ANNUAL REPORT 2020

25 YEARS OF VALUE CREATION
1995 — 2020

IMCD

Value through expertise

IMCD is a market leader in the marketing, sales and distribution of speciality chemicals and ingredients. Listed on the Euronext, Amsterdam (IMCD), IMCD generated revenues of EUR **2,775 million** in 2020 with nearly **3,300 employees** in over **50 countries** on **6 continents**.

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FOREWORD BY THE CEO

Dear Reader,

When I sat down to write my foreword for the 2019 Annual Report twelve months ago, I did so with a sense of hope, pride and celebration. 2020 marked IMCD's 25th anniversary and we intended to mark the occasion in style, with events planned throughout the year.

I could not have imagined then the year we would face. The confusion and heartache so many people would endure. The turmoil and uncertainty businesses would encounter. I did know that, no matter the challenges we would face, our people, partners and customers have the spirit and fortitude to weather those storms and come out even more robust. Since the first days of the COVID-19 outbreak back in February, IMCD's mantra has been that we remain open for business. I would like to take this opportunity to thank and praise our management and employees alike for coming together to deliver on that promise in the most demanding of circumstances.

Thanks to our resilient business model and our people, we showed very significant growth in 2020 and produced a record cash flow. We continued our international expansion by opening a new office in Dubai, which will allow us to service customers and partners throughout the Middle East. This was

a strategically valuable move for IMCD, given the growth potential of this region.

India is the largest supplier of generic medicines globally, and it was our ambition to bolster our pharmaceutical business' presence there. Acquiring Signet, one of India's leading distributors of excipients, provides scope for a significant advance into the APAC region while reinforcing our pharmaceuticals business globally. It was an acquisition funded by an issuance of shares - a move that was well received by the investor community which I want to thank for their continuing support.

Besides Signet, we made important acquisitions in Israel, China, Brazil, Finland and Mexico. We signed agreements to acquire companies in South Africa, Turkey and The Netherlands. Our focus remains on specialities and with all these new activities we enhance our formulation knowledge and broaden our global network of technical centres.

I am personally excited to welcome to the IMCD family all the new employees we have gained through our M&A activities. Of course, it is likely that I will have to do so virtually rather than in person. This is where I have really come to appreciate the "power of digital" and technology this year.

IMCD is a relationships company. It is a company that cares about the interactions we have with our partners, suppliers, customers, communities and, of course, each other. Building connections and synergies is a very human value and it's one that differentiates IMCD from our competitors in the wide range of industries in which we operate.

However, this year, grounded by the pandemic, we've all experienced even more acutely precisely why we have invested heavily in our digital transformation and in providing a first-class technological infrastructure. Technology increased our connectivity with customers, partners and each other. It allowed us to continue to innovate – to document and share expertise that created exciting opportunities for our customers. We were able to showcase our solutions and our know-how in ways that are just as innovative as our products. And our people were supported in their professional development, often from the safety of their own homes.

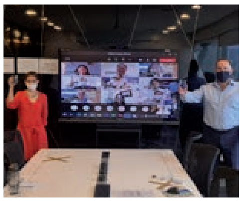
Relationships, business simplification and entrepreneurship remain at the heart of IMCD. Digital neither changes nor replaces these values but rather enhances and enables our ability to deliver on them.

While I was proud of our professional tenacity, business growth and ability to embrace digital transformation this year, the way that IMCD teams around the planet responded to the COVID pandemic truly captured what IMCD is all about. We are a company that cares and it has been heartening to see how many initiatives were taken by our employees to give back to our communities and to those in need.

Those values - the spirit of entrepreneurship, camaraderie, perseverance and a commitment to creating a better future for all - are the reasons why, despite the uncertain times, I am just as confident as I was when writing this foreword a year ago. Once you have shown that you can not only survive but thrive during the most challenging times, then it is impossible to be anything other than optimistic about the future of IMCD.

Rotterdam, 25 February 2021
Piet van der Slikke

2020 HIGHLIGHTS



25 Years of Value Creation

In 1995, IMCD was the new kid on the speciality chemicals distribution block. 2020 marked an important anniversary as we celebrated 25 years of working with the best suppliers in the industry, providing customers with leading products, and adding value through our technical expertise, formulation support, local market insight and, of course, our people.

An early management buyout established IMCD as its own independent company. Today, we are an increasingly digitised distributor; we are a formulation expert and a solutions provider. With nearly 3,300 team members across six continents and in more than 50 countries, we have helped transform our whole industry's business model.

As we look to the future, we're confident in the connections we've established and the relationships we've built. They're what allowed us to grow from a regional player to a global leader in just 25 years.

Watch the video
https://youtu.be/LRumM0ea75k

years of
VALUE CREATION

1995-2020

"Continued innovation and creativity in a fun-filled environment."

Nancy Soyangco
Managing Director, IMCD Philippines

"Value creation means finding sustainable solutions and exceeding expectations in all that we do. "

Jo Lundie
Head of HR, IMCD UK

A picture paints a thousand words

As part of the 25th Anniversary celebrations of IMCD, employees in the APAC region were invited to get creative and make a visual representation of how they envision the future of IMCD. Based on creativity and the best depiction of IMCD, Raudha Rafi was selected as the winner of the contest.

Explaining her creation, Raudha Rafi had this to say: "The world landmarks in my drawing represent some of the countries IMCD is already thriving in and some countries that IMCD will potentially set its foot in the future as we are a company that continues to grow. Whereas the ribbons in IMCD colours enveloping the earth represents how IMCD is creating value all over the world".

Opening our Cleveland Office

In 2020, IMCD US opened its headquarters in the Cleveland suburb of Westlake. Selected for its convenient location, onsite and nearby amenities and ease of access for employees, the new HQ features state-of-the-art training and conference rooms, with cutting-edge technology integrated throughout.

The location accommodates IMCD's expanding North American business and complements the company's global digitisation initiatives to better serve its US markets. It's also a sign of our commitment to investing in our future growth and our people. We look forward to attracting more top talent to our new headquarters, while contributing to the local economy through job creation and professional development.

"The IMCD US HQ was created to enable excellence as we serve both our principals and customer partners," says Thomas Van Valkenburgh, President IMCD US. "We don't see this as just another new office space, but a modern work environment, carefully designed to inspire collaboration, galvanise partnerships and encourage entrepreneurship."

Thomas Van Valkenburgh
President IMCD US

Expanding our Presence in the Middle East

IMCD has been active in the Middle East since opening our Cairo office in 2018. However, the new Dubai office will now coordinate operations throughout the Gulf region, allowing us to extend our services to Saudi Arabia, Kuwait, the UAE, Qatar, Bahrain, Oman and Jordan.

The IMCD Dubai office will serve all business groups, with a particular focus on Pharmaceuticals, Coatings & Construction, Food & Nutrition, and Advanced Materials.

In all our global operations, our focus is on helping our suppliers grow their businesses and providing our customers with the technical advice and formulatory support they need to create innovative, market-leading products.

By expanding our footprint further in the Middle East, we can provide our customers and suppliers with solutions to help them grow in this region.

Growing our Pharmaceuticals Business

The IMCD Pharmaceuticals strategy is shaped around the drive to become a leading ingredient distributor in the fast-growing global pharma excipient market. In 2019, we expanded our network of Pharmaceutical Technical Centres by opening three new APAC locations in India, Southeast Asia and China. In 2020, we followed that by acquiring Mumbai-based Signet. This acquisition significantly strengthens IMCD's presence in India and increases our position in the booming APAC region.

Meanwhile, the acquisition of the Dutch-based distributor Peak International helps us to expand our active pharmaceutical ingredients business, primarily in Benelux and Vietnam. It also strengthens IMCD's formulation and marketing synergies between active pharmaceutical ingredients and excipients in those regions.

All our partners will benefit from that significantly increased pharmaceutical network.

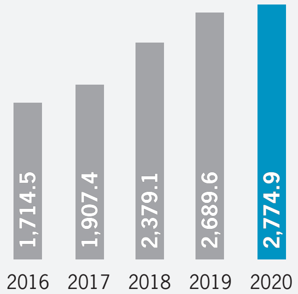
FINANCIAL HIGHLIGHTS 2020

EUR million, unless stated otherwise

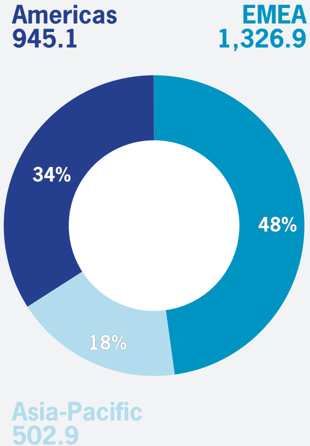
Revenue

↑3%

+6% on a constant currency basis



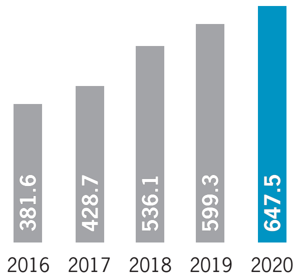
Revenue per region



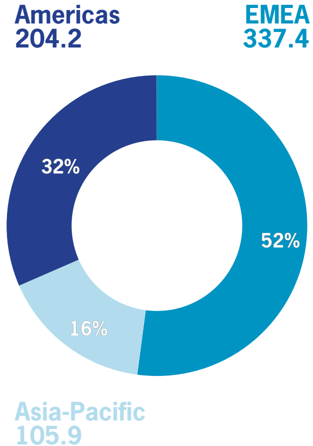
Gross profit

↑8%

+11% on a constant currency basis



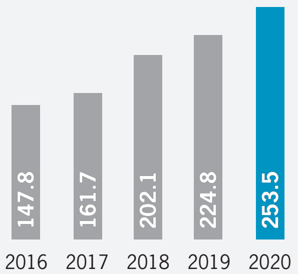
Gross profit per region



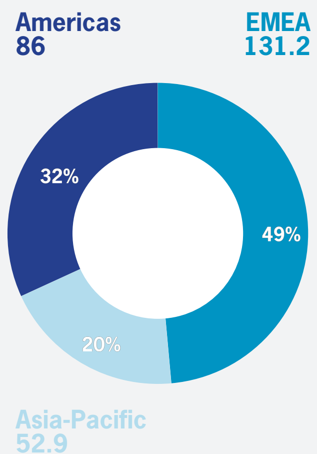
Operating EBITA

↑13%

+16% on a constant currency basis



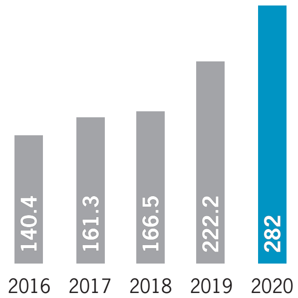
Operating EBITA per region
excluding Holdings



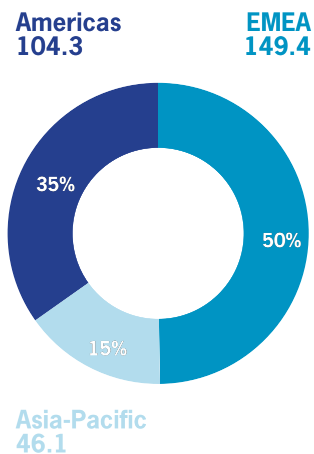
Free cash flow

↑27%

EUR 282.0 million
2019: EUR 222.2 million



Free cash flow per region
excluding Holdings



Net result before amortisation and non-recurring items

↑14%

178.1

156.2
2019

Cash earnings per share (in EUR)

↑13%

3.22

2.85
2019

Dividend proposal in cash per share in euro

↑13%

1.02

0.90
2019

Key Figures

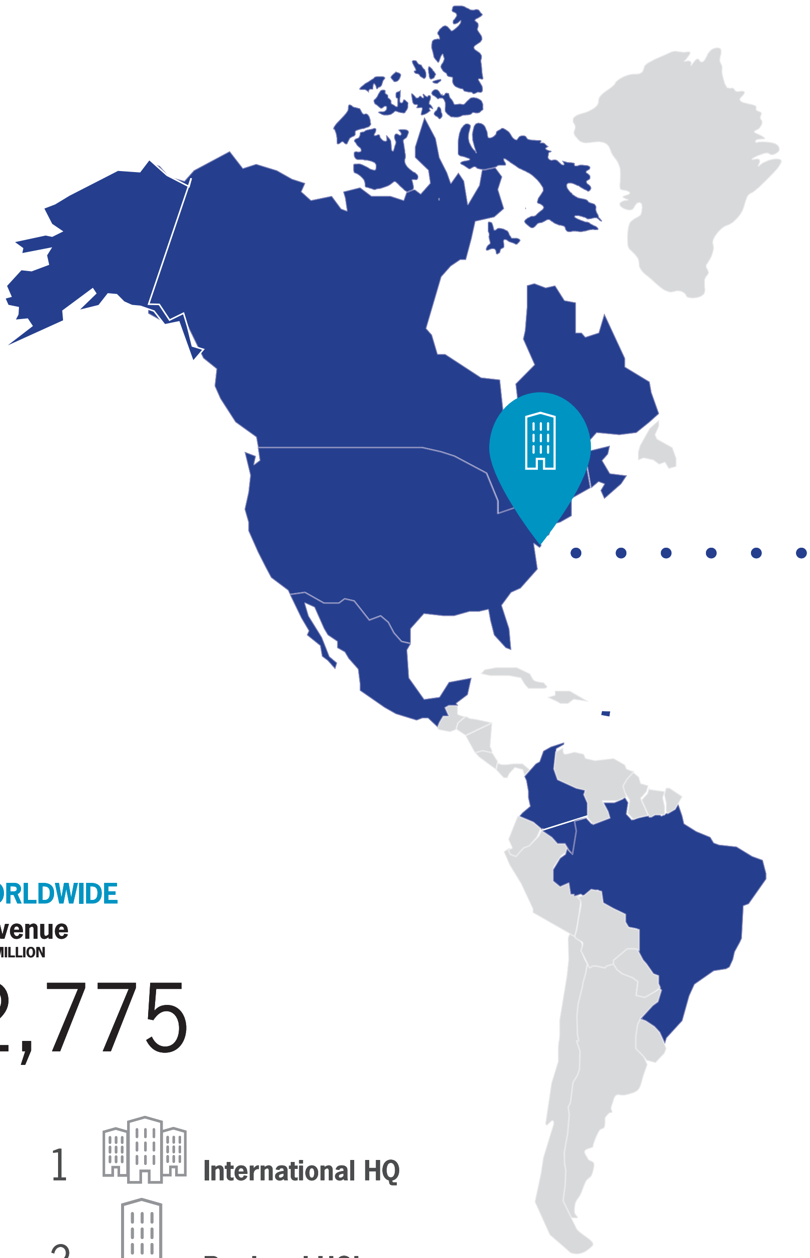
EUR MILLION	2020	2019	CHANGE
Results			
Revenue	2,774.9	2,689.6	3%
Gross profit	647.5	599.3	8%
Gross profit in % of revenue	23.3%	22.3%	1.0%
Operating EBITA [1]	253.5	224.8	13%
Operating EBITA in % of revenue	9.1%	8.4%	0.7%
Conversion margin [2]	39.2%	37.5%	1.7%
Net result before amortisation / non-recurring items	178.1	156.2	14%
Result for the year	120.9	108.0	12%
Cash flow			
Free cash flow [3]	282.0	222.2	27%
Cash conversion margin [4]	109.3%	97.4%	11.9%
Balance sheet			
Working capital	443.4	435.9	2%
Total equity	1,257.9	866.5	45%
Net debt	739.3	735.2	1%
Net debt / Operating EBITDA ratio [5]	2.3	2.8	(0.5)
Employees			
Number of full time employees end of period	3,298	2,991	10%
Shares			
Numbers of shares issued at year-end (x 1,000)	56,988	52,592	8%
Weighted average number of shares (x 1,000)	53,750	52,475	2%
Earnings per share (weighted)	2.25	2.06	9%
Cash earnings per share (weighted) [6]	3.22	2.85	13%
Proposed dividend per share	1.02	0.90	13%

1 Result from operating activities before amortisation of intangibles and non-recurring items
2 Operating EBITA in percentage of gross profit
3 Operating EBITDA excluding non-cash share-based payment expenses, less lease payments, plus/less changes in working capital, less capital expenditures
4 Free cash flow in percentage of adjusted operating EBITDA (Operating EBITDA plus non-cash share-based payment costs minus lease payments)
5 Including full year impact of acquisitions
6 Result for the year before amortisation (net of tax) divided by the weighted average number of outstanding shares

Swapna Kattewar
Head-Global Regulatory Questionnaire Centre

"A dedicated team of regulatory and quality compliance experts drive our Global Regulatory Questionnaire Centre to provide information promptly. Handling all questionnaires through this centre assures **high quality and consistent responses to all customers globally**."

GLOBAL PRESENCE



AMERICAS

Revenue
EUR MILLION

945

1	Regional HQ
16	Offices
22	Warehouse locations
12	Laboratories
864	Employees
50%	Male
50%	Female

WORLDWIDE

Revenue
EUR MILLION

2,775

1	**International HQ**
2	**Regional HQ's**
88	**Offices**
94	**Warehouse locations**
55	**Laboratories**
3,298	**Employees**
49%	**Male**
51%	**Female**

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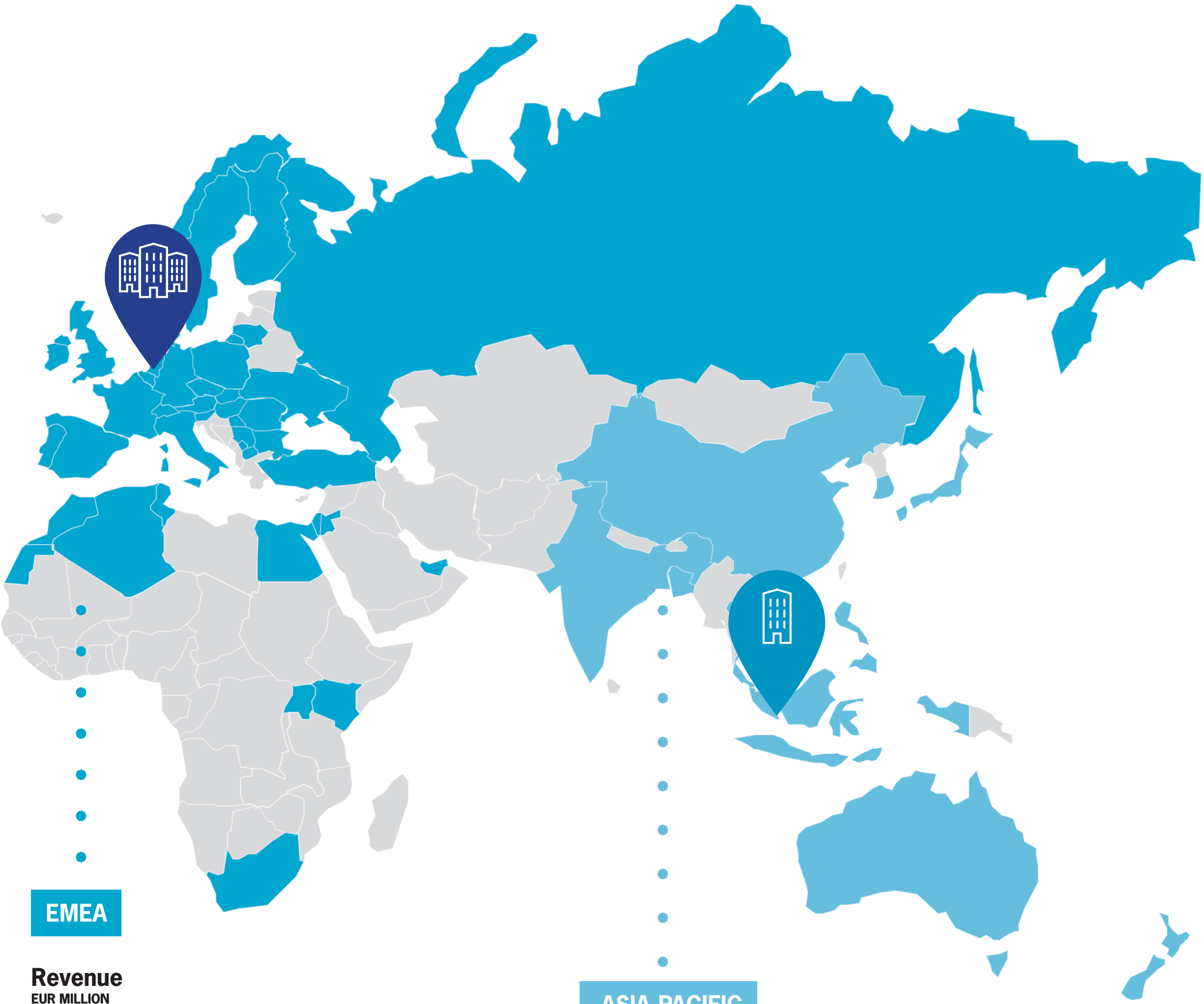


EMEA

Revenue
EUR MILLION

1,327

1
50
40
23
1.556
46%
54%

ASIA-PACIFIC

Revenue
EUR MILLION

503

1
22
32
20
878
56%
44%

25 YEARS OF VALUE CREATION

1995

Under the management of Piet van der Slikke several speciality chemical distribution companies within Internatio-Müller are combined as a separate division and starts to grow its activities in EMEA and Australia, establishing a new player in the field of speciality chemicals distribution.

2001 - 2004

Management and NIBC Private Equity acquire the company from Internatio-Müller. The name of the stand-alone organisation is changed to "IMCD". IMCD adopts a single IT platform in Europe and a matrix organisation along geographic lines and end markets, enabling distribution on a broad geographical basis. It also expands its services to regions such as Turkey, India, and Russia.

2005 - 2014

Two rounds of private equity investments enable accelerated growth over this decade. IMCD strengthens its activities across EMEA, enabling pan-European coverage to its suppliers, and enters new regions with acquisitions and greenfield operations in Africa, Latin-America, and APAC.

2014

Having become a global leader in distribution of speciality chemicals and ingredients, IMCD's shares are successfully listed on the Euronext stock exchange in Amsterdam.

2015 – 2019

IMCD expands further in North American (US / Canada) and successfully establishes a national US footprint, providing suppliers and customers with coast-to-coast coverage and expertise. It furthermore strengthens its presence in Latin America, adding Colombia to its geographical reach, and in Asia, with acquisitions in India, Singapore, and South-Korea. During these years, IMCD develops its laboratories into a global network of technical centres that support its business partners with high quality technical advice and formulation expertise.

2019

In March 2019, IMCD moved into the Dutch blue chip AEX index.

2020

This year marks IMCD's 25th anniversary. As of September, IMCD celebrates 25 years of innovation and value creation.

Despite challenging market conditions, IMCD successfully embarked on the next steps of its growth strategy by:

- Expanding our presence to the Middle East with a regional head office in Dubai
- The acquisition of Signet in India, providing a significant platform for further growth in India and the APAC region in the pharmaceutical sector, to improve IMCD's leading position in the distribution of pharmaceuticals
- Opening three new and inspiring office locations in Cleveland, St Petersburg and Bangkok
- Through acquisitions, we expanded the footprint of our Food & Nutrition business with VitaQualy Comercio de Ingredientes in Brazil and Millikan in Mexico, our Advanced Materials Business with Kokko-Fiber, and our Personal Care business with Ejder Kimya in Turkey and Banner Química in Mexico
- Meanwhile, the teams at Unired Químicas, Neuvendis and DCS Pharma were fully integrated
- With three enhanced technical centres for Food & Nutrition in North America and Thailand and for Personal Care in Thailand, our globe-spanning teams of technical and sales experts provide our customers with the innovation and support they need to succeed

years of
VALUE CREATION

1995-2020

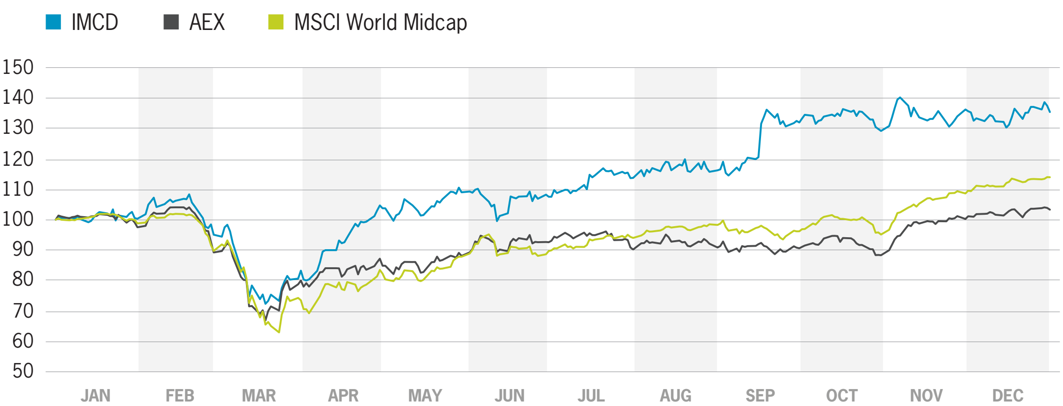
SHAREHOLDER INFORMATION

IMCD was first listed on Euronext Amsterdam on 27 June 2014, at an initial price of EUR 21.00 per share, resulting in a market capitalisation of EUR 1.1 billion. In March 2015, IMCD shares were included in the Euronext Amsterdam Midcap Index and in July of that same year Euronext decided to launch share options on IMCD. Since March 2019, IMCD shares are included in the Euronext Amsterdam AEX Index. In January and March 2020, IMCD transferred respectively 16,192 and 8,560 own shares to settle its annual obligation under the long-term incentive plan. As at the end of December 2020, the number of treasury shares held by IMCD was 90,017. In September 2020, IMCD issued 4,395,604 ordinary shares at an offer price of EUR 91.00 per ordinary share, after which the total number of issued shares amounted to 57 million (56,987,858). The proceeds of the offering are used by IMCD to finance the acquisition of 70% of Signet Excipients Private Limited and for general corporate purposes.

Share price performance in 2020
In 2020, the total number of traded IMCD shares was 68.2 million, an increase of 4% compared to the 65.3 million shares traded in 2019. These numbers represent the total LIT consolidated market volume which includes Euronext Amsterdam: 41 million in 2020 versus 40 million in 2019 and multilateral trading facilities ("MTFs": Turquoise, CBOE CXE, CBOE BXE) 26.8 million in 2020 versus 25.3 million in 2019. The average total LIT daily trading volume was approximately 261 thousand shares in 2020 versus 250 thousand in 2019. For Euronext Amsterdam the average daily volume was 159 thousand in 2020 versus 154 thousand in 2019.

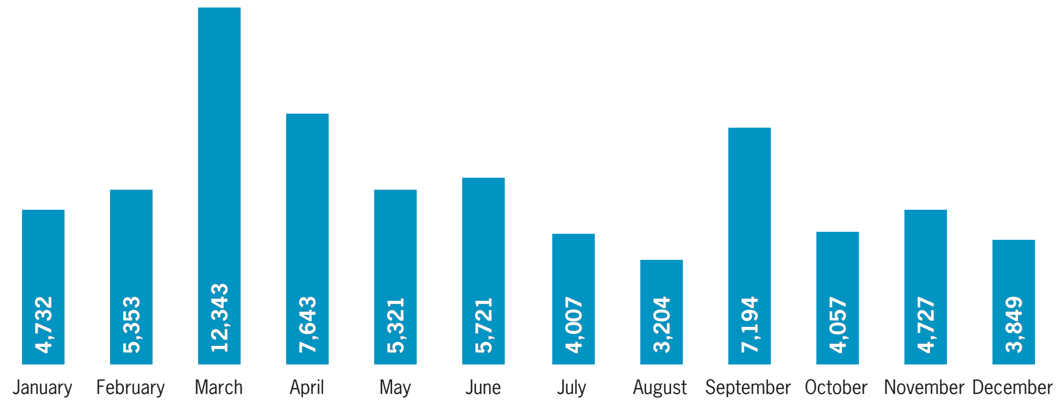
In 2020, the share price increased by 34% (35% total return if dividends would have been reinvested) from EUR 77.80 as of 31 December 2019, to a closing share price of EUR 104.25 as of 31 December 2020. As at the end of 2020, IMCD's market capitalisation was EUR 5.9 billion (EUR 4.1 billion as at the end of 2019).

Share price performance 2020
In %



Trading volumes 2020

In number of shares x 1,000



THE IMCD SHARE	2020	2019
Highest price	107.95	82.75
Lowest price	56.25	54.60
Year-end price	104.25	77.80
Earnings per share (weighted)	2.25	2.06
Cash earnings per share (weighted)	3.22	2.85
Proposed dividend per share	1.02	0.90
Number of shares at year-end (x 1,000)	56,988	52,592
Weighted average number of shares (x 1,000)	53,750	52,475

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 implementation so that stakeholders have the information they need to form an opinion on the company. In 2020, due to the restrictions posed by the COVID-19 pandemic, the company did not organise or participate in physical roadshows to meet with investors. Instead, management participated in multiple virtual roadshows and investor conferences, in which they engaged with investors from across all regions. Also, a considerable number of meetings with (potential) investors took place by means of video conferencing. IMCD is currently covered by 13 international analysts.

Dividend policy

Barring exceptional circumstances, IMCD has a dividend policy with a targeted annual dividend in the range of 25% to 35% of adjusted net income (reported result for the year plus amortisation charges, net of tax) to be paid out either in cash or in shares. A proposal will be submitted to the Annual General Meeting of Shareholders to pay a cash dividend of EUR 1.02 per ordinary share (2019: EUR 0.90), which means an increase of 13% compared with the previous year. This dividend represents a pay-out ratio of 34% of adjusted net income (2019: 32% of adjusted net income).

Major shareholders

The register maintained by the Netherlands Authority for the Financial Markets (AFM) in connection with the disclosure of major holdings in listed companies exceeding 3% of the issued capital, contains details of the following investors as of 31 December 2020. There are no known holdings of short positions visible in the AFM register.

Capital Research & Management Comp.	10.08%
Ameriprise Financial Inc.	5.72%
BlackRock, Inc.	5.41%
Baillie Gifford & Co	5.16%
FMR LLC	5.13%
Smallcap World Fund, Inc.	5.01%
Jupiter Asset Management Ltd.	3.28%
Norges Bank	3.01%
Marshall Wace LLP	3.01%

Ticker symbols

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

FINANCIAL CALENDAR

26 February 2021	Full year 2020 results
29 April 2021	First quarter 2021 trading update
24 June 2021	Annual General Meeting
24 June 2021	Dividend announcement
28 June 2021	Ex-dividend date
29 June 2021	Record date
30 June 2021	Payment date
4 August 2021	First half year 2021 results
9 November 2021	Third quarter 2021 Trading update

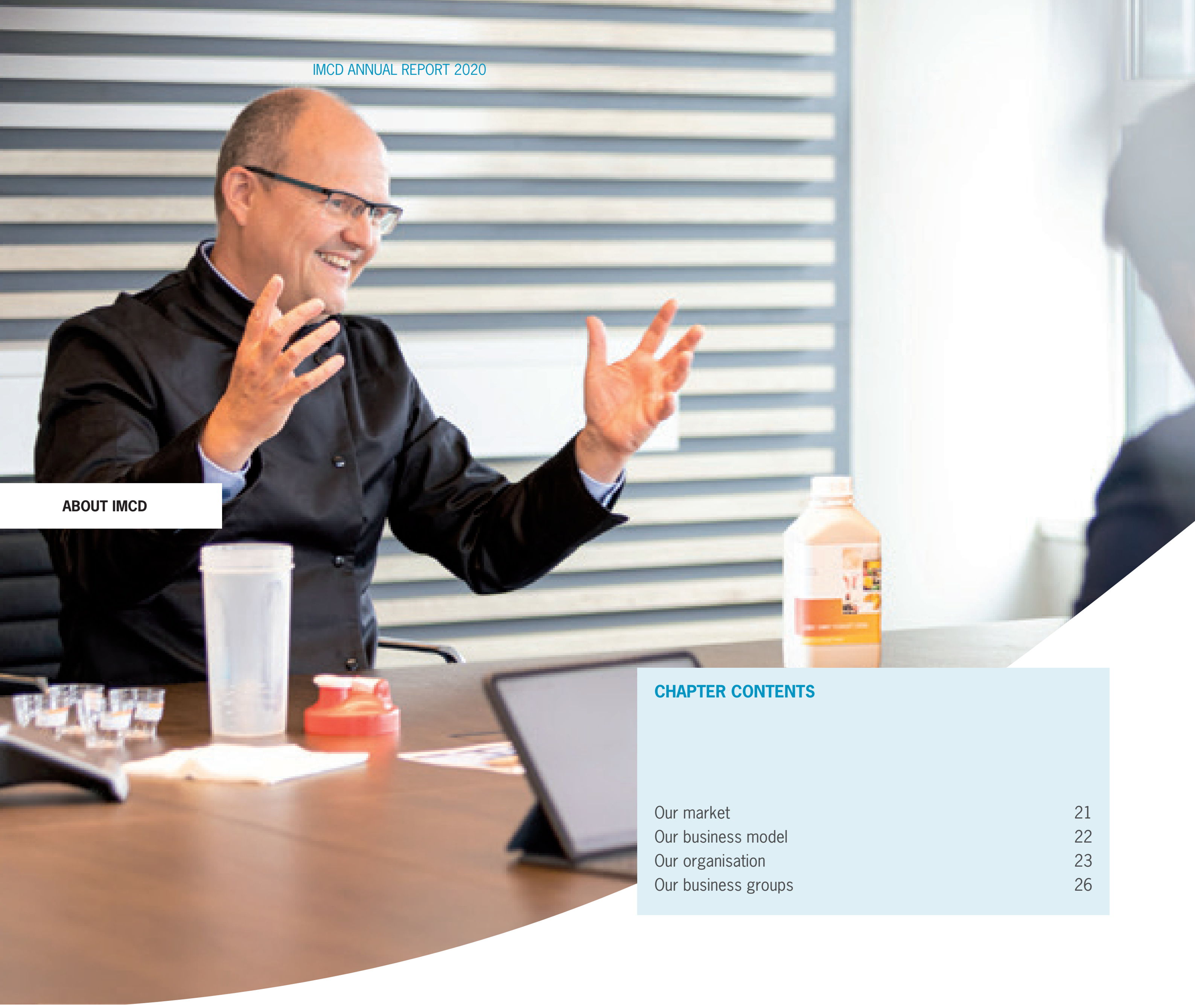
Investor relations

ir@imcdgroup.com
www.imcdgroup.com/en/investors/contact

John Robinson
Director IMCD Pharmaceuticals

"The significant growth in our Pharmaceutical business was driven by the fruition of our acquisition strategy alongside tremendous organic growth. Recent acquisitions* were targeted to **expand our geographical presence, expand our relationships with key suppliers and increase our expertise in Active Pharmaceutical Ingredients**."

* DCS Pharma Switzerland, Whawon Korea, Unired Colombia, Zifroni Israel, Develing China, Peak Benelux, and Signet India



CHAPTER CONTENTS

ABOUT IMCD

IMCD is a market leader in the sales, marketing and distribution of speciality chemicals and ingredients. We began in 1995 as a small group of companies with a common ambition and a harmonised business model. From there, we have grown to have a global footprint in over 50 countries on six continents. In 2020, our nearly 3,300 employees generated revenue of almost EUR 2.8 billion. Today, we are an increasingly digitised distributor unlike any other: formulation experts and solutions providers who continuously add value.

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

Our market

The products in our portfolio are used in almost every aspect of daily life, ranging from home, industrial and institutionalised care, personal care, food & nutrition and pharma to lubricants & energy, coatings & construction, advanced materials and synthesis.

The constant demand for product improvement and higher performance drives the requirement for innovative speciality chemicals and food and pharmaceutical ingredients. Diverse, complex and international markets require suppliers with first-class knowledge and support. For this reason, IMCD invests heavily in technical expertise and application know-how, as well as sales and marketing excellence.

But we go further than that. Both our suppliers and our customers benefit from IMCD's ability to simplify their business; providing access to numerous partners, without the complexity that this usually involves. In our unique position, we are instigators of innovation, contributors of insight and safeguarders of timely supply. The speciality chemicals distribution market is still made up of large global or pan-regional companies and a large number of, often, family-owned, local players.

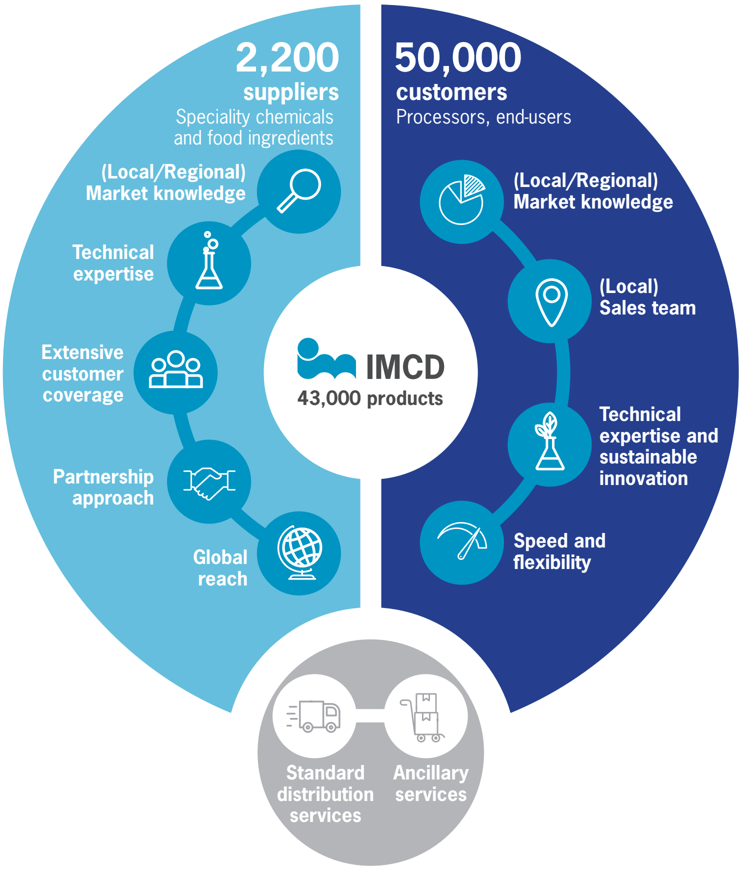
There is strong demand from major suppliers for pan-regional distributors that can streamline business operations and work as a strategic partner to support long-term growth.

As a result, further consolidation within the sector is taking place with an ongoing focus on local excellence and technical expertise. The rationalisation of the global speciality chemicals distribution industry will continue to be shaped by the following trends:

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

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

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



make comparatively large investments to comply, whereas larger distributors can more easily make such investments due to their scale.

Our business model

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

Core activities

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

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

Technical expertise

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

In 2020, we continued to optimise our ways of working by a more intensive use of our virtual platforms, while focusing on the following areas:

A. New product analysis and development

We work in close collaboration with our customers' R&D departments, carrying out competitive matching, sharing new application opportunities and assisting in the formulation of the most effective and innovative products.

B. Customer seminars

We developed over 500 digital marketing campaigns and organised more than 100 webinars for our customers, around the world, to introduce new additions to our portfolio, share insights on the latest market trends or present solutions to production processing challenges. Across our global network of technical centres, customers can test product performance, run stability and application tests and experience the finished product with the support of our scientific and technical teams.

C. Supplier workshops

Within our technical centres, suppliers are able to gain an understanding as to how their products interact and function (in combination with other products from within the IMCD portfolio) as part of a finished formulation. This understanding and market trend awareness means we are able to assist our suppliers with the development of new product concepts.

D. Internal training

Workshops and training sessions on site and through our e-learning tools are in place, for IMCD teams across the globe ensuring our people stay abreast of market trends and developments and fully understand the functionality and characteristics of our portfolio, so that we can better support our customers.

Our organisation

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

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

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

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

Nicoline Vos
Salesforce Trainer
& Solution Support Specialist

"In 2020 we kept on investing in the development of our people by offering more than **4,000 freely available training courses** on our online platform – IMCD Digital Campus. Sales, Customer Relation Management, Digitalisation and Personal Effectiveness courses topped the charts of successfully completed courses."

OUR BUSINESS GROUPS

HOME CARE AND I&I

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

PRODUCTS
- Surfactants
- Biocides
- Functional additives

CHARACTERISTICS
- Innovative formulations driven by local market requirements
- Focus on environment and sustainability

END MARKETS
- Laundry care
- Dish washing
- Cleaning & surface care
- Automotive care
- Air care

PHARMACEUTICALS

The Pharmaceuticals business group offers a wide range of speciality ingredients used in the production of human and veterinary medicines, food supplements and products for plant health.

PRODUCTS
- Active pharmaceutical & nutraceutical ingredients
- Excipients and speciality solvents

CHARACTERISTICS
- Highly regulated market
- Safety and quality are key drivers
- Need for greener alternatives, sustainable solutions, and clean label products

END MARKETS
- Pharmaceuticals
- Nutraceuticals
- Agrochemicals
- Biopharm
- Regulated Synthesis

PERSONAL CARE

The Personal Care business group supplies a complete range of speciality ingredients enabling the creation of future-facing cosmetic products with a wide variety of innovative textures that meet consumer needs in all market segments.

PRODUCTS
- Actives
- Emollients
- Rheology modifiers
- Emulsifiers
- Functional additives
- Decorative powders
- Surfactants

CHARACTERISTICS
- Innovation driven due to rapidly evolving market needs
- Fast time to market
- Local market demands
- Sustainability focus

END MARKETS
- Skin care
- Sun care
- Color cosmetics
- Hair care
- Toiletries
- Oral care

COATINGS & CONSTRUCTION

The Coatings & Construction business group delivers a wide range of speciality chemicals used to add colour, drive performance and enhance durability of adhesives, paints, coatings, inks and construction chemicals.

