part of this, we invested in laboratory facilities in coatings, personal care and our already excellent food lab in Toronto will be further expanded. We work patiently to establish an organisation of the highest quality that can serve its principals and customers throughout the North American market.

The results in Asia-Pacific are as different as the diversity of this huge region. We have well established businesses like in Australia/New Zealand which continue to produce solid results and we have start ups, like Japan, in which we continue to invest. Our activities in China and India are growing. In South-East Asia we experienced a more stagnating economic environment. We need more critical mass in some of these regions but we will diligently look for opportunities that will fit into our strategy.

ICT is a backbone of our business. Since our foundation, we have given this absolute priority and our ICT infrastructure has enormously helped us to manage our activities. ICT is an integral part of our success for which our ICT department deserves a lot of credit. The expansion of our business requires further investment, as does digitalisation. We work on significant projects to ensure that we remain a leader in this field as well.

We are not known for spending too many words on forecasting. We diligently continue to execute our strategy, we focus on creating an exciting company for our staff, business partners and shareholders, not for the next quarter but for years to come. I thank all of them for their hard work and support and we will do everything we can to produce another year of growth.

Rotterdam, 1 March 2018
Piet van der Slikke

IMCD AT A GLANCE

History

IMCD is a market leader in the marketing, sales and distribution of speciality chemicals and food ingredients. Listed at Euronext, Amsterdam (IMCD), IMCD realised revenues of EUR 1,907.4 million in 2017 with more than 2,200 employees in 46 countries on 6 continents.

2017
- Acquisition of L.V. Lomas in Canada and US, further strengthening IMCD's market presence in the North-Amerian region
- Acquisition of Bossco Industries Inc. in US to expand IMCD's operations
- Acquisition of Neuvendis in Italy strengthening IMCD's European network
- IMCD further builds its centres of excellence by opening a Coatings lab and a Personal Care lab in US, a Food & Nutrition lab in Australia and China and a Pharma lab in Germany

2016
- Acquisition of Feza Kimya in Turkey strengthening operations in the Coatings market
- IMCD opens a Food & Nutrition lab in India, a Personal Care lab in Brasil and a Home Care and I&I lab in Germany
- Acquisition of Chemicals and Solvents (EA) Ltd. in Kenya to expand existing operations in Africa
- Acquisition of Mutchler Inc. and Mutchler of Puerto Rico Inc. to expand US operations into the pharmaceuticals market
- IMCD opens regional head offices in the US strengthening its internal organisation

2006-2015
- IMCD enters the US market with the acquisition of M.F. Cachat
- IMCD is listed on Euronext Amsterdam (2014)
- Diversification by suppliers, customers, end markets, products and geographies proves to add to IMCD's resilience through challenging economic cycles
- Expansion to the Asia-Pacific region through acquisitions and greenfield operations, supported by a regional head office in Singapore
- IMCD enhances and expands its centres of excellence by opening various labs
- Various acquisitions strengthening IMCD's market presence in EMEA

1995-2005
- A matrix organisation is established along geographic lines and end markets enabling distribution on a broad geographical basis, supported by integrated IT systems
- Greenfield operations are initiated in Austria, Turkey, India and Russia and the Company adopts the name IMCD (2001)
- Add on acquisitions take place to further strengthen the position in Australia and New Zealand
- Acquisitions take place to build a pan-European network whereby acquisitions are a key part of the growth strategy
- Internatio-Müller combines its speciality chemicals distribution assets in Benelux, France, Australia and New Zealand as a separate division under the name Internatio-Müller Chemical distribution (1995)

Global presence

WORLDWIDE

- IMCD HQ and IMCD regional HQ's
- 66 offices
- 83 warehouse locations
- 37 laboratories

EMEA

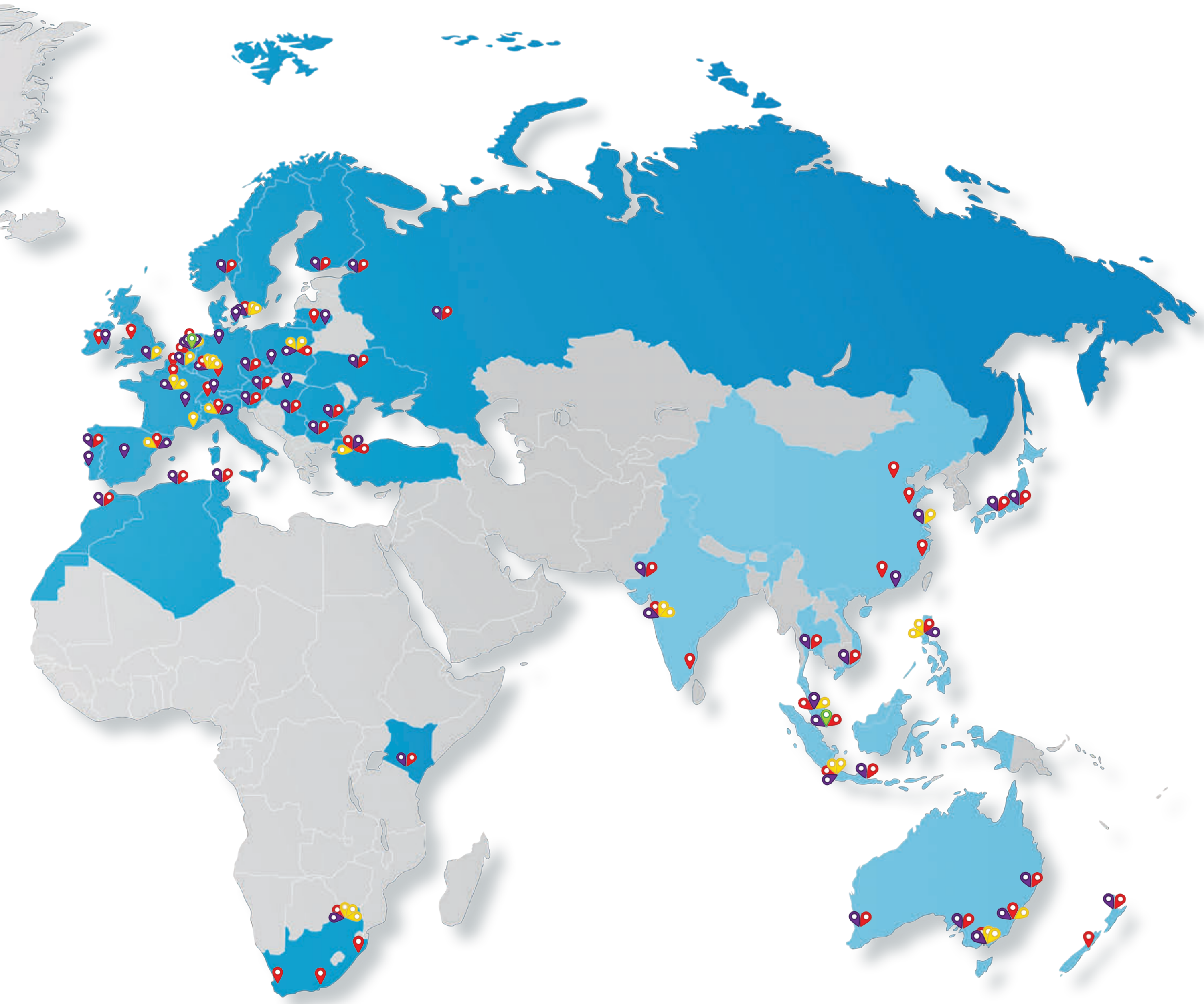
- IMCD HQ
- 39 offices
- 36 warehouse locations
- 19 laboratories

AMERICAS

- IMCD regional HQ
- 8 offices
- 24 warehouse locations
- 7 laboratories

ASIA-PACIFIC

- IMCD regional HQ
- 19 offices
- 23 warehouse locations
- 11 laboratories



SHAREHOLDER INFORMATION

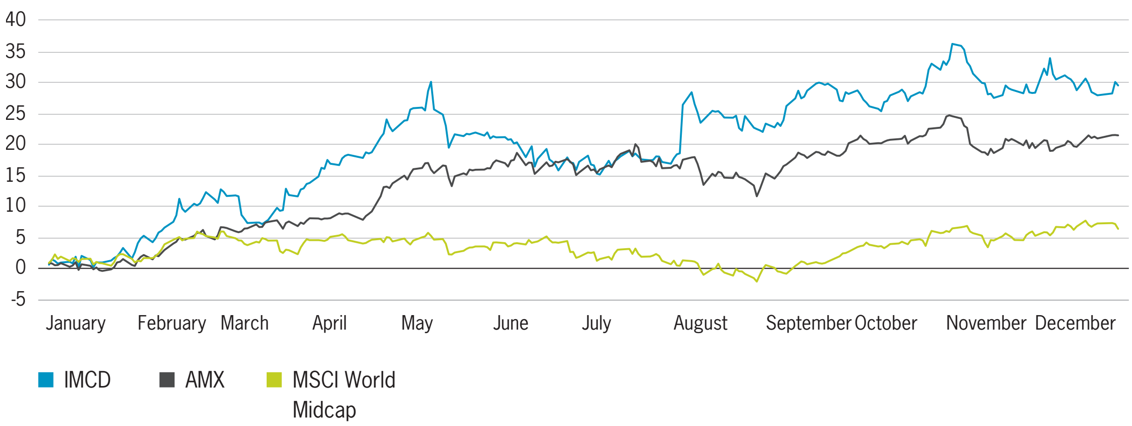
IMCD was first listed on Euronext Amsterdam on June 27, 2014 at an initial price of EUR 21.00 per share, resulting in a market capitalisation of EUR 1.1 billion. Since March 2015, IMCD shares are included in the Euronext Amsterdam Midcap Index and in July of that same year Euronext decided to launch options on IMCD. These options are traded in the Euronext Amsterdam Spotlight options segment. The total number of issued shares is 52.6 million and did not change during 2017. In September 2017, IMCD purchased 40,000 own shares to fund its long-term incentive plan, bringing the total number of own shares to 195,000.

Share price performance in 2017

In 2017, around 15 million IMCD shares were traded ("regular trading") on Euronext Amsterdam (2016: 14 million). In 2016 another 4 million shares were traded as a result of the final sell down of Bain Capital, IMCD's major shareholder at the day of the listing in 2014. The average daily regular trading volume in 2017 was approximately 60,000 shares whereby during the year the share price rose by 29% from EUR 40.49 to a closing price at December 31, 2017 of EUR 52.43. By the end of 2017, IMCD's market capitalisation was EUR 2.8 billion (EUR 2.1 billion end of 2016).

Share price performance 2017

In %



Investor relations policy

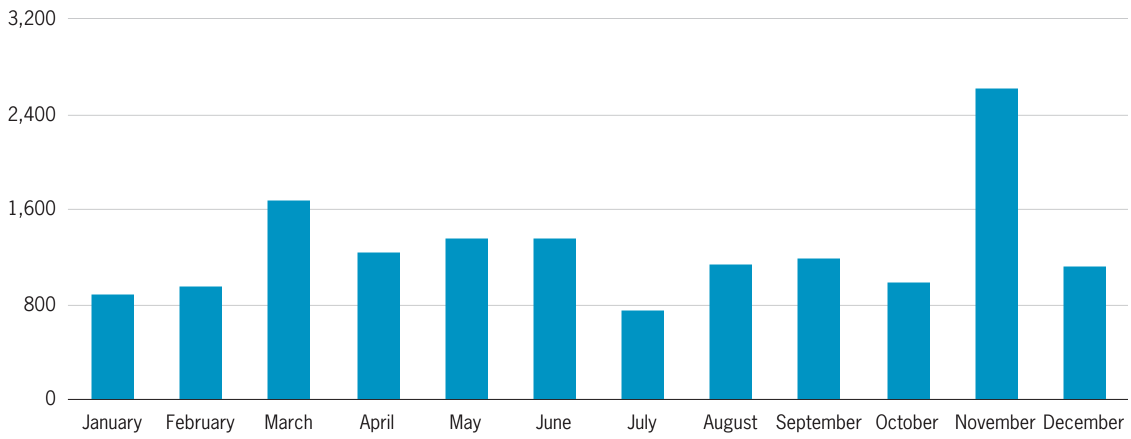
IMCD values maintaining an active dialogue with its financial stakeholders such as existing and potential shareholders, brokers and the (financial) media. IMCD considers it very important to explain the IMCD business model and execution in order to give stakeholders the information they need to form an opinion on the Company. In 2017, the Company organised roadshows to investors in The Netherlands, London, Paris, Frankfurt and Brussels. Investor conferences were attended in Frankfurt 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 brokers.

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 0.62 per ordinary share (2016: EUR 0.55), which means an increase of 13% compared to previous year. This dividend represents a pay-out ratio of 30% of adjusted net income (2016: 27% of adjusted net income).

Trading volumes 2017

In number of shares x 1,000



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 2017. There are no known holdings of short positions visible in the AFM register.

FMR, LLC	9.99%
Ameriprise Financial Inc.	5.10%
Dynamo Int. Gestao de Recursos Ltda.	4.98%
Stichting Nieuw Oosteinde	3.45%
Swedbank Robur Fonder AB	3.14%
Smallcap World Fund, Inc.	3.01%
BlackRock, Inc.	3.00%

Ticker symbols

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

The IMCD share	2017	2016
Highest price	55.87	40.95
Lowest price	40.17	30.00
Year-end price	52.43	40.49
Earnings per share (weighted)	1.47	1.39
Cash earnings per share (weighted)	2.06	2.01
Proposed dividend per share	0.62	0.55
Number of shares at year-end (x 1,000)	52,592	52,592
Weighted average number of shares (x 1,000)	52,425	52,477

Financial Calendar	
2 March 2018	Full year 2017 results
9 May 2018	Q1 2018 Trading Update
	Annual General Meeting
	Dividend announcement
11 May 2018	Ex-dividend date
14 May 2018	Record date
15 May 2018	Payment date
17 August 2018	First half year 2018 results
7 November 2018	Q3 2018 Trading Update

Investor relations

ir@imcdgroup.com

www.imcdgroup.com/investor-relations

ABOUT IMCD

Introduction

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

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

To its customers, IMCD 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

Speciality chemicals distribution

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

The sales of speciality chemicals requires technical expertise, 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 distribution company to serve the small and mid-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 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.

The most important characteristics of speciality chemicals and/or food ingredients versus commodity chemicals can be illustrated as follows:

	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 capabilites	Skilled and technical staff	Logistics / Infrastructure
Operations	Human capital intensive	Infrastructure intensive
	IMCD	

Market consolidation

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

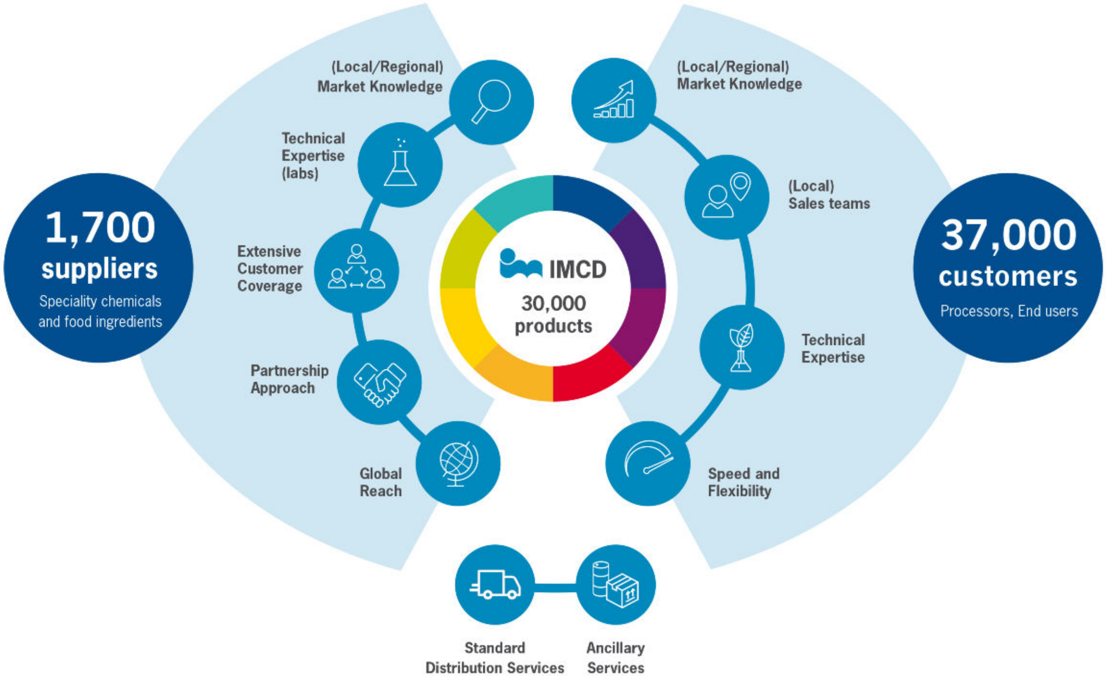
There is a trend towards outsourcing of sales, marketing and distribution to a more limited number of third party distributors. The greater complexity in the breadth of speciality products, lower order volumes and specific customer requirements in the various end markets are expected to drive outsourcing 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

General

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.

IMCD business activities

IMCD's core activity is in marketing and sales 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. 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.

IMCD 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 2017, IMCD's operations included 37 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 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, either to introduce a new product, investigate a new trend in the market or to look into material alternatives for their production processes. Customers are given access to IMCD's laboratories to enable them to 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
With 37 laboratories around the world and a continuous investment in high-end technical capabilities IMCD strives to ensure operational excellence and added value for both its business partners and the society as a whole.

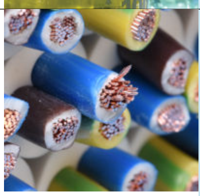
It is IMCD's policy to analyse current market trends and proactively offer innovative solutions for the constantly developing and demanding markets in which it operates. In doing so, IMCD is committed to supporting a comprehensive representation of sustainable, bio-based and renewable products in its overall product portfolio offering.

Our organisation

IMCD's business operations are organised in a matrix structure along geographic lines and end-markets to enable integrated and coordinated distribution services on a broad geographical basis and to facilitate the exchange of commercial and technical expertise across the organisation. IMCD´s country management is responsible for the optimisation of the services to customers in the various market segments. In turn, each end market is managed accross the IMCD organisation by business group management.

IMCD business groups

Life Sciences		End-markets	Products	Characteristics
Pharmaceuticals		• Pharmaceuticals formulation • Pharmaceuticals synthesis • Biotechnology • Laboratory	• Excipients • Active ingredients • Speciality solvents	• Insensitive to economic cycles • High levels of regulation
Personal Care		• Hair care • Skin care • Make-up • Toiletries	• Additives • Actives • Functional ingredients	• Innovative • Fast and dynamic formulation processes
Food & Nutrition		• Bakery • Beverage • Confectionery • Dairy • Nutrition • Savoury	• Additives • Ingredients • Carriers • Dairy	• Local tastes dictate formulation • Increasing regulation • Fragmented

Industrials		End-markets	Products	Characteristics
Coatings		• Adhesives • Construction • Industrial coatings & paints • Inks	• Additives • Filters • Pigments	• High dependence on automotive & construction industries
Lubricants		• Lubricants • Oil & gas • Greases	• Additives • Base oils • Tackifiers	• Regulatory changes drive opportunity in Asia-Pacific and other markets • High performance requirements • Consolidated market
Synthesis		• Industrial synthesis • Polymerisation	• Monomers • Process chemicals • Solvents	• Trend for 'green' chemistry (plant-based materials) • Volume trends follow downstream segments (construction, automotive, personal care, lubricants)
Plastics		• Food & speciality packaging • Wire & cable • Medical & healthcare • Bioplastics • Automotive & transportation • Sport & leisure • Electrical & electronics • Industry & consumer • Home appliances • Telecommunication	• Additives • Compounds	• Innovation in light weight and durable solutions • 'Green' and environmentally friendly formulations • Economically sensitive
Home Care and I&I		• Laundry care • Dish wash • Cleaning & surface care • Automotive care • Air care	• Surfactants • Builders • Functional additives	• Focus on environmentally friendly formulations

IMCD - STRATEGY

Values, business principles and culture

A prospering chemical industry has been a vital contributor to our 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 and optimum logistic solutions that help them innovate, simplify and grow their business in a sustainable way.

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.

Strategy

IMCD was formed in 1995 with a clear growth strategy developed by Piet van der Slikke, CEO and Hans Kooijmans, CFO.

IMCD originated from businesses located in the Netherlands, Belgium, France, Australia and New Zealand, that were brought together in 1995. The successful execution of its growth strategy over the last 22 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 more than EUR 1.9 billion, over 2,200 employees, 37 laboratories and a presence in 46 countries on 6 continents in 2017.

