ANNUAL REPORT 2014

IMCD

Value through expertise

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Together
we deliver
first-class technic
in both formulatio

IMCD
IMCD
PROVIDING
LOCAL KNOWLEDGE
GLOBALLY.

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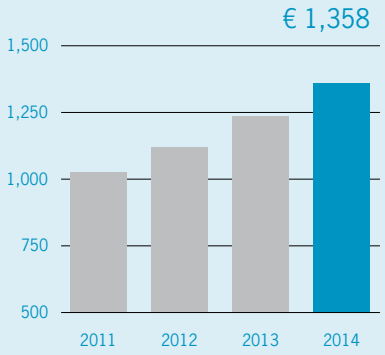
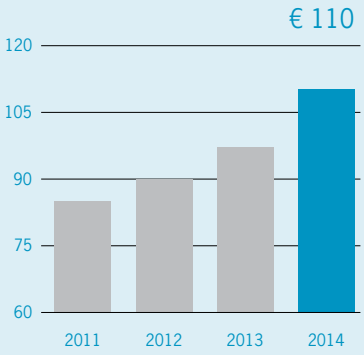
STRONG RESULTS

- 10% growth in revenue from EUR 1,233 million to EUR 1,358,3 million (+11% on a constant currency basis);
- Operating EBITA increased by 14% to EUR 110.0 million (+15% on a constant currency basis);
- EBITA positively impacted with EUR 2.7 million due to changes in Dutch pension law;
- Operating EBITA increased by 11% excluding pension adjustment (+13% on a constant currency basis);
- Net result EUR 54.3 million before amortisation and non-recurring items (2013: EUR 13.1 million);
- Cash conversion ratio improved to 83.9%;
- Dividend proposal of EUR 0.20 in cash per share.

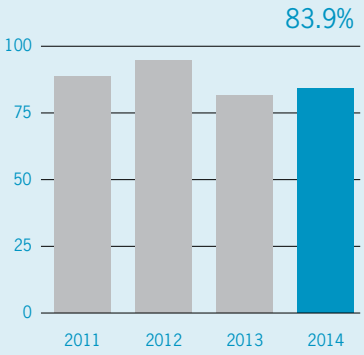
Revenue
EUR million



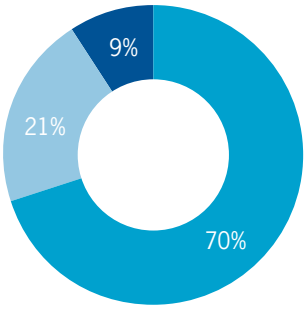
Operating EBITA
EUR million



Cash conversion
%



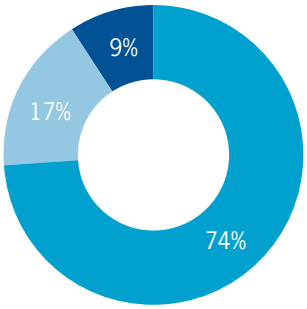
REVENUE PER REGION



EUR million

957.8	Europe
283.9	Asia Pacific
116.6	Other Emerging Markets

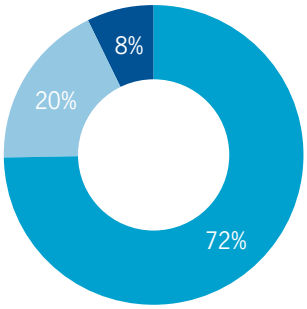
GROSS PROFIT PER REGION



EUR million

212.8	Europe
49.5	Asia Pacific
25.2	Other Emerging Markets

OPERATING EBITA PER REGION*



EUR million

83.5	Europe
23.5	Asia Pacific
9.6	Other Emerging Markets

* Excluding Holding Companies

KEY FIGURES 2014

EUR million	**2014**	2013	Change
Results			
Revenue	1,358.3	1,233.4	10%
Gross profit	287.6	261.3	10%
Gross profit in % of revenue	21.2%	21.2%	0.0%
Operating EBITA [1]	110.0	96.6	14%
Operating EBITA margin [2]	8.1%	7.8%	0.3%
Conversion margin [3]	38.2%	37.0%	1.3%
Net result before amortisation/ non recurring items	54.3	13.1	314%
Cash flow			
Free cash flow [4]	94.6	80.5	17%
Cash conversion margin [5]	83.9%	81.3%	2.6%
Balance sheet			
Working capital	170.9	150.7	13%
Total equity	530.8	(67.1)	
Net debt	257.8	823.5	(69%)
Net debt/EBITDA ratio	2.3	8.3	(6.0)
Employees			
Number of full time employees at year-end	1,512	1,452	4%
Shares			
Number of shares issued at year-end	50,000,000		
Weighted average number of shares	25,118,356		
Earnings per share (weighted)	0.79		
Cash earnings per share [6] (weighted)	1.42		
Proposed dividend per share	0.20		

1 *Result from operating activities before amortisation of intangibles and non-recurring items.*
2 *Operating EBITA in percentage of Revenue.*
3 *Operating EBITA in percentage of Gross profit.*
4 *Operating EBITDA plus/less changes in working capital less capital expenditures.*
5 *Free cash flow in percentage of Operating EBITDA.*
6 *Earnings before amortisation net of tax.*

"THE YEAR 2014 PROVED TO BE BUSY, EVENTFUL AND REWARDING FOR IMCD."

A significant event during the course of the year was undoubtedly the Company's stock listing on Euronext Amsterdam. The IPO was an intensive process, during which we met numerous analysts and investors to explain IMCD's business model and strategy. Reactions have been positive and we are committed to establishing long-term relationships with shareholders, potential shareholders and other members of the financial community.

We were saddened by the news that Floris Waller, vice-chairman of our Supervisory Board, died unexpectedly in September. In the short period that he was part of IMCD, he made valuable contributions. He will be missed, both at a personal and professional level.

Looking at the business, despite challenging market circumstances in 2014, we achieved good operational results. Our alignment with industry leaders, continuous focus on business development and ability to introduce new products and start new customer and supplier relations have resulted in a healthy operating EBITA growth of 14%.

We have been able to strengthen our position in targeted market segments and have made our first entrance into the Philippine market through the acquisition of Danasia.

I am convinced that we are well positioned to face the challenges that 2015 may bring and that we will be able to further strengthen our position as one of the leading chemical distributors with a focus on speciality chemicals.

IMCD firmly believes in transparency to its business partners, encouraging entrepreneurship and personal development throughout the organisation and financial discipline. I would particularly like to thank our business partners for their continuous trust and all my IMCD colleagues for their ongoing commitment on hard work.

Rotterdam, 10 March 2015
Piet van der Slikke

General information

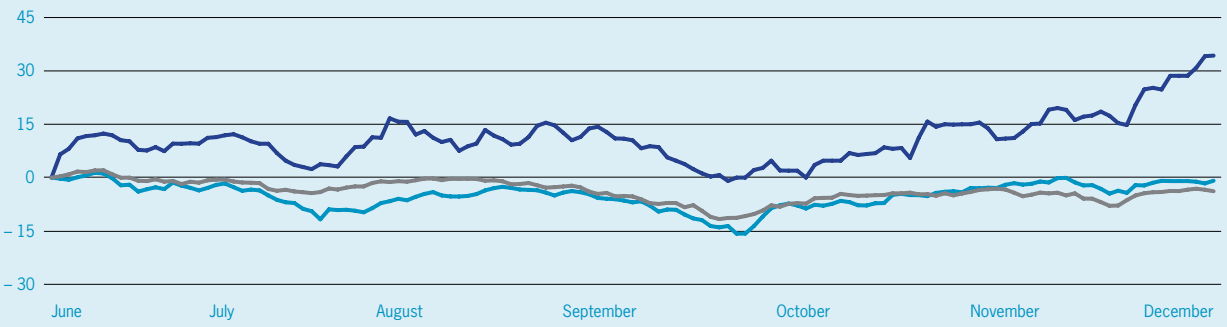
IMCD was first listed on Euronext Amsterdam on June 27, 2014. At the IPO 50.6% of the total share capital of 50 million shares was floated on the stock exchange at a price of EUR 21.00 per share, resulting in a market capitalisation of EUR 1,050 million. The first transaction was traded at EUR 22.00.

Shareprice performance in 2014

As of June 27, 2014, around 10 million IMCD shares were traded on Euronext Amsterdam. The average daily trading volume in that period was approximately 77,000 shares. In 2014, the share price rose by 34% from EUR 21.00 to EUR 28.20. During the year, the market capitalisation increased from EUR 1,050 million to EUR 1,410 million.

SHARE PRICE PERFORMANCE 2014

In %



Investor relations policy

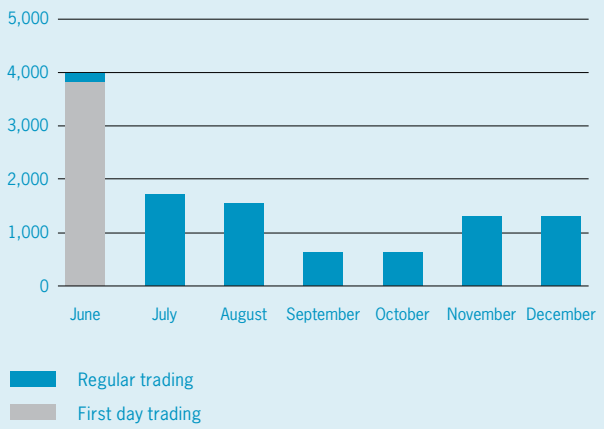
IMCD values maintaining an active dialogue with its financial stakeholders such as existing and potential shareholders, brokers and the (financial) media. Since the listing in June 2014, the Company has organised roadshows to London and Paris and has attended several investor conferences in London. Next to that, a considerable number of meetings with (potential) investors took place after the IPO. IMCD considers it very important to explain the IMCD business model and execution in order to give stakeholders the information they need to form an opinion on the Company. IMCD is currently covered by a number of foreign brokers.

Dividend policy

Barring exceptional circumstances IMCD has a dividend policy with a targeted annual dividend in the range of 25% to 35% of adjusted net income (reported result for the year plus non cash amortisation charges, net of tax) to be paid out either in cash or in shares.

TRADING VOLUME 2014

In number of shares x 1,000



THE LISTING ON EURONEXT AMSTERDAM POSITIONS IMCD WELL FOR FURTHER GROWTH

Major shareholders

The register maintained by the Netherlands Authority for the Financial Markets (AFM) in connection with the disclosure of major holdings in listed companies contains details of the following investors with interests of over 3% as at 31 December 2014. There are no known holdings in the AFM register of short positions.

Bain Capital Investors	39.17%
FMR LLC	10.00%
Ameriprice Financial Inc.	5.10%
Carmignac Gestion SA	3.45%
Stichting Nieuw Oosteinde	3.45%

THE IMCD SHARE

EUR million	2014
Highest price	28.20
Lowest price	20.80
Year-end price	28.20
Earnings per share (weighted)	0.79
Proposed dividend per share	0.20
Number of shares at year-end	50,000,000
Weighted average number of shares	25,118,356

Ticker symbols

Euronext Amsterdam: IMCD-NL
Reuters: IMCD.AS
Bloomberg: IMCD.NA

Investor relations

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Financial calendar

11 March 2015	Annual report 2014
29 April 2015	First Quarter 2015 Trading Update
	Annual General Meeting
	Dividend announcement
1 May 2015	Ex-dividend date
4 May 2015	Record date
7 May 2015	Payment date
14 August 2015	First half year results 2015
11 November 2015	Third Quarter 2015 Trading Update

"IMCD REPRESENTS WORLD CLASS SUPPLIERS, AMONG THEM MOST OF THE 50 LARGEST CHEMICAL SUPPLIERS WORLDWIDE."

IMCD was formed in 1995 with the strategy developed by Piet van der Slikke, CEO, and Hans Kooijmans, CFO. Since then, IMCD has grown to be one of the leading specialty chemicals and food ingredients distributors, offering suppliers an outsourced yet fully integrated marketing, sales and distribution channel.

The Company originated from businesses located in the Netherlands, Belgium, France, Australia and New Zealand. Through a market-focused approach and recruitment of specialist technical resource, IMCD has grown both organically and by strategic acquisitions, resulting in the successful expansion of its business model to over 30 countries in Europe, Asia-Pacific and Other Emerging Markets. IMCD has identified a number of strategic market sectors including pharmaceuticals, food & nutrition, plastics & rubber, personal care, synthesis, coatings, lubricants and detergents.

1995

- Internatio-Müller combines its specialty chemical distribution assets in the Benelux, France, Australia and New Zealand as a separate division under the name Internatio-Müller Chemical Distribution.

1995-2001

- Acquisitions become a key part of the IMCD's growth strategy and businesses are acquired in the United Kingdom, Germany, Spain, Italy, other Western European countries and in Australia.

2001

- Management and NIBC Private Equity acquire the Company which adopts the name 'IMCD'.

2001-2005

- IMCD adopts a single IT platform in Europe and acquires companies in Sweden, Poland, Switzerland, Belgium and France;
- IMCD begins greenfield operations in Austria, Turkey, India and Russia;
- Establishment of matrix organisation along geographic lines and end markets to enable distribution on a broad geographical basis.

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

2005

- AAC Capital Partners acquires NIBC Private Equity's interest in IMCD.

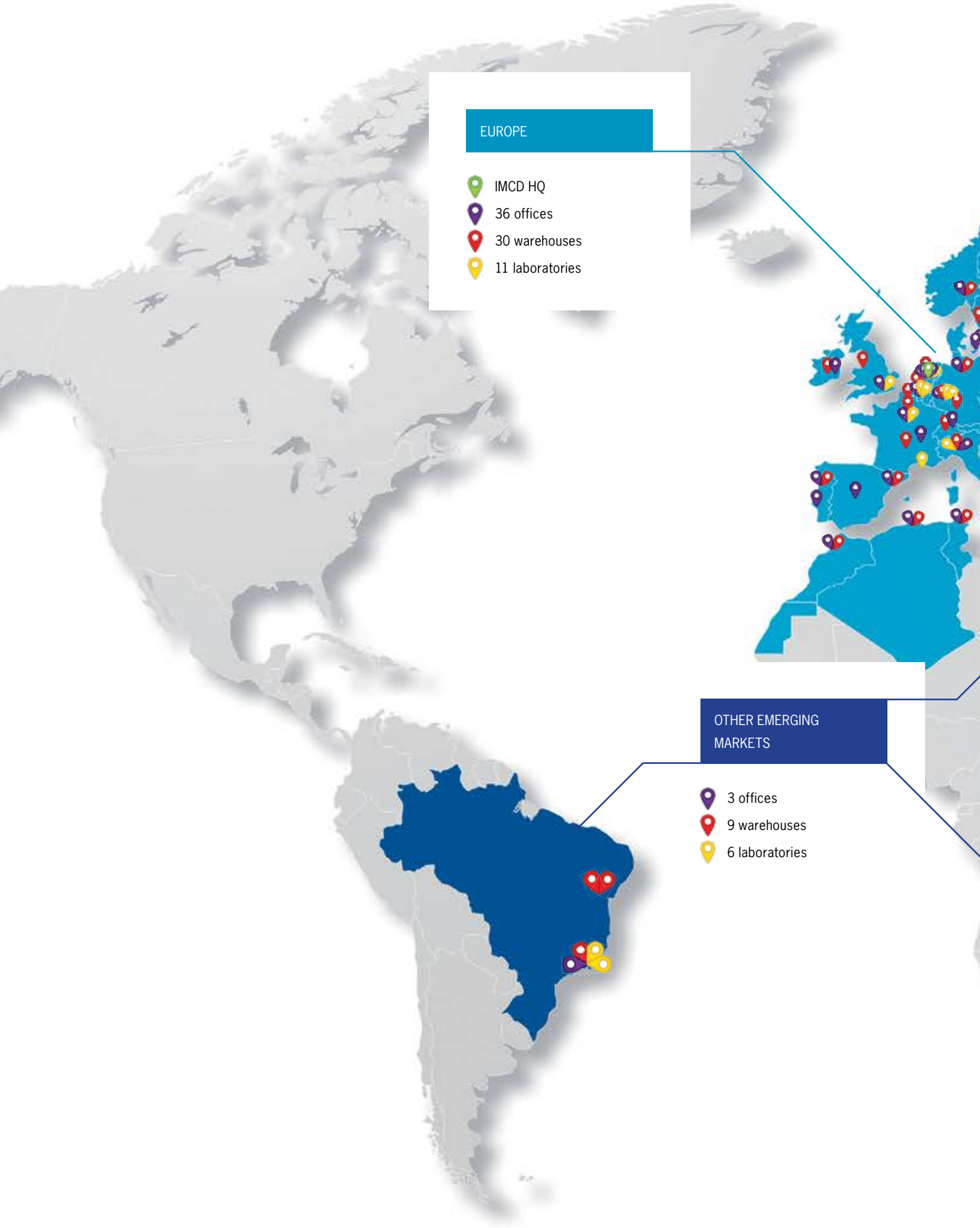
2005-2010

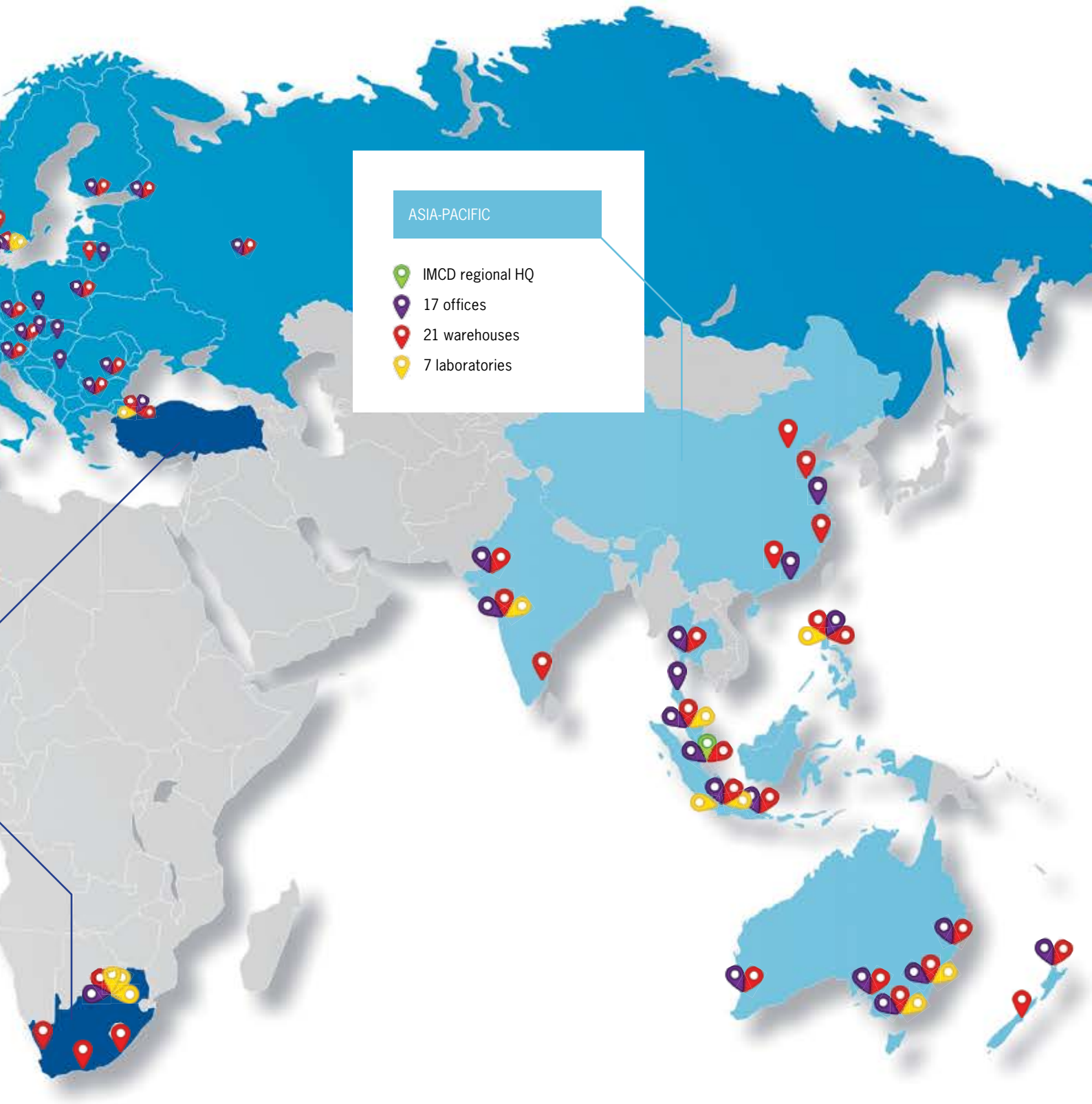
- Acquisition of businesses in the Netherlands, the United Kingdom, South Africa, Germany, New Zealand and Norway.

