ANNUAL REPORT 2016

IMCD

Value through expertise


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ANNUAL REPORT 2016

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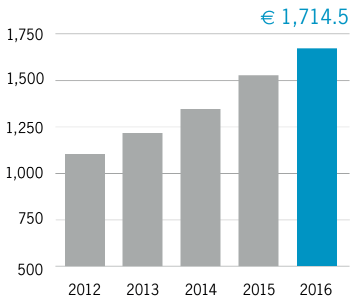
Financial highlights 2016

Another year with strong results

- Revenue growth of 12% to EUR 1,714.5 million (+14% on a constant currency basis)
- Gross profit growth of 15% to EUR 381.6 million (+18% on a constant currency basis)
- Operating EBITA increased by 15% to EUR 147.8 million (+18% on a constant currency basis)
- Net result before amortisation and non-recurring items of EUR 102.6 million (2015: EUR 87.2 million)
- Cash conversion ratio improved to 92.3% (2015: 90.5%)
- Cash earnings per share increased by 12% to EUR 2.01 (2015: EUR 1.79)
- Dividend proposal of EUR 0.55 in cash per share (2015: EUR 0.44)

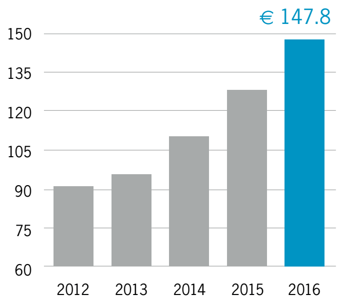
Revenue

in EUR million



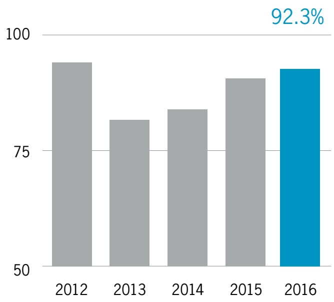
Operating EBITA

in EUR million

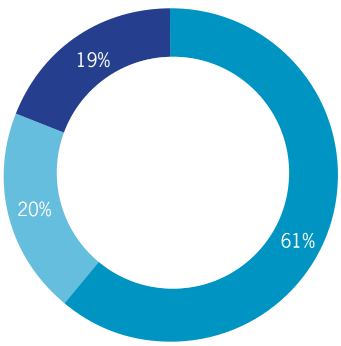


Cash conversion

in %



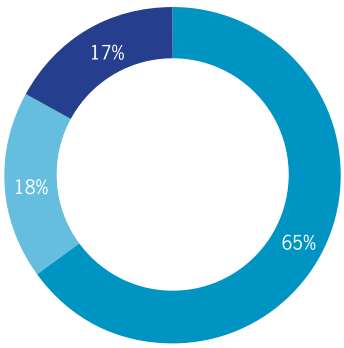
Revenue per region



EUR million

- EMEA: 1,053.6
- Americas: 344.0
- Asia-Pacific: 316.9

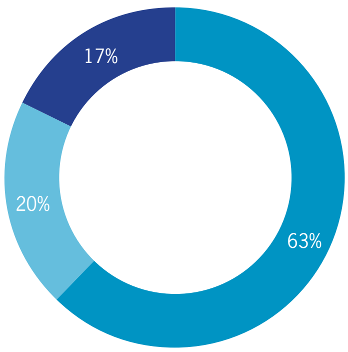
Gross profit per region



EUR million

- EMEA: 248.8
- Americas: 68.9
- Asia-Pacific: 63.9

Operating EBITA per region*



EUR million

- EMEA: 100.8
- Americas: 31.6
- Asia-Pacific: 28.3

* Excluding Holding Companies

Key Figures

EUR million	2016	2015	Change
Results			
Revenue	1,714.5	1,529.8	12%
Gross profit	381.6	332.8	15%
Gross profit in % of revenue	22.3%	21.8%	0.5%
Operating EBITA[1]	147.8	128.3	15%
Operating EBITA in % of revenue	8.6%	8.4%	0.2%
Conversion margin[2]	38.7%	38.5%	0.2%
Net result before amortisation / non recurring items	102.6	87.2	18%
Cash flow			
Free cash flow[3]	140.4	119.3	18%
Cash conversion margin[4]	92.3%	90.5%	1.8%
Balance sheet			
Working capital	248.4	227.8	9%
Total equity	722.1	653.8	10%
Net debt	397.6	437.5	(9%)
Net debt / Operating EBITDA ratio[5]	2.6	2.9	(0.3)
Employees			
Number of full time employees end of period	1,863	1,746	7%
Shares			
Numbers of shares issued at year end (x 1,000)	52,592	52,592	0%
Weighted average number of shares (x 1,000)	52,477	51,612	2%
Earnings per share (weighted)	1.39	1.20	16%
Cash earnings per share (weighted)[6]	2.01	1.79	12%
Proposed dividend per share	0.55	0.44	25%

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

[2] Operating EBITA in percentage of Gross profit

[3] Operating EBITDA 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

Continued progress in 2016

The year 2016 was again characterised by the challenges of uncertain geopolitical and macroeconomic circumstances. We saw modest growth in European economies, more or less flat demand for chemicals in the US, continuing difficulties in Brazil and a stable environment in Asia-Pacific.

Under these circumstances we are satisfied that IMCD's business operations in 2016 resulted in significant growth of gross profit, EBITA and cash flow. Our European business showed good organic growth. Our business clearly benefits from the EU single market as being the largest free trading zone in the world. Our activities in Asia-Pacific showed satisfactory growth; we steadily continue to strengthen our positions in Asia. We have worked hard to integrate MF Cachat (now renamed IMCD US) and we have made the first steps into the US personal care market. In order to manage our activities in the Americas and exploit synergies, we have opened a regional office in Jersey City (NJ). We are grateful to our US management and staff for the smooth integration into the IMCD organisation.

In 2016 we continued our selective acquisitions strategy. We do not commit to an annual spend of investments but remain prudently and patiently looking to invest in quality businesses that will fit into our strategy. The businesses we acquired during 2016 in Kenya, the US and Puerto Rico, and Turkey all contribute to the expansion of our strategic geographical and market coverage.

We continue to live in turbulent geopolitical times. There is no way of knowing how Brexit and rising protectionism will influence economies in the coming years. Notwithstanding these uncertainties, we remain optimistic about IMCD's opportunities for growth. Our product portfolio is expanding and our alignment with key suppliers across territories is growing. Trends like urbanisation, a growing middle class, focus on health and nutrition and the need for sustainable products, favour the use of speciality chemicals and innovative food ingredients. We believe that the responsible execution of our business operations and our technical support in the development of innovative and sustainable products is of great importance to IMCD's successful long-term growth. We will continue to invest in the quality of our staff, our technical expertise and our IT systems in order to optimise services to our suppliers and customers. Going forward, our goal remains to partner with leading manufacturers and offer them a transparent, high-quality sales and distribution channel, servicing numerous customers across the world.

We thank our business partners, our investors and our committed employees for their ongoing trust and support.

Rotterdam, 7 March 2017
Piet van der Slikke

IMCD AT A GLANCE

IMCD profile

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

Listed at Euronext, Amsterdam (IMCD), IMCD realised revenues of € 1,714.5 million in 2016 with more than 1,800 employees in over 40 countries on 6 continents. IMCD's dedicated team of technical and commercial experts work in close partnership to tailor best in class solutions and provide value through expertise for around 34,000 customers and a diverse range of world class suppliers.

IMCD history

1995 - 2000

- In 1995 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
- Add on acquisitions to further strengthen the position in Australia and New Zealand
- Acquisitions to build a pan-European network are a key part of the growth strategy. Businesses are acquired in the United Kingdom, Germany, Spain, Italy and other Western European countries

2001 - 2005

- Management and NIB Capital Private Equity acquire the Company in 2001 which adopts the name 'IMCD'
- Further acquisitions in Switzerland, Poland, Benelux, France and the United Kingdom to strengthen the pan-European network
- IMCD starts greenfield operations in Austria, Turkey, India and Russia
- Establishment of matrix organisation along geographic lines and end markets to enable distribution on a broad geographical basis
- AAC Capital Partners acquires NIB Capital Private Equity's interest in IMCD (2005)

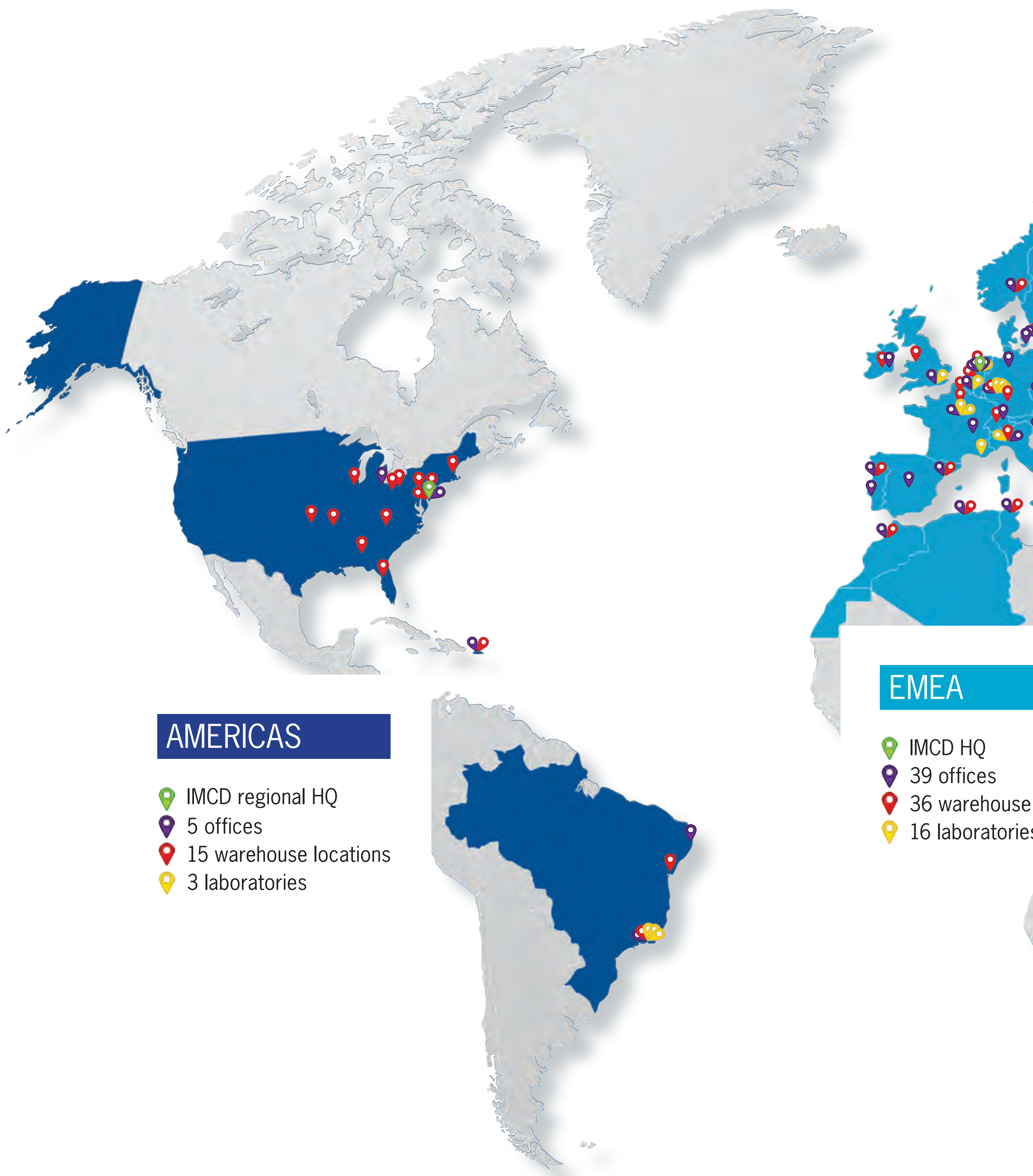
2006 - 2010

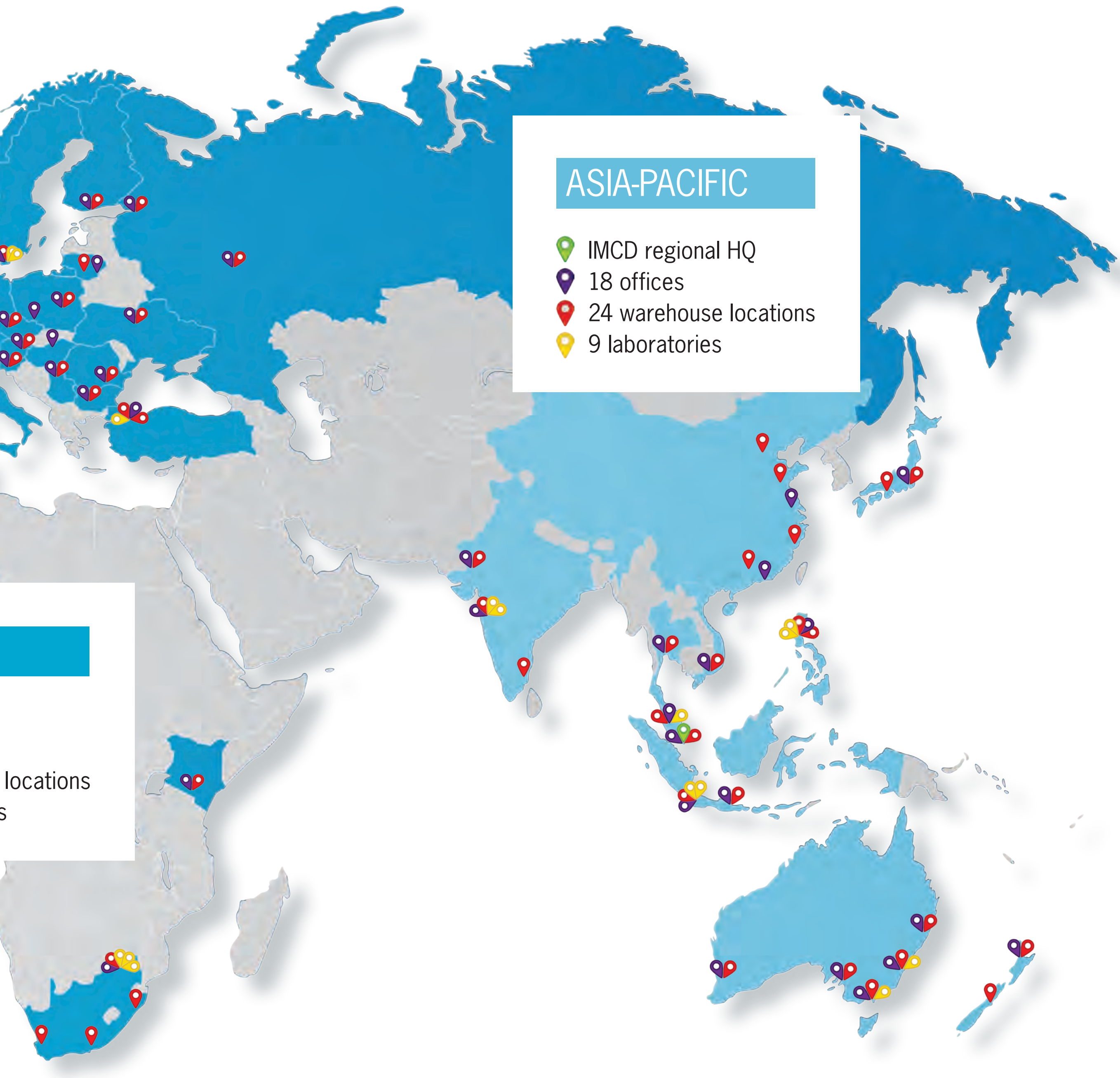
- Acquisition of businesses in South Africa, Germany, New Zealand and Norway
- Acquisition of Warwick, providing increased coverage in France, Spain, Italy and entry to Malaysia
- Diversification by suppliers, customers, end markets, products and geographies proves to have a degree of resilience through challenging economic cycles

2011 - 2016

- Bain Capital acquires AAC Capital Partners' interest in IMCD (2011)
- Acquisitions of businesses in South Africa, Malaysia, Singapore, China, India, Philippines, Brazil and Kenya
- IMCD opens regional head offices in Singapore and US and offices in Thailand, Vietnam and Japan
- Further acquisitions in Europe and Australia to strengthen market presence
- First listing on Euronext Amsterdam (2014)
- Entrance in the US market with the acquisition of MF Cachat
- Acquisition of Mutchler Inc. and Mutchler of Puerto Rico Inc. to expand US operations into the pharmaceuticals market

IMCD global presence




ASIA-PACIFIC
IMCD regional HQ
18 offices
24 warehouse locations
9 laboratories
locations

THE IMCD SHARE

IMCD was first listed on Euronext Amsterdam on June 27, 2014. At IMCD's IPO 50.6% of the total share capital was floated on the stock exchange at a price of EUR 21.00 per share, resulting in a market capitalisation of EUR 1,050 million. The first transaction was traded at EUR 22.00. In May 2015, IMCD issued 2.6 million new shares at an offer price of EUR 32.79 per share, bringing the total number of issued shares to its current number of 52,592,254.

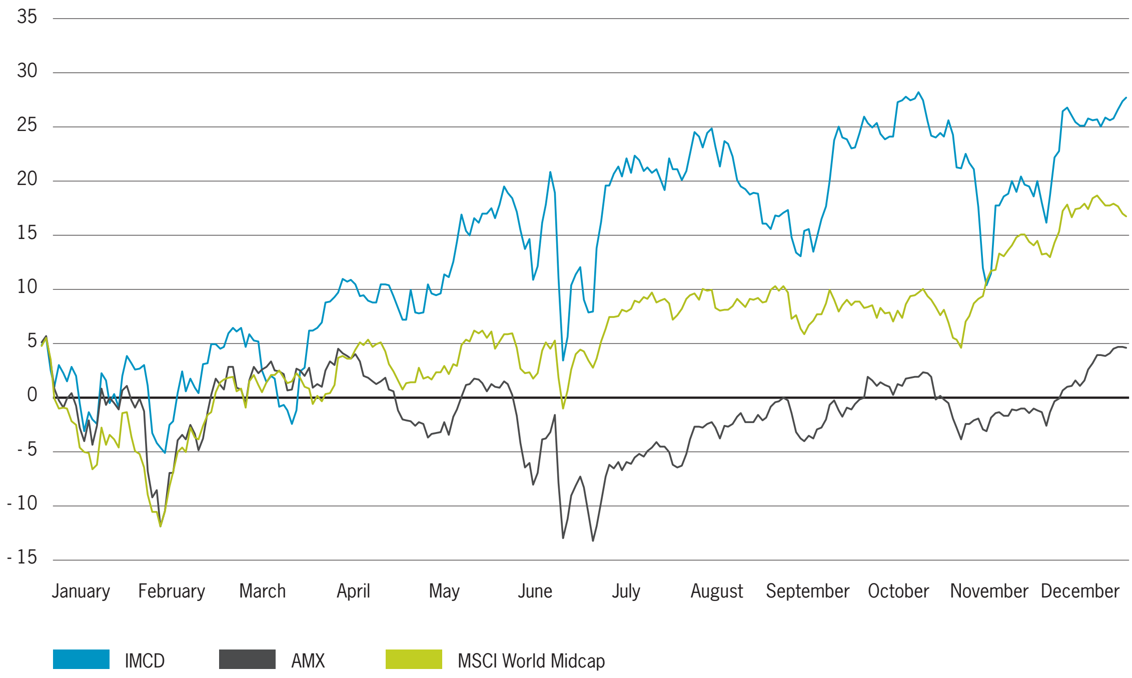
Through a number of sell downs in 2015 and 2016, Bain Capital, IMCD's major shareholder at the date of its listing in 2014, decreased its shareholding interest in IMCD of 39% at the date of the listing to 0% by March 2016. In September 2016 IMCD purchased 55,000 own shares to fund its incentive plan, bringing the total number of own shares to 155,000.