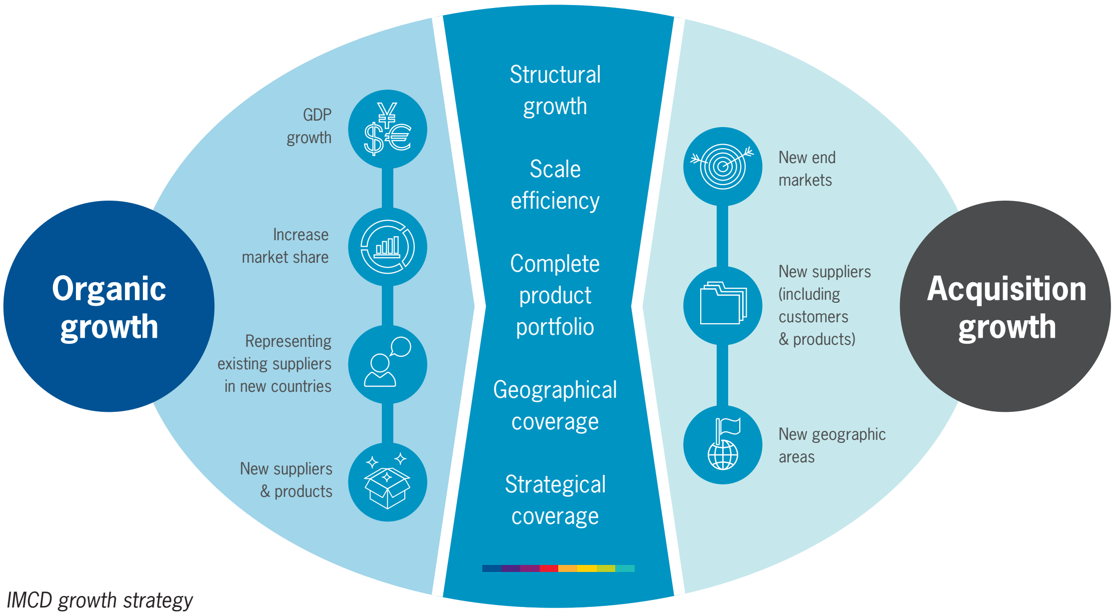
The ongoing consolidation of the speciality chemicals distribution market, with outsourcing by chemical manufacturers to an increasingly selective number of sales channel partners, a demand for multi-territory distribution partnerships and the complexities of increased regulation, is the basis for continuation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

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 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



IMCD growth strategy

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 continuously looks for acquisition opportunities that present a strategic fit in line with IMCD's long-term growth strategy. IMCD continues to pursue 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. Concrete project plans were prepared in 2017 and projects commenced early in 2018.

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, relatively low volume 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 paragraph of this Annual Report.

Sustainable stakeholder contribution

Added value for the stakeholders

Through a market focused approach and investments in technical expertise, IMCD has grown to become a leading global speciality chemicals and food ingredients distributor. IMCD offers suppliers an outsourced yet fully integrated marketing, sales and distribution channel in an expanding number of territories, whilst providing them with valuable market intelligence and technical support. Partnering with leading logistic service providers, IMCD ensures reliable services and tailored solutions for multi-territory distribution that meet all regulatory, quality, health, safety and sustainability demands.

Fostering and expanding its long-term relationships with leading chemical producers in the world, IMCD has built a comprehensive portfolio of speciality chemicals and food ingredients in a number of strategic market sectors including Pharmaceuticals, Food & Nutrition, Plastics, Personal Care, Synthesis, Coatings, Lubricants, Home Care and I&I.

IMCD's technical experts deliver market focused solutions to suppliers and customers, providing tailored advice on formulation, production process and application, including innovative solutions that embrace industry trends and sustainability demands on the modern markets.

IMCD highly values the dialogue and engagement with its various stakeholders. The open partnerships with key stakeholders in IMCD's operational value chain, including suppliers, customers, supply chain partners and employees, are essential to IMCD's successful long-term growth and key to IMCD's business operations. Integrity, transparency and compliance are IMCD's core business values that promote trust and respectful relationships with investors and authorities. With responsibility and care for the environment and society IMCD aims to serve the long-term interests of all its stakeholders.

Through a continuous focus on operational excellence, the development of technical expertise and the further strengthening of its market position, IMCD is committed to being a responsible and transparent partner to its stakeholders aiming to achieve profitable growth and to create long-term value.

IMCD´s stakeholders and its contribution thereto could be summarised as follows:

Suppliers

IMCD focuses on partnering with prestigious suppliers that offer leading and innovative products. The Company places high importance on further strengthening and developing long-term relationships with its supply partners by offering premium market penetration and intelligence to deliver long-term organic growth. In addition, suppliers can benefit from the proven IMCD business model of expanding into multiple countries and regions.

IMCD is experienced in providing business simplification to its suppliers by coordinating multi-territory agreements and adopting a flexible and cost effective and sustainable supply chain infrastructure. This includes offering a comprehensive range of value added services such as repacking and utilisation of both local and central warehousing.

Customers

IMCD’s customers operate in a wide variety of end markets in the life science and industrial sectors, manufacturing a large array of products including paints, adhesives, inks, construction materials, plastic products, lubricants, tablets and capsules, cosmetics, fragrances, food and beverages.

IMCD has built a strong base of over 37,000 customers and a balanced portfolio of approximately 30,000 products. By working closely together with IMCD, customers ensure that they have a high level of technical and formulatory support to create market leading and innovative and sustainable products. IMCD also provides additional tailored services for customers, including local stocking, repacking, mixing and blending, and has a continuous focus on delivering a premium customer service to further develop close, long-term relationships.

Supply chain partners

IMCD’s logistics and warehousing is, whenever possible, outsourced to best-in-class third party service providers enabling the Company to respond in a quick and flexible way to any change in supplier, customer or market demand. Currently, most of IMCD's logistics and warehousing is operated by third party service providers.

This asset light business model allows IMCD to be adaptable, reliable and efficient, while offering bespoke simplified solutions to fulfil the technical, commercial and quality requirements of its customers and suppliers alike. With central, regional and local warehouse locations across all operating territories, IMCD can deliver its products to most customers within a 24-hour time frame. All IMCD third party logistics service providers are monitored and audited by IMCD's dedicated HSEQ team with expert knowledge of control regulations and business standards for storage, handling and transport of speciality chemicals and ingredients.

Employees

IMCD’s greatest asset is its people. The Company currently employs more than 2,200 people across 6 continents.

With a focus on face-to-face customer interaction, approximately two thirds of IMCD’s employees are part of the technically and commercially skilled sales force that is able to understand customer needs and grow the business. These professionals possess a relevant technical background and are dedicated market specialists who focus exclusively on their respective fields, playing a vital role in maintaining and expanding the Company’s relationships with its partners. The remainder of the staff are involved in ICT, supply chain management, HSEQ, finance and control, tax, legal and HR management.

Based on a well established shared business culture, facilitated through an integrated group wide ICT infrastructure, IMCD employees efficiently collaborate and share their expertise throughout the organisation. Together they provide the solid platform from which the Company operates.

It is the Company’s philosophy to encourage entrepreneurial spirit throughout IMCD and to create an efficient and fast-paced working environment to attract and retain ambitious and talented people. Through a continuous investment in local and international training and development programmes, the professional knowledge of IMCD's employees is kept up to date and to the highest standards. With clear responsibilities and accountability for results within its business groups and regional organisations, IMCD aims to create long term employee commitment and a drive to excel.

IMCD's open and entrepreneurial business culture, with opportunities for personal development and career development, are considered the key components for employee satisfaction.

Environment and society

The chemical industry is important to virtually every other industry, as it produces products that are used in daily life. This makes the chemical industry one of the key influencing forces on sustainability. In its role as an international chemical distributor and with a responsibility for delivering its suppliers products to the market, IMCD seeks to optimise its processes for the benefit of the environment, society and its business.

IMCD believes that 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 contributes to sustainability by focussing on continuous improvement in the areas it can influence through its business activities. Key areas where IMCD sees a role for itself to stimulate sustainability practices are: product stewardship and the promotion of environmentally friendly formulations through the use of its technical expertise, optimalisation of supply chain processes (both in its own organisation as well as by partnering with its suppliers, customers and supply chain partners) and constant monitoring and improving in respect of compliance with the health, safety and quality standards applicable throughout its organisation. In addition, IMCD wants to contribute to local communities by encouraging its operating companies to engage and participate in local initiatives benefiting the local communities that they are part of.

Investors and Authorities

Integrity, transparency and compliance are IMCD's core business values that promote trust and respectful relationships with investors and authorities.

IMCD aims to deliver sustainable shareholder returns and being a solid business partner of providers of credit facilities. Reference is made to the shareholder information paragraph in this Annual Report.

IMCD seeks to maintain open, honest and constructive dialogues with the authorities. It endeavours to meet relevant legislative requirements and comply with all health, safety and environmental legal requirements, including import and export regulations and marketing and use restrictions, in all its operations and sales organisations. IMCD is committed to providing quality working conditions for its employees such that their health, safety and welfare at work are protected, and has established emergency response procedures to minimise the potential impact of emergencies and incidents on employees and the public.

Tax strategy and 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 IMCD’s 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.

New international tax initiatives driven by the OECD BEPS project and the EU have or will result in changes in tax laws in many jurisdictions in which IMCD operates, for instance, the implementation of a Country-by-Country reporting obligation in Dutch tax law. The tax effects of the changes in legislations are expected to be minimal, but IMCD is continuously assessing the impact of those initiatives.

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 Group'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 Supervisory Board to ensure a sustainable and viable tax strategy that is compliant with IMCD's business principles and enhances long-term profitability.

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. 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.

IMCD - PERFORMANCE

Developments in 2017

For the year 2017, IMCD reports another year of growth. IMCD's alignment with industry leaders, its continuous business development and its excellent staff helped to further grow its market share. IMCD was able to attract and expand supplier relations, further grow the customer base and acquire and successfully integrate some interesting companies. The relationships with suppliers are strong. IMCD builds partnerships with them to increase sales and to develop their product brands and markets in a transparent way.

Macroeconomic market conditions showed a mixed picture in 2017. In EMEA and North Americas, market conditions were, in general, more favourable than in the previous year. In Asia-Pacific market conditions were as different as the diversity of this enormous region. Market conditions in Brazil remained challenging. IMCD's multi-market and geographical coverage, combined with a diversified supplier and product portfolio provided financial resilience and enabled IMCD to financially outperform its end markets.

In 2017 IMCD further strengthened its technical capabilities with the addition of new regional application labs like a state of the art pharma lab in Germany and new coatings and personal care labs in the US. To support its role as a leading speciality chemicals and food ingredients distributor, IMCD operates 37 laboratories in 20 countries. IMCD's technical lab teams build, maintain and expand relationships with both suppliers and customers, creating growth opportunities and delivering value. Workshops and training sessions are held within the lab 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.

With a view to further improving IMCD's operational performance there is an ongoing program to optimise and further harmonise the global sales processes, HSEQ, finance & control and logistics. An important part of this program relates to a permanent update of IMCD's ICT infrastructure and governance, aiming to further optimise business processes and enhance ICT functionality and security.

Since IMCD's inception, it realised that ICT is a backbone of its business. ICT has helped IMCD to integrate acquired companies, to harmonise business processes and to manage and create visibility in day to day business performance. The strong ICT backbone is an integral part of IMCD's success. The expansion of the business combined with changes in the commercial environment as a result of digitalisation will lead to further investments in ICT. IMCD is well aware of these changes and is working on ICT related improvement projects to ensure that it will remain a leader in this field.

Acquisitions

Acquisitions have always been an important part of IMCD's growth strategy and will remain a focus going forward to assist in building scale and efficiencies, complementing IMCD's product portfolio and expanding geographic and strategic market coverage. In 2017 IMCD acquired three businesses.

In June IMCD acquired Neuvendis SPA, based in Milan, Italy, which is focused on speciality chemicals, selling into the construction, coatings & paints, adhesives, plastics, inks and leather sectors. Neuvendis is an excellent fit with IMCD's existing operations in Southern Europe.

In July IMCD acquired the speciality chemicals distribution business of Bossco Industries Inc. located in Houston, US. Bossco Industries was established in 1989 and is a distributor of speciality chemicals, supplying products and technical solutions to all major industrial market segments in the southwestern region of the United States. The business was fully integrated within IMCD US in the third quarter of 2017.

In August IMCD acquired the Canadian and US speciality chemicals and ingredients distributor L.V. Lomas. L.V. Lomas is an excellent fit with the IMCD business model and immediately provides IMCD with a significant presence in Canada and a further enhanced position in the US.

Established in 1960 and with activities at six locations in Canada and the US, including offices in Toronto (Head Office), Montreal and Vancouver, L.V. Lomas is one of North Americas' leading distributors of speciality chemicals and food ingredients and is distinguished by its experienced and qualified professionals that provide its customers with advanced technical support and market intelligence. With its asset light business model and long-term relationships with leading global chemical and ingredient suppliers L.V. Lomas has an excellent fit with IMCD's business model and strategy and significantly strengthens IMCD's position in North America.

Financial performance

EUR million	2017	2016	Change	Fx adj. change
Revenue	1,907.4	1,714.5	11%	12%
Gross profit	428.7	381.6	12%	13%
Gross profit in % of revenue	22.5%	22.3%	0.2%	
Operating EBITA	161.7	147.8	9%	11%
Operating EBITA in % of revenue	8.5%	8.6%	(0.1%)	
Cash conversion margin	97.2%	92.3%	4.9%	
Cash earnings per share	2.06	2.01	3%	

In 2017 IMCD achieved 11% revenue growth (+12% on a constant currency basis) and 12% gross profit growth (+13% on a constant currency basis). Operating EBITA increased by 9% to EUR 162 million (+11% on a constant currency basis) whereby the Operating EBITA margin was more or less stable at 8.5%.

Cash generation was strong in 2017 resulting in a cash conversion margin of 97.2%. Weighted cash earnings per share increased from EUR 2.01 in 2016 to EUR 2.06 in 2017.

Revenue

	EUR million				Growth			
	2017	in % total	2016	in % total	Organic	Acquisition	Foreign exchange	Total
EMEA	1,141.7	59.9%	1,053.6	61.4%	6.8%	2.4%	(0.8%)	**8.4%**
Asia-Pacific	314.9	16.5%	316.9	18.5%	0.2%	- %	(0.9%)	**(0.6%)**
Americas	450.7	23.6%	344.0	20.1%	(0.6%)	31.8%	(0.2%)	**31.0%**
Total	**1,907.4**	**100.0%**	**1,714.5**	**100.0%**	**4.1%**	**7.8%**	**(0.7%)**	**11.3%**

Revenue increased from EUR 1,715 million to EUR 1,907 million, an increase of 11% compared to 2016. This increase was the balance of organic growth (4%), the first-time inclusion of acquisitions (8%) and a negative contribution of foreign exchange differences (-1%).

Organic revenue growth of 4% was a balance of strong performance in EMEA and a flattish development in the other regions where IMCD is active. Diverse market dynamics in the different regions and market segments had an impact on organic growth. In EMEA improving economic market conditions helped. In other regions underlying GDP growth and chemical demand was modest or even negative resulting in challenging market conditions.

Furthermore, in a number of countries local currencies weakened versus the Euro, resulting in negative foreign exchange differences (-1%).

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

Acquisitions completed in 2016 (Mutchler, US and C&S and Feza, both in EMEA) and acquisitions made in 2017 had a positive impact on revenue of 8%.

Gross profit

	EUR million				Growth			
	2017	in % Revenue	2016	in % Revenue	Organic	Acquisition	Foreign exchange	Total
EMEA	274.2	24.0%	248.8	23.6%	8.4%	2.9%	(1.1%)	**10.2%**
Asia-Pacific	65.2	20.7%	63.9	20.1%	3.6%	- %	(1.6%)	**2.1%**
Americas	89.4	19.8%	68.9	20.0%	(1.3%)	30.8%	0.1%	**29.6%**
Total	**428.7**	**22.5%**	**381.6**	**22.3%**	**5.8%**	**7.5%**	**(1.0%)**	**12.3%**

Gross profit, defined as revenue less cost of materials and inbound logistics, increased from EUR 382 million in 2016 to EUR 429 million in 2017, an increase of 12%. This increase was the balance of organic growth (6%), the first time inclusion of acquisitions (7%) and a negative contribution of foreign exchange differences (-1%).

Gross profit in % of revenue increased from 22.3% in 2016 to 22.5% in 2017. The gross profit in % of revenue improved in EMEA and Asia-Pacific and slightly decreased in the Americas, 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 in the regions are caused by local market circumstances, product mix, product availability, currency fluctuations and the impact of newly acquired businesses.

The increase of the gross profit % is the result of the first-time inclusion of acquired companies, local market circumstances, currency exchange rate changes and the usual fluctuations in the product mix.

Operating EBITA

Operating EBITA is defined as the result from operating activities before amortisation of intangible assets and 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:

EUR million	2017	2016
Result from operating activities	125.2	107.5
Amortisation of intangible assets	34.2	38.2
Non-recurring items	2.3	2.1
Operating EBITA	**161.7**	**147.8**

Technical expertise in Personal Care

Beauty care as unique as you are

Tailor-made solutions

With the personal care market seeing a growing demand for bespoke beauty products, our customers need to develop formulations that are tailored to the uniqueness of each consumer.

To support them, the IMCD Personal Care technical team used their understanding of the skin to carefully select, from the portfolios of our suppliers, the most suitable ingredients for different skin types. Using their formulation expertise, technical specialists in IMCD's application laboratories then developed three light and fresh formulations for greasy skin, three comfortable and nourishing formulations for dry skin, and three protecting formulations for sensitive skin to demonstrate how customers could approach the trend for personalised products.

Operating EBITA increased by 9% to EUR 161.7 million compared to EUR 147.8 million in 2016 (+11% on a constant currency basis).

The growth in operating EBITA of EUR 13.9 million was a combination of organic growth, the first-time inclusion of acquisitions and a negative impact of exchange differences (-2%).

Because of the integration of acquisitions into existing IMCD organisations it is impractical to make a precise split between organic and acquisition EBITA growth.

The operating EBITA in % of revenue slightly decreased from 8.6% in 2016 to 8.5% in 2017. In EMEA the EBITA margin further improved from 9.6% in 2016 to 9.9% in 2017. In Asia Pacific the EBITA margin was stable at 8.9%, despite start-up costs related to new activities. In the Americas there was a decrease in EBITA margin from 9.2% in 2016 to 7.9% in 2017. This decrease was mainly due to the impact of the acquisition of L.V. Lomas in 2017.

The conversion margin, defined as operating EBITA as a percentage of gross profit slightly decreased from 38.7% in 2016 to 37.7% in 2017. The impact of first time inclusion of acquired companies was the main driver of this decrease.

Technical expertise in Coatings

Delivering eco-friendly corrosion protection primers

State-of-the-art technology

Steel bridges, cars, buses, trains and trucks all need coatings that protect against corrosion. With the very toxic anti-corrosion pigment lead chromate phased out of the market, zinc chromate has been used for the last 20 years. However, due to their ecotoxicological properties, zinc-based anti-corrosion pigments are now also under threat.

Technical experts in IMCD's Coatings labs have developed waterborne corrosion protection primers, based on binders and additives from our world-leading suppliers. These primers have been created using heavy-metal-free natural minerals, showing similar or even better corrosion protection properties compared to zinc-based systems.

Operating EBITA by operating segment

IMCD distinguishes the following operating segments:

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

	EUR million			
	2017	in % Revenue	2016	in % Revenue
EMEA	112.6	9.9%	100.8	9.6%
Asia-Pacific	28.1	8.9%	28.3	8.9%
Americas	35.5	7.9%	31.6	9.2%
Holding companies	(14.5)	-	(13.0)	-
Total	**161.7**	**8.5%**	**147.8**	**8.6%**

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

EMEA

EUR million	2017	2016	Change	Fx adj. change
Revenue	1,141.7	1,053.6	8%	9%
Gross profit	274.2	248.8	10%	11%
Gross profit in % of revenue	24.0%	23.6%	0.4%	
Operating EBITA	112.6	100.8	12%	13%
Operating EBITA in % of revenue	9.9%	9.6%	0.3%	
Conversion margin	41.1%	40.5%	0.6%	

The operations in EMEA showed another year with a strong performance. The combination of more positive macroeconomic market circumstances and a strong IMCD EMEA organisation resulted in 8% revenue growth. This increase was a combination of 7% organic growth, the first-time inclusion of acquisitions (2%) and a negative impact of exchange differences (-1%).

The acquisition impact was the (full year) result of three acquisitions done in this segment in 2016 and 2017. In September 2016 IMCD acquired the business and certain assets of Chemicals and Solvents (EA) Ltd. (C&S) in Kenya. In full year 2016 C&S generated about EUR 5 million revenue with 26 employees.

In December 2016 IMCD acquired Feza Kimya in Istanbul, Turkey, a leading distributor selling into the coatings, plastics, rubber, lubricants and detergent sectors. In 2017 Feza Kimya has been successfully integrated into the existing IMCD Turkey organisation. In 2016, Feza generated revenue of EUR 8 million with 23 employees.

End of June 2017 IMCD acquired Neuvendis based in Milan, Italy. Neuvendis is one of the leading market players in the distribution of speciality chemicals in Italy, which is focussed on selling speciality chemicals to the construction, coatings & paints, adhesives, plastics, inks and leather sectors. In 2016, Neuvendis generated revenue of EUR 26 million with 20 employees.

Gross profit increased from EUR 248.8 million in 2016 to EUR 274.2 million in 2017, an increase of 10%. This increase was the balance of organic growth (8%), first time inclusion of acquisitions (3%) and a negative contribution of foreign exchange differences (-1%). Relationships with suppliers remained strong. IMCD was able to add interesting new supplier relations and to further expand the relationships with existing suppliers in new territories and with additional business lines. Organic growth further included the usual changes in the product and customer mix.

During the year various initiatives were taken to further strengthen the IMCD market position and internal organisation. In various business cases there were activities to further streamline the commercial and logistical set up.

IMCD continued to invest in technical facilities and formulation expertise. As an example, in 2017 a new state of the art pharma lab was opened in Cologne in order to assist customers with formulation and testing. Further, these lab facilities are used to train the IMCD sales force and to help them to get a deep understanding of the product specifications and applications.