2010-2014

- Acquisition of Warwick, providing increased coverage in France, Spain, Italy and Malaysia (2010);
- Bain Capital acquires AAC Capital Partners' interest in IMCD (2011);
- IMCD opens a regional head office in Singapore and an office in Thailand;
- Acquisition of businesses in Europe, South Africa, Malaysia, Singapore, China, India, Philippines and Brazil;
- First listing on Euronext Amsterdam.

Global presence




ASIA-PACIFIC
IMCD regional HQ
17 offices
21 warehouses
7 laboratories

COMMODITY VERSUS SPECIALTY CHEMICALS

Whilst there is no clear definition for specialty or commodity chemicals, the following is generally accepted.

Commodity chemicals are:

- generally basic in nature;
- available from numerous sources with a common specification;
- higher volume products;
- lower priced.

Commodity chemical distributors can generally be characterised as volume driven and infrastructure-intensive. Due to the high volume, commodity chemicals require a primary focus on supply chain infrastructure, efficiencies of scale and much less on technical know-how and expertise.

As a result of this intensive supply chain business model, commodity chemical distributors are generally more asset-intensive than specialty chemical distributors.

Specialty chemicals are:

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

Distribution of specialty chemicals typically requires technical expertise, application know-how as well as marketing and sales competence. Specialty chemicals are often proprietary formulations that are used in specific applications and are typically produced and consumed in smaller volumes and generally have higher price levels.

As is the case with IMCD, it is more common for specialty chemical distributors to outsource their supply chain infrastructure to selected third parties, paying for the services they require as opposed to investing in fixed assets.

Specialty chemicals distribution

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

Chemical producers typically service their larger customers directly but utilise the skills and market coverage of a specialty distribution company to serve the small and mid-sized accounts. In effect, the specialty chemical distribution company acts as a cost effective extension of the supplier's sales and marketing 'arm'. In some cases where the supplier is based remotely, the distributor will cover all sales activity to all customer types in the region. In most cases the distributor will have local warehousing and stock-holding to enable 'just-in-time', small lot deliveries.

By working with a specialty distribution company such as IMCD, the supplier benefits from having one loyal business partner as opposed to dealing directly with many small customers, thus simplifying their route-to-market. In addition, by offering a more comprehensive product portfolio from a variety of suppliers, the distributor is able to significantly enhance and improve the customer coverage and local market intelligence. In addition to offering business simplification, a specialty chemical distributor can add technical value and expertise to both the supplier and customer. Both can benefit from the technical expertise and application know-how of the distributor and in some cases from the distributors' in-house laboratory support.

Financial resilience

Diversity in product, market and geographical coverage can protect against the impact of specific market conditions such as product availability, local economic circumstances or application downturn. Commodity and specialty chemical distributors therefore tend to be relatively financially resilient owing to the diversity of supplier and product portfolio they have to offer. As proven by IMCD's track record this resilience is further strengthened when the distributor has a multi-market and geographical coverage.

Specialty chemical distributors are generally less impacted by price fluctuations of basic raw materials owing to the fact that the products within their portfolios are highly functional, relatively low volume and are not easily replaced. This resilience is further enhanced by the asset light business model adopted by most specialty chemical distributors as the cost base is very flexible and quickly adjustable to any change in the market environment.

Consolidation

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

The following trends are expected to continue to have an impact on the rationalisation of the global specialty distribution industry:

Increased outsourcing of sales, marketing and distribution to a more limited number of third party distributors
The greater complexity in the breadth of specialty products, lower order volumes and specific customer requirements in the various end markets is expected to drive outsourcing to a decreasing number of specialty chemicals distributors.

Preferred partnerships
Suppliers in sophisticated markets are generally looking for more structured pan-regional management of sales and distribution. By entering into exclusive distribution relationships with a preferred distribution partner for multiple countries or regions, suppliers are able to significantly simplify and optimise their route-to-market.

Increased regulation
In sophisticated markets increasing regulation will require chemicals distributors to obtain a certain minimum scale in order for them to be able to fully comply with the requirements at an affordable cost. In order to be compliant, smaller distributors may need to upgrade their facilities or to alter processes. Smaller, locally-oriented distributors that currently do not comply with the additional requirements generally are required to make comparatively large investments to institutionalise their business in order to comply, whereas larger distributors can more easily make such investments due to their scale.

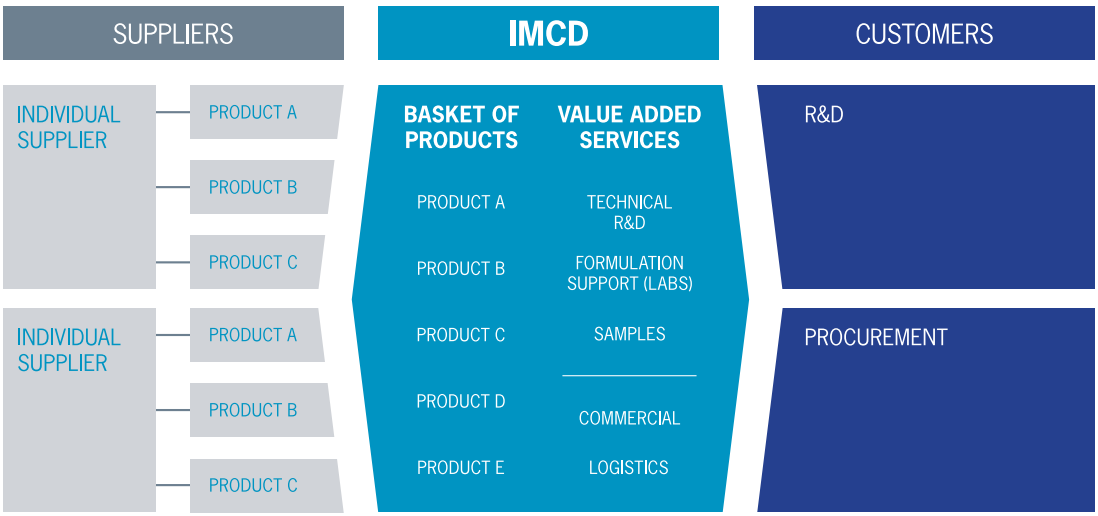
DISTRIBUTION OF SPECIALTY CHEMICALS REQUIRES TECHNICAL EXPERTISE, APPLICATION KNOW-HOW AS WELL AS MARKETING AND SALES SKILLS

Value through expertise

As a leading distributor of specialty chemicals and food ingredients, IMCD offers Value through expertise employing highly technical market specialists to promote specialty chemicals from leading suppliers to customers in a wide range of market sectors. IMCD builds enduring relationships with suppliers, seeking to simplify supplier business operations whilst supporting their business development and providing them with valuable market intelligence and technical expertise. To its customers, IMCD offers a comprehensive portfolio of specialty chemicals and food and pharmaceutical ingredients together with expert technical advice and formulatory support.

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

- Leading international specialty chemicals focused sales, marketing and distribution platform;
- Diversified and resilient business model;
- Superior margin conversion and cash conversion;
- Demonstrated ability to deliver organic and M&A-led growth;
- Proven and committed management team.



Products
Specialty chemicals are used in almost every aspect of daily life, ranging from the cosmetics we wear, the food we eat, the cars we drive and the medication we take. The constant demand for product improvement and higher performance drives the requirement for innovative specialty chemicals.

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

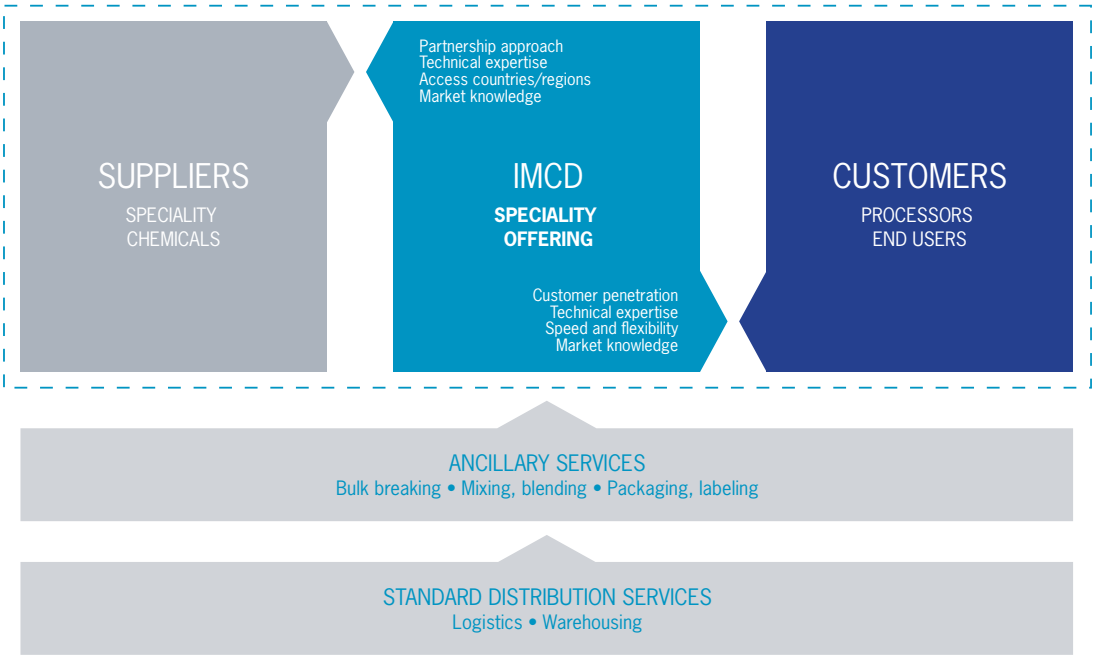
IMCD is highly experienced in providing business simplification to its suppliers by coordinating multi-territory agreements and adopting a flexible and cost-effective supply chain infrastructure. This includes offering a comprehensive range of value-added services such as re-packing and utilisation of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

Customers
IMCD has built a strong base of over 28,000 customers and a balanced portfolio of approximately 24,000 products. By working closely with IMCD, customers ensure that they have the highest level of technical and formulatory support to create market leading and innovative products.

IMCD also provides additional tailored services for customers including local stocking, repacking, mixing, blending and has a continual focus on delivering a premium customer service to further develop close, long-term relationships.

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

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



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

People

IMCD's biggest asset is its people. The Company currently employs more than 1500 people across five continents. With a focus on face-to face customer interaction, approximately 70% of IMCD's employees is part of the technically and commercially skilled sales force that is able to understand customer needs and grow the business. These professionals possess a relevant technical background and are dedicated market specialists who focus exclusively on their respective fields, playing a vital role in maintaining and expanding the Company's relationships with its partners. The remaining 30% is involved in IT,

DETERGENTS

Business Group Detergents offers a range of speciality chemicals used in the manufacture of products used to clean, amongst other things, clothes, dishes, cars and floors.

End-products come in the form of the powder, liquid, tablets, capsules and wipes and can be used around the home in washing machines and dishwashers or in industrial sites such as hospitals or factories.

Detergent chemicals perform a variety of functions from digesting dirt and removing stains, killing bacteria, softening and perfuming fabrics, brightening colours in clothes and producing sparkling shiny finishes to surfaces.

finance, supply chain, HSEQ and human resource management. Together they provide the solid platform from which the Company operates.
It is the Company's philosophy to encourage entrepreneurial spirit throughout IMCD and strives to create an efficient and fast-paced working environment to attract and retain ambitious and talented people. Opportunities within IMCD are both dynamic and diverse, with room for ongoing personal development and career progression.

Technical expertise & laboratory services

To support its role as a leading specialty chemicals and food ingredients distributor, IMCD operates 24 laboratories in 15 countries. IMCD's focused laboratory technical team builds, maintains and expands its relationships with both suppliers and customers, creating growth opportunities and delivering value. The primary function of these laboratories includes:

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

New product analysis and development to provide formulatory advice to customers
IMCD works in close collaboration with its customers' research and development departments, carrying out competitive matching, sharing new application opportunities and assisting them in formulating the most effective and innovative products.

Customer seminars to promote new market trends and products from within the IMCD porfolio
IMCD organises workshops and seminars for its customers; either to introduce a new product to them, investigate a new trend in the market or to look into material alternatives for their production processes. Customers are given access to IMCD's laboratories to enable them to test product performance, run stability and application tests and experience the finished product with the support of IMCD's scientists and technical managers.

IMCD AIMS TO GROW ITS REVENUES AND RESULTS BOTH THROUGH ORGANIC GROWTH AND ACQUISITIONS

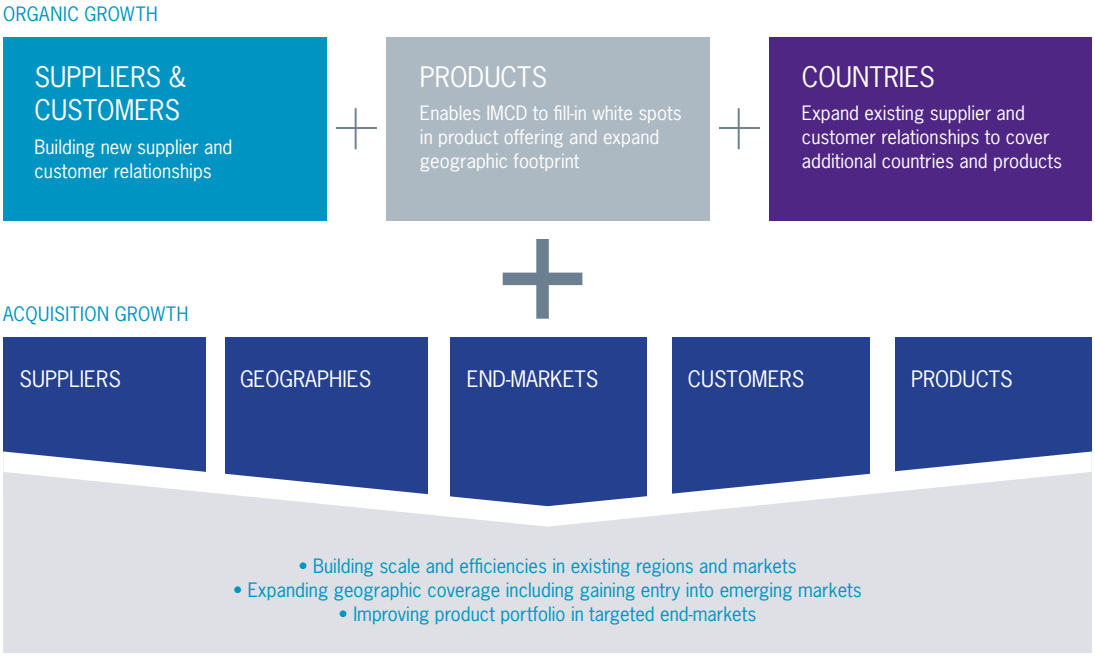
Supplier workshops to support them with product and application development
Within the IMCD laboratories, suppliers are able to gain an understanding as to how their products interact and function (in combination with other products from within the IMCD portfolio) as part of a finished formulation. With this understanding and market trend awareness, IMCD is able to assist the supplier to develop new product concepts for the future.

Growth strategy

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

Organic growth
- GDP growth in the different geographies that IMCD operates;
- Increasing market share by outperforming through sales excellence;
- Expanding with existing suppliers through additional products and geographies;
- Adding new suppliers and products to the portfolio.

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



Acquisition growth

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

IMCD takes benefit from the highly fragmented distribution market and the consolidation trend largely driven by increasing supplier demands for multi-country agreements. Since its formation, IMCD has acquired over 50 companies, providing the current presence in Europe, Asia Pacific and Other Emerging Markets. IMCD has demonstrated its capacity to identify, applying strict selection criteria, execute and successfully integrate acquisitions. Finding suitable acquisition targets is an ongoing process with a high level of complexity related to ensuring that there is the right cultural and business 'fit' combined with a willingness of the target company to become part of IMCD.

IMCD expects that it will find targets, that fit its acquisition criteria allowing the Company to continue to acquire in both developed and emerging markets.

PHARMACEUTICALS

Business Group Pharmaceuticals offers a wide range of speciality chemicals used in the manufacture of medicinal products that can be found in any pharmacy, nutritional supplement or at home in a medicine cabinet. End-products come in the form of the powders, liquids and syrups, tablets, capsules, inhalers and nasal sprays, to name but a few.

Pharmaceutical chemicals can be the building blocks of the drug, the drug itself or the ingredients that help to make it into the end-product. Many have a function to help the drug do its work after administration, by disintegrating the product in the stomach or helping transport the drug to the affected area and relieving symptoms.

IMCD Business lines

IMCD PRODUCT GROUPS - LIFE SCIENCES

	End-markets	Products	Characteristics
PHARMA	• Pharmaceuticals formulation • Pharmaceuticals synthesis • Biotechnology • Laboratory	• Excipients • Active ingredients • Speciality solvents	• Insensitive to economic cycles • High levels of regulation
PERSONAL CARE	• Hair care • Skin care • Make-up • Toiletries	• Additives • Actives • Functional ingredients	• Innovative • Fast and dynamic formulation processes
FOOD & NUTRITION	• Bakery • Beverage • Confectionery • Dairy • Nutrition	• Additives • Ingredients • Carriers • Dairy	• Local taste dictate formulation • Increasing regulation • Fragmented

IMCD PRODUCT GROUPS - INDUSTRIALS

	End-markets	Products	Characteristics
COATINGS	• Adhesives • Construction • Industrial coatings & paints • Inks	• Additives • Fillers • Pigments	• High dependence on Automotive & Construction industries
LUBRICANTS	• Lubricants • Oil & gas • Greases	• Additives • Base oils • Tackifiers	• Regulatory changes drive opportunity in Asia Pacific and other markets • High performance requirement • Consolidated market
SYNTHESIS	• Industrial synthesis • Polymerisation	• Monomers • Process chemicals • Solvents	• Trend for 'green' chemistry (plant-based materials) • Volume trends follow downstream segments (construction, automotive, personal care, lubricants)
PLASTICS	• Hair care • Skin care • Make-up • Toiletries	• Additives • Compounds	• Innovation in light weight and durable solutions • Green and environmentally friendly formulations • Economically sensitive
DETERGENTS	• Home care • Industrial & institutional cleaners	• Surfactants • Builders • Functional additives	• Focus on environmentally friendly formulations

IMCD was formed in 1995. Piet van der Slikke, CEO and Hans Kooijmans, CFO developed its strategy and drove execution. Since then, IMCD has grown to be one of the leading chemical distributors with a focus on specialty chemicals and food ingredients. The Company offers suppliers of specialty chemicals an outsourced yet fully integrated marketing, sales and distribution channel.

Management Board

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

Chief Executive Officer

In current position since 1995
Term expiring in 2018

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

Chief Financial Officer

In current position since 1996
Term expiring in 2018

Supervisory Board

J.C. (Jean-Charles) Pauze
(1947, male, French nationality)

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

Most important positions

Non-executive director of Bunzl Plc
Chairman of the Board of Europcar Groupe S.A.
Chairman of the Supervisory Board of Compagnie Française de l'Afrique Occidentale (CFAO)
Former CEO and chairman of the Management Board of Rexel S.A.

A.J.T. (Arjan) Kaaks
(1966, male, Dutch nationality)

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

Most important positions

Former CFO and member of the Executive Board of Maxeda DIY Group B.V.
Former CFO and member of the Executive Board of Royal Grolsch N.V.
Member of the Supervisory Board of Red Star Holding B.V.
Chairman of the Curatorium Nyenrode EMFC

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

Appointed as of 28 February 2011, current term expiring in 2018

Most important positions

Managing Director at Bain Capital
In his capacity as Managing Director at Bain Capital Mr. Plantevin holds several Supervisory Board and non-executive positions at e.g. entities of Bravida AB, FCI SA, FTE Automotive
Former Managing Director at Goldman Sachs International
Former Supervisory Board member of Brenntag S.A.