IMCD shares are currently included in the Euronext Amsterdam Midcap Index and options on IMCD are traded in the Euronext Amsterdam Spotlight options segment.

Share price performance in 2016

In 2016, around 14 million IMCD shares (2015: 12 million) were traded ("Regular trading") on Euronext Amsterdam. Another 4 million shares (2015: 18 million) were traded as a result of the final sell down of Bain Capital in 2016. The average daily trading volume in 2016 was approximately 71,000 shares whereby during the year the share price rose by 19% from EUR 34.07 to a closing price at December 31, 2016 of EUR 40.49. By the end of 2016 the market capitalisation amounted to EUR 2,129 million (EUR 1,792 million end of 2015).

Share price performance 2016
In %

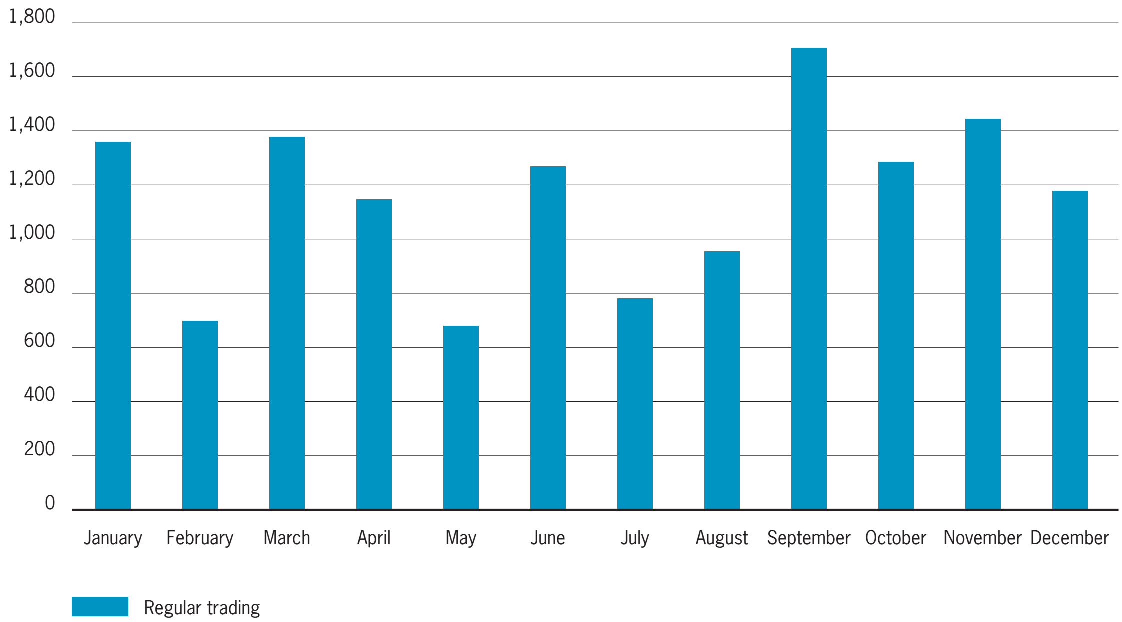


Investor relations policy
IMCD values maintaining an active dialogue with its financial stakeholders such as existing and potential shareholders, brokers and the (financial) media. IMCD considers it very important to explain the IMCD business model and execution in order to give the stakeholders the information they need to form an opinion on the Company.

In 2016 the Company organised roadshows to London, Paris, Frankfurt and New York. Investor conferences were attended in Amsterdam, London and Frankfurt. Also, a considerable number of meetings with (potential) investors took place. 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.

Trading volume 2016
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 contains details of the following investors as at 31 December 2016. There are no known holdings in the AFM register of short positions.

FMR, LLC	10.00%
Ameriprise Financial Inc.	5.10%
Dynamo Int. Gestao de Recursos Ltda.	5.07%
Stichting Nieuw Oosteinde	3.45%
Swedbank Robur Fonder AB	3.14%
Smallcap World Fund, Inc.	3.01%
Marshall Wace LLP	3.01%
Lucerne Capital Management, LLC	2.97%
UBS Group AG	2.95%
Carmignac Gestion S.A.	2.87%
BlackRock, Inc.	2.73%

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.

Ticker symbols

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

The IMCD share	2016	2015
Highest price	40.95	37.19
Lowest price	30.00	24.75
Year-end price	40.49	34.07
Earnings per share (weighted)	1.39	1.20
Cash earnings per share (weighted)	2.01	1.79
Proposed dividend per share	0.55	0.44
Number of shares at year-end (x 1,000)	52,592	52,592
Weighted average number of shares (x 1,000)	52,477	51,612

Financial Calendar	
8 March 2017	Full year 2016 results
10 May 2017	Q1 2017 Trading Update
	Annual General Meeting
	Dividend announcement
12 May 2017	Ex-dividend date
15 May 2017	Record date
16 May 2017	Payment date
25 August 2017	First half year 2017 results
8 November 2017	Q3 2017 Trading Update

Investor relations

ir@imcdgroup.com

www.imcdgroup.com/investor-relations

Function summary

Management Board

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

Executive Committee, from left to right:
Frank Schneider (1959), Piet van der Slikke (1956) Chief Executive Officer (CEO), Gabriele Bonomi (1962), John Robinson (1966), Hans Kooijmans (1961) Chief Financial Officer (CFO), Marcus Jordan (1974)

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, FTE Automotive, Maisons du Monde and Ibstock

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

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

Chairman of the Curatorium Nyenrode EMFC

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

IMCD - VALUE THROUGH EXPERTISE

Speciality chemicals distribution

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.

Speciality chemicals and food ingredients are typically:

- generally functional in nature
- available from only a limited number of sources
- generally ordered in smaller volumes
- higher priced

Sales of speciality chemicals requires technical expertise, application know-how as well as marketing and sales competence. Chemical 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, the 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.

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 an increasing demand from major suppliers for pan-regional distributors who are capable of offering both business simplification and long-term growth. Due to these ever increasing 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.

Increased outsourcing

There is an increasing 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 sophisticated markets are generally looking for more structured pan-regional management of sales and distribution. By entering into sole third party rights of distribution relationships 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.

IMCD value drivers and stakeholders

Through a market focused approach and a continuous investment 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 premium services and optimum 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 progressively built a comprehensive portfolio of key speciality chemicals and food ingredients in a number of strategic market sectors including pharmaceuticals, food & nutrition, plastics, personal care, synthesis, coatings, lubricants and detergents.

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 and enduring partnerships with the 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 constant 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 strategy

IMCD was formed in 1995 with the strategy developed by Piet van der Slikke, CEO, and Hans Kooijmans, CFO. The Company originated from businesses located in the Netherlands, Belgium, France, Australia and New Zealand. Over the last two decades, IMCD has grown both organically and by strategic acquisitions, successfully expanding its business model to 46 countries on 6 continents.

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

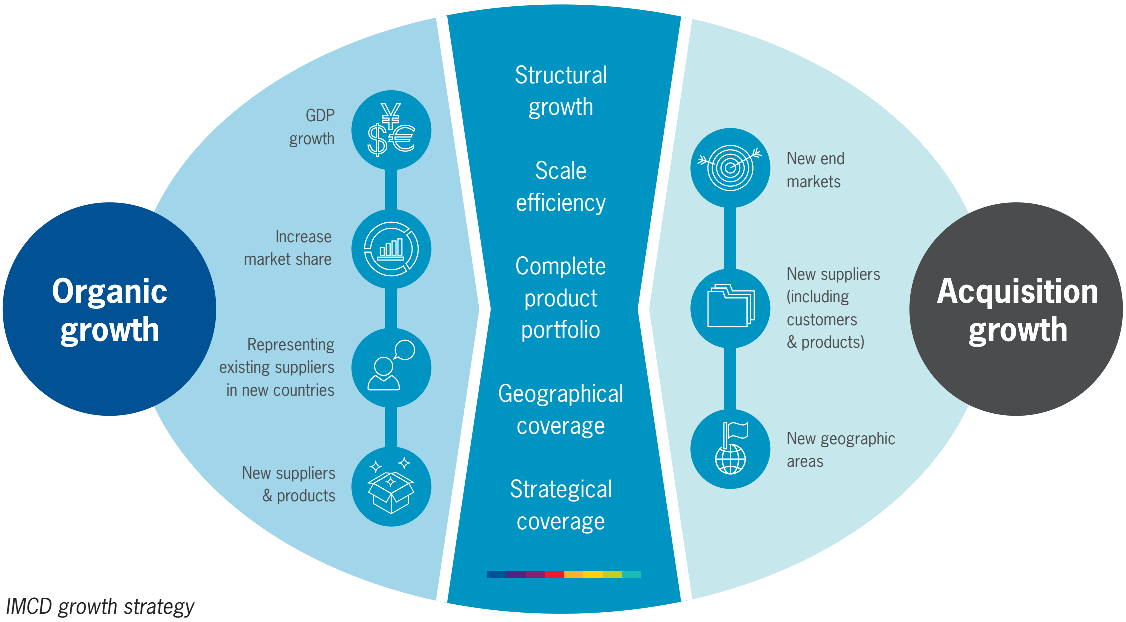
Opportunities, risks and resilience

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

Diversity in product, market and geographical coverage can protect against the impact of specific market conditions such as product availability, local economic circumstances or application downturn. Owing to the diversity of it's supplier and product portfolio IMCD therefore tends to be financially resilient. This resilience is further strengthened with a wide multi-market and geographical coverage. Price fluctuations of basic raw materials generally have a smaller impact, owing to the fact that 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, as it provides flexibility to adjust to changes in the market environment and it 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.



IMCD growth strategy

Growth strategy execution
IMCD has a focus 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 aims to grow its revenues and results both through organic growth and acquisitions. First and foremost, the Company is focused on growing the market share of the products of the world class suppliers it represents. In addition, the Company uses its strong market intelligence to identify strategic product gaps, possible acquisition targets and related opportunities across the different geographies.

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 takes benefit from the highly fragmented distribution market and the continuing consolidation trend, largely driven by increasing supplier demands for multi-country agreements. 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 acquisitions 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 achieve added value 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 consultants and are put before the Supervisory Board. 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 programme 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 financial policy that is focussed on a strong balance sheet and limited financial risks. Most acquisitions are financed from 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.

IMCD value chain

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.

Suppliers

IMCD focuses on partnering with prestigious suppliers that offer leading and innovative products. The Company places high importance on further strengthening and developing 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 highly experienced in providing business simplification to its suppliers by coordinating multi-territory agreements and adopting a flexible and cost effective 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 34,000 customers and a balanced portfolio of approximately 28,000 products. By working closely with IMCD, customers ensure that they have the highest level of technical and formulatory support to create market leading and innovative products.

IMCD also provides additional tailored services for customers, including local stocking, repacking, mixing and blending, and has a continual 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, all of IMCD's logistics and over 95% of its warehousing is operated by third party service providers.

This asset light business model allows IMCD to be adaptable, reliable and efficient, 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 timeframe. 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 the storage, handling and transport of speciality chemicals and ingredients.

Employees

IMCD's biggest asset is its people. The Company currently employs more than 1,800 people across 6 continents.

With a focus on face-to-face customer interaction, approximately 70% 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 remaining 30% are involved in IT, finance, supply chain, HSEQ, legal and HR management.

On the basis of a shared business culture and facilitated through an integrated group wide IT 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.

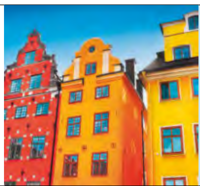
IMCD's open and entrepreneurial business culture, with opportunities for personal development and career development, are considered the key components for employee satisfaction.

IMCD business groups

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 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 • Tacktifiers	• 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		• Converters • Composites • Plastic compounders • Polyurethane • Rubber	• Additives • Compounds	• Innovation in light weight and durable solutions • 'Green' and environmentally friendly formulations • Economically sensitive
Detergents		• Home care • Industrial & institutional cleaners	• Surfactants • Builders • Functional additives	• Focus on environmentally friendly formulations

IMCD technical expertise

To support its role as a leading speciality chemicals and food ingredients distributor, IMCD operates 28 laboratories in 15 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.

Technical expertise in Coatings

Making homes more efficient

Sustainable technology

A thermally efficient property needs a facade that repels water from the outside, whilst allowing moisture to escape from the inside. Working in close cooperation with a valued supplier, IMCD's Coatings group has established a test procedure in its Cologne laboratory, allowing the development of a sustainable coating formulation that optimises the energy performance and indoor climate of modern buildings. By evaluating the water repellancy and moisture permeability attributes of emulsion facade paints using silicone resin technology, IMCD experts can support and advise customers to develop optimum solutions that will create comfortable living environments whilst enhancing thermal performance.

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 28 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.

Using its technical expertise and laboratory services IMCD is able to offer sustainable formulation and application solutions to its customers that minimise environmental and social impact, without sacrificing product performance.

Technical expertise in Personal Care

Making sunshine safer

Confident and comfortable

Lotions with high sun protection factor (SPF) can feel sticky or leave residue on the skin, meaning that end users often settle for lower, less protective alternatives. To help its partners respond to market demands, IMCD proactively develops new formulations that combine the very highest protection with the very best sensory profile: enhancing user approval whilst creating value for its partners. IMCD conducted rigorous tests on a selection of emulsifiers, emollients, film formers and UV filters. After detailed analysis a blend of characteristics was established that would deliver high SPF performance, combined with the all-important sensory properties that leave consumers feeling comfortable, confident and safe.

REPORT OF THE MANAGEMENT BOARD

Developments in 2016

The year 2016 was characterised by ongoing challenging macroeconomic developments with limited or sometimes negative GDP growth in most of the countries IMCD works in. Brexit related uncertainties, geopolitical tension and volatility in some of the world's most important currencies had an impact on market conditions.

Despite challenging conditions during 2016, with many markets and regions experiencing varying degrees of volatility and uncertainty, IMCD realised another good year. 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 2016. In line with the Company's strategy there was a continuous focus on business development, achieving organic growth and selective acquisitions. Expanding existing and adding new supplier relationships further strengthened the product offering.

In 2016 steps were taken to strengthen IMCD's central internal support functions with the introduction of a Director Operations, who has global responsibility for optimising and harmonising sales processes, HSEQ and logistics. With a view to IMCD's continuous attention to operational excellence a program was set up to update IMCD's ICT infrastructure and governance, aiming to further optimise business processes and increase ICT security. In April 2016 IMCD further invested in its technical capabilities with the addition of a central detergents application laboratory in Germany, offering customers and suppliers serving the Home Care and Industrial & Institutional markets both formulation guidance and product performance testing.

In 2016 IMCD achieved 12% revenue growth (+14% on a constant currency basis) and 15% gross profit growth (+18% on a constant currency basis). Operating EBITA increased by 15% to EUR 148 million (+18% on a constant currency basis). Operating EBITA margin further improved to 8.6% and cash generation was strong resulting in a cash conversion margin of 92.3%.

EUR million	2016	2015	Change	Fx adj. change
Revenue	1,714.5	1,529.8	12%	14%
Gross profit	381.6	332.8	15%	18%
Gross profit in % of revenue	22.3%	21.8%		
Operating EBITA	147.8	128.3	15%	18%
Operating EBITA in % of revenue	8.6%	8.4%		
Conversion margin	38.7%	38.5%		

Acquisitions
In 2016 IMCD acquired 3 businesses. In June IMCD acquired the business of Chemicals and Solvents (EA) Ltd. (C&S), a company based in Nairobi, Kenya to expand IMCD's existing operations in Africa. C&S is a distributor of ingredients to the food, cosmetics, detergents and pharmaceutical industries. Apart from Kenya C&S also serves regional markets, including Uganda and Tanzania. The transaction was completed in September 2016.

In July IMCD acquired Mutchler Inc. and Mutchler of Puerto Rico Inc. (Mutchler). Mutchler is a leading speciality pharmaceutical ingredient distributor in the US and Puerto Rico. Mutchler is active in all US states and Puerto Rico and represents leading global pharmaceutical ingredient suppliers.

With a focus on the pharmaceutical market, its asset light business model and long term relationships with leading global suppliers, Mutchler perfectly complements the existing IMCD US operations.

In December IMCD acquired Feza Kimya İç ve Dış Ticaret Anonim Şirketi (Feza Kimya), based in Istanbul, Turkey. Feza Kimya is one of the leading distributors of speciality chemicals in Turkey selling into the coatings, plastics, rubber, lubricants and detergents sectors. Feza Kimya will be integrated into the existing IMCD Turkey operations.

Income statement

Revenue

	EUR million				Growth			
	2016	in % total	2015	in % total	Organic	Aquisition	Foreign exchange	Total
EMEA	1,053.6	61.4%	1,036.1	67.7%	4.0%	0.2%	(2.5%)	**1.7%**
Asia-Pacific	316.9	18.5%	310.5	20.3%	2.5%	0.6%	(1.1%)	**2.1%**
Americas	344.0	20.1%	183.2	12.0%	(2.5%)	91.1%	(0.9%)	**87.7%**
Total	**1,714.5**	**100.0%**	**1,529.8**	**100.0%**	**3.0%**	**11.2%**	**(2.0%)**	**12.1%**

Revenue increased from EUR 1,530 million to EUR 1,715 million, an increase of 12% compared to 2015. This increase was the balance of organic growth (3%), the first time inclusion of acquisitions (11%) and a negative contribution of foreign exchange differences (-2%).

Organic revenue growth of 3% was the balance of modest 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 customers.

Diverse market dynamics in the different regions and market segments had an impact on organic growth. In most countries underlying GDP growth 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 (-2%).

Acquisitions completed in 2015 and acquisitions made in 2016 had a positive impact on revenue of 11%. Feza Kimya was acquired in the second half of December 2016 and as a consequence did contribute negligibly to revenue and operating EBITA in 2016.

Gross profit

	EUR million				Growth			
	2016	in % Revenue	2015	in % Revenue	Organic	Aquisition	Foreign exchange	Total
EMEA	248.8	23.6%	239.6	23.1%	6.6%	0.2%	(3.0%)	**3.8%**
Asia-Pacific	63.9	20.1%	58.1	18.7%	10.3%	0.8%	(1.3%)	**9.9%**
Americas	68.9	20.0%	35.0	19.1%	(4.5%)	101.8%	(0.6%)	**96.7%**
Total	**381.6**	**22.3%**	**332.8**	**21.8%**	**6.1%**	**11.0%**	**(2.4%)**	**14.7%**

Gross profit, defined as revenue less cost of materials and inbound logistics, increased from EUR 332.8 million in 2015 to EUR 381.6 million in 2016, an increase of 15% which is 3% above total revenue growth. This increase was the balance of organic growth (6%), the first time inclusion of acquisitions (11%) and a negative contribution of foreign exchange differences (-2%).

Gross profit in % of revenue increased from 21.8% in 2015 to 22.3% in 2016. The gross profit in % of revenue improved in all regions. 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 and the impact of newly acquired businesses.

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

Operating EBITA

EUR million	2016	2015
Result from operating activities	107.5	91.2
Amortisation of intangible assets	38.2	34.8
Non-recurring items	2.1	2.3
Operating EBITA	**147.8**	**128.3**

Operating EBITA, representing the result from operating activities before amortisation of intangible assets and non-recurring income and expenses, increased by 15% to EUR 147.8 million compared to EUR 128.3 million in 2015 (+18% on a constant currency basis).

The growth in operating EBITA of EUR 19.5 million was a combination of organic growth, the first time inclusion of acquisitions and a negative impact of exchange differences (EUR -3.3 million).

Because of the integration of acquisitions into existing IMCD organisations it is impractical to make a precise split between organic and acquisition EBITA growth. However, it is fair to assume that more than half of the growth was the result of acquisitions made in 2015 and 2016.

The operating EBITA in % of revenue increased from 8.4% in 2015 to 8.6% in 2016. The segments EMEA and Americas increased their EBITA margin in 2016 compared to 2015.