Gross profit margin improved from 23.6% in 2016 to 24.0% in 2017, primarily as a result of changes in the product mix.

Operating EBITA increased by 12% to EUR 112.6 million compared to EUR 100.8 million in 2016 (+13% on a constant currency basis). It is fair to state that most of this growth was organic. Operating EBITA in % of revenue rose from 9.6 % in 2016 to 9.9% in 2017.

The conversion margin further improved from 40.5% in 2016 to 41.1% in 2017. Gross profit margin improvement, combined with strict cost control were the main drivers of this increase.

The number of employees in EMEA increased by 7% (+6% excluding Neuvendis); at 2017 year-end IMCD employed 1,133 FTEs in EMEA, compared to 1,057 at the end of 2016. The additional staff were hired to fill vacancies, strengthen the technical expertise and to cater for future growth.

Asia-Pacific

EUR million	2017	2016	Change	Fx adj. change
Revenue	314.9	316.9	(1%)	0%
Gross profit	65.2	63.9	2%	4%
Gross profit in % of revenue	20.7%	20.1%	0.6%	
Operating EBITA	28.1	28.3	(1%)	1%
Operating EBITA in % of revenue	8.9%	8.9%	0.0%	
Conversion margin	43.2%	44.4%	(1.2%)	

In Asia-Pacific, market circumstances were characterised by substantial differences between the countries. Australia and New Zealand, representing more than 50% of IMCD's revenue in this region, reported modest GDP growth compared to countries like India and China. However, IMCD's well established business in Australia/New Zealand had another good year, producing solid results and healthy cash flows. Our activities in India and China, although small compared to the size of the markets, are developing well and growing nicely. In South East Asia we experienced a more stagnating economic environment and some headwind compared to 2016. In 2017 we further invested in the start-up activities in

Japan, Thailand and Vietnam to build and strengthen IMCD's presence in Asia Pacific.

Revenue in this region was more or less flat in 2017 compared to 2016. Gross profit increased by 4% forex adjusted whereby the gross profit margin increased from 20.1% in 2016 to 20.7% in 2017. This increase was primarily due to a strong focus on margin improvement, changes in the product portfolio and adding new supplier relationships.

Investments related to the start-up activities combined with further investments in the quality of IMCD's sales force affected operating EBITA. In 2017 reported operating EBITA was EUR 28.1 million, EUR 0.2 million lower than the 2016 outcome. Forex adjusted EBITA 2017 showed an increase of 1% compared to 2016. The number of employees in the Asia-Pacific region increased by 7% to 511 compared to 479 as at year-end 2016.

Operating EBITA in % of revenue remained stable at 8.9% in 2017. The conversion margin decreased from 44.4% in 2016 to 43.2% in 2017. The conversion margin decrease was mainly the result of additional own costs to further strengthen the existing organisations and start-up costs of new operations in the region.

Americas

EUR million	2017	2016	Change	Fx adj. change
Revenue	450.7	344.0	31%	31%
Gross profit	89.4	68.9	30%	29%
Gross profit in % of revenue	19.8%	20.0%	(0.2%)	
Operating EBITA	35.5	31.6	12%	13%
Operating EBITA in % of revenue	7.9%	9.2%	(1.3%)	
Conversion margin	39.7%	45.8%	(6.1%)	

Revenue in Americas grew by 31% which was a combination of organic growth (-1%) and the first time inclusion of acquired companies (+32%). Despite a substantial weakening of exchange rates in this region in the second half of 2017, the average

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 products used to clean, amongst other thing, 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.

exchange rate during this year was close to the 2016 average.

It is IMCD's strategy to build a strong North American organisation. In line with this ambition IMCD acquired two companies in this region in 2017.

In July IMCD acquired the speciality chemicals distribution business of Bossco Industries Inc., located in Houston, Texas. This acquisition, supplying products and technical solutions to all major industrial market segments in the southwestern region of the United States, further strengthened IMCD US and the ability to offer national coverage to its principal partners. Bossco generated revenue of USD 11 million in 2016.

In August 2017 IMCD acquired L.V. Lomas with activities at six locations in Canada and the US, including offices in Toronto (Head Office), Montreal and Vancouver, L.V. Lomas is one of North Americas leading distributors of speciality chemicals and food ingredients and is distinguished by its experienced and qualified professionals that provide its customers with advanced technical support and market intelligence. This acquisition is an excellent fit with the IMCD business model and immediately provides IMCD with a significant presence in Canada and a further enhanced position in the US.

In 2016, the acquired business of L.V. Lomas generated revenue of C$ 383 million and realised a normalised EBITDA of C$ 18 million with approximately 280 employees.

In 2017 IMCD started to integrate its activities in the North American market and to further invest in technical centres of excellence for key market segments. As a part of this, IMCD invested in laboratory facilities for coatings and personal care.

Further, the already excellent food lab in Toronto will be further expanded. IMCD works hard and diligently to establish an organisation of the highest quality that can serve its principals and customers throughout the North American market.

After a slow start, industrial output in the North American markets rebounded in the course of 2017 across a diverse set of chemical consuming industries. Hurricane Harvey caused widespread, though temporary, disruptions to the heart of the American chemical industry in the third quarter. As a result, the overall growth of the chemical market was modest in 2017.

In the first half of 2017 the Brazilian market seemed to have stabilised on the relatively low activity level that IMCD experienced during 2016. Overall the economic environment was weak resulting in falling demand from customers and low industrial production. Especially, IMCD's industrial activities in Brazil had a difficult time. The pharmaceutical activities of IMCD Brasil were less affected and performed in line with expectations. In the second half of 2017 the Brazilian economy was gaining some momentum despite political uncertainty.

Gross profit of operating segment Americas increased from EUR 68.9 million in 2016 to EUR 89.4 million in 2017, an increase of 30%. This increase was the balance of organic growth (-1%), the first time inclusion of acquired companies (31%) and a small negative contribution of foreign exchange differences.

Gross profit margin decreased from 20.0% in 2016 to 19.8% in 2017. This decrease was the balance of the first time inclusion of acquired companies with on average lower gross margin %, partly offset by margin improvement and changes in the product mix.

Operating EBITA increased by 13%, forex adjusted, to EUR 35.5 million compared to EUR 31.6 million in 2016. It is fair to assume that most of the growth is the result of the (full year) impact of acquisitions made in 2016 and 2017. The operating EBITA margin decreased to 7.9% (9.2% in 2016). The conversion margin decreased from 45.8% in 2016 to 39.7% in 2017 mainly due to the first time inclusion of the L.V. Lomas acquisition.

The number of employees in the Americas increased from 285 at the end of 2016 to 572 FTEs including 270 employees of L.V. Lomas.

Holding Companies

EUR million	2017	2016	Change	Fx adj. change
Operating EBITA	(14.5)	(13.0)	(12%)	(13%)

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 1.5 million to EUR 14.5 million in 2017. 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. Furthermore, in 2016 there was an amendment of the Dutch employee benefit plan. This amendment resulted in a one-off cost saving of EUR 1.0 million in 2016.

At year-end 2017, 49 FTEs were employed in the Holding Companies, compared to 42 at year-end 2016.

Result for the year

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

EUR million	2017	2016
Operating EBITA	161.7	147.8
Amortisation of intangible assets	(34.2)	(38.2)
Non-recurring income and expenses	(2.3)	(2.1)
Result from operating activities	**125.2**	**107.5**
Net finance cost	(15.1)	(12.8)
Share of profit of equity-accounted investees, net of tax	(0.1)	0.0
Result before income tax	**110.0**	**94.8**
Income tax expenses	(32.7)	(21.8)
Result for the year	**77.3**	**73.0**

Amortisation of intangible assets

Amortisation of intangible assets are non-cash costs mainly related to the amortisation of supplier relations, distribution rights and other intangibles. Amortisation of intangibles decreased from EUR 38.2 million in 2016 to EUR 34.2 million in 2017. Main reason of the decrease is a one-off amortisation related to a re-assessment of expected future cash flows of IMCD Brasil's supplier base resulting in a non-cash impairment loss in 2016 of EUR 5.7 million.

Non-recurring items

Non-recurring items of EUR 2.3 million (2016: EUR 2.1 million) include costs of EUR 1.4 million related to realised and non-realised acquisitions and costs related to one-off adjustments to the organisation of EUR 0.9 million.

Net finance costs

The net finance costs comprise of the following items:

EUR million	2017	2016
Interest income on loans and receivables	0.5	0.5
Interest expenses on financial liabilities	(11.8)	(10.9)
Changes in the fair value of derivative financial instruments	0.4	0.3
Amortisation of finance costs	(1.6)	(1.6)
Interest costs re employee benefits	(0.2)	(0.1)
Foreign currency exchange results	(2.4)	(1.0)
Net finance costs	**(15.1)**	**(12.8)**

Net finance costs in 2017 amounted to EUR 15.1 million compared to EUR 12.8 million in 2016. Main driver of this EUR 2.3 million increase in costs were additional interest costs on financial liabilities (EUR +0.9 million) and foreign currency exchange results reflected as finance costs (EUR +1.4 million).

Furthermore, net finance costs include non-cash items like amortisation of finance costs related to refinancing of EUR 1.6 million (2016: EUR 1.6 million).

Income tax

In 2017 income tax expenses increased from EUR 21.8 million in 2016 to EUR 32.7 million in 2017, an increase of EUR 10.9 million or 50%. This increase could be specified as follows:

EUR million	2017	2016
Regular income tax expenses	(36.8)	(33.9)
Adjustments for prior years	(2.0)	-
(De-)recognition of previously (un)recognised tax losses	0.6	6.2
Tax credits related to amortisation of intangible assets	3.6	5.9
Reduction in tax rates	1.9	-
Income tax expenses	**(32.7)**	**(21.8)**

The so called “regular” tax expenses increased from EUR 33.9 million in 2016 to EUR 36.8 million in 2017, an increase of 9%. Regular tax in percentage of result before income tax and amortisation (EUR 144.2 million in 2017 and EUR 132.9 million in 2016) remained stable at 26%.

The increase in income tax expenses is a combination of increased profitability combined with a number of one-off tax items. The most important one-off tax item having a positive impact on 2016 tax expenses was the recognition of tax losses resulting in a reduction of 2016 tax costs with EUR 6.2 million compared to a reduction of EUR 0.6 million in 2017. The recognition of previously unrecognised tax losses in the Netherlands was the main contributor to this tax reduction in 2016 (EUR 4.7 million). The reduction in tax rate in the US, resulting in an EUR 1.9 million non-cash release of a deferred tax provision was more or less offset by an EUR 2.0 million prior year tax adjustment following a local tax audit.

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

Net result before amortisation and non-recurring items
Net result before amortisation and non-recurring items increased from EUR 102.6 million in 2016 to EUR 110.1 million in 2017 (+7%). The main drivers of this increase were the increase of operating EBITA partly offset by higher financing and tax costs.

EUR million	2017	2016
Result for the year	**77.3**	**73.0**
Amortisation of intangible assets	34.2	38.2
Tax credits related to amortisation	(3.6)	(5.9)
Non-recurring income and expenses	2.3	2.1
Tax losses unrecognised (tax amount)	-	(4.7)
Net result before amortisation / non-recurring items	**110.1**	**102.6**

Lubricants

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.

Earnings and cash earnings per share (weighted)
Weighted earnings per share increased from EUR 1.39 in 2016 to EUR 1.47 in 2017 (+6%). Weighted cash earnings per share, calculated as earnings per share before amortisation (net of tax) increased from EUR 2.01 in 2016 to EUR 2.06 in 2017 (+3%).

EUR million	2017	2016
Result for the year	77.3	73.0
Amortisation of intangible assets	34.2	38.2
Tax credits related to amortisation of intangible assets	(3.6)	(5.9)
Result for the year before amortisation (net of tax)	**107.9**	**105.3**
Weighted average number of shares (x million)	52.4	52.5
Cash earnings per share (weighted)	**2.06**	**2.01**

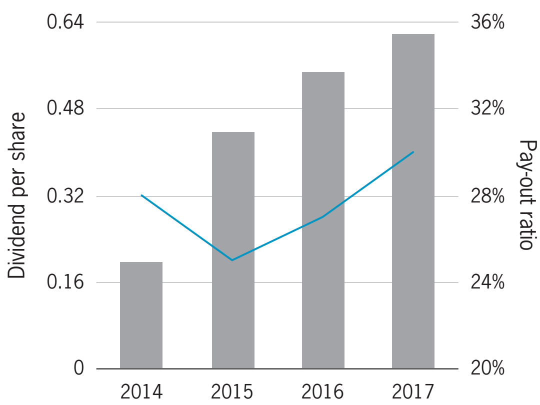
Dividend
The Company has a dividend policy with a target future annual dividend in the range of 25% to 35% of adjusted net income to be paid out either in cash or in shares. Adjusted net income is defined as the reported result for the year plus non-cash amortisation charges (net of tax). The outcome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

In 2017 the adjusted net income was EUR 107.9 million or EUR 2.06 per share (weighted).

For 2017, a dividend of EUR 0.62 per share in cash will be proposed to the Annual General Meeting which would mean an increase of 13% compared to 2016 (2016: EUR 0.55). Approval at the Annual General Meeting would result in IMCD paying EUR 33 million or 30% (2016: 27%) of the net result 2017 adjusted for non-cash amortisation charges (net of tax). The main rationale for the determination of the proposed dividend payment is a combination of maintaining room for further acquisition growth combined with reasonable leverage levels facilitating IMCD's long term growth strategy.

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



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. 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.

Cash flow

EUR million	2017	2016
Operating EBITA	161.7	147.8
Depreciation	4.3	4.3
Operating EBITDA	**166.0**	**152.1**
Share based payments	2.5	1.4
Inventories	(16.9)	(12.5)
Trade and other receivables	(13.3)	(16.7)
Trade and other payables	26.1	21.2
Change operational working capital	**(4.1)**	**(7.9)**
Capital expenditure	(3.1)	(5.2)
Free cash flow	**161.3**	**140.4**
Cash conversion margin	97.2%	92.3%

Free cash flow increased by 15% from EUR 140.4 million in 2016 to EUR 161.3 million in 2017. The cash conversion margin, defined as free cash flow as a percentage of operating EBITDA, improved by 4.9% to 97.2% in 2017, driven by further growth of operating EBITDA combined with lower investment in operational working capital. The investment in operational working capital in 2017, excluding additional working capital as a result of acquisitions made, amounts to EUR 4.1 million.

The increase in operational working capital levels includes the impact of currency depreciations of EUR 14.1 million.

IMCD's asset light business model resulted in relatively low capital expenditure compared to the size of the overall operations and amounted to EUR 3.1 million in 2017 compared to EUR 5.2 million in 2016. 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 2017	31 December 2016
Property, plant and equipment	18.8	20.9
Intangible assets	948.9	907.6
Financial assets	27.6	29.8
Non-current assets	**995.3**	**958.2**
Net working capital	**314.3**	**248.4**
Provisions and deferred tax liabilities	**(90.5)**	**(87.0)**
Total capital employed	**1,219.1**	**1,119.6**
Equity	729.2	722.1
Net debt	490.0	397.6
Total financing	**1,219.1**	**1,119.6**

Working capital

Working capital is defined as inventories, trade and other receivables less trade payables and other payables. At the end of 2017 the absolute amount of working capital was EUR 314.3 million compared to EUR 248.4 million at year-end 2016. The increase of EUR 65.9 million is a combination of increased business activity leading to higher working capital levels (EUR 17.2 million), impact of exchange rate differences on year-end balance sheet positions (EUR -14.1 million) and acquisitions (EUR 62.8 million). Monitoring working capital positions is a permanent focus of management attention and there are 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. A central team at the head office in Rotterdam largely manages liquidity and interest risks. Net debt amounted to EUR 490.0 million at year-end 2017, compared to EUR 397.6 million at year-end 2016. 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 169 million and a dividend payment of EUR 29 million.

Furthermore, net debt includes approximately EUR 3 million deferred contingent considerations related to acquisitions made (2016: EUR 61 million).

Today’s loan structure is based on an amendment to IMCD’s EUR 500 million syndicated banking facilities agreed in October 2016. The amendment comprised an extension of the term of the existing credit facility to 2021. Further, this amendment resulted in a term facility of EUR 200 million and a revolving facility of EUR 300 million. In addition, the amended terms include a fixed leverage covenant of 3.5 with an acquisition spike, whereby the leverage may be increased twice to 4.0 during the remaining life of the facilities.

The EUR 200 million term loans are fully drawn. About 61% was raised in Euro's, 17% in Australian Dollars, 12% in British Pounds and 10% in US Dollars. The interest rate surcharge on top of EURIBOR or LIBOR depends on overall leverage and varies between 1.25

and 2.75 (actual average surcharge end of 2017: 1.40%; end of 2016: 1.40%).

The EUR 300 million revolving facility can be drawn in various currencies. At the end of 2017 EUR 178 million of this revolving credit facility was drawn. On top of the revolving credit facility the loan documentation caters for some additional facilities to make use of local financing possibilities.

At the end of 2017 approximately 50% of the syndicated long term financial indebtedness of the group was hedged against the risk of interest rate increases.

Following the amendment of the syndicated banking facilities, a debt capital market issuance ("Schuldscheindarlehen") of EUR 100 million and USD 90 million with a tenor of 5 and 7 years was closed in 2016. This Schuldscheindarlehen is fully drawn. Of the EUR 100 million facilities, EUR 30 million has a fixed interest coupon of 1.200% (5 years) and 1.581% (7 years). The remainder of EUR 70 million has a floating coupon. The interest rate surcharge on top of EURIBOR for the floating coupon is fixed on 1.200% (5 years) and 1.450% (7 years). Of the USD 90 million facilities USD 25 million has a fixed interest coupon of 3.106% (5 years). The remainder of USD 65 million has a floating coupon. The interest rate surcharge on top of LIBOR for the floating coupon is fixed on 1.800% (5 years).

The loan documentation related to these external interest-bearing loans includes interest cover and maximum leverage conditions. The interest cover condition requires an EBITDA to net interest ratio of at least 4.0 times and will increase to 4.25 for December 2018 and the years thereafter (for the Schuldscheindarlehen the interest cover is fixed at 4.0 times). The leverage condition requires a maximum leverage ratio of 3.5 (or 4.0 when using the acquisition spike). The reported leverage ratio (net debt/operating EBITDA ratio including full year impact of acquisitions) at the end of December was 2.8 times EBITDA (31 December 2016: 2.6). The actual leverage at the end of 2017, calculated on the basis of the definitions used in the IMCD loan documentation, was 2.7 times EBITDA (2.3 times EBITDA end of 2016), which is well below the required maximum of 3.5 times EBITDA.

The interest cover, calculated based on the definitions used in the loan documentation, is 16.3 times EBITDA (31 December 2016: 13.9) which is well above the required minimum of 4.0 times EBITDA.

The equity attributable to holders of ordinary shares increased by EUR 7.1 million to EUR 729.2 million (31 December 2016: EUR 722.1 million). This increase is the balance of the addition of the net profit for the year of EUR 77 million, other comprehensive income of negative EUR 42 million and dividend payments in cash of EUR 29 million. The increase of equity resulted in a solid ratio at year-end whereby net equity covers 44.1% of the balance sheet total (31 December 2016: 48.7%).

In September IMCD purchased 40,000 own shares (EUR 2.0 million) to fund its long-term incentive plan.

Non-financial information

IMCD is committed to conducting its business ethically and responsibly and wants to create sustainable value for its stakeholders that are directly involved in its own operations as well as for the market and societies that it operates in. IMCD believes that 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.

IMCD's non-financial and sustainability agenda is set by the Management Board. The topics that have been determined to be relevant to IMCD are monitored at a group level, by the appropriate directors and employees responsible for legal affairs, human resources, HSEQ and supply chain. IMCD's group companies are responsible for local implementation of relevant practices within the policy framework set by the Management Board and are encouraged to take on an active role.

In 2018, IMCD will further develop its group-wide approach and policies relating to certain non-financial topics and sustainability, as well as reporting on the Company's performance on these topics.

Our people

General

IMCD is proud of its people and culture and considers this by far the most valuable asset. IMCD operates in a highly technical and specialised world of Chemicals & Ingredients as a professional services organisation where highly educated key people in a flat organisational structure can make the difference for suppliers, customers and each other. To get the very best out of its employees IMCD not only needs to hire very capable individuals but also needs to provide them with the freedom to operate. Good people always have choices, it is on IMCD to keep them challenged and motivated.

Talent development

Most of its employees come to IMCD with strong 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 2017, 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. IMCD has a network of application development laboratories in all its regions and opened five new labs in 2017, in the US for Personal Care and Coatings, in Germany a new Pharma lab and new Food & Nutrition labs in Australia and China. IMCD continues to invest in its technical expertise to better serve customers and suppliers.

Underlining the commitment to continue the development of its talent and organisation, in 2017 IMCD appointed a Group Head of HR and introduced the Leadership Pipeline methodology to better identify and assess IMCD's up and coming talent and management succession bench strength. IMCD prefers to recruit and promote its senior leaders from within the organisation and considers home grown leaders crucial for driving business growth and future acquisitions.

Company culture

IMCD's culture can be best described as client focused, decentralised, entrepreneurial, with freedom to act, open and transparent with short decision-making lines. 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. In major countries, such as France and Canada, IMCD currently is or has been recognised externally as a Great Place To Work (GPTW).