I. (Ivano) Sessa
(1977, male, Italian nationality)

Member of the Audit Committee
Appointed as of 28 February 2011, current term expiring in 2018

Most important positions

Managing Director at Bain Capital
In his capacity as Managing Director at Bain Capital Mr. Sessa holds several Supervisory Board and non-executive positions at e.g. entities of Bravida AB, TeamSystem Srl, Cerved S.A.

M.F. (Michael) Siefke
(1967, male, German nationality)

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

Most important positions

Managing Director at Bain Capital
In his capacity as Managing Director at Bain Capital Mr. Siefke holds several Supervisory Board positions at entities of FTE Automotive
Chairman of the Supervisory Board of Bravida AB entities

Chairman's foreword

IMCD N.V.'s Supervisory Board is pleased to submit to the Annual General Meeting IMCD's first annual report and financial statements as a public listed company. In 2014 the great and continuous efforts and dedication of the IMCD management and all IMCD employees resulted in both a successful IPO and a strong and sustainable operational performance in line with expectations. The Supervisory Board believes that IMCD's listing at Euronext Amsterdam offers IMCD a good position to continue the successful pursuit of its long term strategy, backed up by a new governance structure developed to support the needs of all IMCD's stakeholders.

At this place the Supervisory Board wishes to commemorate Floris Waller. His unexpected death in September 2014 was a great shock to us. In the short period he acted as vice-chairman of the Supervisory Board we benefitted from his broad financial experience and great personal commitment, for which we are grateful.

As chairman of the Supervisory Board since July 2014 I want to express my appreciation to the Management Board and my fellow Supervisory Board members for the induction phase and first closing period with IMCD under the new governance structure.

Jean-Charles Pauze, Chairman

Supervisory Board composition
In the context of the IPO and the conversion of IMCD B.V. (formerly Emma Topco B.V.) into IMCD N.V. on 2 July 2014, the General Meeting re-appointed Michel Plantevin, Ivano Sessa and Michael Siefke (IMCD B.V.'s Supervisory Board members since 2011) and appointed Jean-Charles Pauze and Floris Waller as Supervisory Board members of IMCD N.V. All appointments were made for four year terms as of 2 July 2014. The Supervisory Board elected Jean-Charles Pauze as its chairman and established an Audit Committee chaired by Floris Waller and a Remuneration Committee chaired by Michael Siefke. Following appointment, an induction program for the new Supervisory Board members was initiated, which included a working visit to IMCD France and a work-shop on Dutch corporate governance provided by an external legal advisor.

The unexpected decease of Floris Waller in September 2014 was a great shock to IMCD. To fill the position of Floris Waller the Supervisory Board nominated Arjan Kaaks, who was appointed as Supervisory Board member at the EGM held on 10 February 2015. The Supervisory Board appointed Arjan Kaaks as its vice-chairman and as chairman of the Audit Committee. The particulars of all current Supervisory Board members and their Supervisory Board committee memberships are set out on page 23.

Michel Plantevin, Ivano Sessa and Michael Siefke were appointed to the Supervisory Board upon the nomination of IMCD's major shareholder Emma (BC) Holdings S.C.A. (Bain Capital) and are considered non-independent members of the Supervisory Board within the meaning of best practice provision III.2.1 of the Dutch Corporate Governance Code. In carrying out their duties the Supervisory Board members are well aware of and act in accordance with their personal statutory and fiduciary duties to maintain confidentiality and to act independently and in the interest of the Company and all its stakeholders. The Supervisory Board Rules cater for extensive and adequate measures for situations in which there is a (potential) conflict of interest (described on page 52 of this annual report) and the Supervisory Board is committed to ensure compliance with these provisions. The Supervisory Board strongly believes that the overriding principle for the composition of the Supervisory Board remains that its members have a valuable contribution in terms of experience and knowledge of the Company's business. On this basis and with a view to the importance of continuity within the Supervisory Board after the IPO, the Supervisory Board is of the opinion that its current size and composition fulfills the specifications laid down in the Supervisory Board Profile and is appropriate in view of the nature and size of IMCD.

Given the short term of office of the Supervisory Board in its current composition since the IPO, no self-assessment of the functioning of the Supervisory Board and its committees was carried out in 2014. A self-assessment will be carried out in 2015.

Supervisory Board meetings in 2014

Prior to the IPO the Supervisory Board of IMCD B.V. met three times, and held regular consultations, to discuss, supervise and resolve on matters concerning the IPO, including IMCD's corporate restructuring and refinancing, and other ongoing matters such as development of results and acquisitions. Following completion of the IPO in July 2014, the Supervisory Board met three times. All meetings were held with all Supervisory Board members attending and in the presence of the Management Board. One Supervisory Board meeting was attended by the Executive Committee members, who gave presentations on their activities, performance and budgets.

The division of tasks and responsibilities and the working method of the Supervisory Board and its committees post IPO are described on page 51. Regular items on the Supervisory Board agenda were the development of results, the balance sheet, market developments, acquisition projects and evaluations thereof and reports on any matters related to material risks, claims and/or compliance issues. The Management Board reported to the Supervisory Board on the Company's strategy and the risks associated with it, as well as the Company's risk management and control systems. Investor relations and corporate social responsibility activities were also discussed. The Supervisory Board gave extensive consideration to and approved the acquisitions of Danasia in the Philippines and Jucker Pharma in Sweden. In all its activities the Supervisory Board paid, and continues to pay, close attention to the implementation and further deployment of IMCD's corporate governance structure, ensuring that the needs of all IMCD's stakeholders are met in a manner that is transparent, effective and suitable for IMCD's operations. The Supervisory Board reviewed and discussed the annual report and the financial statements 2014 with all parties involved in the preparations thereof. These discussions allow the Supervisory Board to conclude that the annual report provides a solid basis for the Supervisory Board's accountability for its supervision in 2014.

The Audit Committee met one time, with both members, the CFO and the Company's external auditor attending, to discuss the 2014 half year figures and the external auditor's audit plan for 2014. In this meeting the Company's accounting policies and reporting and financing structures were discussed as well. After the death of Floris Waller, the Audit Committee's tasks and responsibilities were taken on by the Supervisory Board as a whole. In this context the Supervisory Board paid detailed attention to IMCD's first nine months results 2014, the budget 2015, the requirements on rotation of the Company's external audit firm and internal control. Taking into account the Management Board's evaluation and the external auditor's assesment, within the scope of its audit, of IMCD's internal control system, the Supervisory Board concluded that the internal control elements are effectively assumed within the agenda, programme and tasks of the central holding team. Hence there is currently no compelling case or need for a recommendation to install a fully dedicated internal audit function.

The Remuneration Committee convened one time in 2014 and held regular consultations to discuss and formulate proposals for the implementation of the remuneration policy and the remuneration of the individual members of the Management Board. In doing so the Remuneration Committee was assisted by an independent remuneration expert. The Remuneration Committee presented its findings and proposals to the Supervisory Board and prepared the Supervisory Board's remuneration report for 2014.

Management Board appointment and remuneration

At the conversion of IMCD B.V. into IMCD N.V. and with effect from 2 July 2014 the Management Board members were re-appointed by the General Meeting for a term of four years. The individual remuneration of each of the Management Board members was determined by the Supervisory Board with due observance of the remuneration policy. IMCD's Management Board remuneration policy was adopted by the General Meeting upon the proposal of the Supervisory Board on 26 June 2014. It provides for a remuneration package set around the median of remuneration levels payable within a peer group of comparable companies and consists of fixed and variable salary components, including an annual short

term incentive cash bonus and a long term incentive plan for the annual award of conditional performance shares, as approved by the General Meeting on 26 June 2014. The main features of the remuneration policy are described in the Corporate Governance chapter of this annual report and are set forth in detail in the Supervisory Board's remuneration report published at the Company's website.

In 2014, and with effect from the listing, the remuneration policy was executed by the Supervisory Board in accordance with the provisions of the approved remuneration policy. New service agreements and the remuneration for the individual Management Board members as of 2 July 2014 were determined by the Supervisory Board. Upon the proposal of the Remuneration Committee the Supervisory Board determined the performance conditions of the Management Board short term incentive remuneration for 2014. The Supervisory Board's remuneration report on 2014 as published at the Company's' website contains further details on the implementation of the remuneration policy in 2014 and the intended implementation in 2015 and subsequent years. Detailed information on the costs for the actual remuneration of the Management Board and Supervisory Board in 2014 is set forth in note 46 to the financial statements.

Financial statements 2014 and profit appropriation

The financial statements for the financial year 2014 have been prepared by the Management Board in the English language and were audited by KPMG Accountants N.V. The financial statements and the outcome of the audit performed by the external auditor were discussed by the Supervisory Board in the presence of the external auditor. The financial statements 2014 were endorsed by all Management Board and Supervisory Board members and are, together with KPMG's auditor's report, included in this annual report on pages 55 through 115.
The Management Board will present the financial statements 2014 and its report at the Annual General Meeting. The Supervisory Board recommends the Annual General Meeting to adopt the financial statements 2014, including a proposed dividend of EUR 0.20 in cash per share. In addition, it recommends that the members of the Management Board and Supervisory Board be discharged from liability in respect of their respective management and supervisory activities performed in 2014.

External auditor

The Audit Committee and the Management Board reported to the Supervisory Board on KPMG's functioning as external auditor and its fees, as well as its other audit and non-audit services provided to IMCD. KPMG performed a review of IMCD's interim financial statements as at 30 June 2014 and issued an unqualified review report. In the course of 2014 KPMG's lead audit-partner was changed pursuant to partner rotation requirements. KPMG confirmed its independence from IMCD in accordance with the professional standards applicable to KPMG. The Supervisory Board nominates KPMG for re-appointment by the General Meeting as the Company's external auditor for the financial year 2015.

Gratitude

The Supervisory Board extends its gratitude and appreciation to the members of the Management Board and all employees of IMCD for their great efforts and dedication shown in relation to both the IPO and the operational performance in 2014.

Rotterdam, 10 March 2015

Supervisory Board:
Jean-Charles Pauze
Arjan Kaaks
Michel Plantevin
Ivano Sessa
Michael Siefke

OPERATIONAL REVIEW

General

The year 2014 was characterised by, on average, modest GDP growth in the various countries that IMCD operates. Market circumstances were challenging and currency fluctuations showed a large diversity. In line with the Company's strategy there was a continuous focus on business development, achieving organic growth and selective acquisitions.

The product offering was strengthened, existing supplier relations were further expanded and new supplier contracts were added. Six acquisitions that were completed in 2013 were successfully integrated and aligned with existing operations.

The diversity of the IMCD supplier and product portfolio combined with the multi market and geographical coverage in 2014 again provided financial resilience and enabled IMCD financial outperformance of its end markets.

Overall the 2014 results were strong. Revenue was 10% higher, on a constant currency basis revenue increased 11%. Operating EBITA increased 14% and on a constant currency basis 15%. Excluding a contribution of EUR 2.7 million due to changes in Dutch pension legislation operating EBITA increased 13% (based on constant currencies).

Acquisitions

In 2014 two businesses were acquired. In May IMCD acquired Jucker Pharma, a small Stockholm based distributor of raw materials to the Nordic pharmaceutical industry, adding new products to the Swedish portfolio. At the end of September IMCD acquired the shares of Danasia, Inc., a distributor of leading brands of food and industrial ingredients in the Philippines, providing a valuable platform to further expand and strengthen the presence in this market.

TOTAL IMCD

				YTD December 2014	
EUR million	**2014**	2013	Change	Change	Fx adj. Change
Revenue	1,358.3	1,233.4	124.9	10%	11%
Gross Profit	287.6	261.3	26.3	10%	11%
Gross Profit in % of Revenue	21.2%	21.2%	0.0%		
Operating EBITA	110.0	96.6	13.4	14%	15%
Operating EBITA in % of Revenue	8.1%	7.8%	0.3%		

REVENUE

	EUR million							Growth
	2014	**in % total**	2013	in % total	Organic	Acquisi-tions	Foreign exchange	Total
Europe	957.8	70.5%	902.4	73.2%	5.4%	0.0%	0.7%	6.1%
Asia Pacific	283.9	20.9%	251.1	20.4%	9.7%	8.7%	(5.3%)	13.1%
Other Emerging Markets	116.6	8.6%	79.9	6.5%	6.0%	48.4%	(8.5%)	46.0%
Total	**1,358.3**	**100.0%**	**1,233.4**	**100.0%**	**6.3%**	**4.9%**	**(1.1%)**	**10.1%**

Income statement

Revenue
By successfully challenging local and regional market circumstances total revenue increased 10% to EUR 1,358 million compared to EUR 1,233 million in 2013.

Organic growth amounted to 6.3% as a result of a further strengthening of the product portfolio by adding new supplier relations, expanding relationships with existing suppliers and an increase of customer penetration by adding new customers and selling more products to existing customers.

Acquisitions completed in 2013 and in 2014 had a positive impact on revenue of 4.9%. Exchange rate differences had a negative effect of 1.1%. Approximately 70% of total revenue was generated in Europe, 21% in Asia Pacific and 9% in Other Emerging Markets.

Organic growth was the result of diverse market dynamics in the different regions and market segments. In most countries underlying GDP growth was modest, making conditions challenging. Furthermore, in a number of regions local currencies weakened versus the USD and Euro, having a negative effect in the first six months of the year.

GROSS PROFIT

EUR million	2014	in % of revenue	2013	in % of revenue
Europe	212.8	22.2%	196.6	21.8%
Asia Pacific	49.5	17.4%	47.4	18.9%
Other Emerging Markets	25.2	21.6%	17.3	21.7%
Total	**287.5**	**21.2%**	**261.3**	**21.2%**

Gross profit
Gross profit, defined as revenue less cost of materials and inbound logistics, increased from EUR 261.3 million in 2013 to EUR 287.5 million in 2014, an increase of 10% which is in line with total revenue growth.

The percentage gross profit margin remained stable at 21.2%. Underneath, gross profit margins showed the normal level of differences in margins per region, margins per product and margins per product market combination. Differences are mainly caused by local market circumstances, product mix and the impact of newly acquired businesses.

Compared to 2013, gross profit margins increased in Europe, decreased in Asia Pacific and were more or less stable in Other Emerging Markets.

Operating EBITA
Operating EBITA, representing the result from operating activities before amortisation of intangible assets and non-recurring items, increased by 14% to EUR 110.0 million compared to EUR 96.6 million in 2013. Non-recurring items of EUR 7.1 million includes costs related to the IPO and the related refinancing for a total of EUR 6.5 million, costs of realised and non-realised acquisitions of EUR 0.4 million and costs related to one off adjustments to the organisation of EUR 0.2 million.

The 14% rise of operating EBITA includes the outcome of the annual pension calculation based on IAS 19 reporting requirements. Because of changes in Dutch pension legislation, past service obligations in The Netherlands were reduced by EUR 2.7 million.

OPERATING EBITA

EUR million	2014	2013
Result from operating activities	**82.4**	**73.4**
Amortisation of intangible assets	20.5	19.4
Non-recurring items	7.1	3.8
Operating EBITA	**110.0**	**96.6**

This release is partly included in the operational EBITA of the European operations and amounts to EUR 0.5 million. The remaining EUR 2.2 million is included in the operating EBITA of holding companies. Excluding this adjustment the 2014 operating EBITA increased by 11% to EUR 107.3 million.

The growth in operating EBITA was a combination of organic growth, the full year impact of six acquisitions completed in 2013 and two small acquisitions in 2014, combining to a total growth of 15.4% and a negative impact of exchange rate differences of 1.5%. Excluding the IAS 19 pension adjustments growth in operating EBITA was 12.6%.

Because of the integration of acquisitions in existing IMCD operations it is impractical to make a split between organic and acquisition EBITA growth. However, it is fair to assume that the majority of the EBITA growth has been organic.

The EBITA margin increased from 7.8% in 2013 to 8.1% in 2014. All regions realised an EBITA margin of above 8%. Excluding the IAS 19 pension adjustment the EBITA margin increased to 7.9%.

Furthermore, in 2014 the conversion margin, operating EBITA as a percentage of gross profit, improved with 1.2% from 37.0% in 2013 to 38.2% in 2014. Excluding the IAS 19 pension adjustment the conversion rate was 37.3%, an indication that further efficiencies in the organisation were achieved.

COATINGS

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

Serving customers in the adhesives, decorative & industrial paints, inks and construction industries, IMCD's portfolio of products add colour, enhance durability and increase protection.

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

OPERATING EBITA

EUR million	2014	in % of revenue	2013	in % of revenue
Europe	83.5	8.7%	71.9	8.0%
Asia Pacific	23.5	8.3%	25.7	10.2%
Other Emerging Markets	9.6	8.2%	6.4	8.0%
Holding companies	(6.6)	0.0%	(7.4)	0.0%
Total	**110.0**	**8.1%**	**96.6**	**7.8%**

Segment overview

Europe

EUR million	2014	2013	Change	Change	Fx adj. Change
Revenue	957.8	902.4	55.4	6%	5%
Gross profit	212.8	196.6	16.2	8%	7%
Gross profit in % of Revenue	22.2%	21.8%	0.4%		
Operating EBITA	83.5	71.9	11.6	16%	15%
Operating EBITA in % of revenue	8.7%	8.0%	0.7%		

The European activities showed a strong performance in 2014. Generally demand was good, particularly in the industrial market segments during the first half of the year. In the second half of 2014 there was some slowdown in demand.

Revenue grew by 6.1%, a combination of organic growth of 5.4% and the positive impact of exchange rate differences of 0.7%. Most European countries contributed to this revenue growth. In 2014 IMCD realised a further expansion of its supplier and customer base. During the year various initiatives were taken to further strengthen the proposition to the market, such as the opening of a new food lab in Belgium and a pharma lab in Germany to better support the food and pharma businesses in Europe.

Gross profit margin improved from 21.8% in 2013 to 22.2% in 2014, primarily as a result of changes in the product mix.

The growth of operating EBITA of 16.1% from EUR 71.9 million in 2013 compared to EUR 83.5 million in 2014 was a combination of organic growth of 14.7% and a positive impact of exchange rate differences of 1.4%. The impact of the small acquisition of Jucker Pharma in Sweden in 2014 was negligible in the overall European growth rate. Including the IAS 19 pension adjustment operating EBITA rose by 15.4%.
The organic growth was realised despite a weak economic environment in Europe and is a reflection of the strong position of IMCD in the various countries and markets and the ability to expand its product portfolio and supplier base. The operating EBITA margin improved from 8.0% in 2013 to 8.7% in 2014. Gross profit margin improvement, combined with strict cost control were the main drivers of this increase.
The number of employees in Europe remained more or less stable; at year-end IMCD employed 845 FTE's in Europe (839 at the end of 2013).

OPERATING EBITA IN ALL REGIONS ABOVE 8%

Asia Pacific

EUR million	**2014**	2013	Change	Change	Fx adj. Change
Revenue	283.9	251.1	32.8	13%	19%
Gross profit	49.5	47.4	2.1	4%	10%
Gross profit in % of Revenue	17.4%	18.9%	(1.4%)		
Operating EBITA	23.5	25.7	(2.1)	(8%)	(2%)
Operating EBITA in % of revenue	8.3%	10.2%	(1.9%)		

In Asia Pacific, market circumstances were not easy. At the end of 2013, fluctuations of local currencies versus the USD and the Euro were more substantial in comparison to other years and had considerable impact on the competitive position in 2014.

Furthermore, the general economic conditions in certain of the key markets, in particular Australia, remained unfavourable. Notwithstanding these difficult market circumstances, revenue increased with 13% which was a combination of organic growth (+10%), acquisition growth (+9%) and the negative impact of exchange rate differences (–6%).

The 9% acquisition growth was the full year impact of acquisitions completed in 2013 and the acquisition of Danasia at the end of September 2014. In the full year 2013 Danasia generated sales of approximately EUR 7 million.