In Asia-Pacific there was a little margin erosion amongst others due to start-up costs of new activities in Thailand, Vietnam and Japan.

Furthermore, the conversion margin, operating EBITA as a percentage of gross profit, further improved by 0.2% from 38.5% in 2015 to 38.7% in 2016.

Amortisation of intangible assets of EUR 38.2 million includes EUR 5.7 million additional amortisation related to the acquisition of IMCD Brasil in 2013 (formerly known as Makeni). In 2016 industrial activities in Brazil slowed down substantially as a result of worsening macroeconomic circumstances. As a consequence IMCD Brasil had to adapt their organisation to this new situation. Re-assessment of expected future cash flows resulted in a non-cash impairment loss on the Brazilian supplier base.

Non-recurring items of EUR 2.1 million, include costs of EUR 1.0 million related to realised and non-realised acquisitions and costs related to one-off adjustments to the organisation of EUR 1.1 million.

Operating EBITA by operating segment

	EUR million			
	2016	in % Revenue	2015	in % Revenue
EMEA	100.8	9.6%	94.6	9.1%
Asia-Pacific	28.3	8.9%	27.9	9.0%
Americas	31.6	9.2%	16.6	9.0%
Holding companies	(13.0)	-	(10.7)	-
Total	**147.8**	**8.6%**	**128.3**	**8.4%**

Segment overview

Following operational and management changes in 2016 the composition of the operating segments has been adjusted. A new operating segment 'Americas' has been introduced comprising the operations in the US, Puerto Rico and Brazil. Formerly Brazil was part of segment 'Other Emerging Markets'. The operations in Turkey and South-Africa together with the former segment 'Europe' are included in a new operating segment 'EMEA'. Operating segment 'Other Emerging Markets', including Brazil, Turkey and South Africa, no longer exists.

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

The operations in EMEA showed a fairly strong performance in 2016 despite modest macroeconomic market circumstances, uncertainty as a result of the upcoming Brexit and industry specific challenges. The steep depreciation of the Pound Sterling against the Euro created some additional headwinds.

Revenue grew by 2%, a combination of organic growth of 4% and the negative impact of exchange rate differences of minus 2%. In 2016 the impact of acquisitions was negligible as a result of size and timing of the 2016 acquisition in EMEA.

On 1 September 2016, IMCD acquired the business and certain assets of Chemicals and Solvents (EA) Ltd. (C&S) in Kenya. In 2015 C&S generated revenue of about EUR 5 million with 26 staff.

Gross profit increased from EUR 239.6 million in 2015 to EUR 248.8 million in 2016, an increase of 4%. This increase was the balance of organic growth (7%) and a negative contribution of foreign exchange differences (-3%). Organic gross profit growth was a combination of adding new suppliers, further expansion of relations with existing suppliers and the usual changes in the product and customer mix.

Relationships with our suppliers remained strong. IMCD was able to add interesting new supplier relations and to further expand the relationships with

EMEA

EUR million	2016	2015	Change	Fx adj. change
Revenue	1,053.6	1,036.1	2%	4%
Gross profit	248.8	239.6	4%	7%
Gross profit in % of revenue	23.6%	23.1%		
Operating EBITA	100.8	94.6	7%	10%
Operating EBITA in % of revenue	9.6%	9.1%		
Conversion margin	40.5%	39.5%		

existing suppliers in new territories and with additional business lines. Various initiatives were taken to further strengthen the IMCD market position, such as adding a new detergents application lab to better support the detergents business, activities to further streamline the logistic set up in various business cases and a further optimisation of supporting IT systems used in the group. Gross profit margin improved from 23.1% in 2015 to 23.6% in 2016, primarily as a result of changes in the product mix.

The operating EBITA increased by 7% to EUR 100.8 million. This growth is a combination of 10% organic growth and the negative impact of exchange rate differences of minus 3%. Operating EBITA in % of revenue rose from 9.1 % in 2015 to 9.6% in 2016. The increase in operating EBITA includes the positive impact of an amendment to the Dutch employee benefit plan (EUR 0.9 million). The organic gross profit and operating EBITA growth, realised under challenging market circumstances, is a reflection of the strong position of IMCD in the various countries and markets and the ability to expand the product portfolio and supplier base.

The conversion margin further improved from 39.5% in 2015 to 40.5% in 2016. 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% (+4% excluding C&S); at 2016 year end IMCD employed 1,057 FTEs in EMEA, including 22 employees of C&S, compared to 992 at the end of 2015. The additional staff were hired to fill vacancies, strengthen the technical expertise and to cater for future growth.

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.

Asia-Pacific

EUR million	2016	2015	Change	Fx adj. change
Revenue	316.9	310.5	2%	3%
Gross profit	63.9	58.1	10%	11%
Gross profit in % of revenue	20.1%	18.7%		
Operating EBITA	28.3	27.9	2%	3%
Operating EBITA in % of revenue	8.9%	9.0%		
Conversion margin	44.4%	48.0%		

In Asia-Pacific, market circumstances were characterised by volatile macroeconomic developments and substantial differences between the countries. In Australia and New Zealand there was continued contraction of the manufacturing industry and modest GDP growth. The economies of Asia, in particularly China where IMCD has a relatively small position, continued to see slower growth momentum, nevertheless Asia remained the fastest growing region globally.

Notwithstanding the fact that more than 50% of its revenue in this region comes from Australia and New Zealand, IMCD realised a healthy gross profit growth of 10%. This growth was a combination of organic growth (10%), acquisition growth (1%) and the negative impact of exchange rate differences (-1%). The 1% acquisition growth was the full year impact of Kushalchand, India, acquired in April 2015.

Gross profit margin increased from 18.7% in 2015 to 20.1% in 2016. This increase was primarily due to a strong focus on margin improvement, a further rationalisation of the product portfolio and adding new supplier relationships.

In 2016 IMCD opened an office in Tokyo, Japan. This opening marks, after recent startups in Vietnam and Thailand, the latest of a succession of steps that IMCD has taken to invest and build up presence in Asia-Pacific. In 2016 we further invested in the quality of IMCD's sales force and adjusted where necessary the number of people in countries where we rationalised the product portfolio. In total the number of employees in this segment remained stable with 479 FTEs in the Asia-Pacific region compared to 480 as at year end 2015.

The growth of operating EBITA of 2% from EUR 27.9 million in 2015 to EUR 28.3 million in 2016 was a combination of organic growth of 3% and a negative impact of exchange rate differences of minus 1%. More or less all growth was organic as the full year impact of the small acquisition of Kushalchand in 2015 was negligible on the total.

Operating EBITA in % of revenue slightly decreased from 9.0% in 2015 to 8.9% in 2016. The conversion margin decreased from 48.0% in 2015 to 44.4% in 2016. The decrease in both ratios 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	2016	2015	Change	Fx adj. change
Revenue	344.0	183.2	88%	89%
Gross profit	68.9	35.0	97%	98%
Gross profit in % of revenue	20.0%	19.1%		
Operating EBITA	31.6	16.6	91%	89%
Operating EBITA in % of revenue	9.2%	9.0%		
Conversion margin	45.8%	47.3%		

Americas represents IMCD's operations in the US, Puerto Rico and Brazil.

Revenue in America's grew by 88%, a combination of organic growth (-3%), the first time inclusion of acquired companies (91%) and the positive impact of exchange rate differences (1%).

At the end of June 2015 IMCD acquired 80% of MF Cachat, including 100% of MJS Sales. The remaining 20%, which is owned by local management, is acquired on 1 March 2017. In the course of 2016 MF Cachat changed its name into IMCD US, as part of a successful integration process. As IMCD obtained full control over IMCD US and MJS Sales as per the end of June 2015, the results of these companies are consolidated in full into the IMCD figures since the acquisition date.

In July 2016 IMCD acquired Mutchler Inc. and Mutchler of Puerto Rico Inc. Mutchler is a leading speciality pharmaceutical ingredient distributor in the US and Puerto Rico. Mutchler is active in all US states and Puerto Rico and represents leading global pharmaceutical ingredient suppliers. With a focus on the pharmaceutical market, its asset light business model and long term relationships with leading global suppliers, the acquisition of Mutchler is an important further step in the execution of IMCD's US strategy and IMCD's global strategy in pharmaceuticals. In 2015, Mutchler generated revenues of USD 28 million with approximately 30 employees.

At the end of December 2015 IMCD acquired IMCD Brasil Pharma (formerly known as Selectchemie) to further strengthen the position in Brazil. Sao Paulo based IMCD Brasil Pharma, is a leading distributor of pharmaceutical ingredients in Brazil, representing world leading producers from the US, Europe and Asia. The portfolio includes an extensive range of excipients and active pharmaceutical ingredients, which complements IMCD's existing position in Brazil. In 2015, IMCD Brasil Pharma generated revenues of BRL 82 million with 46 staff. Due to the timing of this transaction IMCD Brasil Pharma did not contribute to the 2015 result of IMCD.

The US market started 2016 rather weak with little or no industrial production growth. Since the dust settled following the presidential election, economic data in the last part of 2016 have been broadly more positive, whereby US manufacturing activity and GDP growth seem to improve again.

The 2016 Brazilian market continued with a consistently overall weak economic environment resulting in falling demand from customers and a contracting industrial production. Especially, IMCD's industrial activities in Brazil had a difficult year. As a consequence of the economic slowdown, IMCD Brasil adapted its organisation to this new situation. Further, a re-assessment of expected future cash flows of the industrial activities of IMCD Brasil resulted in a non-cash impairment loss of other intangible assets to an amount of EUR 5.7 million. The pharmaceutical activities of IMCD Brasil performed in line with expectations.

Gross profit of operating segment Americas increased from EUR 35.0 million in 2015 to EUR 68.9 million in 2016, an increase of 97%. This increase was the balance of organic growth (-4%), the first time inclusion of acquired companies (102%) and a negative contribution of foreign exchange differences (-1%). Despite difficult market circumstances in 2016 IMCD US realised positive organic gross profit growth.

Gross profit margin improved from 19.1% in 2015 to 20.0% in 2016, as a result of focus on margin improvement, changes in the product mix and the first time inclusion of recent acquisitions.

Operating EBITA increased by 91% to EUR 31.6 million compared to EUR 16.6 million in 2015. It is fair to assume that most of the growth is the result of the (full year) impact of acquisitions made in 2015 and 2016. The operating EBITA margin improved to 9.2% (9.0% in 2015). The conversion margin slightly reduced from 47.3% in 2015 to 45.8% in 2016 mainly due to the poor performance of IMCD Brasil.

The number of employees in the Americas increased to 285 FTEs including 36 employees of Mutchler (240 at the end of 2015).

Holding Companies

EUR million	2016	2015	Change	Fx adj. change
Operating EBITA	(13.0)	(10.7)	(21%)	(22%)

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. On 1 January 2016 IMCD opened a regional support office in New Jersey, US managed by a member of IMCD's Executive Committee. Its purpose is to strengthen corporate infrastructure in the US and to affirm IMCD’s focus on the Americas region and its strategic objective to expand the business there.

Operating costs increased by EUR 2.3 million to EUR 13.0 million in 2016. This increase reflects the growth of IMCD and as a consequence the need to strengthen the support functions in both Rotterdam and the regional offices. During 2016, the Dutch employee benefit plan was amended leading to a cost saving of EUR 1.0 million in 2016.

At year end 2016, 42 FTEs were employed at the Holding Companies, compared to 37 at year end 2015.

Result for the year

The bridge between result from operating activities and result for the year is as follows:

EUR million	2016	2015
Result from operating activities	**107.5**	**91.2**
Net finance cost	(12.8)	(13.3)
Share of profit of equity-accounted investees, net of tax	0.0	0.0
Result before income tax	**94.8**	**77.9**
Income tax expenses	(21.8)	(16.0)
Result for the year	**73.0**	**61.8**

Net finance costs

The net finance costs comprise of the following items:

EUR million	2016	2015
Interest income on loans and receivables	0.5	0.5
Interest expenses on financial liabilities	(10.9)	(9.3)
Changes in deferred considerations	0.0	2.4
Changes in the fair value of derivative financial instruments	0.3	(1.1)
Amortisation of finance costs	(1.6)	(1.5)
Interest costs re employee benefits	(0.1)	(0.2)
Foreign currency exchange results	(1.0)	(4.1)
Net finance costs	**(12.8)**	**(13.3)**

Net financing costs in 2016 amounted to EUR 12.8 million compared to EUR 13.3 million in 2015. The net finance costs include non-cash items like changes in the fair value of deferred and contingent considerations of nil compared to EUR 2.4 million in 2015, changes in the value of interest hedge contracts of EUR 0.3 million (2015: EUR -1.1 million) and amortisation of finance costs related to refinancing of EUR 1.6 million (2015: EUR 1.5 million).

Income tax

The corporate income tax expenses amounted to EUR 21.8 million in 2016 compared to EUR 16.0 million in 2015. The effective tax rate increased from 20.6% in 2015 to 23.0% in 2016. The effective tax rate is amongst other things positively influenced by the balance of non tax deductible amounts and tax incentives of EUR 1.8 million (2015: negative impact of EUR 2.0 million) and by the recognition of previously unrecognised tax losses of EUR 6.0 million (2015: EUR 8.1 million). The recognition of previously unrecognised tax losses in the Netherlands had a positive impact of EUR 4.7 million in 2016 (EUR 7.8 million in 2015). 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

Result for the year increased by 18% to 73.0 million in 2016 (2015: 61.8 million). Weighted earnings per share increased from EUR 1.20 in 2015 to EUR 1.39 in 2016 (+16%).
Net result before amortisation and non-recurring items increased from EUR 87.2 million in 2015 to EUR 102.6 million in 2016. The main driver of this increase was the growth of the operational result. Weighted cash earnings per share, calculated as net result before amortisation (net of tax), increased from EUR 1.79 in 2015 to EUR 2.01 in 2016 (+12%).

EUR million	2016	2015
Result for the year	**73.0**	**61.8**
Amortisation of intangible assets	38.2	34.8
Tax credits related to amortisation	(5.9)	(4.0)
Non-recurring income and expenses	2.1	2.3
Tax losses unrecognised (tax amount)	(4.7)	(7.8)
Net result before amortisation / non recurring items	**102.6**	**87.2**

Results appropriation
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.

For 2016, a dividend of EUR 0.55 per share in cash will be proposed to the Annual General Meeting.

Approval at the Annual General Meeting would result in IMCD paying EUR 28.9 million or 28% of the net 2016 result adjusted for non-cash amortisation charges (net of tax). 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.

Cash flow

EUR million	2016	2015
Operating EBITA	147.8	128.3
Depreciation	4.3	3.5
Operating EBITDA	**152.1**	**131.8**
Share based payments	1.4	0.7
Inventories	(12.5)	(8.6)
Trade and other receivables	(16.7)	2.7
Trade and other payables	21.2	(4.2)
Change working capital	**(7.9)**	**(10.0)**
Capital expenditure	(5.2)	(3.2)
Free cash flow	**140.4**	**119.3**
Cash conversion margin	92.3%	90.5%

Free cash flow increased by 18% from EUR 119.3 million in 2015 to EUR 140.4 million in 2016. The cash conversion margin, defined as free cash flow as a percentage of operating EBITDA, improved by 1.8% to 92.3% in 2016, driven by further growth of operating EBITDA combined with lower investment in working capital. The investment in working capital in 2016 amounts to EUR 20.6 million, of which of EUR 7.9 million relates to the operations, EUR 9.9 million to acquisitions done in 2016, EUR 3.1 million to reduced corporate income tax liabilities and EUR -0.3 million to financing related positions. The increase in operational working capital levels includes an exchange rate difference impact of EUR 6.0 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 5.2 million in 2016 compared to EUR 3.2 million in 2015. 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 2016	31 December 2015
Property, plant and equipment	20.9	18.3
Intangible assets	907.6	907.2
Financial assets	29.8	26.1
Non-current assets	**958.2**	**951.6**
Net working capital	**248.4**	**227.8**
Provisions and deferred tax liabilities	**(87.0)**	**(88.1)**
Total capital employed	**1,119.6**	**1,091.3**
Equity	722.1	653.8
Net debt	397.6	437.5
Total financing	**1,119.6**	**1,091.3**

Working capital

Working capital is defined as inventories, trade and other receivables less trade payables and other payables. At the end of 2016 the absolute amount of working capital was EUR 248.4 million compared to EUR 227.8 million at year end 2015. The increase of EUR 20.6 million is a combination of increased business activity leading to higher working capital levels (EUR 4.8 million), impact of exchange rate differences on year end balance sheet positions (EUR 6.2 million), acquisitions (EUR 9.9 million) and other working capital movements (EUR -0.3 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 requirements.

Financing

To maintain a high degree of flexibility and independence the aim is to maintain a capital structure that enables IMCD to cover its potential financial requirements and to enable IMCD 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 397.6 million at year end 2016, compared to EUR 437.5 million at year end 2015. The decrease 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 and a dividend payment of EUR 23 million. Furthermore, net debt includes approximately EUR 61 million deferred contingent considerations related to acquisitions made of which EUR 58 million will be settled in 2017.

In October 2016 an amendment to IMCD's EUR 500 million syndicated banking facilities was agreed. The amendment comprises an extension of the term of the existing credit facility by one year to 2021. Further, the amendment resulted in a reallocation of part of the term facilities into revolving facilities, resulting in a term facility of EUR 200 million (previously EUR 350 million) and a revolving facility of EUR 300 million (previously EUR 150 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.

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.

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. The proceeds of this debt capital market issuance were used to repay revolving facilities.

The 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 2016: 1.40%; end of 2015: 1.40%). At the end of 2016 approximately 50% of the syndicated long term financial indebtedness of the group was hedged against the risk of interest rate increases.

The 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). In addition to the above mentioned syndicated term loans, IMCD's loan facilities also contain a revolving credit facility of EUR 300 million, which can be drawn in various currencies. At the end of 2016 none 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.

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 2.6 times EBITDA (31 December 2015: 2.9). The actual leverage at the end of 2016, calculated on the basis of the definitions used in the IMCD loan documentation, was 2.3 times EBITDA (2.5 times EBITDA end of 2015), 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

13.9 times EBITDA which is well above the required minimum of 4.0 times EBITDA.
In September IMCD purchased 55,000 own shares (€2.1 million) to fund its long term incentive plan.

The equity attributable to holders of ordinary shares increased by EUR 68.3 million to 722.1 million (31 December 2015: EUR 653.8 million). This increase mainly resulted from the addition of the net profit for the year of EUR 73.0 million and total other comprehensive income of EUR 19.0 million, partially offset by dividend payments in cash of EUR 23 million. The increase of equity resulted in a solid ratio at year end whereby net equity covers 48.7% of the balance sheet total (31 December 2015: 45.6%).

Human resources

At year end 2016 IMCD employed a total of 1,863 employees (calculated on a full time equivalent basis) compared to 1,746 at year end 2015. Of this increase 69 FTEs were the direct result of acquisitions executed in 2016. Excluding acquisitions, the numbers of FTE's increased by 48.

IMCD’s central HR policy is primarily aimed at attracting and developing talent for senior local- and international management positions.

Programmes have been set up centrally for training and development of international product managers and locally for other roles.

The Company believes in ‘strength in diversity’. The global nature of the chemical industry and the international spread of the activities requires men and women in leadership positions with different national and cultural backgrounds who possess strong intercultural skills. In 2016 the female/male ratio further increased to 1.12 (2015: 1.10) and the trend of an increasing number of women at management positions continued.

With offices across 6 continents, IMCD encourages cross border activities and offers equal opportunities, regardless of gender, religion or ethnicity, to all its employees all over the world.

Local employment conditions and incentive schemes are set within the IMCD guidelines. Offering market level remuneration structures, including performance based incentive schemes, IMCD aims for quality performance and long term careers. In line with the average of the previous 4 years, 2016 IMCD showed an employee turnover ratio of 10%.

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

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 group's business processes.

Although the group 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 group'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 group'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: in pursuing its strategy, IMCD is prepared to take moderate risk
- Operational: with respect to operational risks, IMCD seeks to minimise the downside risks from the impact 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 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 set 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 group 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.