Employee retention

IMCD's employee attrition levels have been rather constant. In 2017, total turnover, for all reasons, was 11,7% worldwide. Per job function the highest turnover was in highly mobile support staff (ICT/ HSEQ/HR/Finance) with 15.0% globally. The attrition rate for sales employees remained constant at 10.9% which is lower than the Company's average. IMCD's biggest region EMEA has the lowest attrition with 7.3% 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 2,265 FTEs as at year-end 2017 (2016: 1,863). The increase of 402 FTEs is primarily the result of th acquisitions of L.V Lomas (Canada), Neuvendis (Italy) and Bossco (US) with more than 312 new people joining IMCD. Excluding acquisitions, the number of FTE counts increased by 90 which reflects our organic growth. After the L.V. Lomas acquisition, every fourth employee is now based in the Americas region (from 15% in 2016).

Diversity

From a diversity perspective, the female / male ratio was 1.09. IMCD employs 1,181 females versus 1,084 males which is for an organisation operating in the highly technical Chemicals & Ingredients world a testament for IMCD's commitment to diversity. IMCD has female Managing Directors leading businesses in Turkey, Vietnam, the Philippines and Indonesia and likes to promote talented females from within. IMCD's age profile remained more or less the same with 62% of the employee workforce in between 30 and 50 years of age (2016: 64%). It also reflects that IMCD mainly hires knowledgeable and experienced staff who can add value to its customers and suppliers immediately.

Environment and Society

The chemical industry is important to virtually every other industry as it produces products that are used in daily life. This makes the chemical industry one of the key influencing forces on sustainability.

In its role as an international chemical distributor and with a responsibility for delivering its suppliers' products to the market, IMCD seeks to optimise its processes for the benefit of the environment, society and business. IMCD therefore implements and encourages the following practices in its own organisation.

1. Product stewardship and sustainable solutions

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 fully endorses the objectives of the Regulation EC 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). The main objectives of REACH are to determine the hazards of chemicals and to assess the risks related to the application of chemicals in order to protect human health and the environment. REACH also 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. Applicable across the whole chemical industry chain, REACH entered into force on 1 June 2007 and will be completely operational in 2018. IMCD cooperates with (co-)producers, suppliers, and customers to fully and successfully implement REACH objectives.

Where relevant and required, all substances imported into the European Union by IMCD, have been appropriately registered and/or pre-registered for identification and application assessment purposes. In case a substance registration by IMCD is required on behalf of a non-EU producer, IMCD cooperates with external consultants to fully meet the REACH registration requirements laid down by ECHA (European Chemicals Agency).

IMCD analyses new technologies and market trends and is dedicated to support sustainable, bio-based and renewable products to be adequately represented in its overall product offering. In doing so, IMCD strives to offer new formulation and application solutions to its customers that will meet green, healthy and other sustainability demands on the modern markets.

Using its laboratories and technical centres, IMCD's scientists and technical managers freely share their technical expertise and product formulation, process and application knowledge to support sustainable innovation by both its suppliers and customers. In its laboratories and/or technical centres, IMCD does not carry out research or tests involving animals.

2. Optimisation of supply chain processes
Chemical distribution is a highly complex and multi-faceted business comprising purchase, storage and tailored logistics solutions. 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 2017, IMCD focussed on implementing an updated and harmonised supply chain policy that improves consistency and enforces stringent performance measures throughout the group. This policy provides the foundations for ongoing process improvement.

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 2017 to re-designing their logistics set-up, which resulted in more cost-effective models, faster market access and a reduction of carbon footprint.

In addition to optimising supply chain processes, IMCD also participates in external initiatives, networks and platforms with a focus on sustainable logistics, including the Lean & Green initiative; Europe's leading program for sustainable logistics. As reported last

Technical expertise in Food & Nutrition

Serving up healthier products

Improving recipes

The European Food Safety Authority recently issued advice to reduce acrylamide where possible. This is a natural by-product that typically occurs in a range of everyday foods during the cooking process and that has been found to carry potential health risks.

Partnering with a fine bakery manufacturer, IMCD's application specialists offered an innovative enzyme solution to successfully reduce the levels of acrylamide in an existing cookie recipe. IMCD supported the manufacturer in developing an improved, healthier and tastier product with significantly less acrylamide compared to that found in home-made cookies.

year, IMCD was the first chemical distributor to win a Lean & Green and Lean & Green Star award, for demonstrating 20% CO^2 reduction in a 5-year period in the Benelux and Italy. In 2017, IMCD Spain joined the program as well, being one of the 15 founding companies in Spain that together form the Spanish Lean & Green Commission. IMCD Spain is in the process of determining its carbon footprint and drafting an action plan to reduce its CO^2 emission by 20% over the next 5 years. IMCD supports its other subsidiaries to join the Lean & Green initiative as well.

Energy and waste management
IMCD supports the use of green energy in its offices. IMCD also encourages the recycling of used office materials and is committed to minimising paper consumption. The Company is committed to meeting relevant legislative requirements, as well as requirements agreed to with customers and suppliers, for environment, waste treatment and disposal. To this extent, IMCD has established a waste disposal policy 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.

Minimising waste by aligning and optimising infrastructure and logistic processes is also part of IMCD's integration process for new acquisitions.

In addition, IMCD's laboratories have modern liquid and fume waste management in place and local offices are developing incentive programs to promote more efficient ways of travelling.

3. Health, Safety, Environment and Quality
Being a responsible partner for all its stakeholders, Health, Safety, Environment and Quality (HSEQ) are of key importance to IMCD and essential for safe and reliable business operations. IMCD endeavours to comply with health, safety and environmental legal requirements, including import and export regulations and marketing and use restrictions in all its operations and sales organisations.

Updated HSEQ policy and guidelines
The Company's HSEQ commitments to employees, environment and society are set out in IMCD's HSEQ requirements and policies, implemented worldwide. In 2017, IMCD focussed on updating and harmonising its HSEQ policy and guidelines. A revised policy with clear guiding principles was implemented successfully throughout the group. An important part thereof concerns the implementation of an annual HSEQ risk analysis for each IMCD subsidiary, with a direct reporting line to the Group HSEQ Director. In addition, IMCD's regional HSEQ coordinators must set up and report on annual HSEQ plans and annual internal audits are performed to verify the effectiveness of the HSEQ policy, procedures and instructions.

IMCD furthermore has standard operating procedures in place on the collection of information with regard to the sale of new products, including regulatory compliance, the creation and dissemination of safety-related data, guidance on safe handling, customer-use screening in the context of sensitive products and supplier evaluation.

To ensure effectiveness, IMCD's regional HSEQ coordinators meet at least annually, but also more often in smaller groups throughout the year when needed. At these meetings, they discuss goals for the following year and regulatory developments, share best practices, information and data, discuss standard procedures and implementation of new practices. IMCD's HSEQ Director also visits subsidiaries periodically to discuss more specific issues on a local level with regional HSEQ coordinators.

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 the following eight guiding principles:

- legal requirements
- management of risk
- policies and documentation
- provision of information
- training
- emergency response
- ongoing improvements
- community interaction

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.

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).

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.

4. External sustainability initiatives
IMCD encourages its operating companies to take an active role in carefully selected external sustainability initiatives where it is believed it can make the most effective contribution in its role as a chemical distributor. With respect to 2017, IMCD can report the following relevant developments.

IMCD remains a proud participant in the Together for Sustainability (TfS) initiative; an important program founded in 2011 by six multinational chemical companies. TfS aims to develop and implement a global audit program that uses set criteria to assess and improve sustainability practices within the supply chains of the chemical industries. Previously, IMCD India and IMCD China were both awarded the Bronze Recognition Level by EcoVadis for their sustainability management. In October 2017, IMCD Germany was awarded Silver Level Recognition and in November 2017 IMCD France was awarded an outstanding Gold Level Recognition by EcoVadis. Assessments for Italy, Norway, Sweden, and the Philippines are underway and results thereof are expected in 2018. Furthermore, good progress was made with the preparations for an EcoVadis assessment on IMCD group level. IMCD expects to report on the outcome on these assessments in its 2018 annual report.

IMCD is also a proud member of the Roundtable of Sustainable Palm Oil (RSPO). The RSPO is 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. IMCD Italy and IMCD Benelux were the first entities to join the RSPO initiative in 2014 and are RSPO certified by independent accredited bodies for the RSPO Supply Chain Standards. Thereafter, IMCD applied for a group level RSPO membership, which it obtained in 2015. Between 2015 and end of 2017, the number of group subsidiaries that joined in IMCD group membership increased to 12 and now include - in addition to Italy and Benelux - IMCD entities in 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).

5. Community relations

IMCD cares about the communities in which it is located. As a diversified international business that is present in 46 countries on 6 continents, IMCD cannot offer its support to just one chosen cause. Instead, IMCD opts to support a number of local initiatives to make a difference to its immediate communities. With respect to 2017, the following projects provide good examples of IMCD's local involvement.

In the reporting year 2017, IMCD's head office in Rotterdam continued its support for De Nieuwe Poort. De Nieuwe Poort is a community centre and social enterprise, aiming to be a platform for reflection, inspiration and connection in local communities. It also provides training and (work) experience for people with a distance to the labour market (amongst others refugees, people returning to the labour market after long-term unemployment and people with physical or mental disabilities). In 2016, IMCD's CEO Piet van der Slikke participated in a series of inspirational speeches by leading Dutch board members organised by De Nieuwe Poort.

In Brazil, IMCD engaged in the local "Vida Limpa" (Clean Life) program and donated 8759 kg of recycling materials that was generated from its operations. The project serves both an environmental and social goal, as the funds that are generated through the recycling-program are used to strengthen local community's resilience.

In South Africa, IMCD initiated and/or supported several projects to support and improve social conditions of the local community. IMCD is particularly proud of its involvement in the Techno Girl program (a collaboration between the South African Department for Women, Children and People with Disabilities and UNICEF). The program provides for a corporate mentorship and STEM (Science, Technology, Engineering and Mathematics) skill development initiative for young females in underprivileged schools. IMCD supports a next generation of young energetic scientists and mentored four school girls, whilst introducing them to various career paths and options within IMCD SA.

IMCD furthermore supported Hearts of Hope in South Africa, a local organisation that provides a safe home to orphaned and/or vulnerable children. Over the past years IMCD fostered the needs of one of the children in their care and can now happily report that after three years, he has now been adopted by a new family. IMCD SA also contributed to Stop Hunger Now in 2017, by supplying packed meals for distribution to people living in poverty.

Synthesis

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.

In Germany, IMCD supported the education of children by participating in the 7th Cologne edition of the Run & Ride for Reading, which events aims to raise funds to improve the reading skills of kids and to awake their desire for books and reading.

Human rights
IMCD is committed to conducting its business in an ethical, integer and responsible manner. As part thereof, IMCD recognises its responsibility under the United Nation's 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. We expect our (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.

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. In the reporting year of 2017, IMCD did not learn of any violation of human rights within its corporate group.

Anti-corruption and Anti-bribery
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. Internal policies and a continuous compliance training program are in place aiming to establish expectations and 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.

The Company uses software to screen business partners against various sanctions related lists and has established a 24-hour emergency service line, facilitated by external experts, for the reporting of any incidents. Any irregularities or deviations in IMCD operations regarding, amongst other, IMCD's business principles as described in the Code of Conduct, can also be reported through IMCD's Internal Alert Procedure. In the reporting year of 2017, IMCD did not learn of any violation in respect of its stringent anti-corruption and/or anti-bribery policies within its corporate group.

Outlook 2018

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 GOVERNANCE

Function summary

Management Board and Executive Committee

IMCD's Management Board has two members:

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

- Chief Executive Officer
- In current position since 1995
- Term expiring in 2018

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

- Chief Financial Officer
- In current position since 1996
- Term expiring in 2018

IMCD’s Executive Committee has six members: the two members of the Management Board and four Directors.

Next to the members of the Management Board, the members of the Executive Committee are (from left to right):

Frank Schneider	(1959, German nationality)	Managing Director IMCD Germany | Business Group Director Coatings
John Robinson	(1966, British nationality)	Business Group Director Pharmaceuticals
Gabriele Bonomi	(1962, Italian nationality)	Managing Director IMCD Italy | Business Group Director Personal Care
Marcus Jordan	(1974, British nationality)	President IMCD Holdings US

Supervisory Board

M.G.P. (Michel) Plantevin

1956, male, French nationality

- Chairman and member of the Remuneration Committee
- Appointed as of 28 February 2011, current term expiring in 2018

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 at e.g. entities of Autodistribution, Maisons du Monde, Diversey and Consolis

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 nationality

- Vice-chairman and chairman of the Audit Committee
- Appointed as of 10 February 2015, current term expiring in 2018

Most important positions

CFO AGRO Merchants Group

Member of the Supervisory Board of Red Star Holding B.V.

Former CFO and member of the Executive Board of Ceva Logistics

Former CFO and member of the Executive Board of Maxeda DIY Group B.V.

Former CFO and member of the Executive Board of Royal Grolsch N.V.

J.C. (Jean-Charles) Pauze

1947, male, French nationality

- Chairman of the Remuneration Committee
- Appointed as of 2 July 2014, current term expiring in 2018

Most important positions

Non-executive director of Bunzl Plc

Former member of the Board of Europcar Groupe S.A.

Former CEO and chairman of the Management Board of Rexel S.A.

J. (Julia) Van Nauta Lemke - Pears

1968, female, British and Dutch nationalities

- 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 nationality

- 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.

Corporate governance structure

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.

Dutch Corporate Governance Code

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.

Revised Code

On 8 December 2016, the revised Dutch Corporate Governance Code was published. With the publication of the 'Designation of the Code' by Decree on 7 September 2017, the statutory basis for the Code has also been provided for. In 2017, IMCD aligned its corporate governance structure with the revised Code's principles and best practices. With respect to the financial year 2017, IMCD reports on the basis of the revised Code.

The key aspects of IMCD's corporate governance structure and compliance with the revised Code will be discussed at the 2018 Annual General Meeting (AGM).

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 a four-member 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 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

IMCD's Executive Committee has six members: the two members of the Management Board and four managing or business group directors. The (non-Management Board) members of the Executive Committee take on certain management activities at group level in addition to their specific managing director 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, as well as through informal contact outside of such meetings. In December 2017, 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 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, the 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. A diverse composition contributes to a well-balanced decision-making process and proper functioning of the respective board and/or committee. To this extent, in 2017, the Supervisory Board discussed and formalised its Diversity Policy, and extended it to also include the Management Board and Executive Committee. The Diversity Policy is available at the Company's website.

The objective of the Diversity Policy is to achieve 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 shall be implemented gradually. 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 2017, no vacancies within the Supervisory Board, Management Board and/or Executive Committee occurred.

General Meeting

Shareholders of IMCD may exercise their rights through Annual and Extraordinary General Meetings of shareholders. The Annual General Meeting of shareholders (AGM) is held each year before July.

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 2017.

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 adopted by the General Meeting upon the proposal of the Supervisory Board in 2014. In 2017, the remuneration packages of the members of the Management Board have been reviewed by the Remuneration Committee through an external benchmark excersise. As a result thereof, an amended remuneration policy will be put before the General Meeting for approval during 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.

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. 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.

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 2017, 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 were updated in 2016 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 met several times in 2017 and periodically reports to the Audit Committee.

Accountability Corporate Governance Code

In 2017 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. Following the resignation and new appointments of two Supervisory Board members at the AGM of 12 May 2016, the adjusted resignation rota, available at the Company's website, avoids the retirement of a majority of the Supervisory Board members at the same time. In deviation of best practice provision 2.2.4 of the Code, this retirement schedule still does not avoid a situation in which multiple Supervisory Board members retire at the same time. Over time, the Company envisages to bring the number of multiple same time resignations down with adjusted terms for new Supervisory Board appointments and re-appointments. First results are foreseen for 2018, when three proposals for (re-) nomination are put before the General Meeting for approval during the 2018 AGM. Upon approval, the number of Supervisory Board members resigning at the same time is brought down to a maximum of two.

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.

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.

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
Financial	Low
Compliance	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 prudent financing strategy and strict cash management
- 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 adjusted to changes in internal and external conditions.

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

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

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	Category	Likelihood	Impact
Decline in customer demand	Strategic	Moderate	Moderate
Supplier dependency	Strategic	Moderate	Moderate
Acquisition and integration risk	Strategic	Moderate	Moderate
Dependency on key personnel	Operational	Moderate	High
Cybercrime and continuity of ICT	Operational	Moderate	High
Health / safety / environmental incidents	Operational	Low	High
Non-compliance with laws and regulations	Compliance	Low	High
Anti-corruption and bribery	Compliance	Low	High
Volatility of foreign currencies	Financial	High	Low
Credit risk	Financial	Moderate	Low
Liquidity risk	Financial	Low	Moderate
Interest rate risk	Financial	Moderate	Low

Technical expertise in Pharmaceuticals

Improving Nutraceutical quality standards

IMCD Pharma's Nutraceutical experts work with industry partners to raise the bar for the quality of herbal extracts. Through continued analytical work, they seek to identify herbal adulteration in the market.

Thinking big at a local level, each IMCD affiliate has active membership with the local industry association. In the UK, IMCD partners with the Health Food Manufacturers Association (HFMA) to set quality standards for commonly adulterated herbal materials. This detailed knowledge of the market and ongoing commitment to quality ensures we create awareness and clarity for customers right through to the end consumer.

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. An example of such a measure was performed by means of requesting a specialised third party to execute a penetration test to determine whether the security and continuity of the ICT environment is sufficiently safeguarded. No material vulnerabilities were observed.

Plastics

Business Group Plastics offers speciality additives and compounds for the production of plastic, rubber, composite and polyurethane end-products. The speciality chemical additives promoted by IMCD enhance the performance of basic plastic materials to improve properties such as colour stability, flame retardance, scratch resistance or to add specific colour properties including matt or gloss effect.

In addition, IMCD offers end-compounds which are used to directly manufacture high quality finished or semi-finished items ranging from chairs, computers, phones, car interiors, medical equipment, electrical cabling, household appliances and packaging.

Operational

Risk	Risk description	Risk measures
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 are illegally used as drugs or weapon precursors • 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. 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.

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 with 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 senior bank loans is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates. This is achieved by entering into interest rate swap contracts.

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 2017 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 2017; 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 2016 Corporate Governance 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, 1 March 2018

Management Board:
Piet van der Slikke
Hans Kooijmans

Coatings

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

Coatings end-products 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.

REPORT OF THE SUPERVISORY BOARD

Supervisory Board report

IMCD achieved another year of good operational results. The Company's long-term growth strategy was executed successfully and resulted in significant added value for the Company and its stakeholders, accomplishing both organic growth and growth by acquisitions. With the acquisition of the Canadian speciality chemicals and food ingredients distributor L.V. Lomas in August 2017, IMCD strengthened its position in North America and has an excellent base to pursue further growth of its activities in the region.

IMCD's strategy and organisation
IMCD's solid long-term growth strategy, which delivered 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 remains the basis for IMCD's future ambitions.

To enable IMCD to continue its long-term growth strategy in a controlled manner, the Company worked diligently to further strengthen its internal organisation and enhance central corporate support functions. Throughout 2017, good progress was achieved in this area.

In close consultation with the Supervisory Board it was decided to introduce an independent internal audit function. The recruitment process started in March and the independent auditor started in August 2017. The internal auditor has an independent role within in IMCD's organisation and has direct access to the Audit Committee and its Chairman. A first draft of the internal audit structure was presented to the Audit Committee in November 2017. An internal audit charter and an audit plan for 2018 will be presented at the beginning of 2018.

The strengthening of the internal organisation and central corporate support functions has the Supervisory Board's full support and is considered important to facilitate IMCD's growth ambitions in line with its long-term strategy. The Supervisory Board sees 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 composition of which remained unchanged in 2017. The particulars of the current Supervisory Board members and their Supervisory Board committee memberships are set out on page 58.

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 2017, 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 2017.

The Supervisory Board is of the opinion that the size and composition of the Supervisory Board in 2017 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
Pursuant to best practice provision 2.1.5 of the new Dutch Corporate Governance Code, the Supervisory Board discussed and formalised its Diversity Policy in 2017. The Diversity Policy was expanded to include the Management Board and Executive Committee and is available at the Company's website.

The overriding principle for the composition and diversity of the Supervisory Board remains unchanged; 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.

At the end of the upcoming AGM on 9 May 2018, the current terms of the Chairman, Mr. Michel Plantevin, the Vice-Chairman and Chairman of the Audit Committee, Mr. Arjan Kaaks, and the Chairman of the Remuneration Committee, Mr. Jean-Charles Pauze will expire. The undesired simultaneous expiration of terms of the majority of Supervisory Board members is the consequence of IMCD's IPO in 2014, which asked for (re-)appointment of all members of the Supervisory Board at the same time.

The Supervisory Board considers it important to maintain the expertise and knowledge accumulated within its current composition and therefore nominated both Mr. Plantevin and Mr. Kaaks for re-appointment in their current roles. In line with best practice provision 2.2.2 of the Dutch Corporate Governance Code, Mr. Kaaks is nominated for a second term of four years. Mr. Plantevin is nominated for a third term of one year, which term deviates from the two year term referred to in best practice provision 2.2.2. in order to further diversify the resignation schedule of the Supervisory Board, so that it can be brought in line with best practice provision 2.2.4 of the Code.