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

CHARACTERISTICS
- Local market requirements drive formulations
- Increasing regulations
- Market trends: sustainability, health & safety, smart functionality, efficiency

END MARKETS
- Adhesives and sealants
- Construction chemicals
- Industrial coatings
- Decorative paints
- Printing inks

FOOD & NUTRITION

The Food & Nutrition business group offers a complementary range of speciality food ingredients and flavours. By providing insightful application support, we enable food producers to generate on-trend food and beverages solutions that are part of consumer's daily live.

PRODUCTS
- Texturisers
- Proteins
- Flavour & colours
- Enzymes & cultures
- Natural fibres
- Nutrition ingredients

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

END MARKETS
- Bakery & Snacks
- Beverage
- Confectionery & Chocolate
- Dairy & Dairy Alternatives
- Nutrition
- Savoury & Meat Alternatives
- Animal Nutrition

LUBRICANTS & ENERGY

The Lubricants & Energy business group brings together IMCD's expertise across the lubricants, fuels, oil & gas and energy sectors. We offer base oils and additives for automotive and industrial lubricants and a range of speciality chemicals for use in oil, gas, fuel and new energies markets.

PRODUCTS
- Synthetic base oils
- Specialty additive packages and components
- Purification media & catalysts
- Process liquids

CHARACTERISTICS
- Need for higher performance products
- Market trends: energy & emissions reduction, sustainable chemistries

END MARKETS
- Automotive & industrial lubricants and greases
- Fuels
- Oil & Gas: up/mid-stream and downstream (refineries, petrochemicals, industrial processes)
- Alternative energies (hydrogen, biogas, biofuel, solar, wind)

SYNTHESIS

The Synthesis business group offers a range of process chemicals, intermediates and speciality solvents that are used in chemical reactions.

PRODUCTS
- Additives
- Catalysts
- Building blocks

CHARACTERISTICS
- "Green chemistry" (plant-based materials) trend
- Volume trends follow downstream segments (construction, automotive, personal care, lubricants)

END MARKETS
- Polymer / Resin Producers
- Performance Chemical Producers

ADVANCED MATERIALS

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

PRODUCTS
- Adhesives solutions
- Polymers, speciality compounds
- Functional additives, fillers and reinforcements
- Resins and advanced composites
- Pigments

CHARACTERISTICS
- Sustainable solutions to stimulate the circular economy
- Solution provider on application development with innovative approach
- Latest materials for safer and healthier living

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

Home Care and I&I

Healthy Homes
Delivering innovation to support infection control

When the world was encouraged to stay at home in response to the global outbreak of COVID-19, responsibility for containing the virus and protecting families suddenly fell upon households. With a sharpened focus on infection control, the Home Care industry saw unprecedented demand for disinfectants and other household cleaning and sanitising products.

The initial surge focused on hand sanitiser. However, as people found themselves spending more time at home, the desire to stay hygienic and healthy drove a sharp increase in sales of almost all home care products. This intensified the requests for formulations ranging from disinfectant and hard surface cleaners to laundry detergents, liquid hand soaps and dishwashing products.

The soap and sanitiser shortage
Our priority was to ensure the provision of necessary raw materials, rheology modifiers and biocides required to produce hand sanitisers and disinfectants. The difficulty of sourcing raw material was exacerbated by some countries' unprecedented decision to suspend exports and maintain materials for local markets.

In response, the Home Care and I&I team was able to draw on its inherent technical expertise, formulation experience and key supplier relationships to meet the requirements for product advice and raw material availability.

Having identified product shortages based on carbomers and acrylates, IMCD turned to innovation to provide formulations using alternative rheology modifiers based on cellulose ethers. These innovations met the basic requirements of product viscosity and sought to address the after-feel of hand sanitisers and liquid soaps, helping to compensate for the dryness associated with regular use.

Similarly, IMCD was able to supplement the shortage of Quaternary Ammonium Compounds (QAC's) – biocides typically associated with disinfectants found in surface sprays and wipes – and help develop alternative formulations based on diamine.

A clean slate
In an extraordinary year, IMCD proved its resilience and reliability to customers and partners. Under challenging and highly unconventional working conditions, the Home Care and I&I team remained focused on innovating product solutions and delivery mechanisms to give customers the confidence to supply products that help keep people healthy in their homes.

As we head into 2021 and the trend towards preventative health continues, increased domestic hygiene and health protocols have become the norm. With a second wave and new, more infectious strains of COVID-19 making their way across the globe, that upturn in demand is likely to be sustained well into the year.

"Where other industries suffered from the spread of COVID-19, with a global lockdown affecting more than 30% of the global population, the **home care industry has responded well**."
Euromonitor, The Impact of Coronavirus on Home Care

Fanélie Jaeglé
Global Technical & Marketing Director Home Care and I&I

Fanélie has 20 years experience in the Chemical industry, across food science, personal care and for the last ten years focused on technical development and marketing for IMCD's Home Care and I&I team globally.

"The breadth of technical expertise and in-depth supplier relationships saw the IMCD team rapidly assess and deliver new formulations at the height of the COVID pandemic's first wave. The resulting solutions ensured that our customers were **able to meet the unprecedented demands** placed on them amid consumers' heightened hygiene protocols."

Pharmaceuticals

Safe and sanitised

How a quick pivot gave our customers the upper hand

When the COVID-19 pandemic struck, it wasn't an industry trend or a request from a customer that pushed us to respond. Inspired by the opportunity to contribute towards a healthier world, our Pharma Application Lab in Cologne noted that there were new challenges to overcome, and so they started innovating to find solutions.

Disinfectant in high demand

People worldwide were coming to terms with a new reality and proper hand hygiene was identified as a way of preventing the spread of the virus. Hydroalcoholic hand sanitisers became the must-have products of 2020 and stocks sold out overnight. In addition to the lack of products, there was also a shortage of carbomers, the raw material used to manufacture hand sanitiser gels, and frequent use of hydroalcoholic gels was leading to skin damage amongst users.

We already offered a hydroalcoholic gel formulation concept to customers. However, it contained less than 85% alcohol content, which the World Health Organisation stated was the minimum alcohol content required to provide effective protection. Through our portfolio, knowledge and expertise, we were able to develop and test several formulas. Using carbomer, sourced from one of our leading suppliers, we finally developed a sanitiser gel with the necessary alcohol content that also contained emollients and moisturisers to protect the skin.

Opening opportunities for customers

Next, our team in the Pharma Application Lab prepared a technical brochure presenting various formulation proposals based on different carbomer grades and production instructions. This had multiple benefits. First, customers could manufacture the final product according to the raw materials they had available. And new customers, who had never before produced hand sanitiser, could now easily manufacture an effective sanitising gel.

With COVID-19 still very much part of all our lives, hydroalcoholic gels are likely to be an essential product for some time to come.

Hand sanitiser gels are **remarkably versatile**. Aside from eliminating bacteria, they can also be used in place of deodorants, to clean glasses and phone screens, relieve bites and pimples, remove permanent marker, and help remove plaster without it hurting.

Valentina Milita
International Product Manager Lubrizol & Business Unit Manager Pharma SEE

Valentina joined IMCD 14 years ago and has extensive experience in International Pharmaceuticals Sales and Distribution, enjoying challenging and dynamic environments, while keeping Principal and Customer's needs, at the heart of everything we do.

"Through quick thinking and innovation, we successfully helped customers to **deliver a product that was desperately needed when it mattered most**. We generated new opportunities for both customers and suppliers while playing a small part in the fight against the virus."

Personal Care

A new generation of facial masks

Bringing Korean anti-aging technologies to the European market

Worldwide, more than USD 56 billion is spent on anti-aging products each year. East Asia leads the world in producing and purchasing these products and facial masks, in particular. The facial masks market has increased seven-fold, and it is now valued at USD 1.6 billion per year for South Korea alone.

A market-leading customer, known for being right at the forefront of technology, approaches you to ask if you can help them launch a new product. There's just one catch: they don't yet know what it is. Would you know what to do?

That's precisely what happened to our personal care team in Spain. The customer wanted to expand its anti-aging line with a new product that would fit in with their reputation for being highly innovative and offering effective products.

Beauty and The East

Drawing on their industry trend knowledge, IMCD Spain looked east towards Korea, where some of the most innovative anti-aging solutions are being produced. They pinpointed ampoules and biocellulose facial masks as being on the cutting-edge of biotechnology.

Lacking previous expertise in this area, the Spanish team quickly identified the leading manufacturer of Korean facial masks featuring patented technology. Through exceptional communication, dedication and enthusiasm, IMCD Spain worked with that manufacturer to develop products our customer could be proud of.

Exceeding customer's expectations

Our customer launched both a whole new generation of facial sheet masks and a serum to the Spanish market. Both contain vitamins and actives from one of our suppliers, these have anti-aging benefits and accelerate the penetration of the ingredients into the skin. The results have been beyond the customer's expectations. The new line is now being distributed in 80 countries and has been featured in beauty awards across Europe.

For IMCD, this project was not only an example of our commitment to taking an entrepreneurial and trend-based approach to address our customers' needs: it also demonstrated our ability to build new relationships and collaborations. The Korean manufacturer has been sufficiently impressed by our ambition and the results. They are considering making us their distributor for other markets as well.

Korea is at the **forefront of beauty trends** and biotechnological innovation thanks to the use of natural ingredients, like aloe, green tea, bee venom and bamboo sap. From J-Pop bands to Lady Gaga, many celebrities have posted images of themselves using Korean facial masks on their enormously popular social media channels.

"We worked on a new generation of facial masks. Through research, our extensive knowledge of trends and the desire to satisfy the customer, we delivered a solution that is **scientific as well as natural, innovative and effective**."

Salvatore Palmisano
Sales Representative and Product Manager

Salvatore has over 15 years of experience in the industry and drives results in the sales and marketing strategies for our suppliers and customers.

Coatings & Construction

A healthy future

Helping the industry switch to safer pigment alternatives

Due to its brightness and high refractive index, titanium dioxide (TiO_2) is the world's most common and in-demand pigment for use in paints and coatings. The global annual demand for titanium dioxide is estimated at around six million tonnes, with a value of USD 17 billion.

Titanium dioxide is a white powder extracted from naturally occurring minerals. Often referred to as TiO2, it is widely used as a pigment in paints and coatings, giving end products their brilliant whiteness, high opacity and durability. In 2020, ten years after WHO's International Agency for Research on Cancer (IARC) classified titanium dioxide as possibly carcinogenic, the European Commission has published its re-classification as a suspected carcinogen by inhalation. Expected to come into force in October 2021, a new regulation imposes labelling requirements for titanium dioxide in its powder form, as well as in any other mixtures containing 1% or more TiO2.

For manufacturers, meeting these new regulations represents a challenge. Overhauling manufacturing sites, such as adding piping options, to safely deal with TiO2 powder, is extremely expensive. So, we asked ourselves how we could support our small and medium-sized customers in an efficient way that also enables them to continue their business. The answer we discovered was to help them switch to using titanium dioxide in a slurry form, which eliminates the risk of inhalation.

Supporting the shift to slurry

Already used widely in other industries, titanium dioxide slurry is less commonly used in coatings and construction. It has the advantage of being a drop-in solution, making the switch fast and easy without requiring full-scale manufacturing changes.

Meanwhile, in Asia and the Americas, lead chromate, a pigment that has been withdrawn from use in Europe due to its many health risks, has remained in decorative paint and in, automotive and industrial coating formulations. However, new regulations now seek to limit or eliminate its use. The challenge lies in helping our customers to switch to a safer option.

Taking the lead

Long-lasting alternatives exist, but each pigment behaves slightly differently and requires different grinding and mixing levels to achieve the correct colour and opacity. To help our customers switch away from lead chromate, we spent a year collecting samples, mixing colorants, and performing matching work.

The result is an extensive colour match guide – 13 booklets that included every pigment combination, so our customers can switch quickly and painlessly to lead-free pigments while still achieving consistent colour matches. They can also officially declare their product to be 'lead chromate free' and register with the world labelling system.

Our entrepreneurial spirit and drive for innovation helps customers eliminate hazardous substances while keeping their business feasible and profitable.

Titanium dioxide is so bright and refractive it was used to coat the **Saturn V launch stages** so that astronomers could distinguish visually between debris from launch vehicles and asteroids.

Hengki Hengki
Lab Manager Coatings & Construction

Hengki has over 26 years industry experience and ensures our customers' success and satisfaction through rolling-out knowledge and best practices to provide better service to both suppliers and customers.

"Our customers are delighted with the booklets. These help to reduce their workload greatly and, even though the complete elimination of lead chromate is not yet mandatory in Asia, it's a regulation that they know is on the way. Our customers can **stay ahead of the regulation and remove lead chromate from their formulations**."

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Food & Nutrition

I can’t believe it’s not chicken

Defying expectations and limitations with an innovative approach to meat substitutes

Around 13 million people across North America follow a vegetarian or vegan-based diet. However, more than 25 million people claim to follow a “vegetarian-inclined” diet, with a quarter of North Americans eating less meat in the past year than previously.

The rise of the flexetarian

Interest in meat substitutes has grown substantially in recent years, driven by heightened awareness and enthusiasm for humane practices, personal health and the environment. Vegetarianism and veganism are increasing steadily, but flexitarianism, or casual vegetarianism, is booming.

Data from Innova Market Insights shows that meat substitutes are now the fastest growing sub-sector within the meat category. That trend represents a significant market opportunity for food manufacturers in North America. It inspired us to turn our technical expertise and trend knowledge towards developing innovative market-ready prototypes that pique consumers’ interest and taste buds. The first result was the plant-based chicken-less nugget.

Changing needs to meat

The success of this completely new meat analogue inspired a series of plant-based prototypes that include plant-based cheese analogues and mayonnaise-type products.

When plans to launch these prototypes this year were interrupted by the onset of COVID-19, we pivoted to a sales and marketing strategy that was as innovative as the products themselves. We launched the “Next Generation Plant-Based 2.0” virtual symposium.

The upshot was that the series of webinars and technical courses not only addressed the needs presented by the new remote-work reality, the symposium was also accessible to customers in hard-to-reach locations. Online presentations and courses could become a powerful sales tool in the years to come.

Our customers were impressed and inspired by IMCD’s accelerated approach to innovation, market-ready formulations and, of course, our meat-free chicken nugget concept. Based on the Food & Nutrition team’s recipe and ingredients provided by IMCD, customers are already set to launch meat-free chicken nuggets into major supermarket chains across North America and have been inspired to collaborate on other expectation-defying products. Meanwhile, these prototypes’ success has opened up new opportunities for IMCD’s Food and Nutrition portfolio.

Over the past year, 95% of the purchases of plant-based burgers were made by meat eaters. **Flexitarianism** is likely to play a significant role in the future of the food industry.

"It was incredibly challenging but rewarding to develop a plant-based chicken-less nugget that **combined different textured plant proteins** to create a formed, battered and breaded product that looks, smells and tastes like real chicken."

Jenna Kouri
Technical Application Specialist, Food & Nutrition

Jenna joined IMCD in 2015 and has extensive experience in (new) product development in the Food & Nutrition industry with a focus on bakery, savoury/meat categories.

Lubricants & Energy

The oxygen problem
Breathing air into a healthcare system under pressure

The global oxygen market has a value of around USD 40 billion. It is expected to increase by at least 10% per year. Medical use, in particular, is likely to soar due to COVID-19, a rise in the number of sufferers of Chronic Obstructive Pulmonary Disease (COPD) and an aging population, all groups who require oxygen therapy.

Short of oxygen

The Coronavirus pandemic brutally exposed weaknesses in multiple industries, and most especially in our healthcare systems. Stretched to breaking point, much of the attention correctly turned to the healthcare professionals who were tasked with tackling the virus and its impact.

However, pharmaceutical and medical suppliers were also unable to cope with the sudden and unexpected challenges brought about by the pandemic. For example, the demand for medical oxygen skyrocketed globally by a factor of 500-1000% overnight, with suppliers unable to keep up with demand.

Oxygen concentrators are smaller, often portable, devices that remove the nitrogen from the air to supply patients with a concentrated oxygen supply. They play a crucial role in delivering oxygen to patients both at home and in the hospital. So, not surprisingly, demand for concentrators also spiked in line with the number of cases of COVID-19.

Supporting patients around Europe

IMCD's Lubricants & Energy team supplies a variety of chemicals used in the purification of gas streams. In this case, IMCD provided the activated alumina and molecular sieve beds required to operate these oxygen concentrators to both suppliers and hospitals. While the entire healthcare industry faced demand issues, we dealt successfully with the challenge thanks to close internal collaboration and ongoing and transparent communications with our external stakeholders, who included suppliers, customers, and supply chain teams.

Our commitment to supporting our customers and healthcare professionals throughout Europe resulted in several highlights.

In France, we quickly pivoted away from less essential deliveries to service a local producer of oxygen concentrators who needed molecular sieves and activated alumina to deliver their equipment with a very short lead-time.

In Italy, a new emergency facility was built in the Fiera Milano Pavilions, typically used for events and tradeshows, in just ten days to support hospitals overburdened by the pandemic. IMCD provided all the supplies needed for the facility's oxygen generators.

Finally, when a hospital in Barcelona, Spain, faced an extreme emergency situation, we coordinated an express shipment of activated alumina to supply their lifesaving oxygen concentrators.

While supplying materials and compounds for use in healthcare is always rewarding, the recent pandemic brought that into sharper focus than ever before. We were proud of our entire team's ability to face challenges and develop innovative solutions that potentially saved lives and played some part in the fight against the virus.

It's estimated that **one-in-five COVID-19 sufferers** require some form of oxygen therapy. In the most severe cases, not having access to oxygen can be fatal.

"We in the Lubricants & Energy team feel very proud to have **supported the essential work of the health services to treat patients suffering from COVID-19**."

François Pouponnot
International Product Manager, Lubricants & Energy France

François has been with IMCD for 10 years, handling purification process products for Oil & Gas. He coordinates the commercial, operational and technical support we provide to our partners and to our team in Europe.

Synthesis

Better cleaning through chemistry
Ridding detergents of harmful thickeners

The global laundry detergent market is currently valued at around USD 130 billion, with projections that it will grow to USD 180 billion over the next few years.

Thickening agents are used in liquid detergents to control flow while also increasing solubility and preventing the separation and settling of components during transformation and storage. Traditionally, styrene has been used.

However, styrene is a volatile organic compound. It is highly reactive and flammable, making it difficult to handle, and styrene is also classified as a carcinogen and irritant. Plus, it is not biodegradable and is especially harmful to aquatic life when passing through to water, as washing detergents tend to do.

Seeking a styrene substitute

One of our customers is amongst the leading producers of detergent components in Spain. They wanted to add a high-performance thickener to their product range that didn't include styrene.

The technical challenge was an ambitious one: to develop an acrylic polymer, with good compatibility with salts and inorganic compounds, that would provide the proper viscosity properties within a wide pH margin.

Fortunately, our team had recently received training in the use of a specialty monomer, which was being used in paints and coatings, amongst other applications. Its characteristics, such as being extremely hydrophobic and enhancing viscosity, made it ideal for the development of the new thickener.

Successful differentiator

Developing the new high-performance thickener took almost two years, from lab testing to full production. The key to the project's success was the close cooperation between IMCD and our customer, who had a high level of confidence in our technical expertise and ability to support them. Now the customer can differentiate its products from the competitors' through an innovative application that prevents having to use styrene – a result that delighted both customer and supplier.

During development, it became clear that the high performance of this kind of thickener would be useful in a wide range of applications. During the early stages of the COVID-19 pandemic, for instance, when demand for sanitising products boomed, the thickener proved ideal for use in the production of hydroalcoholic hand sanitiser gels. The product, for which the customer expected to see a slow and steady growth, was already a top performer through Q2 and Q3 of 2020.

The **first chemical laundry detergents** were developed in Germany during World War I in response to the lack of availability of soap. Soap was previously used for cleaning clothes, although, over the centuries, charcoal, ash and even urine have been used for getting dirt out of clothing.

Jara Ferrando
Market Manager, Coatings Iberia

Jara has a background in chemical engineering and has over 10 years of experience in chemical distribution. She joined IMCD for 4 years ago and is primarily responsible is for the business development for our Coatings & Construction team in Iberia.

"This monomer was recently added to our portfolio. We had just received training when the customer contacted us for advice. **We cooperated closely with the customer throughout the whole process, learning together**, and the result is that the customer is the first company in Spain to use this ingredient for this application."

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The Advanced Materials

Plastic Fantastic

Replacing polyethylene to make paper cups more recyclable

We use around 500 billion disposable coffee cups worldwide each year. Less than 1% of those get recycled, with the rest ending up in landfills or, worse still, in the ocean.

While the public may think that most paper cups get recycled, that's not the case. A plastic polyethylene coating is added to paper cups to act as a moisture barrier and joint sealant. Without this layer, cups would fail to hold liquids for more than a few minutes. However, it makes it overly complicated, costly and challenging to effectively process paper cups for recycling. Furthermore, this unrecycled plastic can take decades to break down harming the natural environment.

Challenge accepted

It started with a discussion with a manufacturer (an advanced process developer in the paper industry), then it quickly turned into a brainstorming session. Next came the workshops where samples were produced and iterated. The process was complex, but the challenge was always evident.

We asked ourselves how we could increase the recyclability of disposable coffee cups. With our partner, an advanced technology developer for moulded pulp and paper forming, we began to rethink how the paper cup is made.

A cupful of innovation

Our in-depth product knowledge and our out-of-box thinking when exploring possible new applications for existing materials led us to a natural, organic polymer commonly used in detergent tablets. By laminating this polymer in conjunction with our partner's unique manufacturing process, we are developing a formed paper cup with no joints.

This new and patented process makes the paper hydrophobic so that it can hold liquids. At the same time, the final product is entirely natural and fully-recyclable as the natural polymer dissolves during the process.

This was a gratifying project for the whole team. Our partner was thrilled by our in-depth market and technical knowledge, insights and our shared commitment to developing a greener solution.

As the paper cups become available for major coffee and food brands worldwide, we're excited to see how our technology can help reduce the billions of disposable cups that go unrecycled each year.

One tree produces between 2,500 and 3,000 paper cups. More than **20 million trees** are cut down each year solely for the manufacture of single-use paper cups.

Dan Andersson
Sales Manager IMCD Advanced Materials

With his background in the field of laboratory analysis and development, Dan is driving the departmental performance and customer satisfaction objectives in the Nordics for Advanced Materials with a focus on sustainable solutions.

"I am passionate about **finding solutions that will have a significant positive impact on our environment and future generations**. This project was enormously fulfilling for me, professionally and personally. Especially since we were able to turn an idea into an opportunity."

STRATEGY & BUSINESS

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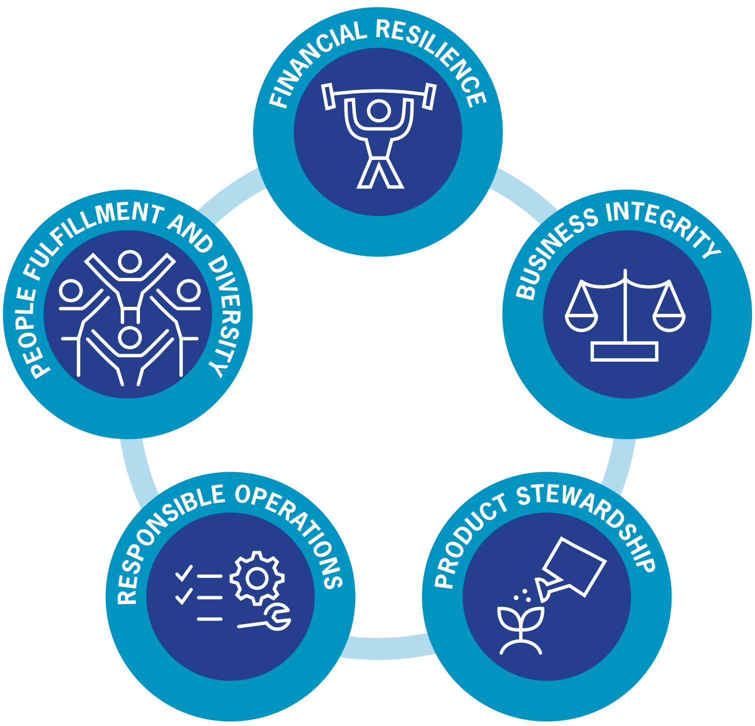

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STRATEGY & BUSINESS

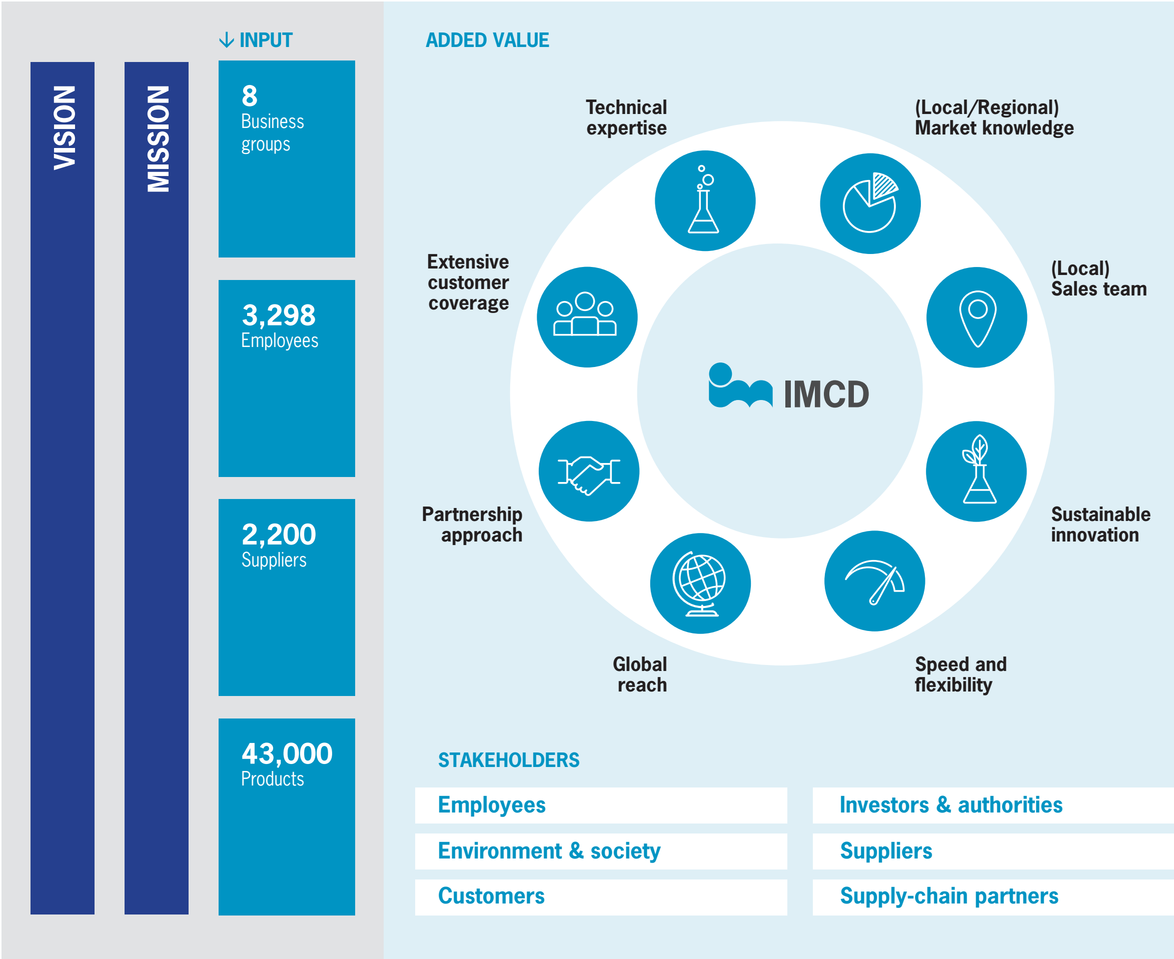
As a leading speciality chemicals distribution partner, IMCD has an important role to play in society, including by protecting health and welfare, improving economic prosperity and helping to create a more sustainable future.

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

Our culture
Culture and values are important to us. They are needed to guide behaviours and decisions of managers and employees in a desired direction and in a certain manner. Our business strategy has been very stable and clear, so individuals know in which direction we want to move the company. In an entrepreneurial business like IMCD, where the freedom to act is key, we cannot - and do not - want to simply set out the desired employee behaviour in detailed handbooks: instead, we outline the principles that guide decision making and conduct. Our values cut across borders, languages and cultures and are the same everywhere, at all times. The combined IMCD values and behaviours of employees define the IMCD culture. Here are a couple of examples that bring our culture to life.

Firstly, **Entrepreneurship** is one of our core values, which we apply for instance when we hire senior managers from external sources: in our interview process we select individuals with proven entrepreneurial experiences or capabilities. Finding highly educated, knowledgeable talent in the chemical industry is not an easy task, and we make it even harder by insisting on the candidate having previous entrepreneurial experiences; after all, we know very well what type of individual will flourish in IMCD.

Freedom to act is another value that allows the type of person described above to make best use of their talents. We believe that the best decisions are those that are taken close to the local market and benefit our customers and we don’t want to stifle sound local judgement with too many centralised policies, processes, rules and regulations.



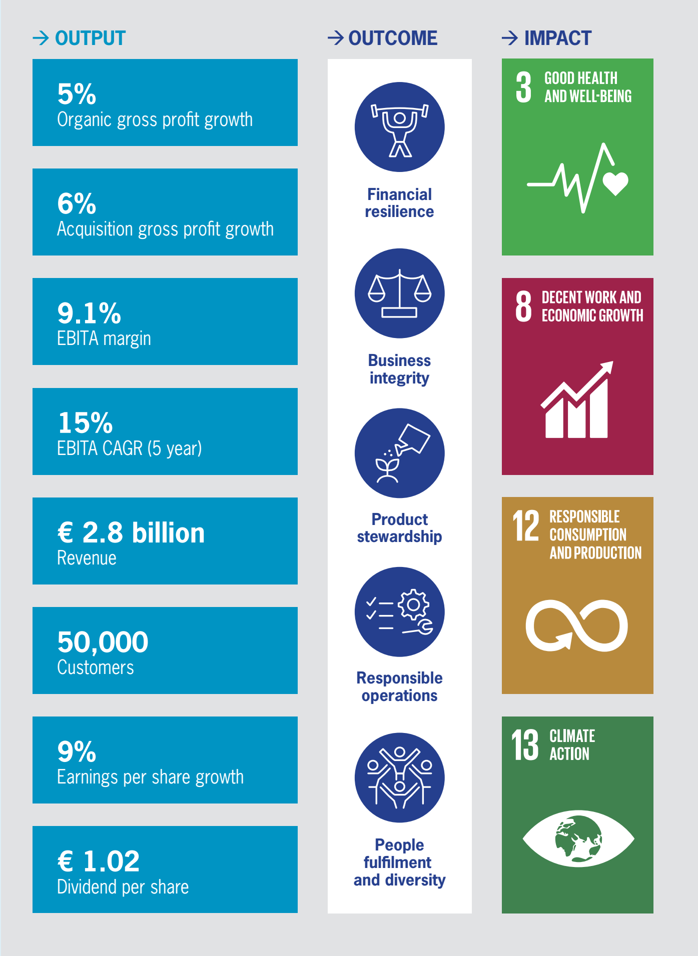
Thirdly, since we operate as the middle-man between suppliers (that's to say large chemical companies and ingredient producers) and our customers, we face commercial realities on two ends of the spectrum. We know that these commercial roles are best performed by individuals who seek common grounds, see opportunities, find solutions and act as true partners for our suppliers and customers. In line with this, **Partnership** is the third of our IMCD values. Some business cultures thrive trough constructive conflict and competition; in IMCD, however, we value employees who develop and maintain positive partnerships with suppliers and customers - for many fruitful years.

Integrity and trust are non-negotiable and are as valid in a small country in an emerging market as in a large country with a mature market. Our country Managing Directors are the guardians of this value; they know and apply our business principles on a daily basis. We have zero tolerance for anyone who who displays conduct or takes decisions not aligned with our values. In 2020, we also rolled out the IMCD Ethics and Compliance Hotline where violations of our IMCD values can be reported 24/7 without fear of reprisal.

The last but not least of our values is **Financial discipline**. We report our finances and financial transactions transparently and in a timely manner through common systems for ERP and Business Information. When we acquire a new company we immediately start a change process to implement our core IT systems and applications.

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

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



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

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Our strategy

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

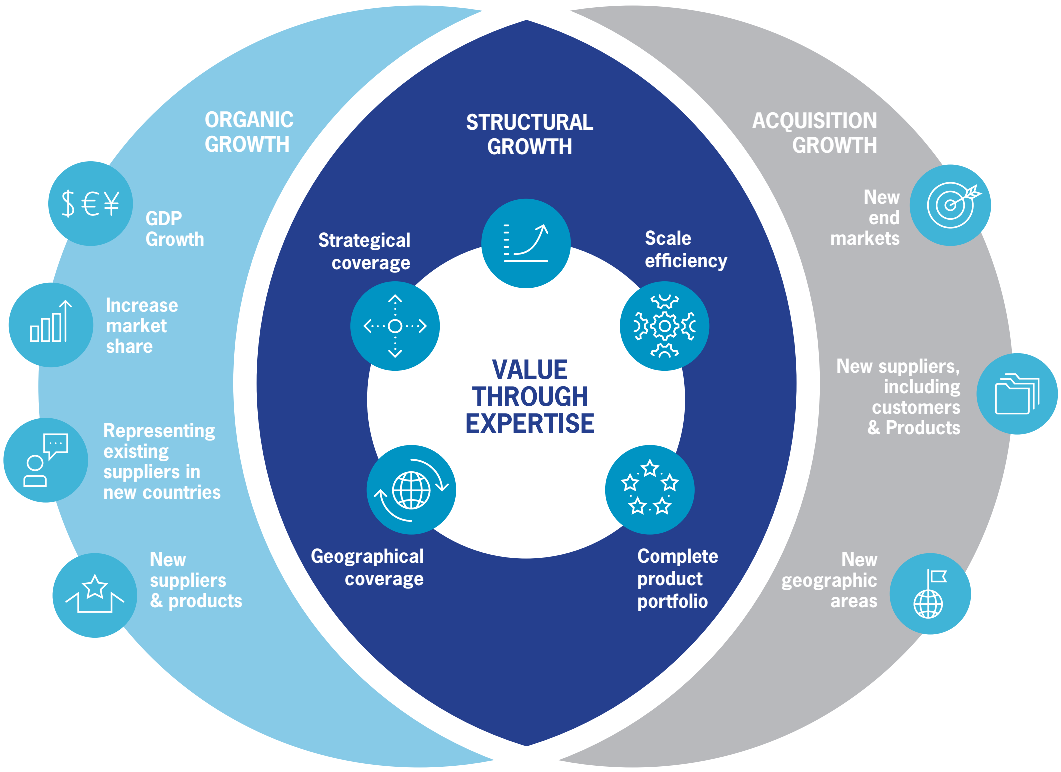
The long-term strategy is in line with the ongoing consolidation of the speciality chemicals distribution market, with manufacturers increasingly looking to outsource to a select number of multi-territory partners.

As part of its approach, IMCD maintains a diversified and asset-light business model with an outsourced supply chain infrastructure. IMCD uses a multi-channel approach to serve its customers; via personal contacts as well as by providing 24/7 access to its online customer portal. All this provides us the flexibility and resilience to respond and adapt to changing circumstances and demands from both the market and society.

Growth strategy execution

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

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



Organic growth

IMCD's organic growth strategy has four main drivers:

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

IMCD aims to achieve organic growth that exceeds market growth in general. Expanding our current supplier relationships and identifying new suppliers who add value and choice for our customers is a fundamental aspect of our organic growth strategy. We have a coordinated and focused approach towards both expanding market share of our existing products and our own business development, with the aim of offering full product portfolios across all geographies.

Acquisition growth

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

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

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

Newly acquired companies are integrated using a well-structured integration programme that provides a swift transition to IMCD's internal reporting, control and compliance systems and ensures optimal realisation of operational and business synergies.

Opportunities, risks and resilience

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

Opportunities and focus areas

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

IMCD is actively exploring ways to optimise its services by digitalising its business processes even further. IMCD's global and integrated customer relationship management systems and product management systems serve as the foundation for the further digitalisation of IMCD's business processes. The evolution towards digital has been materialised by the introduction of the MyIMCD customer portal. MyIMCD is an easy to use collaboration environment, going beyond product search and self-service. On-line services and the added value offered by our sales teams are converging and work synergistically; combining the best of two worlds. Customers have 24/7 access to the portal, for example to download documents, ask for samples, quotes or technical support, place orders and maintain an overview of all historical and actual information of the relationship. Combined with personal contact and bespoke actions of our sales teams, we collaborate in the way the customer prefers and via any channel the customer desires.

Our customers increasingly search on-line for products, solutions and formulations. IMCD embraces multi-channel marketing activities to support the brands of its suppliers in the most extensive way. By using marketing automation, IMCD aims to share the right information to the right person on the right time to and as a result offers the right value to its business partners. Well equipped with the knowledge and formulation expertise of our suppliers we anticipate on trends, challenges and innovations. Marketing is closely connected with MyIMCD portal and IMCD's commercial teams to ensure adequate and quick response to the customers' needs.

Risks and resilience

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

IMCD operates in different, often fragmented market segments in multiple geographic regions, connecting many customers and suppliers across a very diverse product range. In general, results are impacted by macroeconomic conditions and developments in specific industries as well as by the ability to maintain and expand commercial relationships and the timing, scope and impact of acquisitions.

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

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

Management approach

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

To fully engage in its redefined compliance and sustainability plans, IMCD adopted a more centralised approach and re-organised part of its global organisation to take on this role. The resulting Regulatory, Quality and Sustainability organisation reports directly to the Board of Management. Roll-out of its strategy, policies, systems and digital tools will continue in 2021.

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

Sustainability

IMCD recognises that, as it increases its global presence, the focus on sustainable management, - the place where business and sustainability meet -, becomes increasingly more important. We believe that sustainable growth is not only measured by our social or environmental impact, but also by our efforts to improve financial performance and embed this in the IMCD business model.

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

In 2018, IMCD started to work on redefining its group-wide sustainability approach. An internal

FINANCIAL RESILIENCE

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

BUSINESS INTEGRITY

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

PRODUCT STEWARDSHIP

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

RESPONSIBLE OPERATIONS

IMCD is dedicated to the safe and reliable handling of chemicals, ensuring its warehouse operations and transport comply with all standards and that the highest standards are applied for its waste handling and disposal to avoid spills or environmental impact. IMCD continuously seeks to optimise its daily operations and focus on reducing greenhouse gas emissions and the carbon footprint of our activities and in the value chain.

PEOPLE FULFILMENT AND DIVERSITY

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

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

Key areas for sustainability
In 2020, IMCD worked on the further implementation of its group-wide sustainability approach. We published our 2019 Sustainability Report and created the roadmap for our commercial programme "IMCD Sustainable Solutions", a programme that promotes products with a better environmental or health performance compared to mainstream products in the market. In this way, we can use our role as distributor to have a bigger impact than we otherwise would by focusing solely on our internal operations.

In the Sustainability Report published in July 2020, we provided a clear carbon emission reduction target per million EUR EBITDA which we will track every year. This way we can manage our progress and demonstrate our commitments to improving our performance.

For our first Sustainability Report, we performed an internal stakeholder survey, from which emerged 5 key areas which IMCD will focus on, also taking into account the interests of our external stakeholders. In last year's Annual Report, we announced an initiative for external stakeholder engagement in respect of our sustainability approach. Together with an external advisor, a questionnaire was developed to gain more insight into the topics our stakeholders value when interacting with us. This external stakeholder survey was sent out to a selection of suppliers, customers and investors at the beginning of 2021. The outcome of this survey will be used to further define the material aspects of our sustainability approach and related policies and will be reported on in the 2020 Sustainability Report, which is set to be published mid-2021.

Sustainability reporting
In 2020, IMCD published its second Sustainability Report, this time over the year 2019. The report shows IMCD's performance in figures and and provides further insight into the group's operations, locations and environmental impact. Thanks to improvements in how sustainability data is being collected, IMCD has been able to broaden the scope of the group entities included in the report. Further enhancement of the data collection process will continue in 2021 and beyond.

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SDG alignment

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

IMCD's sustainability priorities align with targets relating to at least four of the SDGs that the chemical sector identified as goals it could contribute to. These are shown below.

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

IMCD employs nearly 3,300 people globally and, through its operational activities, reaches some 2,200 suppliers and more than 50,000 customers. This means that IMCD plays a key role in generating rewarding work opportunities, providing fair working conditions and contributing significantly to economic growth, both directly and indirectly.

By simplifying its suppliers' supply chains on a local and a global scale, IMCD enhances process efficiency, increasing efficiency in the use of resources while reducing emissions, energy consumption and waste. IMCD not only achieves this for its partners, but is also committed to working in a responsible, ethical and sustainable manner at all times itself.

Marcus Jordan
President IMCD Americas

"IMCD's ability to rapidly integrate acquired companies is core to the belief that **we are stronger together as one IMCD team in every country in which we operate**. The adoption of a common culture, values and best working practices enables IMCD to accelerate growth for our shareholders and partners."

CHAPTER CONTENTS

PERFORMANCE

The global outbreak of COVID-19 struck most countries around the world, presenting enormous challenges to health systems, spurring widespread lockdowns and closures of schools and businesses, and leading to job losses. Nearly all countries in the world are facing an unprecedented economic downturn. Nevertheless, IMCD was able to remain open for business and delivered a strong performance by further expanding its supplier base and product portfolios and growing its customer base.