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 and in those regional economies supplied by its customers. 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 group'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. Through its dedicated team of technical and commercial experts working in close partnerships with its suppliers, IMCD proves to be able to maintain long standing relationships with most of its key suppliers.

Risks related to acquisitions and integrations

Execution of IMCD's strategy will require the continued pursuit of acquisitions and investments and will depend on the group'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.

IMCD tries to limit these risks by means of diligent identification of targets, strict selection criteria,

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.

followed by a structured execution, including determining the structure of the transaction and the contract, and integration process. Acquisition activities are driven centrally by an experienced management team supported by external consultants.

Personnel risks

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 by individual commercial staff members.

HSEQ risks

Marketing, sales and distribution of speciality chemicals, food and pharmaceutical ingredients entails exposures to health, safety and environmental risks which could potentially also lead to reputational and financial damage. In order to mitigate these risks, IMCD has developed requirements and guidelines for health, safety and environment, which include the following:

- commitment to providing high-quality products and services while ensuring that the operations are safe and reliable
- conducting business with respect and care for the environment
- complying with applicable health, safety and environmental laws, regulations and quality standards
- applying practical means to conserve resources and to prevent pollution, reduce waste, and minimise the risk involved in the operations
- continually improving performance and implementing effective development programs to enhance the competence and awareness levels of IMCD's employees

Most 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.

IMCD has outsourced the majority of its logistic operations. It only outsources to reputable third party logistic service providers, which are carefully selected and continually monitored by the supply chain team to ensure that both quality standards and performance are optimised.

Employees, customers and third party logistics service providers are provided with adequate safety instructions for handling chemical products.

Financial risks

IMCD's business is exposed to currency, liquidity, credit and interest rate risk.

Currency risk

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 group. 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 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.


WITLOX-TALKE
Bulk Transport

Liquidity risk

The group'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 generally has sufficient cash on demand to meet expected operational expenses for the next twelve months, including the servicing of financial obligations.

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.

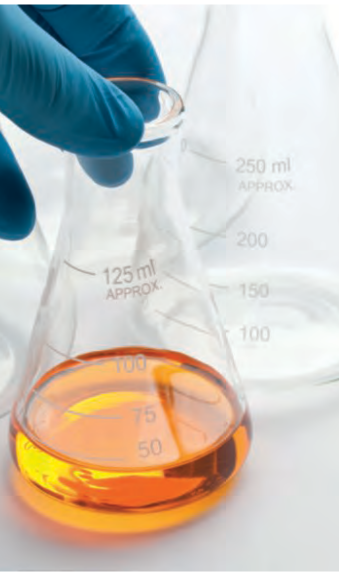
Purchase limits are established for each customer, which represents the maximum open amount. These limits are reviewed periodically. Customers that fail to meet the Company's benchmark creditworthiness may transact with IMCD only on a prepayment basis.

Interest rate risk

The group 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.

ICT risks

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. 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.



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.

In addition, in 2016 IMCD has set up a program to update the ICT infrastructure and to improve ICT governance, aiming to further optimise business processes and increase ICT security.

Outlook 2017

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 relations 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 the product portfolio organically and by acquisitions.

Management Board declaration

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 2016 as well as the profit or loss of IMCD N.V. and all the business undertakings included in the consolidation
2. the annual 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 2016
3. the annual report provides a description of the material risks faced by the Company

Rotterdam, 7 March 2017

Management Board:
Piet van der Slikke
Hans Kooijmans

RESPONSIBLE BUSINESS

IMCD believes that corporate social responsibility goes beyond compliance with laws and regulations and beyond current profitability and success. A sustainable global economy should combine long-term profitability with social justice and environmental care.

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:

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 constantly 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.

Optimisation of supply chain processes

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.

With an outsourced and comprehensive supply chain network with leading logistic service providers in all its operating territories, IMCD is able to offer tailored and cost competitive logistic set-ups that meet optimal quality and sustainability demands. Using the Green Tender method developed by Connekt, logistic partners are carefully selected with a focus on sustainable activities and capabilities. 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 close cooperation with its warehousing partners, IMCD's knowledgeable experts endeavour to define standard operating procedures that meet the highest industry and sustainability standards for the storage and handling of speciality chemicals and food ingredients.

In addition to optimising its supply chain processes, IMCD participates in external initiatives, networks and platforms with a focus on sustainable logistics. An example of how IMCD directly contributes to such initiatives is its involvement in the Sustainable Logistics program implemented by Connekt; an independent network of companies and authorities collaborating to achieve a sustainable improvement in mobility. IMCD has become the first chemical distributor to win the Lean & Green and Lean & Green Star awards under this program for demonstrating 20% CO_2 reduction in a 5-year period in the Benelux and Italy.

Commitment to external initiatives

IMCD encourages its local subsidiaries to take an active role in carefully selected sustainability initiatives where it is believed it can make the most effective contribution in its role as a chemical distributor. An example of such participation is IMCD France's involvement in ACDV (Association Chimie du Végétal - Association for plant-based chemistry). As the only chemical distribution member, IMCD France promotes the development of bio-based chemistry as a complementary alternative to traditional chemistry. IMCD also is an EcoVadis certified participant in the Together for Sustainability (TfS) initiative; a 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.

Technical expertise in Food & Nutrition

Healthier treats for children

Ingredient opportunities

Childhood obesity is considered to be one of the most serious global health challenges of the 21st century, meaning there's an increasing demand for IMCD's technical experts to help food manufacturers to provide more healthy, low-sugar alternatives – even in the indulgent desserts sector. Partnering with a premium ice cream manufacturer, IMCD supported a project to re-formulate an existing recipe to reduce sugar content for the children's consumer market. By advising on the best ingredients and most appropriate applications, IMCD helped to develop a product that could be positioned as an indulgent, guilt-free ice cream that combined a premium, creamy taste with good shelf life stability.

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.

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

Community relations

IMCD cares about the communities in which it is located. As a diversified international business that is present in more than 40 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. A number of these local initiatives are described in detail at the sustainability section of IMCD's corporate website.

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.

The Company's HSEQ commitments to employees, environment and society are set out in IMCD's HSEQ requirements and policies that have been implemented in most of the countries where IMCD operates and are currently being implemented worldwide. IMCD's HSEQ strategy is based on the following policies:

Health and safety policy
IMCD is committed to providing 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.

Environmental policy
IMCD is committed to meeting relevant legislative requirements, as well as requirements agreed to with customers and suppliers, for environment, waste treatment and disposal. The Company 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.

Compliance policy
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.

Quality policy
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 9001:2015 and ISO 14001 accreditation as the framework for fulfilling the expectations of its suppliers and customers.

Most of IMCD's operating companies take part through local associations in the 'Responsible Care' or 'Responsible Distribution' programmes 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 programme 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.

IMCD has implemented standard operating procedures 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.

The Company uses software to screen counter-parties against various sanctions related lists and has established a 24-hour emergency service line for the reporting of any incidents.

IMCD's regional HSEQ coordinators meet at least annually, but also 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 and establish standard procedures for implementing new practices. IMCD's HSEQ Director also visits subsidiaries periodically to discuss more specific issues on a local level with regional HSEQ coordinators.

The basis for quality management within IMCD is the internationally applicable ISO 9001 standard, which is implemented at the local level. The operating companies also implement other quality management systems if relevant to the products they distribute, such as ISO 14001, ISO 22000 (food safety management), OHSAS 18001 (occupational health and safety), GDP (good distribution practices for pharmaceutical products) and ECO (for organic products).

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.

Tax strategy and transparency

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.

IMCD's tax principles require compliance with applicable tax rules and regulations in the jurisdictions in which IMCD operates. 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.

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. Where tax laws do not give clear guidance, prudence and transparency are the guiding principles while adhering to IMCD's Code of Conduct.

IMCD seeks to maintain an open, honest and constructive dialogue 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. 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.

Technical expertise in Pharmaceuticals

Taking the pain out of self-medication

Innovative solutions

As modern healthcare becomes increasingly advanced, one of the biggest challenges facing pharmaceutical companies is providing medicines in a form that people are willing and able to take. The global cost of people not adhering to their recommended medication is enormous. Working in collaboration with a key partner, IMCD’s technical experts have created a number of solutions for both the oral and dermatological market. Designed to improve both customer appeal and ease of application, IMCD’s efforts ensure self-medication is more tolerable. Sufferers of skin conditions no longer need to worry about unsightly mess and discomfort caused by creams and lotions, whilst carers have more options when supporting patients of all ages for oral medicines.

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). 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.

IMCD's corporate governance structure is designed in accordance with the Dutch Corporate Governance Code of 2008 (the Code) and has been approved by the General Meeting on 26 June 2014. IMCD fully endorses the objective of the Code to foster good governance by encouraging fair and transparent dealings on the part of management and 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 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 bribery laws, market abuse rules and other compliance regulations.

To facilitate reporting of any non-compliance with its business principles, values and ethics, IMCD provides an Internal Alert Procedure, available on the Company's website. This procedure was updated in 2016 and enables and protects IMCD employees worldwide to report any irregularities regarding the implementation of applicable IMCD Business Principles and internal policies, or any legal, operational or other ethical issues that concern IMCD, a respective local subsidiary or any IMCD employee.

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.

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.

Supervisory Board

The Supervisory Board monitors and supervises the activities of the Management Board and the general course of business within IMCD. The Supervisory Board also advises the Management Board. In performing their duties, the members of the Supervisory Board are guided by the interests of the Company 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 up to a maximum period of 12 years.

The Supervisory Board is supported by two committees:
- the 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
- the Remuneration Committee, responsible for advising the Supervisory Board on the remuneration of the Management Board

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.

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 entrepreneurial 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 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 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.

Remuneration

The Management Board remuneration policy was adopted by the General Meeting upon the proposal of the Supervisory Board in 2014. The remuneration policy is aimed at attracting, motivating and retaining 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 long term strategy of the Company. 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.

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

The General Meeting determines the remuneration of the members of the Supervisory Board. The Supervisory Board periodically submits proposals to the General Meeting in respect of the remuneration of the chairman, the vice chairman and the other members of the Supervisory Board. The remuneration of the Supervisory Board may not be made dependent on the Company's results. None of the members of the Supervisory Board may receive shares, options for shares or similar rights to acquire shares as part of their remuneration.

Conflicts of interest

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

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 periodically reports to the Audit Committee.

Accountability Corporate Governance Code

In 2016 IMCD complied with the principles and best practices of the Code with the exception of the following deviations:

In the period up to 22 March 2016, the Company did not comply with best practice provision III.2.1 which requires all members of the Supervisory Board, with the exception of no more than one person, to be independent during the year under review. In connection with IMCD's listing in 2014, IMCD entered into a Relationship Agreement with Emma (BC) Holdings S.C.A. (Bain Capital, the Company's major shareholder at the date of the listing), which among other things, provided for the membership of three Bain Capital nominated persons in the Supervisory Board.

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.

As a result Michel Plantevin, Ivano Sessa and Michael Siefke qualified as non-independent members of the Supervisory Board. Following a number of sell downs by Bain Capital in 2015 and 2016 Bain Capital's shareholding was reduced to zero by 21 March 2016. From this point on, all Supervisory Board members qualified as independent within the meaning of best practice provision III.2.2. At IMCD's AGM of 12 May 2016 Ivano Sessa and Michael Siefke resigned as Supervisory Board members and the General Meeting appointed Julia van Nauta Lemke and Janus Smalbraak as new members to IMCD's Supervisory Board. With a view to the continuation within the Supervisory Board, Michel Plantevin agreed to continue his Supervisory Board membership as independent Supervisory Board member.

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 III.3.6 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.

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 III.3.1 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 III. 5 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.

REPORT OF THE SUPERVISORY BOARD

With hard work and dedication IMCD achieved good operational results for the financial year 2016. IMCD's global and multi-market positioning and its resilient business model mitigated the negative impact of uncertain geopolitical and macro-economic circumstances. In 2016 the Company's long-term growth strategy was executed with diligence and perseverance and resulted in both organic growth and growth by acquisitions. With the acquisition of the pharmaceutical ingredient distributor Mutchler in the US and Puerto Rico in July 2016, the 2015 acquisition of MF Cachat proved to provide a great platform for further growth and expansion of IMCD's activities in the US.

For IMCD's Supervisory Board the year 2016 was charactarised by a number of changes within its composition. Michael Siefke and Ivano Sessa, both IMCD Supervisory Board members since 2011, resigned at IMCD's AGM in May 2016. The Supervisory Board expresses its gratitude and appreciation to Michael Siefke and Ivano Sessa for their commitment and valuable contribution as IMCD Supervisory Board members over the past 6 years. With a view to continuity within the Supervisory Board and given the long-term experience and profound knowledge of IMCD's business operations, the Supervisory Board requested and Michel Plantevin agreed to continue his Supervisory Board membership as independent Supervisory Board member. In its new and diverse composition, IMCD's Supervisory Board will continue to execute its supervisory tasks and responsibilities with due regard to the interests of IMCD's stakeholders.

Supervisory Board composition

IMCD N.V.'s Supervisory Board consists of five members. At the Company's IPO in 2014 Michael Siefke, Ivano Sessa, Michel Plantevin, Jean-Charles Pauze and Floris Waller were appointed as Supervisory Board members for four year terms. Michael Siefke, Ivano Sessa and Michel Plantevin were appointed upon the nomination of Emma (BC) Holdings S.C.A. (Bain Capital), IMCD's majority shareholder at the time of the IPO. In February 2015 Arjan Kaaks was appointed to the Supervisory Board to fill the position of the unexpectedly deceased Supervisory Board member Floris Waller.

In the second half of 2015 the Supervisory Board started the selection procedure for one or more Supervisory Board members to fill the positions that would become vacant at the Annual General Meeting of May 2016 as a result of the IMCD share sell downs executed by Bain Capital. An executive search bureau was engaged to propose and pre-screen suitable candidates fitting the IMCD Supervisory Board Profile. Interviews with selected candidates were held by the full Supervisory Board or by a delegated committee. With knowledge and experience remaining the decisive factors for the final selections, the Supervisory Board actively sought, and succeeded, to find a female candidate. At the Annual General Meeting of 12 May 2016 Michael Siefke and Ivano Sessa resigned and the General Meeting appointed Mrs Julia van Nauta Lemke - Pears and Mr Janus Smalbraak as new members to IMCD's Supervisory Board. Due to personal reasons Jean-Charles Pauze, the Supervisory Board's chairman since the IPO in 2014, decided to step down from his position as chairman in November 2016. The Supervisory Board unanimously agreed to appoint Michel Plantevin to the position of chairman of the Supervisory Board. Jean-Charles Pauze was appointed to the position of chairman of the Remuneration Committee to replace Michel Plantevin. The particulars of the current Supervisory Board members and their Supervisory Board committee memberships are set out on page 17.

Since the final sell downs by Bain Capital, reducing its shareholding to zero by 21 March 2016, all Supervisory Board members are considered independent members of the Supervisory Board within the meaning of best practice provision III.2.2 of the Dutch Corporate Governance Code. 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 all its stakeholders.

Regarding its composition, the Supervisory Board believes that the overriding principle for the composition of the Supervisory Board remains that its composition and diversity is such that each of its members has a valuable contribution in terms of experience and knowledge relevant to the Company. On this basis, the Supervisory Board is of the opinion that in 2016 the size and composition of the Supervisory Board fulfilled the specifications laid down in the Supervisory Board Profile and was appropriate in view of the nature and size of IMCD.

Supervisory Board and committee meetings in 2016

The IMCD Supervisory Board met five times with both members of the Management Board present, and independently held regular consultations by telephone and email.

New Supervisory Board members followed an induction programme to get familiar with IMCD's business, people and governance. Three Supervisory Board members visited the IMCD Benelux offices and food laboratory in Mechelen, Belgium, which included working sessions with the IMCD Benelux management team and staff. As part of the continuous Supervisory Board training programme, the Supervisory Board was informed of developments in relevant legislation, including the EU Market Abuse Regulation and the new Dutch Corporate Governance Code. At two Supervisory Board meetings presentations on the specifics of the respective local businesses of IMCD Asia and IMCD US were given and discussed with the responsible IMCD business directors. One Supervisory Board meeting was attended by the members of the Executive Committee, where budget, strategy, market circumstances and developments in IMCD's product business groups were discussed.

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 and the risks associated with it, as well as on the functioning of the Company's risk management and control systems. Budget 2017, market developments and competitors analysis, management development and succession, investor relations, ICT management 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 and its committees was carried out and was evaluated and discussed during a closed meeting of the Supervisory Board.

In 2016 the Supervisory Board gave due consideration to a number of potential acquisitions and approved the acquisitions of Mutchler in the US and Puerto Rico, Chemicals and Solvents (EA) in Kenya and Feza Kimya in Turkey. In the third quarter of 2016 the Supervisory Board approved the amended terms and extension of IMCD's existing loan facilities and a Schuldscheindarlehen to further improve the diversity and flexibility of IMCD's debt structure.

The Audit Committee held four meetings, with both its members, the CFO and the Director Corporate Control 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. A one-on-one meeting was held with the external auditor of KPMG Accountants N.V. to discuss the audit findings for 2015. The Audit Committee participated in and supervised the audit tender and transition process for IMCD's new external auditor of Deloitte Accountants B.V., who was appointed at the Annual General Meeting of 12 May 2016. The chairman of the Audit Committee held an introductory one-on-one meeting and had subsequent consultations with the new external auditor and the CFO to discuss the specifics of the audit plan for 2016. The new external auditor also attended the Audit Committee meeting November 2016.

Detergents

Business Group Detergents 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.

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 and IMCD's Director Corporate Control. The Director Corporate Control is responsible for, inter alia, the review and monitoring of IMCD's control systems and, in his internal audit function, 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 are effectively assumed within the agenda, programme and tasks of the central holding team.

The Remuneration Committee convened two times in 2016 and held regular consultations to discuss and formulate proposals for the remuneration of the individual members of the Management Board and the related performance targets in 2016 and 2017. The remuneration policy and its implementation, taking into account possible outcomes of the variable remuneration components and the internal relativity, were evaluated to establish that the current 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 2016.

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 2016 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 2016.

Management Board appointment and remuneration

At IMCD's IPO in 2014 both Management Board members were re-appointed by the General Meeting for four year terms. The individual 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.

IMCD's remuneration policy provides for Management Board remuneration packages set around the median of remuneration levels payable within a peer group of comparable companies and consists of fixed and variable salary components, including an annual short term incentive cash bonus and a long term incentive plan for the annual award of conditional performance shares.

In 2016 the remuneration policy was executed by the Supervisory Board in accordance with the provisions of the remuneration policy. Upon the proposal of the Remuneration Committee, the Supervisory Board determined the 2015 performance appraisal and the related variable Management Board remuneration. The remuneration of the individual Management Board members and the performance conditions and metrics for the short term and long term incentive plans for 2016 were also determined. For the short term incentive plan for 2016 also non-financial targets were introduced. The Supervisory Board's remuneration report on 2016 as published at the Company's website, contains further details on the implementation of the remuneration policy in 2016 and the intended implementation in 2017 and subsequent years. Detailed information on the costs for the actual remuneration of the Management Board and Supervisory Board in 2016 is set forth in note 50 to the financial statements.

Financial statements 2016 and profit appropriation

The financial statements for the financial year 2016 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. The financial statements 2016 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 146) of this annual report. The Management Board will present the financial statements 2016 and its report at the Annual General Meeting. The Supervisory Board recommends the Annual General Meeting to adopt the financial statements 2016, including a proposed dividend of EUR 0.55 per share. In addition, it 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 2016.

External auditor

Deloitte Accountants B.V. (Deloitte) was appointed as IMCD's external auditor for the financial year 2016 at the Annual General Meeting on 12 May 2016 to replace IMCD's long term external auditor KPMG Accountants B.V. Within the audit tender and transition process initiated in 2015, the Audit Committee and the Management Board reported to the Supervisory Board on Deloitte's envisaged audit plan and functioning as external auditor and its fees, 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.