Mr. Stephan Nanninga is nominated to fulfil the vacancy that remains after the resignation of Mr. Pauze. Mr. Nanninga has the Dutch nationality and holds a law degree from Erasmus University Rotterdam and an MBA from Delft University of Technology. Having held various positions at Intergamma, Technische Unie (part of Sonepar), CHR and Royal Dutch Shell, Mr. Nanninga joined SHV Holdings NV in 2007 where he served as Chief Executive from 2014 to 2016. As of 2017, he is executive director on the board of Dutch Star Companies One and serves as non-executive director at Bunzl Plc.

Further information on the nominations is included in the explanatory notes to the AGM convocation, published at the Company's website.

Supervisory Board activities and meetings

In 2017, the Supervisory Board met five times with both members of the Management Board present and independently held regular consultations by telephone and email. In January, three Supervisory Board members visited the IMCD Benelux offices and food laboratory in Mechelen, Belgium, which included meetings with the IMCD Benelux management team and staff.

As part of the continuous Supervisory Board training program, the Supervisory Board was informed of developments in relevant legislation, which in 2017 included the new Dutch Corporate Governance Code, as now applicable to IMCD for the first full year. The Supervisory Board received presentations on the specific developments in IMCD's pharmaceutical and coatings business groups. In addition, the development and execution of the HR strategy was an important topic for the Supervisory Board that was discussed with the new Global HR director in November. The Supervisory Board meeting in December was attended by all members of the Executive Committee and included a discussion on IMCD's budget, strategy and risk management, market circumstances and developments in IMCD's product business groups.

Regular items on the Supervisory Board agenda were the development of results, the balance sheet, 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) 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 2018, market developments and competitor analysis, (senior) management development and succession, investor relations, ICT management (including specific ICT related projects for the upcoming years) and IMCD's environmental, social and governance (ESG) profile and activities were also discussed. 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.

In 2017 the Supervisory Board gave due consideration to a number of potential acquisitions and approved the acquisitions of Bossco Industries Inc. in the US, Neuvendis Spa. in Italy and L.V. Lomas in Canada and the US.

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 2017 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 2017.

Attendance rate

The attendance rate for the plenary meetings of the Supervisory Board in 2017 was as follows.

Mr. Michel Plantevin (Chairman)	100% (5/5)
Mr. Arjan Kaaks (Vice-Chairman)	100% (5/5)
Mr. Jean-Charles Pauze	80% (4/5)
Mrs. Julia van Nauta Lemke	100% (5/5)
Mr. Janus Smalbraak	80% (4/5)

The attendance rate for (each of) the meetings of the Audit Committee and Remuneration Committee in 2017 was 100%. All members of the Supervisory Board committees were present during all meetings convened.

Supervisory Board committees

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

Audit Committee

The Audit Committee held five meetings in 2017, with both its members, the CFO, the Director Corporate Control and representatives of the External Auditor, Deloitte Accountants B.V., attending. Minutes of all meetings were submitted to the Supervisory Board. As preparation for the regular Supervisory Board meetings, the Audit Committee meetings discussed IMCD's accounting policies and valuation methods as used in its quarterly, semi-annual and annual financial reporting. Particular attention was also given to IMCD's refinancing, its tax strategy and its ICT infrastructure, governance and related risks.

IMCD's Group ICT Manager attended the Audit Committee's meeting in July 2017 where ICT controls, ICT strategy (including projects, project plans and budget), an ICT SWOT analysis and cyber security were discussed in more depth. IMCD's Group Tax Director attended the Audit Committee meeting in November 2017, where IMCD's tax position (including the continuing execution of IMCD's tax strategy, relevant developments in international taxation, tax audits and overall tax risk management) were discussed.

IMCD appointed an Internal Auditor in the course of 2017. The Audit Committee was kept updated on the recruitment process and met with the Internal Auditor in a separate meeting, after which it advised positively in respect of the appointment. Upon his appointment, the Internal Auditor attended the meeting of the Audit Committee in November 2017, where a draft internal audit structure was presented and discussed. The Internal Auditor has direct access to the members of the Audit Committee, through attendance of the Audit Committee meetings as well as one-on-one meetings with the Chairman of the Audit Committee, if so desired.

One Audit Committee meeting was dedicated to the assessment of the scope and effectiveness of IMCD's risk management and control systems and related internal review and monitoring activities. This meeting was attended by both Audit Committee members, the CFO, IMCD's Director Corporate Control and the External Auditor. The Director Corporate Control was responsible for, *inter alia*, reviewing and monitoring of IMCD's control systems and in his internal audit function, until appointment of the independent internal auditor, reports to the Audit Committee. On the basis of the assessment of the Audit Committee and taking into account the Management Board's evaluation and the external auditor's assessment, within the scope of its audit, the Supervisory Board concluded that all required and desirable internal control elements were effectively assumed within the agenda, program and tasks of the corporate team.

Remuneration Committee

The Remuneration Committee convened two times in 2017 (in March and December), with the newly appointed HR Director attending one meeting, and held regular consultations to discuss and formulate proposals for the remuneration of the individual members of the Management Board, the related performance targets in 2017 and proposed amendments for 2018 and subsequent years. In addition, the remuneration policy and its implementation, taking into account possible outcomes of the variable remuneration components as well as internal pay ratio's, were evaluated to establish whether the new proposed Management Board remuneration structures and levels provide for balanced and sufficiently competitive remuneration packages that focus on sustainable results and are aligned with IMCD's long term growth strategy.

The Remuneration Committee presented its findings and proposals to the Supervisory Board and prepared the Supervisory Board's remuneration report for 2017.

Management Board (re)appointment and remuneration

Re-appointment

The members of IMCD's Management Board, Mr. Piet van der Slikke (CEO) and Mr. Hans Kooijmans (CFO), were (re-)appointed at IMCD's listing in 2014. Consequently, their current term in office will expire at the end of the 2018 AGM. The Supervisory Board is happy to report that both members of the Management Board have indicated to seek re-appointment. The Supervisory Board is of the opinion that it is in IMCD's and its stakeholders' best interest that the Management Board continues to lead IMCD in its current composition and therefore, nominated Mr. Piet van der Slikke and Mr. Hans Kooijmans to be re-appointed for another term of four years at the 2018 AGM.

Remuneration

In 2017 the remuneration of each of the Management Board members was determined by the Supervisory Board with due observance of the remuneration policy as adopted by the General Meeting in 2014. The Supervisory Board determined the performance appraisal and the related variable Management Board remuneration. Also, the Supervisory Board determined the performance conditions and metrics for the short term and long term incentive plans for 2017, including non-financial targets (as first introduced in 2016).

In preparation of the re-appointment of the Management Board members and accompanying renewal of their contract, an evaluation of the remuneration policy and package(s) took place. This led to the conclusion that the remuneration packages for both members of the Management Board needed to be amended in order to remain competitive. The Supervisory Board proposes to adjust the remuneration packages of the Management Board members, which proposal will be put before the shareholders for approval at the 2018 AGM.

The Supervisory Board's remuneration report on 2017 as published at the Company's website, contains further details on how the remuneration policy was implemented in 2017 and the proposed amendment for 2018 and subsequent years. The

Supervisory Board notes that the basic principles of the remuneration policy will remain the same: the Management Board remuneration packages consist of a fixed and variable salary component and are set around the median of remuneration levels payable within a peer group of comparable companies. In its proposal for adjustment, the Supervisory Board increased the weight of the long-term incentive plan compared to the short-term cash bonus, in order to better reflect the importance of long-term value creation for IMCD and its stakeholders and to further align Management Board's interests in this respect.

Detailed information on the costs for the actual remuneration of the Management Board and Supervisory Board in 2017 is set forth in note 50 to the financial statements.

Financial statements 2017 and profit appropriation

The financial statements for the financial year 2017 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 2017 and February and March 2018. The financial statements 2017 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 160) of this annual report. The Management Board will present the financial statements 2017 and its report at the Annual General Meeting. The Supervisory Board recommends the Annual General Meeting to adopt the financial statements 2017, including a proposed dividend of EUR 0.62 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 2017.

External auditor

The Supervisory Board is responsible for engaging and supervising the performance of the external auditor. Deloitte Accountants B.V. (Deloitte) was appointed as IMCD's external auditor for the financial year 2017 and 2018 at the Annual General Meeting on 10 May 2017. The Audit Committee and the Management Board reported to the Supervisory Board on Deloitte's envisaged audit plan for 2017, 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 Deloitte.

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 2017.

Rotterdam, 1 March 2018

Supervisory Board:
Michel Plantevin
Arjan Kaaks
Jean-Charles Pauze
Julia van Nauta Lemke
Janus Smalbraak

FINANCIAL STATEMENTS

Financial statements

Consolidated statement of financial position as at 31 December 2017, before profit appropriation

EUR 1,000	Note	31 December 2017	31 December 2016
Assets			
Property, plant and equipment	16	18,827	20,895
Intangible assets	17	948,859	907,558
Equity-accounted investees	19	-	13
Other financial assets	20	3,438	3,583
Deferred tax assets	21	24,199	26,182
Non-current assets		**995,323**	**958,231**
Inventories	22	265,826	204,210
Trade and other receivables	23	331,709	264,532
Cash and cash equivalents	24	61,383	56,502
Current assets		**658,918**	**525,244**
Total assets		**1,654,241**	**1,483,475**

The notes are an integral part of these consolidated financial statements

Consolidated statement of financial position as at 31 December 2017, before profit appropriation

EUR 1,000	Note	31 December 2017	31 December 2016
Equity	25		
Share capital		8,415	8,415
Share premium		657,514	657,514
Reserves		(53,330)	(12,030)
Retained earnings		39,320	(4,799)
Unappropriated result		77,262	72,959
Equity attributable to owners of the Company		**729,181**	**722,059**
Total equity		**729,181**	**722,059**
Liabilities			
Loans and borrowings	26	367,451	382,665
Employee benefits	27	16,716	10,097
Provisions	28	4,219	1,164
Deferred tax liabilities	21	69,583	75,772
Total non-current liabilities		**457,969**	**469,698**
Loans and borrowings	26	344	383
Other short term financial liabilities	26	183,547	71,026
Trade payables	29	213,437	170,619
Other payables	29	69,763	49,690
Total current liabilities		**467,091**	**291,718**
Total liabilities		**925,060**	**761,416**
Total equity and liabilities		**1,654,241**	**1,483,475**

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 2017

EUR 1,000	Note	2017	2016
Revenue	8	1,907,354	1,714,500
Other income	9	4,795	3,506
Operating income		**1,912,149**	**1,718,006**
Cost of materials and inbound logistics	22	(1,478,686)	(1,332,883)
Cost of warehousing, outbound logistics and other services		(52,994)	(49,898)
Wages and salaries	10, 11	(122,535)	(106,157)
Social security and other charges	10	(34,196)	(27,422)
Depreciation of property, plant and equipment	16	(4,346)	(4,303)
Amortisation of intangible assets	17	(34,249)	(38,183)
Other operating expenses	12	(59,983)	(51,653)
Operating expenses		**(1,786,989)**	**(1,610,499)**
Result from operating activities		**125,160**	**107,507**
Finance income	13	958	794
Finance costs	13	(16,072)	(13,551)
Net finance costs		**(15,114)**	**(12,757)**
Share of profit of equity-accounted investees, net of tax	19	(61)	10
Result before income tax		**109,985**	**94,760**
Income tax expense	14	(32,723)	(21,801)
Result for the year		**77,262**	**72,959**
Gross profit[1]		428,668	381,617
Gross profit in % of revenue		22.5%	22.3%
Operating EBITA[2]	6	161,659	147,751
Operating EBITA in % of revenue		8.5%	8.6%

[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.

Consolidated statement of profit or loss and comprehensive income for the year ended 31 December 2017

EUR 1,000	Note	2017	2016
Result for the year		**77,262**	**72,959**
Defined benefit plan actuarial gains/(losses)	27	14	(1,641)
Related tax	14	(17)	351
Items that will never be reclassified to profit or loss		**(3)**	**(1,290)**
Foreign currency translation differences related to foreign operations		(42,518)	21,042
Effective portion of changes in fair value of cash flow hedges		(190)	(408)
Related tax	14	959	(310)
Items that are or may be reclassified to profit or loss	13	**(41,749)**	**20,324**
Other comprehensive income for the period, net of income tax		**(41,752)**	**19,034**
Total comprehensive income for the period		**35,510**	**91,993**
Result attributable to:			
Owners of the Company		77,262	72,959
Total comprehensive income attributable to:			
Owners of the Company		35,510	91,993
Weighted average number of shares	15	52,424,550	52,476,981
Basic earnings per share	15	1.47	1.39
Diluted earnings per share	15	1.52	1.42

The notes are an integral part of these consolidated statements.

Consolidated statement of changes in equity for the year ended 31 December 2017

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.

EUR 1,000	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Reserve own shares	Other reserves	Accu-mulated deficit	Unappro-priated result	Total equity
Balance as at 1 January 2016	25	**8,415**	**657,514**	**(19,891)**	**265**	**(3,118)**	**(7,652)**	**(43,550)**	**61,848**	**653,831**
Appropriation of prior year's result		-	-	-	-	-	-	38,751	(38,751)	**-**
		8,415	**657,514**	**(19,891)**	**265**	**(3,118)**	**(7,652)**	**(4,799)**	**23,097**	**653,831**
Result for the year		-	-	-	-	-	-	-	72,959	**72,959**
Total other comprehensive income		-	-	20,575	(251)	-	(1,290)	-	-	**19,034**
Total comprehensive income for the year		**-**	**-**	**20,575**	**(251)**	**-**	**(1,290)**	**-**	**72,959**	**91,993**
Cash dividend	25	-	-	-	-	-	-	-	(23,097)	**(23,097)**
Issue of shares minus related costs	25	-	-	-	-	-	-	-	-	**-**
Share based payments	25	-	-	-	-	-	1,403	-	-	**1,403**
Purchase own shares	25	-	-	-	-	(2,071)	-	-	-	**(2,071)**
Total contributions by and distributions to owners of the Company		**-**	**-**	**-**	**-**	**(2,071)**	**1,403**	**-**	**(23,097)**	**(23,765)**
Balance as at 31 December 2016		**8,415**	**657,514**	**684**	**14**	**(5,189)**	**(7,539)**	**(4,799)**	**72,959**	**722,059**

The notes are an integral part of these consolidated statements.

Consolidated statement of cash flows for the year ended 31 December 2017

EUR 1,000	Note	2017	2016
Cash flows from operating activities			
Result for the period		77,262	72,959
Adjustments for:			
• Depreciation of property, plant and equipment	16	4,346	4,303
• Amortisation of intangible assets	17	34,249	38,183
• Net finance costs excluding currency exchange results	13	12,678	11,797
• Currency exchange results	13	2,436	960
• Cost of share based payments	11	2,456	1,403
• Share of profit of equity-accounted investees, net of tax	19	61	(10)
• Income tax expense	14	32,723	21,801
		166,211	**151,396**
Change in:			
• Inventories	22	(16,872)	(12,466)
• Trade and other receivables	23	(13,317)	(16,654)
• Trade and other payables	29	26,111	21,239
• Provisions and employee benefits	27, 28	(417)	(2,356)
Cash generated from operating activities		**161,717**	**141,159**
Interest paid		(13,027)	(9,590)
Income tax paid		(34,739)	(31,384)
Net cash from operating activities		**113,950**	**100,185**
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	7, 30	(168,879)	(17,286)
Acquisition of intangible assets	17	(9,727)	(1,140)
Acquisition of property, plant and equipment	16	(3,087)	(5,317)
Proceeds from disposals of (in)tangible assets	16, 17	-	146
Acquisition of other financial assets		313	(2,601)
Net cash used in investing activities		**(181,380)**	**(26,198)**
Cash flows from financing activities			
Proceeds from issue of share capital net of related costs	25	-	-
Dividends paid	25	(28,840)	(23,097)
Purchase of own shares	25	(2,004)	(2,071)
Payment of transaction costs related to loans and borrowings	26	-	(1,875)
Movements in bank loans and other short term financial liabilities	26	(1,200)	(68,354)
Proceeds from issue of current and non-current loans and borrowings	26	173,451	181,132
Repayment of loans and borrowings		(45,430)	(161,517)
Net cash from financing activities		**95,977**	**(75,782)**
Net increase in cash and cash equivalents		**28,547**	**(1,795)**
Cash and cash equivalents as at 1 January	24	56,502	56,550
Effect of exchange rate fluctuations		(23,666)	1,747
Cash and cash equivalents as at 31 December	24	**61,383**	**56,502**

The notes are an integral part of these consolidated statements.

Notes to the Consolidated financial statements for the year ended 31 December 2017

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 2017 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Company is acting as the parent company of the IMCD Group, a group of 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 1 March 2018.

(2.b) Basis of measurement

The consolidated financial statements are prepared on a going concern basis and on the historical cost basis, 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 and held to maturity loans at amortised cost, using the effective interest method
- 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 2017 did not have a material impact on the financial statements of the Group.

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

(i) 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. 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

(ii) 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.

(iii) 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.

(iv) 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

(i) 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.

(ii) 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

(i) Non-derivative financial assets

The Group initially recognises loans and 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:

• loans and receivables

• cash and cash equivalents

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

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

(ii) 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.

(iii) 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.

(iv) 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 actual results of each hedge are within a range of 80-125%. 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 instrument no longer meets the 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.

(i) 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.

(ii) 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

(i) Goodwill

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

(ii) Other intangible assets

Supplier relations

At acquisition date, the supplier relations are recognized 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.

(iii) 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.

(iv) 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

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets are impaired 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.

Loans and receivables

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.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to 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.

(ii) 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

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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

(i) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue recognised.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Usually the transfer occurs when the product is received at the customer's location.

(ii) 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.

(i) 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.

(ii) 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 and Africa
- Asia-Pacific: all operating companies in Australia, New Zealand, India, China, Malaysia, Indonesia, Philippines, Thailand, Singapore, Vietnam and Japan
- Americas: all operating companies in the United States of America, Canada, Brazil, Puerto Rico, Chile and Argentina
- 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 2017 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 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The standard is effective for annual periods beginning on or after 1 January 2018.

Sales of goods
Revenue is currently recognised when the product is received at the customer's location and the related risks and rewards of ownership have been transferred. Under IFRS 15, revenue will be recognised when the customer obtains control of the goods. Based on analysis carried out no key impacts of the implementation of IFRS 15 were identified compared with current revenue recognition 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 will be based on whether the Group controls the specific goods before transferring to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods. The Group has performed an assessment on these transactions and does not expect that IFRS 15 will have a material impact on its consolidated financial statements.

The Group will implement IFRS 15 using the modified approach. Based on the limited impact as described above the Group does not expect that the implementation of IFRS 15 will have material impact on individual financial statement line items.

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.

The Group has determined the impact of this new standard on the consolidated financial statements. The outcomes are as follows:

Classification and measurement
The Group does not expect that the changes in classification and measurement requirements of IFRS 9 will have a significant impact on its balance sheet or equity. All financial assets and liabilities will be classified on the same bases as currently adopted under IAS 39.

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

The Group will apply the simplified approach and assess lifetime expected losses on all trade receivables. The Group has determined an expected impact on equity amounting to EUR 0.1 million, being the additional impairment loss on trade receivables when applying the lifetime expected loss model.

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

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

IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease 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 including IAS 17 'Leases' and the related interpretations when it becomes effect. The standard is effective for annual periods beginning on or after 1 January 2019. The Group will not use early adoption options permitted under the standard.

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

As a lessee, the Group can either apply the standard using a retrospective approach or a modified retrospective approach with optional practical expedients. The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on 1 January 2019, 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.

The Group intends to 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. 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. Lease payments are expensed straight-line over the lease term.

The Group has made the following policy choices:
- Non-lease components: 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 use in an entity’s operations. The Group elects not to separate non-lease components for (office) equipment and computer hardware.
- Applying the standard to leased intangibles: the Group will not apply the standard to leased intangibles. Leased intangibles currently only relate to certain (immaterial) software contracts/licenses.

The Group has not yet decided whether it will apply the optional portfolio application for certain leases.

The Group intends to apply the following practical transition expedients:
- Leases ending within 12 months of the date of initial application: as a practical expedient, available on a lease-by-lease basis, lessees applying the cumulative catch-up approach are permitted not to recognise right-of-use assets or lease liabilities in respect of leases previously classified as operating leases for which the lease term ends within 12 months of the date of initial application. This expedient will be applied for all leases qualifying for it.
- Measurement of the lease liability for former operating leases: it is allowed to apply a single discount rate for a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying assets in a similar economic environment). We will apply this practical expedient to the extent possible.
- Use of hindsight: hindsight may be used in determining the lease term if the contract contains options to extend the lease. This expedient will be applied.
- Measurement of right-of-use assets for former operating leases: as a practical expedient, it is allowed to rely on the IAS 37 (Provisions) assessment as to whether leases are onerous as an alternative to performing an impairment review. To the extent applicable, the group will apply this practical expedient.
- Initial direct costs: it is allowed to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application. Although this is not likely to have a material impact, the group will apply this practical expedient.

The Group has not yet quantified the impact of the adoption of IFRS 16 on its reported assets and liabilities. The Group did quantify the nominal lease obligation for contracts currently reported as operational leases or not as leases at all, which should be reported as leases under the new standard as of 1 January 2019, taking into account the Group's policy choices, optional exemptions and transition expedients discussed above.