We also achieved successes in the further execution of our strategy, with acquisitions in Israel, China, Brazil, Finland, Mexico and most notably India, where we acquired 70% of the shares of Signet Excipients. With the acquisition of Signet, we increased our presence in the high-growth APAC region and delivered on our ambition to strengthen our global business in the distribution of pharmaceutical excipients.

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

Although the severity differs between the various regions in the world, the COVID-19 pandemic has dramatically affected global economic activity since early 2020. Following a significant drop in the first half of 2020, real GDPs bounded to some extent in various countries in the third quarter of the year. The recent intensification of lockdown measures in response to a strong resurgence of COVID-19 infections across many countries resulted in another decline in activity in the fourth quarter of 2020. Although the pandemic is by no means over, the launch of mass vaccinations marks the beginning of the end. The permanent lifting of restrictions placed on millions to halt the pandemic's spread, may now be in sight. The vaccinations, together with substantial support measures throught monetary and fiscal policies, should enable a solid rebound in the course of 2021.

During the pandemic, our teams have been working from home at all our locations globally. The adoption of remote working has allowed us to continue providing our services to customers and suppliers. Facilitated by digital communications and technologies to stay in contact with our partners, we have been able to continue our operations efficiently while securing an undisrupted supply chain and timely delivery of our products. We are continuously monitoring the situation and are providing regular updates to our suppliers and customers.

Despite the challenging market conditions, IMCD's multi-market and geographical coverage, combined with its diversified supplier and product portfolio, provide financial resilience and have enabled IMCD to deliver solid results in 2020.

To support customers' technical needs, IMCD operates 55 application laboratories, spread across the world, sharing detailed application knowledge relating to its comprehensive speciality ingredient portfolio from leading supplier partners. Together with IMCD's business partners, IMCD's technologists are developing innovative application concepts. IMCD's state-of-the-art laboratory facilities also play an important role in training and sharing knowledge with the IMCD sales force, ensuring they stay abreast of market trends and developments and fully understand the functionalities and characteristics of the products in the portfolio. In 2020, IMCD opened three enhanced technical centres.

In Canada, the IMCD Food & Nutrition Technical Centre expanded with two new application laboratories featuring a pilot ultra-high temperature (UHT) pasteurization plant, as well as confectionery and nutrition capabilities to support North American customers' product development experience. In Bangkok, Thailand, IMCD opened a new Personal Care Application Laboratory. This facility further strengthened IMCD's technical capability to better support its customers and suppliers in the Asia Pacific region. The facility will focus mainly on skin, sun care and colour cosmetics. In addition, in 2020 IMCD opened its meat, seafood & plant-based analogues pilot plant in Bangkok, to support its Asia Pacific customers and suppliers with the best-in-class infrastructure and technical expertise. This facility provides customers the flexibility to run tests with the applications of plant-based products in an environment similar to their own operations.

IMCD continues to optimise its global processes for sales/presales, supply chain, health, safety, quality and finance & control in order to assure operational excellence and an ongoing high level of service to its business partners. Operational improvements are facilitated via sophisticated, modern IT solutions supported by external specialists. IMCD considers its digital platform to be a key facilitator for its omnichannel business model and for securing a leading position in the speciality chemicals distribution market.

Amongst other projects, in 2020 IMCD successfully ran e-commerce pilots in the EMEA region, further scaled up its digital marketing through business groups and territories, launched its new corporate website, rolled out a new business analytics platform, matured its CRM application and further implemented the global roll-out of its ERP system.

IMCD is committed to sustainability and transparency and to open communication about its business, environmental footprint and social goals. In July 2020, IMCD published its second sustainability report, providing information about energy consumption, water use and greenhouse gas emissions for 2019, with an extended geographical scope compared to IMCD's first Sustainability Report. IMCD continues to work on improving data recording and collection with the aim to expand its analysis and reporting to a global scale.

IMCD's sustainability agenda also includes the initiatives that the company has developed to help its customers reduce their environmental footprint and create financial savings. Last year, the company established the IMCD "Sustainable Solutions". This programme enables the company to work together with suppliers and customers to determine what products in their current portfolio can be qualified as sustainable and to find sustainable alternatives to products already in use, reducing their environmental footprint.

Acquisitions

In the execution of its strategy to create sustainable growth for its stakeholders, IMCD completed the acquisition of seven businesses in 2020.

On 17 January 2020, IMCD acquired 100% of the shares of Zifroni Chemical Suppliers Ltd ("Zifroni"). Zifroni is a distributor of pharmaceutical, personal care and other speciality chemical ingredients in Israel. The company has 9 employees and generated a revenue of EUR 10 million in 2019. The acquisition of Zifroni is another step in the globalisation of IMCD's pharmaceutical business.

On 13 July 2020, IMCD acquired the pharmaceutical business in China of Develing International Trade (Shanghai) Co. Ltd. ("Develing"). The acquired business, with annual sales of approximately EUR 10 million, is synergistic with IMCD's existing product range and has been fully integrated into IMCD China's Pharma business unit.

On 19 August 2020, IMCD acquired 100% of the outstanding shares of Brazilian speciality ingredient distributor, VitaQualy Comércio de Ingredientes LTDA ("VitaQualy"). Based in São Paulo, Brazil, VitaQualy has an asset light business model and holds long-term customer and supplier relationships as an ingredient distributor to the food, nutrition, pharmaceuticals and nutraceuticals markets. VitaQualy generated a revenue of BRL 26 million (approx. EUR 4 million) in 2019 and adds eight employees to the IMCD Brasil team. The company will be fully integrated into IMCD's organisation in 2021.

On 17 September 2020, IMCD acquired 100% of the share capital in Oy Kokko-Fiber Ab ("Kokko-Fiber"), a supplier of fibre-reinforced plastic composite materials in Finland. Kokko-Fiber has five employees and generated a revenue of EUR 9 million in 2019.

On 4 November 2020, IMCD acquired 70% of the outstanding shares in Signet Excipients Private Limited ("Signet"), one of the leading distributors of excipients in India. IMCD will acquire the remaining 30% of the share capital in Signet by 2024. Signet is well aligned with the IMCD business model and strategy and provides a significant platform for further growth in India and the Asia-Pacific region. Signet focusses on the distribution of pharmaceutical, nutraceutical and bio-pharma excipients across categories such as diluents, fillers, sweeteners, disintegrants, binders, surfactants and others. Based in Mumbai, Signet is active in India, Bangladesh, the Middle East and Africa. With approximately 100 employees, Signet generated a revenue of INR 13.2 billion (approx. EUR 152 million) in the last twelve months up to and including June 2020, and realised a normalised EBITA of INR 3.4 billion (approx. EUR 39 million).

On 4 December 2020, IMCD acquired 100% of the shares of two speciality distribution companies, Millikan S.A. de C.V. ("Millikan") and Banner Química S.A. de C.V. ("Banner Química"). Both based in Mexico City, Millikan and Banner Química collectively generated a revenue of USD 15 million in 2019 and add 60 employees to the IMCD Mexico team. Millikan and Banner Química serve customers in the food, nutrition, pharmaceuticals and industrial markets.

In addition to the acquisitions completed in 2020, IMCD signed agreements to acquire 100% of the shares in the South African distributor Siyeza Fine Chem Propriety Limited ("Siyeza"), the pharmaceutical business of Peak International Products B.V. ("Peak International") and the personal care business of Ejder Kimya İlaç Danışmanlık Sanayi ve Ticaret A.Ş. ("Ejder Kimya").

On 1 September 2020, IMCD signed an agreement to acquire 100% of the shares in Siyeza. Siyeza, based in Johannesburg, is a distributor of pharmaceutical, veterinary, food and personal care speciality chemical ingredients in South Africa. The company has 27 employees and generated a revenue of EUR 12 million in 2019 through their representation of world leading producers from Europe and Asia. The transaction was closed on 8 January 2021.

On 5 November 2020, IMCD signed an agreement to acquire the pharmaceutical business of Peak International Products B.V. ("Peak International"). Peak International is a Dutch-based distributor in the active pharmaceutical ingredients business for Benelux, Vietnam, Germany and Israel. The Peak pharmaceutical business generated a revenue of approximately EUR 5.8 million in 2019. The transaction was closed on 7 January 2021.

On 26 November 2020, IMCD signed the agreement to acquire the personal care business of Ejder Kimya. Ejder Kimya is a Turkish chemicals distributor of raw materials for personal care and pharmaceuticals products and food additives. It has a strong and solid position in the personal care market in Turkey. Ejder Kimya's personal care business generated a revenue of EUR 4.7 million in 2019. The transaction was closed on 6 January 2021.

General

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

Financial performance

Key performance indicators for 2020

EUR MILLION	2020	2019	CHANGE	FX ADJ. CHANGE
Revenue	2,774.9	2,689.6	3%	6%
Gross profit	647.5	599.3	8%	11%
Gross profit in % of revenue	23.3%	22.3%	1.0%	
Operating EBITA	253.5	224.8	13%	16%
Operating EBITA in % of revenue	9.1%	8.4%	0.7%	
Conversion margin	39.2%	37.5%	1.7%	
Cash conversion margin	109.3%	97.4%	11.9%	
Cash earnings per share	3.22	2.85	13%	

In 2020, IMCD realised revenue growth of 3% (+6% on a constant currency basis) and gross profit growth of 8% (+11% on a constant currency basis). Operating EBITA increased by 13% from EUR 224.8 million in 2019 to EUR 253.5 million in 2020 (+16% on a constant currency basis). The operating EBITA margin improved by 0.7%-point to 9.1% (2019: 8.4%).

The cash conversion margin was 109.3% in 2020, compared with 97.4% in 2019. The weighted cash earnings per share increased from by EUR 0.37 from EUR 2.85 in 2019 to EUR 3.22 in 2020.

Revenue

	EUR MILLION				GROWTH			
	2020	IN % TOTAL	2019	IN % TOTAL	ORGANIC	ACQUISITION	FOREIGN EXCHANGE	TOTAL
EMEA	1,326.9	47.8%	1,314.6	48.9%	(2%)	5%	(2%)	**1%**
Americas	945.1	34.1%	983.0	36.5%	(1%)	1%	(4%)	**(4%)**
Asia-Pacific	502.9	18.1%	392.0	14.6%	11%	21%	(4%)	**28%**
Total	**2,774.9**	**100.0%**	**2,689.6**	**100.0%**	**0%**	**6%**	**(3%)**	**3%**

Compared with 2019, revenue increased by 3% to EUR 2,774.9 million in 2020. The revenue growth is the balance of the first-time inclusion of acquisitions (+6%) and a negative impact of foreign currency exchange differences (-3%).

Diverse market conditions and the unprecedented dynamics caused by the COVID-19 pandemic in the various regions and market segments had an impact on the organic revenue growth. The weakening of various local currencies versus the euro resulted in a negative impact on revenue of -3%.

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

Revenue was positively impacted by acquisitions completed in 2020, these being Zifroni, Develing, VitaQualy, Kokko-Fiber, Signet, Millikan and Banner Química and acquisitions completed in 2019, i.e. Matrix, Monachem and Addpol, Unired, DCS and Whawon. The total positive impact of the acquisitions on the revenue in 2020 was 6%.

Gross profit

	EUR MILLION				GROWTH			
	2020	IN % REVENUE	2019	IN % REVENUE	ORGANIC	ACQUISITION	FOREIGN EXCHANGE	TOTAL
EMEA	337.4	25.4%	325.4	24.7%	1%	5%	(2%)	**4%**
Americas	204.2	21.6%	193.6	19.7%	10%	1%	(5%)	**6%**
Asia-Pacific	105.9	21.1%	80.3	20.5%	10%	25%	(3%)	**32%**
Total	**647.5**	**23.3%**	**599.3**	**22.3%**	**5%**	**6%**	**(3%)**	**8%**

Gross profit, defined as revenue less cost of materials and inbound logistics, increased by 8% from EUR 599.3 million in 2019 to EUR 647.5 million in 2020. The increase in gross profit was the balance of organic growth (5%), the first-time inclusion of acquisitions (6%) and the negative impact of foreign currency exchange rate developments (-3%).

Gross profit in % of revenue increased by 1.0%-point from 22.3% in 2019 to 23.3% in 2020. All regions contributed to the improved gross profit margin in 2020. Gross profit margins showed the usual level of differences in margins per region, margins per product and margins per product market combination. Differences between and within the regions are caused by local market circumstances, product mix variances, product availability, foreign currency fluctuations and the impact of newly acquired businesses.

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

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

Bridge operating EBITA

EUR MILLION	2020	2019	CHANGE
Result from operating activities	**191.8**	**176.1**	15.7
			-
Amortisation of intangible assets	56.5	44.2	12.3
Non-recurring items	5.3	4.6	0.7
Operating EBITA	**253.5**	**224.8**	**28.7**

Operating EBITA increased by EUR 28.7 million (13%) from EUR 224.8 million in 2019 to EUR 253.5 million in 2020. On a constant currency basis, the increase was 16%.

The growth in operating EBITA of 13% was a combination of organic growth, the first-time inclusion of acquisitions completed in 2019 and 2020 and the negative impact of foreign currency exchange differences (-3%).

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

Operating EBITA

	EUR MILLION			
	2020	IN % REVENUE	2019	IN % REVENUE
EMEA	131.2	9.9%	126.3	9.6%
Americas	86.0	9.1%	77.8	7.9%
Asia-Pacific	52.9	10.5%	35.7	9.1%
Holding companies	(16.6)	-	(15.0)	-
Total	**253.5**	**9.1%**	**224.8**	**8.4%**

The operating EBITA in % of revenue increased by 0.7%-point from 8.4% in 2019 to 9.1% in 2020. All regions showed improved operating EBITA margins. In EMEA the EBITA margin increased by 0.3%-point, from 9.6% in 2019 to 9.9% in 2020. The Americas segment showed an improvement in EBITA margin of 1.2%-point from 7.9% in 2019 to 9.1% in 2020. In Asia-Pacific the EBITA margin increased by 1.4%-point, from 9.1% in 2019 to 10.5% in 2020.

The conversion margin, defined as operating EBITA as a percentage of gross profit, increased from 37.5% in 2019 to 39.2% in 2020. The conversion margin was, amongst other things, positively impacted by the first-time inclusion of acquired companies with higher gross margins than IMCD's average.

Operating EBITA by operating segment
IMCD distinguishes the following operating segments:
- EMEA: all operating companies in Europe, Turkey, Israel, United Arab Emirates and Africa
- Americas: all operating companies in the United States, Canada, Brazil, Puerto Rico, Chile, Argentina, Uruguay, Colombia and Mexico

- Asia-Pacific: all operating companies in Australia, New Zealand, India, Bangladesh, China, Malaysia, Indonesia, Philippines, Thailand, Singapore, Vietnam, Japan and South Korea
- Holding companies: all non-operating companies, including the head office in Rotterdam and the regional offices in Singapore and New Jersey, USA

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

EMEA

EUR MILLION	2020	2019	CHANGE	FX ADJ. CHANGE
Revenue	1,326.9	1,314.6	1%	3%
Gross profit	337.4	325.4	4%	5%
Gross profit in % of revenue	25.4%	24.7%	0.7%	
Operating EBITA	131.2	126.3	4%	6%
Operating EBITA in % of revenue	9.9%	9.6%	0.3%	
Conversion margin	38.9%	38.8%	0.1%	

In 2020, the revenue in the EMEA region increased by 1% compared to 2019. On a constant currency basis, the increase was 3% consisting of organic revenue development (-2%) and the impact of the first-time inclusion of acquisitions completed in 2019 and 2020 (5%). In particular, the more industrial part of the business in EMEA was effected by the challenging macroeconomic market circumstances. The acquisition impact of 5% relates to the acquisition of DCS (2019), Zifroni (2020) and Kokko-Fiber (2020).

Gross profit increased by 4%, from EUR 325.4 million in 2019 to EUR 337.4 million in 2020. The gross profit increase of 4% is the balance of organic gross profit development (+1%), the first-time inclusion of acquisitions (+5%) and negative foreign currency developments (-2%). Despite the challenging market conditions, in particular due to the impact of the COVID-19 pandemic, in many EMEA countries, IMCD successfully added new suppliers and further expanded its relationships with existing suppliers in new territories and with additional business lines. Organic gross profit development further included the usual variations in the product and customer mix.

On 17 January 2020, IMCD acquired 100% of the shares of Zifroni Chemical Suppliers Ltd. Zifroni is a distributor of pharmaceutical, personal care and other speciality chemical ingredients in Israel. The company has 9 employees and generated a revenue of EUR 10 million in 2019. The acquisition of Zifroni is another step in the globalisation of IMCD's pharmaceutical business.

On 17 September 2020, IMCD acquired 100% of the share capital in Kokko-Fiber, a supplier of fibre-reinforced plastic composite materials in Finland. Kokko-Fiber has five employees and generated a revenue of EUR 9 million in 2019.

In addition to the two aforementioned completed transactions, IMCD signed three acquisition agreements in the second half of 2020.

On 1 September 2020, IMCD signed an agreement to acquire 100% of the shares in Siyeza. Based in Johannesburg, Siyeza is a distributor of pharmaceutical, veterinary, food and personal care speciality chemical ingredients in South Africa. The company has 27 employees and generated a revenue of EUR 12 million in 2019 through their representation of world leading producers from Europe and Asia. The transaction was closed on 8 January 2021.

On 5 November 2020, IMCD signed an agreement to acquire the pharmaceutical business of Peak International Products B.V. Peak International is a Dutch-based distributor in the active pharmaceutical ingredients business for Benelux, Vietnam, Germany and Israel. The Peak pharmaceutical business generated a revenue of approximately EUR 5.8 million in 2019. The transaction was closed on 7 January 2021.

On 26 November 2020, IMCD signed the agreement to acquire the personal care business of Ejder Kimya. Ejder Kimya is a Turkish chemicals distributor of raw materials for personal care and pharmaceuticals products and food additives. It has a strong and solid position in the personal care market in Turkey. Ejder Kimya's personal care business generated a revenue of EUR 4.7 million in 2019. The transaction was closed on 6 January 2021.

In 2020, IMCD worked on the commercial, organisational and legal integration of the DCS organisation, acquired in December 2019, into its own organisation. The integration is planned to be fully completed in the first half of 2021.

IMCD completed the incorporation of IMCD Middle East FZCo and IMCD Middle East Trading LLC in Dubai in 2020. From the office in Dubai, IMCD serves the Gulf Cooperation Council (Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman) as well as Jordan. IMCD finalised the incorporation of IMCD Saudi Arabia Trading LLC in January 2021.

IMCD continued to optimise its supply chain network in 2020, in order to enhance customer service levels and to reduce operating costs in the supply chain. System-to-system connectivity and process integration of the supply chain partners is crucial for achieving the optimisation.

IMCD operates 23 Technical Centres in EMEA. These Technical Centres are instrumental in exploring local markets and developing product applications for IMCD's business partners. In addition, in the various application laboratories market and product expertise is exchanged between IMCD, suppliers and customers on a local, regional and global level.

Operating EBITA increased by 4% from EUR 126.3 in 2019 to EUR 131.2 million in 2020. Operating EBITA in % of revenue increased by 0.3%-point, from 9.6% in 2019 to 9.9% in 2020.

The conversion margin increased by 0.1%-point, from 38.8% in 2019 to 38.9% in 2020. The negative impact of the difficult market conditions and the postive impact of the lower operational expenditures (business travel, car expenses, trade fairs) due to the COVID-19 restrictions, were the main drivers of the development of the conversion margin in 2020. IMCD continues to focus on revenue and gross profit growth, combined with strict cost control.

As at the end of 2020, the number of full-time employees in EMEA was 1,485 compared with 1,419 as at the end of 2019. The increase in the number of full-time employees is due to additional staff being hired to fill vacancies and to strengthen the technical expertise, and to a limited extent to the impact of acquisitions completed in 2020 (+14 full-time employees).

Americas

EUR MILLION	2020	2019	CHANGE	FX ADJ. CHANGE
Revenue	945.1	983.0	(4%)	0%
Gross profit	204.2	193.6	6%	11%
Gross profit in % of revenue	21.6%	19.7%	1.9%	
Operating EBITA	86.0	77.8	11%	16%
Operating EBITA in % of revenue	9.1%	7.9%	1.2%	
Conversion margin	42.1%	40.2%	1.9%	

In 2020 economies in both North and South America suffered from the COVID-19 containment measures, constraining domestic activity. Rising unemployment rates and income losses decimated household spending, while continuing uncertainty hampered investments. Moreover, muted global demand constrained the external sector. Nevertheless, despite the downside risks of a prolonged health crisis and political tensions, the main North American and South American economies are both expected to rebound in 2021.

In the Americas segment, revenue was EUR 945.1 million in 2020 compared with EUR 983.0 million in 2019. Revenue decreased organically by 1% in 2020 and growth, as a result of acquisitions completed in 2019 (Unired and DCS Mexico) and 2020 (VitaQualy, Millikan and Banner Química), was 1%. The unfavourable developments of foreign currency exchange rates in the Americas region, resulted in a negative currency exchange impact of 4% on the revenues in 2020.

In 2020, IMCD successfully completed two acquisitions.

On 19 August 2020, IMCD acquired 100% of the outstanding shares of Brazilian speciality ingredient distributor, VitaQualy. Based in São Paulo, Brazil, VitaQualy has an asset light business model and holds long-term customer and supplier relationships as an ingredient distributor to the food, nutrition, pharmaceuticals and nutraceuticals markets. VitaQualy generated a revenue of BRL 26 million (approx. EUR 4 million) in 2019 and adds eight employees to the IMCD Brasil team. The company will be fully integrated into IMCD's organisation in 2021.

On 4 December 2020, IMCD acquired 100% of the shares of two speciality distribution companies, Millikan and Banner Química. Both based in Mexico City, Millikan and Banner Química collectively generated a revenue of USD 15 million in 2019 and add 60 employees to the IMCD Mexico team. Millikan and Banner Química server customers in the food, nutrition, pharmaceuticals and industrial markets.

In 2020, the Americas segment reported a gross profit increase of 6% to EUR 204.2 million, compared with EUR 193.6 million in 2019. The increase in gross profit was the result of organic growth (10%), the impact of the first-time inclusion of acquired companies (1%) and negative foreign currency exchange results (-5%).

Gross profit margin increased by 1.9%-point, from 19.7% in 2019 to 21.6% in 2020. Apart from the impact of a change in accounting for outbound freight charges (approximately +0.5%) relating to the former E.T. Horn business, which is now fully integrated in IMCD, gross margin improvements are the result of gross margin improvement initiatives and changes in the product mix.

Operating EBITA was EUR 86.0 million in 2020, compared with EUR 77.8 million in 2019 (+ 11%). On a constant currency basis the operating EBITA increased by 16%. Apart from a modest impact of acquisitions completed in 2019 and 2020, the main drivers of the operating EBITA increase are the organic business developments.

Operating EBITA margin increased by 1.2%-point from 7.9% in 2019 to 9.1% in 2020. The conversion margin increased by 1.9%-point from 40.2% in 2019 to 42.1% in 2020. The increased EBITA margin and conversion margin in 2020 were the result of improved gross margins in combination with a lower level of operational expenses, which is primarily due to the COVID-19 restrictions and driven by cost optimisation efforts.

The number of full-time employees in the Americas increased from 783 as at the end of 2019 to 860 as at the end of 2020. This increase includes 71 additional full-time employees as a result of acquisitions in 2020 (VitaQualy: 9, Millikan: 44 and Banner Química: 18).

Asia-Pacific

EUR MILLION	2020	2019	CHANGE	FX ADJ. CHANGE
Revenue	502.9	392.0	28%	33%
Gross profit	105.9	80.3	32%	36%
Gross profit in % of revenue	21.1%	20.5%	0.6%	
Operating EBITA	52.9	35.7	48%	53%
Operating EBITA in % of revenue	10.5%	9.1%	1.4%	
Conversion margin	49.9%	44.4%	5.5%	

Despite considerable differences between the various countries in the region, Asia-Pacific realised strong growth numbers in 2020. The most significant contributors to the revenues in Asia-Pacific, i.e. Australia/New Zealand and India, delivered solid growth numbers and continued to generate healthy cash flows. Most of the other territories in the Asia-Pacific region delivered double digit revenue growth numbers in 2020.

IMCD continued with the execution of its selective acquisition strategy, which led to two acquisitions in the Asia-Pacific region in 2020.

On 13 July 2020, IMCD acquired the pharmaceutical business in China of Develing International Trade (Shanghai) Co. Ltd. The acquired business, with annual sales of approximately EUR 10 million, is synergistic with IMCD's existing product range and has been fully integrated into IMCD China's Pharma business unit.

On 4 November 2020, IMCD acquired 70% of the outstanding shares of Signet, one of the leading distributors of excipients in India. IMCD will acquire the remaining 30% of the share capital of Signet by 2024. Signet is well aligned with the IMCD business model and strategy and provides a significant platform for further growth in India and the Asia-Pacific region. Signet focusses on the distribution of pharmaceutical, nutraceutical and bio-pharma excipients across categories such as diluents, fillers, sweeteners, disintegrants, binders, surfactants and others. Based in Mumbai, Signet is active in India, Bangladesh, the Middle East and Africa. With approximately 100 employees, Signet generated a revenue of INR 13.2 billion (approx. EUR 152 million) in the last twelve months up to and including June 2020, and realised a normalised EBITA of INR 3.4 billion (approx. EUR 39 million).

In Asia-Pacific, revenue increased by 28% from EUR 392.0 million in 2019 to EUR 502.9 million in 2020. Revenue growth in 2020, comprises organic growth of 11%, 21% growth as a result of acquisitions completed in 2019 and 2020, and negative currency exchange developments of -4%.

Gross profit increased by 32% in 2020, of which 11% relates to organic growth and 25% is the result of the first time inclusion of businesses acquired in 2019 and 2020. The gross profit margin increased by 0.6%-point from 20.5% in 2019 to 21.1% in 2020. The gross profit margin increase is the result of gross margin improvement initiatives, changes in the product mix and the impact of the first time inclusion of acquired businesses with gross margins higher than IMCD's average.

Compared with 2019, operating EBITA increased by 48% to EUR 52.9 million in 2020. On a constant currency basis, the growth of operating EBITA was 53%.

Operating EBITA in % of revenue increased by 1.4%-point from 9.1% in 2019 to 10.5% in 2020. The conversion margin further improved by 5.5%-point to 49.9% in 2020. The improvement of the conversion margin is the result of higher gross margins in combination with relatively lower operational expenditures, also due to the restriction related to the COVID-19 pandemic. In addition, the acquisition of Signet had a positive impact on the development of the conversion margin in the Asia-Pacific segment.

The number of full time employees in the Asia-Pacific region increased by 19%, from 724 at the end of 2019 to 864 at the end of 2020. Disregarding the impact of the acquisitions of the business of Develing in China (6 FTE) and Signet (97 FTE), the number of full-time employees increased by 5%.

Holding Companies

EUR MILLION	2020	2019	CHANGE	FX ADJ. CHANGE
Operating EBITA	(16.6)	(15.0)	(10%)	(12%)
Operating EBITA in % of total revenue	(0.6%)	(0.6%)	0.0%	

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

Operating costs increased by EUR 1.6 million (+10%) from EUR 15.0 million in 2019 to EUR 16.6 million in 2020. On a constant currency basis, the increase is 12%. The cost increase reflects the growth of IMCD and as a consequence the need to strengthen the support functions in both Rotterdam and the regional head offices. Despite the increase in absolute value, operating costs of the Holding Companies in percentage of consolidated revenue remained stable at 0.6% in 2020.

As at the end of 2020, the number of full-time employees of the Holding Companies was 89 compared with 65 at year-end 2019.

Result for the year

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

Result for the year

EUR MILLION	2020	2019
Operating EBITA	**253.5**	**224.8**
Amortisation right-of-use intangible assets	(6.0)	(4.1)
Amortisation of other intangible assets	(50.5)	(40.1)
Non-recurring income and expenses	(5.3)	(4.6)
Result from operating activities	**191.8**	**176.1**
Recurring net finance costs	(26.1)	(26.8)
Share of profit of equity-accounted investees, net of tax	(0.0)	0.1
Result before income tax	**165.7**	**149.4**
Recurring income tax expenses	(44.8)	(39.3)
Non-recurring income tax expenses	-	(2.1)
Result for the year	**120.9**	**108.0**

Amortisation of intangible assets

Amortisation of intangible assets are non-cash expenses, related to the amortisation of right-of-use intangible assets, supplier relationships, distribution rights and other intangibles. Amortisation of right-of-use assets relates to the amortisation of the capitalised rights of the usage of customised software. Amortisation related to the right-of-use assets increased by EUR 1.9 million in 2020, as a result of the further expansion of our global digital infrastructure.

The amortisation of other intangible assets increased from EUR 40.1 million in 2019 to EUR 50.5 million in 2020 as a result of the acquisitions completed in 2019 and 2020. The amortisation of the intangible assets of Signet were EUR 3.0 million for the two months period since its acquisition.

Non-recurring income and expenses

In 2020, non-recurring income and expenses amounted to EUR 5.3 million compared to EUR 4.6 million in 2019. The non-recurring expenses in 2020 relates to realised and non-realised acquisitions and costs of one-off adjustments to the organisation, primarily related to integration processes.

Net finance costs

The net finance costs consist of the following items:

EUR MILLION	2020	2019
Interest income on loans and receivables	0.6	0.7
Interest expenses on financial liabilities	(17.4)	(20.5)
Changes in deferred considerations	2.0	(0.4)
Amortisation of finance costs	(0.6)	(0.6)
Interest costs re employee benefits	(0.4)	(0.6)
Interest expenses on lease liabilities	(2.7)	(2.7)
Foreign currency exchange results	(7.5)	(2.8)
Net finance costs	**(26.1)**	**(26.8)**

Net finance costs were EUR 26.1 million in 2020 compared with EUR 26.8 million in 2019. The main drivers of the decrease in net finance costs of EUR 0.7 million were higher foreign currency exchange results (EUR 4.7 million) off-set by less interest expenses on financial liabilities (EUR -3.0 million) and adjustments to the fair value of contingent considerations (EUR -2.4 million).

Income tax

Income tax expenses increased by EUR 3.5 million, from EUR 41.3 million in 2019 to EUR 44.8 million in 2020. This increase could be specified as follows.

EUR MILLION	2020	2019
Regular income tax expenses	(48.0)	(43.0)
Adjustments for prior years	(1.5)	0.2
(De-)recognition of previously (un)recognised tax losses	0.3	0.6
Tax credits related to amortisation of intangible assets	4.6	2.6
Changes in tax rates	(0.2)	0.4
Non-recurring tax expenses	-	(2.1)
Income tax expenses	**(44.8)**	**(41.3)**

The regular corporate income tax expenses increased from EUR 43.0 million in 2019 to EUR 48.0 million in 2020. Regular tax as a percentage of result before income tax and amortisation of intangibles (EUR 222.2 million in 2020 and EUR 193.6 million in 2019) was 21.6% compared with 22.2% in 2019.

The increase in income tax expenses in 2020 is mainly due to the higher profitability of the group. The restructuring and integration of acquired businesses led to a non-recurring income tax expense of EUR 2.1 million in 2019.

Further details of the tax calculation can be found in note 15 of the consolidated financial statements.

Net result before amortisation and non-recurring items

Net result before amortisation of intangible assets, net of tax and before non-recurring items increased by EUR 21.9 million, from EUR 156.2 million in 2019 to EUR 178.1 million in 2020. The main drivers of this increase were the higher operating EBITA (+13%) and lower net finance costs (-3%), partly offset by increased (recurring) tax expenses (+13%).

EUR MILLION	2020	2019
Result for the year	**120.9**	**108.0**
Amortisation of intangible assets	56.5	44.2
Tax credits related to amortisation	(4.6)	(2.6)
Non-recurring result from operating activities	5.3	4.6
No recurring tax expenses	-	2.1
Net result before amortisation and non-recurring items	**178.1**	**156.2**

Earnings per share and cash earnings per share

Weighted earnings per share increased by EUR 0.20 (+9%) from EUR 2.06 in 2019 to EUR 2.25 in 2020. Weighted cash earnings per share, calculated as earnings per share before amortisation of intangible assets, net of tax, divided by the weighted average number of outstanding shares, increased by EUR 0.36 (+13%) from EUR 2.85 in 2019 to EUR 3.22 in 2020.

EUR MILLION	2020	2019
Result for the year	120.9	108.0
Amortisation of intangible assets	56.5	44.2
Tax credits related to amortisation of intangible assets	(4.6)	(2.6)
Result for the year before amortisation (net of tax)	**172.8**	**149.6**
Weighted average number of shares (x million)	53.7	52.5
Cash earnings per share (weighted)	**3.22**	**2.85**

Dividend

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

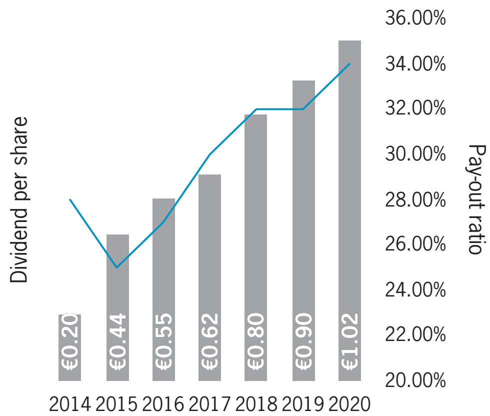
In 2020, IMCD realised adjusted net income of EUR 172.8 million (EUR 3.22 per share), compared with EUR 149.6 million (EUR 2.85 per share) in 2019.

The main rationale for the dividend proposal of IMCD is a combination of maintaining room for further acquisition growth combined with assuring reasonable leverage levels, facilitating IMCD's long-term growth strategy. For the financial year 2020 a dividend of EUR 1.02 per share will be proposed to the Annual General Meeting. Compared with 2019 this means an increase of EUR 0.12 per share (+13%).

Approval of the dividend proposal by the Annual General Meeting will lead to a dividend distribution of EUR 58.1 million in cash (2019: EUR 47.3 million), which is 34% of the net result 2020 adjusted for non-cash amortisation charges, net of tax (2019: 32%).

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

Development dividend per share



Cash flow

EUR MILLION	2020	2019
Operating EBITA	**253.5**	**224.8**
Depreciation	25.6	22.0
Operating EBITDA	**279.1**	**246.8**
Lease payments	(25.8)	(21.7)
Share based payments	4.6	3.0
Adjusted Operating EBITDA	**257.9**	**228.1**
Inventories	5.9	(0.5)
Trade and other receivables	6.2	0.6
Trade and other payables	18.6	(0.7)
Change operational working capital	**30.6**	**(0.5)**
Capital expenditure	(6.6)	(5.4)
Free cash flow	**282.0**	**222.2**
Cash conversion margin	109.3%	97.4%

Free cash flow is defined as operating EBITDA excluding non-cash share-based payment expenses, less lease payments, plus or less changes in working capital, less capital expenditures. Free cash flow increased by EUR 59.8 million from EUR 222.2 million in 2019 to EUR 282.0 million in 2020. The cash conversion margin is defined as free cash flow as a percentage of adjusted operating EBITDA and adjusted operating EBITDA is the operating EBITDA adjusted for non-cash share-based payments and lease premiums. The cash conversion margin increased by 11.9%-point from 97.4% in 2019 to 109.3% in 2020.

The increase in the cash conversion margin in 2020 is mainly the result of higher operating EBITDA in combination with less working capital investments compared with 2019. The investment in operational working capital in 2020, which excludes additional working capital as a result of acquisitions completed in 2020, amounts to EUR -30.6 million, compared with EUR 0.5 million in 2019. The consolidated change in operational working capital is the accumulated total of the monthly operational working capital changes in local currencies translated into EUR, using the monthly average exchange rates.

The relatively low level of operational net working capital in 2020 is the result of stringent net working capital management, the positive impact of currency exchange results and other external factors including the impact of COVID-19.

IMCD's asset-light business model resulted in relatively low capital expenditure considering the size of the overall operations and amounted to EUR 6.6 million in 2020, compared with EUR 5.4 million in 2019. 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 2020	31 DECEMBER 2019
Property, plant and equipment	95.0	90.3
Intangible assets	1,566.8	1,141.2
Financial assets	43.7	40.1
Non-current assets	**1,705.5**	**1,271.7**
Net working capital	**443.4**	**435.9**
Provisions and deferred tax liabilities	**(151.7)**	**(105.8)**
Total capital employed	**1,997.2**	**1,601.8**
Equity	**1,257.9**	**866.5**
Net debt	**739.3**	**735.2**
Total financing	**1,997.2**	**1,601.8**

Working capital

Net working capital is defined as inventories, trade and other receivables less trade payables and other payables. Net working capital increased by EUR 7.5 million (2%) from EUR 435.9 million as at the end of 2019 to EUR 443.4 million as of 31 December 2020. The increase in net working capital of EUR 7.5 million is the result of a combination of increased business activities, impacts of external factors including COVID-19 and Brexit and further supply chain optimisation activities leading to lower working capital levels (EUR -35.0 million), impact of exchange rate differences on year-end balance sheet positions (EUR -31.1 million) and the impact of acquisitions (EUR 73.6 million).

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

Financing

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

In April 2020, IMCD completed an amendment to its multi-currency revolving credit facility, increasing the borrowing capacity from EUR 400 million to EUR 500 million. IMCD further arranged with its existing banking syndicate to extend the maturity date of this revolving credit facility from 27 March 2024 to 27 March 2025 as well as a reduction in the interest margins. The amendment and extension enhance the flexibility of IMCD's capital structure.

On 15 September 2020, IMCD raised EUR 400 million in share capital by issuing 4,395,604 shares at an offer price of EUR 91.00 per ordinary share. The net proceeds of the offering have been used by IMCD to finance the acquisition of a 70% interest in Signet and for general corporate purposes. The net transaction costs of EUR 5.4 million, including underwriting and legal fees related to the placement of ordinary shares have been deducted, net of tax, from the gross proceeds of the issuance.

In November 2020, IMCD paid the consideration of EUR 335 million relating to the 70% stake in Signet. A liability of EUR 175 million, representing the (discounted value of the) deferred consideration related to the remaining 30% of the shares in Signet has been recognised and presented as debt.

In November 2020, IMCD made an early repayment of USD 65 million for its long-term promissory note (Schuldscheindarlehen) maturing in November 2021.

The EUR 300 million senior unsecured fixed rates note, issued by IMCD N.V. on 26 March 2018, had a closing price of EUR 104.17 at 31 December 2020 (31 December 2019: EUR 103.39). The bond is listed on the Luxembourg Euro MTF market and matures on 26 March 2025.

As at the end of 2020, net debt was EUR 739.3 million compared with EUR 735.2 million as at 31 December 2019. The increase in net debt is predominantly the balance of positive and healthy cash flows from operating activities and proceeds from issue of share capital of EUR 394.6 million net of related costs, set-off by cash outflows as a result of acquisition-related payments of EUR 374.6 million and a dividend payment of EUR 47.3 million in 2020. Furthermore, net debt includes approximately EUR 193.6 million deferred and contingent considerations related to acquisitions made (31 December 2019: EUR 38 million).

As at the end of December 2020, the leverage ratio (net debt/operating EBITDA ratio including full-year impact of acquisitions) was 2.3 times EBITDA (31 December 2019: 2.8). The actual leverage as of 31 December 2020, calculated on the basis of the definitions used in the IMCD loan documentation, was 1.6 times EBITDA (31 December 2019: 2.6).

Two leverage covenants apply to the Group:
- For the 'Schuldscheindarlehen' of EUR 100 million and USD 25 million, a maximum leverage of 3.5 times EBITDA applies (with a spike period maximum of 4.0), tested annually.
- For the revolving credit facilities of EUR 500 million, a maximum leverage of 3.75 times EBITDA is applicable (with a spike period maximum of 4.25), tested semi-annually.

As of 31 December 2020, the actual leverage of 1.6 times EBITDA is well below the applicable maximum leverages.

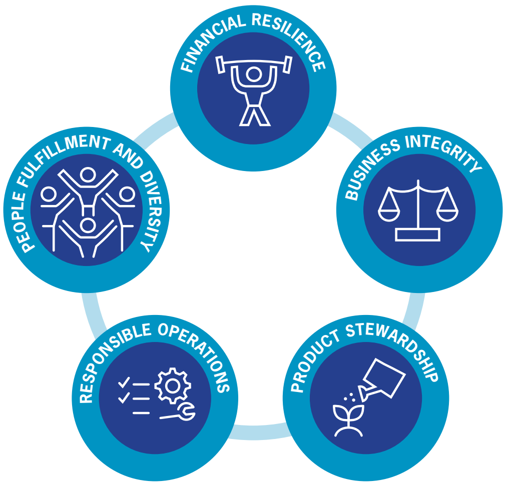
The interest cover, calculated based on the definitions used in the Schuldscheindarlehen document, is 17.3 times EBITDA (31 December 2019: 12.1), which is well above the required minimum of 4.0 times EBITDA.

Equity
The equity attributable to holders of ordinary shares increased by EUR 391.4 million from EUR 866.5 million as of 31 December 2019 to EUR 1,257.9 million as of 31 December 2020. The increase in total equity is the balance of the addition of the net profit for the year of EUR 120.9 million, other comprehensive income of EUR -80.1 million, net proceeds of the offering of new shares of EUR 394.6 million dividend payments in cash of EUR 47.3 million and transactions related to the group's share-based payment programme of EUR 3.2 million. The increase of equity resulted in a solid ratio at year-end whereby net equity covers 46.5% of the balance sheet total (31 December 2019: 39.6%).

In 2020, IMCD did not acquire any additional own shares. In January and February 2020, IMCD transferred respectively 16,192 and 8,560 treasury shares to settle its obligations under the long-term (share based payment) incentive plan.