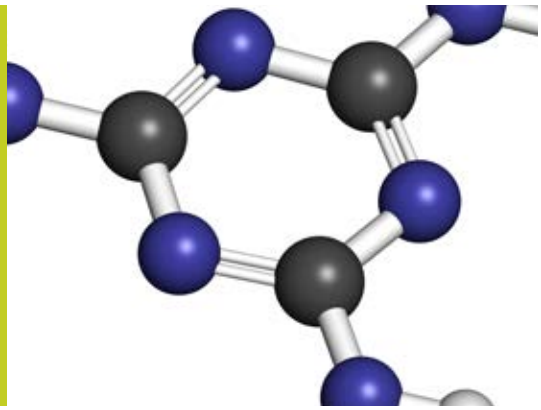
Gross profit margin decreased to 17.4% in 2014 from 18.9% in 2013. This decrease was primarily due to the negative impact of exchange rate differences that could not be passed on to customers. Changes in the product mix and the full year effect of lower margin acquisitions that were completed in 2013 in the Asia Pacific region also had a negative effect. As a consequence of the gross profit margin decrease, exchange rate adjusted EBITA could not follow the growth in revenue and was slightly lower at EUR 23.5 million compared to EUR 25.7 million in 2013.

At year-end there were 419 FTE's in the Asia Pacific region, compared to 377 at year-end 2013. The increase was the result of the acquisition of Danasia with 22 people and additional staff hired to strengthen the organisations of acquired businesses and to cater for future growth.

SYNTHESIS

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

The Synthesis Business Group is a differentiator of IMCD, with a special focus on the reaction step of the chemical industry.



Other Emerging Markets

EUR million	**2014**	2013	Change	Change	Fx adj. Change
Revenue	116.6	79.9	36.7	46%	59%
Gross profit	25.2	17.3	7.9	45%	60%
Gross profit in % of Revenue	21.6%	21.7%	(0.1%)		
Operating EBITA	9.6	6.4	3.2	50%	67%
Operating EBITA in % of revenue	8.2%	8.0%	0.2%		

Other Emerging Markets representing operations in Turkey, South Africa and Brazil, realised organic revenue growth of approximately 6% compared to 2013. Exchange rate differences in all three countries had a negative impact on revenue of 8%. The full year impact of acquisitions completed in 2013, Chemimpo in South Africa and Makeni in Brazil, contributed 48% of total revenue growth. In 2013 the activities of Chemimpo were combined with the existing activities in South Africa and concentrated at one location.

This process was successfully completed at end of 2013, resulting at the beginning of 2014 in one of the leading specialty chemical distributors in South Africa. In accordance with the strategy, in both South Africa and Brazil the focus is on the alignment and further optimisation of the acquired businesses.

Despite the significant negative impact of exchange rate differences, the gross profit margin remained more or less stable at 21.6% in 2014 compared to 21.7% in 2013. This was the result of continuous management focus on margins combined with changes in the product mix.

Operating EBITA increased 67% to EUR 9.6 million compared to EUR 6.4 million in 2013. This increase is a combination of the stable gross profit margin, a strong focus on efficiency improvements and the full year impact of the acquisitions of Chemimpo and Makeni. The operating EBITA margin slightly improved to 8.2% compared to 8.0% in 2013.

The number of employees in Other Emerging Markets increased slightly and rose to 217 FTE's (211 at the end of 2013).

PLASTICS

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

The speciality chemical additives promoted by IMCD enhance the performance of basic plastic materials to improve properties such as colour stability, flame retardance, scratch resistance or to add specific colour properties including matt or gloss effect.

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

Holding Companies

EUR million	2014	2013	Change	Change	Fx adj. Change
Revenue	0.0	0.0	0.0	0%	0%
Operating EBITA	(6.6)	(7.4)	0.8	10%	10%

Operating EBITA of Holding Companies represent the head office in Rotterdam and the regional office in Singapore. The operating costs before pension adjustment increased 19% to EUR 8.8 million. The increase reflects the growth of IMCD and as a consequence the need to strengthen the support functions both in Rotterdam and Singapore. The cost increase in 2014 is more than compensated by the past service benefit as a result of the annual pension calculation based on IAS 19 reporting requirements.

Because of changes in Dutch pension legislation, past service obligations in The Netherlands were reduced by EUR 2.7 million. Of this reduction, EUR 2.2 million is reflected as a reduction of costs of the holding companies and the remaining EUR 0.5 million is reported in the costs of the operating company in the Netherlands (in segment Europe). Including the reduction in costs of EUR 2.2 million, operating EBITA at the holding companies amounted to EUR 6.6 million negative.

At the end of 2014, 31 FTE's were employed at the holding companies, compared to 26 FTE's at year end 2013.

FOOD & NUTRITION

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

These specialised products are used to improve the taste, visual appeal and texture of food, as well as adding preservative properties and health and safety benefits.

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

TOTAL NET FINANCE COSTS

EUR million	1st half 2014	2nd half 2014	**full year 2014**
Net finance costs	**(32.6)**	**(25.0)**	**(57.6)**
Interest costs pre IPO financing structure	(27.7)	–	(27.7)
Non-recurring items	–	(21.2)	(21.2)
Changes deferred considerations	–	2.0	2.0
Value changes interest hedge contracts	(1.2)	0.7	(0.4)
Amortisation finance costs	(3.0)	(0.7)	(3.7)
Currency exchange results	(0.7)	(2.6)	(3.3)
Interest costs post IPO financing structure	**(0.0)**	**(3.3)**	**(3.3)**

Consolidated net financing costs

Net financing costs of EUR 57.6 million were a combination of relatively high interest costs in the pre IPO period, non-recurring costs related to the unwinding of the pre IPO financing structure and substantial lower interest costs as a result of the new, post IPO financing structure. Net interest costs of the post IPO financing structure are calculated as above.

Income tax

In 2014 the consolidated income tax expenses were EUR 4.9 million compared to EUR 13.6 million in 2013, resulting in an effective tax rate of 19.7% (165.8% in 2013). This 2014 effective tax rate of 19.7% was, amongst others, influenced by various non tax deductible amounts (mainly IPO/refinancing related costs) and recognition of previously unrecognised tax losses (mainly in the Netherlands). Further details of the tax calculation can be found in note 13 of the accounts of this annual report.

Net result

Net result for the year increased from a net loss of EUR 5.4 million in 2013 to a net result of EUR 19.9 million in 2014.

Net result before amortisation and non-recurring items substantially increased from EUR 13.1 million

NET RESULT

EUR million	**2014**	2013
Result for the year	**19.9**	**(5.4)**
Amortisation of intangible assets	20.5	19.4
Tax credits related to amortisation	(4.7)	(4.7)
Non-recurring items Operational	7.1	3.8
Non-recurring items Finance costs	21.2	(0.1)
Non-recurring recognition deferred tax asset	(9.7)	–
Net result before amortisation / non-recurring items	**54.3**	**13.1**

in 2013 to EUR 54.3 million in 2014. The drivers of this increase were the growth of operating EBITA and a substantial reduction of the net finance costs in the second half of 2014 following the capital restructuring after the IPO in June 2014.

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

The outcome will be adjusted for material non-recurring items. For 2014, a dividend of EUR 0.20 in cash per share will be proposed at the Annual General Meeting. Approval at the Annual General Meeting would result IMCD NV paying EUR 10.0 million or 25% of the net result realised in the second half of 2014 adjusted for non-cash amortisation charges (net of tax) and non-recurring results in this period related to the unwinding of the pre IPO financing structure, IPO related costs and the recognition of a deferred tax asset.

Cash flow

Free cash flow increased 17% compared to 2013 from EUR 80.5 million to EUR 94.6 million in 2014. The cash conversion ratio, defined as free cash flow as a percentage of operating EBITA, improved by 2.6% to 83.9% in 2014, with further growth of operating EBITA as main driver. The change in working capital in 2014 of EUR 15.0 million is excluding EUR 2.2 million new working capital related to the acquisitions done in 2014 and includes EUR 4.0 million working capital investment due to exchange rates differences.

As a consequence of the asset light business model, capital expenditure is traditionally relatively low compared to the size of the overall operations and amounted to EUR 3.1 million in 2014 compared to 2.5 million in 2013. Capital expenditure was mainly related to investments in the IT infrastructure and office furniture and equipment.

CASH FLOW

EUR million	**2014**	2013
Operating EBITA	110.0	96.6
Depreciation	2.8	2.5
Operating EBITDA	**112.7**	**99.0**
• Inventories	(8.5)	(19.2)
• Trade and other receivables	(7.5)	(13.4)
• Trade and other payables	1.0	16.5
Change in working capital	**(15.0)**	**(16.0)**
Capital expenditure	(3.1)	(2.5)
Free Cash flow	**94.6**	**80.5**
Cash conversion ratio	**83.9%**	**81.3%**

PERSONAL CARE

Business Group Personal Care supplies a complete range of speciality additives, actives and sensorial ingredients used in the formulation of products to clean, perfume, protect, maintain and enhance the healthy appearance of the body.

These ingredients perform various functions from adding colour to a lipstick, improving the texture of a face cream and adding moisturising properties to a body lotion.

IMCD customers produce end-products that have become an important part of daily life, including cosmetics, dental care, deodorants, fragrances, hair care, skin care and toiletries.

Balance sheet

Working capital

Working capital is defined as inventories, trade and other receivables minus trade payables and other payables. At the end of 2014 the absolute amount of working capital was EUR 170.9 million compared to EUR 150.7 at year-end 2013. The increase of EUR 20.2 million is a combination of increased business activity leading to higher working capital levels (EUR 11 million or 7%), impact of exchange rate differences on year-end balance sheet positions (EUR 4.0 million), acquisitions (EUR 2.2 million) and other working capital movements (EUR 3.0 million). Monitoring working capital is a focus of management attention and there are various processes and tools in place to minimise and optimise working capital requirements.

Financing

To maintain a high degree of flexibility and independence the aim is to maintain a capital structure that enables the Company to cover the potential financial requirements and to enable IMCD to execute its growth and acquisition strategy. Liquidity and interest rate risks are largely managed by a central team at the head office in Rotterdam. Financial instruments are used to hedge the majority of the interest risks.

BALANCE SHEET

EUR million	**31 December 2014**	31 December 2013
Property, plant and equipment	17.5	16.6
Intangible assets	665.1	670.9
Financial assets	18.2	5.8
Non-current assets	**700.8**	**693.4**
Net working capital	**170.9**	**150.7**
Provisions and deferred tax liabilities	**(83.1)**	**(87.6)**
Total capital employed	**788.6**	**756.5**
Equity	530.8	(67.1)
Net debt	257.8	823.5
Total financing	**788.6**	**756.5**

Net debt amounted to EUR 257.8 million at year-end 2014, compared to EUR 823.5 million at year-end 2013. Prior to the listing on Euronext Amsterdam, IMCD operated with a leverage structure that was different from general market practise for listed companies. With the proceeds of the IPO, IMCD restructured its balance sheet whereby shareholder loans of EUR 314.4 million were added to the Company's additional paid-in capital and existing indebtedness was refinanced with the proceeds of the IPO and newly raised syndicated banking facilities. Healthy cash flow further reduced the net debt position towards year-end.

NET EQUITY COVERS 47.5% OF THE BALANCE SHEET TOTAL

In July 2014 all pre IPO syndicated loans were repaid and a new group-wide, 5 year bullet syndicated loan of EUR 300 million was raised with a consortium of international banks. About 80% of this fully drawn loan was raised in Euro's and the remainder in Australian Dollars and British Pounds. The interest rate surcharge on top of EURIBOR or LIBOR depends on overall leverage levels and varies between 1.25% and 2.75% with an actual surcharge at the end of 2014 of 1.75%. At the end of 2014 some two thirds of the syndicated long term financial indebtedness of the group was hedged against the risk of interest rate increases.

In addition to the above mentioned and completely drawn syndicated loan, the loan agreement also contains a revolving credit facility of EUR 100 million, which can be drawn in various currencies. At the end of 2014 this revolving credit facility was fully undrawn. On top of the revolving credit facility the loan documentation caters for some additional baskets to make use of local financing possibilities.

The loan documentation related to these syndicated loans includes interest cover and maximum leverage conditions. The leverage covenant requires a maximum leverage ratio of 3.75 at the end of 2014 whereby this ratio will be reduced to 3.50 end of June 2016 followed by 3.25 end of June 2017 and thereafter. The interest covenant testing starts at the end of June 2015 at a level of 3.75 and will move up to 4.25 for December 2018 and the years thereafter. The leverage covenant in 2014 was well below the required maximum with an actual leverage at year-end of 2014 of 2.2, calculated on the basis of the definitions used in the loan documentation, compared to 4.6 at year-end 2013.

At the end of 2014, total equity amounted to EUR 530.8 million (2013: EUR 67.1 million negative). The capital restructuring in July 2014 combined with the positive impact of 2014 earnings, resulted in a solid ratio at year-end whereby net equity covers 47.5% of the balance sheet total (end of 2013: 6.3% negative).

LUBRICANTS

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

The main function of lubricants is reducing friction between surfaces but also are used for transmitting forces or heating, cooling and protecting surfaces. Lubricants and greases are commonly used in the automotive (e.g. engine oils, transmission and hydraulic fluids) and industrial (e.g. marine lubricants, metal working oils and process oils) market sectors.

Human resources

IMCD's central HR policy is primarily aimed at attracting and developing talent for senior local- and international management positions. Programs have been set up centrally for training and development of international product managers and locally for other roles.

The Company believes in 'strength in diversity': the global nature of the chemical industry and the international spread of the activities, require men and women in leadership positions with different national and cultural backgrounds and strong intercultural skills.

Local employment conditions and incentive schemes will continue to be locally decided, within the IMCD guidelines.

IMCD is proud to have retained an open and entrepreneurial business culture with opportunities for personal development and career development.

MORE THAN 1500 DEDICATED PROFESSIONALS

Risk management

Significant risks and uncertainties
The 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 those customers. To a large extent, demand levels depend on macroeconomic conditions on a global level and in those regional economies supplied by its customers. An improvement or deterioration in levels of economic activity and consumer demand tends to be reflected in the overall level of production and consumption of chemicals. Although the Company believes that its business model is particularly stable compared with many other business models, changes in economic conditions, particularly when they are widespread and pronounced, can and do affect the Company's results.

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 these changes are pronounced and/or long-lasting, they can have a significant impact on the Company's business and results of operations.

IMCD is affected by demand fluctuations and other developments in the broader economy, and weak economic conditions may have a material adverse effect on the Company.

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

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

IMCD's controlling and risk management systems are continuously monitored, improved when required and adjusted to changes in internal and external conditions.

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 an infringements of laws and regulations will be prevented. Management has assessed whether the 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 misstatement.

Risk management tasks and responsibilities
IMCD's risk management and control systems are established to identify and analyse the risks faced by the Company at various levels, to set appropriate risk controls, and to monitor risks and the way the risks are controlled.
Key activities of IMCD´s risk management are:
- identification of key business risks, based on likelihood of occurrence and their potential impact;
- setting and maintaining key controls for managing the key risks.

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

Risk management elements
The elements of IMCD's risk management system are:

Control environment, including:
- organisational culture based on ethical conduct and compliance, clear responsibilities and short and open communication lines;
- IMCD policies including business principles, management instructions and manuals;
- continuous training of employees;
- risk management embedded in the business processes on all organisational levels;
- internal audits be performed by the Group.

Risk assessment and control procedures, including:

- identification of risks via risk self-assessments, coordinated by Corporate Controlling and Corporate Health Safety and Quality (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 key risks;
- periodical 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.

Main risks and how IMCD manages these risks

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 those customers. To a large extent, demand levels depend on macroeconomic conditions on a global level and in those regional economies supplied by its customers. An improvement or deterioration in levels of economic activity and consumer demand tends to be reflected in the overall level of production and consumption of chemicals.

The broad diversity of IMCD´s business in terms of product portfolio, geographies, suppliers, end-market sectors and customers can lessen the impact of local and regional economic changes. However, if these changes are pronounced and/or long-lasting, they can have a significant impact on the Group's business and results of operations.

Supplier dependency

IMCD is dependent on its suppliers to develop and supply the product portfolio that it markets, sells and distributes. Shortages in supply of certain products or non-competitiveness of product lines could negatively affect revenue. 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. Via its dedicated team of technical and commercial experts working in close partnerships with the suppliers, IMCD has proven its ability to maintain long-standing relationships with most of its key suppliers.

Risks related to acquisitions and integrations

Execution of IMCD's strategy will be supported by the continued pursuit of acquisitions and investments and will depend on the Group's ability to identify suitable acquisition candidates and investment opportunities.

Acquisitions and investments involve risks, including assumptions about revenues and costs, being inaccurate, unknown liabilities, and customer or key employee losses at the acquired businesses. IMCD tries to limit these risks by means of diligent identification of targets, strict selection criteria, followed by a structured execution, including determination of the structure of the transaction and the contract, and integration process. M&A activities are driven centrally by an experienced management team supported by external consultants.

Personnel risks

IMCD relies significantly on the skills and experience of its managerial staff and technical and sales personnel. A loss of these individuals or the failure to recruit suitable managers and other key personnel, both for expanding the Company's operations and for replacing people who leave IMCD, could have a material adverse effect on the performance of the Company.

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.

HSEQ risks

Marketing, sales and distribution of specialty chemicals and food and pharmaceutical ingredients entails exposures to health, safety and environmental risks. In order to mitigate these risks, IMCD has developed requirements and guidelines for health, safety and environment including:

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

Most of the IMCD companies have implemented certified quality systems and the Company makes use of monitoring systems for recording and analysing any non-conformities in order to further optimise the business processes.
IMCD has outsourced the majority of its logistic operations to reputable third party logistic service providers. Warehouse and transport partners are carefully selected and continually monitored by the supply chain team to ensure both quality standards and performance are optimised.
Employees, customers and third party logistics service providers are provided with adequate safety instructions for handling chemical products.

Financial risks

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

Currency risk

IMCD is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the Company. IMCD uses forward exchange contracts to hedge currency risks, most of these contracts with a maturity of less than one year.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations, providing an economic hedge without derivatives being entered into.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Liquidity risk
The Company'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 the Company ensures that it generally has sufficient cash on demand to meet expected operational expenses for the next few months, including the servicing of financial obligations.

Credit risk
IMCD's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, IMCD also considers the demographics of the customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. There is no significant geographical concentration of credit risk nor on individual customer level.

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

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

Interest rate risk
The Company adopts a policy of ensuring that at least a large extent of its exposure to changes in interest rates on long term secured senior bank loans is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates. This is achieved by entering into interest rate swap contracts.

ICT risks
IMCD relies upon its information technology infrastructure and upon certain critical information and communication technology systems for operating and managing its business. IMCD's ICT infrastructure and systems are subject to damage and interruption from different sources, including natural disasters, software viruses, malware and power failures. IMCD continually invests in hardware and software in order to cope with the needs and requirements of its business. Coordinated and monitored by its central ICT team, IMCD maintains a wide range of security measures including access and authorisation controls, data back-up and system recovery mechanisms.

Outlook 2015

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

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

Management Board declaration

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

1. the financial statements, which have been prepared in accordance with the applicable standards for preparing financial statements and as included on pages 55–110 of the annual report, provide a true and fair view of the assets, liabilities and financial position as at 31 December 2014 as well as the profit or loss of IMCD N.V. and all the business undertakings included in the consolidation;
2. the annual report provides a true and fair view of the condition, the business performance during the financial year of IMCD N.V. and the companies associated with it whose details are included in the financial statements, as at the balance sheet date of 31 December 2014;
3. the annual report provides a description of the material risks faced by the Company.

Rotterdam, 10 March 2015

Management Board:
Piet van der Slikke
Hans Kooijmans

IMCD SEEKS TO OPTIMISE ITS PROCESSES

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

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

Product stewardship and formulation support
IMCD ensures compliance with applicable laws and regulations in the markets it serves. IMCD supports sustainable products to be adequately represented in its overall product offering. In doing so, IMCD strives to offer new formulation and application solutions to its customers that will meet green, healthy and other sustainable demands on the modern markets.

Optimisation of supply chain processes
IMCD supports the reduction of product lifecycle greenhouse gas emissions and continuously explores further ways to reduce the carbon footprint with its logistic partners. An example of how IMCD directly contributes to such initiatives is its involvement in the Sustainable Logistics programme by Connekt; an independent network of companies and authorities collaborating to achieve a sustainable improvement in mobility.

So far, IMCD is the only chemical distributor that has been presented the Lean & Green and Lean & Green Star awards under this programme for demonstrating 20% CO_2 reduction in a 5-year period.

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

Energy and waste management
IMCD supports the use of green energy in its offices. IMCD also encourages the recycling of used office materials and is committed to minimising paper consumption. In addition, IMCD's laboratories have modern liquid and fume waste management in place and local offices are developing incentive programmes to promote more efficient ways of travelling.