Nominal lease obligations under the new standard to the extent currently not reported as financial leases are as follows:

EUR 1,000	Land and buildings	Cars	Machinery & equipment	Hardware & software	Other assets	Total
2018	10,896	3,640	224	135	30	**14,925**
2019	9,314	2,561	171	129	21	**12,196**
2020	7,388	1,335	82	125	5	**8,935**
2021	5,902	352	39	-	4	**6,297**
2022	3,713	12	2	-	-	**3,727**
>2022	4,645	-		-	-	**4,645**
Total	**41,858**	**7,900**	**518**	**389**	**60**	**50,725**

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

The above nominal lease obligation deviates from the obligation disclosed in note 31, mainly due to a different treatment of short term leases and extension options in lease contracts.

The Group expects to disclose more detailed quantitative information in the financial statements of 2018. The Group expects that adoption of IFRS 16 will not impact its ability to comply with the maximum leverage threshold loan covenant described in note 26.

Amendments to IFRSs effective on or after 1 January 2017

IMCD has applied the following amendments to standards, with a date of initial application of 1 January 2017:

- Amendments to IAS 7 Disclosure Initiative
- Amendments to IAS 12 Recognition of deferred tax assets for unrealized losses

Application of these amendments did not have a significant impact.

(3.o) Non-recurring income and expenses

The non-recurring items in 2017 and 2016 mainly consist of costs incurred for acquiring businesses, costs related to one-off adjustments to the organisation and income as a result of the recognition of deferred tax assets in the Dutch fiscal entity.

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

EUR 1,000	Note	2017	2016
Personnel expenses and other operating expenses	10, 12	(2,250)	(2,061)
Impact on result before income tax		**(2,250)**	**(2,061)**
Recognition of deferred tax assets	14, 21	-	4,706
Impact on result for the year		**(2,250)**	**2,645**

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.

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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

(i) 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

(ii) 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 incurred 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 have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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 300 million revolving facility. Interest would be payable at the rate of EURIBOR plus the currently applicable 140 base points for amounts drawn in EURO, LIBOR plus currently applicable 140 base points for amounts drawn in other currencies. As at 31 December 2017, the Group had an undrawn revolving facility of EUR 122 million.
- Several credit facilities available to the subsidiaries, mainly in Spain, Italy, Indonesia, India, South Africa and Brazil

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								
Syndicate bank loans	AUD	32,063	35,987	518	521	1,034	33,914	-
Syndicate bank loans	EUR	116,170	126,541	858	863	1,711	123,109	-
Syndicate bank loans	GBP	23,157	24,960	225	226	449	24,060	-
Syndicate bank loans	USD	18,095	20,114	285	287	568	18,974	-
Schuldscheindarlehen	EUR	99,565	106,540	449	878	1,332	63,273	40,608
Schuldscheindarlehen	USD	74,699	84,644	1,184	1,208	2,401	79,851	-
Contingent consideration	IDR	2,339	2,339	-	-	-	-	2,339
Other liabilities	USD	7	7	-	-	7	-	-
Other liabilities	EUR	1,160	1,160	-	-	247	913	-
Other liabilities	PLN	196	196	-	-	106	90	-
		367,451	**402,488**	**3,519**	**3,983**	**7,855**	**344,184**	**42,947**

Estimated interest payments are based on the EURIBOR and LIBOR rates and margins prevailing at 31 December 2017. 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.

(i) 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, but also GBP, AUD 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 2017 was as follows:

EUR 1,000	USD	GBP	AUD	ZAR	BRL	INR	IDR	CAD	TRY	Other	Total
Non current assets	33	-	-	-	-	147	2,361	229	-	322	**3,092**
Current assets	79,805	14,955	25,581	11,455	13,161	9,508	6,815	24,560	9,399	38,681	**233,920**
Non current liabilities	(126,518)	(23,191)	(32,027)	-	(1,021)	(1,573)	(2,338)	-	-	0	**(186,668)**
Current liabilities	(45,156)	(10,114)	(11,741)	(6,421)	(8,789)	(2,237)	(1,034)	(20,269)	(735)	(16,745)	**(123,241)**
Net statement of currency risk exposure	**(91,836)**	**(18,350)**	**(18,187)**	**5,034**	**3,351**	**5,845**	**5,804**	**4,520**	**8,664**	**22,258**	**(72,897)**

The risk exposure above includes the mitigating effects of hedged net liability positions in USD to the amount of EUR 10.6 million (2016: EUR 6.1 million).

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	**2017**	2016
USD	0.8859	0.9057	0.8338	0.9487
GBP	1.1442	1.2269	1.1271	1.1680
AUD	0.6782	0.6731	0.6516	0.6851
ZAR	0.0666	0.0618	0.0675	0.0692
BRL	0.2766	0.2615	0.2520	0.2909
INR	0.0136	0.0135	0.0131	0.0140
IDR	0.0001	0.0001	0.0001	0.0001
CAD	0.6813	0.6835	0.6649	0.7048
TRY	0.2443	0.3019	0.2215	0.2695

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 2017 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
	2017	**2017**	2016	2016
USD	(17,918)	2,106	(11,255)	827
GBP	(464)	(211)	3	(209)
AUD	(3,395)	(2)	(3,020)	(261)
ZAR	(2,970)	(18)	(2,666)	(25)
BRL	(3,574)	-	(7,081)	-
INR	(2,520)	-	(2,250)	-
IDR	(1,723)	(580)	(2,088)	(620)
CAD	(10,034)	(56)	-	-
TRY	(1,673)	-	(1,599)	-

A 10% weakening of the EUR against the above currencies at 31 December 2017 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(ii) 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 syndicated senior bank loans is on a fixed rate basis, taking into account assets with exposure to changes in interest rates. This is achieved by entering into 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	2017	2016
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(50,617)	(53,437)
	(50,617)	**(53,437)**
Variable rate instruments		
Financial assets	61,383	56,502
Financial liabilities	(500,725)	(400,637)
	(439,342)	**(344,135)**

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. The Group uses an interest rate swap contract for interest rate hedging purposes with a notional amount of EUR 100 million. The interest rate swap contract matures in June 2019. A change of 100 base points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Profit or loss	
EUR 1,000	100 base points increase 2017	100 base points decrease 2017	100 base points increase 2016	100 base points decrease 2016
Variable rate instruments	1,445	(1,469)	2,452	(2,519)

(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	2017	2016
Total liabilities	925,060	761,416
Less: Cash and cash equivalents	(61,383)	(56,502)
Net liabilities	**863,677**	**704,914**
Total equity	729,181	722,059
Less: Amounts accumulated in equity relating to cash flow hedges	176	(14)
Adjusted equity	**729,357**	**722,045**

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 Company currently uses Operating EBITA in its business operations to, among others, 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	2017	2016
Result from operating activities	125,160	107,507
Amortisation of intangible assets	34,249	38,183
Non-recurring items	2,250	2,061
Operating EBITA	**161,659**	**147,751**

The non-recurring income and expenses included in the result from operating activities of 2017 and 2016 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.

The results of the operating segments are as follows:

EMEA

EUR 1,000	2017	2016
Revenue	1,141,679	1,053,557
Gross profit	274,157	248,824
Operating EBITA	112,592	100,808
Result from operating activities	95,639	84,431
Total Assets	770,586	735,995
Total Liabilities	284,660	256,276

Asia-Pacific

EUR 1,000	2017	2016
Revenue	314,942	316,921
Gross profit	65,166	63,852
Operating EBITA	28,121	28,328
Result from operating activities	23,350	22,726
Total Assets	265,105	260,706
Total Liabilities	66,663	56,222

Americas

EUR 1,000	2017	2016
Revenue	450,733	344,022
Gross profit	89,381	68,941
Operating EBITA	35,494	31,584
Result from operating activities	22,739	14,813
Total Assets	378,536	241,469
Total Liabilities	79,203	49,133

Holding companies

EUR 1,000	2017	2016
Operating EBITA	(14,548)	(12,969)
Result from operating activities	(16,568)	(14,463)
Total Assets	240,014	245,306
Total Liabilities	494,534	399,786

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 37,000 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 more than 1,700 suppliers and product portfolio of about 30,000 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.

On 28 June 2017, IMCD acquired 100% of the shares of Neuvendis Spa (Neuvendis), based in Milan, Italy. Neuvendis is one of the leading market players in the distribution of speciality chemicals in Italy, selling into the construction, coatings & paints, adhesives, plastics, inks and leather sectors. In 2016, Neuvendis generated a revenue of EUR 27 million with 20 employees.

On 3 July 2017, IMCD acquired the business of Bossco Industries Inc (Bossco), a speciality chemicals distributor located in Houston (Texas), US. The business activities of Bossco are fully integrated into IMCD's existing operations in the US. Bossco generated a revenue of USD 11 million in 2016.

On 31 August 2017, IMCD acquired 100% of the shares of L.V. Lomas (Lomas). Lomas is one of North America's leading distributors of speciality chemicals and food ingredients. The acquisition of Lomas will provide IMCD a presence in Canada in all relevant core markets and will further strengthen IMCD's organisation in the US. With approximately 280 employees, the distribution business of Lomas generated a revenue of CAD 383 million in 2016. The acquisition is financed by available cash and existing bank facilities.

The three aforementioned transactions added EUR 107.6 million of revenue and EUR 2.1 million of net profit to the Group’s results in 2017.

If all acquisitions had occurred on 1 January 2017, management estimates that consolidated revenue would have been EUR 2,131.4 million and consolidated result for the year would have been EUR 82.9 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

The total consideration related to the aforementioned transactions, transferred in cash in 2017, amounts to EUR 119.6 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:

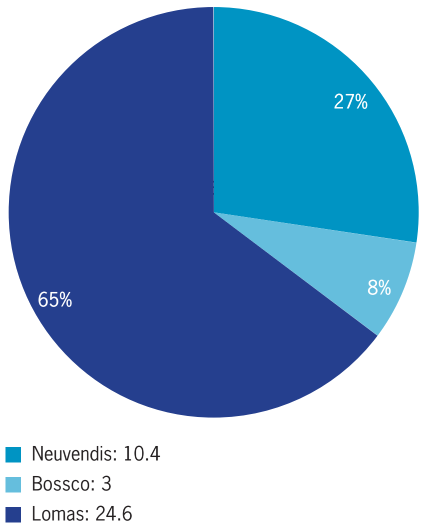
EUR 1,000	Note	Lomas	Other acquisitions	Total
Property, plant and equipment	16	4,192	95	**4,288**
Intangible assets	17	13,815	9,060	**22,875**
Deferred tax assets	21	756	94	**850**
Other financial assets		1,360	-	**1,360**
Inventories		39,978	4,766	**44,744**
Trade and other receivables		42,344	11,516	**53,860**
Cash and cash equivalents		7,244	9	**7,253**
Loans and borrowings		(45,430)	-	**(45,430)**
Other short term financial liabilities		-	(3,266)	**(3,266)**
Employee benefits and other provisions	27, 28	(9,520)	(977)	**(10,497)**
Deferred tax liabilities	21	(607)	(1,652)	**(2,259)**
Trade and other payables		(29,528)	(6,270)	**(35,798)**
Total net identifiable assets		**24,605**	**13,375**	**37,980**

The intangible assets recognised relate to supplier relationships, distribution rights and order books acquired.

The gross contractual value of the trade and other receivables acquired amounts to EUR 54.3 million of which EUR 11.8 million relates to Neuvendis and EUR 42.5 million to Lomas.

The purchase price allocation is on a provisional basis, as final agreement still has to be reached on certain provisions and accruals included in the purchase price allocation . Based on the information currently available we do not anticipate significant adjustments to the purchase price allocation.

The composition of the total net identifiable assets recognised and liabilities assumed is as follows:



Goodwill

Goodwill recognised as a result of the acquisitions in the financial year is as follows:

EUR 1,000	Note	Lomas	Other acquisitions	Total
Total considerations		93,669	25,957	**119,626**
Less: Fair value of identifiable net assets		24,605	13,375	**37,980**
Goodwill	17	**69,064**	**12,582**	**81,646**

Goodwill recognised as a result of the acquisitions in the financial year relate to Neuvendis, Bossco and Lomas. 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.

Amortisation expenses related to the goodwill paid to the sellers of Bossco is deductible for corporate income tax purposes. Amortisation of goodwill related to Neuvendis and Lomas is not eligible for deduction from taxable income.

Acquisition related costs

The Group incurred acquisition related costs of EUR 1,407 thousand (2016: EUR 1,010 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 comprehensive income.

8 Revenue

EUR 1,000	2017	2016
Sales of goods	1,898,016	1,705,833
Commissions	9,338	8,667
	1,907,354	**1,714,500**

Management considered the following factors in distinguishing between sales of goods and commissions. In the case of commissions:

- the Group does not take title of the goods and has no responsibility in respect of the goods sold
- all customer related credit risk is borne by the supplier of the goods

The breakdown of revenue by geographical market is as follows:

EUR 1,000	2017	2016
Netherlands	54,730	52,750
Rest of EMEA	1,086,949	1,000,807
EMEA	**1,141,679**	**1,053,557**
Asia-Pacific	314,942	316,921
Americas	450,733	344,022
	1,907,354	**1,714,500**

9 Other income

EUR 1,000	2017	2016
Other income	4,795	3,506
	4,795	**3,506**

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

10 Personnel expenses

EUR 1,000	Note	2017	2016
Wages and salaries	11	122,535	106,157
Social security contributions		22,735	19,299
Contributions to defined contribution plans		4,863	3,207
Expenses related to defined benefit plans	27	464	(1,338)
Expenses related to termination and other long term employee benefit plans	27	996	879
Other personnel expenses		5,138	5,375
		156,731	**133,579**

The personnel expenses 2017 include non-recurring severance costs of EUR 0.7 million (2016: EUR 0.3 million).

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

FTE	2017	2016
The Netherlands (excluding Dutch Holding companies)	64	66
Rest of EMEA	1,031	958
EMEA	**1,095**	**1,024**
Asia-Pacific	495	478
Americas	429	263
Holding companies	45	41
	2,064	**1,806**

FTE	2017	2016
Management and administration	321	280
Sales	1,317	1,173
ICT/HSEQ/Warehouse/Other	426	353
	2,064	**1,806**

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 2017 is as follows:

	Number of shares	Based on share price
Shares granted to the Management Board	11,300	39.51
Shares granted to Executive Committee and certain senior managers	34,790	39.51

The number of performance shares granted in 2017 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 185,577 with vesting dates in 2018, 2019 and 2020.

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

	2017		2016	
	Weighted average share price	Number of shares	Weighted average share price	Number of shares
Outstanding as at 1 January	**33.57**	**132,470**	**29.34**	**80,616**
Forfeited during the year	-	(3,184)	-	-
Exercised during the year	-	-	-	-
Granted during the year	45.35	46,090	33.57	54,583
Performance adjustment	-	10,201	-	(2,729)
Outstanding as at 31 December		**185,577**		**132,470**

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	2017	2016
Shares granted	2,456	1,403

12 Other operating expenses

The other operating expenses are as follows:

EUR 1,000	2017	2016
Accommodation and other rental costs	13,296	12,068
Other office expenses	10,981	9,205
Car expenses	7,886	7,092
Other personnel related expenses	12,340	9,962
Professional service fees	7,499	6,564
Credit sales expenses	940	846
Insurance costs	2,244	1,938
Other operating expenses	4,797	3,978
	59,983	**51,653**

The other operating expenses include an amount of EUR 1.6 million (2016: EUR 1.5 million) related to non-recurring items. The non-recurring items in 2017 and 2016 mainly relate to professional service 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	2017	2016
Interest income on loans and receivables	515	496
Change in fair value of contingent considerations	-	18
Change in fair value of derivative financial instruments	443	280
Currency exchange results	-	-
Finance income	**958**	**794**
Interest expenses on financial liabilities measured at amortised cost	(13,427)	(12,486)
Interest expenses on provisions for pensions and similar obligations	(199)	(105)
Change in fair value of contingent considerations	(10)	-
Change in fair value of derivative financial instruments	-	-
Currency exchange results	(2,436)	(960)
Finance costs	**(16,072)**	**(13,551)**
Net finance costs recognised in profit or loss	**(15,114)**	**(12,757)**

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

EUR 1,000	2017	2016
Foreign currency translation differences of foreign operations	(42,518)	21,042
Effective portion of changes in fair value of cash flow hedges	(190)	(408)
Tax on foreign currency translation differences and changes in fair value of cash flow hedges recognised in other comprehensive income	959	(310)
Finance income recognised in other comprehensive income, net of tax	**(41,749)**	**20,324**

14 Income tax expense

Income tax expenses recognised in profit or loss

EUR 1,000	2017	2016
Current tax expense		
Current year	37,078	31,772
Adjustment for prior years	1,983	(15)
	39,061	**31,757**
Deferred tax expense		
Reduction in tax rate	(1,867)	(15)
Origination and reversal of temporary differences	(3,900)	(3,775)
Recognition of previously unrecognised tax losses	(184)	(6,012)
Recognition of current year tax losses	(387)	(775)
Derecognition of previously recognised tax losses	-	621
	(6,338)	**(9,956)**
Total income tax expense	**32,723**	**21,801**

The adjustment for prior years predominantly relates to additional taxation expenses which were incurred following a local tax audit.

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 5.5 million (2016: EUR 2.7 million) related to temporary differences regarding amortisation of intangible assets.

The income tax expenses 2016 include a benefit of EUR 6.0 million resulting from the recognition of previously unrecognised tax assets. EUR 4.7 million of this benefit relates to the recognition of deferred tax assets of the Dutch fiscal entity. The recognition of deferred tax assets was the consequence of an expected change in the profitability and a revised estimation of the expected duration of the Dutch tax entity.

Income tax recognised in the other comprehensive income and expenses

	2017			2016		
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	(42,518)	959	**(41,559)**	21,042	(467)	**20,575**
Cash flow hedges	(190)	-	**(190)**	(408)	157	**(251)**
Defined benefit plan actuarial gains/(losses)	14	(17)	**(3)**	(1,641)	351	**(1,290)**
	(42,694)	**942**	**(41,752)**	**18,993**	**41**	**19,034**

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

	2017		2016	
EUR 1,000	%	EUR 1,000	%	EUR 1,000
Profit for the year		77,262		72,959
Total income tax expense	29.8	32,723	23.0	21,801
Profit before income tax		**109,985**		**94,760**
Income tax using the Company's domestic tax rate	25.0	27,496	25.0	23,690
Effect of tax rates in foreign jurisdictions	3.5	3,820	4.0	3,744
Effect of change in tax rate	(1.7)	(1,867)	0.0	15
Tax effect of:				
Non-deductible expenses	2.0	2,162	2.3	2,156
Tax incentives and tax exempted income	(0.9)	(946)	(4.2)	(3,966)
Utilisation of tax losses	-	-	0.0	(7)
Recognition of previously unrecognised tax losses	(0.2)	(184)	(6.3)	(6,012)
Derecognition of previously recognised tax losses	-	-	0.7	621
Current year losses for which no deferred tax asset was recognised	0.5	600	0.6	560
(De)recognition of previously (un)recognised temporary differences	(0.3)	(341)	1.1	1,015
Under provided in prior years	1.8	1,983	0	(15)
	29.8	**32,723**	**23.0**	**21,801**

15 Earnings per share

Basic earnings per share

The basic earnings per share of EUR 1.47 (2016: EUR 1.39) is determined by dividing the result for the year due to the owners of the Company of EUR 77.3 million (2016: EUR 73.0 million) by the weighted average number of shares in circulation amounting to 52.4 million (2016: 52.5 million). As at 31 December 2017, the number of ordinary shares outstanding was 52.5 million (31 December 2016: 52.5 million).