Non-financial performance

From page 50 and onwards in this Annual Report, IMCD has set out its group-wide sustainability approach, which is built on five focus areas where IMCD is striving to improve its sustainability practices through its business activities.



In the following, we report on the key actions taken in these five areas in 2020. Further details as well as figures relating to our environmental impact, greenhouse gas emissions, energy and water usage and waste handling will be included in IMCD's 2020 Sustainability Report to be published mid-2021.

FINANCIAL RESILIENCE

2020 has been a year of unprecedented global volatility, also in terms of economic conditions. However, the strict financial discipline - a core value within IMCD - has paid off and, by closely monitoring key financial KPI's, and where needed, acting swiftly to implement tailored control measures, IMCD achieved strong operating results despite adverse conditions and growth was delivered in terms of revenue, gross profit and operating EBITA. More detailed information on IMCD's financial performance is available in the Financial Performance section (page 58 of this Annual Report).

It was not only the operating results of 2020 that contributed to making IMCD even more financial resilient; in September, IMCD successfully raised around EUR 400 million through the issue of 4,395,604 shares at an offer price of EUR 91,00. The proceeds of the share issue are being used to finance the acquisition of Signet as well as for general corporate purposes, including optimising the capital structure.

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

PEOPLE FULFILMENT AND DIVERSITY

IMCD is proud of its people and culture and considers them to be its most valuable asset by far. Here's why. We have no factories,

FTE
Total

3,298

Growth 2020

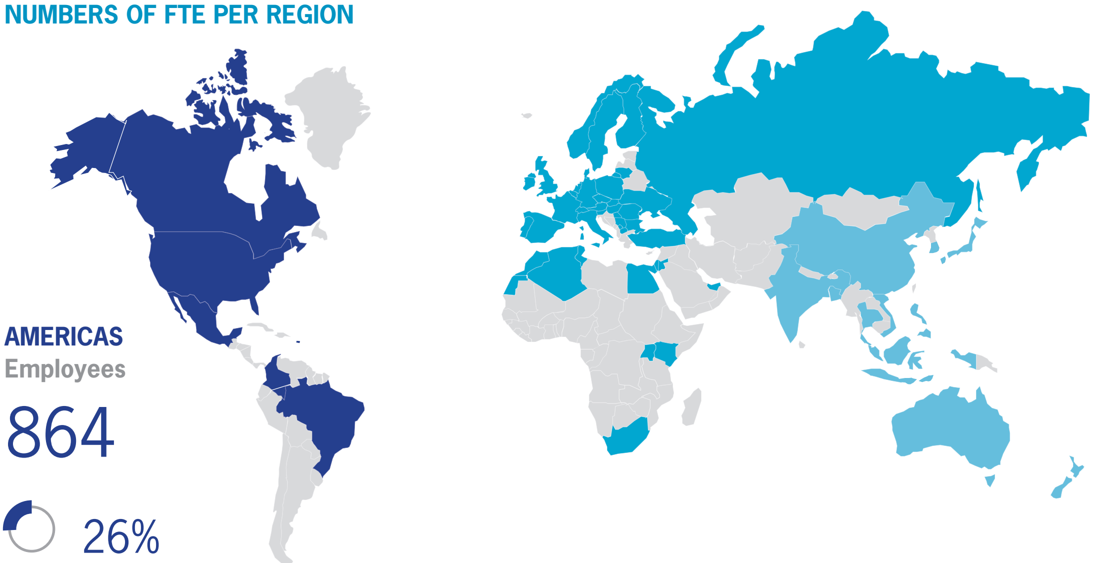
+306 FTE | 177 Acquisition
129 Organic

+10% | 6% Acquisition
4% Organic

DIFFERENT NATIONALITIES

>50

NUMBERS OF FTE PER REGION



EMEA
Employees
1,556
47%

AMERICAS
Employees
864
26%

ASIA
Employees
878
27%

no products of our own, meaning the value of the company lies in our brand and, more importantly, in the commercial relationships we have established with suppliers and customers all over the globe, in the quality of the people who manage those relationships, and in the people who lead and support them in various functions. In a very technical world of speciality chemicals and ingredients, IMCD operates as a professional services business where highly qualified key people working in a flat organizational structure are making the difference for suppliers, customers and each other. IMCD not only needs to attract and hire very capable individuals, but also train and develop them to get the very best out of everybody. Lastly, we are keen to retain the best. Our culture is the glue that keeps the talent together, it cuts across geographies and helps to integrate newly acquired businesses quickly and it ensures that IMCD has winning teams all over the world. Despite working from home, we kept on growing organically and continued to conduct due diligence of acquisition targets. We have a stable and well defined business strategy and clear values, and we give employees the freedom to act so they know where to go and how to conduct themselves in uncertain and challenging times.

IMCD believes that "people and culture" have made the difference, and that our people, backed by our culture, performed well in a year with many COVID-19 challenges.

FOREWORD BY THE CEO
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REPORT OF THE SUPERVISORY BOARD
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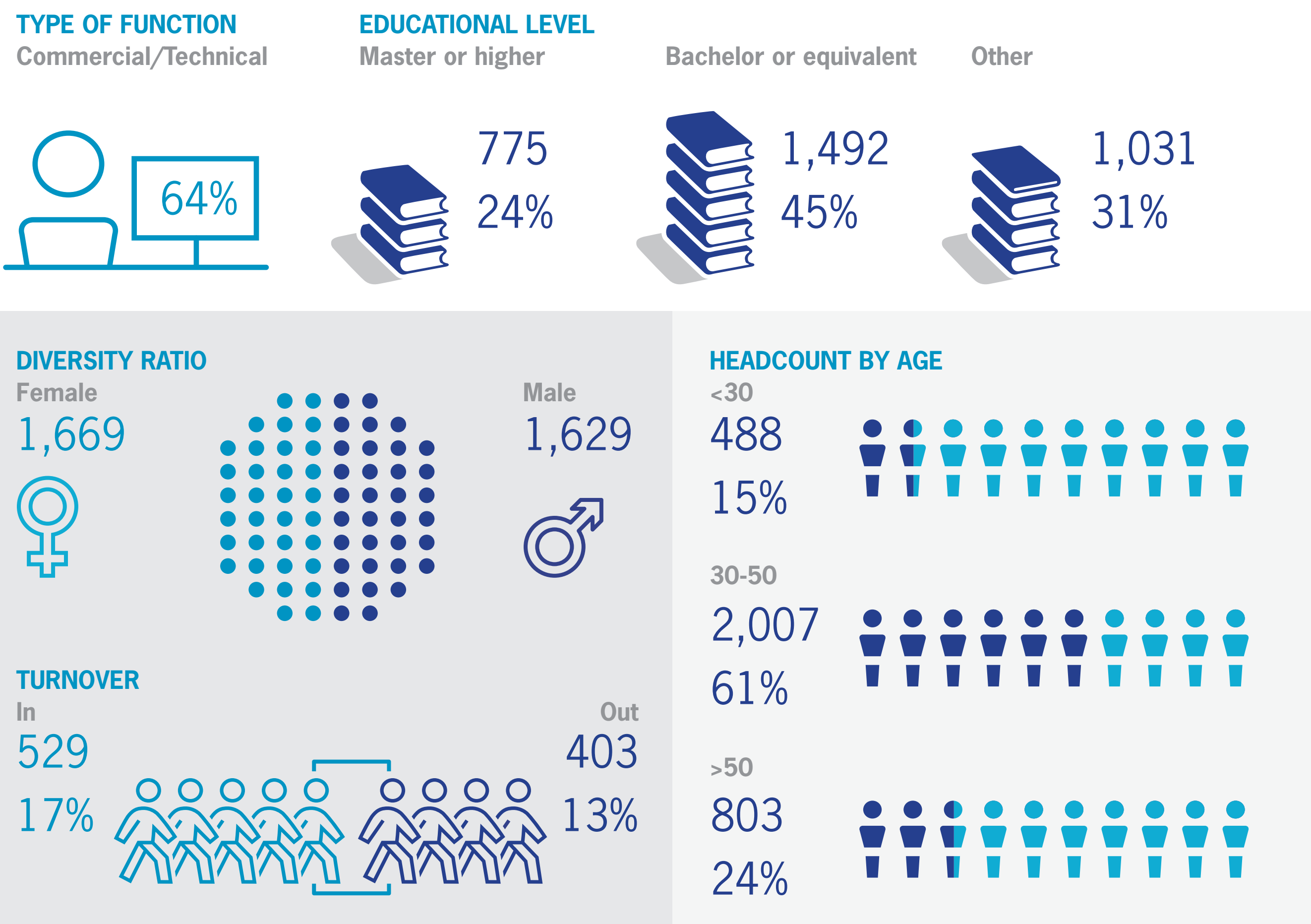
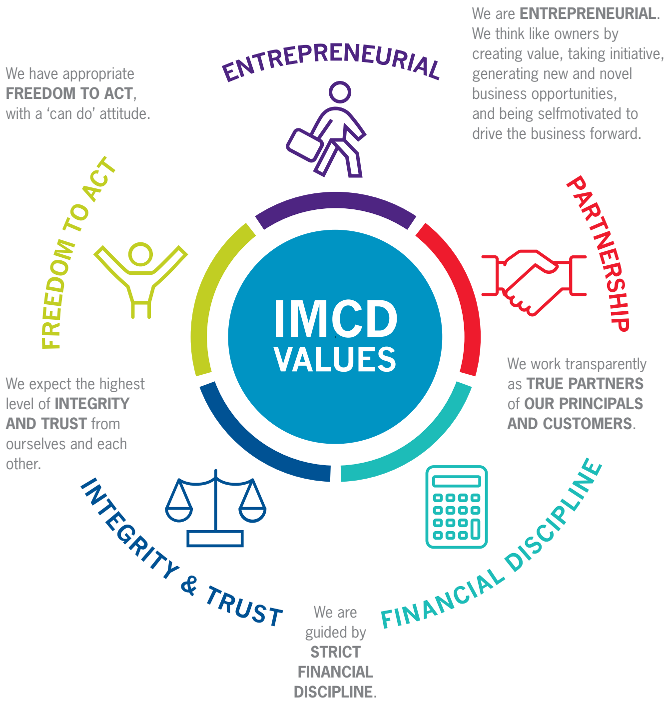




Our talent base

When they join the group, most of IMCD's employees bring with them deep knowledge of and experience in industrial speciality chemicals or food/pharma/personal care ingredients. Most work in internal or external sales, marketing and product management or in technical development/ application research. Commercial staff make up the largest portion of IMCD's organisation, by far.

In 2020, 64% of the IMCD staff worked in a supplier- or customer-facing role, and that focus is valuable to the group. Education levels of our employees are high. IMCD employs 775 individuals with a completed Master's degree or higher and another 1,492 with a Bachelor's degree or equivalent. This makes the difference between a good and great business.

IMCD believes that the best talent is constantly looking for opportunities to sharpen their skills, learn new things and acquire novel capabilities. That's why, in 2019, IMCD implemented a new learning management system. This we branded the "IMCD Digital Campus", a place where all our employees can enrol in more than 4,000 online training courses. The most sought after courses are in the area of sales or marketing training, but also populair are personal skills and digital tools courses. In 2020 we leveraged our 'IMCD Digital Campus' and rolled out specific Business Group technical courses covering, for example, the latest market trends in Food & Nutrition, and highly specialised supplier product training, as well as IMCD SalesForce learning paths, which aim to strengthen the digital and CRM expertise of our commercial employees.

IMCD continues to acquire other chemical distribution businesses and last year 177 new employees joined the group as a result of an acquisition, mainly in the Americas (Mexico) and Asia (India). IMCD integrates new businesses quickly, which helps make newly acquired staff feel part of IMCD and adapt to our culture and values. It makes IMCD more diverse in geographies, nationalities and cultures. IMCD prefers to recruit and promote its senior leaders from within the organization and considers home-grown leaders, including those from acquired companies, crucial in driving business growth and future acquisitions.

Employee retention

IMCD's employee turnover levels are being monitored continuously. In 2020, total turnover, for all reasons, and acquisition effects, was 13% worldwide (versus 14% in 2019). Our definition of employee turnover is broader than the one used by many other businesses. We do not report the somewhat subjective "voluntary" turnover or attrition of "continued operations" but include voluntary resignations, terminations, redundancies, retirements and all other reasons for employee turnover. This way we represent the facts as they are. IMCD's Asia Pacific region had again the lowest attrition of 11% despite a very competitive Asian labour market and strong business growth. The Americas region had 16% turnover and EMEA 12% reflecting the different dynamics of movement of people in these vastly disparate labour markets. We have not seen a significant influence from COVID-19 or a "working from home" effect on our 2020 turnover figures. The favourable development of our turnover rate dropping year-on-year from 14 to 13% is within the normal margin.

The growth and development of the Company is not only reflected in the financial figures, but also in the composition of its workforce. IMCD employed 3,298 FTEs at year-end 2020 (2019: 2,991). The net increase of 306 FTEs is primarily the result of acquisitions (177 new employees) but also new starters (529 new employees) less the leavers (403) and taking into account working hours adjustments. Excluding acquisitions, the number of FTEs increased by 129, which reflects IMCD's continued focus on organic growth.

Diversity

From a diversity perspective, in 2020, IMCD maintained a well-balanced workforce and employed slightly more women than men (1,669 female versus 1,629 male FTEs, meaning 51% women versus 49% men), which, for a business operating in the highly technical world of chemicals and ingredients, underscores our commitment to gender diversity. IMCD has female managing directors leading businesses in Turkey, Vietnam, the Philippines and Indonesia and women in senior functions in the Group Office and/or Business Groups.

The education level of our employees is high to very high. An impressive 69% of our employees bring a Bachelor's or Master's degree to work. There is no difference between women and men in this respect. The men caught up with an increase from 68% last year to 69% in 2020.

IMCD's age profile became a bit younger, with the group of employees under the age of 30 increasing from 14% last year to 15% in 2020 due to the hiring of new starters. The largest group of employees, aged between 30 and 50 years, represented 61% of the total workforce in 2020, same as last year. The group aged over 50 decreased from 25 to 24%. This overall distribution reflects the diversity in age groups and the fact that IMCD mainly employs highly educated, knowledgeable staff with a certain level of experience in the industry, those who are consistently able to add value for our customers and suppliers.

The vast majority of IMCD jobs are full-time positions with 3,163 full-time employees versus only 135 part-timers. Most part-timers have voluntarily opted for such a flexible working schedule. Also, almost all our positions are staffed by permanent employees with 98% or 3,244 positions in this category and less than 2% being temporary employees, mainly new recruits starting out on their career with IMCD. These patterns are similar to last year. We believe that by offering full-time and especially permanent jobs we can attract and retain highly capable employees.

PRODUCT STEWARDSHIP

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

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

Quality management and accreditation

IMCD aims to be a valued partner to all its suppliers and customers by providing continuous training to all employees to ensure competence and the ability to deliver quality service. The company uses its ISO 9001 and ISO 14001 accreditation as the framework for fulfilling the expectations of its suppliers and customers. IMCD's operating companies implement quality management systems on the bases of these ISO standards on a local level. In addition, operating companies also implement other quality management systems if relevant to the specific products they distribute, such as ISO 22000 / HACCP / BRC (food safety management), OHSAS 18001 (occupational health and safety), GMP+ (good manufacturing practices for food, pharmaceutical and cosmetic products), GDP (good distribution practices for pharmaceutical products) and ECO (for organic products). In 2019 IMCD revisited its approach on quality management and accreditation and formulated a new strategy on getting a group-wide accreditation for ISO 9001 and 14001. This approached was launched in 2020 and will be implemented further in the upcoming years.

RESPONSIBLE OPERATIONS

Chemical distribution is a highly complex and multi-faceted business comprising procurement, storage, value-added services, transportation and designing tailored logistics solutions. Being a responsible partner for all its stakeholders, health, safety, the environment, and quality are of key importance to IMCD and essential for safe and reliable business operations. IMCD endeavours to comply with chemical- and market-specific regulatory requirements (for example, relating to pharmaceutical, food and personal care products) as well as with our standards and those of our business partners - which sometimes raise the bar above mere legal requirements. Besides this, we ensure compliance with health, safety, and environmental legal requirements for our operations and sales organisation, which include import and export regulations, marketing and use restrictions. Our supply chain strategy and organisation ensure that each step in the supply chain can be executed in the most efficient and cost-effective way. Via our scalable third-party logistics infrastructure, we stay up to date with industry best practices, the latest developments in technology, and logistics. The model accommodates advanced reporting, inventory management, and provides visibility into monitoring the entire process. This way IMCD continuously aims for a minimal environmental impact.

Greenhouse gas emissions

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

In 2020, IMCD continued to improve the operational and organisational measures introduced in 2019 relating to the reporting on greenhouse gas emissions, among other things. These efforts have enabled IMCD to include more of its group companies in the scope of reporting for its 2019 Sustainability Report (published in July 2020). Ongoing efforts will be extended to drive towards global coverage of our supply chain and operations.

Energy, water and waste management

IMCD is committed to meeting relevant legal requirements, as well as requirements agreed with customers and suppliers, relating to the environment and waste treatment and disposal. A waste disposal policy is in place globally, to promote the recycling of waste materials. This is aimed at ensuring that all waste generated by the operations are properly identified and sent for licensed disposal, in accordance with relevant legal requirements. The policy applies to supply chain related materials and company office related waste.

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

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

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

Supply chain optimisation

IMCD's centralised supply chain team and local supply chain experts are committed to ensuring the most efficient routing, the optimal volume mileage ratio, and the implementation of sustainable transport modes, wherever possible. In this respect, IMCD regularly partners with several of its principal suppliers to redesign their logistics set-up, aiming to create more cost-effective models and faster market access while reducing the carbon footprint.

External sustainability initiatives

Throughout 2020 IMCD was a committed participant in various external initiatives, networks, and platforms with a focus on sustainable logistics. Examples hereof include EcoVadis' "Together for Sustainability" (TfS) initiative, aiming to develop and implement a global audit programme to assess and improve sustainability practices within the supply chains of the chemical industry. In prior years, IMCD entities in China, India, South Africa and the US all attained a bronze CSR rating from EcoVadis and IMCD as a group was awarded EcoVadis Silver status. In 2020, a reassessment was carried out for IMCD as a group. Through the improvements made throughout the year, IMCD was able to increase its score considerably, and firmly reinstated its Silver status.

Several group companies were able to maintain or improve on their EcoVadis scores as well. At IMCD companies in Spain, Germany and Poland, IMCD reconfirmed their gold status (previously granted to IMCD France as well). IMCD Germany's excellent result again puts it among the top-1% performers evaluated by EcoVadis for the German chemical distribution industry.

IMCD remains a proud member of the Roundtable of Sustainable Palm Oil (RSPO), a non-profit organisation that unites stakeholders from seven sectors of the palm oil industry, aiming to develop and implement global standards for sustainable palm oil. In 2020, the number of IMCD entities that joined in IMCD's group membership increased to 32.

Responsible Care and Responsible Distribution
Most of IMCD’s operating companies take part through local associations in the ‘Responsible Care’ or 'Responsible Distribution' programmes 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 eight guiding principles.

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

Third-party screening
The selection of a suitable third-party logistics service (3PL) provider is an important factor that determines the logistics performance. IMCD applies a multi-criteria decision making (MCDM) process to ensure the 3PL provider of choice complies with IMCD’s health, safety, environment and quality standards. IMCD requests quality management certifications (ISO 9001, ISO 14001, Responsible Care, among others) from its third-party service providers. The service level agreements and standard operating procedures are closely monitored via our non-conformance reporting process complemented by quarterly on-site business reviews.

BUSINESS INTEGRITY

Integrity is fundamental to the way that IMCD does business. IMCD has strong values and clear policies and standards in place to ensure its employees always act in an ethical and responsible way. We expect our business partners to do the same and support them in adhering to and implementing similar standards in their organisation.

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

The IMCD Code of Conduct, available on the company’s website, describes IMCD’s business principles, core values and ethics, to which all IMCD companies worldwide are equally and fully committed. The Code of Conduct and IMCD Business Principles underwent a full review and update in 2020 and is available in several languages. Specific internal policies are in place on the subjects of anti-corruption and anti-bribery, offering our employees clear examples of behaviour that should be avoided.

A continuous compliance training programme is in place to create and maintain awareness of ethical business practices and to ensure compliance with applicable trade restrictions, anti-fraud, anti-bribery and antitrust laws, market abuse rules and other compliance regulations, and more. By the end of 2019, IMCD had introduced a global e-learning platform, through which, in 2020, a library of more than 1,500 compliance-related courses in approximately 60 local languages was made available to all employees worldwide (supporting local compliance efforts and ensuring a better understanding of the material). In several countries (including the Brazil and countries in the Middle-East) a standardised IMCD group compliance training curriculum was rolled out, covering the essential pillars of IMCD's compliance programme. The roll-out of this curriculum will continue in other countries and across regions in 2021.

Internal alert procedure & 24-hour reporting lines
IMCD has implemented an Internal Alert Procedure, available on its website, that enables IMCD employees worldwide to report, without the fear of reprisal, any irregularities or deviations in IMCD operations regarding, amongst other things, IMCD's business principles as described in the Code of Conduct. The Internal Alert Procedure is available in several local languages.

In 2020, IMCD introduced an (externally hosted) Ethics and Compliance Hotline, to support the use of its Internal Alert Procedure by employees. The hotline offers a web portal in 15 languages, as well as local staffed hotlines that are available 24/7 to report any concerns in a confidential and, if desired, anonymous manner. Poster material was distributed to all IMCD locations to create awareness of this new tool and additional Code of Conduct awareness and business ethics training was offered.

Furthermore, IMCD has a 24-hour emergency service line in place, facilitated by independent external experts, to report any incidents.

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

In the year under review, IMCD did not learn of any violation in respect of its stringent anti-corruption and anti-bribery policies within the corporate group.

Trade sanction and export-control
IMCD's global trade sanction policy and guideline on restrictive measures and export control were updated in 2018 and training of key employees on the revised guidelines took place in 2019. The procedures described are used in combination with automated software to screen business partners against various sanctions-related lists. In 2020, training material on trade sanctions and export control, developed by external experts, was made available in several languages in the course offering on IMCD's e-learning platform.

Business human rights
IMCD recognises its responsibility under the United Nations Universal Declaration of Human Rights to respect human rights affected by its activities, as well as its responsibility to ensure that IMCD's business operations and employees do not contribute, either directly or indirectly, to human rights violations. IMCD expects its business partners to do the same and supports them in adhering to and implementing similar standards in their organisation. This core principle is embedded in IMCD's Code of Conduct, available on its website. In the year under review, IMCD did not learn of any violation of human rights within the corporate group.

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

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

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

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

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

IMCD seeks to maintain an open, honest and constructive dialogue with tax authorities based on transparency, respect and trust. Where appropriate IMCD may enter into agreements with the tax authorities to ensure upfront clarity and eliminate uncertainty about tax implications of certain positions.

As part of the OECD country-by-country regulations, IMCD annually files a country-by-country report with the Dutch tax authorities in which it provides on a per-country basis information on matters like its taxes paid, accrued corporate income tax, profit before income tax, accumulated earnings and FTE’s.

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

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

In response to new legislation and tax authorities with enhanced capabilities, IMCD’s tax function is designing digital tools. In line with the tax strategy, this will improve efficiency, quality and the compliance process.

Outlook 2021

IMCD operates in different, often fragmented market segments in multiple geographic regions, connecting many customers and suppliers across a very diverse product range. In general, results are impacted by macroeconomic conditions and developments in specific industries.

Furthermore, results can be influenced from period to period by, among other things, the ability to maintain and expand commercial relationships, the ability to introduce new products and start new customer and supplier relationships and the timing, scope and impact of acquisitions. IMCD’s consistent strategy and resilient business model has led to successful expansion over the years and IMCD remains focused on achieving earnings growth by optimising its services and further strengthening its market positions.

Despite the impact of the COVID-19 pandemic on current economic situation, IMCD delivered strong results in 2020. Unfortunately, with the large global numbers of COVID-19 infections, the uncertainty about the duration of the COVID-19 crisis and its impact on the global economy continues. Nevertheless, IMCD is a strong, resilient and well diversified business with a robust liquidity position and capital structure.

IMCD sees interesting opportunities to further increase its global footprint and expand its product portfolio both organically and by acquisitions in 2021. Other than in the ordinary course of the business, IMCD does not foresee significant investments or changes to the organisation in 2021.

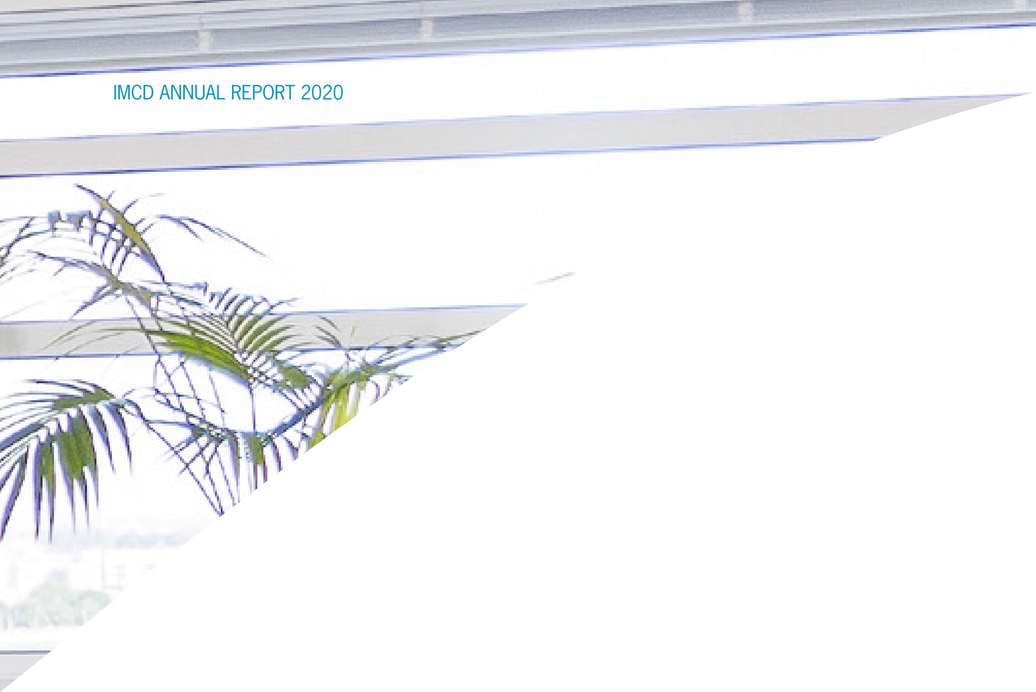
CHAPTER CONTENTS

Executive Committee
From left to right, standing:
John Robinson, Hans Kooijmans
and Frank Schneider

From left to right, sitting:
Olivier Champault, Marcus Jordan
and Piet van der Slikke

CORPORATE GOVERNANCE

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



Governance structure

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

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

IMCD's governance structure is subject to Dutch law and regulated by IMCD'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 IMCD.

Management Board

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

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

The Management Board has been designated, most recently at the 2020 AGM, as the corporate body authorised to issue shares and/or grant rights to acquire shares up to 10% of the total number of issued shares, and to restrict or exclude preemptive rights pertaining to such 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 18 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 under any employee share plan.

Executive Committee

The structure whereby the Management Board is supported by an Executive Committee was formalised within the Company in 2011. At the time, this structure was chosen as a means of ensuring an efficient flow of - commercial and strategic - business information to the Management Board, while allowing the Management Board to remain small. In addition, the Executive Committee serves as a sounding board to the Management Board, making recommendations and providing guidance and support on strategy implementation. The non-Management Board members of the Executive Committee are appointed by the Management Board.

The responsibilities of the Executive Committee include group performance, realisation of operational and financial objectives, people strategy and identification and management of risks connected to the business activities. The non-Management Board members of the Executive Committee may take on certain management activities at group level in addition to their specific Managing Director or Business Group Director roles, and support the Management Board in the implementation of the company's group policies throughout the organisation.

Members of the Management Board

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

Chief Executive Officer
since 1995

- 1988 – 1993 General Counsel Internatio-Müller.
- 1993 – 1995 Group Director Internatio-Müller.
- 1995 Founding IMCD.

Mr. Van der Slikke has a law background and started his career as an attorney in law firms in The Hague, Amsterdam and New York.

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

Chief Financial Officer
since 1996

- 1991 – 1996 Several positions at financial management of the Technical Division of Internatio-Müller.
- 1996 Chief Financial Officer IMCD.

Mr. Kooijmans holds a CPA degree from NIVRA Nijenrode, the Netherlands, with registration until June 2016. He has had an extensive career at KPMG in the Netherlands.

During 2020, IMCD's Executive Committee was composed of six members: the two members of the Management Board and four managing or business group directors.

The Management Board remains accountable for the actions and decisions of the Executive Committee and has ultimate responsibility for the company's external reporting and reporting to the company's shareholders.

The Supervisory Board engages with the members of the Executive Committee during its Supervisory Board meetings and/or work visits, as well as through informal contact outside of such meetings. In December 2020, all members of the Executive Committee were present during the (virtual) Supervisory Board meeting, where, amongst other things, budget, strategy and risk management were discussed.

Supervisory Board

The Supervisory Board monitors and supervises the activities of the Management Board and the general course of business within IMCD. It also supports the Management Board with advice. In performing their duties, the Supervisory Board members are guided by the interests of the company and its business, taking into account the relevant interests of all stakeholders. The members of the Supervisory Board are jointly responsible for the functioning of the Supervisory Board and assess its performance internally on a regular basis.

The Supervisory Board must consist of at least five members. The composition of the Supervisory Board is such that the combined

Other members of the Executive Committee

			
Marcus Jordan *(1974, British)*	**Olivier Champault** *(1967, French)*	**Frank Schneider** *(1959, German)*	**John Robinson** *(1966, British)*
President Americas since 2016	**Business Group Director Advanced Materials; President IMCD France** since 2018	**Business Group Director Coatings and Construction** since 2006	**Business Group Director Pharmaceuticals** since 2000
Executive Committee member since 2014	**Executive Committee member** since 2018	**Executive Committee member** since 2011	**Executive Committee member** since 2011
• 2000 Start at IMCD. • 2000 – 2016 Various strategic local and global roles within the IMCD UK and Group organization.	• 2018 start at IMCD.	• 2000 Start at IMCD. • 2006 Business group Director Coatings. • 2010 Managing Director IMCD Germany.	• 1998 Start at IMCD. 2008 – 2014 Managing director of IMCD UK.
He started his career as a formulation and application chemist in 1995 at Carrington Performance Fabrics. Mr. Jordan holds a Chemistry degree from the University of East Anglia, UK.	Before joining IMCD, he held senior positions in several large speciality chemicals companies. Mr. Champault graduated from EDHEC and holds an MBA from INSEAD.	Before joining IMCD, Mr. Schneider held senior positions in leading global industrial adhesives providers. Mr. Schneider studied law at the University of Freiburg, Germany and Business Administration at the University of Ludwigshafen.	He started his career with GSK, where he held a post-doctoral research position. Mr. Robinson holds a PhD in Biochemistry.

experience, expertise and independence of its members enables the Supervisory Board to best carry out the variety of the Supervisory Board's responsibilities.

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

The Supervisory Board is supported by two committees:

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

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

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

Members of the Supervisory Board

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

Chair; appointed as of 28 February 2011, current term expiring in 2021

Most important positions

- Managing director at Bain Capital. In his capacity as managing director at Bain Capital, Mr Plantevin holds several supervisory board and non-executive positions.
- Former managing director at Goldman Sachs.
- Former supervisory board member of Brenntag S.A.

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

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

Most important positions

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

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

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

Most important positions

- Executive Director of Dutch Star Companies Two B.V.
- Member of the supervisory board of CM.com NV.
- Non-executive director of Bunzl Plc.
- Former CEO of SHV Holdings NV.

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

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

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

In 2020, no vacancies occurred in the Management Board and Executive Committee.

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

Member | Member of the Remuneration Committee; appointed as of 12 May 2016, current term expiring in 2024

Most important positions

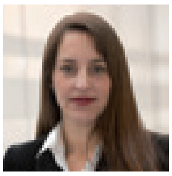
- CEO of Pon Holdings. In his capacity as CEO of Pon Holdings, Mr Smalbraak holds several supervisory board positions within the Pon group.
- Member of the board of RAI Vereniging.
- Member of the advisory boards of Gilde Buy Out Fund and CVC Capital.

V. (Valerie) Diele-Braun
(1971, female, German and Swiss)

Member | Member of the Remuneration Committee; appointed as of 30 June 2020, current term expiring in 2024

Most important positions

- CEO of CABB Group GmbH.
- Formerly held international management positions at Achroma Management LLC, DSM Nutritional Products AG, Quest International and Givaudan Italy.



A.E. (Amy) Hebert
(1972, female, American)

Member | Member of the Audit Committee; appointed as of 30 June 2020, current term expiring in 2024

Most important positions

- Chief Commercial Officer of Haldor Topsoe A.S.
- Former member of the board of Cefic (the European Chemical Industry Council).
- Formerly held international management positions at Celanese Corporation and Albemarle Cooperation.

Within the Supervisory Board, two vacancies occurred in 2020 due to the regular retirement rota. One of these vacancies was filled by means of reappointment of Janus Smalbraak, which was approved by the General Meeting on 30 June 2020 with 99.72% of votes cast in favour. Upon review of its composition and size, the Supervisory Board decided it would benefit by adding a sixth member, which lead to an additional, new vacancy. The diversity policy was taken into account in the search to fill the two vacancies. In a press release issued on 27 February 2020, the Supervisory Board announced the nominations of Valerie Diele-Braun and Amy Hebert as new members to the Supervisory Board. Both appointments were approved by the General Meeting on 30 June 2020 with 100% of votes cast in favour. With these appointments the Supervisory Board achieved further diversification in terms of gender, age and nationality, while adding in-depth knowledge and expertise in the speciality chemicals industry.

General Meeting

Shareholders of IMCD may exercise their rights through annual and extraordinary general meetings of shareholders (the General Meeting). The Annual General Meeting (AGM) is held each year before July. Due to the impact of the COVID-19 pandemic, the 2020 AGM was postponed to 30 June to allow it take place in the form of a physical meeting. In 2021, the AGM is again scheduled towards the end of the second quarter, on 24 June, as the company hopes that such timing will allow for physical attendance, of course while observing any government-imposed COVID-19 measures in place at such time.

Extraordinary General Meetings (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 be convened. Notice of General Meetings is given no later than 42 days before the day of the meeting through the publication of a convocation notice on the website of IMCD.

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

Each shareholder may attend General Meetings, address the General Meeting and exercise voting rights pro rata to its shareholding, either in person or by proxy. Shareholders may exercise these rights if they are the holders of shares on the record date, which is the 28th day before the day of the General Meeting, and if they or their proxy have notified the company of their intention to attend the General Meeting. In 2020, in a response to the COVID-19 pandemic, emergency legislation came into force in the Netherlands, making it possible for companies to hold General Meetings without the physical attendance of participants. This emergency legislation was extended several times and is still in force at the date of this Annual Report.

Subject to certain exceptions set forth by law or the Articles of Association, resolutions of the General Meeting are passed by an absolute majority of votes cast.

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

Shares

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

Anti-takeover mechanisms

IMCD respects the one-share/one-vote principle and did not have any anti-takeover or control mechanisms in place in 2020.

Remuneration

Remuneration of the Management Board

With its remuneration policy for the Management Board, IMCD aims to attract, motivate and retain highly qualified executives by providing them with a balanced and competitive remuneration package that is focused on sustainable results and is aligned with IMCD's long-term strategy. In line with the 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 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 for the Management Board.

A revision of the remuneration policy for the Management Board took place in 2020 to bring the policy in line with new legal requirements arising from the implementation of the Revised Shareholders' Rights Directive (EU directive 2017/828 of 17 May 2017) into Dutch law. The revised remuneration policy for the Management Board was adopted by the General Meeting on 30 June 2020, with 94.85% of votes cast in favour. The remuneration policy for the Management Board is available on the company's website.

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

Remuneration of the Supervisory Board

The General Meeting determines the remuneration of the members of the Supervisory Board. To comply with the Revised Shareholders' Rights Directive, in 2020, the company proposed that a written remuneration policy for the Supervisory Board be adopted, formalising the practice of a fixed-fee remuneration arrangement that had been in effect in previous years. With the remuneration policy for the Supervisory Board, the company aims to attract, motivate and retain highly skilled individuals with the right balance of qualities, capabilities, profile and experience, as may from time to time be needed to oversee the company's strategy, implementation of strategy, and performance, as well as to act as advisors to the members of the Management Board in support of their focus on long-term growth and sustainable success of the company and its business.

The guiding principle remained that remuneration of the Supervisory Board may not be made dependent on the company's results. No member of the Supervisory Board shall receive shares, options for shares or similar rights to acquire shares as part of their remuneration. The remuneration policy for the Supervisory Board was adopted by the General Meeting on 30 June 2020, with 99.94% of votes cast in favour, and is available on the company's website.

Conflicts of interest

All legal transactions where a conflict of interest exists or could arise with regards to members of the Management Board must be handled on arm's-length terms and must be approved by the Supervisory Board. Each Management Board member or Supervisory Board member is required to immediately disclose any potential direct or indirect personal conflict of interest to the Chair of the Supervisory Board, providing all relevant information. If the Chair of the Supervisory Board determines that there is a conflict of interest, the member of the Management Board or the Supervisory Board with the conflict of interest may not take part in any discussion or decision-making that involves a subject or transaction relating to the conflict of interest.

In 2020, no transactions were reported or identified involving actual or potential conflicts of interests involving a member of the Management Board or Supervisory Board, nor were there any transactions with shareholders owning more than 10% of the shares.

Rules regarding inside information

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

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

Accountability Corporate Governance Code

In 2020 IMCD complied with the principles and best practices of the Code with the exception of the following deviations.

As a consequence of the initial four-year term appointment of all Supervisory Board members at IMCD's listing in 2014, the Supervisory Board’s original retirement rota provided for the same reappointment and retirement dates for all Supervisory Board members. With resignations and further appointments, over the years the number of retirements / reappointments occuring at the same time has been reduced, however, due to the appointments that took place in 2020, three Supervisory Board members will be up for retirement or reappointment in 2024. Over time, the company aims to once more reduce the number of simultaneaous resignations by means of adjusted terms for new Supervisory Board appointments and reappointments.

The Supervisory Board strives for a diverse composition and balance in terms of, amongst other things, gender and age. However, in 2020 the board did not strictly follow the recommendation of best practice provision 2.1.5 of the Code to formulate an explicit target on diversity in terms of gender or age. The overriding principle for the company is that the Supervisory Board have a diverse composition of members who can make 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 else possess other relevant business knowledge. Nevertheless, the Supervisory Board is pleased with the diversification, in terms of gender and age, achieved through the appointments made in 2020, and will continue to pursue ensuring a diversified composition with future appointments.

In deviation of best practice provision 2.3.2 of the Code and as agreed by the General Meeting the Company does not have a Selection and Appointment Committee. The Supervisory Board considers it important to carry out the activities of a Selection and Appointment Committee as a whole. Specific tasks may however be referred to a delegation of Supervisory Board members deemed most suitable for the task.

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

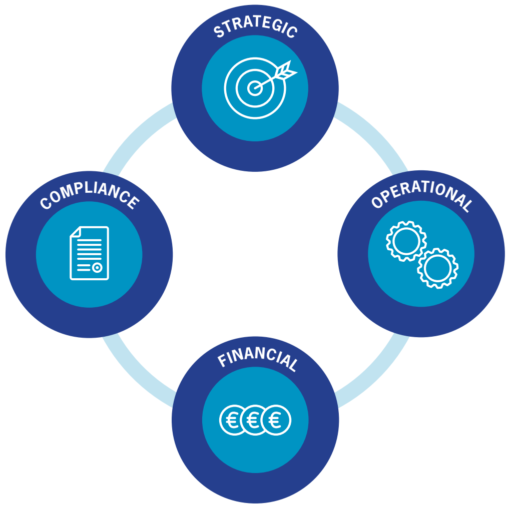
Risk management

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

Although the company recognises the risks and uncertainties associated with its business activities, IMCD believes that the broad diversity of its business in terms of product portfolio, geographies, suppliers, end-market sectors and customers can lessen the impact of local and regional economic changes. However, if adverse circumstances are pronounced and/or long lasting, they can have a significant impact on the company's business and the results of its 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 striking the best balance between maximisation of business opportunities within the framework of the company's strategy, and managing the risks involved.

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



FOREWORD BY THE CEO
2020 HIGHLIGHTS
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Risk appetite

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

STRATEGIC	Moderate
OPERATIONAL	Low
COMPLIANCE	Low
FINANCIAL	Low

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

Risk management framework

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

Risk management tasks and responsibilities

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

Key activities within IMCD's risk management and control systems are:

- identification of key business risks, based on likelihood of occurrence and their potential impact
- setting and maintaining key controls for managing and preventing the key risks

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

Risk management elements

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

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

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

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

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

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

Significant risks and uncertainties

In the following section, the main risks and the way IMCD manages these risks are described. None of the significant risks and uncertainties materially affected the position of IMCD. The main risks and their importance are disclosed in the following table. We decided not to include the (COVID-19) pandemic risk separately as we perceive this as an important factor affecting the risks that have already been identified in the past.