Upon the proposal of IMCD's Audit Committee and Management Board, the Supervisory Board will nominate Deloitte Accountants B.V. for appointment by the General Meeting as the Company's external auditor for the financial years 2017 and 2018.

Gratitude

The Supervisory Board extends its gratitude and appreciation to the members of the Management Board and all employees of IMCD for their incessant efforts and dedication shown in 2016.

Rotterdam, 7 March 2017

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

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Consolidated statement of financial position as at 31 December 2016, before profit appropriation

EUR 1,000	Note	31 December 2016	31 December 2015
Assets			
Property, plant and equipment	16	20,895	18,254
Intangible assets	17	907,558	907,219
Equity-accounted investees	19	13	3
Other financial assets	20	3,583	977
Deferred tax assets	21	26,182	25,154
Non-current assets		**958,231**	**951,607**
Inventories	22	204,210	184,238
Trade and other receivables	23	264,532	241,076
Cash and cash equivalents	24	56,502	56,550
Current assets		**525,244**	**481,864**
Total assets		**1,483,475**	**1,433,471**

The notes are an integral part of these consolidated financial statements

Consolidated statement of financial position as at 31 December 2016, before profit appropriation

EUR 1,000	Note	31 December 2016	31 December 2015
Equity	25		
Share capital		8,415	8,415
Share premium		657,514	657,514
Reserves		(12,030)	(30,396)
Accumulated deficit		(4,799)	(43,550)
Unappropriated result		72,959	61,848
Equity attributable to owners of the Company		**722,059**	**653,831**
Total equity		**722,059**	**653,831**
Liabilities			
Loans and borrowings	26	382,665	408,471
Employee benefits	27	10,097	10,284
Provisions	28	1,164	1,351
Deferred tax liabilities	21	75,772	76,441
Total non-current liabilities		**469,698**	**496,547**
Loans and borrowings	26	383	241
Other short term financial liabilities	26	71,026	85,355
Trade payables	29	170,619	147,239
Other payables	29	49,690	50,258
Total current liabilities		**291,718**	**283,093**
Total liabilities		**761,416**	**779,640**
Total equity and liabilities		**1,483,475**	**1,433,471**

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 2016

EUR 1,000	Note	2016	2015
Revenue	8	1,714,500	1,529,819
Other income	9	3,506	7,673
Operating income		**1,718,006**	**1,537,492**
Cost of materials and inbound logistics	22	(1,332,883)	(1,197,017)
Cost of warehousing, outbound logistics and other services		(49,898)	(48,723)
Wages and salaries	10,11	(106,157)	(89,340)
Social security and other charges	10	(27,422)	(25,089)
Depreciation of property, plant and equipment	16	(4,303)	(3,494)
Amortisation of intangible assets	17	(38,183)	(34,755)
Other operating expenses	12	(51,653)	(47,866)
Operating expenses		**(1,610,499)**	**(1,446,284)**
Result from operating activities		**107,507**	**91,208**
Finance income	13	794	2,818
Finance costs	13	(13,551)	(16,159)
Net finance costs		**(12,757)**	**(13,341)**
Share of profit of equity-accounted investees, net of tax	19	10	(2)
Result before income tax		**94,760**	**77,865**
Income tax expense	14	(21,801)	(16,017)
Result for the year		**72,959**	**61,848**
Gross profit[1]		381,617	332,802
Gross profit in % of revenue		22.3%	21.8%
Operating EBITA[2]	6	147,751	128,292
Operating EBITA in % of revenue		8.6%	8.4%

[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 2016

EUR 1,000	Note	2016	2015
Result for the year		**72,959**	**61,848**
Defined benefit plan actuarial gains/(losses)	27	(1,641)	(655)
Related tax	14	351	96
Items that will never be reclassified to profit or loss		**(1,290)**	**(559)**
Foreign currency translation differences related to foreign operations		21,042	(10,315)
Effective portion of changes in fair value of cash flow hedges		(408)	286
Related tax	14	(310)	(149)
Items that are or may be reclassified to profit or loss	13	**20,324**	**(10,178)**
Other comprehensive income for the period, net of income tax		**19,034**	**(10,737)**
Total comprehensive income for the period		**91,993**	**51,111**
Result attributable to:			
Owners of the Company		72,959	61,848
Total comprehensive income attributable to:			
Owners of the Company		91,993	51,111
Weighted average number of shares	15	52,476,981	51,612,228
Basic earnings per share	15	1.39	1.20
Diluted earnings per share	15	1.42	1.21

The notes are an integral part of these consolidated statements.

Consolidated statement of changes in equity for the year ended 31 December 2016

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 changes in equity for the year ended 31 December 2016

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 2015	25	**8,000**	**573,566**	**(9,576)**	**128**	**-**	**(7,763)**	**(53,459)**	**19,909**	**530,805**
Appropriation of prior year's result		-	-	-	-	-	-	9,909	(9,909)	**-**
		8,000	**573,566**	**(9,576)**	**128**	**-**	**(7,763)**	**(43,550)**	**10,000**	**530,805**
Result for the year		-	-	-	-	-	-	-	61,848	**61,848**
Total other comprehensive income		-	-	(10,315)	137	-	(559)	-	-	**(10,737)**
Total comprehensive income for the year		**-**	**-**	**(10,315)**	**137**	**-**	**(559)**	**-**	**61,848**	**51,111**
Cash dividend	25	-	-	-	-	-	-	-	(10,000)	**(10,000)**
Issue of shares minus related costs	25	415	83,948	-	-	-	-	-	-	**84,363**
Share based payments	25	-	-	-	-	-	670	-	-	**670**
Purchase own shares	25	-	-	-	-	(3,118)	-	-	-	**(3,118)**
Total contributions by and distributions to owners of the Company		**415**	**83,948**	**-**	**-**	**(3,118)**	**670**	**-**	**(10,000)**	**71,915**
Balance as at 31 December 2015		**8,415**	**657,514**	**(19,891)**	**265**	**(3,118)**	**(7,652)**	**(43,550)**	**61,848**	**653,831**

The notes are an integral part of these consolidated statements.

Consolidated statement of cash flows for the year ended 31 December 2016

EUR 1,000	Note	2016	2015
Cash flows from operating activities			
Result for the period		72,959	61,848
Adjustments for:			
• Depreciation of property, plant and equipment	16	4,303	3,494
• Amortisation of intangible assets	17	38,183	34,755
• Net finance costs excluding currency exchange results	13	11,797	9,245
• Currency exchange results	13	960	4,096
• Cost of share based payments	11	1,403	670
• Share of profit of equity-accounted investees, net of tax	19	(10)	2
• Income tax expense	14	21,801	16,017
		151,396	**130,127**
Change in:			
• Inventories	22	(12,466)	(8,568)
• Trade and other receivables	23	(16,654)	2,717
• Trade and other payables	29	21,239	(4,157)
• Provisions and employee benefits	27,28	(2,356)	(216)
Cash generated from operating activities		**141,159**	**119,903**
Interest paid		(9,590)	(9,139)
Income tax paid		(31,384)	(24,413)
Net cash from operating activities		**100,185**	**86,351**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	7	(17,286)	(237,073)
Acquisition of intangible assets	17	(1,140)	(6,654)
Acquisition of property, plant and equipment	16	(5,317)	(3,551)
Proceeds from disposals of (in)tangible assets	16,17	146	387
Acquisition of other financial assets		(2,601)	(205)
Net cash used in investing activities		**(26,198)**	**(247,096)**
Cash flows from financing activities			
Proceeds from issue of share capital net of related costs	25	-	84,150
Dividends paid	25	(23,097)	(10,000)
Purchase of own shares	25	(2,071)	(3,118)
Payment of transaction costs related to loans and borrowings	26	(1,875)	(2,438)
Movements in bank loans and other short term financial liabilities	26	(68,354)	59,255
Proceeds from issue of current and non-current loans and borrowings	26	181,132	49,817
Repayment of loans and borrowings		(161,517)	(9,196)
Net cash from financing activities		**(75,782)**	**168,470**
Net increase in cash and cash equivalents		**(1,795)**	**7,725**
Cash and cash equivalents as at 1 January	24	56,550	59,974
Effect of exchange rate fluctuations		1,747	(11,149)
Cash and cash equivalents as at 31 December	24	**56,502**	**56,550**

The notes are an integral part of these consolidated statements.

Notes to the Consolidated financial statements for the year ended 31 December 2016

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 2016 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, the US and Brazil.

2 Basis of preparation

(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 7 March 2017.

(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

(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.

(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
- Note 30 – recognition and measurement of deferred considerations: key assumptions about the forecast EBITDA of acquired businesses

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 the 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

(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 2016 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 2e, which addresses changes in accounting policies.

(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 (generally 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.

(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 transactions are used.

Foreign currency differences on the translation of foreign operation 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.

(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.

(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.

(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

Other intangible assets include supplier relationships and similar rights, order books, IMCD brand name, intellectual property rights, distribution rights 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.

(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.

(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 estimated reliably.

Objective evidence that financial assets are impaired can include 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, observable data indicating that there is 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 each year at the same time.

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.

(h) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into 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 a 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.

(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.

(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 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.

(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.

(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.

(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 inter dependencies.

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’.

Following operational and management changes, in 2016 the composition of the operating segments was adjusted. A new operating segment 'Americas' has been introduced comprising the operations in the US and Brazil, formerly part of segment 'Other Emerging Markets'. The operations in Turkey, South-Africa and Kenya together with the former segment 'Europe' are included in a new operating segment 'EMEA'. Operating segment 'Other Emerging Markets', including the operations in Brazil, Turkey and South Africa, no longer exists.

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, Brazil and Puerto Rico
- Holding companies: all non-operating companies, including the head office in Rotterdam and the regional offices in Singapore and in New Jersey, US.

(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 2016 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. In May 2015, the IASB proposed to defer the effective date of IFRS 15 by one year to January 1, 2018.

Sales of goods
Revenue is currently recognised when the customer has accepted the goods 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 in the financial year 2016 no key impacts of the implementation of IFRS 2015 were identified compared with current revenue recognition applied by the Group.

*Commission*s
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 initial assessment on these transactions and does not expect that there will be a significant impact on its consolidated financial statements.

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

The Group is currently in the process of determining the impact of this new standard on the consolidated financial statements. No or limited impact on the consolidated financial statement is expected.

IFRS 16 Leases
IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. The company will not use early adoption options permitted under the standard.

The Company has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Company 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. The group will use the optional exemptions for leases of low-value assets. The Company has not yet decided whether it will use the optional exemptions for short-term leases.

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. The group has not yet determined which transition approach to apply.

The group has not yet quantified the impact of the adoption of IFRS 16 on its reported assets and liabilities. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the group uses the practical expedients and recognition exemptions, and any additional leases that the group enters into.

Annual lease obligations for contracts currently reported as operation leases or not as leases at all, but which should be reported as leases under the new standard, could give an indication of the impact of the new standard. Nominal lease obligations under the new standard to the extent currently not reported as financial leases amount to:

EUR 1,000	Lease obligation IFRS 16
2017	14,413
2018	12,496
2019	9,669
2020	6,293
2021	5,440
>2021	9,517

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 group expects to disclose its transition approach and more detailed quantitative information before adoption. The group expects that adoption of IFRS 16 will not impact its ability to comply with the revised maximum leverage threshold loan covenant described in note 26.

(o) Non-recurring income and expenses

The non-recurring items in 2016 and 2015 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. In 2015 the Company deducted fees (net of tax) related to the issuance of 2.6 million ordinary shares directly from the equity.

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

EUR 1,000	Note	2016	2015
Personnel expenses and other operating expenses	10,12	2,061	2,329
Impact on result before income tax		**2,061**	**2,329**
Recognition of deferred tax assets	14,21	4,706	7,804
Impact on result for the year		**6,767**	**10,133**

EUR 1,000	Note	2016	2015
Transaction cost issuance of shares net of tax	21,25	-	638
Impact on share premium		**-**	**638**

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 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 broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. 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 consideration

The fair value of contingent consideration 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.

5 Financial risk management

(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

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.

(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.

(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 represents 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.

(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 2016, the revolving facility was undrawn.
- Several credit facilities available to the subsidiaries in mainly Spain, Italy, Indonesia, India, US 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	33,640	38,952	545	551	1,095	36,761	-
Syndicate bank loans	EUR	114,905	128,247	853	863	1,711	124,820	-
Syndicate bank loans	GBP	23,940	26,162	213	216	428	25,305	-
Syndicate bank loans	USD	20,584	22,875	250	253	501	21,871	-
Schuldscheindarlehen	EUR	99,468	107,877	454	878	1,332	64,000	41,213
Schuldscheindarlehen	USD	84,946	97,435	1,195	1,215	2,409	92,616	-
Contingent consideration	IDR	3,151	3,151	-	-	471	-	2,680
Contingent consideration	KES	587	587	-	-	587	-	-
Other liabilities	USD	11	33	15	7	9	2	-
Other liabilities	EUR	1,189	1,480	290	-	278	912	-
Other liabilities	PLN	236	307	35	36	75	161	-
Other liabilities	BRL	8	8	-	-	8	-	-
		382,665	**427,114**	**3,850**	**4,019**	**8,904**	**366,448**	**43,893**

Estimated interest payments are based on the EURIBOR, and LIBOR rates and margins prevailing at 31 December 2016.

In October 2016 an amendment to the Group's EUR 500 million syndicated banking facilities was agreed. The amendment comprises an extension of the term of the existing credit facility by one year to 2021. In addition, the amendment resulted in a reallocation of part of the term facilities into revolving facilities, resulting in a term facility of EUR 200 million (previously EUR 350 million) and a revolving facility of EUR 300 million (previously EUR 150 million). Further details can be found in note 26.

(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 the 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), Pound Sterling (GBP), Australian Dollar (AUD), South African Rand (ZAR), Brazilian Real (BRL), Malaysian Ringgit (MYR), Indian Rupee (INR) and Indonesian Rupiah (IDR).

The currencies in which these transactions primarily are denominated are EUR, USD, GBP, AUD, ZAR, BRL, MYR, INR and IDR.

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 as at 31 December 2016 was as follows:

EUR 1,000	USD	GBP	AUD	ZAR	BRL	MYR	INR	IDR	Other	Total
Non current assets	-	-	-	-	-	65	66	2,706	394	**3,231**
Current assets	55,932	15,611	26,660	12,111	12,868	4,657	4,777	6,759	48,989	**188,364**
Non current liabilities	(112,293)	(23,974)	(33,572)	-	(3,955)	-	-	(3,151)	10,094	**(166,851)**
Current liabilities	(94,089)	(11,286)	(11,259)	(7,449)	(4,309)	(814)	(2,327)	(113)	(33,248)	**(164,894)**
Net statement of currency risk exposure	**(150,450)**	**(19,649)**	**(18,171)**	**4,662**	**4,604**	**3,908**	**2,516**	**6,201**	**26,229**	**(140,150)**

The risk exposure above includes the mitigating effects of hedged net liability positions in USD to the amount of EUR 6.1 million (2015: EUR 7.9 million) and in GBP to the amount of EUR 0.1 million (2015: EUR 0.1 million).

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2016	2015	**2016**	2015
USD	0.9057	0.9017	0.9487	0.9185
GBP	1.2269	1.3780	1.1680	1.3625
AUD	0.6731	0.6752	0.6851	0.6713
ZAR	0.0618	0.0710	0.0692	0.0590
BRL	0.2615	0.2745	0.2909	0.2319
MYR	0.2193	0.2324	0.2115	0.2130
INR	0.0135	0.0141	0.0140	0.0139
IDR	0.0001	0.0001	0.0001	0.0001

Sensitivity analysis

A 10% strengthening of the EUR, as indicated below, against the USD, GBP, AUD, ZAR, BRL, MYR, INR and IDR at 31 December 2016 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
	2016	**2016**	2015	2015
USD	(11,255)	827	(12,332)	1,441
GBP	3	(209)	149	(710)
AUD	(3,020)	(261)	(3,049)	(25)
ZAR	(2,666)	(25)	(2,610)	(5)
BRL	(7,081)	-	(6,771)	-
MYR	(907)	-	(1,043)	-
INR	(2,250)	-	(2,341)	-
IDR	(2,088)	(620)	(2,164)	-

A 10% weakening of the EUR against the above currencies at 31 December 2016 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	2016	2015
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(53,437)	
	(53,437)	**-**
Variable rate instruments		
Financial assets	56,502	56,550
Financial liabilities	(400,637)	(494,067)
	(344,135)	**(437,517)**

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 2016	100 base points decrease 2016	100 base points increase 2015	100 base points decrease 2015
Variable rate instruments	2,452	(2,519)	7,568	(7,553)

(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.

(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	2016	2015
Total liabilities	761,416	779,640
Less: Cash and cash equivalents	(56,502)	(56,550)
Net liabilities	**704,914**	**723,090**
Total equity	722,059	653,831
Less: Amounts accumulated in equity relating to cash flow hedges	(14)	(265)
Adjusted equity	**722,045**	**653,566**

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
- non-recurring income and expenses related to the initial public offering of shares and subsequent refinancing

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	2016	2015
Result from operating activities	107,507	91,208
Amortisation of intangible assets	38,183	34,755
Non-recurring items	2,061	2,329
Operating EBITA	**147,751**	**128,292**

The non-recurring income and expenses 2016 and 2015 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.

As described in note 3.m to the consolidated financial statements, in 2016 the Group has amended its operating segments. The comparative figures of operating segment Other Emerging Markets have been reclassified to the operating segments EMEA and Americas. The 2015 revenue of Operating Segment EMEA includes EUR 968.9 million related to the former operating segment Europe and EUR 67.1 million related to the operations in Turkey and South-Africa, formerly reported in segment Other Emerging Markets. The 2015 revenue of Operating Segment Americas includes EUR 131.6 million formerly reported in segment USA and EUR 51.6 million formerly reported in segment Other Emerging Markets.

EMEA

EUR 1,000	2016	2015
Revenue	1,053,557	1,036,079
Gross profit	248,824	239,641
Operating EBITA	100,808	94,554
Result from operating activities	84,431	78,742
Total Assets	735,995	711,364
Total Liabilities	256,276	254,491

Asia-Pacific

EUR 1,000	2016	2015
Revenue	316,921	310,496
Gross profit	63,852	58,112
Operating EBITA	28,328	27,890
Result from operating activities	22,726	22,771
Total Assets	260,706	264,143
Total Liabilities	56,222	63,648

Americas

EUR 1,000	2016	2015
Revenue	344,022	183,244
Gross profit	68,941	35,049
Operating EBITA	31,584	16,579
Result from operating activities	14,813	11,071
Total Assets	241,469	222,671
Total Liabilities	49,133	43,050

Holding companies

EUR 1,000	2016	2015
Operating EBITA	(12,969)	(10,731)
Result from operating activities	(14,463)	(21,376)
Total Assets	245,306	235,293
Total Liabilities	399,786	418,451

IMCD and its operating segments have a diverse customer base of about 34,000 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 almost 1,700 suppliers and product portfolio of about 28,000 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 1 July 2016, IMCD acquired 100% of the shares of Mutchler Inc. and Mutchler of Puerto Rico Inc., (Mutchler) a leading speciality pharmaceutical ingredients distributor in the US and Puerto Rico with offices in Harrington Park, New Jersey and Puerto Rico. Mutchler is active in all US states and Puerto Rico and represents leading global pharmaceutical ingredient suppliers. With a focus on the pharmaceutical market, Mutchler compliments the existing IMCD US operations. In addition, the acquisition of Mutchler supports the strategy of IMCD to become the leading global speciality chemicals distributor.

On 1 September 2016, IMCD acquired the business and certain assets of Chemicals and Solvents (EA) Ltd. (C&S), based in Nairobi, Kenya. C&S' activities focus on the distribution of ingredients to the food, cosmetics, detergents and pharmaceutical industries. With the acquisition of C&S, IMCD created a footprint in Kenya and expands its existing operations in Africa.