Profit attributable to ordinary shareholders

EUR 1,000		2017	2016
Profit/(loss) for the year, attributable to the owners of the Company (basic)	**(A)**	77,262	72,959

Weighted average number of ordinary shares

in thousand shares	Note	2017	2016
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 of own shares	25	(168)	(115)
Weighted average number of ordinary shares as at 31 December	(B)	**52,425**	**52,477**
Earnings per share (A/B)		1.47	1.39

Diluted earnings per share

The calculation of the diluted earnings per share of EUR 1.52 (2016: EUR 1.42) 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			2017	2016
Profit/(loss) for the year, attributable to the owners of the Company (basic)			77,262	72,959
Share based payments, net of tax	11		2,456	1,403
Profit/(loss) for the year, attributable to the owners of the Company (diluted)		**(C)**	**79,718**	**74,362**

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	2017	2016
Weighted average number of ordinary shares (basic) as at 31 December	25	52,425	52,477
Effect of share based payments		138	71
Weighted average number of ordinary shares (diluted) at 31 December	(D)	**52,563**	**52,548**
Diluted earnings per share (C/D)		1.52	1.42

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 2017		**11,772**	**6,188**	**17,886**	**13,258**	**49,104**
Acquisitions through business combinations	7	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**

EUR 1,000	Note	Land and buildings	Machinery and equipment	Hardware & Software	Other assets	Total
Cost						
Balance as at 1 January 2016		**10,364**	**5,655**	**16,097**	**13,243**	**45,359**
Acquisitions through business combinations		311	124	19	194	**648**
Additions for the year		170	750	3,311	1,086	**5,317**
Disposals		(161)	(601)	(1,232)	(1,068)	**(3,062)**
Effect of movements in exchange rates		1,088	260	(309)	(197)	**842**
Balance as at 31 December 2016		**11,772**	**6,188**	**17,886**	**13,258**	**49,104**
Depreciation and impairment losses						
Balance as at 1 January 2016		**1,570**	**3,366**	**12,224**	**9,945**	**27,105**
Depreciation for the year		636	660	2,023	984	**4,303**
Disposals		(152)	(589)	(1,198)	(977)	**(2,916)**
Effect of movements in exchange rates		82	92	(222)	(235)	**(283)**
Balance as at 31 December 2016		**2,136**	**3,529**	**12,827**	**9,717**	**28,209**
Carrying amounts						
As at 1 January 2016		**8,794**	**2,289**	**3,873**	**3,298**	**18,254**
As at 31 December 2016		**9,636**	**2,659**	**5,059**	**3,541**	**20,895**

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 2017		**522,564**	**100**	**12,755**	**25,000**	**489,679**	**13,979**	**1,064,077**
Acquisitions through business combinations	7	-	-	-	-	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**

EUR 1,000	Note	Goodwill	Intellectual property rights	Distribution rights	Brand names	Supplier relations	Other intangibles	Total
Cost								
Balance as at 1 January 2016		**505,207**	**66**	**11,730**	**25,000**	**468,736**	**13,164**	**1,023,903**
Acquisitions through business combinations		33	-	36	-	6,772	565	**7,406**
Additions for the year		6,569	33	1,107	-	-	-	**7,709**
Disposals		-	-	-	-	-	-	**-**
Effect of movements in exchange rates		10,755	1	(118)	-	14,171	250	**25,059**
Balance as at 31 December 2016		**522,564**	**100**	**12,755**	**25,000**	**489,679**	**13,979**	**1,064,077**
Amortisation and impairment losses								
Balance as at 1 January 2016		**14,431**	**44**	**4,454**	**-**	**88,140**	**9,615**	**116,684**
Amortisation for the year		-	6	1,654	-	27,995	2,366	**32,021**
Impairment loss		-	-	-	-	6,162	-	**6,162**
Disposals		-	-	-	-	-	-	**-**
Effect of movements in exchange rates		-	(1)	(82)	-	1,613	122	**1,652**
Balance as at 31 December 2016		**14,431**	**49**	**6,026**	**-**	**123,910**	**12,103**	**156,519**
Carrying amounts								
As at 1 January 2016		**490,776**	**22**	**7,276**	**25,000**	**380,596**	**3,549**	**907,219**
As at 31 December 2016		**508,133**	**51**	**6,729**	**25,000**	**365,769**	**1,876**	**907,558**

Goodwill impairment testing

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

EUR 1,000	2017	2016
EMEA	283,670	274,306
Asia-Pacific	84,037	85,929
Americas	199,840	147,898
	567,547	**508,133**

A cash generating unit (CGU) represents the lowest level within the Group at which goodwill is monitored for internal management purposes. During 2017 Management has reassessed the cash generating units to which the goodwill is allocated as a result of increased integration of commercial and operational activities. This led to Management monitoring periodic results and goodwill at an operating segment level rather than at a local level.

The allocation of the cash generating units used for goodwill impairment testing in 2016 to the current cash generating units is as follows:

EUR 1,000	CGU 2017	Value 2016
EMEA excluding IMCD Kenya	EMEA	272,221
IMCD Kenya	EMEA	2,085
Asia-Pacific excluding IMCD Indonesia, IMCD Singapore and IMCD Philippines	Asia-Pacific	76,767
IMCD Indonesia	Asia-Pacific	2,631
IMCD Singapore	Asia-Pacific	1,685
IMCD Philippines	Asia-Pacific	4,846
IMCD US (incl. MJS Sales)	Americas	113,930
Mutchler	Americas	3,704
IMCD Brasil	Americas	7,157
IMCD Brasil Pharma	Americas	23,107
		508,133

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 2018 and the plan years 2019 and 2020 which are approved by management and extrapolated for the years 2021 and 2022. For the period after 2022 a growth rate equal to the average of the forecasted annual real GDP growth rate for the period 2022-2047 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 are equal to the weighted average of the rate of return on local sovereign bonds or strips.

The key assumptions 2017 for each CGU are as follows:

	Pre-tax WACC	Terminal growth rate
EMEA	11.8%	1.6%
Asia-Pacific	14.2%	3.1%
Americas	11.6%	2.1%
Total Group	10.9%	2.0%

Sensitivity to changes in assumptions
No impairment was necessary following impairment tests on all cash generating units within the Group, since the discounted future cash flows from the 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 2018-2022 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 relations
The supplier relationships consist of supplier bases within the following regions and remaining useful lives (RUL):

EUR 1,000		2017	2016
Supplier bases	**RUL**		
EMEA	4-13	155,394	164,264
Asia Pacific	4-16	51,637	58,110
Americas	8-16	130,314	143,395
		337,345	**365,769**

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 15.4 million, Asia-Pacific: EUR 4.6 million and Americas: EUR 5.0 million.

18 Non-current assets by geographical market

The non-current assets other than financial instruments, deferred tax assets and post employment benefit assets, comprise property, plant and equipment, intangible assets including goodwill and equity accounted investees. The aforementioned non-current assets by geographical location are as follows:

EUR 1,000	Property, plant and equipment	Intangible assets
Netherlands	1,448	386,366
Rest of EMEA	6,067	91,996
EMEA	**7,515**	**478,362**
Asia-Pacific	2,865	132,420
Americas	8,447	338,077
Total	**18,827**	**948,859**

19 Equity-accounted investees

The equity accounted investee relates to the 49% share in SARL IMCD Group Algerie.

The following table analyses the carrying amount and share of profit and OCI of the equity interest.

EUR 1,000	2017	2016
Balance as at 1 January	**13**	**3**
Capital contributions	-	-
Result for the year	(61)	10
Addition to provision	48	
Balance as at 31 December	**-**	**13**

The net assets of SARL IMCD Group Algerie consist of current assets amounting to EUR 200 thousand (2016: EUR 321 thousand) and current liabilities of EUR 330 thousand (2016: EUR 295 thousand). The loss from continuing operations in the financial year amounted to EUR 124 thousand. The net profit for the year 2016 amounted to EUR 19 thousand. As at 31 December 2017 net equity value of SARL IMCD Group Algerie was minus EUR 48 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 2.0 million (2016: 2.0 million), consisting of unrecognised deferred tax asset of entities in EMEA EUR 0.1 million (2016: EUR 0.1 million), entities in Asia-Pacific EUR 0.9 million (2016: EUR 1.1 million) and entities in Brazil EUR 1.0 million (2016: EUR 0.8 million).

In 2016 the Group recognised previously unrecognised deferred tax assets related to tax losses carried forward to the amount of EUR 6.0 million of which EUR 4.7 million relates to tax losses recognised as a consequence of gaining more assurance on the historical tax losses and expected change in future profitability and duration of the Dutch fiscal entity. The recognised deferred tax assets of the Dutch fiscal entity will expire in the years 2020 to 2023. Deferred tax assets have been recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

Unrecognised deferred tax liabilities

As at 31 December 2017, the group has unrecognised deferred tax liabilities to the amount of EUR 3.1 million (2016: EUR 2.9 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	2017	2016	2017	2016	2017	2016
Property, plant and equipment	178	125	1,162	1,238	**(984)**	(1,113)
Intangible assets	2	14	73,584	76,314	**(73,582)**	(76,300)
Financial fixed assets	18	24	-	(259)	**18**	283
Trade debtors and other receivables	591	717	69	80	**522**	637
Inventories	1,522	1,176	176	388	**1,346**	788
Share based payment reserve	284	-	-	-	**284**	-
Loans and borrowings	345	101	21	639	**324**	(538)
Employee benefits and other provisions	3,795	2,220	1,022	850	**2,773**	1,370
Trade and other payables	3,220	2,128	5	17	**3,215**	2,111
Other items	133	310	4	183	**129**	127
Tax loss carry-forwards	20,571	23,045	-	-	**20,571**	23,045
Tax assets/(liabilities)	**30,659**	**29,860**	**76,043**	**79,450**	**(45,384)**	**(49,590)**
Set off of tax	(6,460)	(3,678)	(6,460)	(3,678)	**-**	-
Net tax assets/(liabilities)	**24,199**	**26,182**	**69,583**	**75,772**	**(45,384)**	**(49,590)**

Movement in temporary differences during the year

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 (note 7)	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)**

Movement in temporary differences during the year (continued)

EUR 1,000	Balance as at 1 January 2016	Recognised in profit or loss	Recognised directly in equity	Recognised in other comprehensive income	Acquired in business combinations	Other	Balance as at 31 December 2016
Property, plant and equipment	**(796)**	(122)	-	-	5	(200)	**(1,113)**
Intangible assets	**(74,055)**	2,727	-	-	(1,994)	(2,978)	**(76,300)**
Financial fixed assets	**28**	244	-	-	-	11	**283**
Trade debtors and other receivables	**592**	(1)	-	-	24	22	**637**
Inventories	**883**	(278)	-	-	179	4	**788**
Share based payment reserve	**7**	(7)	-	-	-	-	**-**
Loans and borrowings	**7**	50	-	(567)	-	(28)	**(538)**
Employee benefits and other provisions	**1,389**	(404)	-	342	29	14	**1,370**
Trade and other payables	**948**	992	-	164	71	(64)	**2,111**
Other items	**(502)**	656	-	-	-	(27)	**127**
Tax losses carried forward	**20,212**	6,166	-	-	-	(3,333)	**23,045**
Net tax assets/ (liabilities)	**(51,287)**	**10,023**	**-**	**(61)**	**(1,686)**	**(6,579)**	**(49,590)**

22 Inventories

The value of the inventory is as follows:

EUR 1,000	2017	2016
Trade goods	265,826	204,210
	265,826	**204,210**

Cost of materials and inbound logistics included in the profit or loss of 2017 amounted to EUR 1,478.7 million (2016: EUR 1,332.9 million). Within this cost are write-downs of inventories to net realisable value of EUR 2.4 million (2016: EUR 2.3 million). The reversal of write-downs amounted to EUR 1.0 million (2016: EUR 0.5 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	2017	2016
Trade receivables	311,487	250,412
Other receivables	20,222	14,120
Trade and other receivables	**331,709**	**264,532**

The composition of the other receivables is as follows:

EUR 1,000	2017	2016
Derivatives used for hedging	-	478
Taxes and social securities	5,488	5,438
Receivables from employees	167	168
Prepaid expenses	10,272	4,637
Other receivables	4,295	3,399
Total other receivables	**20,222**	**14,120**

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:

	2017		2016	
EUR 1,000	Gross	Impairment	Gross	Impairment
Current 0 - 30 days past due	319,558	130	250,884	241
Past due 30 - 60 days	9,151	240	8,651	495
Past due 60 - 90 days	2,499	403	3,376	437
More than 90 days	7,141	5,867	8,113	5,319
	338,349	**6,640**	**271,024**	**6,492**

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	2017	2016
Balance at 1 January	**6,492**	**6,328**
Acquisitions through business combinations	413	263
Impairment loss recognised	1,439	1,936
Impairment loss reversed	(657)	(874)
Trade receivables written-off	(648)	(1,178)
Currency exchange result	(399)	17
	6,640	**6,492**

At 31 December 2017 the total impairment includes an amount EUR 3,426 thousand (2016: EUR 3,510 thousand) related to customers declared insolvent. The remainder of the impairment loss at 31 December 2017 relates to several customers who are expected to be unable to pay their outstanding balances, mainly due to economic circumstances. 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	2017	2016
Carrying amount		
EMEA	193,475	170,733
Asia-Pacific	54,137	48,919
Americas	84,097	44,880
	331,709	**264,532**

24 Cash and cash equivalents

The cash and cash equivalents are as follows:

EUR 1,000	2017	2016
Cash and cash equivalents	61,383	56,502
Cash and cash equivalents in the statement of cash flows	**61,383**	**56,502**

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 2017, 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 2017, the Company distributed a dividend in cash of EUR 28.8 million (2016: EUR 23.1 million).

The share premium as at 31 December 2017 amounted to EUR 657.5 million (31 December 2016: 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 2017, the Group held 195,000 of the Company's shares (At 31 December 2016: 155,000 shares).

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
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)**
2016				
Foreign currency translation differences for foreign operations, net of tax	20,575	-	-	**20,575**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	(251)	-	**(251)**
Defined benefit plan actuarial gains and losses net of tax	-	-	(1,290)	**(1,290)**
Total other comprehensive income	**20,575**	**(251)**	**(1,290)**	**19,034**

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	2017	2016
Bank loans	363,749	377,483
Other liabilities	3,702	5,182
	367,451	**382,665**

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 2017	Carrying amount 2017	Face value 2016	Carrying amount 2016
Senior bank loans	AUD	3.20%	2021	32,364	32,063	34,027	33,640
Senior bank loans	EUR	1.40%	2021	120,544	116,170	120,544	114,905
Senior bank loans	GBP	1.92%	2021	23,387	23,157	24,235	23,940
Senior bank loans	USD	3.09%	2021	18,122	18,095	20,619	20,584
Schuldscheindarlehen (fix rate)	EUR	1.20%	2021	15,000	14,937	15,000	14,920
Schuldscheindarlehen (fix rate)	EUR	1.58%	2023	15,000	14,931	15,000	14,920
Schuldscheindarlehen (floating rate)	EUR	1.20%	2021	45,000	44,811	45,000	44,761
Schuldscheindarlehen (floating rate)	EUR	1.45%	2023	25,000	24,886	25,000	24,866
Schuldscheindarlehen (fix rate)	USD	3.11%	2021	20,845	20,749	23,717	23,597
Schuldscheindarlehen (floating rate)	USD	3,19%	2021	54,198	53,950	61,664	61,350
Profit sharing arrangements	EUR	1.53%	2021	1,160	1,160	1,190	1,190
Other interest bearing liabilities				203	203	256	256
Total interest-bearing liabilities				**370,823**	**365,112**	**386,252**	**378,929**
Total non- interest-bearing liabilities				2,339	2,339	3,736	3,736
Total non-current liabilities				**373,162**	**367,451**	**389,988**	**382,665**

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.

	2017		2016	
	Outcome	Covenant	Outcome	Covenant
Reported leverage	3.0		2.6	
Leverage including pro-forma results	2.8		2.6	
Leverage loan documentation	2.7	max. 3.5	2.3	max. 3.5
Interest cover	16.3	min. 4.0	13.9	min. 4.0

The actual reported leverage ratio as at 31 December 2017 was 3.0 times EBITDA (31 December 2016: 2.6 times EBITDA). Including the full year impact of acquisitions completed in 2016 and 2017, the leverage at the end of the financial year is 2.8 times EBITDA (31 December 2016: 2.6 times EBITDA). The leverage ratio calculated on the basis of the definitions used in the loan documentation was 2.7 times EBITDA (31 December 2016: 2.3 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 loan documentation, was 16.3 times EBITDA (2016: 13.9 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 155.8 mln) and the cash flows from financing activities in the consolidated cash flow statement (cash inflow of EUR 126.8 mln) comprises the loans and borrowings from business combinations (EUR 45.4 mln) which were repaid during the year, the effect of foreign exchange rates (EUR -15.3 mln) and other changes (EUR -1.1 mln).

Current liabilities

EUR 1,000	2017	2016
Loans and borrowings	**344**	**383**
Deferred and contingent considerations	699	57,712
Other short term financial liabilities	182,848	13,314
Other short term financial liabilities	**183,547**	**71,026**

Other short term financial liabilities include a revolving credit facility, bank overdrafts and other short term credit facilities, including discounted bills and discounted notes. The Group's total available revolving credit facility amounts to EUR 300 million. In 2017, the net usage of the revolving credit facility amounted to EUR 178.4 million. Drawdowns can be extended till the maturity date of the facility in 2021.

During 2017 the Group paid deferred considerations of EUR 56.5 million of which EUR 53.5 million relates to the deferred purchase price of MF Cachat.

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	2017	2016
Net defined benefit liability	8,874	2,252
Termination benefits and other long term employee benefits	7,842	7,845
Total employee benefit liabilities	**16,716**	**10,097**

The Group supports defined benefit plans in The Netherlands, The United Kingdom, Canada, Germany, Switzerland and Austria.

Movement in net defined benefit liability/(asset)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
EUR 1,000	2017	2016	2017	2016	2017	2016
Balance as at 1 January	**49,339**	**45,587**	**47,087**	**42,143**	**2,252**	**3,444**
Included in profit or loss						
Current service cost	470	1,232	-	-	470	1,232
Past service credit	(6)	(2,570)	-	-	(6)	(2,570)
Settlements	-	-	-	-	-	-
Interest cost/(income)	1,171	1,313	1,117	1,256	54	57
	1,635	**(25)**	**1,117**	**1,256**	**518**	**(1,281)**
Included in OCI						
Remeasurement; loss/(gain):						
Actuarial loss/(gain)	47	7,467	-	-	47	7,467
Return on plan assets excluding interest income	-	-	(166)	5,358	166	(5,358)
Asset ceiling	-	-		790	-	(790)
Effect of movements in exchange rates	(1,148)	(3,265)	(1,162)	(3,320)	14	55
	(1,101)	**4,202**	**(1,328)**	**2,828**	**227**	**1,374**
Other						
Business combinations	10,933		4,079		6,854	-
Contributions paid by the employer	-	-	977	1,285	(977)	(1,285)
Contributions paid by the plan members	259	180	259	180	-	-
Benefits paid	(1,096)	(605)	(1,096)	(605)	-	-
	10,096	**(425)**	**4,219**	**860**	**5,877**	**(1,285)**
Balance as at 31 December	**59,969**	**49,339**	**51,095**	**47,087**	**8,874**	**2,252**

Plan assets

EUR 1,000	2017	2016
Equity securities	14,133	10,921
Government bonds	14,734	13,385
Qualifying insurance policies	22,440	22,575
Other plan assets	202	206
Total plan assets	**51,509**	**47,087**

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) exceeds the recognised plan assets (EUR 51.1 million) by EUR 0.4 million.

Expense recognised in profit or loss

EUR 1,000	2017	2016
Current service costs	470	1,232
Past service costs	(6)	(2,570)
Settlements	-	-
Expense recognised in the line item 'Social security and other charges'	**464**	**(1,338)**
Interest cost	54	57
Expense recognised in the line item 'Finance costs'	**54**	**57**
Total expense recognised in profit or loss	**518**	**(1,281)**

The curtailment (part of past service costs) recognised in 2016 was a result of the change of the pension contract in The Netherlands. This amendment resulted in a change in classification from a defined benefit plan until 31 December 2016 to a defined contribution plan as of 1 January 2017. All obligations from the pension contract until 31 December 2016 remained in place and as such will be treated as defined benefit plan in the future. However, no premiums will be due for this contract and the net defined benefit liability is zero as from 31 December 2016.

Actuarial assumptions

Principal actuarial assumptions at the reporting date, expressed as weighted average:

	2017	2016
Discount rate as at 31 December	2.40%	2.26%
Future salary increases	2.92%	3.11%
Future pension increases	1.63%	1.66%
Price inflation	2.25%	2.40%

Assumptions regarding future mortality are based on published statistics and mortality tables. The following tables have been used:

- The Netherlands: Prognosetafel AG2016 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 2015 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 2008-P "Angestellte" -Rechnungsgrundlagen für die Pensionsversicherung-Pagler & Pagler

The Group expects EUR 1,238 thousand in contributions to be paid to its defined benefit plans in 2018. 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 and Switzerland 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 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)	5,381	(4,003)
Defined benefit plan The United Kingdom		
Discount rate (1% point movement)	(3,945)	5,185
Future salary growth (1% point movement)	676	(676)
Future pension growth (1% point movement)	3,719	(3,043)
Future inflation (1% point movement)	4,058	(3,832)
Future mortality (1 year)	(676)	676
Defined benefit plan Canada		
Discount rate (1% point movement)	(1,413)	1,765
Future salary growth (1% point movement)	38	(25)
Future pension growth (1% point movement)	433	(319)
Future inflation (1% point movement)	433	(319)
Future mortality (1 year)	(263)	261

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	2017	2016
Liabilities as at 1 January		**7,845**	**6,840**
Assumed in business combinations	7	115	86
Additions (excluding interest cost)		996	879
Interest cost		54	48
Withdrawals		(662)	(360)
Releases		-	-
Actuarial results		(227)	322
Effect of movement in exchange rates		(279)	30
Liabilities as at 31 December		**7,842**	**7,845**

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	2017	2016
Balance as at 1 January		**1,164**	**1,351**
Assumed in business combinations	7	3,528	255
Provisions made during the year		220	304
Provisions used during the year		(511)	(240)
Provisions released during the year		(167)	(574)
Effect of movement in exchange rates		(15)	68
Balance as at 31 December		**4,219**	**1,164**

29 Trade and other payables

The trade and other payables are as follows:

EUR 1,000	2017	2016
Trade payables	213,437	170,619
	213,437	**170,619**

EUR 1,000	2017	2016
Derivatives used for hedging	1,802	1,459
Taxes and social securities	15,686	13,159
Pension premiums	1,007	1,198
Current tax liability	7,194	4,136
Other creditors	8,737	1,664
Accrued interest expenses	936	856
Liabilities to personnel	21,493	16,929
Other accrued expenses	12,908	10,289
	69,763	**49,690**

At 31 December 2017, with the exception of some derivatives used for hedging, all trade and other payables have a term of less than one year. Interest swap contracts with a negative fair value of EUR 0.7 million (31 December 2016: negative EUR 1.2 million) expire in the year 2019.