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

STRATEGIC

RISK	RISK DESCRIPTION	RISK MEASURES
Decline in customer demand	IMCD's business depends on its customers' demand for chemicals used in the manufacture of a wide array of products, which in turn is driven by the demand of consumers and other end users for the products made by IMCD's customers. To a large extent, demand levels depend on macroeconomic conditions on a global level.This has been highlighted in particular in the past year due to the COVID-19 pandemic. An improvement or deterioration in levels of economic activity and consumer demand tends to be reflected in the overall level of production and consumption of chemicals.	The broad diversity of IMCD's business in terms of product portfolio, geographies, suppliers, end market sectors and customers can lessen the impact of local and regional economic changes. However, if these changes are pronounced and/or long lasting, they can have a significant impact on the company's business and the results of its operations. Despite the market conditions being affected by the COVID-19 impact, IMCD has been able to maintain a strong performance due to its resilient and diversified business model.
Supplier dependency	IMCD depends on its suppliers to develop and supply the product portfolio that it markets, sells and distributes. Shortages in supply of certain products or non-competitiveness of product lines could negatively affect operating results. The termination of a major supplier relationship could have a material adverse effect on the company's product portfolio, sales volumes, revenues and profit margins.	Maintaining close relationships with supply partners is essential for IMCD in achieving its growth strategy. By acting in an open and transparent way towards its suppliers and with a focus on growing suppliers' product brands, IMCD seeks to maintain long-term relationships.
Acquisition and integration risk	Execution of IMCD's strategy will require the continued pursuit of acquisitions and investments and will depend on the company's ability to identify suitable acquisition candidates and investment opportunities. Acquisitions and investments involve risks, including assumptions about revenues and costs being inaccurate, unknown liabilities and customer or key employee losses at the acquired businesses, potentially leading to impairment losses on intangible assets recognised. Moreover, a successful acquisition depends on the swift integration of the acquiree within the company, both on an organisational and cultural level.	IMCD tries to limit these risks by means of diligent identification of targets and, by applying strict selection criteria, including determining the cultural and organisational fit with the company. This is followed by a structured implementation of the acquisition, including determining the structure of the transaction, thorough due diligence and, the contract and integration process. Acquisition activities are driven centrally by an experienced management team supported by external consultants.

OPERATIONAL

RISK	RISK DESCRIPTION	RISK MEASURES
Dependency on key personnel	IMCD relies significantly on the skills and experience of its managerial staff and technical and sales personnel. A loss of these individuals or the failure to recruit suitable managers and other key personnel, both when expanding the group's operations and when 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.
Cybercrime and ICT continuity	IMCD's information technology infrastructure including its information and communication technology systems are key for managing and operating business. Severe damages and interruptions of those systems, caused by natural disasters, software viruses, malware, cyber-attacks or other threats, disrupt its business and could result in downtime or leakage of sensitive information such as personal data or company records. This maintains to be a risk for IMCD, where IMCD requires a stable and agile ICT environment, especially when working remotely as in recent periods during this pandemic crisis.	IMCD enhances its ICT security and further develops its business processes as part of its ICT governance improvement programme. IMCD continuously invests in its IT infrastructure by timely implementation of new techniques, software and systems to protect its systems and data and to limit any down time of its systems. IMCD emphasizes on improving its cybersecurity by raising awareness amongst employees and increasing its security protocols for its systems. A wide range of new and existing security measures such as access and authorisation controls and back-up and recovery systems help IMCD to protect quality and integrity of information in a continuously changing ICT landscape. These measures or monitored by the central ICT team on an ongoing basis.
Health / safety / environmental incidents	Marketing, sales and distribution of speciality chemicals, food and pharmaceutical ingredients entails exposures to health, safety and environmental risks which could potentially lead to reputational and financial damage. Examples of such exposures are: • employees and logistic service providers who are not properly trained/informed on the handling of the products • products used for illegal purposes • lack of quality management • missing permits and notifications • product disposal not being properly controlled, leading to pollution and environmental damage	The majority of IMCD's subsidiaries have implemented certified quality systems and make use of monitoring systems for recording and analysing any non-conformities in order to further optimise their business processes. IMCD applies a Corporate HSEQ policy. IMCD has outsourced the majority of its logistic operations to reputable third-party logistic service providers, who are carefully selected and continually monitored by the supply chain team to ensure quality standards and that performance is optimised. Employees, customers and logistics service providers are provided with adequate safety instructions and operating procedures for handling chemical products. Critical product data is managed by a team of experienced specialists. Yearly training programmes are established and carried out to ensure both employees and logistic service providers are aware of recent and future developments and changes in laws and regulations.
Climate change	It is widely recognised that climate change poses significant risks to natural and socio-economical systems across the globe. The range of hazards is wide, from slow onset weather pattern changes to sudden extreme events. The consequent potential impacts affect ecosystems and natural environments, and therefore might directly or indirectly cause serious technical, financial, geopolitical and other changes in society. Some of these risks might impact IMCD's activities, for example disruptions to transportation infrastructures due to extreme weather events, or shortages of some feedstock due to agricultural losses.	Potential climate factors are considered in the selection process of logistics service providers with respect to accessibility and back-up procedures in the event of environmental incidents.

COMPLIANCE

RISK	RISK DESCRIPTION	RISK MEASURES
Non-compliance with laws and regulations	Being present in various countries across the globe, IMCD is exposed to local and international legal and compliance risk. It is IMCD's main principle to comply with all applicable national and international laws and regulations (including local tax laws and regulations).	IMCD has set up an internal competition compliance framework and trains its employees by means of a compliance programme to observe national and international antitrust laws. By doing so, IMCD makes its employees aware of potential conflicts with competition law and actively helps them to avoid any potential adverse consequences of competition law infringements. IMCD neither engages in nor supports the use of forced labour, bonded or involuntary labour or child labour. IMCD therefore complies with the standards of the International Labour Organisation and the minimum age requirements in all countries in which IMCD conducts business. Taxes are paid where the economic activity occurs. In cases when there is insufficient local knowledge with respect to tax cases, the Company makes use of external advisors to ensure compliance with local tax requirements.
Anti-corruption and bribery	Non-compliance with anti-corruption and bribery laws could lead to fines and potential prosecution of employees, and could substantially harm the company's reputation.	Specific internal policies on anti-corruption and anti-bribery are in place, offering our employees clear examples of behaviour that should be avoided. A continuous compliance training programme is in place to create and maintain awareness of ethical business practices and to ensure compliance with applicable trade restrictions, antitrust and anti-bribery laws, market abuse rules and other compliance regulations and more. In 2019, IMCD implemented an online learning (e-learning) platform, which has further strengthened IMCD's compliance programme. In 2020, IMCD started the roll-out of a standardised group compliance training curriculum which will befurther expanded in 2021.

FINANCIAL

RISK	RISK DESCRIPTION	RISK MEASURES
Volatility of foreign currencies	IMCD is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the company.	IMCD uses forward exchange contracts to hedge currency risks; most of these contracts have a maturity of less than one year. Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations, providing an economic hedge without derivatives being entered into. In respect of other monetary assets and liabilities denominated in foreign currencies, the company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.
Credit risk	IMCD's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, IMCD also considers the demographics of the customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. This has been of increased importance due to the COVID-19 pandemic. There is no significant geographical concentration or concentration at individual customer level of credit risk.	IMCD has established a credit policy under which each new customer is analysed individually for creditworthiness before the company's standard payment and delivery terms and conditions are offered. IMCD's review includes the use of external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount. These limits are reviewed periodically, at a minimum once a year. Customers that fail to meet the company's benchmark creditworthiness may transact with IMCD only on a prepayment basis. In the past year, credit management has been further enhanced and tightened to mitigate the increased credit risk exposure due to COVID-19.
Liquidity risk	Liquidity risk is the risk that IMCD will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.	IMCD's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to IMCD's reputation. Typically IMCD ensures that it has sufficient cash on demand to meet expected operational expenses for the next twelve months, including the servicing of financial obligations.
Interest rate risk	IMCD is exposed to interest rate risk with respect to its financial assets and liabilities, either from fixed rate or variable rate instruments.	IMCD adopts a policy of ensuring that at least a large element of its exposure to changes in interest rates on long-term loans is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates. When required, interest rate swap contracts are used for hedging variable into fixed interest rates.

Management Board statements

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

1. the financial statements, which have been prepared in accordance with IFRS-EU and Part 9 of Book 2 of the Dutch Civil Code, and included in the annual report, provide a true and fair view of the assets, liabilities and financial position of IMCD as of 31 December 2020 as well as of the profit or loss of IMCD N.V. and its consolidated enterprises;
2. this report provides a true and fair view of the position as at 31 December 2020 and of the business performance during the 2020 financial year of IMCD N.V. and the companies associated with it, the results of which are included in the financial statements; and
3. the key material risks to which IMCD N.V. is exposed are described in the annual report.

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

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

Rotterdam, 25 February 2021

Management Board:
Piet van der Slikke
Hans Kooijmans

CHAPTER CONTENTS

REPORT OF THE SUPERVISORY BOARD

This report provides further information on the activities of the Supervisory Board during 2020. The Supervisory Board supervises the policies pursued by the Management Board and its performance, as well as the general course of affairs within the company. The Supervisory Board also advises the Managing Board and supervises the dynamics and relationship between the Management Board and the other members of the Executive Committee.

Introduction by the Chair

Dear Reader,

The year 2020 was no doubt an exceptional year, with the global outbreak of the COVID-19 pandemic presenting enormous challenges worldwide. Despite turbulent conditions, IMCD has been able to deliver strong financial results and achieve impressive growth. IMCD's diversified business model showed itself resilient yet again and remains a crucial factor for IMCD's success. But the Supervisory Board was also impressed with the flexibility and dedication shown by IMCD's employees, that have enabled the company, faced with unprecedented lock down restrictions, to remain open for business almost everywhere in the world and ensured that operations continued efficiently and practically undisrupted. By quickly adopting remote working and through the use of digital tools and communication means, IMCD was able to stay in close contact with its existing business partners, but also successfully reached new suppliers and customers, resulting in further expansion of its supplier and customer base and product portfolio.

Growth was delivered as well by expansion to new territories and strategic acquisitions. The Supervisory Board supported the company's expansion to the Middle-East, where a new office was opened in Dubai. Given the growth potential of the Middle -East region, this move added to the long-term value creation in 2020, as it offers the opportunity to accelerate growth in the region in the coming years.

Through the acquisition of, most notably, Signet in India, IMCD ascertained both a strategical boost of its pharmaceutical business globally, as well as an increased presence in the high growth APAC region, with India being predicted as to be amongst the fastest growing markets in the near and long-term future. The fact that IMCD's management was able to progress and conclude this deal during these uncertain times, and in addition was able to successfully attract funding for it by a well-received offering of new shares, is an impressive achievement, evidencing the entrepreneurial spirit that is still very much a driving pillar of IMCD's culture.

The Supervisory Board also saw good strategic rationale for the other, often smaller, acquisitions it approved during 2020, whereby each target company represented a clear opportunity to strengthen IMCD's local position in one or more of the business groups it is active in, and thus, eliminating gaps in (local) product portfolio coverage. In addition, the strategy for IMCD's activities in Latin American was further defined and execution is underway.

All in all, the Supervisory Board is optimistic for IMCD's future. With hard work, IMCD has manoeuvred successfully through a turbulent year. In the year in which the Company celebrated its first 25 years, it has with confidence laid down the foundation that will enable it to pursue further successes in the years to come.

Michel Plantevin

Composition, diversity and independence

The Supervisory Board currently consists of six members, as described on page 81. The tables below provide an overview of the composition, attributes and skills of the Supervisory Board members .

Composition Supervisory Board

name + position (end of year)	nationality	gender	year of birth	initial appointment	term expires in	number of terms	independent (DCGC)
Michel Plantevin - Chair of the SB - Member of the RC	French	male	1956	2011	2021	fourth / final	yes
Arjan Kaaks - Member of the SB - Chair of the AC	Dutch	male	1966	2015	2022	second	yes
Stephan Nanninga - Member of the SB - Chair of the RC	Dutch	male	1957	2018	2022	first	yes
Janus Smalbraak - Member of the SB - Member of the RC	Dutch	male	1967	2016	2024	second	yes
Valerie Diele-Braun - Member of the SB - Member of the RC	German Swiss	female	1971	2020	2024	first	yes
Amy Hebert - Member of the SB - Member of the AC	American	female	1972	2020	2024	first	yes

Skills & attributes of IMCD Supervisory Board members

	Michel Plantevin	Arjan Kaaks	Stephan Nanninga	Janus Smalbraak	Valerie Diele-Braun	Amy Hebert
Skills						
Managing large organisations	x	x	x	x	x	x
International business experience	x	x	x	x	x	x
Industry knowledge: chemicals (speciality, or other)and/or ingredients	x		x		x	x
Market knowledge: distribution	x	x	x	x	x	x
M&A experience	x	x	x	x	x	x
Finance, audit & risk	x	x				x
Governance, regulatory compliance & legal	x	x	x	x	x	x
People, culture and HR expertise		x	x	x	x	x
Sustainability & CSR				x	x	x
Investor relations	x	x	x	x	x	
Other attributes						
Currently active in an executive position at another company	x	x	x	x	x	x
Mainly non-executive role						

Changes in 2020

In accordance with the retirement rota, the term of Janus Smalbraak and Julia van Nauta Lemke expired on the day of the 2020 AGM. Janus Smalbraak was reappointed for a second term of four years at the 2020 AGM. In addition, two new members, Valerie Diele-Braun and Amy Hebert, were appointed to the Supervisory Board, bringing the number of Supervisory Board to six (the new composition).

Foreseen changes in 2021

At the end of the upcoming AGM in 2021, the final term of Supervisory Board's Chair Michel Plantevin will expire. In a press release issued on 26 February 2021, the Supervisory Board announced its decision to appoint Janus Smalbraak as the new Chair of the Supervisory Board. After retirement of Michel Plantevin, the Supervisory Board will continue in a composition of five members and will re-assess the need for and profile of a sixth member in the second half of the year.

Diversity within the Supervisory Board
The Supervisory Board strives to have a diverse composition of members such that this enures that knowledge, skills and experience present are complementary, enabling each member to make a valuable contribution in carrying out the various responsibilities of the board or committee. In addition, the Supervisory Board strives for diversity in planned resignations of its members. When considering vacancies, achieving and/or maintaining an appropriate balance in gender, age and geographic background are important aspects that will be taken into account. However, complementary expertise and experience have priority in the selection and nomination process.

In 2020, with one vacancy filled by means of reappointment and two vacancies filled by new Supervisory Board members, the Supervisory is happy with the further diversification that has been achieved. By reappointing Janus Smalbraak, the Supervisory Board as been able to retain in its composition the expertise and knowledge accumulated, while both new members of the Supervisory Board strengthen the Board with significant industry expertise. Both are proven international executives, with strong records in the speciality chemicals and ingredients industry. Their appointment also brings further diversity in terms of gender, age and nationality.

An unfortunate side-effect of the three appointments in 2020 is that several members are now scheduled for retirement from the board in the same year. The Supervisory Board is aware of this and will strive to spread the dates of retirements in the rota again when vacancies arise and/or additional appointments are to be made in future years.

Independence / No conflicts of interest
Throughout 2020, all Supervisory Board members qualified as independent within the meaning of best practice provision 2.1.8 of the Dutch Corporate Governance Code. IMCD did not grant any loans, advances, guarantees, shares or options to its Supervisory Board members. Their remuneration is not dependent on the results of IMCD. No Supervisory Board members held any shares or options on shares in IMCD, and no Supervisory Board members had transactions in 2020 where there was a current of potential conflict of interest.

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

Supervision in 2020

In performing their duties, the members of the Supervisory Board are guided by the interests of IMCD and all its stakeholders. The activities the Supervisory Board engaged in as well as the material matters on which its supervision was focused in the course of 2020 are described below.

Meetings and attendance
Due to the pandemic, the meeting schedule of the Supervisory Board deviated from previous years. Where the Supervisory Board was accustomed to schedule five face-to-face meetings in a year, this was not possible due to the various lock down and travelling restrictions that applied throughout most of 2020. The Supervisory Board has been able to meet face-to-face on two occasions, in February and August. All other regular meetings were held via video-conference and/or conference calls. In addition, the COVID-19 pandemic gave cause for the Supervisory Board and Management Board to meet more frequently, with additional update calls scheduled in between the regular meetings to keep the Supervisory Board closely informed on the impact of the COVID-19 pandemic on IMCD.

In total, 11 Supervisory Board meetings took place, of which 9 were held virtually (sometimes with some of the Dutch Supervisory Board members attending in person in Rotterdam, to the extent possible under the applicable Dutch COVID-19 related measures). All of the meetings but one were held with both Management Board members present. Four Supervisory Board meetings included a closed session without the Management Board members' attendance. Between meetings, the members of the Supervisory Board had regular contact with each other, by telephone and email. To prepare for meetings and to discuss the current state of affairs, the Chair had regular contact with the CEO. The full Executive Committee was present during the (virtual) Supervisory Board meeting in December 2020.

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

Attendance record

	SB meetings	AC meetings	RC meetings
Michel Plantevin (Chair)	11/11	-	1/2 [1]
Arjan Kaaks (Vice-Chair)	11/11	5/5	-
Stephan Nanninga	11/11	-	2/2
Janus Smalbraak	11/11	-	2/2
Valerie Diele-Braun	5/11 [2]	-	1/2 [3]
Amy Hebert	5/11	3/5 [4]	-
Julia van Nauta Lemke	6/11 [5]	3/5	-

[1] Mr Plantevin retired from the Remuneration Committee on 17 August 2020. He attended all RC meetings held in 2020 until such date.
[2] Ms Diele-Braun and Mrs. Hebert were appointed to the Supervisory Board on 30 June 2020 and attended all SB meetings from that date.
[3] Ms Diele-Braun was appointed member of the Remuneration Committee on 17 August 2020 and attended all RC meetings from that date.
[4] Ms Hebert was appointed member of the Audit Committee on 17 August 2020 and attended all AC meetings held in 2020 from that date.
[5] Ms Nauta Lemke attended all SB and AC meetings held in 2020 until her scheduled date of retirement from the Supervisory Board.

Site visit (postponed)
Following site visits to Belgium (2017), Canada (2018) and France (2019), the Supervisory Board had intended to visit IMCD's facilities in Germany in 2020. This visit was originally planned for the spring, but was rescheduled to take place towards the end of the year, due to the measures and lock-down restrictions imposed during the first wave of the pandemic. Unfortunately, the return of lock-downs and other governmental measures in the fourth quarter of the year made it impossible to go through with the scheduled visit in 2020. The Supervisory Board regrets not having been able to interact with each other as well as with local management and employees in Germany this year and has, in its annual evaluation, made it a priority to reschedule the postponed visit as soon as reasonably possible (under the circumstances in effect at the time) in 2021.

Topics of discussion and advice
Regular items on the Supervisory Board agenda were the development of results, the financial position, acquisition projects and evaluations of these, and reports on any matters relating to material risks, claims or compliance issues. As of February 2020, the COVID-19 pandemic and its impact on IMCD became a regular topic as well. To provide more insight, some matters of material significance relating to the supervision in 2020 by the Supervisory Board are discussed in more detail below.

Strategy
On various occasions, the Management Board and the Supervisory Board discussed the company’s strategy for long-term value creation (and the implementation thereof) and, this year, considerable time was spent on the regional aspects and developments in this area. These conversations closely connected to potential acquisitions or other business opportunities as presented by the Management Board. In 2020, the Management Board made good progress in the execution of IMCD's growth strategy. Regional strategies were discussed in depth, occasioned by IMCD's geographical expansion in the Middle-East (with the opening of a regional office in Dubai) and acquisition opportunities in the APAC region (most notably, through the acquisition of Signet in India, as discussed in more detail below). The strategy for IMCD in Latin America was discussed in depth in December 2020 with Marcus Jordan, IMCD's president for the Americas and member of the Executive Committee. Both his presentation on the Latin American strategy as well as the annual report by the Management Board on the (general) strategy and associated risks, were discussed with the full Executive Committee present, providing the Supervisory Board with thorough insight into the ambitions for the company and the state of execution.

Acquisitions
In 2020, the Supervisory Board gave due consideration to a number of potential acquisitions and approved the acquisitions of the pharmaceutical business of Develing International Trade in China, VitaQualy Comércio de Ingredientes LTDA in Brazil, Signet Excipients Private Limited in India, Kokko-Fiber Ab in Finland, Peak International Products B.V. in the Netherlands (operating throughout the Benelux), the personal care business of Ejder Kimya İlaç Danışmanlık Sanayi ve Ticaret A.Ş. in Turkey, and Milikan S.A. de C.V. and Banner Quimica S.A. de C.V. in Mexico. Many of these acquisitions were smaller companies, but each one represented a strategic advantage, such as access to new territories or strengthening of IMCD's presence in certain business segments.

Given the size of the acquisition of Signet in India, as well as the fact that IMCD chose to raise equity in the market through a share offering in connection with this acquisition, this particular project was discussed in depth with the Management Board on multiple occasions throughout the year. IMCD's Business Group Director for Pharmaceuticals John Robinson provided in-depth background on the strategic rationale for the acquisition, and presented the strategy for IMCD's pharmaceuticals business group. In addition to meetings, regular contact took place between the CEO and the Supervisory Board's Chair. The Supervisory Board is impressed and excited that the Management Board has been able to successfully acquire Signet and views this expansion as an important step in the execution of IMCD's long-term growth strategy.

Share offering

In connection with the acquisition of Signet, the Supervisory Board was closely involved in the company's share offering through which it raised approximately EUR 400 million in September 2020. The Supervisory Board is pleased to see that the share offering was a success and that investors share the Board's opinion that the acquisition of Signet brings long-term value to IMCD.

Operational performance and budget planning

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

During the Supervisory Board’s meeting in December 2020, the budget for 2021 was presented, which is the outcome of an extensive internal process of local and regional budget discussions. The budget was discussed with the full Executive Committee present, providing opportunity for the Supervisory Board members to discuss market circumstances, competitors, opportunities and risks or other developments within specific regions and IMCD’s business groups in more depth.

COVID-19 pandemic and its impact

As of February 2020, contact between the Supervisory Board and the Management Board in respect of the COVID-19 pandemic and its impact on IMCD intensified. Starting in March 2020, detailed updates were provided in each meeting in respect of the pandemic's impact in each region and/or at the level of individual countries (for example where lock downs were imposed or other governmental measures applied). These updates typically start with information on the health and well-being of IMCD's employees worldwide, the commercial and/or operational challenges encountered or foreseen as a consequence of local government measures, the (foreseen) impact on financial results, and the volatility of economic conditions and (lack of) visibility on the short and long-term consequences.

Digitalisation

At the end of 2019, IMCD's Group Director for Digital Transformation presented IMCD's digital strategy to the Supervisory Board. In 2020, the work to fully integrate IMCD’s digital platform, both internally, by unifying processes and aligning sales, marketing and technical teams, and externally, through projects in the field of marketing and business analytics, continued. The Supervisory Board was happy to see that, despite the unforeseen challenges caused by global travel restrictions and lock-downs, the pace of the roll-out of digital initiatives has remained high. The challenges and opportunities connected to IMCD's digital transformation remain a topic of attention for the Supervisory Board throughout the coming years.

Sustainability

In July 2020, IMCD published its second sustainability report, again with assurance by the company's external auditor. Based on the evaluation of the publication of the company's first sustainability report in 2019, the company has worked throughout 2020 to improve the process for (sustainability) data collection. This has enabled IMCD to include a broader scope of group companies and operations in its reporting. In addition, a clear goal was set to achieve a 15% reduction in GHG emissions per million Euro operating EBITDA by 2024, versus the base year 2019. To support further progress, the Supervisory Board decided to include this topic in the personal KPIs of the Management Board members for 2021.

Talent development & Diversity

The development and execution of the HR strategy remains an important topic for the Supervisory Board that was discussed in the presence of the Global HR Director. In 2020, discussions included the IMCD's culture and values, leadership changes and new (senior) hires in the organisation as well as management succession planning. In addition, the topic of diversity was discussed in depth. As part of the Management Board's non-financial KPIs for 2020, the Supervisory Board requested the company to formalise a group-wide diversity plan, aiming to strengthen female talent development and leadership representation within IMCD. This plan was presented and discussed with IMCD's Group HR Director and the Management Board during the Supervisory Board meeting in November. The Supervisory Board approved of the plan and will closely monitor the roll-out throughout the organisation in upcoming years.

IT infrastructure and controls
An annually recurring topic of great attention is the operation and management of IMCD's IT infrastructure. IMCD's operations are supported by sophisticated and modern IT solutions, which play an important role in the further digitalisation of the business model. The global roll-out of an integrated customer relations management system and an integrated product information management system have been significant steps towards being able to support further digitalisation efforts. The roll-out and implementation of projects in this area continued in 2020. In its review, which includes a dedicated Audit Committee meeting in which the IT developments were discussed in depth with the Group Director for IT, the Supervisory Board established that good progress has been made on all strategic objectives of IMCD's IT strategy.

In 2020, cyber-security was also a topic of increased attention for the Supervisory Board. In December 2020, IMCD's Information Security Officer, appointed in 2019, presented IMCD's information security strategy, the actions taken in 2020 and the objectives for 2021. The Supervisory Board decided that the roll-out of IMCD's information security strategy will, as of 2021, be monitored by the Audit Committee.

Ongoing training and performance assessment
In absence of the Management Board members, the Supervisory Board appraised their individual performance and discussed the related remuneration. In addition, in closed sessions, the Supervisory Board discussed its own composition and diversity, the Supervisory Board profile and its remuneration. An overview of the other positions of the Supervisory Board members was discussed as well.

In a separate closed session, the Supervisory Board members discussed the outcome of its self-assessment in respect of the functioning of the Supervisory Board, its members and its committees, including topics such as the interaction between the Supervisory Board and the Management Board and information provision to the Supervisory Board. The overall feedback from the 2020 evaluation was positive. Due to the COVID-19 pandemic, the Supervisory Board was confronted with an increased number of virtual meetings. Although all members expressed a preference for meetings taking place in person - given that such meeting are valuable in enhancing cooperation and increase the sense of team spirit - the evaluation showed that none of the board members felt that virtual meetings had negatively impacted the functioning of the board or its committees in 2020. In fact, due to the increased number of meetings and regular update calls, the Supervisory Board experienced that it was more closely involved and informed in respect of the day-to-day business of the company. What the Supervisory Board missed in 2020, was the face-to-face interaction with IMCD's local management and employees. In light of this, the Supervisory Board has set out as a priority relaunching its annual work visits to IMCD locations in 2021, as soon as circumstances allow so. Furthermore, the Supervisory Board evaluated more practical matters, such as timing of meetings and calls (taking the international composition of the Supervisory Board and multiple timezones into account) and manners to gather information on industry trends and market performance. The conclusions drawn by the Supervisory Board were thereafter shared with the Management Board.

As part of the continuous Supervisory Board training programme, the Supervisory Board was informed of developments in relevant legislation, which in 2020 included the Dutch legislation proposal to improve gender diversity on corporate boards, amongst other topics. The Supervisory Board was also given presentations on developments in the business groups, which this year included strategy discussions with the management of IMCD's pharmaceuticals business group, in addition to other topics mentioned above (e.g. country strategies and global strategies on HR and diversity). The Supervisory Board members furthermore have access to market reports covering IMCD and/or its competitors, which they can use to educate themselves and develop deeper knowledge about relevant market circumstances, opportunities and challenges that IMCD faces.

Supervisory Board committees
The Supervisory Board has installed two committees: an Audit Committee (AC) and a Remuneration Committee (RC). The split in tasks and responsibilities and the working method of the Supervisory Board and its committees are described in more detail in the Corporate Governance chapter. In all its activities, the

Supervisory Board pays close attention to seeing that IMCD's corporate governance structure is implemented efficiently, ensuring that the needs of all IMCD's stakeholders are met in a manner that is transparent, effective and suitable to IMCD's operations.

Audit Committee

The Audit Committee held five meetings in 2020. At all meetings, the Director of Corporate Control, the internal auditor and representatives of the external auditor, Deloitte Accountants B.V., were present. IMCD's CFO was present at all meetings, but one. During 2020, Julia van Nauta Lemke retired from the Audit Committee and was succeeded by Amy Hebert. Arjan Kaaks chaired the Audit Committee throughout the full year.

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

In preparation for the regular Supervisory Board meetings, IMCD's accounting policies and valuation methods as used in its quarterly, semi-annual and annual financial reporting were discussed in the Audit Committee's meetings. In addition, the following topics were given particular attention in 2020: post-acquisition reviews for recent acquisitions, IMCD's IT infrastructure and strategy and internal control, governance and related risks.

In February 2020, the Audit Committee discussed the financial statements and 2019 audit in depth with the external auditor.

In May, the internal auditor presented his first findings (for the period up to and including March 2020). Furthermore, time was spent on the post-acquisitions review (reviewing five acquisitions), the external audit evaluation as well as the external audit plan for 2020, and the progress made in respect of IMCD's sustainability reporting. In addition to the scheduled agenda items, the impact of the COVID-19 pandemic on the financial reporting and the internal audit function was discussed.

In August, the Audit Committee convened for the first time in its new setting, with Amy Hebert replacing Julia van Nauta Lemke. Valerie Diele-Braun joined the meeting as part of the introduction program for new board members. The external auditor presented the external auditor's audit approach for 2020 to the new Supervisory Board members. IMCD's CFO provided an introduction into IMCD's financial reporting structure and set up of the reports to the Supervisory Board. The Audit Committee and Valerie Diele Braun also discussed IMCD's internal control and risk management system and strategy with the Director of Corporate Control. The Audit Committee reported its findings to the Supervisory Board in August as well, when it was concluded that all required and desirable internal control elements were still effectively assumed within the agenda, programme and tasks of the internal auditor and the corporate (control) team.

In November, the Internal Audit Plan for 2021 was presented to the Audit Committee, which was subsequently approved by the Supervisory Board in its December meeting. On this occasion, the Audit Committee was also given a presentation by the internal auditor on his internal audit findings up to and including October 2020. Additional time was scheduled to continue the discussions on fraud (risks).

In December, an additional meeting of the Audit Committee was scheduled to discuss in more detail the IT strategy and the topic of cyber-security. IMCD's Group Director for IT and Information Security Officer, appointed in 2019, were present for these topics and presented the strategy and an update of the running projects, project plans and status of implementation. In respect of cyber-security, the Information Security Officer discussed with the Audit Committee members the outcome of the assessments that took place in 2019 and 2020 globally, the actions taken during 2020 to enhance IMCD's security and the further actions and projects on the agenda for 2021. In the Supervisory Board meeting in December, it was subsequently agreed that the Audit Committee will follow the developments in respect of IMCD's IT strategy and cyber-security programme closely throughout 2021.

External auditor

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

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

Remuneration Committee
The Remuneration Committee convened two times in 2020 (in February and December), with IMCD's Global HR Director attending both meetings. The members also held regular consultations to discuss, amongst other matters, the proposals for the remuneration of the individual members of the Management Board. Stephan Nanninga (Chair) and Janus Smalbraak were member of the Remuneration Committee throughout the full year. Michel Plantevin retired from the Remuneration Committee as per 17th August 2020, at which date Valerie Diele-Braun was appointed to the committee in his place.

Minutes of the Remuneration Committee meetings were shared with the full Supervisory Board and the Chair of the Remuneration Committee provided regular updates of the discussions that took place. The Remuneration Committee presented its findings and proposals to the Supervisory Board and prepared the Supervisory Board's remuneration report for 2020, which is published on the company's website.

MB and SB remuneration
In 2020, the remuneration policy for the Management Board was amended to align it with the new legal requirements applicable as a result of the implementation of the Revised Shareholders' Rights Directive.The revised remuneration policy for the Management Board was approved by the General Meeting on 30 June 2020, with 94.85% of votes cast in favour. At the same time, a separate remuneration policy for the Supervisory Board was adopted, with 99.49% of votes cast in favour, formalising the existing practices and principles for Supervisory Board remuneration.

The 2020 remuneration report, as published on the company's website, contains further details on how the remuneration policies were implemented in 2020. Detailed information on the compensation of the Management Board and Supervisory Board in 2020 is set forth in note 52 to the financial statements.

Due to the implementation of the Revised Shareholders' Rights Directive, the format of the remuneration report was further amended to ensure compliance with the new legislation. The 2019 remuneration report was the first remuneration report in this new format and was submitted to the General Meeting for an advisory vote. It was well received with 94.46% of votes cast in favour of approval.

Financial statements 2020 and profit appropriation

The Supervisory Board reviewed and discussed the annual report and the financial statements for 2020 with all parties involved in the preparations of these. Based on these discussions the Supervisory Board can conclude that the annual report provides a solid basis for the Supervisory Board's accountability for its supervision in 2020.

The financial statements for the financial year 2020 have been prepared by the Management Board and were audited by Deloitte Accountants B.V. The financial statements and the outcome of the audit performed by the external auditor were discussed by the Supervisory Board in the presence of the external auditor in February 2021.

The financial statements 2020 were endorsed by all Management Board and Supervisory Board members and are, together with Deloitte's auditor's report, included under Other information on page 186 of this annual report. The Management Board will present the 2020 financial statements and its report at the AGM.

The Supervisory Board recommends that the AGM adopt the 2020 financial statements, including a proposed dividend of EUR 1.02 in cash per share.

In addition, the Supervisory Board recommends that the members of the Management Board and Supervisory Board be discharged from liability in respect of their respective management and supervisory activities performed in 2020.

The Supervisory Board would like to thank all IMCD employees, under the strong leadership of the Management Board and Executive Committee, for their continued hard work and commitment shown in the exceptional year 2020.

Rotterdam, 25 February 2021

Supervisory Board
Michel Plantevin
Arjan Kaaks
Stephan Nanninga
Janus Smalbraak
Valerie Diele-Braun
Amy Hebert

FINANCIAL STATEMENTS


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Consolidated financial statements

Company financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2020

EUR 1,000	NOTE	31 DECEMBER 2020	31 DECEMBER 2019
Assets			
Property, plant and equipment	17	94,950	90,331
Goodwill		1,022,593	749,001
Other intangible assets		544,243	392,248
Intangible assets	18	**1,566,836**	**1,141,249**
Equity-accounted investees	21	39	65
Other financial assets	22	5,290	5,368
Deferred tax assets	23	38,356	34,663
Non-current assets		**1,705,471**	**1,271,676**
Inventories	24	371,239	377,229
Trade and other receivables	25	464,432	434,624
Cash and cash equivalents	26	169,008	104,357
Current assets		**1,004,679**	**916,210**
Total assets		**2,710,150**	**2,187,886**

The notes are an integral part of these consolidated financial statements

EUR 1,000	NOTE	31 DECEMBER 2020	31 DECEMBER 2019
Equity	27		
Share capital		9,118	8,415
Share premium		1,051,438	657,514
Reserves		(123,203)	(46,725)
Retained earnings		199,574	139,315
Unappropriated result		120,924	108,006
Total equity		**1,257,851**	**866,525**
Liabilities			
Loans and borrowings	28	587,169	565,646
Employee benefits	29	29,535	24,053
Provisions	30	4,449	4,358
Deferred tax liabilities	23	117,674	77,422
Total non-current liabilities		**738,827**	**671,479**
Loans and borrowings	28	80,373	-
Short-term financial liabilities	28	240,810	273,950
Trade payables	31	291,844	279,796
Other payables	31	100,445	96,136
Total current liabilities		**713,472**	**649,882**
Total liabilities		**1,452,299**	**1,321,361**
Total equity and liabilities		**2,710,150**	**2,187,886**

The notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

EUR 1,000	NOTE	2020	2019
Revenue	8	2,774,918	2,689,626
Other income	9	12,443	16,937
Operating income		**2,787,361**	**2,706,563**
Cost of materials and inbound logistics	24	(2,127,434)	(2,090,366)
Cost of warehousing, outbound logistics and other services		(81,928)	(72,582)
Wages and salaries	10, 12	(196,459)	(179,265)
Social security and other charges	10	(52,286)	(49,708)
Depreciation of property, plant and equipment	17, 19	(25,637)	(21,987)
Amortisation of intangible assets	18, 19	(56,474)	(44,171)
Other operating expenses	13	(55,351)	(72,426)
Operating expenses		**(2,595,569)**	**(2,530,505)**
Result from operating activities		**191,792**	**176,058**
Finance income	14	2,636	695
Finance costs	14	(28,694)	(27,513)
Net finance costs		**(26,058)**	**(26,818)**
Share of profit of equity-accounted investees, net of tax	21	(45)	112
Result before income tax		**165,689**	**149,352**
Income tax expense	15	(44,765)	(41,346)
Result for the year		**120,924**	**108,006**
Gross profit [1]		647,484	599,260
Gross profit in % of revenue		23.3%	22.3%
Operating EBITA [2]	6	253,517	224,783
Operating EBITA in % of revenue		9.1%	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.

EUR 1,000	NOTE	2020	2019
Result for the year		**120,924**	**108,006**
Defined benefit plan actuarial gains/(losses)	29	(2,356)	(1,767)
Related tax	15	537	445
Items that will never be reclassified to profit or loss		**(1,818)**	**(1,322)**
Foreign currency translation differences related to foreign operations		(82,553)	15,101
Effective portion of changes in fair value of cash flow hedges		(110)	33
Related tax	15	4,393	(1,041)
Items that are or may be reclassified to profit or loss	14	**(78,270)**	**14,093**
Other comprehensive income for the period, net of income tax		**(80,088)**	**12,771**
Total comprehensive income for the period		**40,836**	**120,777**
Result attributable to:			
Owners of the Company		120,924	108,006
Total comprehensive income attributable to:			
Owners of the Company		40,836	120,777
Weighted average number of shares	16	53,749,804	52,475,335
Basic earnings per share	16	2.25	2.06
Diluted earnings per share	16	2.24	2.05

The notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

EUR 1,000	NOTE	SHARE CAPITAL	SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	RESERVE OWN SHARES	OTHER RESERVES	RETAINED EARNINGS	UNAPPRO-PRIATED RESULT	TOTAL EQUITY
Balance as at 1 January 2020	27	**8,415**	**657,514**	**(36,169)**	**(96)**	**(4,686)**	**(5,774)**	**139,315**	**108,006**	**866,525**
Appropriation of prior year's result		-	-	-	-	-	-	60,673	(60,673)	**-**
		8,415	**657,514**	**(36,169)**	**(96)**	**(4,686)**	**(5,774)**	**199,988**	**47,333**	**866,525**
Result for the year		-	-	-	-	-	-	-	120,924	**120,924**
Total other comprehensive income		-	-	(78,160)	(110)	-	(1,818)	-	-	**(80,089)**
Total comprehensive income for the year		**-**	**-**	**(78,160)**	**(110)**	**-**	**(1,818)**	**-**	**120,924**	**40,835**
Cash dividend	27	-	-	-	-	-	-	-	(47,333)	**(47,333)**
Issue of shares minus related costs	27	703	393,924	-	-	-	-	-	-	**394,627**
Share based payments	27	-	-	-	-	-	2,818	(1,529)	-	**1,289**
Transfer of own shares	27	-	-	-	-	793	-	1,115	-	**1,908**
Total contributions by and distributions to owners of the Company		**703**	**393,924**	**-**	**-**	**793**	**2,818**	**(414)**	**(47,333)**	**350,491**
Balance as at 31 December 2020		**9,118**	**1,051,438**	**(114,329)**	**(206)**	**(3,893)**	**(4,774)**	**199,574**	**120,924**	**1,257,851**

The notes are an integral part of these consolidated statements.

EUR 1,000	NOTE	SHARE CAPITAL	SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	RESERVE OWN SHARES	OTHER RESERVES	RETAINED EARNINGS	UNAPPRO-PRIATED RESULT	TOTAL EQUITY
Balance as at 1 January 2019	27	**8,415**	**657,514**	**(50,229)**	**(129)**	**(5,683)**	**(5,523)**	**81,926**	**100,057**	**786,348**
Appropriation of prior year's result		-	-	-	-	-	-	57,983	(57,983)	**-**
		8,415	**657,514**	**(50,229)**	**(129)**	**(5,683)**	**(5,523)**	**139,909**	**42,074**	**786,348**
Result for the year		-	-	-	-	-	-	-	108,006	**108,006**
Total other comprehensive income		-	-	14,060	33	-	(1,322)	-	-	**12,771**
Total comprehensive income for the year		**-**	**-**	**14,060**	**33**	**-**	**(1,322)**	**-**	**108,006**	**120,777**
Cash dividend	27	-	-	-	-	-	-	-	(42,074)	**(42,074)**
Issue of shares minus related costs	27	-	-	-	-	-	-	-	-	**-**
Share based payments	27	-	-	-	-	-	1,071	(1,508)	-	**(437)**
Transfer of own shares	27	-	-	-	-	997	-	914	-	**1,911**
Total contributions by and distributions to owners of the Company		**-**	**-**	**-**	**-**	**997**	**1,071**	**(594)**	**(42,074)**	**(40,600)**
Balance as at 31 December 2019		**8,415**	**657,514**	**(36,169)**	**(96)**	**(4,686)**	**(5,774)**	**139,315**	**108,006**	**866,525**

The notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

EUR 1,000	NOTE	2020	2019
Cash flows from operating activities			
Result for the year		120,924	108,006
Adjustments for:			
• Depreciation of property, plant and equipment	17	25,637	21,987
• Amortisation of intangible assets	18	56,474	44,171
• Net finance costs excluding currency exchange results	14	18,546	24,064
• Currency exchange results	14	7,512	2,754
• Cost of share based payments	12	4,635	2,979
• Share of profit of equity-accounted investees, net of tax	21	45	(112)
• Income tax expense	15	44,765	41,346
		278,538	**245,195**
Change in:			
• Inventories	24	5,885	(461)
• Trade and other receivables	25	6,184	626
• Trade and other payables	31	18,575	(667)
• Provisions and employee benefits	29, 30	(1,910)	(3,448)
Cash generated from operating activities		**307,273**	**241,245**
Interest paid		(18,934)	(23,223)
Income tax paid		(45,974)	(43,877)
Net cash from operating activities		**242,366**	**174,145**
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	7, 32	(374,558)	(89,443)
Acquisition of intangible assets	18	(13,091)	(11,402)
Acquisition of property, plant and equipment	17	(9,234)	(6,320)
Proceeds from disposals of (in)tangible assets	17, 18	2,630	286
Acquisition of other financial assets		(45)	(548)
Net cash used in investing activities		**(394,298)**	**(107,428)**
Cash flows from financing activities			
Proceeds from issue of share capital net of related costs	27	392,877	-
Dividends paid	27	(47,333)	(42,074)
Purchase and transfer of own shares	27	(0)	997
Share based payments	27	(1,430)	
Payment of transaction costs related to loans and borrowings	28	(595)	-
Movements in bank loans and other short-term financial liabilities	28	10,333	23,705
Proceeds from issue of current and non-current loans and borrowings	28	260,564	-
Repayment of loans and borrowings		(351,759)	(2,654)
Repayment of lease liabilities		(22,293)	(20,657)
Net cash from financing activities		**240,365**	**(40,683)**
Net increase in cash and cash equivalents		**88,433**	**26,034**
Cash and cash equivalents as at 1 January	26	104,357	85,162
Effect of exchange rate fluctuations		(23,782)	(6,839)
Cash and cash equivalents as at 31 December	26	**169,008**	**104,357**

The notes are an integral part of these consolidated statements.