Community relations
IMCD cares about the communities in which it is located. As a diversified international business that is present in more than 30 countries on five continents, IMCD cannot offer its support to just one chosen cause. Instead, IMCD opts to support a number of local initiatives to make a difference to its immediate communities.

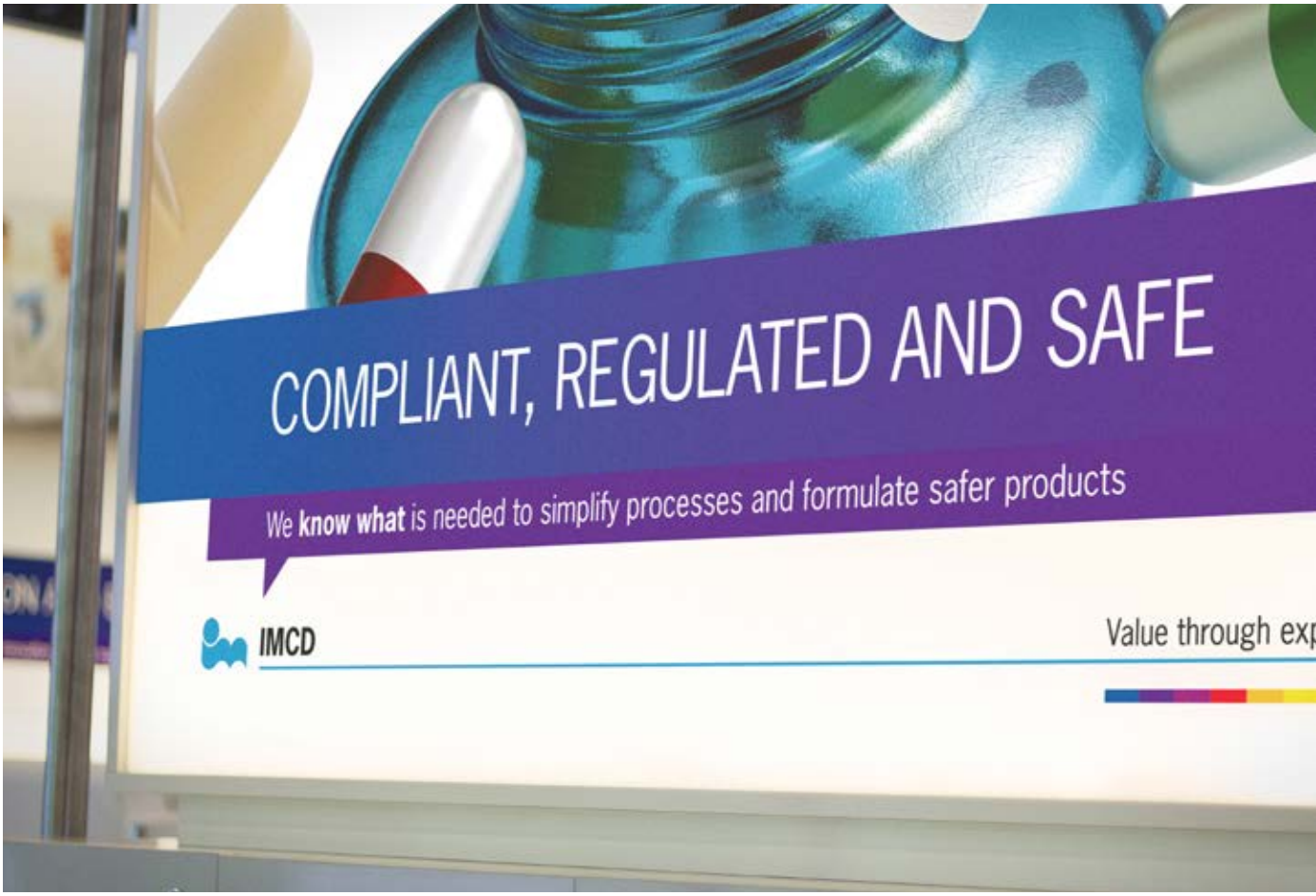
Health, Safety, Environment and Quality
Health, Safety, Environment and Quality (HSEQ) are of key importance to IMCD. The Company's HSEQ strategy has been implemented in most of the countries where IMCD operates and is currently being implemented worldwide. It is based on the following policies:

Health and safety policy
IMCD is committed to providing working conditions for its employees such that their health, safety and welfare at work are protected, and has established emergency response procedures to minimise the potential impact of emergencies and incidents on employees and the public.

Environmental policy
IMCD strives to meet relevant legislative requirements, as well as requirements agreed to with customers and suppliers, for environment and waste treatment and disposal. The Company has established a waste disposal policy to promote the recycling of waste materials that is intended to ensure that all waste generated by the operations are properly identified and sent for licensed disposal, in accordance with relevant legislative requirements. The policy applies to supply chain related materials and company office related waste.

Compliance policy
IMCD endeavors to comply with health, safety and environmental legal requirements, including import and export regulations and marketing and use restrictions in all its operations and sales organisations.

Quality policy
IMCD is committed to be a valued partner to all its suppliers and customers by providing continuous training to all employees to ensure competence and ability to deliver quality service.



In addition, the Company intends to continue to use ISO 9001:2008 and ISO 14001 accreditation as the framework for fulfilling the expectations of its suppliers and customers.

Most of IMCD's operating companies take part through local associations in the 'Responsible Care' of the organisation of the International Council of Chemical Associations (ICCA).

These operating companies have stated that they are committed to the sustained development and observance of the guidelines laid down in the global program covering the following eight guiding principles:

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

The commitment to these guidelines and policies is assessed by independent experts applying the relevant regional assessment systems.

Independent experts review and document the relevant operating company's environmental performance and safe handling of chemicals. IMCD has also implemented policies on the collection of information about and the sale of new products, including regarding regulatory compliance, the creation and dissemination of safety-related data, guidance on safe handling, customer-use screening in the context of sensitive products and supplier evaluation.

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

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

The basis for quality management within IMCD is the internationally applicable ISO 9001 standard, which is implemented at the local level. The operating companies also implement other quality management systems if relevant to the products they distribute, such as ISO 14001, ESAD II, HACCP (for food products), GMP (for pharmaceutical products), ISO 22000 (for food products), and ECO (for organic products).

IMCD requires third-party service providers to comply with its health and safety policy. In order to evaluate compliance, IMCD visits its third-party service providers at least once prior to engagement and reviews their performance through site visits and questionnaires on a periodic basis, the frequency of which is based on the types and quantities of products stored or transported by that third-party service provider. IMCD requests quality management certifications (ISO 9001, ISO 14001, Responsible Care, among others) from its third-party service providers. In addition, the Company has instituted procedures in order to confirm with third-party service providers that they comply with applicable health, safety and environmental legal requirements.

IMCD'S CORPORATE GOVERNANCE STRUCTURE

IMCD N.V. is a public company with limited liability (naamloze vennootschap) under Dutch law with a two-tier board structure. IMCD is managed by a Management Board under the supervision of a Supervisory Board. The Management Board and the Supervisory Board are accountable to the General Meeting of IMCD's shareholders (General Meeting). IMCD's governance structure is subject to Dutch law and regulated by the Company's Articles of Association (available at the Company's website). The provisions of the Dutch Civil Code (DCC) that are commonly referred to as the 'large company regime' (structuurregime) do not apply to the Company.

IMCD's corporate governance structure is designed in accordance with the Dutch Corporate Governance Code (the Code) and has been approved by the General Meeting on 26 June 2014. IMCD fully endorses the objective of the Code to foster good governance by encouraging fair and transparent dealings on the part of management and Supervisory Board members and shareholders. In addition, IMCD is committed to a governance structure that best and effectively supports its business, that meets the needs of its stakeholders and that complies with all relevant rules and regulations.

IMCD's key commitment and core principle is to provide an environment that promotes trust, confidence and respect of its employees, suppliers, customers, local and international stakeholders, media, governmental authorities and industry and society organisations. In the IMCD Code of Conduct, available at the Company's website, IMCD's business principles, core values and ethics, to which all IMCD companies worldwide are equally and fully committed, are described.

To facilitate compliance with its values and ethics, IMCD provides an Internal Alert Procedure, available at the Company's website. This procedure enables IMCD employees worldwide to report any irregularities regarding the implementation of applicable IMCD business principles, or any of its legal, operational or other issues that concern IMCD as a whole, a respective local subsidiary or any employee.

Shares

The authorised capital of the Company comprises a single class of registered shares. Shares that are traded via the giro-based securities transfer system 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. In 2014 no shares were held by the Company. As of 2015 IMCD will purchase shares to hedge its obligations arising from conditionally awarded performance shares under IMCD's long term incentive plan.

General Meeting

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

Extraordinary General Meetings of shareholders (EGM) are held as often as the Management Board and/or the Supervisory Board deems desirable. In addition, one or more shareholders, who solely or jointly represent at least one-tenth of the issued capital, may request that a General Meeting is convened. Notice of General Meetings is given no later than 42 days before the day of the meeting through publication of a convocation notice on the website of IMCD. Shareholders representing, either solely or jointly with other shareholders, at least 3% of the issued share capital of IMCD, may request the Company to put an item on the agenda provided that the Company has received the request no later than on the sixtieth day prior to the day of the General Meeting.

Each shareholder may attend General Meetings, address the General Meeting and exercise voting rights pro rata to his shareholding, either in person or by proxy. Shareholders may exercise these rights, if they are the holders of shares on the record date which is the twenty-eighth day before the day of the General Meeting, and they or their proxy have notified the Company of their intention to attend the General Meeting. Subject to certain exceptions set forth by law or the Articles of Association, resolutions of the General Meeting are passed by an absolute majority of votes cast.

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

Supervisory Board

The Supervisory Board monitors and supervises the activities of the Management Board and the general course of business within IMCD. The Supervisory Board also advises the Management Board. In performing their duties, the members of the Supervisory Board are guided by the interests of the Company and the enterprise connected therewith taking into account the relevant interests of all stakeholders. The Supervisory Board bears collective responsibility and assesses its own performance. The Supervisory Board must consist of at least five members. The composition of the Supervisory Board is such that the combined experience, expertise and independence of its members enables the Supervisory Board to best carry out the variety of the Supervisory Board's responsibilities. The Supervisory Board members are appointed by the General Meeting pursuant to a binding nomination by the Supervisory Board. The General Meeting may overrule the binding character of the nomination by an absolute majority of the votes cast, representing at least one-third of the issued share capital. Members of the Supervisory Board are appointed for a term of four years, and may be re-appointed up to a maximum period of 12 years.

The Supervisory Board is supported by two committees:

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

The Supervisory Board acts in accordance with the Articles of Association and the Supervisory Board Rules, which include the Supervisory Board Profile, the Resignation Rota and the Rules governing the Supervisory Board Committees. The Supervisory Board Rules are available at the Company's website.

Management Board

The Management Board manages the day-to-day operations of IMCD and is responsible for setting out and realising the Company's objectives and strategy. The Management Board has two members bearing collective responsibility and is supported by a four-member entrepreneurial Executive Committee that is responsible, among other things, for regional operations and certain general group level management activities. The Management Board members are appointed (and may be re-appointed) for a term of four years by the General Meeting pursuant to a binding nomination by the Supervisory Board. The General Meeting can overrule the binding character of the nomination by an absolute majority of the votes cast, representing at least one-third of the issued share capital.

The Management Board represents the Company and acts in accordance with the Articles of Association and the Management Board Rules (available at the Company's website), which provide for a detailed description of the Management Board's responsibilities and functioning. Certain important resolutions of the Management Board identified in

the Articles of Association require the approval of the Supervisory Board and/or the General Meeting. The Management Board has been designated as the corporate body authorised to issue shares, 10% of the issued shares plus an additional 10% relating to acquisitions, grant rights to acquire shares and to limit or exclude pre-emptive rights pertaining to the issue of shares, subject to the prior approval of the Supervisory Board. By virtue of its authorisation by the General Meeting the Management Board is also authorised to purchase shares in the Company, up to a maximum of 10% of the issued shares and subject to the prior approval of the Supervisory Board. These designations and authorisations have been given for a period of eighteen months ending on 1 January 2016 and renewal is requested annually at the AGM. No authorisation from the General Meeting is required for the acquisition of fully paid up Shares for the purpose of transferring these Shares to employees of the Company or of an IMCD group company pursuant to any employee share plan.

Executive Committee

IMCD's Executive Committee has six members: the two members of the Management Board and four managing directors. The (non-Management Board) members of the Executive Committee take on certain management activities at group level in addition to their specific managing director roles.

The responsibilities of the Executive Committee include general strategy, group performance, realisation of operational and financial objectives, people strategy and identification and management of risks connected to the business activities. The Management Board remains accountable for the actions and decisions of the Executive Committee and has ultimate responsibility for the Company's external reporting and reporting to the Company's shareholders.

Remuneration

The Management Board remuneration policy was adopted by the General Meeting upon the proposal of the Supervisory Board on 26 June 2014. The remuneration policy is aimed at attracting, motivating and retaining highly qualified members of the Management Board with a balanced and competitive remuneration package that is focused on sustainable results and is aligned with the long-term strategy of the Company. Pursuant to the remuneration policy the remuneration packages of the Management Board members consist of fixed and variable components, including a long term incentive plan (for the annual award of conditional performance shares), approved by the General Meeting on 26 June 2014. Details of the remuneration policy were disclosed in the offer memorandum issued in connection with the IPO. The remuneration of the individual members of the Management Board (including the awarding of shares) is determined by the Supervisory Board, with due observance of the remuneration policy.

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

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

Conflicts of interest

All legal acts in which there are conflicts of interest with members of the Management Board must be agreed on arm's-length terms and must be approved by the Supervisory Board. Each Management Board member or Supervisory Board member is required to immediately report any potential direct or indirect personal conflict of interest to the chairman of the Supervisory Board, providing all relevant information. If the chairman of the Supervisory Board determines that there is a conflict of interest, a member of the

Management Board or the Supervisory Board is not permitted to take part in any discussion or decision-making that involves a subject or transaction relating to the conflict of interest.

Rules regarding inside information

Pursuant to the provisions of the Financial Markets Supervision Act intended to prevent market abuse, such as insider trading, tipping and market manipulation, the Company has adopted rules regarding the reporting and regulation of transactions in IMCD shares or other IMCD financial instruments. These IMCD Insider Trading Rules are applicable to members of the Management Board, the Executive Committee, the Supervisory Board and other designated IMCD insiders. The IMCD Insider Trading Rules are available at the Company's website.

Accountability Corporate Governance Code

Following IMCD's listing at Euronext Amsterdam, the Company complied with the principles and best practices of the Code with the exception of the following deviations:

The Company does not comply with best practice provision III.2.1 which requires all members of the Supervisory Board, with the exception of no more than one person, to be independent during the year under review. In 2014 two out of the five members of the Supervisory Board were independent.
In connection with IMCD's listing, IMCD entered into a Relationship Agreement with Emma (BC) Holdings S.C.A. (Bain Capital, the Company's major shareholder), which among other things, contains provisions on the membership of Emma (BC) Holdings nominated persons in the Supervisory Board.
As a result Michel Plantevin, Ivano Sessa and Michael Siefke are non-independent members of the Supervisory Board within the meaning of best practice provision III.2.1.

In the Supervisory Board's resignation rota, available at the Company's website, the term for each of the Supervisory Board members is four years from 2014 resulting in the same re-appointment or retirement dates. In deviation of the best practice provision III.3.6 of the Code, this retirement schedule does not avoid a situation in which multiple Supervisory Board members retire at the same time. The Relationship Agreement with Emma (BC) Holdings S.C.A., provides for an obligation for members of the Supervisory Board nominated by the Company's major shareholder to resign in the event of sell-downs and subsequent lower ownership percentages. In case there would be no sell-down after four years after the Settlement Date, the Supervisory Board will implement a new resignation rota as of that date going forward to avoid the retirement of multiple Supervisory Board members at the same time.

The Supervisory Board strives for a diverse composition in terms of amongst others gender and age in achieving a desired balance in its composition but does not strictly follow the recommendation of best practice provision III.3.1 to formulate an explicit target on diversity in terms of gender or age.
The overriding principle for the Company remains that the Supervisory Board should have a diverse composition of members with a valuable contribution in terms of experience and knowledge of the specialty chemical distribution industry in the regions in which the Company is active or other business knowledge. Although the Company pays close consideration to gender diversity in the profiles of new Management Board and Supervisory Board members in accordance with article 2:166 section 2 of the Dutch Civil Code, IMCD therefor does not strictly follow the recommendation for an explicit target on gender diversity and has not established concrete targets in this respect.

In deviation of best practice provision III. 5 of the Code and as agreed by the General Meeting the Company does not have an Appointment Committee.

Given the short term of office of the Supervisory Board in its current composition since the listing, no self-assessment of the functioning of the Supervisory Board and its committees was carried out in 2014. An annual self-assessment will be carried out in 2015.

The Corporate Governance Declaration is available at www.imcdgroup.com/investors.

Financial Statements 2014

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Consolidated statement of financial position as at 31 December 2014

EUR 1,000	Note	31 December 2014	31 December 2013
Assets			
Property, plant and equipment	15	17,541	16,613
Intangible assets	16	665,077	670,929
Equity-accounted investees	18	5	–
Other financial assets	19	773	602
Deferred tax assets	20	17,399	5,226
Non-current assets		**700,795**	**693,370**
Inventories	21	152,661	142,365
Trade and other receivables	22	204,495	195,528
Cash and cash equivalents	23	59,974	38,095
Current assets		**417,130**	**375,988**
Total assets		**1,117,925**	**1,069,358**

The notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position as at 31 December 2014 (continued)

EUR 1,000	Note	31 December 2014	31 December 2013
Equity			
Share capital	24	8,000	100
Share premium	24	573,566	4,938
Reserves		(17,211)	(18,629)
Accumulated deficit		(53,459)	(48,069)
Unappropriated result		19,909	(5,390)
Equity attributable to owners of the Company		**530,805**	**(67,050)**
Total equity		**530,805**	**(67,050)**
Liabilities			
Loans and borrowings	5, 25	302,284	819,561
Employee benefits	26	10,011	9,099
Provisions	27	603	1,358
Deferred tax liabilities	20	72,439	77,157
Total non-current liabilities		**385,337**	**907,175**
Loans and borrowings	25	160	26,182
Other short term financial liabilities	25	15,335	15,867
Trade payables	28	134,694	136,563
Other payables	28	51,594	50,621
Total current liabilities		**201,783**	**229,233**
Total liabilities		**587,120**	**1,136,408**
Total equity and liabilities		**1,117,925**	**1,069,358**

The notes are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and comprehensive income for the year ended 31 December 2014

EUR 1,000	Note	2014	2013
Revenue	8	1,358,319	1,233,423
Other income	9	7,738	8,332
Operating income		**1,366,057**	**1,241,755**
Cost of materials and inbound logistics	21	(1,070,763)	(972,077)
Cost of warehousing, outbound logistics and other services		(46,348)	(43,690)
Wages and salaries	10	(76,650)	(70,302)
Social security and other charges	10	(19,846)	(21,248)
Depreciation of property, plant and equipment	15	(2,782)	(2,459)
Amortisation of intangible assets	16	(20,518)	(19,399)
Other operating expenses	11	(46,797)	(39,218)
Operating expenses		**(1,283,704)**	**(1,168,393)**
Result from operating activities		**82,353**	**73,362**
Finance income	12	2,506	439
Finance costs	12	(60,073)	(65,615)
Net finance costs		**(57,567)**	**(65,176)**
Share of profit of equity-accounted investees, net of tax	18	(2)	–
Result before income tax		**24,784**	**8,186**
Income tax expense	13	(4,875)	(13,576)
Result for the year		**19,909**	**(5,390)**
Gross profit [1]		287,556	261,346
Gross profit in % of revenue		21.2%	21.2%
Operating EBITA [2]		109,965	96,583
Operating EBITA in % of revenue		8.1%	7.8%

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 financial statements.