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 2017		Carrying amount								Fair value			
EUR 1,000	Note	Held for trading	Designated at fair value	Fair value hedging instruments	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value													
Forward exchange contracts used for hedging	23	-	-	-	-	-	-	-	-	-	-	-	-
		-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets not measured at fair value													
Trade and other receivables	23	-	-	-	-	331,709	-	-	331,709				
Cash and cash equivalents	24	-	-	-	-	61,383	-	-	61,383				
		-	**-**	**-**	**-**	**393,092**	**-**	**-**	**393,092**				
Financial liabilities measured at fair value													
Interest rate swaps used for hedging	29	-	-	744	-	-	-	-	744	-	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
		-	**3,038**	**1,802**	**-**	**-**	**-**	**-**	**4,840**	**-**	**1,802**	**3,038**	**4,840**
Financial liabilities not measured at fair value													
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				
		-	**-**	**-**	**-**	**548,304**	**-**	**281,398**	**829,702**				

31 December 2016		Carrying amount								Fair value			
EUR 1,000	Note	Held for trading	Designated at fair value	Fair value hedging instruments	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value													
Forward exchange contracts used for hedging	23	-	-	478	-	-	-	-	478	-	478	-	**478**
		-	**-**	**478**	**-**	**-**	**-**	**-**	**478**	**-**	**478**	**-**	**478**
Financial assets not measured at fair value													
Trade and other receivables	23	-	-	-	-	264,054	-	-	264,054				
Cash and cash equivalents	24	-	-	-	-	56,502	-	-	56,502				
		-	**-**	**-**	**-**	**320,556**	**-**	**-**	**320,556**				
Financial liabilities measured at fair value													
Interest rate swaps used for hedging	29	-	-	1,188	-	-	-	-	1,188	-	1,188	-	**1,188**
Forward exchange contracts used for hedging	29	-	-	271	-	-	-	-	271	-	271	-	**271**
Contingent consideration	7, 29, 26	-	61,450	-	-	-	-	-	61,450	-	-	61,450	**61,450**
		-	**61,450**	**1,459**	**-**	**-**	**-**	**-**	**62,909**	**-**	**1,459**	**61,450**	**62,909**
Financial liabilities not measured at fair value													
Other short term financial liabilities	26	-	-	-	-	13,314	-	-	13,314				
Bank loans	26	-	-	-	-	377,483	-	-	377,483				
Other loans and borrowings	26	-	-	-	-	1,829	-	-	1,829				
Trade payables	29	-	-	-	-	-	-	170,619	170,619				
Other payables	29	-	-	-	-	-	-	48,231	48,231				
		-	**-**	**-**	**-**	**392,626**	**-**	**218,850**	**611,476**				

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 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)
Balance as at 31 December 2017	**3,038**
Balance as at 1 January 2016	**66,217**
Assumed in a business combination	4,535
Paid contingent consideration	(11,393)
Gain included in profit or loss	(18)
Effect of movement in exchange rates	2,109
31 December 2016	**61,450**

The net gain included in profit and loss of EUR 10 thousand (2016: EUR 18 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 2017	Profit or loss	
EUR 1,000	Increase	Decrease
EBITDA margin (10% movement)	(31)	31
Risk-adjusted discount rate (discount rate 1% point movement)	1	(1)

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 2017 Net amount
Trade and other receivables	334,924	(3,215)	331,709	-	331,709
Cash and cash equivalents	62,925	(1,542)	61,383	-	61,383
Other financial assets	-	-	3,438	-	3,438
Trade payables	213,931	(494)	213,437	-	213,437
Other payables	71,390	(1,627)	69,763	-	69,763
Other short term financial liabilities	185,089	(1,542)	183,547	-	183,547

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 50.8 million (2016: EUR 52.4 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	2018	2019 - 2022	After 2022	Total
Long lease and rent	11,476	26,353	4,245	42,074
Operational lease	3,974	4,742	-	8,716
	15,450	**31,095**	**4,245**	**50,790**

During the year an amount of EUR 15.3 million was recognised as an expense in profit or loss in respect of operating leases (2016: EUR 13.5 million).

On top of the above mentioned operating leases, the Group has off balance sheet commitments regarding software licenses of 12.8 million due within the next 5 years. No expenses have been recognised in profit or loss in respect of these licenses.

Guarantees

As at 31 December 2017, the Group has granted guarantees of EUR 1.5 million (31 December 2016: EUR 0.8 million) in total. Those guarantees consist of bank guarantees provided to customs and tax authorities of EUR 1.2 million (31 December 2016: EUR 0.4 million) and office rental guarantees of EUR 0.3 million (31 December 2016: EUR 0.3 million).

Claims

The Group is a party to a limited number of legal proceedings incidental to its business. As is the case with other companies in similar industries, the Company faces exposures from actual or potential claims and legal proceedings. Although the ultimate disposition of legal proceedings cannot be predicted with certainty, it is the opinion of the Company's management that the outcome of any claim which is pending or threatened, either individually or on a combined basis and considering the insurance cover available, will not have a material effect on the financial position of the Company, its cash flows and result of operations.

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 2017 on page 157.

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 2017 the Group has an outstanding receivables from SARL IMCD Group Algerie of EUR 262 thousand (2016: EUR 57 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 977 thousand (2016: EUR 1,285 thousand). The outstanding payable to the defined benefit plans as at the year-end 2017 is EUR 74 thousand (2016: EUR 76 thousand).

33 Subsequent events

There were no material events after 31 December 2017 that would have changed the judgement and analysis by management of the financial condition as at 31 December 2017 or the result for the year of the Group.

Company balance sheet as at 31 December 2017, before profit appropriation

EUR 1,000	Note	31 December 2017	31 December 2016
Fixed assets			
Participating interest in group company	39	890,378	911,311
Deferred tax assets	40	17,604	20,438
Total fixed assets		**907,982**	**931,749**
Current assets			
Trade and other receivables	41	63	36
Accounts receivable from subsidiary	42	661	840
Cash and cash equivalents		38	294
Total current assets		**762**	**1,170**
Total assets		**908,744**	**932,919**
Shareholders' equity	43		
Issued share capital		8,415	8,415
Share premium		657,514	657,514
Translation reserve		(40,875)	684
Hedging reserve		(176)	14
Other reserves		(12,279)	(12,728)
Retained earnings		39,320	(4,799)
Unappropriated result		77,262	72,959
Total equity		**729,181**	**722,059**
Non-current liabilities	44	173,594	183,554
Accounts payable to subsidiaries	45	4,279	25,478
Other current liabilities	45	1,690	1,828
Current liabilities		**5,969**	**27,306**
Total equity and liabilities		**908,744**	**932,919**

Company income statement for the year ended 31 December 2017

EUR 1,000	Note	2017	2016
Operating income	36	1,442	1,901
Wages and salaries	37	(2,511)	(2,276)
Social security and other charges	37	(99)	(9)
Other operating expenses		(721)	(578)
Operating expenses		**(3,331)**	**(2,863)**
Net finance costs		(4,274)	(1,845)
Share in results from participating interests, after taxation	39	86,390	74,153
Result before income tax		**80,227**	**71,346**
Income tax expense	38	(2,965)	1,613
Result for the year		**77,262**	**72,959**

Notes to the Company financial statements for the year ended 31 December 2017

34 General

The company financial statements are part of the 2017 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 2017 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 2017 the Company did not recognise previously unrecognised deferred tax assets related to tax losses carried forward (2016: EUR 4.7 million). The Company utilised deferred tax assets to an amount of EUR 2.8 million in the financial year (2016: EUR 3.1 million).

39 Participating interest in group companies

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

EUR 1,000	2017	2016
Balance as at 1 January	**911,311**	**635,749**
Changes:		
Investments in participating interests	-	179,681
Share in results from participating interest after taxation	86,390	74,153
Dividends declared	(55,525)	-
Movement hedging reserve	(190)	(251)
Exchange rate differences	(52,058)	23,755
Movement other reserves	450	(1,776)
Balance as at 31 December	**890,378**	**911,311**
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 2016 the Company made capital contributions of EUR 179.7 million to IMCD Finance B.V.

40 Deferred tax assets

EUR 1,000	2017	2016
Balance as at 1 January	20,438	18,805
Changes:		
Recognition and use of tax losses	(2,834)	1,633
Balance as at 31 December	**17,604**	**20,438**

The deferred tax assets recognised during 2016 relate to tax losses carried forward by the Dutch fiscal entity headed by IMCD N.V.

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 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**
Balance as at 1 January 2016	**8,415**	**657,514**	**(19,891)**	**265**	**(3,118)**	**(7,652)**	**(43,550)**	**61,848**	**653,831**
Appropriation of prior year's result	-	-	-	-	-	-	38,751	(38,751)	-
	8,415	**657,514**	**(19,891)**	**265**	**(3,118)**	**(7,652)**	(4,799)	23,097	**653,831**
Total recognised income and expense	-	-	-	-	-	-	-	72,959	**72,959**
Share based payments	-	-	-	-	-	1,403	-	-	**1,403**
Purchase own shares	-	-	-	-	(2,071)	-	-	-	**(2,071)**
Cash dividend	-	-	-	-	-	-	-	(23,097)	**(23,097)**
Movement in other reserves	-	-	20,575	(251)	-	(1,290)	-	-	**19,034**
Balance as at 31 December 2016	**8,415**	**657,514**	**684**	**14**	**(5,189)**	**(7,539)**	**(4,799)**	**72,959**	**722,059**

Share capital and share premium

	Ordinary shares	
EUR 1,000	2017	2016
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 2017, 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 2017, the Group held 195,000 of the Company's shares (31 December 2016: 155,000 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 2017 will be proposed: an amount of EUR 32,607 thousand to be paid out as dividend (EUR 0.62 per share) and EUR 44,655 thousand to be added to the retained earnings.

44 Non-current liabilities

The movement in the non-current liabilities during 2017 is as follows:

EUR 1,000	2017	2016
Balance as at 1 January	**183,554**	**-**
Additions	-	181,132
Amortisation of transaction costs	375	(47)
Effect of movements in exchange rates	(10,335)	2,469
Balance as at 31 December	**173,594**	**183,554**

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 remainder of the capitalised finance costs of EUR 0.7 million related to the amendment of IMCD's syndicated banking facilities effected in 2016.

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	99,565	106,540	449	878	1,332	63,273	40,608
Schuldscheindarlehen	USD	74,699	84,644	1,184	1,208	2,401	79,851	-
Capitalised finance costs	EUR	(670)	-	-	-	-	-	-
Total		**173,594**	**191,184**	**1,633**	**2,086**	**3,733**	**143,124**	**40,608**

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 2017 amounts to EUR 6.0 million (31 December 2016: EUR 27.3 million) and consists of a short term liability to IMCD Finance B.V. and other current liabilities.

EUR 1,000	2017	2016
Accounts payable to subsidiaries	4,279	25,478
Other current liabilities		
Creditors	123	132
Liabilities to personnel	592	519
Accrued interest expenses	708	695
Other accrued expenses	267	482
	1,690	**1,828**
Current liabilities	**5,969**	**27,306**

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		2017			2016	
Statutory audits of annual accounts	486	835	1,321	436	702	1,138
Other assurance services	-	-	-	-	-	-
Tax advisory services	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-
	486	**835**	**1,321**	**436**	**702**	**1,138**

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 2017 amounted to EUR 1,442 thousand (2016: EUR 1,621 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	**2017**	**515**	**300**	**444**	**42**	**46**	**1,347**
	2016	513	384	246	39	44	1,226
H.J.J. Kooijmans	**2017**	**378**	**222**	**326**	**38**	**41**	**1,005**
	2016	377	283	181	32	36	909
Total	**2017**	**893**	**522**	**770**	**80**	**87**	**2,352**
	2016	890	667	427	71	80	2,135

The total number of shares granted to P.C.J. van der Slikke and H.J.J. Kooijmans amounts to 33,205 respectively 24,415. 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	2017	2016
M.G.P. Plantevin	65	34
A.J.T. Kaaks	50	50
J.C. Pauze	48	63
J. Van Nauta Lemke-Pears	47	30
J. Smalbraak	40	27
Total	**250**	**204**

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 2017 that would have changed the judgement and analysis by management of the financial condition at 31 December 2017 or the result for the year of the Company.

Rotterdam, 1 March 2018

The Management Board:
P.C.J. van der Slikke
H.J.J. Kooijmans

The Supervisory Board:
M.G.P. Plantevin
A.J.T. Kaaks
J.C. Pauze
J. Van Nauta Lemke-Pears
J. Smalbraak

List of group companies as per 31 December 2017

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
Feza Kimya İç ve Dış Ticaret Anonim Şirketi[1]	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.	Warsaw	Poland
IMCD South East Europe GmbH	Vienna	Austria
IMCD Nordic Investments AB[2]	Malmö	Sweden
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.[3]	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.	Melbourne	Australia
IMCD Australia Ltd.	Melbourne	Australia

List of group companies as per 31 December 2017

IMCD Additives Pty. Ltd.[4]	Melbourne	Australia
Capitol Product Management Pty. Ltd.[4]	Melbourne	Australia
Capitol Ingredients Australia Pty. Ltd.[4]	Melbourne	Australia
Capitol Specialty Products Pty. Ltd.[4]	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
Internatio Special Products (Philippines) Corporation	Quezon City	Philippines
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.	São Paulo	Brazil
IMCD Brasil Comércio e Indústria de Produtos Quimicos Ltda.	São Paulo	Brazil
IMCD Brasil Farmacêuticos Importação, Exportação e Representações Ltda[5]	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
Mutchler Inc.[6]	Harrington Park, New Jersey	United States of America
IMCD Puerto Rico Inc.[7]	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
L.V. Lomas Limited[8]	Brampton	Canada
L.V. Lomas Inc.[8]	Washington	United States of America
Internatio Special Products Egypt LLC[9]	Cairo	Egypt
IMCD Chile SpA	Santiago de Chile	Chile
IMCD Argentina SRL	Buenos Aires	Argentina

1 Merged with IMCD Ticaret, Pazarlama ve Danişmanlik Limited Şirketi March 2017

2 Merged with IMCD Nordic AB January 2017

3 Since June 2017

4 Liquidated August 2017

5 Formerly known as Selectchemie importação exportação e representações LTDA.

6 Merged with IMCD US LLC September 2017

7 Formerly known as Mutchler of Puerto Rico Inc.

8 Since August 2017

9 Since December 2017

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 2017 will be proposed: an amount of EUR 32,607 thousand to be paid out in cash as dividend (EUR 0.62 per share) and EUR 44,655 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 2017 INCLUDED IN THE ANNUAL REPORT

Our Opinion

We have audited the accompanying financial statements 2017 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 2017 (before profit appropriation), and of its result and its cash flows for 2017 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 2017 (before profit appropriation), and of its result for 2017 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 2017.
2. The following statements for 2017: 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 2017 (before profit appropriation).
2. The accompanying Company profit and loss account for 2017.
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 6.5 million. The materiality is based on 6% of earnings before tax 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.

Last year materiality was slightly lower as it was our first year audit.

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 3.25 million.

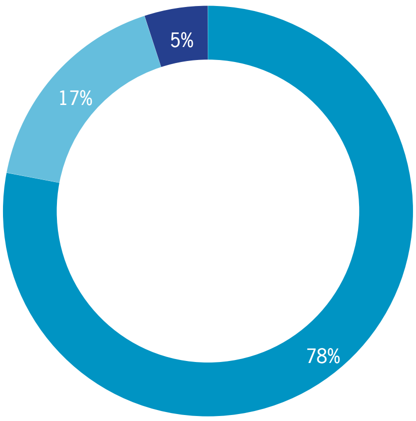
We agreed with the Supervisory Board that misstatements in excess of EUR 0.325 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

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 an audit, specified audit procedures or review had to be carried out on the component financial information.

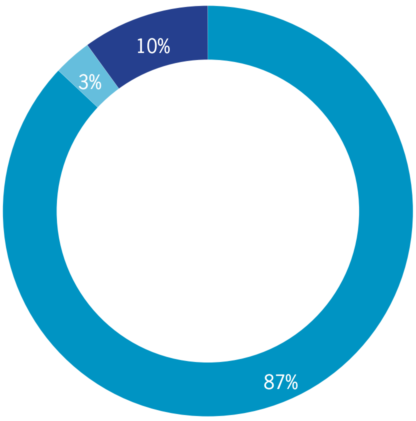
This resulted in the coverage as presented below:

Scoping on revenue



- Full audit scope: 78
- Audit of specified account balances: 17
- Analytical review: 5

Scoping on assets



- Full audit scope: 87
- Audit of specified account balances: 3
- Analytical review: 10

We have:
- Performed audit procedures ourselves at the corporate entities and the operations in The Netherlands. Furthermore we, as group audit team, performed audit procedures at group level on the key audit areas such as consolidation, valuation of goodwill, supplier relations and other intangibles, group wide controls, reliability & continuity of the IT environment and the acquisition of L.V. Lomas.
- Involved specialists in the area of impairment testing, information technology, tax and accounting.
- Used the work of component audit teams for all significant international components. 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 review procedures or specific 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. As a result of growth through acquisitions and previous acquisitions of the Company by private equity, IMCD capitalized goodwill for EUR 582 million and EUR 553 million for other intangibles. These other intangibles are primarily, for EUR 487 million, comprised 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 L.V. Lomas (see Key Audit Matter: Business combinations below). 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. For the 2016 impairment test goodwill was allocated to a number of CGU's and individual acquisitions. In 2017 management re-allocated their goodwill to the three Cash-Generating Units: EMEA, Asia-Pacific and Americas. This, as we understand, better reflects the level of monitoring of the business by the Management Board. The company, as element of integration of their businesses, co-ordinates the supply chain and distribution network within each CGU.	Our audit focused on both testing the design and implementation of internal control measures on behalf of the executive 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 challenged management on proper re-allocation of goodwill to the three segments EMEA, Asia-Pacific and Americas, impairment triggers and the calculation of the impairment on the supplier relations. We put more emphasis to IMCD's performance in The Americas also considering recent acquisitions, macro-economic developments in Brazil, sensitivity noted in the impairment calculations and the level of management judgement involved. We engaged firm specialists 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. 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 and within acceptable ranges and that the re-allocation of goodwill to the three Cash-Generating Units is reflecting the internal level of monitoring goodwill. Furthermore, the re-allocation of goodwill to 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 specified audit procedures). Additionally to this we have visited seven entities including the newly acquired business of L.V. Lomas, amongst which all quantitative and qualitative significant operations, 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 IT systems, valuation of goodwill and supplier relations, purchase price allocation for new acquisitions, sales and costs of goods sold, loans and borrowings and manual journal entries. 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 opinion that the risks of material misstatement are sufficiently addressed.
IT landscape and financial reporting	
IMCD is globally deploying a standardized ERP solution for all operating entities. A substantial number of subsidiaries already implemented this system; though a number of more recent acquisitions are 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 2017, similar to 2016, 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 customer confirmations on transactional and year-end positions. IT audit specialists have been deployed to assist us in making various data analyses. During 2017 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 to further rely on the IT environment and related general IT controls. 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 L.V. Lomas on August 31, 2017. 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. The allocation and valuation of goodwill of EUR 82 million and supplier base EUR 22 million and other intangible fixed assets of EUR 1 million arising from the acquisitions were considered to be a key risk 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. Thereto we inspected the Share Purchase Agreements, and evaluated the identification of assets and liabilities acquired including the valuation of goodwill and other intangibles (supplier relations). The Management Board engaged an independent valuation expert. We evaluated the identification of assets and liabilities acquired, and engaged Deloitte valuation 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. Based on our materiality and procedures performed, we are in the opinion that the recognition of assets from the acquisition of L.V. Lomas is in line with the requirements of IFRS 3, and that this acquisition is 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 9, 2017, as of the audit for year 2017. 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, 1 March 2018

Deloitte Accountants B.V.

J. Hendriks

Other information not forming part of the financial statements

Nine years summary

EUR million	2017	2016	2015	2014	2013	2012	2011	2010	2009
RESULTS									
Revenue	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	11%	12%	13%	10%	10%	9%	20%	24%	
Gross profit	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%	22.3%	21.8%	21.2%	21.2%	21.3%	21.3%	21.4%	21.3%
Result from operating activities	125.2	107.5	91.2	82.4	73.4	69.7	48.4	50.1	34.5
Operating EBITDA[1]	166.0	152.1	131.8	112.7	99.0	92.0	86.6	69.1	51.2
Operating EBITA[2]	161.7	147.8	128.3	110.0	96.6	90.2	85.3	68.0	50.1
Year on year Operating EBITA growth	9%	15%	17%	14%	7%	6%	25%	36%	
Operating EBITA in % of revenue	8.5%	8.6%	8.4%	8.1%	7.8%	8.1%	8.3%	8.0%	7.3%
Conversion margin[3]	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	110.1	102.6	87.2	54.3	13.1	(0.7)	6.1	36.2	19.6
CASH FLOW									
Free cash flow[4]	161.3	140.4	119.3	94.6	80.5	86.5	76.3	56.6	62.7
Cash conversion margin[5]	97.2%	92.3%	90.5%	83.9%	81.3%	94.0%	88.1%	81.9%	122.4%
BALANCE SHEET									
Working capital	314.3	248.4	227.8	179.7	150.7	121.0	105.9	90.4	61.2
Total equity	729.2	722.1	653.8	530.8	(67.1)	(49.7)	(27.9)	60.6	17.4
Net debt	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	2.6	2.9	2.4	8.3	7.9	7.8	3.7	5.0
EMPLOYEES									
Number of full time employees end of period	2,265	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	50,000					
Weighted average number of shares (x 1,000)	52,425	52,477	51,612	25,118					
Earnings per share (weighted)	1.47	1.39	1.20	0.79					
Cash earnings per share (weighted)[7]	2.06	2.01	1.79	1.42					
Proposed dividend per share	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)

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