CONSOLIDATED FINANCIAL STATEMENTS

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

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 2020 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Company is acting as the parent company of the IMCD Group, a group of leading companies in sales, marketing and distribution of speciality chemicals and pharmaceutical and food ingredients. The Group has offices and warehouses in Europe, Asia-Pacific, Africa and in North and Latin America.

2 Basis of preparation

2.a Statement of compliance

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

The consolidated financial statements were authorised for issue by all members of the Management Board and the Supervisory Board on 25 February 2021.

2.b Basis of measurement

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

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

2.c Functional and presentation currency

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

2.d Use of estimates and judgements

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

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

Judgements

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

- Note 7 and 34: whether the Group has (de facto) control over an investee and whether a non-controlling interest is recognized.
- Note 19 – lease term: whether the Group is reasonably certain to exercise extension options

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 18 – impairment test: key assumptions underlying recoverable amounts
- Note 23 – recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used
- Note 29 – measurement of defined benefit obligations: key actuarial assumptions
- Note 30 and 33: Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources

Measurement of fair values

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

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

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

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

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

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

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

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

- Note 7: acquisition of subsidiaries
- Note 12: Share based payment arrangements
- Note 28: employee benefits
- Note 32: financial instruments

2.e Changes in accounting policies

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

Other standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2020 did not have a material impact on the financial statements of the Group.

Standards and amendments to IFRSs effective on or after 1 January 2020

IMCD has applied the following standards and amendments to standards, with a date of initial application of 1 January 2020:

- Amendments to IFRS 3 Definition of a business

- Amendments to IAS 1 and IAS 8 Definition of material
- Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform
- Amendment to IFRS 16 Covid-19-Related Rent Concessions

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

New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021 and have not been applied in preparing these consolidated financial statements:

- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform phase 2
- Amendments to IFRS 4 Insurance Contracts: Deferral of IFRS 9

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

2.f COVID-19

Important events

IMCD's results for the year have been moderately impacted by the COVID-19 pandemic. IMCD was able to remain open for business, whilst adapting working practices to safeguard the health of our employees and business partners. Supply chains were disrupted only limited and remote working allowed operations to be ongoing.

Principal risks and uncertainties

The impact of the COVID-19 pandemic on accounting has been assessed and described in the following sections:

Receivables:

The provision for trade and other receivables has been determined in accordance with IFRS 9, taking into consideration a potentially higher risk of credit losses resulting from the COVID-19 pandemic. This has not resulted in a material impairment loss.

Inventories:

No significant impact on inventory valuation has been determined as stock levels were properly managed, taking into account changes in demand resulting from the pandemic.

Goodwill impairment test:

We have expanded our sentitivity analysis in order to incorporate the potential impact of COVID-19 in our assumptions. Reference is made to note 18.

Loans and borrowings:

We have performed a sensitivity analysis on the leverage covenants. Reference is made to note 28.

3 Significant accounting policies

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

3.a Basis of consolidation

Business combinations

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

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

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

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

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

Subsidiaries

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

Interests in equity-accounted investees

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

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

Transactions eliminated on consolidation

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

3.b Foreign currency

Foreign currency transactions

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

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

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

Foreign operations

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

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

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

3.c Financial instruments

Non-derivative financial assets

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

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

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

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Non-derivative financial liabilities

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

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

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

Other financial liabilities comprise loans and borrowings, other short-term financial liabilities, and trade and other payables that qualify as financial liability.

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

Share capital

Ordinary shares

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

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

Derivative financial instruments, including hedge accounting

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

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

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

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

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

Cash flow hedges

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

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

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

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

3.d Property, plant and equipment

Recognition and measurement

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

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

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

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

Subsequent expenditure

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

Depreciation

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

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

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

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

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

3.e Intangible assets

Goodwill

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

Other intangible assets

Supplier relations

At acquisition date, the supplier relations are recognised at fair value based on the excess earnings method. For all material supplier bases the initial valuation has been performed by an external valuator. Subsequent measurement is based on costs less amortisation. The estimation of the useful life of each supplier base is usually based on a cut-off calculation that excludes future years from the remaining useful life that account for less than 5% of the total present value of the excess earnings, unless this leads to a calculated useful life not being a proper representation of the actual useful life of the supplier relations.

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

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

Subsequent expenditure

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

Amortisation

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

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

IMCD brand name	: indefinite
Intellectual property rights	: 7 years
Supplier relations acquired through business combinations	: 5 - 20 years
Other distribution, non-compete rights and order books	: (initial) contract term

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

3.f Leases

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

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

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date

- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

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

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

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

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

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. They are subsequently measured at cost less accumulated depreciation or amortisation and impairment losses.

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

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

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

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

The Group presents right-of-use assets that do not meet the definition of investment property in ‘property, plant and equipment’ and 'intangible assets' and lease liabilities in ‘loans and borrowings’ in the statement of financial position.

3.g Inventories

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

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

3.h Impairment

Financial assets

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

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

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

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

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

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

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

Equity accounted investees

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

Non-financial assets

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

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

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

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

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

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

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

3.i Employee benefits

Defined contribution plans

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

Defined benefit plans

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

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

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

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

Other long-term employee benefits

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

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

Termination benefits

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

Share based payment transactions

The grant date fair value of equity-settled share based payment awards granted to employees is recognised as personnel expenses, with a corresponding increase in equity, over the vesting period of the awards. The grant date fair value is generally equal to the share price at grant date, adjusted for:

1. expected dividends
2. marketability discounts for restriction periods (using the Finnerty model)
3. market conditions (using Monte Carlo simulations)

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

Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.j Provisions

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

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

3.k Revenue

Sale of goods

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

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

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

Commissions

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

3.l Finance income and expenses

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

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

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

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

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

3.m Income tax

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

Current tax

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

Deferred tax

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

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

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

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

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

3.n Segment reporting

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

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

The reporting segments used are defined as follows:

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

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 32 Financial Instruments.

Property, plant and equipment

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

Intangible assets

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

Inventories

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

Forward exchange contracts and interest rate swaps

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

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

Other non-derivative financial liabilities

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

Contingent considerations

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

Defined benefit plans

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

5 Financial risk management

5.a Risk management framework

Risk management tasks and responsibilities

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

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

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

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

Risk management elements

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

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

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

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

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

5.b Overview financial risks

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

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

5.c Credit risk

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. This has been of increased importance due to the COVID-19 pandemic. There is no geographical concentration of credit risk nor significant credit risk on individual customer level.

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

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

In the past year, credit management has been further enhanced and tightened to mitigate the increased credit risk exposure due to COVID-19. At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

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

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

5.d Liquidity risks

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

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

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

- EUR 500 million revolving facility. Interest would be payable at the rate of EURIBOR plus the currently applicable 110 base points for amounts drawn in EURO and LIBOR plus currently applicable 110 base points for amounts drawn in other currencies. As of 31 December 2020, the Group had an undrawn revolving facility of EUR 288 million.
- Several credit facilities available to the subsidiaries, mainly in Spain, Indonesia, India, South Africa, Brazil and the United States.

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

31 DECEMBER 2020

EUR 1,000		CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	12 MONTHS OR LESS	1 - 2 YEARS	2 - 5 YEARS	>5 YEARS
Non-derivative non-current financial liabilities							
Schuldscheindarlehen	EUR	39,835	42,543	1,332	605	40,606	-
Bond loan	EUR	296,857	337,500	7,500	7,500	322,500	
Contingent consideration	IDR	2,600	2,685	-	-	-	2,685
	KRW	15,604	15,916	-	15,916	-	-
	INR	172,129	176,011	-	-	176,011	-
	EUR	969	1,000	-	1,000	-	-
Lease liabilities	1	57,637	63,801	-	21,675	25,431	16,695
Other liabilities	EUR	1,538	1,538	-	676	862	-
		587,169	**640,994**	**89,838**	**47,372**	**565,410**	**19,380**
Non-derivative current financial liabilities							
Schuldscheindarlehen	EUR	60,000	60,644	60,644	-	-	-
Schuldscheindarlehen	USD	20,373	21,870	21,870	-	-	-
Contingent consideration	INR	1,589	1,589	1,589	-	-	-
	CHF	653	741	741	-	-	-
Lease liabilities	1	23,681	25,070	25,070	-	-	-
Other short-term financial liabilities	1	214,887	214,887	214,887	-	-	-
Trade payables	1	291,844	291,844	291,844	-	-	-
Other payables	1	98,028	98,028	98,028	-	-	-
		711,055	**714,673**	**714,673**	**-**	**-**	**-**

1 Various currencies

31 DECEMBER 2019

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

Estimated interest payments are based on the EURIBOR and LIBOR rates and margins prevailing at 31 December 2020 and 2019. Further details of the non-derivative financial liabilities can be found in note 28.

5.e Market risks

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

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

Currency risk

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

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

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

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

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

Exposure to currency risk

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

31 DECEMBER 2020

EUR 1,000	USD	CAD	BRL	AUD	INR	CHF	KRW	ZAR	GBP	IDR	OTHER	TOTAL
Non-current assets	86	314	368	-	443	5	319	6	-	2,707	-	**4,248**
Current assets	155,507	8,151	24,606	26,405	98,974	(2,390)	16,111	14,169	19,221	8,861	154	**369,768**
												-
Non-current liabilities	(12,675)	(7,793)	(1,306)	(5,186)	(173,686)	(692)	(54)	(23)	(641)	(2,947)	(15,559)	**(220,562)**
Current liabilities	(239,018)	(14,796)	(9,107)	(12,411)	(11,216)	(3,218)	(3,538)	(6,415)	(15,229)	(1,447)	(1,205)	**(317,600)**
Net statement of currency risk exposure	**(96,099)**	**(14,125)**	**14,560**	**8,808**	**(85,486)**	**(6,295)**	**12,839**	**7,737**	**3,351**	**7,173**	**(16,610)**	**(164,146)**

31 DECEMBER 2019

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

The risk exposure above includes the mitigating effects of hedged net liability positions in USD to the amount of EUR 13.8 million (2019: EUR 5.0 million).

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2020	2019	2020	2019
USD	0.8248	0.8928	0.8149	0.8902
CAD	0.6421	0.6730	0.6397	0.6850
BRL	0.1568	0.2272	0.1568	0.2208
AUD	0.6223	0.6216	0.6291	0.6252
INR	0.0112	0.0127	0.0112	0.0125
CHF	0.9242	0.8988	0.9258	0.9213
KRW	0.0008	0.0008	0.0007	0.0008
ZAR	0.0549	0.0618	0.0555	0.0634
GBP	1.1127	1.1400	1.1123	1.1754
IDR	0.0001	0.0001	0.0001	0.0001

Sensitivity analysis

A 10% strengthening of the EUR, as indicated below, against the USD, CAD, BRL, AUD, INR, CHF, KRW, ZAR, GBP and IDR at 31 December 2020 and 2019 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	EQUITY	PROFIT OR LOSS	EQUITY	PROFIT OR LOSS
	2020	2020	2019	2019
USD	(35,501)	8,758	(31,711)	8,213
CAD	(6,201)	(11)	(10,489)	3
BRL	(6,701)	-	(7,767)	-
AUD	(6,793)	-	(5,877)	-
INR	(38,716)	-	(5,285)	-
CHF	(4,833)	-	(3,952)	-
KRW	(3,754)	-	(3,400)	-
ZAR	(2,985)	(27)	(3,340)	(17)
GBP	(3,271)	(32)	(2,268)	(601)
IDR	(2,478)	-	(2,755)	-

A 10% weakening of the EUR against the above currencies at 31 December 2020 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

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

Interest rate profile

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

	CARRYING AMOUNT	
EUR 1,000	2020	2019
Fixed rate instruments		
Financial liabilities	(311,823)	(348,867)
	(311,823)	**(348,867)**
Variable rate instruments		
Financial assets	169,008	104,357
Financial liabilities	(405,227)	(456,518)
	(236,219)	**(352,161)**

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

5.f Operational risks

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

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

5.g Capital management

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

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

EUR 1,000	2020	2019
Total liabilities	1,452,299	1,321,361
Less: Cash and cash equivalents	(169,008)	(104,357)
Net liabilities	**1,283,291**	**1,217,004**
Total equity	1,257,851	866,525
Less: Amounts accumulated in equity relating to cash flow hedges	206	96
Adjusted equity	**1,258,057**	**866,621**

6 Operating segments

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

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

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

Operating EBITA is defined as the sum of the result from operating activities, amortisation of intangible assets, and non-recurring items. Non-recurring items include:

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

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

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

EUR 1,000	2020	2019
Result from operating activities	**191,792**	**176,058**
Amortisation of intangible assets	56,474	44,171
Non-recurring items	5,251	4,554
Operating EBITA	**253,517**	**224,783**

The non-recurring income and expenses included in the result from operating activities of 2020 and 2019 mainly relate to income from divestments, costs of acquisitions of businesses and costs related to one-off adjustments to the organisation.

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

The results of the operating segments are as follows:

EMEA

EUR 1,000	2020	2019
Revenue	1,326,926	1,314,635
Gross profit	337,375	325,365
Operating EBITA	131,177	126,277
Result from operating activities	106,740	108,017
Total Assets	909,541	925,505
Total Liabilities	286,636	293,447

AMERICAS

EUR 1,000	2020	2019
Revenue	945,114	982,999
Gross profit	204,222	193,563
Operating EBITA	86,018	77,817
Result from operating activities	70,092	63,014
Total Assets	488,450	542,771
Total Liabilities	149,071	139,883

ASIA-PACIFIC

EUR 1,000	2020	2019
Revenue	502,877	391,991
Gross profit	105,887	80,332
Operating EBITA	52,884	35,691
Result from operating activities	40,575	29,859
Total Assets	955,655	375,849
Total Liabilities	331,884	106,360

HOLDING COMPANIES

EUR 1,000	2020	2019
Revenue	-	-
Gross profit	-	-
Operating EBITA	(16,562)	(15,003)
Result from operating activities	(25,615)	(24,832)
Total Assets	356,568	343,761
Total Liabilities	684,768	781,671

Reported revenue per segment relates to revenue with third parties, hence no inter-segment revenues are included. IMCD and its operating segments have a diverse customer base of about 50,000 customers in many countries and of various sizes. IMCD and its segments do not rely on a single customer or a single group of customers for its operations. With a supplier base of approximately 2,200 suppliers and product portfolio of about 43,000 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 seven acquisitions during the financial year 2020.

On 17 January 2020, IMCD acquired 100% of the shares and voting interests of Zifroni Chemical Suppliers Ltd ("Zifroni"). Zifroni is a distributor of pharmaceutical, personal care and other speciality chemical ingredients in Israel. The company has 9 employees and generated a revenue of EUR 10 million in 2019. The acquisition of Zifroni is another step in the globalisation of IMCD's pharmaceutical business.

On 13 July 2020, IMCD acquired the pharmaceutical business in China of Develing International Trade (Shanghai) Co. Ltd. ("Develing"). The acquired business, with annual sales of approximately EUR 10 million, is synergistic with IMCD's existing product range and has been fully integrated into IMCD China's Pharma business unit.

On 19 August 2020, IMCD acquired 100% of the outstanding shares and voting interests of Brazilian speciality ingredient distributor VitaQualy Comércio de Ingredientes LTDA ("VitaQualy"). Based in São Paulo, Brazil, VitaQualy has an asset-light business model and holds long-term customer and supplier relationships as an ingredient distributor to the food, nutrition, pharmaceuticals and nutraceuticals markets. VitaQualy generated a revenue of BRL 26 million (approx. EUR 4 million) in 2019 and adds eight employees to the IMCD Brasil team. The company will be fully integrated into IMCD's organisation in 2021.

On 17 September 2020, IMCD acquired 100% of the share capital and voting interests in Oy Kokko-Fiber Ab ("Kokko-Fiber"), a supplier of fibre-reinforced plastic composite materials in Finland. Kokko-Fiber has five employees and generated a revenue of EUR 9.0 million in 2019.

On 4 November 2020, IMCD acquired 70% of the outstanding shares and voting interests of Signet Excipients Private Limited ("Signet"), one of the leading distributors of excipients in India. IMCD will acquire the remaining 30% of the share capital in Signet by 2024 by means of exercising the put option. As a result, Signet has been fully consolidated and the remainder of the purchase price is accounted for as a deferred consideration instead of a non-controlling interest. Signet is well aligned with the IMCD business model and strategy and provides a significant platform for further growth in India and the Asia-Pacific region. Signet focusses on the distribution of pharmaceutical, nutraceutical and bio-pharma excipients across categories such as diluents, fillers, sweeteners, disintegrants, binders, surfactants and others. Based in Mumbai, Signet is active in India, Bangladesh, the Middle East and Africa. With approximately 100 employees, Signet generated a revenue of INR 13.2 billion (approx. EUR 152 million) in the last twelve months up to and including June 2020, and realised a normalised EBITA of INR 3.4 billion (approx. EUR 39 million).

On 4 December 2020, IMCD acquired 100% of the shares and voting interests of two speciality distribution companies, Millikan S.A. de C.V. ("Millikan") and Banner Química S.A. de C.V. ("Banner Química"). Both based in Mexico City, Millikan and Banner Química collectively generated a revenue of USD 15 million in 2019 and add 60 employees to the IMCD Mexico team. Millikan and Banner Química server customers in the food, nutrition, pharmaceuticals and industrial markets.

The aforementioned transactions added EUR 49.9 million of revenue and EUR 6.9 million of net profit to the Group's results in 2020.

If all acquisitions had occurred on 1 January 2020, management estimates that the consolidated revenue would have been EUR 2,939.9 million and the consolidated result for the year would have been EUR 141.1 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 2020.

The total consideration related to the aforementioned transactions, transferred in cash in 2020, amounts to EUR 379.8 million. As of 31 December 2020, the deferred and contingent considerations payable related to the acquisitions of Signet and Kokko-Fiber amount to EUR 172.3 million and EUR 1.0 million, respectively. The final consideration amounts for Signet and Kokko-Fiber depend upon meeting certain earnings targets.

The consideration of Signet depends on the timing of acquiring the remaining part of the shares, the performance of the company (last twelve months of EBITDA) and the net cash / debt and working capital position at execution date and is therefore subject to uncertainty. This consideration has been discounted to its present value based on the cost of debt. The sensitivity analysis with respect to the contingent considerations has been disclosed in Note 32.

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	SIGNET EXCIPIENTS PVT. LTD.	OTHER ACQUISITIONS	TOTAL
Property, plant and equipment	17	53	1,376	**1,429**
Intangible assets	18	193,477	17,937	**211,414**
Deferred tax assets	23	554	317	**871**
Other financial assets		8	370	**378**
Inventories		20,433	4,664	**25,096**
Trade and other receivables		59,513	6,852	**66,365**
Cash and cash equivalents		15,990	4,017	**20,008**
Loans and borrowings		-	(973)	**(973)**
Other short-term financial liabilities		(19)	(837)	**(856)**
Employee benefits and other provisions	29, 30	(3,262)	(315)	**(3,577)**
Deferred tax liabilities	23	(48,691)	(1,760)	**(50,451)**
Trade and other payables		(12,812)	(4,830)	**(17,642)**
Total net identifiable assets		**225,244**	**26,818**	**252,062**

The intangible assets recognised primarily relate to supplier relationships and order books acquired.

The supplier relations for Signet have been determined by applying the multi-period excess earnings method. This method considers the present value of net cash flows expected to be generated by the supplier relationships, by excluding any cash flows related to contributory assets. The cash flows which have been used as input were based on the projections made by the sellers, adjusted for future supplier losses due to exclusivity conflicts, projected market developments based on external sources and our own expectations based on our extensive market knowledge. Furthermore, an attrition rate of 5.9% was determined based on the annual decrease in revenues related to suppliers (when applicable) in the five most recent financial years, adjusted for annual inflation. This attrition rate has been applied in the projections.

The gross contractual value of the trade and other receivables acquired amounts to EUR 67.6 million of which EUR 60.2 million relates to Signet and EUR 3.0 million to Zifroni.

The purchase price allocations of the acquisitions closed in 2020 are performed on a provisional basis. Based on the information currently available we do not anticipate significant adjustments to the purchase price allocation.

In 2020, based on new information obtained about facts and circumstances that existed at the date of acquisition about the assets and liabilities of DCS, the fair value of trade debtors and provisions were revised for a total amount of EUR 0.4 million.

Goodwill

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

EUR 1,000	NOTE	SIGNET EXCIPIENTS PVT. LTD.	OTHER ACQUISITIONS	TOTAL
Total considerations		511,714	44,337	**556,050**
Less: Fair value of identifiable net assets		225,244	26,818	**252,062**
Goodwill	18	**286,470**	**17,519**	**303,989**

Goodwill recognised as a result of the acquisitions in the financial year relate to Zifroni, Develing, VitaQualy, Kokko-Fiber, Signet, Millikan and Banner Química. The goodwill is attributable mainly to the skills and technical talent of the workforce, the commercial relationships, the international network and

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the synergies expected to be achieved from integrating the acquired companies into the Group's existing distribution business.

Of the total recognised goodwill, 94% relates to Signet, 2% to Develing and 4% to the other acquired businesses.

Amortisation expenses related to the goodwill paid to the sellers of Develing and VitaQualy are deductible for corporate income tax purposes. Total tax-deductible goodwill amounts to EUR 6.4 million. Amortisation of goodwill related to Zifroni, Kokko-Fiber, Signet, Millikan and Banner Química is not eligible for deduction from taxable income.

Acquisition-related costs

The Group incurred acquisition-related costs of EUR 2.7 million (2019: EUR 1.2 million) predominantly related to external legal fees and due diligence costs for completed and non-completed acquisitions. The acquisition-related costs are included in other operating expenses.

8 Revenue

The Group generates revenue primarily from the sale and distribution of specialty chemicals and ingredients. Other sources of revenue include revenue from commission where the Group acts as agent in the sale and distribution of specialty chemicals and ingredients.

EUR 1,000	2020	2019
Sales of goods	2,764,809	2,679,230
Commissions	10,109	10,396
	2,774,918	**2,689,626**

In the following tables, revenue from contracts with customers is disaggregated by primary geographical market and their market segments, being Life Science and Industrial.

Geographical Market

The breakdown of revenue by geographical market is as follows:

EUR 1,000	2020	2019
Netherlands	57,274	58,519
Rest of EMEA	1,269,652	1,256,116
EMEA	**1,326,926**	**1,314,635**
North America	819,696	877,191
Latin America	125,418	105,808
Asia-Pacific	502,877	391,991
	2,774,918	**2,689,626**

As from this year, we decided to break down the Americas region in North and Latin America for revenue disaggregation purposes. This has been based on the differences in the maturity of the markets and the economical circumstances.

Market segments

IMCD's business model is based on long lasting relationships with suppliers of speciality chemicals and ingredients. In order to provide more insight in the segmentation per market, IMCD decided to break down the sales in the market segments Life Sciences and Industrials.

Life Sciences consists of the following lines of business: Pharmaceuticals, Personal Care and Food & Nutrition. In general, the lines of business within Life Science historically have been less sensitive to economic fluctuations. Furthermore, the Life Science segment consists of lower order volumes and higher margins than the Industrials market segment.

The Industrials segment contains the lines of business of Coatings & Constructions, Lubricants & Energy, Synthesis, Advanced Materials and Home Care & I&I. This segment has a more cyclical nature as the performance is dependent on the developments of the housing and real estate, automotive and oil & gas markets.

The breakdown of sales of goods per market segment is as follows:

EUR 1,000	2020	2019
Life Science	1,327,782	1,106,681
Industrial	1,437,027	1,572,549
Total	**2,764,809**	**2,679,230**

Performance obligations

Revenue is measured based on the consideration specifed in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. The nature and timing of the satisfaction of performance obligations in contracts with customers upon the sale and distribution of specialty chemicals and ingredients. The Group recognizes revenue when control is transferred which is at the moment that ownership is transferred to the customer, primarily based on agreed incoterms, at a point in time.

9 Other income

EUR 1,000	2020	2019
Other income	12,443	16,937
	12,443	**16,937**

Other income primarily relates to logistic and other services charged separately to customers. In 2019, other income included non-recurring income of (EUR 2.0 million) related to the sale of real estate in the Netherlands and a net result realised on the sale of the Muskvale operations in Australia and New Zealand.

10 Personnel expenses

EUR 1,000	NOTE	2020	2019
Wages and salaries	12	196,459	179,265
Social security contributions		28,914	28,115
Contributions to defined contribution plans		7,877	7,218
Expenses related to defined benefit plans	29	1,269	70
Expenses related to termination and other long-term employee benefit plans	29	1,519	1,510
Other personnel expenses		12,707	12,795
		248,745	**228,973**

The personnel expenses 2020 include non-recurring severance costs of EUR 0.8 million (2019: EUR 2.2 million).

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

FTE	2020	2019
The Netherlands (excluding Dutch Holding companies)	64	66
Rest of EMEA	1,385	1,323
EMEA	1,449	1,389
Americas	805	761
Asia-Pacific	767	639
Holding companies	80	62
	3,101	**2,851**
Management and administration	443	453
Sales	2,028	1,836
ICT/HSEQ/Warehouse/Other	630	562
	3,101	**2,851**

11 Non-recurring income and expenses

The non-recurring items in 2020 and 2019 mainly consist of costs incurred in acquiring businesses and subsequent integration processes, merger-related costs, severance costs, costs related to one-off adjustments to the organisation, sale of real estate and accelerated amortisation of finance costs as a consequence of the repayment of senior credit facilities.

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

EUR 1,000	NOTE	2020	2019
Other operating income	9	69	1,956
Personnel expenses and other operating expenses	10, 13	(5,321)	(6,510)
Finance costs	14	-	-
Impact on result before income tax		**(5,252)**	**(4,554)**
Non-recurring income tax expenses	15, 23	-	(2,064)
Impact on result for the year		**(5,252)**	**(6,618)**

The non-recurring personnel expenses and other operating expenses for 2020 include severance costs of EUR 0.8 million and other operating expenses of EUR 4.5 million related to professional services fees incurred during acquisition projects and subsequent integration processes.

12 Share based payment arrangements

Description of the share based payment arrangement
As from 1 January 2015 the Group established a long-term incentive plan (LTIP) for the Management Board, the Executive Committee and certain senior managers. Under this equity settled LTIP, performance shares are awarded based on certain performance conditions. Aims of the LTIP are long-term value creation, motivation and sharing of success and retention of key employees.

The performance conditions applicable for the Management Board are:
- relative Total Shareholder Return performance (market-related condition) compared with a selected group of peer companies and
- cash earnings per share (internal performance condition)

The performance period starts yearly on 1 January and lasts three financial years. After vesting, the unconditional shares are subject to a holding period of two years and become unrestricted five years after grant date.

The performance conditions for the Executive Committee and for senior managers are solely internal performance conditions and include:
- growth in cash earnings per share (only for the Executive Committee)
- operating EBITA
- discretionary assessment by the Management Board

The performance period starts yearly on 1 January and lasts one year. The shares become unconditional after a service period of three years.

Reconciliation of outstanding performance shares
The number of performance shares granted is as follows:

	2020		2019	
	NUMBER OF SHARES	BASED ON SHARE PRICE	NUMBER OF SHARES	BASED ON SHARE PRICE
Shares granted to the Management Board	15,054	78.03	20,126	56.87
Shares granted to Executive Committee and certain senior managers	40,319	78.03	45,932	56.87

The total number of performance shares granted in 2020 is based on a target performance (100 per cent) with an upward and downward potential for the Management Board and the Executive Committee. The expected total number of performance shares is 193,506 with vesting dates in 2021, 2022 and 2023.

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

	2020		2019	
	WEIGHTED AVERAGE SHARE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE SHARE PRICE	NUMBER OF SHARES
Outstanding as at 1 January	**56.50**	**155,260**	**44.10**	**165,555**
Forfeited during the year	62.16	(1,157)	51.65	(10,497)
Exercised during the year	41.47	(43,578)	33.84	(49,513)
Granted during the year	72.59	55,373	69.78	66,058
Performance adjustment	-	27,608	-	(16,343)
Outstanding as at 31 December	**62.12**	**193,506**	**56.50**	**155,260**

The weighted average share price of granted shares is equal to the share price at grant date adjusted for the expected retention and expected dividends, based on the Company's dividend policy, during the vesting period. In addition, the weighted average share price of shares granted to the Management Board is adjusted for market-related performance conditions and for the impact of the restriction period.

Expenses recognised in profit or loss

EUR 1,000	2020	2019
Shares granted	4,635	2,979

13 Other operating expenses

The other operating expenses are as follows:

EUR 1,000	2020	2019
Accommodation and other rental costs	6,879	7,819
Other office expenses	13,124	17,073
Car expenses	4,506	6,413
Business travel and representation expenses	5,842	18,334
Professional service fees	13,514	12,171
Credit sales expenses	1,026	1,182
Insurance costs	3,773	3,506
Other operating expenses	6,687	5,928
	55,351	**72,426**

The other operating expenses include an amount of EUR 4.5 million (2019: EUR 4.3 million) related to non-recurring items. The non-recurring items in 2020 and 2019 include professional services fees incurred during acquisition projects and subsequent integration processes and costs related to one-off adjustments to the organisation.

14 Net finance costs

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

EUR 1,000	2020	2019
Interest income on loans and receivables	639	695
Change in fair value of contingent considerations	1,997	-
Finance income	**2,636**	**695**
Interest expenses on financial liabilities measured at amortised cost	(18,023)	(21,097)
Non-recurring interest expenses	-	-
Interest expenses on provisions for pensions and similar obligations	(433)	(595)
Interest expenses on lease liabilities	(2,726)	(2,687)
Change in fair value of contingent considerations	-	(380)
Currency exchange results	(7,512)	(2,754)
Finance costs	**(28,694)**	**(27,513)**
Net finance costs recognised in profit or loss	**(26,058)**	**(26,818)**

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

EUR 1,000	2020	2019
Foreign currency translation differences of foreign operations	(82,553)	15,101
Effective portion of changes in fair value of cash flow hedges	(110)	33
Tax on foreign currency translation differences and changes in fair value of cash flow hedges recognised in other comprehensive income	4,393	(1,041)
Finance income recognised in other comprehensive income, net of tax	**(78,270)**	**14,093**

15 Income tax expense

Income tax expenses recognised in profit or loss

EUR 1,000	2020	2019
Current tax expense		
Current year	48,302	48,201
Adjustment for prior years	1,470	(201)
	49,772	**48,000**
Deferred tax expense		
Reduction in tax rate	162	(415)
Origination and reversal of temporary differences	(4,536)	(5,593)
Recognition of previously unrecognised tax losses	(74)	(318)
Recognition of current year tax losses	(1,021)	(328)
Derecognition of previously recognised tax losses	462	-
	(5,007)	**(6,654)**
Total income tax expense	**44,765**	**41,346**

The reported tax expenses include an amount of minus EUR 5.4 million (2019: EUR 4.2 million) related to temporary differences regarding amortisation of intangible assets.

Income tax recognised in the other comprehensive income and expenses

	2020			2019		
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	(82,553)	4,393	**(78,160)**	15,101	(1,041)	**14,060**
Cash flow hedges	(110)	-	**(110)**	33	-	**33**
Defined benefit plan actuarial gains/(losses)	(2,355)	537	**(1,818)**	(1,767)	445	**(1,322)**
	(85,018)	**4,930**	**(80,088)**	**13,367**	**(596)**	**12,771**

The reconciliation between the Company's domestic income tax rate and related tax charge and the effective income tax rate and related effective income tax charge is as follows:

Reconciliation effective tax rate

	2020		2019	
EUR 1,000	%	EUR 1,000	%	EUR 1,000
Profit for the year		120,924		108,006
Total income tax expense	27.0	44,765	27.7	41,346
Profit before income tax		**165,689**		**149,352**
Income tax using the Company's domestic tax rate	25.0	41,422	25.0	37,339
Effect of tax rates in foreign jurisdictions	1.1	1,858	1.7	2,593
Effect of change in tax rate	0.1	162	(0.3)	(415)
Tax effect of:				
Non-deductible expenses	1.8	3,059	1.6	2,372
Tax incentives and tax exempted income	(0.4)	(718)	(0.3)	(505)
Utilisation of tax losses	(0.1)	(122)	(0.2)	(259)
Recognition of previously unrecognised tax losses	-	(75)	(0.2)	(318)
Derecognition of previously recognised tax losses	0.3	463	-	-
Current year losses for which no deferred tax asset was recognised	-	57	0.1	132
(De)recognition of previously (un)recognised temporary differences	(1.7)	(2,811)	0.4	608
Under provided in prior years	0.9	1,470	(0.1)	(201)
	27.0	**44,765**	**27.7**	**41,346**

The following countries within the IMCD Group were subject to changes in the applicable corporate income tax rates in the financial year compared with the previous financial year: Belgium 25% (2019: 30%), Germany 33% (2019: 30%), France 28% (2019: 31%) and Italy 24% (2019: 28%).

16 Earnings per share

Basic earnings per share

The basic earnings per share of EUR 2.25 (2019: EUR 2.06) is determined by dividing the result for the year due to the owners of the Company of EUR 120.9 million (2019: EUR 108.0 million) by the weighted average number of shares in circulation amounting to 53.8 million (2019: 52.5 million). As of 31 December 2020, the number of ordinary shares outstanding was 57.0 million (31 December 2019: 52.5 million).

Profit attributable to ordinary shareholders

EUR 1,000		2020	2019
Profit/(loss) for the year, attributable to the owners of the Company (basic)	(A)	120,924	108,006

Weighted average number of ordinary shares

IN THOUSAND SHARES	NOTE		2020	2019
Issued ordinary shares as at 1 January	27		52,592	52,592
Increase from change in nominal value	27		-	-
Conversion from shareholders' loans	27		-	-
Effect of shares issued	27		1,250	-
Effect of purchase or transfer of own shares	27		(92)	(117)
Weighted average number of ordinary shares as at 31 December		(B)	**53,750**	**52,475**
Earnings per share (A/B)			2.25	2.06

Diluted earnings per share

The calculation of the diluted earnings per share of EUR 2.25 (2019: EUR 2.06) 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.

The total number of shares granted based on the Group's share based payment scheme are included in the calculation of the diluted weighted average number of shares.

Weighted average number of ordinary shares (diluted)

IN THOUSAND SHARES	NOTE		2020	2019
Weighted average number of ordinary shares (basic) as at 31 December	27		53,750	52,475
Effect of share based payments			138	100
Weighted average number of ordinary shares (diluted) at 31 December		(C)	**53,888**	**52,575**
Diluted earnings per share (A/C)			2.24	2.05

17 Property, plant and equipment

Property, plant and equipment comprises of owned and leased assets:

EUR 1,000	NOTE	2020	2019
Property, plant and equipment owned		26,743	28,972
Right-of-use assets	19	68,207	61,359
		94,950	**90,331**

The movements for the financial year of the property, plant and equipment are as follows:

EUR 1,000	NOTE	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	HARDWARE & SOFTWARE	OTHER ASSETS	TOTAL
Cost						
Balance as at 1 January 2020		**19,933**	**11,223**	**16,691**	**16,209**	**64,056**
Acquisitions through business combinations	7	-	323	117	619	**1,059**
Additions for the year		3,912	3,835	2,006	(519)	**9,234**
Disposals		(858)	(1,198)	(2,301)	(4,287)	**(8,644)**
Effect of movements in exchange rates		(2,337)	(1,360)	(3,046)	(648)	**(7,391)**
Balance as at 31 December 2020		**20,650**	**12,823**	**13,467**	**11,374**	**58,314**
Depreciation and impairment losses						
Balance as at 1 January 2020		**5,544**	**6,042**	**12,916**	**10,582**	**35,084**
Acquisitions through business combinations	7	-	211	69	382	**662**
Depreciation for the year		1,546	2,728	1,561	1,005	**6,840**
Disposals		(465)	(1,005)	(1,647)	(2,897)	**(6,014)**
Effect of movements in exchange rates		(690)	(900)	(2,886)	(525)	**(5,001)**
Balance as at 31 December 2020		**5,935**	**7,076**	**10,013**	**8,547**	**31,571**
Carrying amounts						
As at 1 January 2020		**14,389**	**5,181**	**3,775**	**5,627**	**28,972**
As at 31 December 2020		**14,715**	**5,747**	**3,454**	**2,827**	**26,743**

EUR 1,000	NOTE	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	HARDWARE & SOFTWARE	OTHER ASSETS	TOTAL
Cost						
Balance as at 1 January 2019		**15,987**	**10,732**	**17,737**	**14,394**	**58,850**
Adjustment for change in accounting policy		**-**	(223)	(2,198)	(1,452)	(3,873)
Restated balance as at 1 January 2019		**15,987**	**10,509**	**15,539**	**12,942**	**54,977**
Acquisitions through business combinations		3,937	(769)	56	272	**3,496**
Additions for the year		589	1,060	1,667	3,004	**6,320**
Disposals		(152)	361	(711)	(269)	**(771)**
Effect of movements in exchange rates		(428)	62	140	260	**34**
Balance as at 31 December 2019		**19,933**	**11,223**	**16,691**	**16,209**	**64,056**
Depreciation and impairment losses						
Balance as at 1 January 2019		**3,782**	**4,574**	**14,155**	**11,077**	**33,588**
Adjustment for change in accounting policy		-	247	(2,019)	(1,089)	(2,861)
Restated balance as at 1 January 2019		**3,782**	**4,821**	**12,136**	**9,988**	**30,727**
Acquisitions through business combinations		**-**	(600)	-	(360)	**(960)**
Depreciation for the year		1,693	1,356	1,342	1,077	**5,468**
Disposals		(28)	404	(654)	(207)	**(485)**
Effect of movements in exchange rates		97	61	92	84	**334**
Balance as at 31 December 2019		**5,544**	**6,042**	**12,916**	**10,582**	**35,084**
Carrying amounts						
As at 1 January 2019		**12,205**	**6,158**	**3,582**	**3,317**	**25,262**
As at 31 December 2019		**14,389**	**5,181**	**3,775**	**5,627**	**28,972**

18 Intangible assets

The intangible assets comprise of owned and leased assets:

EUR 1,000	NOTE	2020	2019
Intangible assets owned		1,554,282	1,127,486
Right-of-use assets	19	12,554	13,763
		1,566,836	**1,141,249**

The movements for the financial year for the intangible assets owned are as follows:

EUR 1,000	NOTE	GOODWILL	INTELLECTUAL PROPERTY RIGHTS	DISTRIBUTION RIGHTS	BRAND NAMES	SUPPLIER RELATIONS	OTHER INTANGIBLES	TOTAL
Cost								
Balance as at 1 January 2020		**763,432**	**104**	**25,173**	**25,000**	**535,933**	**38,742**	**1,388,384**
Acquisitions through business combinations	7	-	-	-	-	208,531	2,974	**211,505**
Additions for the year		311,404	-	4,150	-	1,509	8,424	**325,487**
Disposals		(9,278)	-	(1,729)	-	(1,877)	(6,247)	**(19,131)**
Effect of movements in exchange rates		(37,643)	-	(857)	-	(30,084)	(762)	**(69,346)**
Balance as at 31 December 2020		**1,027,915**	**104**	**26,737**	**25,000**	**714,012**	**43,131**	**1,836,899**
Amortisation and impairment losses								
Balance as at 1 January 2020		**14,431**	**67**	**13,513**	**-**	**211,915**	**20,972**	**260,898**
Acquisitions through business combinations	7	-	-	-	-	-	91	**91**
Amortisation for the year		-	-	3,479	-	37,010	9,988	**50,477**
Impairment loss		-	-	-	-	-	-	**-**
Disposals		(8,810)	-	(1,794)	-	(670)	(6,348)	**(17,622)**
Effect of movements in exchange rates		(299)	-	(312)	-	(9,705)	(911)	**(11,227)**
Balance as at 31 December 2020		**5,322**	**67**	**14,886**	**-**	**238,550**	**23,792**	**282,617**
Carrying amounts								
As at 1 January 2020		**749,001**	**37**	**11,660**	**25,000**	**324,018**	**17,770**	**1,127,486**
As at 31 December 2020		**1,022,593**	**37**	**11,851**	**25,000**	**475,462**	**19,339**	**1,554,282**

EUR 1,000	NOTE	GOODWILL	INTELLECTUAL PROPERTY RIGHTS	DISTRIBUTION RIGHTS	BRAND NAMES	SUPPLIER RELATIONS	OTHER INTANGIBLES	TOTAL
Cost								
Balance as at 1 January 2019		**678,059**	**104**	**23,051**	**25,000**	**507,209**	**28,748**	**1,262,171**
Adjustment for change in accounting policy		**-**	**-**	**-**	**-**	**-**	**(1,572)**	**(1,572)**
Restated balance as at 1 January 2019		**678,059**	**104**	**23,051**	**25,000**	**507,209**	**27,176**	**1,260,599**
Acquisitions through business combinations		-	-	-	-	25,138	3,326	**28,464**
Additions for the year		77,120	-	1,915	-	300	9,187	**88,522**
Disposals		-	-	-	-	-	(1,077)	**(1,077)**
Effect of movements in exchange rates		8,253	-	207	-	3,286	130	**11,876**
Balance as at 31 December 2019		**763,432**	**104**	**25,173**	**25,000**	**535,933**	**38,742**	**1,388,384**
Amortisation and impairment losses								
Balance as at 1 January 2019		**14,431**	**61**	**10,352**	**-**	**179,468**	**18,230**	**222,542**
Adjustment for change in accounting policy		**-**	**-**	**-**	**-**	**-**	**(737)**	**(737)**
Restated balance as at 1 January 2019		**14,431**	**61**	**10,352**	**-**	**179,468**	**17,493**	**221,805**
Acquisitions through business combinations		**-**	**-**	**-**	**-**	(524)	**-**	**(524)**
Amortisation for the year		-	6	3,098	-	32,549	4,409	**40,062**
Impairment loss		-	-	-	-	-	-	**-**
Disposals		-	-	-	-	-	(1,052)	**(1,052)**
Effect of movements in exchange rates		-	-	63	-	422	122	**607**
Balance as at 31 December 2019		**14,431**	**67**	**13,513**	**-**	**211,915**	**20,972**	**260,898**
Carrying amounts								
As at 1 January 2019		**663,628**	**43**	**12,699**	**25,000**	**327,741**	**10,518**	**1,039,629**
As at 31 December 2019		**749,001**	**37**	**11,660**	**25,000**	**324,018**	**17,770**	**1,127,486**

Goodwill impairment testing

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

EUR 1,000	2020	2019
EMEA	346,505	343,186
Americas	260,221	282,120
Asia-Pacific	415,867	123,695
	1,022,593	**749,001**

A cash generating unit (CGU) represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Key assumptions used in discounted cash flow projections

The recoverable amount per CGU is based on its value in use and is determined by discounting the future cash flows to be generated from the continuing use of the CGUs. The cash flow forecasts were derived from the budget for 2021 and the plan years 2022 and 2023 which were established on legal entity level and approved by Management Board and Supervisory Board. The forecasted cash flows have been extrapolated to the years 2024 and 2025. For the period after 2025 a growth rate equal to the weighted average of the forecasted annual real GDP growth rate for the period 2025-2050 is considered.