Consolidated statement of profit or loss and comprehensive income for the year ended 31 December 2014 (continued)

EUR 1,000	Note	2014	2013
Result for the year		**19,909**	**(5,390)**
Defined benefit plan actuarial gains/(losses)	26	(3,885)	(201)
Related tax	13	618	(59)
Items that will never be reclassified to profit or loss		**(3,267)**	**(260)**
Foreign currency translation differences – foreign operations		4,502	(12,730)
Effective portion of changes in fair value of cash flow hedges		204	(20)
Related tax	13	(21)	1,003
Items that are or may be reclassified to profit or loss		**4,685**	**(11,747)**
Other comprehensive income for the period, net of income tax		**1,418**	**(12,007)**
Total comprehensive income for the period		**21,327**	**(17,397)**
Result attributable to:			
Owners of the Company		19,909	(5,390)
Total comprehensive income attributable to:			
Owners of the Company		21,327	(17,397)
Weighted average number of shares	14	25,118,356	100,000
Basic earnings per share	14	0.79	(53.90)
Diluted earnings per share	14	0.79	(53.90)

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2014

EUR 1,000	Note	Share capital	Share premium	Trans-lation reserve	Hedging reserve	Other reserves	Accumu-lated deficit	Unappro-priated result	**Total equity**
Balance as at 1 January 2014	24	100	4,938	(14,057)	(76)	(4,496)	(48,069)	(5,390)	(67,050)
Appropriation of prior year's result		–	–	–	–	–	(5,390)	5,390	–
		100	**4,938**	**(14,057)**	**(76)**	**(4,496)**	**(53,459)**	**–**	**(67,050)**
Result for the year		–	–	–	–	–	–	19,909	19,909
Total other comprehensive income		–	–	4,481	204	(3,267)	–	–	1,418
Total comprehensive income for the year		**–**	**–**	**4,481**	**204**	**(3,267)**	**–**	**19,909**	**21,327**
Conversion shareholders' loan	24	621	313,733	–	–	–	–	–	314,354
Adjustment nominal value	24	5,221	(5,221)	–	–	–	–	–	–
Issue of shares minus related costs	24	2,058	260,116	–	–	–	–	–	262,174
Total contributions by and distributions to owners of the Company		**7,900**	**568,628**	**–**	**–**	**–**	**–**	**–**	**576,528**
Balance as at 31 December 2014		**8,000**	**573,566**	**(9,576)**	**128**	**(7,763)**	**(53,459)**	**19,909**	**530,805**

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2014 (continued)

EUR 1,000	Note	Share capital	Share premium	Trans-lation reserve	Hedging reserve	Other reserves	Accumu-lated deficit	Unappro-priated result	**Total equity**
Balance as at 1 January 2013	24	100	4,938	(2,333)	(53)	(4,236)	(30,249)	(17,820)	(49,653)
Appropriation of prior year's result		–	–	–	–	–	(17,820)	17,820	–
		100	**4,938**	**(2,333)**	**(53)**	**(4,236)**	**(48,069)**	**–**	**(49,653)**
Result for the year		–	–	–	–	–	–	(5,390)	(5,390)
Total other comprehensive income		–	–	(11,724)	(23)	(260)	–	–	(12,007)
Total comprehensive income for the year		**–**	**–**	**(11,724)**	**(23)**	**(260)**	**–**	**(5,390)**	**(17,397)**
Issue of ordinary shares minus related costs		–	–	–	–	–	–	–	–
Total contributions by and distributions to owners of the Company		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance as at 31 December 2013		**100**	**4,938**	**(14,057)**	**(76)**	**(4,496)**	**(48,069)**	**(5,390)**	**(67,050)**

The notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2014

EUR 1,000	Note	2014	2013
Cash flows from operating activities			
Result for the period		19,909	(5,390)
Adjustments for:			
• Depreciation of property, plant and equipment	15	2,782	2,459
• Amortisation of intangible assets	16	20,518	19,399
• Net finance costs excluding currency exchange results	12	54,315	64,024
• Currency exchange results	12	3,252	1,152
• Share of profit of equity-accounted investees, net of tax	18	(2)	–
• Income tax expense	13	4,875	13,576
		105,649	**95,220**
Change in:			
• Inventories	21	(8,513)	(19,165)
• Trade and other receivables	22	(7,522)	(13,382)
• Trade and other payables	28	1,016	16,546
• Provisions and employee benefits	26, 27	(3,807)	(3,957)
Cash generated from operating activities		**86,823**	**75,262**
Interest paid		(29,881)	(47,628)
Income tax paid		(20,064)	(19,703)
Net cash from operating activities		**36,878**	**7,931**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	7	(11,281)	(71,634)
Acquisition of intangible assets	16	(1,059)	(1,551)
Acquisition of property, plant and equipment	15	(3,523)	(4,308)
Proceeds from disposals of (in)tangible assets	15, 16	435	1,836
Acquisition of other financial assets		(171)	101
Net cash used in investing activities		**(15,599)**	**(75,556)**
Cash flows from financing activities			
Proceeds from issue of share capital, net of related costs	24	259,539	–
Payment of transaction costs related to loans and borrowings	25	(6,763)	(7,963)
Movements in bank loans and other short term financial liabilities	25	(551)	(9,597)
Proceeds from issue of current and non-current loans and borrowings	25	300,745	208,048
Repayment of loans and borrowings		(555,473)	(118,594)
Net cash from financing activities		**(2,503)**	**71,894**
Net increase in cash and cash equivalents		**18,776**	**4,269**
Cash and cash equivalents at 1 January	23	38,095	33,856
Effect of exchange rate fluctuations		3,103	(30)
Cash and cash equivalents at 31 December	**23**	**59,974**	**38,095**

The notes are an integral part of these consolidated financial statements.

1 Reporting entity

IMCD N.V. (the 'Company'), previously Emma Topco B.V., is a company domiciled in the Netherlands. 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 2014 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 specialty chemicals and pharmaceutical and food ingredients. The Group has offices and warehouses in Europe, Asia Pacific, Africa and Brazil.

2 Basis of preparation

(a) Statement of compliance

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

The consolidated financial statements were authorised for issue by all members of the Management Board and the Supervisory Board on 10 March 2015.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value;
- non-derivative financial instruments at fair value through profit or loss are measured at fair value;
- held to maturity loans at amortised cost, using the effective interest method;
- contingent consideration assumed in a business combination at fair value;
- the defined benefit asset is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation as explained in note 3h(ii).

(c) Functional and presentation currency

These consolidated financial statements are presented in Euro, which is the Company's functional currency. All financial information presented in Euro has been rounded to the nearest thousand.

(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 is included in the following notes:

- Note 7 and 31 – consolidation: whether the Group has de facto control over an investee.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial year are included in the following notes:

- Note 7 – acquisition of subsidiaries – fair value measured on a provisional basis;
- Note 16 – impairment test: key assumptions underlying recoverable amounts, including the recoverability of development costs;
- Note 20 – recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used;
- Note 26 – measurement of defined benefit obligations: key actuarial assumptions;
- Note 29 – recognition and measurement of deferred considerations: key assumptions about the forecast EBITDA of acquired businesses.

Measurement of fair values

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

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

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the mangement 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 29: financial instruments;
- Note 7: acquisition of subsidiaries.

(e) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in note 3 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014:

- IFRIC 21 Levies;
- Financial instruments: Presentation on offsetting financial assets and financial liabilities (Amendments to IAS 32);
- Financial instruments: Recognition and measurement on the novation of derivatives and the continuation of hedge accounting (Amendments to IAS 39);
- IFRS 10 Consolidated Financial Statements.

The nature and effect of the changes are explained below.

(i) Levies

IFRIC 21 Levies, sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is currently not subjected to significant levies, as a result the impact of IFRIC 21 is not significant.

(ii) Disclosure of recoverable amount for non-financial assets

The Group has adopted the amendments to IAS 36. As a result, the Group has expanded its disclosures of recoverable amounts when they are based on fair value less costs of disposals and an impairment is recognised.

(iii) Financial instruments: Presentation of offsetting financial assets and financial liabilities

Amendment to IAS 32. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements. Reference is made to note 29.

(iv) Financial instruments: Recognition and measurement on the novation of derivatives and the continuation of hedge accounting.

Amendment to IAS 39 consider legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The group has applied the amendment and there has been no significant impact on the group financial statements as a result.

(v) IFRS 10 Consolidated Financial Statements

As a result of IFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10 , the Group reassessed the control conclusion for its investees at 1 January 2013. Based on the reassessment no adjustments to the comparative figures in the financial statement are required.

3 Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

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

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

(ii) Subsidiaries

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

(iii) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint 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 or joint control ceases.

(iv) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

Foreign currency differences on the translation of foreign operation to the functional currency of the group are recognised in other comprehensive income, and accumulated in the translation reserve, except to the

extent that the translation difference is allocated to non-controlling interests.

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

(c) Financial instruments

(i) Non-derivative financial assets

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

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

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

The Group has the following non-derivative financial assets:

- loans and receivables;
- cash and cash equivalents.

Loans and receivables

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

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

Cash and cash equivalents

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

(ii) Non-derivative financial liabilities

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

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

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

Other financial liabilities comprise loans and borrowings, other short term financial liabilities, and trade and other payables.

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

(iii) Share capital

Ordinary shares

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

(iv) Derivative financial instruments, including hedge accounting

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

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value at trading date; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition,

derivatives are measured at fair value, and changes therein are accounted for as described below.

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

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

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) 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.

(iii) Depreciation

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

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

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

- Buildings : 20 – 40 years;
- Reconstructions and improvements of buildings : 5 – 12 years;
- Hard- and software : 3 – 5 years;
- Other non-current tangible assets : 3 – 5 years.

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

(e) Intangible assets

(i) Goodwill

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) **Amortisation**

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

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

- IMCD brand name : indefinite;
- Intellectual property rights : 7 years;
- Supplier relations acquired through business combinations : 11 – 20 years;
- Other distribution and non-compete rights : initial term of the contract.

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

(f) Inventories

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

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

(g) Impairment

(i) **Financial assets (including receivables)**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

Loans and receivables

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised.

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

Equity accounted investees

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

(ii) **Non-financial assets**

The carrying amounts of the Group's non-financial assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and other intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from

continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

(h) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Other long-term employee benefits

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

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

(iv) Termination benefits

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

(v) Short-term employee benefits

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

(i) Provisions

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

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

(j) Revenue

(i) Sale of goods

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

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

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

(ii) Commissions

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

(k) Finance income and expenses

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

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

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

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

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

(l) Income tax

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

(i) Current tax

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

(ii) Deferred tax

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

Deferred tax is not recognised for:

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

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

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

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

(m) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

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:

- Europe: all operating companies in Europe, whereby Iberia also includes the operating activities in the Maghreb region;
- Asia Pacific: all operating companies in Australia, New Zealand, India, China, Malaysia, Indonesia, Philippines, Thailand and Singapore;
- Other Emerging Markets: all operating companies in Turkey, South Africa and Brazil;
- Holding companies: all non-operating companies, including the head office in Rotterdam and the regional office in Singapore.

(n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

(o) Non-recurring income and expenses

During 2014, the Group reported non-recurring income and expenses mainly related to the initial public offering of shares and the subsequent refinancing. These non-recurring income and expenses were recognised in profit or loss and directly in equity and are summarised below:

EUR 1,000	Note	Profit or Loss
Non recurring		
Personnel expenses and other operating expenses	10, 11	7,474
Other income		(379)
Impact result from operating activities		**(7,095)**
Cost related to unwinding former finance structure	12	21,238
Impact result before income tax		**(28,333)**
Recognition of deferred tax assets	13, 20	9,741
Impact result for the year		**(18,592)**

EUR 1,000	Note	Share premium
Transaction cost issuance of shares net of tax	20, 24	7,905
Impact share premium		**7,905**

The interest charges related to the pre IPO finance structure amounted to EUR 27.7 million in the first half of 2014. As a consequence of the conversion of the shareholder's loans into equity and the refinancing early July, the interest costs of the post IPO finance structure were EUR 3.3 million in the second half of 2014.

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 29 Financial Instruments.

(i) Property, plant and equipment

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

(ii) Intangible assets

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

(iii) Inventories

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

(iv) Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(v) Forward exchange contracts and interest rate swaps

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

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(vi) 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.

(vii) Contingent consideration

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

5 Financial risk management

(a) Risk management framework

(i) Risk management tasks and responsibilities

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

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

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

Key activities of the Group´s risk management are:

- Identification of key business risks, based on likelihood of occurrence and their potential impact;
- Setting key controls for managing the key risks.

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

(ii) **Risk management elements:**

The elements of IMCD's risk management system are:

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 training of employees;
- Risk management embedded in the business processes on all organisational levels;
- Internal audits performed by the Group.

Risk assessment and control procedures, including:

- Identification of risks via risk self-assessments coordinated by Corporate Controlling and Corporate HSEQ;
- Implementing and optimisation of effective and efficient control procedures on various levels of the organisation.

Information, communication and monitoring, including:

- Harmonised reporting on operations, financial results and positions, and risks;
- Periodical reviews of financial results and risk management by the Management Board and Corporate Controlling;
- Periodical reviews on HSEQ management by Corporate HSEQ;
- Regular review meetings between Group and local management.

(b) Overview financial risks

The Group has exposure to the following financial risks:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk.

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

(c) Credit risk

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

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

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

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

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

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

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

(d) Liquidity risk

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 few 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 100 million revolving facility. Interest would be payable at the rate of EURIBOR plus the currently applicable 175 base points for amounts drawn in Euro and LIBOR plus currently applicable 175 base points for amounts drawn in other currencies;
- Several credit facilities available to the subsidiaries in mainly France, Spain, Portugal, Italy, Indonesia and Brazil.

The following are the contractual maturities of non-current financial liabilities, including estimated interest payments:

EUR 1,000		Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	>5 years
Non-derivative financial liabilities								
Syndicate bank loans	AUD	32,944	40,282	750	763	1,517	37,252	–
Syndicate bank loans	EUR	235,355	260,612	2,212	2,249	4,473	251,678	–
Syndicate bank loans	GBP	26,251	29,416	306	311	618	28,181	–
Contingent consideration	INR	1,092	1,092	–	–	1,092	–	–
Contingent consideration	IDR	4,010	4,010	–	–	–	4,010	–
Contingent consideration	BRL	1,336	1,336	–	–	–	1,336	–
Contingent consideration	EUR	170	170	–	–	170	–	–
Other liabilities	EUR	1,126	1,202	–	–	230	972	–
		302,284	**338,120**	**3,268**	**3,323**	**8,100**	**323,429**	**–**

Estimated interest payments are based on the EURIBOR, BBSW and LIBOR rates and margins prevailing at 31 December 2014.

During the financial year, the Group's finance structure has changed considerably due to conversion of shareholders' loans into equity and due to the refinancing of the senior bank facilities following the listing on the Euronext Amsterdam.

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. Group management focuses on managing and controlling market risk exposures within acceptable parameters, while optimising the operating result.

The Group buys derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Group Management. Generally the Group seeks to use hedging instruments to manage volatility in profit or loss.

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Euro (EUR), Pound Sterling (GBP), Australian Dollar (AUD), Swedish Crown (SEK), South African Rand (ZAR), Malaysian Ringgit (MYR) and Indian Rupee (INR).

The currencies in which these transactions primarily are denominated are EUR, United States Dollar (USD), GBP, AUD, ZAR, SEK, MYR and INR.

The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily EUR, but also GBP and AUD. 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 exposure to foreign currency risk was as follows based on notional amounts as per 31 December 2014:

EUR 1,000	USD	GBP	AUD	ZAR	SEK	MYR	INR	Other	Total
Property, plant and equipment	–	444	1,012	1,415	9	68	131	7,491	10,570
Intangible assets	–	8,358	20,917	14,124	3,122	1,338	6,630	56,542	111,031
Deferred tax assets	–	117	1,060	–	–	78	–	905	2,160
Other financial assets	–	–	–	38	–	–	–	347	385
Inventories	–	12,730	26,163	11,849	6,885	5,008	2,226	33,491	98,352
Trade and other receivables	10,497	14,391	19,264	9,528	659	5,259	3,642	30,451	93,691
Cash and cash equivalents	5,115	3,555	7,512	2,447	(582)	1,394	494	10,759	30,694
Loans and borrowings	(3,267)	(26,229)	(32,891)	–	–	–	(1,092)	1,906	(61,573)
Employee benefits and provisions	–	(125)	(1,114)	–	–	(523)	–	(1,329)	(3,091)
Deferred tax liabilities	–	–	(1,029)	(1,527)	(759)	–	–	(7,626)	(10,941)
Trade and other payables	(20,652)	(11,986)	(10,734)	(3,627)	(1,350)	(1,772)	(2,174)	(25,638)	(77,933)
Gross statement of currency risk exposure	**(8,307)**	**1,255**	**30,160**	**34,247**	**7,984**	**10,850**	**9,857**	**107,299**	**193,345**

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2014	2013	**2014**	2013
USD	0.75	0.75	0.82	0.73
GBP	1.24	1.18	1.28	1.20
AUD	0.68	0.73	0.67	0.65
ZAR	0.07	0.08	0.07	0.07
SEK	0.11	0.12	0.11	0.11
MYR	0.23	0.24	0.24	0.22
INR	0.01	0.01	0.01	0.01

Sensitivity analysis

A 10% strengthening of the EUR, as indicated below, against the USD, GBP, AUD, ZAR, SEK, MYR and INR at 31 December 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.

EUR 1,000	Equity 2014	Profit or loss 2014	Equity 2013	Profit or loss 2013
USD	–	831	–	831
GBP	(130)	4	183	1
AUD	(2,580)	(436)	(116)	32
ZAR	(3,276)	(149)	(2,491)	1
SEK	(926)	127	(971)	16
MYR	(1,085)	–	(879)	–
INR	(986)	–	(806)	–

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

(ii) Interest rate risk

The Group adopts a policy of ensuring that a substantial part of its exposure to changes in interest rates on long term syndicated senior bank loans is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates. This is achieved by entering into interest rate swap contracts.

Interest rate profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

EUR 1,000	Carrying amount 2014	Carrying amount 2013
Fixed rate instruments		
Financial assets	–	–
Financial liabilities	–	(325,230)
	–	**(325,230)**
Variable rate instruments		
Financial assets	59,974	38,095
Financial liabilities	(317,779)	(536,380)
	(257,805)	**(498,285)**

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 25 details the variable interest rates applicable for the non current loans.

The Group uses interest rate swap contracts for interest rate hedging purposes with a notional amount of EUR 200 million. The interest rate swap contracts mature in 2017 and 2019. A change of 100 base points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

EUR 1,000	Profit or loss 100 base points increase 2014	Profit or loss 100 base points decrease 2014	Profit or loss 100 base points increase 2013	Profit or loss 100 base points decrease 2013
Variable rate instruments	**6,943**	**(6,926)**	**5,996**	**(2,721)**

(f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

(g) Capital management

The primary objective when managing capital is to safeguard the Group's ability to continue as a going concern. The Company does not have an explicit return on capital policy. There have been no changes in the capital management policies during the year. Capital is considered by the Company to be equity as shown in the statement of financial position.

The Group's net debt and adjusted equity at the reporting date are as follow:

EUR 1,000	**2014**	2013
Total liabilities	587,120	1,136,408
Less: Cash and cash equivalents	59,974	38,095
Net debt	**527,146**	**1,098,313**
Total equity	530,805	(67,050)
Less: Amounts accumulated in equity relating to cash flow hedges	128	(76)
Adjusted equity	**530,677**	**(67,126)**

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 segments 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 includes:

(i) cost of corporate restructurings and reorganisations;
(ii) cost related to realised and non-realised acquisitions;
(iii) and non-recurring income and expenses related to the initial public offering of shares and subsequent refinancing.

While the amounts included in Operating EBITA are derived from the Group's financial information, it is not a financial measure determined in accordance with adopted IFRS and should not be considered as an alternative to operating income or result from operating activities as a sole indication of the Group's performance or as an alternative to cash flows as a measure of the Group's liquidity. The Company currently uses Operational EBITA in its business operations to, among others, evaluate the performance of its operations, develop budgets and measure its performance against those budgets.

The bridge from Result from operating activities to Operating EBITA is as follows:

EUR 1,000	**2014**	2013
Result from operating activities	**82,353**	**73,362**
Amortization of intangible assets	20,518	19,399
Non-recurring items	7,094	3,822
Operating EBITA	**109,965**	**96,583**

The non recurring items of 2014 mainly consist of expenses related to the initial public offering of shares and the subsequent refinancing.

Operating expenses of non-operating companies are reported in the segment Holding companies.

Inter-segment loans are not considered in the value of the total assets and total liabilities of each segment.