On 22 December 2016, IMCD acquired 100% of the shares of Feza Kimya İç ve Dış Ticaret Anonim Şirketi (Feza), based in Istanbul, Turkey. Feza is one of the leading market players in the technical sales, marketing and distribution of speciality chemicals and instruments in Turkey selling into the coatings, plastics, rubber, lubricants and detergent sectors. With a focus on the coatings and plastics markets, Feza complements the existing IMCD Turkey operations.

The three aforementioned transactions added EUR 13.9 million of revenue and EUR 0.2 million of net loss to the Group's results in 2016.

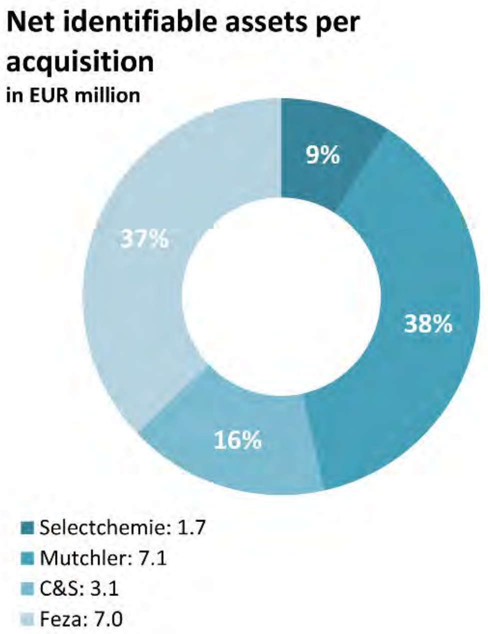
If all acquisitions had occurred on 1 January 2016, management estimates that consolidated revenue would have been EUR 1,740.1 million and consolidated result for the year would have been EUR 74.1 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2016.

The total consideration related to the aforementioned transactions, transferred in cash in 2016, amounts to EUR 20.9 million. As at 31 December 2016, the deferred and contingent considerations payable related to the acquisitions completed in 2016, total EUR 2.5 million and EUR 1.6 million, respectively.

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	Total
Property, plant and equipment	16	**648**
Intangible assets	17	**7,406**
Deferred tax assets	21	**123**
Other financial assets		**3**
Inventories		**7,504**
Trade and other receivables		**6,802**
Cash and cash equivalents		**3,627**
Loans and borrowings		**(713)**
Other short term financial liabilities		**-**
Employee benefits and other provisions	27,28	**(341)**
Deferred tax liabilities	21	**(1,809)**
Trade and other payables		**(4,371)**
Total net identifiable assets		**18,879**



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 7.1 million.

The composition of the 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	Total
Total consideration, including deferred and contingent considerations		**25,448**
Less: Fair value of identifiable net assets		**18,879**
Goodwill	17	**6,569**

Goodwill recognised as a result of the acquisitions in the financial year relate to Mutchler, C&S and Feza. In addition, during the financial year an amount of EUR 1.7 million goodwill was derecognised related to the acquisition of IMCD Brasil Pharma as a consequence of the recognition of newly identified assets. 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.

Acquisition related costs

The Group incurred acquisition related costs of EUR 1,010 thousand (2015: EUR 1,602 thousand) predominantly related to external legal fees and due diligence costs. 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	2016	2015
Sales of goods	1,705,833	1,523,954
Commissions	8,667	5,865
	1,714,500	**1,529,819**

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	2016	2015
Netherlands	52,750	51,968
Rest of EMEA	1,000,807	984,111
EMEA	**1,053,557**	**1,036,079**
Asia-Pacific	316,921	310,496
Americas	344,022	183,244
	1,714,500	**1,529,819**

9 Other income

EUR 1,000	2016	2015
Other income	3,506	7,673
	3,506	**7,673**

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

10 Personnel expenses

EUR 1,000	Note	2016	2015
Wages and salaries	11	106,157	89,340
Social security contributions		19,299	16,621
Contributions to defined contribution plans		3,207	2,617
Expenses related to defined benefit plans	27	(1,338)	1,105
Expenses related to termination and other long term employee benefit plans	27	879	787
Other personnel expenses		5,375	3,959
		133,579	**114,429**

The wages and salaries 2016 include non-recurring severance payments of EUR 0.3 million (2015: EUR 0.4 million).

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

FTE	2016	2015
The Netherlands (excluding Dutch Holding companies)	66	68
Rest of EMEA	958	906
EMEA	**1,024**	**974**
Asia-Pacific	478	448
Americas	263	173
Holding companies	41	34
	1,806	**1,629**

FTE	2016	2015
Management and administration	280	249
Sales	1,173	1,063
IT/HSEQ/Warehouse/Other	353	317
	1,806	**1,629**

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 senior management. 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 for the Management Board include the relative Total Shareholder Return performance compared with a selected group of peer companies (market related condition) and the 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 management are solely internal performance conditions and include operating EBITA, growth in cash earnings per share (only for the Executive Committee) and 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 2016 was as follows:

	Number of shares	Based on share price
Shares granted to the Management Board	13,280	33.52
Shares granted to Executive Committee and senior management	41,303	33.52

The number of performance shares granted in 2016 is based on at target performance (100 per cent) with an upward potential for the Management Board and the Executive Committee. The expected total number of performance shares is 132,470 with vesting date in 2018 and 2019.

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

	2016		2015	
	Weighted average share price	Number of shares	Weighted average share price	Number of shares
Outstanding as at 1 January	**29.34**	**80,616**	**-**	**-**
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Granted during the year	33.57	54,583	29.34	83,468
Performance adjustment	-	(2,729)	-	(2,852)
Outstanding as at 31 December		**132,470**		**80,616**

The weighted average share price of granted shares is equal to the share price at grant date adjusted for the 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	2016	2015
Shares granted	1,403	670

12 Other operating expenses

The other operating expenses are as follows:

EUR 1,000	2016	2015
Accommodation and other rental costs	12,068	11,632
Other office expenses	9,205	8,414
Car expenses	7,092	6,646
Other personnel related expenses	9,962	9,474
Professional service fees	6,564	5,698
Credit sales expenses	846	885
Insurance costs	1,938	1,429
Other operating expenses	3,978	3,688
	51,653	**47,866**

The other operating expenses include an amount of EUR 1.5 million (2015: EUR 1.9 million) related to non-recurring items. The non-recurring items in 2016 mainly relate to professional service fees. The non-recurring other operating expenses in 2015 included professional service fees of EUR 1.4 million, accommodation and other rental costs: EUR 0.1 million, other personnel related expenses: EUR 0.1 million and other operating expenses: EUR 0.2 million.

13 Net finance costs

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

EUR 1,000	2016	2015
Interest income on loans and receivables	496	452
Change in fair value of contingent considerations	18	2,366
Change in fair value of derivative financial instruments	280	-
Currency exchange results	-	-
Finance income	**794**	**2,818**
Interest expenses on financial liabilities measured at amortised cost	(12,486)	(10,789)
Interest expenses on provisions for pensions and similar obligations	(105)	(160)
Currency exchange results	(960)	(4,096)
Change in fair value of derivative financial instruments	-	(1,114)
Finance costs	**(13,551)**	**(16,159)**
Net finance costs recognised in profit or loss	**(12,757)**	**(13,341)**

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

EUR 1,000	2016	2015
Foreign currency translation differences of foreign operations	21,042	(10,315)
Effective portion of changes in fair value of cash flow hedges	(408)	286
Tax on foreign currency translation differences and changes in fair value of cash flow hedges recognised in other comprehensive income	(310)	(149)
Finance income recognised in other comprehensive income, net of tax	**20,324**	**(10,178)**

14 Income tax expense

Income tax expenses recognised in profit or loss

EUR 1,000	2016	2015
Current tax expense		
Current year	31,772	27,663
Adjustment for prior years	(15)	374
	31,757	**28,037**
Deferred tax expense		
Reduction in tax rate	(15)	-
Origination and reversal of temporary differences	(3,775)	(3,049)
Recognition of previously unrecognised tax losses	(6,012)	(8,055)
Recognition of current year tax losses	(775)	(916)
Derecognition of previously recognised tax losses	621	-
	(9,956)	**(12,020)**
Total income tax expense	**21,801**	**16,017**

The income tax expenses 2016 include a benefit of EUR 6.0 million (2015: 8.1 million) resulting from the recognition of previously unrecognised tax assets. EUR 4.7 million (2015: EUR 7.8 million) of this benefit relates to the recognition of deferred tax assets of the Dutch fiscal entity. The recognition of deferred tax assets is 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

	2016			2015		
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	21,042	(467)	**20,575**	(10,315)	(2)	**(10,317)**
Cash flow hedges	(408)	157	**(251)**	286	(147)	**139**
Defined benefit plan actuarial gains/(losses)	(1,641)	351	**(1,290)**	(655)	96	**(559)**
	18,993	**41**	**19,034**	**(10,684)**	**(53)**	**(10,737)**

Reconciliation effective tax rate

	2016		2015	
EUR 1,000	%	EUR 1,000	%	EUR 1,000
Profit for the year		72,959		61,848
Total income tax expense	23.0	21,801	20.6	16,017
Profit before income tax		**94,760**		**77,865**
Income tax using the Company's domestic tax rate	25.0	23,690	25.0	19,466
Effect of tax rates in foreign jurisdictions	4.0	3,744	2.8	2,166
Effect change in tax rate	-	15	-	-
Tax effect of:				
Non-deductible expenses	2.3	2,156	3.1	2,445
Tax incentives and tax exempted income	(4.2)	(3,966)	(0.6)	(434)
Utilisation of tax losses	-	(7)	(0.2)	(141)
Recognition of previously unrecognised tax losses	(6.3)	(6,012)	(10.3)	(8,055)
Derecognition of previously recognised tax losses	0.7	621	-	-
Current year losses for which no deferred tax asset was recognised	0.6	560	1.3	1,007
(De)recognition of previously (un)recognised temporary differences	1.1	1,015	(1.0)	(811)
Under provided in prior years	-	(15)	0.5	374
	23.2	**21,801**	**20.6**	**16,017**

15 Earnings per share

Basic earnings per share

The basic earnings per share of EUR 1.39 (2015: EUR 1.20) is determined by dividing the result for the year due to the owners of the company of EUR 73.0 million (2015: EUR 61.8 million) by the weighted average number of shares in circulation amounting to 52.5 million (2015: 51.6 million). As at 31 December 2016, the number of ordinary shares outstanding was 52.5 million (31 December 2015: 52.5 million).

Profit attributable to ordinary shareholders

EUR 1,000		2016	2015
Profit/(loss) for the year, attributable to the owners of the Company (basic)	**(A)**	72,959	61,848

Weighted average number of ordinary shares

in thousand shares	Note	2016	2015
Issued ordinary shares as at 1 January	25	52,592	50,000
Increase from change in nominal value	25	-	-
Conversion from shareholders' loans	25	-	-
Effect of shares issued	25	-	1,641
Effect of purchase of own shares	25	(115)	(28)
Weighted average number of ordinary shares as at 31 December	**(B)**	**52,477**	**51,612**
Earnings per share (A/B)		1.39	1.20

Diluted earnings per share

The calculation of the diluted earnings per share of EUR 1.42 (2015: EUR 1.21) 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		2016	2015
Profit/(loss) for the year, attributable to the owners of the Company (basic)		72,959	61,848
Share based payments, net of tax		1,403	670
Profit/(loss) for the year, attributable to the owners of the Company (diluted)	**(C)**	**74,362**	**62,518**

Weighted average number of ordinary shares (diluted)

in thousand shares	Note	2016	2015
Weighted average number of ordinary shares (basic) as at 31 December	25	52,477	51,612
Effect of share based payments		71	27
Weighted average number of ordinary shares (diluted) at 31 December	**(D)**	**52,548**	**51,639**
Diluted earnings per share (C/D)		1.42	1.21

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 2016		**10,364**	**5,655**	**16,097**	**13,243**	**45,359**
Acquisitions through business combinations	7	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**

EUR 1,000	Note	Land and buildings	Machinery and equipment	Hardware & Software	Other assets	Total
Cost						
Balance as at 1 January 2015		**10,522**	**5,729**	**13,638**	**11,943**	**41,832**
Acquisitions through business combinations		828	124	776	173	**1,901**
Additions for the year		140	346	2,072	993	**3,551**
Disposals		(272)	(371)	(496)	39	**(1,100)**
Effect of movements in exchange rates		(854)	(173)	107	95	**(825)**
Balance as at 31 December 2015		**10,364**	**5,655**	**16,097**	**13,243**	**45,359**
Depreciation and impairment losses						
Balance as at 1 January 2015		**1,002**	**3,283**	**11,223**	**8,783**	**24,291**
Depreciation for the year		639	421	1,421	1,013	**3,494**
Disposals		10	(303)	(495)	75	**(713)**
Effect of movements in exchange rates		(81)	(35)	75	74	**33**
Balance as at 31 December 2015		**1,570**	**3,366**	**12,224**	**9,945**	**27,105**
Carrying amounts						
As at 1 January 2015		**9,520**	**2,446**	**2,415**	**3,160**	**17,541**
As at 31 December 2015		**8,794**	**2,289**	**3,873**	**3,298**	**18,254**

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 2016		**505,207**	**66**	**11,730**	**25,000**	**468,736**	**13,164**	**1,023,903**
Acquisitions through business combinations	7	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**

EUR 1,000	Note	Goodwill	Intellectual property rights	Distribution rights	Brand names	Supplier relations	Other intangibles	Total
Cost								
Balance as at 1 January 2015		**376,332**	**64**	**5,700**	**25,000**	**330,061**	**10,675**	**747,832**
Acquisitions through business combinations		130,956	-	-	-	139,740	2,453	**273,149**
Additions for the year		-	5	6,037	-	617	-	**6,659**
Disposals		-	-	(53)	-	-	-	**(53)**
Effect of movements in exchange rates		(2,081)	(3)	46	-	(1,682)	36	**(3,684)**
Balance as at 31 December 2015		**505,207**	**66**	**11,730**	**25,000**	**468,736**	**13,164**	**1,023,903**
Amortisation and impairment losses								
Balance as at 1 January 2015		**6,314**	**40**	**3,454**	**-**	**66,324**	**6,623**	**82,755**
Amortisation for the year		-	5	1,028	-	22,386	2,977	**26,396**
Impairment loss		8,359	-	-	-	-	-	**8,359**
Disposals		-	-	(53)	-	-	-	**(53)**
Effect of movements in exchange rates		(242)	(1)	25	-	(570)	15	**(773)**
Balance as at 31 December 2015		**14,431**	**44**	**4,454**	**-**	**88,140**	**9,615**	**116,684**
Carrying amounts								
As at 1 January 2015		**370,018**	**24**	**2,246**	**25,000**	**263,737**	**4,052**	**665,077**
As at 31 December 2015		**490,776**	**22**	**7,276**	**25,000**	**380,596**	**3,549**	**907,219**

Amortisation and impairment testing other intangible assets

During 2016 the Group recognised impairments of supplier relationships to the amount of EUR 6,162, related to the acquisition of IMCD Brasil (EUR 5.7 million) and IMCD Malaysia (EUR 0.5 million). Due to the slow down of the industrial activities in Brazil, the discounted value of the future cash flows generated by the supplier relationships resulting from the acquisition of IMCD Brasil in 2013 was below the carrying value.

Goodwill impairment testing

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

EUR 1,000		2016	2015
Cash generating unit	**Operating segment**		
EMEA excluding IMCD Kenya	EMEA	272,221	269,680
IMCD Kenya	EMEA	2,085	-
Asia-Pacific excluding IMCD Indonesia, IMCD Singapore and IMCD Philippines	Asia-Pacific	76,767	76,303
IMCD Indonesia	Asia-Pacific	2,631	2,478
IMCD Singapore	Asia-Pacific	1,685	1,665
IMCD Philippines	Asia-Pacific	4,846	4,846
IMCD US (incl. MJS Sales)	Americas	113,930	110,277
Mutchler	Americas	3,704	-
IMCD Brasil	Americas	7,157	5,707
IMCD Brasil Pharma	Americas	23,107	19,820
		508,133	**490,776**

A cash generating unit (CGU) represents the lowest level within the Group at which goodwill is monitored for internal management purposes. Goodwill can be monitored at a lower level than the operating segments for acquired businesses not integrated into businesses already existing before the acquisition date.

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 calculation of future cash flows is based on a bottom-up built budget 2017 and estimations for 2018 to 2021 and an assumed terminal growth rate.

The revenue growth assumptions have resulted in a consolidated CGU value in the impairment test that is higher than the carrying value.

In 2015 an impairment loss of EUR 8.4 million was recognised in profit or loss as amortisation of intangible assets related to IMCD Brasil. Despite favourable business growth expectations of IMCD Brasil, the development of the macroeconomic parameters in Brazil had a considerable adverse impact on the long term growth figures as well as on the discount rate used for calculating the recoverable amount of IMCD Brasil. Despite continuing difficult market circumstances in Brazil, partly due to operational and organisational measures taken, as at 31 December 2016 CGU IMCD Brasil showed sufficient headroom.

Key assumptions used in discounted cash flow projections

Key assumptions used in the calculation of recoverable amounts are EBITDA growth rates, pre-tax discount rates and terminal value growth rates. The EBITDA growth is based on management projections for the years 2017 to 2021. For impairment testing purposes, the terminal value growth rate varies per CGU. The pre-tax weighted average cost of capital (WACC) is estimated per

CGU and varies mainly due to differences in risk free rates. Pre-tax WACC varies between 10.7% and 21.9% and post-tax WACC between 8.6% and 15.4%. For the Group, the blended WACC for 2016 is 12.0% (2015: 13.2%). This corresponds with a post-tax WACC of 8.9% (2015: 9.5%).

Key assumptions 2016 for each CGU are as follows:

Cash generating unit	WACC	Terminal growth rate
EMEA excluding IMCD Kenya	12.1%	1.6%
IMCD Kenya	21.9%	3.4%
Asia-Pacific excluding IMCD Indonesia, IMCD Singapore and IMCD Philippines	14.0%	2.7%
IMCD Indonesia	16.7%	4.6%
IMCD Singapore	10.7%	3.9%
IMCD Philippines	13.7%	4.3%
IMCD US (incl. MJS Sales)	12.8%	2.1%
Mutchler	12.3%	2.1%
IMCD Brasil	17.4%	3.0%
IMCD Brasil Pharma	17.8%	3.0%

Sensitivity to changes in assumptions

The estimated recoverable amounts of each of the CGUs and the total recoverable amount of all CGUs exceeded the relevant carrying amounts. Management has identified two key parameters for which a reasonably possible change could have a material impact on the difference between the carrying amount and the recoverable amount. Those parameters are the pre-tax discount rate and the terminal value growth rate. Except for CGU IMCD Brasil Pharma, an increase in the pre-tax discount rate by 1% or a decrease in terminal growth rate by 1% do not give rise to an impairment.

As at the end of 2016, the recoverable amount of CGU IMCD Brasil Pharma exceeded its carrying value by EUR 1.5 million based on a WACC of 17.8%. When applying a WACC of 18.8% to the existing cash flow projections, a goodwill impairment of EUR 1.8 million would be required. Assuming a terminal growth rate of 2.0% would result in a goodwill impairment of EUR 0.6 million. In addition to the sensitivity to changes in the aforementioned key parameters, the recoverable amount of IMCD Brasil Pharma is also sensitive to changes in the projected revenue and EBITDA growth. In case the projected revenue growth will deviate slightly (1%), a goodwill impairment may be required.

The recoverable amount of CGU IMCD Brasil is sensitive to the EBITDA improvement projections prepared by management. In case the assumed recovery will not materialise, a goodwill impairment may be required.

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.