The pre-tax weighted average cost of capital (WACC) is estimated per CGU and varies mainly due to differences in risk free rates. The risk-free rates per CGU are equal to the weighted average of the rate of return on local sovereign bonds or strips. The main assumptions used to determine the WACC were provided by an external certified valuation expert.

The key assumptions 2020 for each CGU are as follows:

	2020		2019	
	PRE-TAX WACC	TERMINAL GROWTH RATE	PRE-TAX WACC	TERMINAL GROWTH RATE
EMEA	10.3%	2.1%	10.8%	2.1%
Americas	11.2%	2.2%	10.3%	2.4%
Asia-Pacific	14.1%	3.7%	13.6%	3.0%
Total Group	10.0%	2.6%	9.7%	2.3%

Sensitivity to changes in assumptions

No impairment of goodwill was necessary following impairment tests on all cash generating units within the Group. The discounted future cash flows from all cash generating units exceed the value of the goodwill and other relevant net assets.

It is inherent in the method of computation used that a change in the assumptions may lead to a different conclusion. Therefore, a sensitivity analysis is performed based on a change in a key assumption while holding all other assumptions constant.

The following changes in assumptions are assessed:
- Decrease of the average growth rate 2022-2025 to the terminal growth rate
- Decrease of the terminal growth rate by 1.0%
- Increase of the WACC by 1.0%

Based on the sensitivity analysis performed it is concluded that any reasonable change in the key assumptions would not lead to an impairment. We have also ran several other (more pessimistic but less realistic) scenarios on the above assumptions. For Asia-Pacific the break-even point is reached earlier than the other segments, but taking into account the considerable growth of the region and the expansion by means of the recent acquisitions of Signet and Develing this scenario is highly unlikely.

Amortisation and impairment testing supplier relationships

The supplier relationships consist of supplier bases within the following regions and remaining useful lives (RUL):

EUR 1,000	RUL	2020	2019
EMEA	4-13	124,574	137,526
Americas	5-16	105,622	126,582
Asia-Pacific	4-16	245,266	59,910
		475,462	**324,018**

The remaining useful lives of supplier bases are assessed at each reporting date and adjusted if appropriate. Furthermore, triggering events for a possible impairment are evaluated annually by means of assessing the potential impact of available internal and external information sources.

Impairment testing for cash-generating units containing intangible assets with indefinite useful lives other than goodwill

Brand names relate to the IMCD brand. As no assumption can be made about the durability of its economic use, the brand name has an indefinite useful life. The IMCD brand name is considered as a corporate asset and hence allocated to the individual CGUs for goodwill impairment testing purposes. The carrying amount of the brand name has been allocated to the CGUs as follows: EMEA: EUR 11.3 million (2019: EUR 12.2 million), Americas: EUR 8.1 million (2019: EUR 9.1 million) and Asia-Pacific: EUR 5.5 million (2019: EUR 3.7 million).

19 Leases

Right-of-use assets

Right-of-use assets carrying amounts comprise:

		PROPERTY, PLANT AND EQUIPMENT				INTANGIBLE ASSETS	
EUR 1,000	NOTE	LAND AND BUILDINGS	CARS	OTHER ASSETS	TOTAL	SOFTWARE	TOTAL
Balance as at 1 January 2020		52,241	7,806	1,312	61,359	13,763	13,763
Acquisitions through business combinations		928	105	-	1,033	-	-
Depreciation and amortisation for the year		(13,759)	(4,113)	(925)	(18,797)	(5,997)	(5,997)
Additions for the year		24,380	3,310	890	28,580	4,785	4,785
Disposals		(1,302)	494	(221)	(1,029)	-	-
Effect of movements in exchange rates		(2,624)	(428)	113	(2,939)	3	3
Balance as at 31 December 2020		**59,864**	**7,174**	**1,169**	**68,207**	**12,554**	**12,554**

		PROPERTY, PLANT AND EQUIPMENT				INTANGIBLE ASSETS	
EUR 1,000	NOTE	LAND AND BUILDINGS	CARS	OTHER ASSETS	TOTAL	SOFTWARE	TOTAL
Balance as at 1 January 2019		-	-	-	-	-	-
Adjustment for change in accounting policy		44,971	6,627	863	52,461	12,730	12,730
Restated balance as at 1 January 2019		44,971	6,627	863	52,461	12,730	12,730
Acquisitions through business combinations		791	-	-	791	-	-
Depreciation and amortisation for the year		(12,309)	(3,597)	(613)	(16,519)	(4,109)	(4,109)
Additions for the year		19,216	5,130	1,122	25,468	5,142	5,142
Disposals		(894)	(430)	(83)	(1,407)	-	-
Effect of movements in exchange rates		466	76	23	565	-	-
Balance as at 31 December 2019		**52,241**	**7,806**	**1,312**	**61,359**	**13,763**	**13,763**

The Group leases several assets including offices and warehouses, cars and software.

Lease liabilities

The balance sheet shows the following lease liabilities:

EUR 1,000	NOTE	2020	2019
Current	28	23,681	20,967
Non-current	28	57,637	53,861
		81,318	**74,828**

The undiscounted lease liabilities are as follows:

EUR 1,000	2020	2019
Less than one year	25,070	23,039
One to five years	49,106	47,657
More than 5 years	15,593	11,660
Total undiscounted lease liabilities at 31 December	**89,769**	**82,356**

The weighted average discount rate as of 31 December 2020 is 3.78% (2019: 3.97%).

If it is reasonably certain that enforceable extension options will be used, these have been included in the lease. The Group has not included enforceable extension options with a cash flow of EUR 12.9 million (2019: EUR 5.1 million).

Amounts recognised in profit and loss

AMOUNT RECOGNISED IN PROFIT AND LOSS

EUR 1,000	2020	2019
Depreciation	18,797	16,519
Amortisation	5,997	4,109
Interest on lease liabilities	2,726	2,687
Variable lease payments not included in the measurement of lease liabilities	344	127
Income from sub-leasing right-of-use assets	9	225
Expense related to short-term leases	812	2,054
Expense related to leases of low-value assets, excluding short-term leases of low-value assets	395	180

Amounts recognised in the statement of cash flows

AMOUNT RECOGNISED IN THE STATEMENT OF CASH FLOWS

EUR 1,000	2020	2019
Total cash flows for leases (including short-term and low-value leases)	24,347	23,683

20 Non-current assets by geographical market

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

EUR 1,000	PROPERTY, PLANT AND EQUIPMENT	OTHER INTANGIBLE ASSETS	EQUITY-ACCOUNTED INVESTEES
Netherlands	4,603	154,354	-
Rest of EMEA	32,380	29,996	39
EMEA	**36,983**	**184,350**	**39**
Americas	39,337	111,581	-
Asia-Pacific	18,630	248,312	-
Total	**94,950**	**544,243**	**39**

21 Equity-accounted investees

The equity accounted investees relate to the 49% share in SARL IMCD Group Algerie and the 50% share in Velox China.

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

EUR 1,000	2020	2019
Balance as at 1 January	**65**	**38**
Result for the year	(45)	112
Reversal of / (addition) to provision	19	(85)
Balance as at 31 December	**39**	**65**

The net assets of SARL IMCD Group Algerie consist of current assets amounting to EUR 301 thousand (2019: EUR 269 thousand) and current liabilities of EUR 300 thousand (2019: EUR 235 thousand). The net loss for the financial year amounted to EUR 51 thousand. The net gain for the year 2019 amounted to EUR 209 thousand. As of 31 December 2020 net equity value of SARL IMCD Group Algerie was EUR 1 thousand (2019: minus EUR 51 thousand).

The net assets of Velox China consist of current assets amounting to EUR 97 thousand (2019: EUR 98 thousand) and current liabilities of EUR 45 thousand (2019: EUR 20 thousand). The net loss for the year 2020 amounted to EUR 2 thousand (2019: net loss of EUR 6 thousand). Net equity value was EUR 78 thousand (2019: EUR 80 thousand).

22 Other financial assets

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

23 Deferred tax assets and liabilities

Unrecognised deferred tax assets

The Group has unrecognised deferred tax assets of EUR 10.5 million (2019: 10.5 million), consisting of unrecognised deferred tax asset of entities in EMEA EUR 0.1 million (2019: EUR 0.1 million) and entities in Asia-Pacific EUR 10.4 million (2019: EUR 10.4 million). The amount in Asia-Pacific mainly relates to unrecognised capital losses in Australia with an infinite carry forward period.

Unrecognised deferred tax liabilities

As of 31 December 2020, the group has unrecognised deferred tax liabilities to the amount of EUR 18.6 million (2019: EUR 9.0 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	2020	2019	2020	2019	2020	2019
Property, plant and equipment	308	611	593	902	**(285)**	(291)
Intangible assets	6,656	8,813	118,252	80,046	**(111,596)**	(71,233)
Right-of-use assets	-	-	14,569	12,217	**(14,569)**	(12,217)
Other financial assets	1,771	92	59	-	**1,712**	92
Trade and other receivables	1,751	1,795	35	102	**1,716**	1,693
Inventories	2,403	2,262	457	401	**1,946**	1,861
Share-based payment reserve	589	670	-	0	**589**	670
Loans and borrowings	26	205	-	67	**26**	138
Lease liabilities	15,726	12,896	41	-	**15,685**	12,896
Employee benefits and other provisions	6,193	5,100	1,321	1,192	**4,872**	3,908
Trade and other payables	2,741	3,804	(122)	21	**2,863**	3,783
Other items	3,036	98	(30)	16	**3,066**	82
Unused tax losses and unused tax credits	14,658	15,860	1	-	**14,657**	15,860
Tax assets/(liabilities)	**55,858**	**52,206**	**135,177**	**94,965**	**(79,319)**	**(42,759)**
Set off of tax	(17,502)	(17,543)	(17,502)	(17,543)	**-**	-
Net tax assets/(liabilities)	**38,356**	**34,663**	**117,674**	**77,422**	**(79,319)**	**(42,759)**

The unused tax losses and unused tax credits include EUR 5.1 million of tax credits (2019: EUR 4.6 million) related to foreign withholding taxes.

Movement in temporary differences during the year

EUR 1,000	BALANCE AS AT 1 JANUARY 2020	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 2020
Property, plant and equipment	**(291)**	(161)	-	-	(2)	167	**(287)**
Intangible assets	**(71,233)**	5,363	79	-	(50,757)	4,951	**(111,597)**
Right-of-use assets	**(12,217)**	(2,582)	-	-	(22)	251	**(14,570)**
Financial fixed assets	**92**	(191)	1,791	-	-	20	**1,712**
Trade debtors and other receivables	**1,693**	(412)	-	-	577	(143)	**1,715**
Inventories	**1,861**	(231)	-	-	520	(204)	**1,946**
Share based payment reserve	**670**	(53)	-	-	-	(29)	**588**
Loans and borrowings	**138**	10	(1)	(64)	-	(56)	**27**
Lease liabilities	**12,896**	3,055	-	-	16	(282)	**15,685**
Employee benefits and other provisions	**3,908**	(375)	-	364	1,228	(253)	**4,872**
Trade and other payables	**3,783**	(684)	-	-	6	(242)	**2,863**
Other items	**82**	43	-	2,978	3	(39)	**3,067**
Unused tax losses and unused tax credits	**15,860**	1,225	-	-	-	(2,423)	**14,662**
Net tax assets/(liabilities)	**(42,759)**	**5,007**	**1,869**	**3,278**	**(48,431)**	**1,718**	**(79,318)**

The group utilised deferred tax assets related to unused tax losses and unused tax credits to an amount of EUR 1.0 million in the financial year (2019: EUR 3.6 million).

For 2020, the deferred tax assets and liabilities acquired in business combinations include an amount of EUR 1.2 million related to new information obtained about facts and circumstances that existed at the date acquisition for prior year acquisitions, of which EUR 1.1 million relates to adjustments of DCS. Refer to note 7 .

Movement in temporary differences during the year (continued)

EUR 1,000	BALANCE AS AT 1 JANUARY 2019	RECOGNISED IN PROFIT OR LOSS	RECOGNISED DIRECTLY IN EQUITY	RECOGNISED IN OTHER COMPREHENSIVE INCOME	ACQUIRED IN BUSINESS COMBINATIONS	OTHER	BALANCE AS AT 31 DECEMBER 2019
Property, plant and equipment	**(918)**	690	-	-	(57)	(5)	**(291)**
Intangible assets	**(68,710)**	4,163	-	-	(6,401)	(285)	**(71,233)**
Right-of-use assets	**-**	(11,964)			(202)	(51)	**(12,217)**
Other financial assets	**19**	(25)	-	-	34	64	**92**
Trade and other receivables	**537**	182	-	-	785	189	**1,693**
Inventories	**1,290**	544	-	-	227	(200)	**1,861**
Share-based payment reserve	**318**	344	-	-	-	8	**670**
Loans and borrowings	**76**	(143)	-	211	-	(6)	**138**
Lease liabilities	**-**	12,620	-	-	203	73	**12,896**
Employee benefits and other provisions	**5,247**	(1,601)	-	369	-	(107)	**3,908**
Trade and other payables	**2,846**	853	-	(14)	78	20	**3,783**
Other items	**18**	78	(4)	(9)	(3)	2	**82**
Unused tax losses and unused tax credits	**18,553**	913	-	-	-	(3,606)	**15,860**
Net tax assets/(liabilities)	**(40,724)**	**6,654**	**(4)**	**558**	**(5,336)**	**(3,906)**	**(42,759)**

24 Inventories

The value of the inventory is as follows:

EUR 1,000	2020	2019
Trade goods	371,239	377,229
	371,239	**377,229**

Cost of materials and inbound logistics included in the profit or loss of 2020 amounted to EUR 2,127.4 million (2019: EUR 2,090.4 million). Within this cost are write-downs of inventories to net realisable value of EUR 4.4 million (2019: EUR 5.0 million). The reversal of write-downs amounted to EUR 0.7 million (2019: EUR 1.2 million). The write-down of inventories is mainly due to inventories past their expiration dates or inventories which are not marketable.

25 Trade and other receivables

All trade and other receivables are current.

EUR 1,000	2020	2019
Trade receivables	443,362	409,717
Other receivables	21,070	24,907
Trade and other receivables	**464,432**	**434,624**

The composition of the other receivables is as follows:

EUR 1,000	2020	2019
Derivatives used for hedging	1	87
Taxes and social securities	8,591	8,141
Receivables from employees	127	248
Prepaid expenses	7,047	9,094
Other receivables	5,305	7,337
Total other receivables	**21,070**	**24,907**

The Group's exposure to currency risks related to trade and other receivables is disclosed in note 5.

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

	2020		2019	
EUR 1,000	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
Current 0 - 30 days past due	447,112	1,532	410,227	1,031
Past due 30 - 60 days	11,523	395	14,497	634
Past due 60 - 90 days	4,245	319	6,280	816
More than 90 days	14,970	11,172	16,398	10,297
	477,850	**13,418**	**447,402**	**12,778**

Impairment losses

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

EUR 1,000	2020	2019
Balance at 1 January	**12,778**	**8,248**
Acquisitions through business combinations	1,681	5,991
Impairment loss recognised	2,273	1,360
Impairment loss reversed	(990)	(855)
Trade receivables written-off	(1,558)	(1,944)
Currency exchange result	(766)	(22)
	13,418	**12,778**

At 31 December 2020 the total impairment includes an amount of EUR 1,973 thousand (2019: EUR 2,136 thousand) related to customers declared insolvent. The remainder of the impairment loss at 31 December 2020 relates to several customers who are expected to be unable to pay their outstanding balances, mainly due to economic circumstances, and the general provision for expected credit losses for trade and other receivables. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectable, based on historic payment behaviour and analyses of the underlying customers' creditworthiness.

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was as follows:

EUR 1,000	2020	2019
Carrying amount		
EMEA	211,027	221,846
Americas	114,462	127,437
Asia-Pacific	138,943	85,341
	464,432	**434,624**

26 Cash and cash equivalents

The cash and cash equivalents are as follows:

EUR 1,000	2020	2019
Cash and cash equivalents	169,008	104,357
Cash and cash equivalents in the statement of cash flows	**169,008**	**104,357**

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

27 Capital and reserves

Share capital and share premium

As of 31 December 2020, the authorised share capital comprised 150,000,000 ordinary shares of which 56,987,858 shares have been issued. The shares have a nominal value of EUR 0.16 each and all shares rank equally with regard to the Company's residual assets.

In September 2020, IMCD issued 4,395,604 ordinary shares at an offer price of EUR 91.00 per ordinary share, after which the total number of issued shares increased from 52,592,254 to 56,987,858.

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 2020, the Company distributed a dividend in cash of EUR 47.3 million (2019: EUR 42.1 million).

The share premium as of 31 December 2020 amounted to EUR 1,051.4 million (31 December 2019: EUR 657.5 million). The increase in share premium of EUR 393.9 million is the result of the proceeds from the issue of the new shares (EUR 399.3 million) and the costs related to issue, net of tax (EUR 5.4 million).

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in foreign subsidiaries.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Reserve own shares

The reserve own shares comprises the cost of the Company's shares held by the Group to fund its long-term incentive plan. At 31 December 2020, the Group held 90,017 of the Company's shares (At 31 December 2019: 114,768 shares). During 2020 the Group transferred 24,725 shares to fulfil its annual obligation from the long-term incentive plan.

Other reserve

Other reserves relate to the accumulated actuarial gains and losses recognised in the other comprehensive income.

Other comprehensive income

	ATTRIBUTABLE TO OWNERS OF THE COMPANY			
EUR 1,000	TRANSLATION RESERVE	HEDGING RESERVE	OTHER RESERVES	TOTAL OTHER COMPREHENSIVE INCOME
2020				
Foreign currency translation differences for foreign operations, net of tax	(78,160)	-	-	**(78,160)**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	(110)	-	**(110)**
Defined benefit plan actuarial gains and losses net of tax	-	-	(1,818)	**(1,818)**
Total other comprehensive income	**(78,160)**	**(110)**	**(1,818)**	**(80,089)**
2019				
Foreign currency translation differences for foreign operations, net of tax	14,060	-	-	**14,060**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	33	-	**33**
Defined benefit plan actuarial gains and losses net of tax	-	-	(1,322)	**(1,322)**
Total other comprehensive income	**14,060**	**33**	**(1,322)**	**12,771**

28 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	2020	2019
Bank loans	336,692	476,442
Lease liabilities	57,637	53,861
Other liabilities	192,840	35,343
	587,169	**565,646**

Terms and debt repayment schedule

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

EUR 1,000	CURR	NOTE	NOMINAL INTEREST RATE	YEAR OF MATURITY	FACE VALUE 2020	CARRYING AMOUNT 2020	FACE VALUE 2019	CARRYING AMOUNT 2019
Schuldscheindarlehen (fix rate)	EUR		1.20%	2021	-	-	15,000	14,970
Schuldscheindarlehen (fix rate)	EUR		1.58%	2023	15,000	14,966	15,000	14,955
Schuldscheindarlehen (floating rate)	EUR		1.20%	2021	-	-	45,000	44,909
Schuldscheindarlehen (floating rate)	EUR		1.45%	2023	25,000	24,869	25,000	24,925
Schuldscheindarlehen (fix rate)	USD		3.11%	2021	-	-	22,254	22,208
Schuldscheindarlehen (floating rate)	USD		4.38%	2021	-	-	57,860	57,741
Bond loan (fix rate)	EUR		2.50%	2025	300,000	296,857	300,000	296,734
Profit sharing arrangements	EUR		1.53%	2021	1,538	1,538	1,132	1,132
Lease liabilities	[1]		0.22% - 23.90%	2021-2062	63,801	57,637	59,317	53,861
Other interest-bearing liabilities					-	-	-	-
Total interest-bearing liabilities					**405,339**	**395,867**	**540,563**	**531,435**
Total non- interest-bearing liabilities		7, 32			195,612	191,302	34,211	34,211
Total non-current liabilities					**600,951**	**587,169**	**574,774**	**565,646**

[1] Various currencies

The total non-current lease liabilities of EUR 57.6 million consist of lease liabilities denominated in various currencies, of which EUR 22.2 million in EUR, EUR 8.0 million in CAD, EUR 5.2 million in AUD, EUR 1.5 million in INR and EUR 1.2 million in PLN.

In March 2020, IMCD completed an amendment to its multi-currency revolving credit facility, increasing the borrowing capacity from EUR 400 million to EUR 500 million. IMCD further arranged with its existing banking syndicate, to extend the maturity date of this revolving credit facility from 27 March 2024 to 27 March 2025 as well as a reduction in the interest margins.

In November 2020, IMCD made an early repayment of USD 65 million for its long term debt (Schuldscheindarlehen) maturing in November 2021.

In November 2020, IMCD paid the consideration of EUR 335 million relating to the 70% stake in Signet. A liability of EUR 175 million, representing the discounted value of the deferred consideration related to the remaining 30% of the shares in Signet, has been recognised and presented as debt (non-interest bearing liability).

The senior unsecured fixed rates note, issued by IMCD N.V. on 26 March 2018, had a closing price of EUR 104.17 at 31 December 2020 (31 December 2019: EUR 103.39). The bond is listed on the Luxembourg Euro MTF market and matures on 26 March 2025.

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.

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Two leverage covenants apply to the Group:

- For the Schuldscheindarlehen of EUR 100 million and USD 25 million, a maximum leverage of 3.5 times EBITDA applies (with a spike period maximum of 4.0), tested annually.
- For the revolving credit facilities of EUR 500 million, a maximum leverage of 3.75 times EBITDA applies (with a spike period maximum of 4.25), tested semi-annually.

	2020		2019	
	OUTCOME	COVENANT	OUTCOME	COVENANT
Reported leverage	2.6		3.0	
Leverage including pro-forma results	2.3		2.8	
Leverage loan documentation	1.6	max. 3.5	2.6	max. 3.5
Interest cover	17.3	min. 4.0	12.1	min. 4.0

The actual reported leverage ratio as at 31 December 2020 was 2.6 times EBITDA (31 December 2019: 3.0 times EBITDA). Including the full year impact of acquisitions completed in 2020, the leverage at the end of the financial year is 2.3 times EBITDA (31 December 2019: 2.8 times EBITDA). The leverage ratio calculated on the basis of the definitions used in the loan documentation was 1.6 times EBITDA (31 December 2019: 2.6 times EBITDA) which is well below the defined maximum of 3.5 times EBITDA.

The actual interest cover covenant for the financial year, based on the definitions used in the Schuldschein Darlehen documentation, was 17.3 times EBITDA (2019: 12.1 times EBITDA) and was well above the required minimum of 4.0.

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

Current liabilities

EUR 1,000	NOTE	2020	2019
Loans and borrowings		**80,373**	**-**
Deferred and contingent considerations	7, 32	2,242	4,014
Lease liabilities		23,681	20,967
Other short term financial liabilities		214,887	248,969
Short-term financial liabilities		**240,810**	**273,950**

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

29 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	2020	2019
Net defined benefit liability	14,727	11,851
Termination benefits and other long-term employee benefits	14,808	12,202
Total employee benefit liabilities	**29,535**	**24,053**

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

Movement in net defined benefit liability/(asset)

	DEFINED BENEFIT OBLIGATION		FAIR VALUE OF PLAN ASSETS		NET DEFINED BENEFIT LIABILITY/(ASSET)	
EUR 1,000	2020	2019	2020	2019	2020	2019
Balance as at 1 January	**69,457**	**61,499**	**57,606**	**50,196**	**11,851**	**11,303**
Included in profit or loss						
Current service cost	1,307	779	-	-	1,307	779
Past service cost	(50)	-	-	-	(50)	-
Settlements	-	(725)	-	-	-	(725)
Interest cost/(income)	1,338	1,638	913	1,226	425	412
	2,596	**1,692**	**913**	**1,226**	**1,683**	**466**
Included in OCI						
Remeasurement; loss/(gain):						
Actuarial loss/(gain) arising from changes in:						
- Demographic assumptions	66	(474)	-	-	66	(474)
- Financial assumptions	5,036	6,477	-	-	5,036	6,477
- Experience	(145)	(335)	-	-	(145)	(335)
Return on plan assets excluding interest income	-	-	2,401	4,754	(2,401)	(4,754)
Asset ceiling	-	-	445	(445)	(445)	445
Effect of movements in exchange rates	(2,314)	2,146	(1,643)	1,563	(671)	583
	2,643	**7,814**	**1,203**	**5,872**	**1,439**	**1,942**
Other						
Business combinations	7,615	-	5,585	-	2,029	-
Contributions paid by the employer	-	-	1,931	1,859	(1,931)	(1,859)
Contributions paid by the plan members	846	808	846	808	-	-
Benefits paid	(2,047)	(2,356)	(1,703)	(2,356)	(344)	-
	6,413	**(1,548)**	**6,660**	**311**	**(246)**	**(1,859)**
Balance as at 31 December	**81,109**	**69,457**	**66,382**	**57,606**	**14,727**	**11,851**

Plan assets

EUR 1,000	2020	2019
Equity securities	12,137	12,662
Government bonds	1,152	17,231
Qualifying insurance policies	34,779	27,883
Other plan assets	18,313	307
Total plan assets	**66,381**	**58,083**

The Government Bonds in the UK are moved in 2020 into Liability Driven Investments (LDI's) and the LDI's are considered as other defined benefit plan assets.

Due to the asset ceiling applicable to the UK pension plan, in 2019 the actual fair value of the plan assets (EUR 58.1 million) exceeded the recognised plan assets (EUR 57.6 million) by EUR 0.5 million.

Expense recognised in profit or loss

EUR 1,000	2020	2019
Current service costs	1,307	779
Past service costs	(50)	-
Settlements	-	(725)
Expense recognised in the line item 'Social security and other charges'	**1,257**	**54**
Interest cost	425	411
Expense recognised in the line item 'Finance costs'	**425**	**411**
Total expense recognised in profit or loss	**1,682**	**465**

The settlement in 2019 related to the elimination of post-retirement benefits coverage for employees with an age under 55 at 31 December 2020 in Canada under the non-pension plan.

Actuarial assumptions

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

	2020	2019
Discount rate as at 31 December	1.34%	1.93%
Future salary increases	1.56%	2.57%
Future pension increases	1.32%	1.34%
Price inflation	2.06%	2.10%

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

- The Netherlands: AGPrognose2020Hoog 7 based on income class high-medium
- The United Kingdom: before retirement – as per post retirement, after retirement -males: 90% S2PXA_L / -females: 90% S2PA_L, CMI 2019 model [1.25%]
- Canada: CPM 2014 Public & Private with 2D projections using Scale B
- Germany: Richttafel 2018G Klaus Heubeck
- Switzerland: BVG 2015 Generational
- Austria: AVÖ 2018-P 'Angestellte' –Rechnungsgrundlagen für die Pensionsversicherung-Pagler & Pagler

The Group expects EUR 2,824 thousand in contributions to be paid to its defined benefit plans in 2021. The Canadian pension plans are partially unfunded. The duration of the funded obligation based on expected cash flows is 14 years, the unfunded plans have an expected duration of 15 years.

Sensitivity analysis

The defined benefit plans in Austria, Germany, Switzerland, The Philippines and the United States relate to a limited number of (retired) employees. For that reason, sensitivity analyses for these plans are not provided. The three significant defined benefit plans are the schemes in The Netherlands, the United Kingdom and Canada.

The plan in The Netherlands was an average salary defined benefit plan until 31 December 2016. The plan is financed through an insurance policy. No direct asset allocation is held in relation to the insurance contract. Hence, no asset-liability matching strategies are applicable. There are no specific material entity risks to which the plan is exposed and the plan assets are not invested in a single class of investments. From 2016 onwards no additional retirement benefits accrue in the defined benefit plan. The retirement benefits related to employee services in 2017 and onwards accrued in a new pension plan, effective from 1 January 2017. As a result of the parameters in the new pension contract, it classifies as a defined contribution plan.

The plan in The United Kingdom has 31 members and is a final salary defined benefit plan. The plan is financed through a pension fund. The plan assets are not invested in a single class of investments.

The plan in Canada consists of three separate plans: a pension and supplementary retirement pension plan for certain (former) executive members (9 members) and a non-pension post-retirement benefit plan providing extended health, dental, life insurance and accidental death and dismemberment benefits. The supplementary plan and non-pension plan are unfunded.

The obligations arising from the defined benefit plans mentioned above are determined using the projected unit credit method. The projected unit credit method determines the expected benefits to be paid after retirement, taking dynamic measurement parameters into account and spreading them over the entire length of service of the employees participating in the plan. For this purpose, an actuarial valuation is obtained every year. The actuarial assumptions for the discount rate, salary growth rate, pension trend and life expectancy, which are used to calculate the defined benefit obligation are established on the basis of the respective economic circumstances.

The plan assets measured at fair value are deducted from the present value of the defined benefit obligation (gross pension obligation). Plan assets are assets where the claim to said assets has, in principle, been assigned to the beneficiaries. This results in a net liability or a net asset to be recognised.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations of the three significant defined benefit plans by the amounts shown below.

	2020		2019	
EUR 1,000	INCREASE	DECREASE	INCREASE	DECREASE
Defined benefit plan The Netherlands				
Discount rate (1% point movement)	(4,497)	5,982	(4,421)	5,911
Defined benefit plan The United Kingdom				
Discount rate (1% point movement)	(4,449)	5,784	(3,996)	5,172
Future salary growth (1% point movement)	111	(111)	235	(235)
Future pension growth (1% point movement)	5,117	(4,116)	4,231	(3,761)
Future inflation (1% point movement)	4,227	(4,227)	4,349	(3,879)
Future mortality (1 year)	1,112	(1,112)	823	(823)
Defined benefit plan Canada				
Discount rate (1% point movement)	(1,116)	1,393	(1,104)	1,385
Future salary growth (1% point movement)	29	(26)	48	(33)
Future inflation (1% point movement)	468	(316)	519	(376)
Future mortality (1 year)	(280)	319	(276)	273

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Termination benefits and other long-term employee benefits

The movements in the termination benefits and other long-term employee benefits are as follows:

EUR 1,000	NOTE	2020	2019
Liabilities as at 1 January		**12,202**	**10,983**
Assumed in business combinations	7	3,130	125
Additions (excluding interest cost)		1,609	1,510
Interest cost		7	154
Withdrawals		(1,942)	(897)
Releases		(90)	-
Actuarial results		245	265
Effect of movement in exchange rates		(353)	61
Liabilities as at 31 December		**14,808**	**12,202**

The termination and other long-term employee benefits comprises statutory imposed obligations for long or after-service benefits. The main obligations relate to the IFC retirement indemnity benefits in France and the legally required leaving-service indemnity TFR in Italy.

30 Provisions

The movements in provisions are as follows:

EUR 1,000	NOTE	2020	2019
Balance as at 1 January		**4,358**	**8,385**
Assumed in business combinations	7	3,367	169
Provisions made during the year		1,465	1,754
Provisions used during the year		(4,050)	(4,700)
Provisions released during the year		(298)	(1,413)
Effect of movement in exchange rates		(394)	163
Balance as at 31 December		**4,449**	**4,358**

The provision used in 2020 mainly relates to organisational changes.

31 Trade and other payables

The trade and other payables are as follows:

EUR 1,000	2020	2019
Trade payables	291,844	279,796
	291,844	**279,796**

EUR 1,000	2020	2019
Derivatives used for hedging	2,417	1,143
Taxes and social securities	20,183	19,128
Pension premiums	1,297	1,691
Current tax liability	12,406	10,037
Other creditors	4,613	3,331
Accrued interest expenses	6,305	6,513
Liabilities to personnel	32,130	29,106
Other accrued expenses	21,094	25,187
	100,445	**96,136**

At 31 December 2020, with the exception of some derivatives used for hedging, all trade and other payables have a term of less than one year.

The Group’s exposure to currency risk related to trade and other payables is disclosed in note 5.

32 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 2020		CARRYING AMOUNT					FAIR VALUE			
EUR 1,000	NOTE	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Forward exchange contracts used for hedging	25	1	-	-	-	1	-	1	-	1
Interest rate swaps used for hedging	31	-	-	-	-	-				
Forward exchange contracts used for hedging	31	-	-	2,417	-	2,417	-	2,417	-	2,417
Contingent consideration	28	-	-	193,544	-	193,544	-	-	193,544	193,544

31 DECEMBER 2019		CARRYING AMOUNT					FAIR VALUE			
EUR 1,000	NOTE	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Forward exchange contracts used for hedging	25	87	-	-	-	87	-	87	-	87
Interest rate swaps used for hedging	31	-	-	-	-	-				
Forward exchange contracts used for hedging	31	-	-	1,143	-	1,143	-	1,143	-	1,143
Contingent consideration	28	-	-	37,939	-	37,939	-	-	37,939	37,939

Measurement of fair values

Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value

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

Financial instruments not measured at fair value

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

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

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

Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

EUR 1,000	NOTE	CONTINGENT CONSIDERATION
Balance as at 1 January 2020		**38,225**
Assumed in a business combination	7	180,389
Paid contingent consideration		(16,214)
Loss / (Gain) included in profit or loss		(1,213)
Loss / (Gain) included in equity		(2,880)
Effect of movement in exchange rates		(4,764)
Balance as at 31 December 2020		**193,544**
Balance as at 1 January 2019		**4,176**
Assumed in a business combination		33,531
Paid contingent consideration		-
Loss / (Gain) included in profit or loss		374
Effect of movement in exchange rates		144
31 December 2019		**38,225**

The amount assumed in business combinations contains adjustments of the provisional purchase price allocations for Whawon (increase of EUR 6.7 million) and DCS (reduction of EUR 2.4 million), which were both acquired in 2019. The adjustment for Whawon relates to a retrospective change of the discounting of the deferred consideration, which better represents the risk and financing structure of the acquisition.

The net gain included in profit and loss of EUR 1,213 thousand (2019: loss of EUR 374 thousand) is the result of remeasuring contingent considerations and releasing contingent considerations due to not meeting the payout criteria. The net gain included in shareholders equity of EUR 2,880 thousand relates to the sale of part of the remaining Whawon shares by one of the management members, before the expected option execution date.

Sensitivity analysis

The fair value of contingent consideration is subject to two principle assumptions. The effects of reasonable changes to these assumptions, keeping other assumptions constant, are set out below.

31 DECEMBER 2020	PROFIT OR LOSS	
EUR 1,000	INCREASE	DECREASE
EBITDA margin (10% movement)	(17,069)	16,007
Risk-adjusted discount rate (discount rate 1% point movement)	5,276	(5,486)

31 DECEMBER 2019	PROFIT OR LOSS	
EUR 1,000	INCREASE	DECREASE
EBITDA margin (10% movement)	(30)	268
Risk-adjusted discount rate (discount rate 1% point movement)	723	(756)

Offsetting financial assets and liabilities

Gross amounts of financial assets and liabilities are offset on the basis of offsetting arrangements or are subject to enforceable master netting arrangements or similar agreements that do not meet the requirements for offsetting in the balance sheet.

31 DECEMBER 2020

EUR 1,000	GROSS AMOUNT OF FINANCIAL ASSETS AND LIABILITIES	OFFSETTING	GROSS CARRYING AMOUNTS IN THE BALANCE SHEET	ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR ARRANGEMENTS	31 DECEMBER 2020 NET AMOUNT
Trade and other receivables	476,883	(12,451)	464,432	-	464,432
Cash and cash equivalents	169,008	-	169,008	-	169,008
Other financial assets	5,290	-	5,290	-	5,290
Trade payables	292,641	(797)	291,844	-	291,844
Other payables	112,088	(11,643)	100,445	-	100,445
Other short term financial liabilities	240,820	(10)	240,810	-	240,810

31 DECEMBER 2019

EUR 1,000	GROSS AMOUNT OF FINANCIAL ASSETS AND LIABILITIES	OFFSETTING	GROSS CARRYING AMOUNTS IN THE BALANCE SHEET	ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR ARRANGEMENTS	31 DECEMBER 2019 NET AMOUNT
Trade and other receivables	445,452	(10,828)	434,624	-	434,624
Cash and cash equivalents	104,357	-	104,357	-	104,357
Other financial assets	5,368	-	5,368	-	5,368
Trade payables	281,901	(2,105)	279,796	-	279,796
Other payables	105,033	(8,897)	96,136	-	96,136
Other short term financial liabilities	274,120	(170)	273,950	-	273,950

33 Off-balance sheet commitments

Operating leases

Commitments for minimum lease payments in relation to operating leases are payable as follows:

EUR 1,000	2020	2019
Within one year	6,327	1,214
Later than one year but not later than five years	531	6,143
Later than five years	-	4,553
	6,858	**11,910**

Guarantees

As of 31 December 2020, the Group has granted guarantees of EUR 38.5 million (31 December 2019: EUR 29.8 million) in total. Those guarantees mainly consist of bank guarantees related to acquisitions, amounting to EUR 25.7 million. Furthermore, the guarantees consist of bank guarantees to customs and tax authorities of EUR 0.9 million (31 December 2019: EUR 1.2 million), office rental guarantees of EUR 0.9 million (31 December 2019: EUR 1.3 million), guarantees for goods of EUR 9.3 million (31 December 2019: EUR 0.1 million), letter of credits EUR 1.7 million (EUR 0.6 million) and other guarantees of nil (31 December 2019: 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.

34 Related parties

Identity of related parties

The Group has related party relationships with its shareholders, subsidiaries, Management Board and Supervisory Board and post-employment benefit plans. For an overview of the group companies, reference is made to the List of group companies as per 31 December 2020 on page 183.

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 52.

Transactions with associates

The Group owns 49% of the shares in SARL IMCD Group Algerie. At 31 December 2020 the Group has outstanding receivables from SARL IMCD Group Algerie of EUR 309 thousand (2019: EUR 189 thousand) and outstanding payables to Velox China of EUR 20 thousand (2019: EUR 5 thousand).

Transactions with post-employment benefit plans

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

In the financial year, the contributions to the defined benefit plans were EUR 1,931 thousand (2019: EUR 1,859 thousand). The outstanding payable to the defined benefit plans as at the year-end 2020 is EUR 6 thousand (2019: EUR 75 thousand).

35 Subsequent events

In addition to the acquistions completed in 2020, IMCD signed agreements to acquire the pharmaceutical business of Peak International Products B.V. ("Peak International"), the personal care business of Ejder Kimya İlaç Danışmanlık Sanayi ve Ticaret A.Ş. ("Ejder Kimya") and 100% of the shares and voting interests in the South African distributor Siyeza Fine Chem Propriety Limited ("Siyeza").

On 5 November 2020, IMCD signed an agreement to acquire the pharmaceutical business of Peak International Products B.V. Peak International is a Dutch-based distributor in the active pharmaceutical ingredients business for Benelux, Vietnam, Germany and Israel. The Peak pharmaceutical business generated a revenue of approximately EUR 5.8 million in 2019. The transaction was closed on 7 January 2021.

On 26 November 2020, IMCD signed the agreement to acquire the personal care business of Ejder Kimya. Ejder Kimya is a Turkish chemicals distributor of raw materials for personal care and pharmaceuticals products and food additives. It has a strong and solid position in the personal care market in Turkey. Ejder Kimya's personal care business generated a revenue of EUR 4.7 million in 2019. Closing of the transaction was effected on 6 January 2021.