EUR 1,000	2014	2013
Europe		
Revenue	957,806	902,423
Gross profit	212,828	196,613
Operating EBITA	83,524	71,946
Result from operating activities	68,604	56,091
Total Assets	662,676	690,802
Total Liabilities	243,388	192,840

EUR 1,000	2014	2013
Asia Pacific		
Revenue	283,877	251,090
Gross profit	49,496	47,389
Operating EBITA	23,523	25,668
Result from operating activities	19,627	21,662
Total Assets	240,937	237,236
Total Liabilities	54,234	55,004

EUR 1,000	2014	2013
Other Emerging Markets		
Revenue	116,636	79,910
Gross profit	25,232	17,344
Operating EBITA	9,560	6,372
Result from operating activities	7,336	4,298
Total Assets	100,287	113,061
Total Liabilities	32,242	30,646

EUR 1,000	2014	2013
Holding companies		
Operating EBITA	(6,642)	(7,403)
Result from operating activities	(13,214)	(8,689)
Total Assets	114,025	28,259
Total Liabilities	257,256	857,918

The Company and its operating segments have a diverse customer base of about 28,000 customers in many countries and of various sizes. The Company and its segments do not rely on a single customer or a single group of customers for its operations. With a supplier base of more than 1,600 suppliers and product portfolio of about 24,000 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 two acquisitions during the financial year.

On 26 May 2014 the group acquired the agency business of Jucker Pharma AB in Sweden, a well-established distributor of raw materials to the Nordic Pharmaceutical Industry. The acquisition has brought a number of new principals and customers within the pharmaceutical business to the Group.

On 23 September 2014 the Group acquired 100% of the shares in Danasia Inc. in the Phillipines. Danasia is a distributor of leading brands of food and industrial ingredients from Europe, the USA and Asia Pacific. By means of the acquisition of Danasia, the Group has made its entry into the Philippines' market and acquired a platform for further expansion in this market.

The two aforementioned transactions further strengthen the expansion in the Nordic and the Asia Pacific region and added EUR 2.8 million of revenue and EUR 0.5 million of net profit to the Group's results in 2014.

If all acquisitions had occurred on 1 January 2014, management estimates that consolidated revenue would have been EUR 1,364.0 million and consolidated result for the year would have been EUR 20.6 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 2014.

The total consideration transferred in cash amounts to EUR 11.3 million, the contingent consideration payable at year-end is EUR 0.3 million. The calculation of the contingent consideration is based on the results of the acquired business in the two years following the closing of the acquisition.

The recognised amounts of assets acquired and liabilities assumed at the acquisition dates are as follows:

Identifiable assets acquired and liabilities assumed

EUR 1,000	Note	Total Jucker/ Danasia
Property, plant and equipment	15	40
Intangible assets	16	5,266
Other financial assets		2
Inventories		1,783
Trade and other receivables		1,444
Cash and cash equivalents		289
Employee benefits and other provisions	26	(80)
Deferred tax liabilities	20	(1,420)
Trade and other payables		(987)
Total net identifiable assets		**6,337**

The intangible assets recognised relate to supplier relations acquired.

The gross contractual value of the trade and other receivables acquired amounts to EUR 1,478 thousand.

Goodwill

Goodwill recognised as a result of the acquisitions are as follows:

EUR 1,000	Note	
Total consideration		11,570
Less: Fair value of identifiable net assets		6,337
Goodwill	16	**5,233**

Goodwill recognised as a result of the acquisitions in the financial year relate to Jucker Pharma and Danasia, Inc. The goodwill is attributable mainly to the skills and technical talent of the work force, the commercial relationships, the international network and the synergies expected to be achieved from integrating the acquired companies into the Group's existing distribution business. Main part of the goodwill recognised is expected not to be deductible for income tax purposes.

Acquisition-related costs

The Group incurred acquisition-related costs of EUR 382 thousand (2013: EUR 947 thousand) related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in other operating expenses in the Group's consolidated statement of comprehensive income.

8 Revenue

EUR 1,000	**2014**	2013
Sales of goods	1,353,596	1,228,654
Commissions	4,723	4,769
	1,358,319	**1,233,423**

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

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

The breakdown of revenue by geographical market is as follows:

EUR 1,000	**2014**	2013
Netherlands	52,655	53,162
Rest of Europe	905,151	849,261
Europe	**957,806**	**902,423**
Asia Pacific	283,877	251,090
Other Emerging Markets	116,636	79,910
	1,358,319	**1,233,423**

9 Other income

EUR 1,000	**2014**	2013
Other income	7,738	8,332
	7,738	**8,332**

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

10 Personnel expenses

EUR 1,000	Note	2014	2013
Wages and salaries		76,650	70,302
Social security contributions		14,893	13,036
Contributions to defined contribution plans		1,851	2,427
Expenses related to defined benefit plans	26	(1,622)	1,559
Expenses related to termination and other long-term employee benefit plans	26	771	867
Other personnel expenses		3,953	3,359
		96,496	**91,550**

The wages and salaries 2014 include non-recurring bonus payments of EUR 0.7 million.

The average number of employees measured in full time equivalents is as follows:

	2014	2013
The Netherlands (excluding Dutch Holding companies)	68	68
Rest of Europe	773	774
Europe	**841**	**842**
Asia Pacific	398	280
Other Emerging Markets	214	134
Holding companies	29	24
	1,482	**1,280**
Management and administration	232	186
Sales	965	882
IT/HSEQ/Warehouse/Other	285	212
	1,482	1,280

11 Other operating expenses

The other operating expenses is as follows:

EUR 1,000	2014	2013
Accommodation and other rental costs	10,359	9,185
Other office expenses	6,946	7,039
Car expenses	6,281	6,013
Other personnel related expenses	7,472	7,002
Professional service fees	9,823	4,106
Credit sales expenses	810	712
Insurance costs	1,277	997
Other operating expenses	3,829	4,164
	46,797	**39,218**

The other operating expenses include an amount of EUR 6,723 thousand (2013: EUR 2,987 thousand) related to non-recurring items. The non-recurring costs of the financial year are included in professional service fees (EUR 6,504 thousand) and other operating expenses (EUR 219 thousand).

12 Net finance costs

Recognised in profit or loss

EUR 1,000	2014	2013
Interest income on loans and receivables	460	439
Change in fair-value of contingent considerations	2,046	–
Currency exchange results	–	–
Finance income	**2,506**	**439**
Interest expense on financial liabilities measured at amortised cost	(55,044)	(63,661)
Interest expenses on provisions for pensions and similar obligations	(167)	(289)
Currency exchange results	(3,252)	(1,152)
Change in fair value of derivative financial instruments	(1,610)	(513)
Finance costs	**(60,073)**	**(65,615)**
Net finance costs recognised in profit or loss	**(57,567)**	**(65,176)**

Interest expenses on financial liabilities include non recurring cost of EUR 18,189 thousand related to writing off capitalised transactions costs related to shareholders' loans and syndicated bank loans repaid during the financial year and EUR 3,049 thousand related to cost of unwinding interest rate swap contracts.

Recognised in other comprehensive income

EUR 1,000	2014	2013
Foreign currency translation differences of foreign operations	4,502	(12,730)
Effective portion of changes in fair value of cash flow hedges	204	(20)
Tax on foreign currency translation differences and changes in fair value of cash flow hedges recognised in other comprehensive income	(21)	1,003
Finance income recognised in other comprehensive income, net of tax	**4,685**	**(11,747)**

13 Income tax expense

Income tax recognised in profit or loss

EUR 1,000	2014	2013
Current tax expense		
Current year	20,309	16,460
Adjustment for prior years	293	–
	20,602	**16,460**
Deferred tax expense		
Reduction in tax rate	–	–
Origination and reversal of temporary differences	(6,633)	(1,748)
Recognition of previously unrecognised tax losses	(5,400)	(1,187)
Recognition of current year tax losses	(4,916)	–
Derecognition of previously recognised tax losses	1,222	51
	(15,727)	**(2,884)**
Total income tax expense	**4,875**	**13,576**

The income tax expenses 2014 include a non recurring benefit of EUR 9.7 million resulting from the recognition of deferred tax assets related the Dutch fiscal entity. The recognition of deferred tax assets is the consequence of an expected change in the profitability of the Dutch tax entity.

Income tax recognised in other comprehensive income

	2014			2013		
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	4,502	(21)	4,481	(12,730)	1,006	(11,724)
Cash flow hedges	204	–	204	(20)	(3)	(23)
Defined benefit plan actuarial gains/(losses)	(3,885)	618	(3,267)	(201)	(59)	(260)
	821	**597**	**1,418**	**(12,951)**	**944**	**(12,007)**

Reconciliation of effective tax rate

	2014		2013	
	%	EUR 1,000	%	EUR 1,000
Profit for the year		19,909		(5,390)
Total income tax expense	19.7	4,875	165.8	13,576
Profit excluding income tax	**–**	**24,784**	**–**	**8,186**
Income tax using the Company's domestic tax rate	25.0	6,196	25.0	2,046
Effect of tax rates in foreign jurisdictions	6.9	1,717	14.9	1,221
Tax effect of:				
Non-deductible expenses	11.7	2,906	69.4	5,684
Tax incentives	(0.4)	(97)	(22.8)	(1,869)
Utilisation of tax losses	(2.0)	(505)	(0.3)	(24)
Recognition of previously unrecognised tax losses	(21.8)	(5,400)	(14.5)	(1,187)
Derecognition of previously recognised tax losses	4.9	1,222	0.6	51
Current year losses for which no deferred tax asset was recognised	1.4	350	54.8	4,484
(De)recognition previously (un)recognized temporary differences	(7.3)	(1,807)	0.0	1
Under provided in prior years	1.2	293	38.7	3,169
	19.7	**4,875**	**165.8**	**13,576**

During 2014 the Group recognised deferred tax assets related to previously unrecognised tax losses to an amount of EUR 5.4 million, of which EUR 4.8 million relates to the Dutch fiscal entity. Reference is made to note 20.

14 Earnings per share

The earnings per share of EUR 0.79 (2013: minus EUR 53.90) are determined by dividing the result for the year due to the owners of the company of EUR 19.9 million (2013: minus EUR 5.4 million) by the weighted average number of shares in circulation amounting to 25.1 million (2013: 100 thousand). As at 31 December 2014, the number of shares was 50 million (31 December 2013: 100 thousand).

Basic earnings per share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

Profit attributable to ordinary shareholders

EUR 1,000	2014	2013
Profit/(loss) for the year, attributable to the owners of the Company	19,909	(5,390)

Weighted-average number of ordinary shares

in thousand shares	Note	2014	2013
Issued ordinary shares at 1 January	24	100	100
Increase from change in nominal value in July 2014	24	263	–
Conversion from shareholders' loans in July 2014	24	18,307	–
Effect of shares issued in July 2014	24	6,448	–
Weighted average number of ordinary shares at 31 December		**25,118**	**100**

Diluted earnings per share

Because there are no dilution effects, the diluted earnings per share also amount to EUR 0.79 (2013: minus EUR 53.90).

15 Property, plant and equipment

The movements for the financial year are as follows:

EUR 1,000	Note	Land and buildings	Machinery and equipment	Hardware & Software	Other assets	Total
Cost						
Balance at 1 January 2014		9,620	4,933	12,233	11,143	37,929
Acquisitions through business combinations	7	–	–	3	37	40
Additions for the year		889	758	1,251	625	3,523
Disposals		(409)	(41)	(33)	(69)	(552)
Effect of movements in exchange rates		422	79	184	207	892
Balance at 31 December 2014		**10,522**	**5,729**	**13,638**	**11,943**	**41,832**
Depreciation and impairment losses						
Balance at 1 January 2014		416	2,840	10,212	7,848	21,316
Depreciation for the year		616	440	894	832	2,782
Disposals		(40)	(33)	(30)	(38)	(141)
Effect of movements in exchange rates		10	36	147	141	334
Balance at 31 December 2014		**1,002**	**3,283**	**11,223**	**8,783**	**24,291**
Carrying amounts						
At 1 January 2014		**9,204**	**2,093**	**2,021**	**3,295**	**16,613**
At 31 December 2014		**9,520**	**2,446**	**2,415**	**3,160**	**17,541**

EUR 1,000	Note	Land and buildings	Machinery and equipment	Hardware & Software	Other assets	Total
Cost						
Balance at 1 January 2013		2,214	4,499	11,292	11,092	29,097
Acquisitions through business combinations		10,503	282	241	399	11,425
Additions for the year		809	537	1,511	1,451	4,308
Disposals		(1,890)	(45)	(548)	(1,473)	(3,956)
Effect of movements in exchange rates		(2,016)	(340)	(263)	(326)	(2,945)
Balance at 31 December 2013		**9,620**	**4,933**	**12,233**	**11,143**	**37,929**
Depreciation and impairment losses						
Balance at 1 January 2013		456	2,574	9,926	8,634	21,590
Depreciation for the year		363	455	905	736	2,459
Disposals		(375)	(35)	(429)	(1,321)	(2,160)
Effect of movements in exchange rates		(28)	(154)	(190)	(201)	(573)
Balance at 31 December 2013		**416**	**2,840**	**10,212**	**7,848**	**21,316**
Carrying amounts						
At 1 January 2013		**1,758**	**1,925**	**1,366**	**2,458**	**7,507**
At 31 December 2013		**9,204**	**2,093**	**2,021**	**3,295**	**16,613**

16 Intangible assets

The movements for the financial period are as follows:

EUR 1,000	Note	Goodwill	Intellectual property rights	Distribution rights	Brand names	Supplier relations	Other intangibles	**Total**
Cost								
Balance at 1 January 2014		369,070	71	4,863	25,000	323,611	10,675	733,290
Acquisitions through business combinations	7	5,233	–	–	–	5,266	–	10,499
Additions for the year		–	–	801	–	258	–	1,059
Disposals		–	(7)	–	–	(17)	–	(24)
Effect of movements in exchange rates		2,029	–	36	–	943	–	3,008
Balance at 31 December 2014		**376,332**	**64**	**5,700**	**25,000**	**330,061**	**10,675**	**747,832**
Amortisation and impairment losses								
Balance at 1 January 2014		6,314	22	2,897	–	47,752	5,376	62,361
Amortisation for the year		–	18	532	–	18,721	1,247	20,518
Disposals		–	–	–	–	–	–	–
Effect of movements in exchange rates		–	–	25	–	(149)	–	(124)
Balance at 31 December 2014		**6,314**	**40**	**3,454**	**–**	**66,324**	**6,623**	**82,755**
Carrying amounts								
At 1 January 2014		**362,756**	**49**	**1,966**	**25,000**	**275,859**	**5,299**	**670,929**
At 31 December 2014		**370,018**	**24**	**2,246**	**25,000**	**263,737**	**4,052**	**665,077**

EUR 1,000	Note	Goodwill	Intellectual property rights	Distribution rights	Brand names	Supplier relations	Other intangibles	**Total**
Cost								
Balance at 1 January 2013		342,448	58	4,538	25,000	291,764	4,365	668,173
Acquisitions through business combinations		33,668	9	–	–	37,089	6,310	77,076
Additions for the year		–	7	1,544	–	–	–	1,551
Disposals		–	–	(1,191)	–	–	–	(1,191)
Effect of movements in exchange rates		(7,046)	(3)	(28)	–	(5,242)	–	(12,319)
Balance at 31 December 2013		**369,070**	**71**	**4,863**	**25,000**	**323,611**	**10,675**	**733,290**
Amortisation and impairment losses								
Balance at 1 January 2013		6,314	24	3,569	–	29,864	4,365	44,136
Amortisation for the year		–	–	500	–	17,888	1,011	19,399
Disposals		–	–	(1,151)	–	–	–	(1,151)
Effect of movements in exchange rates		–	(2)	(21)	–	–	–	(23)
Balance at 31 December 2013		**6,314**	**22**	**2,897**	**–**	**47,752**	**5,376**	**62,361**
Carrying amounts								
At 1 January 2013		**336,134**	**34**	**969**	**25,000**	**261,900**	**–**	**624,037**
At 31 December 2013		**362,756**	**49**	**1,966**	**25,000**	**275,859**	**5,299**	**670,929**

Amortisation and impairment charge

Impairment testing for cash-generating units containing goodwill

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

EUR 1,000		**2014**	2013
Cash generating unit	**Operating segment**		
Europe	Europe	254,356	253,629
Asia Pacific excluding Indonesia, Paceco and Philippines	Asia Pacific	72,479	71,450
Indonesia	Asia Pacific	2,467	2,323
Paceco	Asia Pacific	1,599	1,473
Philippines	Asia Pacific	4,846	–
Other Emerging Markets excluding Brazil	Other Emerging Markets	15,793	15,582
Brazil	Other Emerging Markets	18,478	18,299
		370,018	**362,756**

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

The recoverable amount per CGU is based on its value in use and is determined by discounting the future cash flows to be generated from the continuing use of the CGUs. The calculation of future cash flows is based on budget 2015 and estimations for 2016 to 2019 and an assumed terminal growth.

The revenue growth assumptions have resulted in a consolidated CGU value in the impairment test that is higher than the carrying value. For all CGUs the recoverable amounts exceed the carrying amounts. As a result no impairment has been recorded in 2014.

Key assumptions used in discounted cash flow projections

Key assumptions used in the calculation of recoverable amounts are EBITDA growth rates, pre-tax discount rates and terminal value growth rates. The EBITDA growth rates are based on management projections for the years 2015 to 2019. For impairment testing purposes, the terminal value growth rate varies per CGU. The pre-tax weighted average cost of capital (WACC) is estimated per CGU and varies mainly due to differences in risk free rates. Pre-tax WACC varies between 10.0% and 17.3% and post-tax between 8.8% and 12.7%. For the Group, the blended WACC for 2014 is 13.0% (2013: 14.1%). This corresponds with a post-tax WACC of 9.7% (2013: 10.4%).

Key assumptions 2014 for each CGU:

	WACC	Terminal Growth rate
Cash generating unit		
Europe	12.8%	1.6%
Asia Pacific excluding Indonesia, Paceco and Philippines	14.0%	2.9%
Indonesia	17.3%	4.9%
Paceco	10.0%	4.8%
Philippines	11.5%	4.7%
Other Emerging Markets excluding Brazil	15.1%	4.2%
Brazil	12.9%	3.7%

Sensitivity to changes in assumptions

The estimated recoverable amounts of each of the CGUs and the total recoverable amount of all CGUs exceeded the relevant carrying amounts. Management has identified two key parameters for which a reasonably possible change could have a material impact on the difference between the carrying amount and the recoverable amount. Those parameters are the pre-tax discount rate and terminal value growth rate. An increase in the pre-tax discount rate by 1% or a decrease in terminal growth rate by 1% do not give rise to an impairment. Management considered the sufficient headroom for each CGU and hence no further detailed sensitivity analysis has been presented.

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. As the IMCD brand cannot be allocated to individual CGUs, it is allocated to the Group as a whole. The brand name is tested for impairment at least annually. The expected recoverable amount significantly exceeds the carrying value as at 31 December 2014.

17 Non-current assets by geographical market

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

EUR 1,000	Property, plant and equipment	Intangible assets	Equity accounted investees
Netherlands	3,387	401,882	–
Rest of Europe	4,348	61,420	5
Europe	**7,735**	**463,302**	**5**
Asia Pacific	5,087	137,129	–
Other Emerging Markets	4,719	64,646	–
	17,541	**665,077**	**5**

18 Equity-accounted investees

On 27 September 2014 the Group acquired an equity interest in the newly incorporated SARL IMCD Group Algerie of 49% for an amount of EUR 7 thousand.

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

EUR 1,000	2014	2013
Balance at 1 January	–	–
Capital contributions	7	–
Result for the year	(2)	–
Balance at 31 December	**5**	**–**

The assets of SARL IMCD Group Algerie consist of current assets amounting to EUR 14 thousand, the loss from continuing operations amounted to EUR 4 thousand.

19 Other financial assets

The other financial assets mainly relate to rent deposits.

20 Deferred tax assets and liabilities

Unrecognised deferred tax assets

The Group has unrecognised deferred tax assets of EUR 5.1 million (2013: 20.4 million), consisting of: unrecognised deferred tax asset of the Dutch fiscal entitiy EUR 3.5 million (2013: 19.4 million), entities in Europe EUR 0.5 million and entities in Asia Pacific EUR 1.1 million.