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	Equity accounted investees
Netherlands	3,984	396,987	-
Rest of EMEA	6,116	79,943	13
EMEA	**10,100**	**476,930**	**13**
Asia-Pacific	5,278	139,294	-
Americas	5,517	291,334	-
Total	**20,895**	**907,558**	**13**

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	2016	2015
Balance as at 1 January	**3**	**5**
Capital contributions	-	-
Result for the year	10	(2)
Balance as at 31 December	**13**	**3**

The net assets of SARL IMCD Group Algerie consist of current assets amounting to EUR 321 thousand (2015: EUR 214 thousand) and current liabilities of EUR 295 thousand (2015: EUR 207 thousand). The profit from continuing operations in the financial year amounted to EUR 19 thousand (2015: 4 EUR).

20 Other financial assets

The other financial assets mainly relate to rent deposits.

21 Deferred tax assets and liabilities

Unrecognised deferred tax assets

The Group has unrecognised deferred tax assets of EUR 2.0 million (2015: 7.8 million), consisting of unrecognised deferred tax asset of entities in EMEA EUR 0.1 million (2015: EUR 0.3 million), entities in Asia-Pacific EUR 1.1 million (2015: EUR 2.5 million) and entities in Brazil EUR 0.8 million (2015: EUR 0.4 million). As at 31 December 2016 the Dutch fiscal entity did not have any unrecognised deferred tax assets related to tax losses carried forward (as at 31 December 2015: EUR 4.7 million).

In 2016 the Group has recognised previously unrecognised deferred tax assets related to tax losses carried forward to the amount of EUR 6.0 million (2015: EUR 8.1 million), of which EUR 4.7 million (2015: EUR 7.8 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 2016, the group has unrecognised deferred tax liabilities to the amount of EUR 2.9 million (2015: EUR 2.6 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	2016	2015	2016	2015	2016	2015
Property, plant and equipment	125	86	1,238	882	**(1,113)**	(796)
Intangible assets	14	288	76,314	74,343	**(76,300)**	(74,055)
Financial fixed assets	24	28	(259)	-	**283**	28
Trade debtors and other receivables	717	594	80	2	**637**	592
Inventories	1,176	962	388	79	**788**	883
Share based payment reserve	-	7	-	-	**-**	7
Loans and borrowings	101	7	639	-	**(538)**	7
Employee benefits and other provisions	2,220	2,342	850	953	**1,370**	1,389
Trade and other payables	2,128	1,591	17	643	**2,111**	948
Other items	310	1	183	503	**127**	(502)
Tax loss carry-forwards	23,045	20,212	-	-	**23,045**	20,212
Tax assets/(liabilities)	**29,860**	**26,118**	**79,450**	**77,405**	**(49,590)**	**(51,287)**
Set off of tax	(3,678)	(964)	(3,678)	(964)	**-**	-
Net tax assets/(liabilities)	**26,182**	**25,154**	**75,772**	**76,441**	**(49,590)**	**(51,287)**

Movement in temporary differences during the year

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 (note 7)	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)**

Movement in temporary differences during the year (continued)

EUR 1,000	Balance as at 1 January 2015	Recognised in profit or loss	Recognised directly in equity	Recognised in other comprehensive income	Acquired in business combinations	Other	Balance as at 31 December 2015
Property, plant and equipment	**(758)**	44	-	-	(275)	193	**(796)**
Intangible assets	**(70,842)**	3,312	-	-	(7,993)	1,468	**(74,055)**
Financial fixed assets	**82**	(54)	-	-	-	-	**28**
Trade debtors and other receivables	**372**	243	-	-	-	(23)	**592**
Inventories	**593**	76	-	-	217	(3)	**883**
Share based payment reserve	**-**	7	-	-	-	-	**7**
Loans and borrowings	**188**	(178)	-	-	-	(3)	**7**
Employee benefits and other provisions	**2,942**	(1,736)	-	11	155	17	**1,389**
Trade and other payables	**293**	576	-	-	-	79	**948**
Other items	**(697)**	687	-	(470)	-	(22)	**(502)**
Tax losses carried forward	**12,787**	9,043	213	-	-	(1,831)	**20,212**
Net tax assets/ (liabilities)	**(55,040)**	**12,020**	**213**	**(459)**	**(7,896)**	**(125)**	**(51,287)**

22 Inventories

The value of the inventory is as follows:

EUR 1,000	2016	2015
Trade goods	204,210	184,238
	204,210	**184,238**

Cost of materials and inbound logistics included in the profit or loss of 2016 amounted to EUR 1,332.9 million (2015: EUR 1,197.0 million). Within this cost are write-downs of inventories to net realisable value of EUR 2.3 million (2015: EUR 1.6 million). The reversal of write-downs amounted to EUR 0.5 million (2015: EUR 0.3 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

EUR 1,000	2016	2015
Trade receivables	250,412	228,543
Other receivables	14,120	12,533
Trade and other receivables	**264,532**	**241,076**

All trade and other receivables are current. An amount of EUR 0.5 million (2015: EUR 1.0 million) relates to the fair value of forward exchange rate contracts. The Group's exposure to currency risks related to trade and other receivables is disclosed in note 5.

Impairment losses

The aging of trade and other receivables at the reporting date was as follows:

	2016		2015	
EUR 1,000	Gross	Impairment	Gross	Impairment
Current 0 - 30 days past due	250,884	241	231,957	234
Past due 30 - 60 days	8,651	495	7,287	713
Past due 60 - 90 days	3,376	437	1,984	337
More than 90 days	8,113	5,319	6,176	5,044
	271,024	**6,492**	**247,404**	**6,328**

The movement in the allowance for impairment in respect of receivables during the year was as follows:

EUR 1,000	2016	2015
Balance at 1 January	**6,328**	**5,840**
Acquisitions through business combinations	263	365
Impairment loss recognised	1,936	1,363
Impairment loss reversed	(874)	(793)
Trade receivables written-off	(1,178)	(319)
Currency exchange result	17	(128)
	6,492	**6,328**

At 31 December 2016 the total impairment includes an amount EUR 3,510 thousand (2015: EUR 2,083 thousand) related to customers declared insolvent. The remainder of the impairment loss at 31 December 2016 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	2016	2015
Carrying amount		
EMEA	170,733	152,499
Asia-Pacific	48,919	53,185
Americas	44,880	35,392
	264,532	**241,076**

24 Cash and cash equivalents

The cash and cash equivalents are as follows:

EUR 1,000	2016	2015
Cash and cash equivalents	56,502	56,550
Cash and cash equivalents in the statement of cash flows	**56,502**	**56,550**

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

25 Capital and reserves

Share capital and share premium

The movements in the number of issued shares are as follows:

In thousand shares	2016	2015
Ordinary shares		
On issue as at 1 January	**52,592**	**50,000**
Increase from change in nominal value per share	-	-
Conversion from shareholders' loans	-	-
Converted from share premium	-	-
Issued for cash	-	2,592
On issue as at 31 December - fully paid	**52,592**	**52,592**

In May 2015 the Company issued 2,592,254 new shares at an offer price of EUR 32.79 per share resulting in an increase in share capital of EUR 414.8 thousand and after deduction of the net of tax costs of the issuance of EUR 0.6 million, an increase in share premium of EUR 83.9 million.

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 2016, the Company distributed a dividend in cash of EUR 23.1 million (2015: EUR 10 million).

EUR 1,000	2016	2015
Share premium		
Balance as at 1 January	**657,514**	**573,566**
Increase from change in nominal value per share	-	-
Conversion from shareholders' loans	-	-
Converted to share capital	-	-
Issued for cash net of related cost	-	83,948
Balance as at 31 December	**657,514**	**657,514**

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 2016, the Group held 155,000 of the Company's shares (At 31 December 2015: 100,000 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
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**
2015				
Foreign currency translation differences for foreign operations, net of tax	(10,315)	-	-	**(10,315)**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	137	-	**137**
Defined benefit plan actuarial gains and losses net of tax	-	-	(559)	**(559)**
Total other comprehensive income	**(10,315)**	**137**	**(559)**	**(10,737)**

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	2016	2015
Bank loans	377,483	345,018
Other liabilities	5,182	63,453
	382,665	**408,471**

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 2016	Carrying amount 2016	Face value 2015	Carrying amount 2015
Senior bank loans	AUD	3.22%	2021	34,027	33,640	33,338	32,845
Senior bank loans	EUR	1.40%	2021	120,544	114,905	270,544	264,499
Senior bank loans	GBP	1.77%	2021	24,235	23,940	28,271	27,894
Senior bank loans	USD	2.40%	2021	20,619	20,584	19,963	19,780
Schuldscheindarlehen (fix rate)	EUR	1.20%	2021	15,000	14,920	-	-
Schuldscheindarlehen (fix rate)	EUR	1.58%	2023	15,000	14,920	-	-
Schuldscheindarlehen (floating rate)	EUR	1.20%	2021	45,000	44,761	-	-
Schuldscheindarlehen (floating rate)	EUR	1.45%	2023	25,000	24,866	-	-
Schuldscheindarlehen (fix rate)	USD	3.11%	2021	23,717	23,597	-	-
Schuldscheindarlehen (floating rate)	USD	2.68%	2021	61,664	61,350	-	-
Profit sharing arrangements	EUR	0.84%	2021	1,190	1,190	1,187	1,187
Other interest bearing liabilities				256	256	118	118
Total interest-bearing liabilities				**386,252**	**378,929**	**353,421**	**346,323**
Total non- interest-bearing liabilities				3,736	3,736	62,148	62,148
Total non-current liabilities				**389,988**	**382,665**	**415,569**	**408,471**

In 2016 an amendment to the syndicated banking facility was agreed. The amendment comprises an extension of the term of the existing facility by one year to 2021 and a reallocation of part of the term facilities into revolving facilities.

After the amendment the total facility of EUR 500 million consists of a term facility of EUR 200 million (previously EUR 350 million) and a revolving facility of EUR 300 million (previously EUR 150 million).

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.

Following the amendment of the syndicated banking facilities, a debt capital market issuance ("Schuldscheindarlehen") of EUR 100 million and USD 90 million with a tenors of 5 and 7 years was closed. The proceeds of this debt capital market issuance were used to repay revolving facilities.

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. The actual interest cover covenant for the financial year, based on the definitions used in the loan documentation, was 13.9 times EBITDA (2015: 16.5 times EBITDA) and was well above the required minimum of 4.0. The actual reported leverage ratio as at 31 December 2016 was 2.6 times EBITDA (31 December 2015: 2.9 times EBITDA). The leverage ratio calculated on the basis of the definitions used in the loan documentation was 2.3 times EBITDA (31 December 2015: 2.5 times EBITDA) which is well below the defined maximum of 3.5 times EBITDA.

For details of the contractual maturities of financial liabilities, reference is made to note 5.

Proceeds from issue of loans and borrowings

EUR 1,000	
Proceeds from issue of loans	181,132
Transaction costs	(1,875)
Effect of movement in exchange rates	-
Net proceeds	**179,257**

The proceeds from issue of loans and borrowings relates to proceeds of the newly raised Schuldscheindarlehen. Transaction costs mainly consist of bank fees paid for arranging the facilities and other financing related costs. These costs are taken into account for amortised cost calculations.

Current liabilities

EUR 1,000	2016	2015
Loans and borrowings	**383**	**241**
Deferred and contingent considerations	57,712	10,405
Other short term financial liabilities	13,314	74,950
Other short term financial liabilities	**71,026**	**85,355**

Other short term financial liabilities include a revolving credit facility, bank overdrafts and other short credit facilities, including discounted bills and discounted notes. As at the end of 2016, the revolving credit facility, part of the Group's syndicated bank loan facility, was undrawn. As as 31 December 2015 an amount of EUR 58.2 million was drawn under the revolving credit facility. The deferred and contingent considerations as at 31 December 2016 mainly relate to acquisitions in the US (EUR 53.6 million), Kenya (EUR 1.1 million) and Turkey (EUR 2.5 million), of which an amount of EUR 57.7 million is due in 2017.

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	2016	2015
Net defined benefit liability	2,252	3,444
Termination benefits and other long term employee benefits	7,845	6,840
Total employee benefit liabilities	**10,097**	**10,284**

The Group supports defined benefit plans in The Netherlands, The United Kingdom, 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	2016	2015	2016	2015	2016	2015
Balance as at 1 January	**45,587**	**44,704**	**42,143**	**41,314**	**3,444**	**3,390**
Included in profit or loss						
Current service cost	1,232	1,328	-	-	1,232	1,328
Past service credit	(2,570)	(86)	-	-	(2,570)	(86)
Settlements	-	(159)	-	(22)	-	(137)
Interest cost/(income)	1,313	1,307	1,256	1,251	57	56
	(25)	**2,390**	**1,256**	**1,229**	**(1,281)**	**1,161**
Included in OCI						
Remeasurement; loss/(gain):						
Actuarial loss/(gain)	7,467	(2,159)	-	-	7,467	(2,159)
Return on plan assets excluding interest income	-	-	5,358	(2,294)	(5,358)	2,294
Asset ceiling	-	-	790	(790)	(790)	790
Effect of movements in exchange rates	(3,265)	1,479	(3,320)	1,420	55	59
	4,202	**(680)**	**2,828**	**(1,664)**	**1,374**	**984**
Other						
Contributions paid by the employer	-	-	1,285	2,091	(1,285)	(2,091)
Contributions paid by the plan members	180	104	180	104	-	-
Benefits paid	(605)	(931)	(605)	(931)	-	-
	(425)	**(827)**	**860**	**1,264**	**(1,285)**	**(2,091)**
Balance as at 31 December	**49,339**	**45,587**	**47,087**	**42,143**	**2,252**	**3,444**

Plan assets

EUR 1,000	2016	2015
Equity securities	10,921	11,841
Government bonds	13,385	11,715
Qualifying insurance policies	22,575	19,246
Other plan assets	206	131
Total plan assets	**47,087**	**42,933**

Due to the asset ceiling applicable to the UK pension plan, in 2015 the actual fair value of the plan assets exceed the recognised plan assets by EUR 0.8 million.

Expense recognised in profit or loss

EUR 1,000	2016	2015
Current service costs	1,232	1,328
Past service costs	(2,570)	(86)
Settlements	-	(137)
Expense recognised in the line item 'Social security and other charges'	**(1,338)**	**1,105**
Interest cost	57	56
Expense recognised in the line item 'Finance costs'	**57**	**56**
Total expense recognised in profit or loss	**(1,281)**	**1,161**

The curtailment recognised in 2016 is 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 will remain 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 at 31 December 2016.

The past service costs recognised in 2015 are the result of an adjustment on premiums paid in Switzerland.

Actuarial assumptions

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

	2016	2015
Discount rate as at 31 December	2.26%	3.02%
Future salary increases	3.11%	2.98%
Future pension increases	1.66%	1.55%
Price inflation	2.40%	2.30%

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%]
- Germany: Richttafel 2005G Klaus Heubeck
- Switzerland: BVG 2015 Generational
- Austria: AVÖ 2008-P "Angestellte" -Rechnungsgrundlagen für die Pensionsversicherung-Pagler & Pagler

The Group expects EUR 2,668 thousand in contributions to be paid to its defined benefit plans in 2017.

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 two most significant defined benefit plans are the scheme in the Netherlands and in the United Kingdom.

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 accrue 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 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 two most significant defined benefit plans by the amounts shown below.

EUR 1,000	Increase	Decrease
Defined benefit plan The Netherlands		
Discount rate (1% point movement)	(4,211)	5,707
Defined benefit plan The United Kingdom		
Discount rate (1% point movement)	(4,205)	5,606
Future salary growth (1% point movement)	818	(818)
Future pension growth (1% point movement)	2,739	2,205
Future inflation (1% point movement)	4,205	(3,387)
Future mortality (1 year)	701	(701)

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	2016	2015
Liabilities as at 1 January		**6,840**	**6,621**
Assumed in business combinations	7	86	19
Additions (excluding interest cost)		879	787
Interest cost		48	104
Withdrawals		(360)	(408)
Releases		-	-
Actuarial results		322	(270)
Effect of movement in exchange rates		30	(13)
Liabilities as at 31 December		**7,845**	**6,840**

28 Provisions

The movements in provisions are as follows:

EUR 1,000	Note	2016	2015
Balance as at 1 January		**1,351**	**603**
Assumed in business combinations	7	255	563
Provisions made during the year		304	242
Provisions used during the year		(240)	(20)
Provisions released during the year		(574)	-
Effect of movement in exchange rates		68	(37)
Balance as at 31 December		**1,164**	**1,351**

29 Trade and other payables

The trade and other payables are as follows:

EUR 1,000	2016	2015
Trade payables	170,619	147,239
	170,619	**147,239**

EUR 1,000	2016	2015
Derivatives used for hedging	1,459	1,690
Taxes and social securities	13,159	13,720
Pension premiums	1,198	822
Current tax liability	4,136	7,253
Other creditors	1,664	2,502
Accrued interest expenses	856	216
Liabilities to personnel	16,929	14,154
Other accrued expenses	10,289	9,901
	49,690	**50,258**

At 31 December 2016, 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 1.2 million (31 December 2015: negative EUR 1.5 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 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**				

31 December 2015		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	-	-	1,000	-	-	-	-	1,000	-	1,000	-	**1,000**
		-	**-**	**1,000**	**-**	**-**	**-**	**-**	**1,000**	**-**	**1,000**	**-**	**1,000**
Financial assets not measured at fair value													
Trade and other receivables	23	-	-	-	-	240,076	-	-	240,076				
Cash and cash equivalents	24	-	-	-	-	56,550	-	-	56,550				
		-	**-**	**-**	**-**	**296,626**	**-**	**-**	**296,626**				
Financial liabilities measured at fair value													
Interest rate swaps used for hedging	29	-	-	1,468	-	-	-	-	1,468	-	1,468	-	**1,468**
Forward exchange contracts used for hedging	29	-	-	222	-	-	-	-	222	-	222	-	**222**
Contingent consideration	7,29,26	-	66,217	-	-	-	-	-	66,217	-	-	66,217	**66,217**
		-	**66,217**	**1,690**	**-**	**-**	**-**	**-**	**67,907**	**-**	**1,690**	**66,217**	**67,907**
Financial liabilities not measured at fair value													
Other short term financial liabilities	26	-	-	-	-	74,950	-	-	74,950				
Bank loans	26	-	-	-	-	345,018	-	-	345,018				
Other loans and borrowings	26	-	-	-	-	7,882	-	-	7,882				
Trade payables	29	-	-	-	-	-	-	147,239	147,239				
Other payables	29	-	-	-	-	-	-	48,568	48,568				
		-	**-**	**-**	**-**	**427,850**	**-**	**195,807**	**623,657**				

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 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
Balance as at 31 December 2016	**61,450**
Balance as at 1 January 2015	**15,451**
Assumed in a business combination	62,884
Paid contingent consideration	(9,196)
Gain included in profit or loss	(2,366)
Effect of movement in exchange rates	(556)
31 December 2015	**66,217**

The net gain included in profit and loss of EUR 18 thousand (2015: EUR 2.4 million) 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 2016	Profit or loss	
EUR 1,000	Increase	Decrease
EBITDA margin (10% movement)	(47)	636
Risk-adjusted discount rate (discount rate 1% point movement)	96	(97)

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 carying amounts in the balance sheet	Enforceable master netting arrangements or similar arrangements	31 December 2016 Net amount
Trade and other receivables	267,721	(3,189)	264,532	-	264,532
Cash and cash equivalents	56,502	-	56,502	-	56,502
Other financial assets	3,583	-	3,583	-	3,583
Trade payables	171,500	(881)	170,619	-	170,619
Other payables	51,349	(1,659)	49,690	-	49,690
Other short term financial liabilities	71,026	-	71,026	-	71,026

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 52.4 million (2015: EUR 44.5 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 coming years as follows:

EUR 1,000	2017	2018 - 2021	After 2021	Total
Long lease and rent	10,957	29,018	3,810	43,785
Operational lease	3,776	4,871	-	8,647
	14,733	**33,889**	**3,810**	**52,432**

During the year an amount of EUR 13.5 million was recognised as an expense in profit or loss in respect of operating leases (2015: EUR 13.4 million).