On 1 September 2020, IMCD signed an agreement to acquire 100% of the shares and voting interests in Siyeza. Siyeza, based in Johannesburg, is a distributor of pharmaceutical, veterinary, food and personal care speciality chemical ingredients in South Africa. The company has 27 employees and generated a revenue of EUR 12 million in 2019 through their representation of world leading producers from Europe and Asia. The transaction was closed on 8 January 2021.

There were no material events after 31 December 2020 that would have changed the judgement and analysis by management of the financial position as of 31 December 2020 or the result for the year of the Group.

COMPANY BALANCE SHEET AS OF 31 DECEMBER 2020

before profit appropriation

EUR 1,000	NOTE	31 DECEMBER 2020	31 DECEMBER 2019
Fixed assets			
Participating interest in group company	41	1,670,034	1,338,271
Deferred tax assets	42	13,990	12,291
Total fixed assets		**1,684,024**	**1,350,562**
Current assets			
Trade and other receivables	43	175	91
Accounts receivable from subsidiary	44	1,710	2,089
Cash and cash equivalents		155	57
Total current assets		**2,040**	**2,237**
Total assets		**1,686,065**	**1,352,799**
Shareholders' equity	45		
Issued share capital		9,118	8,415
Share premium		1,051,438	657,514
Translation reserve		(114,329)	(36,169)
Hedging reserve		(206)	(96)
Other reserves		(8,667)	(10,460)
Retained earnings		199,574	139,315
Unappropriated result		120,924	108,006
Total equity		**1,257,851**	**866,525**
Non-current liabilities	46	337,917	477,562
Loans and borrowings	47	80,373	-
Accounts payable to subsidiaries	47	2,022	513
Other current liabilities	47	7,901	8,199
Current liabilities		**90,296**	**8,712**
Total equity and liabilities		**1,686,064**	**1,352,799**

COMPANY INCOME STATEMENT

for the year ended 31 December 2020

EUR 1,000	NOTE	2020	2019
Operating income	38	3,514	2,835
Wages and salaries	39	(4,049)	(3,114)
Social security and other charges	39	(96)	(112)
Other operating expenses		(1,015)	(790)
Operating expenses		**(5,160)**	**(4,016)**
Net finance costs		(12,081)	(13,043)
Share in results from participating interests, after taxation	41	135,633	123,918
Result before income tax		**121,906**	**109,694**
Income tax expense	40	(982)	(1,688)
Result for the year		**120,924**	**108,006**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2020

36 General

The company financial statements are part of the 2020 financial statements of IMCD N.V. (the ‘Company’).

37 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.

38 Operating income

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

39 Personnel expenses

The personnel expenses 2020 comprise the wages and salaries including bonuses, cost related to the employee benefit plan and social security expenses. Further details are provided in note 52.

40 Income tax expenses

The reconciliation between the Company's domestic income tax rate and related tax charge and the effective income tax rate and related effective income tax charge is as follows:

Reconciliation effective tax rate

	2020		2019	
EUR 1,000	%	EUR 1,000	%	EUR 1,000
Profit for the year		120,924		108,006
Total income tax expense	0.8	982	1.5	1,688
Profit before income tax		**121,906**		**109,694**
Income tax using the Company's domestic tax rate	25.0	30,476	25.0	27,424
Adjustments in respect of tax exempt income	(23.6)	(28,820)	(23.1)	(25,379)
Effect of change in tax rate	0.3	330	0.1	55
Tax effect of:				
Non-deductible expenses	0.2	278	0.5	515
Tax incentives and tax exempted income				
Recognition of previously unrecognised tax losses				
(De)recognition of previously (un)recognised temporary differences	0.3	348		
Tax charge other members fiscal unity	(1.6)	(1,982)	(0.8)	(848)
Under provided in prior years	0.3	351	(0.1)	(79)
	0.8	**982**	**1.5**	**1,688**

Except for withholding taxes, corporate income tax expenses of the Dutch subsidiaries are allocated to the Company as head of the fiscal unity.

41 Participating interest in group companies

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

EUR 1,000	2020	2019
Balance as at 1 January	**1,338,271**	**1,262,476**
Changes:		
Investments in participating interests	335,000	-
Share in results from participating interest after taxation	135,633	123,918
Dividends declared	(59,133)	(64,200)
Movement hedging reserve	(110)	33
Exchange rate differences	(81,308)	15,298
Movement other reserves	1,681	746
Balance as at 31 December	**1,670,034**	**1,338,271**
Accumulated impairments at 31 December	-	-

The Company, statutorily seated in Rotterdam, owns the Group through a 100% share in the issued capital of IMCD Finance B.V., statutorily seated in Rotterdam. In 2020 the Company made capital contributions of EUR 335.0 million to IMCD Finance B.V.

42 Deferred tax assets

In 2020 the Company did not recognise previously unrecognised deferred tax assets related to tax losses carried forward (2019: nil). The Company utilised deferred tax assets to an amount of EUR 1.3 million in the financial year (2019: EUR 3.7 million). Other movements in deferred tax assets relate to EUR 1.8 million addition related to the share issuance, EUR 0.6 million new tax credits (2019: EUR 0.8 million), EUR 0.6 million change in tax rates (2019: EUR 0.3 million) and EUR nil prior year adjustments (2019: nil).

The deferred tax asset relates to unused tax losses, unused tax credits and share issuance expenses.

EUR 1,000	NOTE	2020	2019
Balance as at 1 January		12,291	14,963
Movements during the year	40	1,699	(2,672)
Balance as at 31 December		**13,990**	**12,291**

43 Trade and other receivables

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

44 Accounts receivable from subsidiary (current)

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

45 Shareholders' equity

Reconciliation of movement in capital and reserve

EUR 1,000	ISSUED SHARE CAPITAL	SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	RESERVE OWN SHARES	OTHER RESERVES	RETAINED EARNINGS	UNAPPRO-PRIATED RESULT	TOTAL EQUITY
Balance as at 1 January 2020	**8,415**	**657,514**	**(36,169)**	**(96)**	**(4,686)**	**(5,774)**	**139,315**	**108,006**	**866,525**
Appropriation of prior year's result	-	-	-	-	-	-	60,673	(60,673)	-
	8,415	**657,514**	**(36,169)**	**(96)**	**(4,686)**	**(5,774)**	**199,988**	**47,333**	**866,525**
Total recognised income and expense	-	-	-	-	-	-	-	120,924	**120,924**
Share based payments	-	-	-	-	-	2,818	(1,529)	-	**1,289**
Issue of shares minus related costs	703	393,924	-	-	-	-	-	-	**394,627**
Purchase and transfer of own shares	-	-	-	-	793	-	1,115	-	**1,908**
Cash dividend	-	-	-	-	-	-	-	(47,333)	**(47,333)**
Movement in other reserves	-	-	(78,160)	(110)	-	(1,818)	-	-	**(80,089)**
Balance as at 31 December 2020	**9,118**	**1,051,438**	**(114,329)**	**(206)**	**(3,893)**	**(4,774)**	**199,574**	**120,924**	**1,257,851**
Balance as at 1 January 2019	**8,415**	**657,514**	**(50,229)**	**(129)**	**(5,683)**	**(5,523)**	**81,926**	**100,057**	**786,348**
Appropriation of prior year's result	-	-	-	-	-	-	57,983	(57,983)	-
	8,415	**657,514**	**(50,229)**	**(129)**	**(5,683)**	**(5,523)**	**139,909**	**42,074**	**786,348**
Total recognised income and expense	-	-	-	-	-	-	-	108,006	**108,006**
Share based payments	-	-	-	-	-	1,071	(1,508)	-	**(437)**
Purchase and transfer of own shares	-	-	-	-	997	-	914	-	**1,911**
Cash dividend	-	-	-	-	-	-	-	(42,074)	**(42,074)**
Movement in other reserves	-	-	14,060	33	-	(1,322)	-	-	**12,771**
Balance as at 31 December 2019	**8,415**	**657,514**	**(36,169)**	**(96)**	**(4,686)**	**(5,774)**	**139,315**	**108,006**	**866,525**

Share capital and share premium

	ORDINARY SHARES	
EUR 1,000	2020	2019
In issue at 1 January	**665,929**	**665,929**
Conversion from shareholders' loans	-	-
Issue of shares minus related cost	394,627	-
In issue at 31 December - fully paid	**1,060,556**	**665,929**

Ordinary shares

At 31 December 2020, the authorised share capital comprised 150,000,000 ordinary shares of which 56,987,858 shares have been issued. All shares have a par value of EUR 0.16 each and are fully paid.

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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 2020, the Group held 90,017 of the Company's shares (31 December 2019: 114,769 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 2020 will be proposed: an amount of EUR 58,128 thousand to be paid out as dividend (EUR 1.02 per share) and EUR 62,796 thousand to be added to the retained earnings.

46 Non-current liabilities

The movement in the non-current liabilities during 2020 is as follows:

EUR 1,000	2020	2019
Balance as at 1 January	**477,562**	**474,072**
Additions	105	1,120
Redemptions	(55,546)	-
Classified as current liability	(80,373)	
Transaction and other finance costs paid	(595)	16
Amortisation of transaction and other finance costs	959	843
Effect of movements in exchange rates	(4,195)	1,511
Balance as at 31 December	**337,917**	**477,562**

The non-current liabilities consist of the carrying value of the debt capital market issuance ("Schuldscheindarlehen") with notional values of EUR 100 million and USD 90 million and the carrying value of the Bond loan issued in 2018, net of capitalised finance costs.

EUR 1,000	CURR	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	12 MONTHS OR LESS	1 - 2 YEARS	2 - 5 YEARS	>5 YEARS
Schuldscheindarlehen	EUR	39,835	42,543	1,332	605	40,606	-
Bond loan	EUR	296,857	337,500	7,500	7,500	322,500	-
Loans from subsidiaries	EUR	1,225	-	-	918	307	-
Total		**337,917**	**380,043**	**11,705**	**9,023**	**363,413**	**-**

In November 2020, IMCD made an early repayment of USD 65 million for its long term debt (Schuldscheindarlehen) maturing in November 2021.

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The senior unsecured fixed rates note, issued by IMCD N.V. on 26 March 2018, had a closing price of EUR 104.17 at 31 December 2020 (31 December 2019: EUR 103.39). The bond is listed on the Luxembourg Euro MTF market and matures on 26 March 2025.

Further details of the Schuldscheindarlehen and the bond loan are provided in note 28 of the consolidated financial statements.

47 Current liabilities

The Company's current liabilities as of 31 December 2020 amounts to EUR 9.9 million (31 December 2019: EUR 8.7 million) and consists of a short-term liability to IMCD Finance B.V. and other current liabilities.

EUR 1,000	2020	2019
Accounts payable to subsidiaries	2,022	513
Other current liabilities		
Creditors	385	166
Liabilities to personnel	688	592
Accrued interest expenses	6,083	6,443
Other accrued expenses	745	998
	7,901	**8,199**
Current liabilities	**9,923**	**8,712**

48 Financial instruments

The Company has exposure to the following risks:

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

In note 5 to the consolidated financial statements information is included about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

These risks, objectives, policies and processes for measuring and managing risk, and the management of capital apply also to the company financial statements of IMCD N.V.

49 Off-balance sheet commitments

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

50 Fees of the auditor

With reference to Section 2:382a(1) and (2) of The Netherlands Civil Code, the following fees for the financial year have been charged by Deloitte Accountants B.V. and other Deloitte member firms and affiliates to the Company, its subsidiaries and other consolidated entities.

EUR 1,000	DELOITTE ACCOUNTANTS B.V.	OTHER DELOITTE MEMBER FIRMS AND AFFILIATES	TOTAL DELOITTE	DELOITTE ACCOUNTANTS B.V.	OTHER DELOITTE MEMBER FIRMS AND AFFILIATES	TOTAL DELOITTE
		2020			2019	
Statutory audits of annual reports	864	1,098	1,962	608	1,077	1,685
Other assurance services	59	-	59	65	-	65
Tax advisory services	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-
	923	**1,098**	**2,021**	**673**	**1,077**	**1,750**

51 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 52.

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 2020 amounted to EUR 3,514 thousand (2019: EUR 2,835 thousand). All related party transactions were priced on an at arm's-length basis.

52 Compensation of the Management Board and the Supervisory Board

The Management Board and Supervisory board members' compensation, including pension obligations as intended in Section 2:383(1) of The Netherlands Civil Code, which were charged in the financial year to the Company and group companies is as follows:

Compensation Management Board

EUR 1,000	YEAR	SALARY	BONUS	SHARE BASED PAYMENT	PENSION	OTHER	TOTAL
P.C.J. van der Slikke	**2020**	**660**	**454**	**986**	**36**	**50**	**2,186**
	2019	643	310	648	44	48	1,693
H.J.J. Kooijmans	**2020**	**514**	**354**	**756**	**33**	**51**	**1,708**
	2019	501	242	492	39	42	1,316
Total	**2020**	**1,174**	**808**	**1,742**	**69**	**101**	**3,894**
	2019	1,144	552	1,140	83	90	3,009

As of 31 December 2020, the total number of shares conditionally granted to P.C.J. van der Slikke and H.J.J. Kooijmans is 36,293 (31 December 2019: 28,837) respectively 27,947 (31 December 2019: 21,962). The reported bonus and share based payment amounts include adjustments related to prior years. The other remunerations include health insurance premiums, business expense allowances, social security premiums and company car expenses. Further details of the Management Board compensation are provided in the Remuneration Report published at the Company's website.

Compensation Supervisory Board

EUR 1,000	2020	2019
M.G.P. Plantevin	68	65
A.J.Th. Kaaks	60	50
J. Van Nauta Lemke-Pears	24	47
J. Smalbraak	54	45
S.R. Nanninga	58	48
V. Diele-Braun	30	-
A.E. Hebert	31	-
Total	**325**	**255**

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.

53 Provision regarding the appropriation of profit

At the Annual General Meeting the following appropriation of the result for 2020 will be proposed: an amount of EUR 58,128 thousand to be paid out as dividend (EUR 1.02 per share) and EUR 62,796 thousand to be added to the retained earnings.

54 Subsequent events

There were no material events after 31 December 2020 that would have changed the judgement and analysis by management of the financial condition at 31 December 2020 or the result for the year of the Company.

Rotterdam, 25 February 2021

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

The Supervisory Board:
M.G.P. Plantevin
A.J.Th. Kaaks
S.R. Nanninga
J. Smalbraak
V. Diele-Braun
A.E. Hebert

LIST OF GROUP COMPANIES AS PER 31 DECEMBER 2020

The list of group companies is as follows (100% owned unless mentioned otherwise):

IMCD Finance B.V.	Rotterdam	The Netherlands
IMCD Group B.V.	Rotterdam	The Netherlands
IMCD Participations II B.V.	Rotterdam	The Netherlands
Internatio Special Products B.V.	Rotterdam	The Netherlands
IMCD Benelux B.V.	Rotterdam	The Netherlands
Jan Dekker B.V.	Rotterdam	The Netherlands
IMCD Benelux N.V.	Mechelen	Belgium
IMCD France Investments S.A.S.	Paris	France
IMCD Holding France S.A.S.	Paris	France
IMCD France S.A.S.	Paris	France
IMCD Espanã Especialidadis Quimicas S.A.	Madrid	Spain
IMCD Portugal Produtos Quimicos Lda	Lisbon	Portugal
IMCD Maroc S.a.r.l.	Casablanca	Morocco
IMCD Manufacturing Tunisia S.a.r.l.	Tunis	Tunisia
IMCD Tunisia S.a.r.l.	Tunis	Tunisia
S.a.r.l. IMCD Group Algerie (49% of the shares)	Algiers	Algeria
CBG Chemie Beteiligungsgesellschaft mbH	Cologne	Germany
IMCD Deutschland GmbH	Cologne	Germany
Otto Aldag Handel GmbH	Cologne	Germany
IMCD UK Acquisitions Ltd.	Sutton	United Kingdom
IMCD Holding UK Ltd.	Sutton	United Kingdom
IMCD UK Investments Ltd.	Sutton	United Kingdom
IMCD UK Ltd.	Sutton	United Kingdom
Velox U.K. Ltd	High Wycombe	United Kingdom
IMCD Ireland Ltd.	Dublin	Ireland
IMCD Italia S.p.A.	Milan	Italy
Neuvendis S.p.A. [1]	Milan	Italy
IMCD Norway AS	Ski	Norway
IMCD Nordic AB	Malmö	Sweden
IMCD Sweden AB	Malmö	Sweden
IMCD Finland Oy	Helsingfors	Finland
IMCD Danmark AS	Helsingør	Denmark
IMCD Baltics UAB	Vilnius	Lithuania
IMCD South East Europe GmbH	Vienna	Austria
IMCD Czech Republic s.r.o.	Prague	Czech Republic
IMCD Specialities srl	Bucarest	Romania
IMCD Switzerland AG	Zürich	Switzerland
IMCD Polska Sp.z.o.o.	Warsaw	Poland
IMCD Rus LLC	Saint-Petersburg	Russia
IMCD Ukraine LLC	Kiev	Ukraine
IMCD Ticaret, Pazarlama ve Danişmanlik Limited Şirketi	Istanbul	Turkey
Internatio Special Products Egypt LLC	Cairo	Egypt
IMCD Egypt LLC	Cairo	Egypt
IMCD South Africa Pty. Ltd.	Isando	South Africa
Chemimpo South Africa Pty. Ltd.	Randburg	South Africa
IMCD Kenya Ltd.	Nairobi	Kenya
IMCD Uganda SMC Ltd.	Kampala	Uganda
IMCD Holdings US, Inc.	Jersey City	United States of America
IMCD US LLC	Cleveland	United States of America
MJS Sales Inc.	Cleveland	United States of America
IMCD US Food Inc.	Washington	United States of America

IMCD Puerto Rico Inc.	Cayey	Puerto Rico
IMCD Canada Limited	Brampton	Canada
IMCD Brasil Comércio e Indústria de Produtos Quimicos Ltda.	São Paulo	Brazil
IMCD Brasil Farmacêuticos Importação, Exportação e Representações Ltda	São Paulo	Brazil
IMCD Chile SpA	Santiago de Chile	Chile
IMCD Argentina SRL	Buenos Aires	Argentina
IMCD Uruguay SA	Montevideo	Uruguay
Unired Quimicas SAS	Bogota	Colombia
IMCD Australasia Investments Pty. Ltd	Melbourne	Australia
IMCD Australia Pty Ltd.	Melbourne	Australia
IMCD New Zealand Ltd.	Auckland	New Zealand
IMCD Asia Pacific Sdn Bhd	Shah Alam	Malaysia
IMCD Malaysia Sdn Bhd	Shah Alam	Malaysia
IMCD Asia Pte. Ltd.	Singapore	Singapore
IMCD Singapore Pte. Ltd.	Singapore	Singapore
IMCD (Thailand) Co., Ltd.	Bangkok	Thailand
IMCD (Shanghai) Trading Co. Ltd.	Shanghai	China
IMCD International Trading (Shanghai) Co. Ltd.	Shanghai	China
IMCD Plastics (Shanghai) Co. Ltd.	Shanghai	China
Velox China Ltd (50% of the shares)	Shanghai	China
Velox China HK Co. Ltd (50% of the shares)	Hong Kong	Hong Kong
IMCD Philippines Corporation	Manila	Philippines
PT IMCD Indonesia (90.01% of shares)	Jakarta	Indonesia
PT Sapta Permata (90.01% of shares)	Surabaya	Indonesia
IMCD India Pte. Ltd.	Mumbai	India
Aroma Chemical Agencies (India) Private Ltd [2]	Mumbai	India
Alchemie Agencies Private Ltd [2]	Mumbai	India
Monachem Additives Pvt Ltd	Vadodara	India
Addpol Chemspecialities Pvt Ltd	Vadodara	India
IMCD Vietnam Company Ltd	Ho Chi Minh City	Vietnam
IMCD Japan Godokaisha	Tokyo	Japan
Tentum Holding AG	Basel	Switzerland
DCS Pharma AG [3]	Basel	Switzerland
DCS Pharma Iberia S.L. [4]	Barcelona	Spain
DCS Pharma China Co. [3]	Shanghai	China
DCS Pharma GmbH [3]	Lüneburg	Germany
Chemsource SA	Lugano	Switzerland
Gopharma S.r.l. [3]	Milan	Italy
IMCD Mexico S.A. de C.V. [5]	Miguel Hidalgo	Mexico
International Chemical Product Services Mexico S. de RL de CV	Miguel Hidalgo	Mexico
Whawon Pharm Co. Ltd. (78% of the shares) [6]	Seoul	South Korea
Zifroni Chemicals Suppliers Ltd [7]	Rishon LeZion	Israel
IMCD Middle East ZFCO	Dubai	United Arab Emirates
IMCD Middle East Trading LLC	Dubai	United Arab Emirates
IMCD Bangladesh Private Ltd	Dhaka	Bangladesh
Vitaqualy Comercio de Ingredientes LTDA [8]	São Paulo	Brazil
Oy Kokko-Fiber AB [9]	Kokkola	Finland
Signet Excipients Private Ltd (70% of the shares) [10]	Mumbai	India
Millikan S.A. de C.V. [11]	Mexico City	Mexico
Banner Quimica S.A. de C.V. [11]	Mexico City	Mexico

1 Merged with IMCD Italia S.p.A.

2 Merged with IMCD India Pte. Ltd.

3 Increased from 90% to 100%

4 Merged with IMCD Espanã Especialidadis Quimicas S.A.

5 Formerly know as DCS Pharma S.A. de C.V.

[6] Increased from 57% to 78%
[7] Since January 2020
[8] Since August 2020
[9] Since September 2020
[10] Since November 2020
[11] Since December 2020

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Provisions in the Articles of Association governing the appropriation of profit

Article 22 of the Company's articles of association stipulates the following with regard to the appropriation of the profit: The Management Board, with the approval of the Supervisory Board, decides how much of the freely distributable profit will be reserved. The remaining profit shall be at the free disposal of the Annual General Meeting.

Independent auditor's report

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2019 INCLUDED IN THE ANNUAL REPORT

Our Opinion

We have audited the accompanying financial statements for the year ended 31 December 2020 of IMCD N.V. ('The Company') based in Rotterdam, The Netherlands. The financial statements include the consolidated financial statements and the accompanying Company financial statements.

In our opinion:
- The accompanying consolidated financial statements give a true and fair view of the financial position of IMCD N.V. as at 31 December 2020, and of its result and its cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying Company financial statements give a true and fair view of the financial position of IMCD N.V. as at 31 December 2020, and of its result for the year ended 31 December 2020 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 2020.
2. The following statements for the year ended 31 December 2020: the consolidated statement of profit and loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of 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 2020 (before profit appropriation).
2. The Company profit and loss account for the year ended 31 December 2020.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the “Our responsibilities for the audit of the financial statements” section of our report.

We are independent of IMCD N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in The Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality
Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 12.4 million (2019: EUR 11.0 million). Based on our experience with the Company, we selected materiality at 7.5% of result before income tax (in prior year 7.5%) taking into consideration certain non-recurring income and expenses. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

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Component audits are performed using materiality levels determined by the judgement of the group audit team, considering materiality for the consolidated financial statements as a whole and the reporting structure of the group. Component materiality did not exceed EUR 4.5 million.

We agreed with the Supervisory Board that misstatements in excess of EUR 620 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

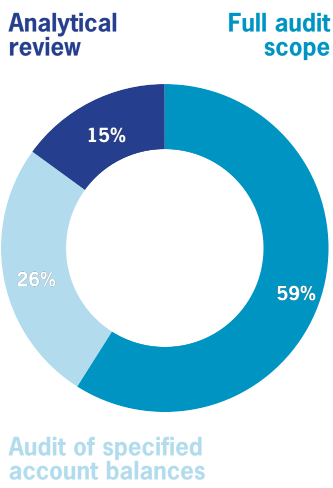
Scope of the group audit

IMCD N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of IMCD N.V.

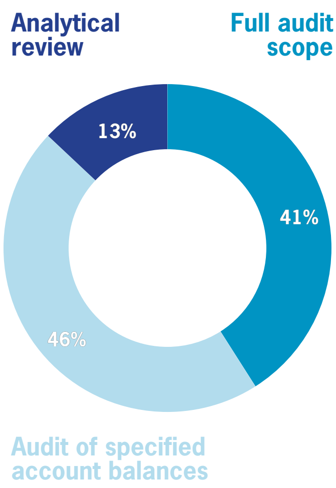
Because we are ultimately responsible for the opinion, we are directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for components. The extent of the procedures have been determined based on size and a number of more qualitative circumstances. Such circumstances include the financial performance of the foreign entities and the maturity of markets these entities are operating in. Furthermore, we increased the extent of procedures for new acquisitions. On this basis, we selected components for which an audit, specified audit procedures or review had to be carried out on the component financial information.

This resulted in the coverage as presented below:

Scoping on revenue



Scoping on assets



We have:

- Performed audit procedures ourselves at the corporate entities and the operations in The Netherlands. We have assessed group-wide internal controls that have been implemented by the Management Board to monitor and manage the financial and operating performance of the various operating units. Furthermore, the group audit team performed audit procedures on key audit areas such as consolidation, the IT environment, valuation of goodwill and supplier relations, purchase price allocation of (amongst others) the Signet acquisition and substantive audit procedures on sales and costs of goods sold, loans and borrowings and testing of manual journal entries.
- Involved Deloitte experts for fraud risk assessments, impairment testing, purchase price allocations, valuation, information technology, pensions, tax and accounting.
- Used the work of component audit teams for all significant international components. The group audit team provided detailed written instructions to all component auditors to communicate requirements and significant audit areas and create awareness for (fraud) risks related to management override of controls. Furthermore, we developed a plan for overseeing each component audit team based on its relative significance and certain other risk characteristics. Our oversight included procedures such as visiting components, performing file reviews, attending meetings and reviewing component audit team deliverables. For out-scoped components we have performed analytical procedures or specified audit procedures. In view of COVID-19, travel restrictions have required us to exert our involvement in work performed by component teams in a remote way. Therefore, on-site visits and file reviews were replaced by digital review procedures and remote meetings.

By performing the procedures mentioned above at group entities, 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.

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.

KEY AUDIT MATTER DESCRIPTION	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN THE AUDIT AND OUR OBSERVATION
Impairment of goodwill and supplier relations IMCD grows its business organically and through acquisitions. As a result of acquisitions, IMCD carries on its balance sheet as at December 31, 2020 goodwill of EUR 1.023 million and other intangibles of EUR 544 million that includes an amount of EUR 475 million relating to supplier relations. In 2020, goodwill and other intangible assets increased mainly due to the acquisition of Signet Excipients Private Limited (see key audit matter 'Signet Purchase Price Allocation'). As disclosed in note 7 to the consolidated financial statements IMCD allocates goodwill to three cash-generating units (CGU's). IMCD tests its CGU's containing goodwill annually and if there is a triggering event. This is done by comparing the recoverable amounts of the individual CGU's, being the higher of value-in-use and fair value less cost of disposal, to the carrying amounts in accordance with IAS 36. In addition, the note describes the key assumptions used in determining the recoverable amounts and the sensitivity of the impairment tests performed to changes in those assumptions. The note describes uncertainties related to COVID-19 and the way	As part of our audit, we tested the design and implementation of internal control measures implemented by IMCD related to the forecasts, estimates and key assumptions used in impairment testing and segregation of duties in preparation and assessment of these projections. We verified whether projections were based on the internal budgets and financial plans that were approved by the Supervisory Board. Furthermore, we performed several substantive audit procedures, including back testing of the estimates of last year based on actual results and challenging the assumptions underlying the projections with supporting evidence or our knowledge of IMCD. We engaged Deloitte valuation experts for evaluating the appropriateness and mathematical accuracy of the impairment models used by IMCD, the discount rates applied and comparing the methodology and outcomes with relevant industry and capital market information. Additionally, we assessed the various scenarios applied in impairment testing as disclosed in Note 18 to the consolidated financial statements in view of the current market conditions, trends in financial performance and the uncertainty around recovery of the industries in which IMCD operates in view of the COVID-19 pandemic. The headroom in the Americas and EMEA CGU is relatively high; particularly taking into account IMCD's stable performance and historical accuracy of budgeting. Accordingly, we consider the risk of impairment not significant for these cash-generating units. We

in which these uncertainties affect the key assumptions and sensitivity scenarios.

We identified impairment of goodwill and supplier relations as a key audit matter because of the amounts involved, the complexity of the assessment process and the significance of management estimates for key assumptions used.

Management estimates are particularly relevant in the projections of future cash flows, the discount rates applied to calculate the net present value of future cash flows and (terminal) growth rates applied. Moreover, the COVID-19 pandemic is adding to the uncertainties of projecting future operating cash flows. Management has included its analysis of the impact of COVID-19 on IMCD's operations on page 120 of the annual report. Nobody is able to predict the duration and impact of the pandemic on the global economies and the supply and demand for specialty chemicals. Thus far, the portfolio appears robust and not overly sensitive for the results of the pandemic.

performed more detailed procedures on the business assumptions in the cash-generating unit 'Asia-Pacific' ("APAC"), particularly as the carrying value of the assets increased substantially as a consequence of the acquisition of Signet for a multiple that factors in future profitable growth. We noted that as a result of amongst others improved performance of the existing businesses included in the CGU APAC in combination with the regular amortization of intangible assets the headroom in this CGU increased in 2020 versus 2019.

Key observations

The company did not identify impairments. Within the context of our audit on the financial statements as a whole and based on the materiality applied, we conclude that the assumptions used in the impairment calculations are reasonable. Furthermore, the sensitivity of the impairment test to changes in the most critical assumptions used are appropriately disclosed in Note 18 to the consolidated financial statements.

KEY AUDIT MATTER DESCRIPTION	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN THE AUDIT AND OUR OBSERVATION
IT landscape and financial reporting IMCD has been investing in the quality of the organisation and the effectiveness of its internal control framework over the years, including improvement in general IT controls and automated controls. Globally, IMCD is deploying and implementing a standardized ERP solution for all operating entities. A substantial number of the operating entities has migrated to this system. As a result of the acquisition of new companies, integrating these on the IT-platforms remains a continuing process. Given the relevance of IMCD's IT environment, including general IT controls and application controls, for its business processes and its financial reporting, we identified it as a key audit matter in our audit of the financial statements. We evaluated the general IT controls and existing controls over financial reporting as a basis to design the most efficient and effective audit.	In 2020, as in the years before, investments in the IT organisation and the landscape, including the ERP, product databases, sales support systems and analytical capabilities, resulted in improvements in the IT controls of IMCD. In 2020, we performed testing of the existing general IT controls (including logical access controls and change management procedures) and the automated controls that are deemed relevant in various business processes in connection with our audit. In our audit procedures, we engaged IT audit experts to assess the effectiveness of controls. We noted progress in the improvement of IT controls and observed a number of controls that have been implemented somewhere during the year 2020. As a consequence of the fact the controls have not operated effectively for the full year, in combination with our efforts to design an audit that is efficient and without redundancy, we choose not to rely on the IT environment. We gained the required level of assurance from additional activities including data analytics, verification and analyses of relations between movements in goods and cash and external confirmations from suppliers and warehouses on transactions and year-end positions. Our IT audit experts were engaged to assist in performing data analytics as part of our audit. As a benefit for us from the increasing level of concentration of data, these can be accessed and extracted by us to perform more centralized substantive audit procedures. In addition, planned improvements to specific elements of manual, general IT and automated controls in the ERP application are expected to enable us to rely on automated data processing for certain processes in our audit of the 2021 financial statements. **Key observations** Based on our procedures performed the risks of material We conclude that in 2020 improvements were made to the IT environment. However, since not all relevant IT controls have operated effectively throughout the year, we have chosen not to apply an audit approach of reliance on automated data processing and to perform audit procedures comparable to those of previous years.

KEY AUDIT MATTER DESCRIPTION	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN THE AUDIT AND OUR OBSERVATION
Signet purchase price allocation As set out in Note 7 to the consolidated financial statements, IMCD completed the acquisition of the Indian pharmaceutical ingredients company Signet Excipients Private Limited ('Signet') in November 2020. IFRS 3 requires management to apply judgement and use assumptions in determining the fair value of identified assets and liabilities and to determine the resulting goodwill to be recognized. The intangible assets identified in the Signet acquisition consist of goodwill and other intangible assets of EUR 287 million and EUR 194 million, respectively. Additionally, a deferred consideration is recognized of EUR 175 million. Considering the amounts concerned prevailing uncertainties in global economies and the extent of management judgement involved to estimate the fair values, we identified the recognition of these assets and deferred payment as an audit area of focus and a key audit matter. Management estimates are particularly relevant in the estimation of future cash flows, the estimate of the final consideration and related deferred consideration, the applied (terminal) growth rates, discount rates and attrition rates of suppliers. The purchase price allocation for Signet is provisional in the 2020 annual report, which is properly reflected in Note 7 to the financial statements.	The Management Board of IMCD engaged a valuation expert to assist them in the purchase price allocation for the acquisition of Signet. As part of our audit, we tested the design and implementation of internal control measures related to the assessment of the inputs and outputs of the purchase price allocation and the controls in connection with the data, the calculations and the reporting of the valuation expert to ensure that appropriate assumptions are applied. Furthermore, we performed more substantive audit procedures on the purchase price allocation in line with IFRS 3. We inspected the Share Purchase agreement and other relevant legal documentation, evaluated management's identification of assets and liabilities acquired, tested the reliability of data used and challenged management key assumptions (being the attrition rate for supplier relations and the applied discount rate) in determining the fair value of the supplier relations and the deferred consideration. We compared the key business assumptions with external and historical data as well as supplier contracts. We engaged Deloitte valuation experts to assist us in assessing the appropriateness and mathematical accuracy of the models used, benchmarking certain assumptions and evaluating the appropriateness of the discount rates applied to the cash flow projections and the deferred consideration. In addition, we validated the appropriateness and completeness of disclosures related to IMCD's acquisitions, as included in Note 7 to the consolidated financial statements. **Key observations** Based on our materiality and procedures performed and in the context of the audit of the consolidated financial statements as a whole, we observed that IFRS 3 requirements regarding recognition and valuation of assets and liabilities were met in the purchase price allocation of the Signet acquisition and is appropriately disclosed in Note 7 to the consolidated financial statements.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report, the annual report contains other information that consists of:

- Report of the Management Board.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
- Other information.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of other information, the report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the Supervisory Board as auditor of IMCD N.V. on May 6, 2020, for the audit of the year 2020. Since 2016 we have operated as statutory auditor.

No prohibited non-audit services

We have not provided non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of Management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the Company’s ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company’s financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our

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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.

Scope of fraud and non-compliance with laws and regulations within our audit

In accordance with the Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error. Non-compliance with law and regulation may result in fines, litigation or other consequences for the Company that may have a material effect on the financial statements.

Consideration of fraud

In identifying potential risks of material misstatement due to fraud, we obtained an understanding of the Company and its environment, including the entity's internal controls. We evaluated the Company's risk assessment, that includes assessment of certain fraud risks and made inquiries with management, those charged with governance and with others within the Company, including but not limited to the Corporate Legal Counsel, Corporate Compliance Counsel, Director Corporate Control, Director Group Treasury & Tax and component directors. We evaluated several fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud. We involved our forensic specialists in our risk assessment in determining the audit response.

Following these procedures, and the presumed risks under the prevailing auditing standards, we considered the fraud risks in relation to management override of controls, including evaluating whether there was evidence of bias by the Management Board, the executive leadership team and other members of management, which may represent a risk of material misstatement due to fraud. Furthermore, we identified and considered the fraud risk related to manual adjustments in the recording of revenue with non-standard entries. This fraud risk is identified since employees or management may have the incentive and opportunity to override key controls or exercise undue influence on others to record improper or fictitious revenues to achieve targets.

As part of our audit procedures to respond to these fraud risks, we evaluated the design and implementation of the internal controls relevant to mitigate these risks. We also performed substantive audit procedures, including detailed testing of journal entries and post-closing adjustments based on supporting documentation and evaluating accounting estimates for bias (including retrospective reviews of prior year's estimates). We also incorporated elements of unpredictability in our audit. Data analytics, including selection of journal entries based on risk-based characteristics, form part of our audit approach to address the identified fraud risks. The procedures described are in line with the applicable auditing standards and are not primarily designed to detect fraud.

We obtained written representations that all known instances of (suspected) fraud and other irregularities have been disclosed to us.

Our procedures to address fraud risks did not result in a Key Audit Matter.

Consideration of compliance with laws and regulations

We assessed the laws and regulations relevant to the Company through discussion with, amongst others, the Management Board, Corporate Legal Counsel, Corporate Compliance Counsel and those charged with governance, and by reading minutes of board meetings and reports of internal audit. We involved our forensic specialists in this evaluation.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered adherence to (corporate) tax law and financial reporting regulations, chemical distribution regulations, export regulations, competition law, Dutch stock exchange regulation and the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements. In addition, we considered major laws and regulations applicable to listed companies. We obtained sufficient appropriate audit evidence regarding provisions of the aforementioned laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposed fines or litigation. In addition, we considered major laws and regulations applicable to listed companies.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to IMCD's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures comprise (i) inquiry of management, the Supervisory Board, the Executive Board and others within the Company as to whether the Company is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

We remained alert to indications of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Because of the characteristics of fraud, particularly when it involves sophisticated and carefully organized schemes to conceal it, such as forgery, intentional omissions, misrepresentation and collusion, an unavoidable risk remains that we may not detect all fraud during our audit.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Eindhoven, February 25, 2021

Deloitte Accountants B.V.

J. Hendriks

OTHER INFORMATION NOT FORMING PART OF THE FINANCIAL STATEMENTS

Ten-year summary

EUR MILLION	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
RESULTS										
Revenue	2,774.9	2,689.6	2,379.1	1,907.4	1,714.5	1,529.8	1,358.3	1,233.4	1,116.6	1,023.4
Year on year revenue growth	3%	13%	25%	11%	12%	13%	10%	10%	9%	20%
Gross profit	647.5	599.3	536.1	428.7	381.6	332.8	287.6	261.3	237.9	218.0
Gross profit in % of revenue	23.3%	22.3%	22.5%	22.5%	22.3%	21.8%	21.2%	21.2%	21.3%	21.3%
Result from operating activities	191.8	176.1	162.6	125.2	107.5	91.2	82.4	73.4	69.7	48.4
Operating EBITDA [1]	257.9	228.1	207.5	166.0	152.1	131.8	112.7	99.0	92.0	86.6
Operating EBITA [2]	253.5	224.8	202.1	161.7	147.8	128.3	110.0	96.6	90.2	85.3
Year on year Operating EBITA growth	13%	11%	25%	9%	15%	17%	14%	7%	6%	25%
Operating EBITA in % of revenue	9.1%	8.4%	8.5%	8.5%	8.6%	8.4%	8.1%	7.8%	8.1%	8.3%
Conversion margin [3]	39.2%	37.5%	37.7%	37.7%	38.7%	38.5%	38.2%	37.0%	37.9%	39.1%
Net result before amortisation / non-recurring items	178.1	156.2	139.7	110.1	102.6	87.2	54.3	13.1	(0.7)	6.1
CASH FLOW										
Free cash flow [4]	282.0	222.2	166.5	161.3	140.4	119.3	94.6	80.5	86.5	76.3
Cash conversion margin [5]	109.3%	97.4%	79.3%	97.2%	92.3%	90.5%	83.9%	81.3%	94.0%	88.1%
BALANCE SHEET										
Working capital	443.4	435.9	399.8	314.3	248.4	227.8	179.7	150.7	121.0	105.9
Total equity	1,257.9	866.5	786.3	729.2	722.1	653.8	530.8	(67.1)	(49.7)	(27.9)
Net debt	739.3	735.2	610.7	490.0	397.6	437.5	266.6	823.5	724.6	671.6
Net debt/operating EBITDA ratio [6]	2.3	2.8	2.8	2.8	2.6	2.9	2.4	8.3	7.9	7.8
EMPLOYEES										
Number of full time employees end of period	3,298	2,991	2,799	2,265	1,863	1,746	1,512	1,452	1,108	979
SHARES										
Number of shares issued at year-end (x 1,000)	56,988	52,592	52,592	52,592	52,592	52,592	50,000			
Weighted average number of shares (x 1,000)	53,750	52,475	52,443	52,425	52,477	51,612	25,118			
Earnings per share (weighted)	2.25	2.06	1.91	1.47	1.39	1.20	0.79			
Cash earnings per share (weighted) [7]	3.22	2.85	2.53	2.06	2.01	1.79	1.42			
Proposed dividend per share	1.02	0.90	0.80	0.62	0.55	0.44	0.20			

[1] Result from operating activities before depreciation of tangible assets and amortisation of intangible assets and non-recurring items

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

[3] Operating EBITA as percentage of gross profit

[4] Operating EBITDA excluding non-cash share-based payment expenses, less lease payments, plus/less changes in working capital, less capital expenditures

[5] Free cash flow as percentage of adjusted operating EBITDA (operating EBITDA plus non-cash share-based payment costs minus lease payments); before 2018 calculated as free cash flow as percentage of operating EBITDA

[6] Including full year impact of acquisitions

[7] Result for the year before amortisation (net of tax) divided by the weighted average number of outstanding shares

Colophon

Contact
Head office IMCD N.V.
Wilhelminaplein 32
3072 DE Rotterdam
The Netherlands
Phone: +31 10 - 290 86 84
Fax: +31 10 - 290 86 80

Concept and graphic design
CF Report, Amsterdam,
The Netherlands

Creation and publication software
Tangelo Software B.V., Zeist,
The Netherlands

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Image bank IMCD N.V.
iStock
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