Guarantees

As at 31 December 2016, the Group has granted guarantees of EUR 0.8 million (31 December 2015: EUR 0.5 million) in total. Those guarantees consist of bank guarantees provided to customs authorities of EUR 0.4 million (31 December 2015: EUR 0.4 million), bank guarantees provided to customers of EUR 0.1 million (31 December 2015: nil) and office rental guarantees of EUR 0.3 million (31 December 2015: EUR 0.1 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, post-employment benefit plans. For an overview of the group companies, reference is made to the List of group companies as per 31 December 2016 on page 144.

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 2016 the Group has an outstanding receivables from SARL IMCD Group Algerie of EUR 57 thousand (2015: EUR nil).

Transactions with post-employment benefit plan

The Group's main post-employment benefit plans are the defined benefit plans in The United Kingdom and The Netherlands.

In the financial year, the contributions to the defined benefit plan in The United Kingdom were EUR 945 thousand (2015: EUR 1,020 thousand) and in The Netherlands EUR 209 thousand (2015: EUR 939 thousand). The outstanding payables to the defined benefit plan in The United Kingdom as at the year end 2016 is EUR 76 thousand (2015: nil). As at 31 December 2016, the Group has a receivable from the Dutch defined benefit plan of EUR 2 thousand (2015: EUR 711 thousand).

33 Subsequent events

There were no material events after 31 December 2016 that would have changed the judgement and analysis by management of the financial condition as at 31 December 2016 or the result for the year of the Group.

Company balance sheet as at 31 December 2016, before profit appropriation

EUR 1,000	Note	31 December 2016	31 December 2015
Fixed assets			
Participating interest in group company	39	911,311	635,749
Deferred tax assets	40	20,438	18,805
Total fixed assets		**931,749**	**654,554**
Current assets			
Trade and other receivables	41	36	395
Accounts receivable from subsidiary	42	840	509
Cash and cash equivalents		294	-
Total current assets		**1,170**	**904**
Total assets		**932,919**	**655,458**
Shareholders' equity	43		
Issued share capital		8,415	8,415
Share premium		657,514	657,514
Translation reserve		684	(19,891)
Hedging reserve		14	265
Other reserves		(12,728)	(10,770)
Accumulated deficit		(4,799)	(43,550)
Unappropriated result		72,959	61,848
Total equity		**722,059**	**653,831**
Non-current liabilities	44	183,554	-
Accounts payable to subsidiaries	45	25,478	213
Other current liabilities	45	1,828	1,414
Current liabilities		**27,306**	**1,627**
Total equity and liabilities		**932,919**	**655,458**

Company income statement for the year ended 31 December 2016

EUR 1,000	Note	2016	2015
Operating income	36	1,901	1,471
Wages and salaries	37	(2,276)	(1,861)
Social security and other charges	37	(9)	(52)
Other operating expenses		(578)	(483)
Operating expenses		**(2,863)**	**(2,396)**
Net finance costs		(1,845)	(150)
Share in results from participating interests, after taxation	39	74,153	56,707
Result before income tax	39	**71,346**	**55,632**
Income tax expense	38	1,613	6,216
Result for the year	38	**72,959**	**61,848**

Notes to the Company financial statements for the year ended 31 December 2016

34 General
The company financial statements are part of the 2016 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 2016 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
The Company recognised previously unrecognised deferred tax assets related to tax losses carried forward to an amount of EUR 4.7 million (2015: EUR 6.4 million). In addition amount of EUR 3.1 million tax deferred tax assets was used in 2016.

39 Participating interest in group companies

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

EUR 1,000	2016	2015
Balance as at 1 January	**635,749**	**523,911**
Changes:		
Investments in participating interests	179,681	68,500
Share in results from participating interest after taxation	74,153	56,707
Dividends declared	-	-
Movement hedging reserve	(251)	137
Exchange rate differences	23,755	(10,315)
Movement other reserves	(1,776)	(3,191)
Balance as at 31 December	**911,311**	**635,749**
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. During 2016 the Company made capital contributions of EUR 179.7 million to IMCD Finance B.V. In 2015 the Company contributed EUR 68.5 million in the share capital and share premium of IMCD Finance B.V.

40 Deferred tax assets

EUR 1,000	2016	2015
Balance as at 1 January	18,805	12,376
Changes:		
Recognition and use of tax losses	1,633	6,429
Balance as at 31 December	**20,438**	**18,805**

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 pension and 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	Accumu-lated deficit	Unappro-priated result	Total equity
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**
Exchange rate differences	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2016	**8,415**	**657,514**	**684**	**14**	**(5,189)**	**(7,539)**	**(4,799)**	**72,959**	**722,059**
Balance as at 1 January 2015	**8,000**	**573,566**	**(9,576)**	**128**	**-**	**(7,763)**	**(53,459)**	**19,909**	**530,805**
Appropriation of prior year's result	-	-	-	-	-	-	9,909	(9,909)	-
	8,000	**573,566**	**(9,576)**	**128**	**-**	**(7,763)**	(43,550)	10,000	**530,805**
Total recognised income and expense	-	-	-	-	-	-	-	61,848	**61,848**
Cash dividend	-	-	-	-	-	-	-	(10,000)	**(10,000)**
Issue of ordinary shares minus related costs	415	83,948	-	-		-	-	-	**84,363**
Share based payments	-	-	-	-	-	670	-	-	**670**
Purchase own shares	-	-	-	-	(3,118)	-	-	-	**(3,118)**
Movement of other reserves	-	-	(10,315)	137	-	(559)	-	-	**(10,737)**
Exchange rate differences	-	-	-	-		-	-	-	-
Balance as at 31 December 2015	**8,415**	**657,514**	**(19,891)**	**265**	**(3,118)**	**(7,652)**	**(43,550)**	**61,848**	**653,831**

Share capital and share premium

	Ordinary shares	
EUR 1,000	2016	2015
In issue at 1 January	**665,929**	**581,566**
Conversion from shareholders' loans	-	-
Issue of shares minus related cost	-	84,363
In issue at 31 December - fully paid	**665,929**	**665,929**

Ordinary shares
At 31 December 2016, 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. During 2015 the Company issued 2,592,254 new shares.

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 2016, the Group held 155,000 of the Company's shares (31 December 2015: 100,000 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 2016 will be proposed: an amount of EUR 28,926 thousand to be paid out as dividend (EUR 0.55 per share) and EUR 44,033 thousand to be added to the retained earnings.

44 Non-current liabilities

The movement in the non-current liabilities during 2016 is as follows:

EUR 1,000	2016	2015
Balance as at 1 January	**-**	**-**
Additions	181,132	-
Amortisation of transaction costs	(47)	
Effect of movements in exchange rates	2,469	
Balance as at 31 December	**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 capitalised finance costs of EUR -0.9 million related to the amendment of IMCD's syndicated banking facilities.

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	99,467	107,877	454	878	1,332	64,000	41,213
Schuldscheindarlehen	USD	84,947	97,435	1,195	1,215	2,409	92,616	-
Capitalised finance costs	EUR	(860)	-	-	-	-	-	-
Total		**183,554**	**205,312**	**1,649**	**2,093**	**3,741**	**156,616**	**41,213**

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 2016 amounts to EUR 27.3 million (31 December 2015: EUR 1.6 million) and consists of a short term liability to IMCD Finance B.V. and other current liabilities. The other current liabilities are as follows:

EUR 1,000	2016	2015
Financial liabilities	-	62
Creditors	132	254
Liabilities to personnel	519	516
Accrued interest expenses	695	72
Other accrued expenses	482	510
	1,828	**1,414**

46 Financial instruments

The Company has exposure to the following risks:

- credit risk
- liquidity risk
- market risk
- operational risk

In the notes 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

In 2016 the Company changed it's audit firm from KPMG to Deloitte. 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	KPMG Accountants N.V.	Other KPMG member firms and affiliates	Total KPMG
EUR 1,000		2016			2015	
Statutory audits of annual accounts	436	702	1,138	334	944	1,278
Other assurance services	-	-	-	12	4	16
Tax advisory services	-	-	-	-	126	126
Other non-audit services	-	-	-	-	41	41
	436	**702**	**1,138**	**346**	**1,115**	**1,461**

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 2016 amounted to EUR 1,621 thousand (2015: EUR 1,471 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' compensations, 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 are as follows:

Compensation Management Board

EUR 1,000	Year	Salary	Bonus	Share based payment	Pension	Other	Total
P.C.J. van der Slikke	**2016**	**513**	**384**	**246**	**39**	**44**	**1,226**
	2015	510	298	147	36	42	1,033
H.J.J. Kooijmans	**2016**	**377**	**283**	**181**	**32**	**36**	**909**
	2015	375	219	108	31	38	771
Total	**2016**	**890**	**667**	**427**	**71**	**80**	**2,135**
	2015	885	517	255	67	80	1,804

The total compensation of the Management Board in 2016 amounted to EUR 2,135 thousand (2015: EUR 1,804 thousand) including pension premium contributions of EUR 71 thousand. The total numbers of shares granted to P.C.J. van der Slikke amounts to 22,885 and the number of shares granted to H.J.J. Kooijmans amounts to 16,827. The defined benefit costs related to the pension plan of the Management Board was minus EUR 106 thousand, as a result of an amendment of the pension plan in 2016.

Compensation Supervisory Board

EUR 1,000	2016	2015
M.G.P. Plantevin	34	-
A.J.T. Kaaks	50	46
J.C. Pauze	63	65
J. Van Nauta Lemke-Pears	30	-
J. Smalbraak	27	-
Total	**204**	**111**

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 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.

52 Subsequent events

There were no material events after 31 December 2016 that would have changed the judgement and analysis by management of the financial condition at 31 December 2016 or the result for the year of the Company.

Rotterdam, 7 March 2017

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 2016

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 GmbH	Cologne	Germany
IMCD Deutschland GmbH & Co. KG	Cologne	Germany
Otto Alldag 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 Slovakia s.r.o.[2]	Bratislava	Slovak Republic
IMCD South East Europe GmbH	Vienna	Austria
IMCD Nordic Investments AB	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
IMCD Espanã Especialidadis Quimicas S.A.	Madrid	Spain
IMCD Portugal Produtos Quimicos Ltda	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
IMCD Australasia Investments Pty. Ltd	Melbourne	Australia
IMCD Australasia Pty. Ltd.	Melbourne	Australia
IMCD Australia Ltd.	Melbourne	Australia
IMCD Additives Pty. Ltd.	Melbourne	Australia

Capitol Product Management Pty. Ltd.	Melbourne	Australia
Capitol Ingredients Australia Pty. Ltd.	Melbourne	Australia
Capitol Specialty Products Pty. Ltd.	Melbourne	Australia
IMCD New Zealand Ltd.	Auckland	New Zealand
IMCD Asia Pacific Sdn Bhd	Shah Alam	Malaysia
IMCD Malaysia Sdn Bhd	Shah Alam	Malaysia
IMCD Asia Pte. Ltd.	Singapore	Singapore
IMCD (Thailand) Co., Ltd.	Bangkok	Thailand
IMCD (Shanghai) Trading Co. Ltd.	Shanghai	China
IMCD International Trading (Shanghai) Co. Ltd.	Shanghai	China
Internatio Special Products (Philippines) Corporation	Quezon City	Philippines
IMCD Singapore Pte. Ltd.	Singapore	Singapore
Paceco Industrial Supplies (M) Sdn Bhd[3]	Klang	Malaysia
IMCD Plastics (Shanghai) Co. Ltd.	Shanghai	China
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 Philippines Corporation	Manila	Philippines
S.a.r.l. IMCD Group Algerie (49% of the shares)	Algiers	Algeria
IMCD Holdings US, Inc.	Jersey City	United States of America
IMCD US LLC (80% of the shares)[4]	Cleveland	United States of America
MJS Sales Inc.	Cleveland	United States of America
Mutchler Inc.[5]	Harrington Park, New Jersey	United States of America
Mutchler of Puerto Rico Inc.[5]	Cayey	Puerto Rico
IMCD India Pte. Ltd.	Mumbai	India
IMCD Vietnam Company Ltd	Ho Chi Minh City	Vietnam
IMCD Brasil Farmacêuticos Importação, Exportação e Representações Ltda[6]	São Paulo	Brazil
IMCD Kenya Ltd[7]	Nairobi	Kenya
IMCD Japan Godokaisha[8]	Tokyo	Japan

[1] Since December 2016

[2] Liquidated August 2016

[3] Liquidated June 2016

[4] Formerly known as The M.F. Cachat Company LLC

[5] Since July 2016

[6] Formerly known as Selectchemie importação exportação e representações LTDA.

[7] Since March 2016

[8] Since March 2016

Other information

Provision regarding the appropriation of profit

At the Annual General Meeting the following appropriation of the result for 2016 will be proposed: an amount of EUR 28,926 thousand to be paid out in cash as dividend (EUR 0.55 per share) and EUR 44,033 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 2016 INCLUDED IN THE ANNUAL REPORT

Our Opinion

We have audited the financial statements 2016 of IMCD N.V., based in Rotterdam, The Netherlands. The financial statements include the consolidated financial statements and the Company financial statements.

In our opinion:

- The consolidated 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 2016 (before profit appropriation), and of its result and its cash flows for 2016 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 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 2016 (before profit appropriation), and of its result for 2016 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 2016.
2. The following statements for 2016: 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 Company financial statements comprise:

1. The Company balance sheet as at 31 December 2016 (before profit appropriation).
2. The Company profit and loss account for 2016.
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 “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO)” and other relevant independence regulations in the

Netherlands. Furthermore we have complied with the “Verordening gedrags- en beroepsregels accountants (VGBA)”.

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 5 million. The materiality is based on 5% of normalized earnings before tax. 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.

Audits of group entities (Components) 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 2.75 million.

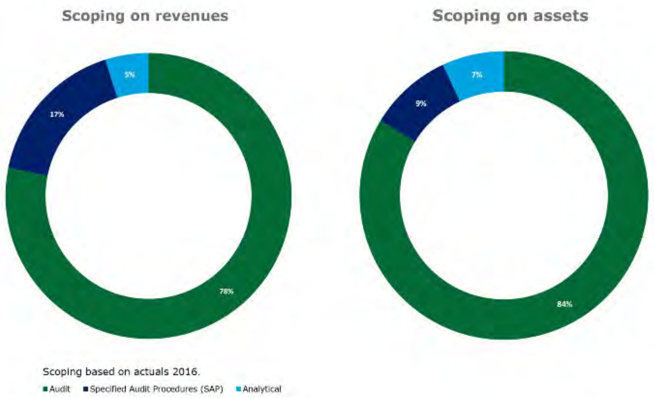
We agreed with the Supervisory Board that misstatements in excess of EUR 0.25 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

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.,

As 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 entities, the maturity of the markets the companies are operating on. Furthermore, we have increased the extent of procedures for newer 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:



We have:

- Performed audit procedures ourselves at the Dutch ultimate holding Company and the Dutch operating entity. Furthermore we, as group engagement team, performed procedures ourselves on the key audit matters valuation of goodwill & intangible fixed assets, the group wide controls and reliability & continuity of the IT environment.
- Used the work of other auditors when auditing all major international components.
- Performed review procedures or specific audit procedures at components with a review scope.

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
Valuation of Goodwill and supplier relations	
IMCD grows its business through organic growth and acquisitions. As a result of the growth by acquisition and by the fact the Company has been acquired by private equity a number of times, IMCD has capitalized EUR 523 million goodwill and EUR 541 million other intangibles primarily EUR 490 million for supplier relations resulting from IMCD's dependency on its suppliers to develop and supply the product portfolio. We have 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 the business, inflationary and autonomous growth as well as for the discount rates applied to calculate net present values of the future cash flows.	Our audit focused on both testing the design and implementation of internal control measures on behalf of the 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 impairment triggers and the calculation of the impairment on the supplier relations. We put more emphasis to IMCD's performance in Brazil also considering the macro-economic developments. The Company identified the negative financial performance of IMCD Brazil (the Makeni acquisition in 2013) as an impairment trigger. Based on that trigger the Company prepared a number of analyses pertaining to the discounted estimated future free cashflows relative to its supplier base and compared these with the carrying value of the related intangibles. Related to this impairment, management assessed the goodwill capitalized in connection with this acquisition as well (EUR 7 million) and compared these to the goodwill in the financial statements. Based on these analyses no impairments to the goodwill have been identified. Management disclosed their assessment and sensitivity analyses in note 17 of the consolidated financial statements. Particularly for the goodwill on the Makeni business that has not been impaired, we challenged the financial turnaround projected by management and reviewed the disclosure notes on the sensitivities as reflected in note 17. We engaged our firms experts in benchmarking the inflationary growth and discount rates applied with capital market's expectations. We also engaged our experts in evaluating the calculation models benchmarking against comparable transactions. We challenged management on the impairment triggers identified for the assessment of potential impairments for the other intangible assets.

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. Also in light of our first year audit and the geographical diversity in the IMCD operations we considered the group audit as a key audit matter.	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”); we made a choice to increase our coverage of the components for local audit procedures (full audits or specified audit procedures) and we have visited eight entities, 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 centralized testing procedures with respect to the IT systems, valuation of goodwill & supplier relations, sales & costs of goods sold, loans & borrowings and manual journal entries.
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 is still running legacy IT systems. We considered IMCD's IT landscape and controls over financial reporting as basis of designing audit procedures that are appropriate for our audit.	In 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 analysis. During 2016 the executive 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. We have made some suggestions to improve the General IT Controls for the system that is aimed to be globally applied.

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.

Other information

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 March 15, 2016, as of the audit for year 2016 so this is the first year we operated as statutory auditor.

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.

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 identify during our audit.

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 those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. 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, 7 March 2017

Deloitte Accountants B.V.

J. Hendriks

Other information not forming part of the financial statements

Eight years summary

EUR million	2016	2015	2014	2013	2012	2011	2010	2009
RESULTS								
Revenue	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	12%	13%	10%	10%	9%	20%	24%	
Gross profit	381.6	332.8	287.6	261.3	237.9	218.0	182.0	146.0
Gross profit in % of revenue	22.3%	21.8%	21.2%	21.2%	21.3%	21.3%	21.4%	21.3%
Result from operating activities	107.5	91.2	82.4	73.4	69.7	48.4	50.1	34.5
Operating EBITDA	152.1	131.8	112.7	99.0	92.0	86.6	69.1	51.2
Operating EBITA[1]	147.8	128.3	110.0	96.6	90.2	85.3	68.0	50.1
Year on year Operating EBITA growth	15%	17%	14%	7%	6%	25%	36%	
Operating EBITA in % of revenue	8.6%	8.4%	8.1%	7.8%	8.1%	8.3%	8.0%	7.3%
Conversion margin[2]	38.7%	38.5%	38.2%	37.0%	37.9%	39.1%	37.4%	34.4%
Net result before amortisation / non recurring items	102.6	87.2	54.3	13.1	(0.7)	6.1	36.2	19.6
CASH FLOW								
Free cash flow[3]	140.4	119.3	94.6	80.5	86.5	76.3	56.6	62.7
Cash conversion margin[4]	92.3%	90.5%	83.9%	81.3%	94.0%	88.1%	81.9%	122.4%
BALANCE SHEET								
Working capital	248.4	227.8	179.7	150.7	121.0	105.9	90.4	61.2
Total equity	722.1	653.8	530.8	(67.1)	(49.7)	(27.9)	60.6	17.4
Net debt	397.6	437.5	266.6	823.5	724.6	671.6	256.5	256.6
Net debt/Operating EBITDA ratio[5]	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	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	50,000					
Weighted average number of shares (x 1,000)	52,477	51,612	25,118					
Earnings per share (weighted)	1.39	1.20	0.79					
Cash earnings per share (weighted)[6]	2.01	1.79	1.42					
Proposed dividend per share	0.55	0.44	0.20					

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

2 Operating EBITA in percentage of Gross profit

3 Operating EBITDA plus/less changes in working capital less capital expenditure

4 Free cash flow in percentage of Operating EBITDA

5 Including full year impact of acquisitions 2015

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

Colophon

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IMCD

Value through expertise