During 2014 the Group has recognised previously unrecognised deferred tax assets of EUR 8.0 million, of which EUR 7.5 million relates to tax losses recognised as a consequence of an expected change in profitability of the Dutch fiscal entity. The Dutch fiscal entity recognised in total EUR 12.4 million deferred tax assets in 2014. Deferred tax assets have been recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. The unrecognised deferred tax assets will expire in the years 2016 to 2023.

Unrecognised deferred tax liabilities

As per 31 December 2014, the Company has unrecognised deferred tax liabilities to the amount of EUR 2.2 million for temporary differences 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	**2014**	2013	**2014**	2013	**2014**	2013
Property, plant and equipment	38	172	796	773	(758)	(601)
Intangible assets	323	445	71,165	75,549	(70,842)	(75,104)
Financial fixed assets	82	15	–	–	82	15
Trade debtors and other receivables	402	467	30	–	372	467
Inventories	671	472	78	–	593	472
Loans and borrowings	11	–	–	2	11	(2)
Employee benefits and other provisions	2,988	993	46	–	2,942	993
Trade and other payables	411	1,242	10	–	401	1,242
Other items	250	346	947	942	(697)	(596)
Tax loss carry-forwards	12,856	1,183	–	–	12,856	1,183
Tax assets/(liabilities)	**18,032**	**5,335**	**73,072**	**77,266**	**(55,040)**	**(71,931)**
Set off of tax	(633)	(109)	(633)	(109)	–	–
Net tax assets/(liabilities)	**17,399**	**5,226**	**72,439**	**77,157**	**(55,040)**	**(71,931)**

Movement in temporary differences during the year

EUR 1,000	Balance 1 January 2014	Recognised in profit or loss	Recognised directly in equity	Recognised in other comprehen-sive income	Acquired in business combinations (note 7)	Other	Balance 31 Decem-ber 2014
Property, plant and equipment	(601)	33	–	–	–	(190)	(758)
Intangible assets	(75,104)	5,963	–	–	(1,420)	(281)	(70,842)
Financial fixed assets	15	66	–	–	–	1	82
Trade debtors and other receivables	467	(110)	–	–	–	15	372
Inventories	472	106	–	–	–	15	593
Loans and borrowings	(2)	180	–	–	–	10	188
Employee benefits and other provisions	993	1,294	–	618	–	37	2,942
Trade and other payables	1,242	(951)	–	–	–	2	293
Other items	(596)	155	–	(21)	–	(235)	(697)
Tax losses carried forward	1,183	9,094	2,635	–	–	(125)	12,787
Net tax assets/(liabilities)	**(71,931)**	**15,830**	**2,635**	**597**	**(1,420)**	**(751)**	**(55,040)**

Movement in temporary differences during the year (continued)

EUR 1,000	Balance 1 January 2013	Recognised in profit or loss	Recognised directly in equity	Recognised in other comprehen-sive income	Acquired in business combinations	Other	Balance 31 Decem-ber 2013
Property, plant and equipment	21	(368)	–	–	(323)	69	(601)
Intangible assets	(68,751)	2,029	–	–	(9,196)	814	(75,104)
Financial fixed assets	–	15	–	–	–	–	15
Trade debtors and other receivables	570	(27)	–	–	(19)	(57)	467
Inventories	635	(106)	–	–	–	(57)	472
Loans and borrowings	7	(9)	–	–	–	–	(2)
Employee benefits and other provisions	1,922	(689)	–	(59)	(115)	(66)	993
Trade and other payables	72	1,179	–	–	–	(9)	1,242
Other items	(1,339)	(276)	–	1,003	–	16	(596)
Tax losses carried forward	51	1,136	–	–	–	(4)	1,183
Net tax assets/(liabilities)	**(66,812)**	**2,884**	**–**	**944**	**(9,653)**	**706**	**(71,931)**

21 Inventories

EUR 1,000	**2014**	2013
Trade goods	152.661	142.365

Cost of materials and inbound logistics in 2014 amounted to EUR 1,070.8 million (2013: EUR 972.1 million). Within this cost are write-downs of inventories to net realisable value of EUR 1.3 million (2013: EUR 1.3 million).
The reversal of write-downs amounted to EUR 0.3 million (2013: EUR 0.4 million). The write-down and reversal are included in cost of materials and inbound logistics.

The write-down of inventories is mainly due to inventories past their expiration dates or inventories which are not marketable.

22 Trade and other receivables

EUR 1,000	**2014**	2013
Trade receivables	195,848	184,908
Other receivables	8,647	10,620
Trade and other receivables	**204,495**	**195,528**

All trade and other receivables are current. An amount of EUR 0.3 million (2013: EUR 1.3 million) relates to the fair value of forward exchange rate contracts. The Group's exposure to currency risks related to trade and other receivables is disclosed in note 5.

Impairment losses

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

	2014		2013	
EUR 1,000	Gross	Impairment	Gross	Impairment
Current 0 – 30 days past due	196,747	357	183,842	113
Past due 30 – 60 days	6,528	746	9,684	1,137
Past due 60 – 90 days	1,459	62	1,990	173
More than 90 days	5,601	4,675	5,247	3,812
	210,335	**5,840**	**200,763**	**5,235**

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

EUR 1,000	**2014**	2013
Balance at 1 January	5,235	5,913
Acquisitions through business combinations	34	10
Impairment loss recognised	1,455	700
Trade receivables written-off	(987)	(977)
Currency exchange result	103	(411)
	5,840	**5,235**

At 31 December 2014 the total impairment includes an amount EUR 1,716 thousand (2013: EUR 840 thousand) related to customers declared insolvent. The remainder of the impairment loss at 31 December 2014 relates to several customers who are expected to be unable to pay their outstanding balances, mainly due to economic circumstances. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, 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:

EUR 1,000	**2014**	2013
Carrying amount		
Europe	137,609	135,775
Asia Pacific	46,088	42,304
Other Emerging Markets	20,798	17,449
	204,495	**195,528**

23 Cash and cash equivalents

The cash and cash equivalents are as follows:

EUR 1,000	**2014**	2013
Cash and cash equivalents	59,974	38,095
Cash and cash equivalents in the statement of cash flows	**59,974**	**38,095**

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

24 Capital and reserves

Share capital and share premium

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

In thousand shares	**2014**	2013
Ordinary shares		
On issue at 1 January	100	100
Increase from change in nominal value per share	525	–
Conversion from shareholders' loans	3,884	–
Converted from share premium	32,630	–
Issued for cash	12,861	–
On issue at 31 December – fully paid	**50,000**	**100**

At 31 December 2013, the issued share capital consisted of 100,000 ordinary shares with nominal value of EUR 1 each.

During 2014 the nominal value of the shares was changed from EUR 1 to EUR 0.16 each, leading to an increase in the number of shares by 525,000. Subsequently, the number of issued shares increased by 36,514,095 of which 3,884,335 was the result of converting shareholders' loans into share capital and 32,629,760 from converting share premium into share capital. 12,860,905 shares were issued in July 2014 with the IPO.

All shares rank equally with regard to the Company's residual assets.

The shareholders are entitled to receive dividends and are entitled to one vote per share at meetings of the Company.

The conversion of shareholders´ loans and the change in nominal value of the shares resulted in a net increase in share premium of EUR 308.5 million. The issuance of shares at an offer price of EUR 21 each, resulted in an increase of share premium of EUR 260.1 million.

EUR 1,000	**2014**	2013
Share premium		
Balance at 1 January	4,938	4,938
Increase from change in nominal value per share	–	–
Conversion from shareholders' loans	313,733	–
Converted to share capital	(5,221)	–
Issued for cash net of related cost	260,116	–
Balance at 31 December	**573,566**	**4,938**

Cost related to issuance of shares net of tax, deducted from the share premium amounted to EUR 7.9 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.

Other reserve

Other reserves relate to the accumulated actuarial gains and losses recognised in the other comprehensive income.

Other comprehensive income

EUR 1,000	Attributable to owners of the Company			
	Translation reserve	Hedging reserve	Other reserves	Total other comprehensive income
2014				
Foreign currency translation differences for foreign operations	4,481	–	–	4,481
Effective portion of changes in fair value of cash flow hedges, net of tax	–	204	–	204
Defined benefit plan actuarial gains and losses net of tax	–	–	(3,267)	(3,267)
Total other comprehensive income	**4,481**	**204**	**(3,267)**	**1,418**
2013				
Foreign currency translation differences for foreign operations	(11,724)	–	–	(11,724)
Effective portion of changes in fair value of cash flow hedges, net of tax	–	(23)	–	(23)
Defined benefit plan actuarial gains and losses net of tax	–	–	(260)	(260)
Total other comprehensive income	**(11,724)**	**(23)**	**(260)**	**(12,007)**

25 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	2014	2013
Secured bank loans	294,550	477,196
Loans from shareholders	–	325,230
Other liabilities	7,734	17,135
	302,284	**819,561**

Current liabilities

EUR 1,000	2014	2013
Current portion of secured bank loans	–	25,837
Other short term financial liabilities	15,335	15,867
Profit sharing arrangements	160	345
	15,495	**42,049**

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

Terms and debt repayment schedule

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

EUR 1,000	Currency	Nominal interest rate	Year of maturity	**Face value 2014**	**Carrying amount 2014**	Face value 2013	Carrying amount 2013
Senior bank loans	AUD	4.49%	2019	33,475	32,944	–	–
Senior bank loans	EUR	1.83%	2019	240,544	235,355	–	–
Senior bank loans	GBP	2.32%	2019	26,642	26,251	–	–
Senior A bank loans	AUD	7.31%	2017	–	–	23,727	22,906
Senior A bank loans	EUR	4.84%	2017	–	–	15,476	13,948
Senior A bank loans	GBP	5.09%	2017	–	–	21,863	21,015
Senior B bank loans	EUR	5.09%	2018	–	–	378,785	364,541
Acquisition facility	EUR	5.08%	2017	–	–	30,325	27,840
Acquisition facility	AUD	7.56%	2017	–	–	14,633	14,633
Incremental loan	EUR	5.03%	2018	–	–	12,500	12,313
Loans from shareholders	EUR	8.00%	2020	–	–	326,196	325,230
Profit sharing arrangements	EUR	2.28%	2019	1,126	1,126	988	988
Total interest-bearing liabilities				**301,787**	**295,676**	**824,493**	**803,414**
Total non- interest-bearing liabilities				6,608	6,608	16,701	16,147
Total non-current liabilities				**308,395**	**302,284**	**841,194**	**819,561**

In 2014, shareholders' loans to the amount of EUR 314.4 million were converted into share capital and share premium, the remainder was repaid to the shareholders. Shortly after the initial public offering of shares the Group refinanced its senior bank loans. The newly drawn senior bank facilities are bullet loans with maturity date of 8 July 2019.

The Group is obliged to meet requirements from the covenants in connection with the senior bank loan facilities. These requirements relate to ratios for interest cover and maximum leverage. The interest covenant testing starts at the end of June 2015. The actual leverage covenant at 31 December 2014 of 2.2, calculated on the basis of the definitions used in the loan documentation, was well below the required maximum of 3.75.

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

Proceeds from issue of loans and borrowings

EUR 1,000	
Proceeds from issue of senior bank loans	300,000
Transaction costs	(6,763)
Net proceeds	**293,237**

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

26 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	**2014**	2013
Net defined benefit liability	3,390	4,363
Termination benefits and other long-term employee benefits	6,621	4,736
Total employee benefit liabilities	**10,011**	**9,099**

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

Movement in net defined benefit liability/(asset)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
EUR 1,000	**2014**	2013	**2014**	2013	**2014**	2013
Balance at 1 January	34,707	32,329	30,344	28,426	4,363	3,903
Included in profit or loss						
Current service cost	1,094	1,295	–	–	1,094	1,295
Past service credit	(2,716)	264	–	–	(2,716)	264
Interest cost/(income)	1,380	1,219	1,280	1,079	100	140
	(242)	**2,778**	**1,280**	**1,079**	**(1,522)**	**1,699**
Included in OCI						
Remeasurement; loss/(gain):						
• Actuarial loss/(gain)	9,346	520	–	–	9,346	520
• Return on plan assets excluding interest income	–	–	6,687	(79)	(6,687)	79
Effect of movements in exchange rates	1,312	(337)	1,276	(297)	36	(40)
	10,658	**183**	**7,963**	**(376)**	**2,695**	**559**
Other						
Contributions paid by the employer	–	–	2,146	1,798	(2,146)	(1,798)
Contributions paid by the plan members	438	111	438	111	–	–
Benefits paid	(857)	(694)	(857)	(694)	–	–
	(419)	**(583)**	**1,727**	**1,215**	**(2,146)**	**(1,798)**
Balance at 31 December	**44,704**	**34,707**	**41,314**	**30,344**	**3,390**	**4,363**

Plan assets comprise:

EUR 1,000	**2014**	2013
Equity securities	11,228	9,401
Government bonds	10,526	7,685
Qualifying insurance policies	19,420	12,966
Other plan assets	140	292
Total plan assets	**41,314**	**30,344**

Expense recognised in profit or loss

EUR 1,000	**2014**	2013
Current service costs	1,094	1,295
Past service costs	(2,716)	264
Expense recognised in the line item 'Social security and other charges'	**(1,622)**	**1,559**
Interest cost	100	140
Expense recognised in the line item 'Finance costs'	**100**	**140**
Total expense recognised in profit or loss	**(1,522)**	**1,699**

The past service costs in 2014 is the result of a change in the pension plan in The Netherlands. The accrual rate has been decreased and the pensionable earnings have been capped.

Actuarial assumptions

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

%	**2014**	2013
Discount rate at 31 December	2.83%	4.07%
Future salary increases	2.98%	3.15%
Future pension increases	1.53%	1.75%
Price inflation	2.52%	2.63%

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

- Austria: AVÖ 2008-P 'Angestellte' -Rechnungsgrundlagen für die Pensionsversicherung- Pagler & Pagler;
- Germany: Richttafel 2005G Klaus Heubeck;
- The Netherlands: Prognosetafel AG2014 based on income class high-medium;
- The United Kingdom: before retirement -males: 90% AM00 combined / -females: 100% AF00 combined, after retirement -males: 90% S1PMA_L / -females: 90% S1PFA_L, CMI 2013 model [1.25%];
- Switzerland: BVG 2010 Generationen.

The Group expects EUR 2,244 thousand in contributions to be paid to its defined benefit plans in 2015.

Sensitivity analysis

The defined benefit plans in Austria, Germany and Switzerland relate to a limited number of (retired) employees. For that reason, sensitivity analyses for these plans are not provided.

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

The plan in the Netherlands has 77 members and is an average salary defined benefit plan. The plan is financed through an insurance policy. There are no specific entity risks to which the plan is exposed and the plan assets are not invested in a single class of investments.

The plan in the United Kingdom has 28 members and is a final salary defined benefit plan. The plan is financed through a pension fund. There are no specific entity risks to which the plan is exposed and the plan assets are not invested in a single class of investments.

The obligations arising from the defined benefit plans mentioned above are determined using the projected unit credit method. The projected unit credit method determines the expected benefits to be paid after retirement, taking dynamic measurement parameters into account and spreading them over the entire length of service of the employees participating in the plan. For this purpose, an actuarial valuation is obtained every year. The actuarial assumptions for the discount rate, salary growth rate, pension trend, life expectancy and cost increases for medical care which are used to calculate the defined benefit obligation are established on the basis of the respective economic circumstances.

The plan assets measured at fair value are deducted from the present value of the defined benefit obligation (gross pension obligation). Plan assets are assets where the claim to said assets has, in principle, been assigned to the beneficiaries. This results in a net liability or a net asset to be recognised.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations of the two most significant defined benefit plans by the amounts shown below:

EUR 1,000	Increase	Decrease
Defined benefit plan the Netherlands		
Discount rate (1% movement)	(4,124)	5,622
Future salary growth (1% movement)	287	(307)
Future pension growth (1% movement)	3,400	–
Future inflation (1% movement)	64	(105)
Future mortality (1 year)	419	(425)
Defined benefit plan the United Kingdom		
Discount rate (1% movement)	(3,498)	4,624
Future salary growth (1% movement)	816	(762)
Future pension growth (1% movement)	3,426	(2,748)
Future inflation (1% movement)	3,438	(3,323)
Future mortality (1 year)	484	(485)

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	2014	2013
Liabilities at 1 January		4,736	4,695
Assumed in business combinations	7	80	91
Additions (excluding interest cost)	10	771	867
Interest cost		67	113
Withdrawals		(336)	(362)
Releases		–	–
Actuarial results		1,226	(398)
Effect of movement in exchange rates		77	(270)
Liabilities as at 31 December		**6,621**	**4,736**

27 Provisions

The movements in provisions are as follows:

EUR 1,000	2014	2013
Balance as at 1 January	1,358	5,496
Assumed in business combinations	–	28
Provisions made during the year	–	463
Provisions used during the year	(793)	(4,288)
Effect of movement in exchange rates	38	(341)
Balance as at 31 December	**603**	**1,358**

The provisions predominantly relate to the remaining part of a contractual obligation following an acquisition in the Asia Pacific region, to be settled in the upcoming four years.

28 Trade and other payables

The trade and other payables are as follows:

EUR 1,000	2014	2013
Trade payables		
Trade payables	134,694	136,563
	134,694	**136,563**

EUR 1,000	2014	2013
Other payables		
Derivatives used for hedging	1,984	3,287
Taxes and social securities	12,764	11,143
Pension premiums	96	68
Current tax liability	5,424	4,944
Other creditors	1,270	1,183
Accrued interest expenses	297	5,408
Contingent consideration	8,843	5,622
Liabilities to personnel	12,701	11,255
Other accrued expenses	8,215	7,711
	51,594	**50,621**

At 31 December 2014, with the exception of some derivatives used for hedging, all trade and other payables have a term of less than one year. Interest swap contracts with a negative fair value of EUR 0.4 million (2013: EUR 1.8 million) expire in the year 2017 and 2019.

The Group's exposure to currency risk related to trade and other payables is disclosed in note 5.

29 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.

		Carrying amount								Fair value			
31 December 2014 EUR 1,000	Note	Held-for-trading	Designated at fair value	Fair value-hedging instruments	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	**Total**	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value													
Forward exchange contracts used for hedging	22	–	–	268	–	–	–	–	268	–	268	–	268
		–	**–**	**268**	**–**	**–**	**–**	**–**	**268**	**–**	**268**	**–**	**268**
Financial assets not measured at fair value													
Trade and other receivables	22	–	–	–	–	204,227	–	–	204,227				
Cash and cash equivalents	23	–	–	–	–	59,974	–	–	59,974				
		–	**–**	**–**	**–**	**264,201**	**–**	**–**	**264,201**				
Financial liabilities measured at fair value													
Interest rate swaps used for hedging	28	–	–	354	–	–	–	–	354	–	354	–	354
Forward exchange contracts used for hedging	28	–	–	1,630	–	–	–	–	1,630	–	1,630	–	1,630
Contingent consideration	7, 28	–	15,451	–	–	–	–	–	15,451	–	–	15,451	15,451
		–	**15,451**	**1,984**	**–**	**–**	**–**	**–**	**17,435**	**–**	**1,984**	**15,451**	**17,435**
Financial liabilities not measured at fair value													
Other short term financial liabilities	25	–	–	–	–	15,335	–	–	15,335				
Secured bank loans	25	–	–	–	–	294,550	–	–	294,550				
Loans from shareholders	25	–	–	–	–	–	–	–	–				
Other loans and borrowings	25	–	–	–	–	1,286	–	–	1,286				
Trade payables	28	–	–	–	–	–	–	134,694	134,694				
Other payables	28	–	–	–	–	–	–	40,767	40,767				
		–	**–**	**–**	**–**	**311,171**	**–**	**175,461**	**486,632**				

		Carrying amount								Fair value			
31 December 2013 EUR 1,000	Note	Held-for-trading	Designated at fair value	Fair value -hedging instruments	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	**Total**	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value													
Forward exchange contracts used for hedging	22	–	–	1,298	–	–	–	–	1,298	–	1,298	–	1,298
		–	**–**	**1,298**	**–**	**–**	**–**	**–**	**1,298**	**–**	**1,298**	**–**	**1,298**
Financial assets not measured at fair value													
Trade and other receivables	22	–	–	–	–	194,230	–	–	194,230				
Cash and cash equivalents	23	–	–	–	–	38,095	–	–	38,095				
		–	**–**	**–**	**–**	**232,325**	**–**	**–**	**232,325**				
Financial liabilities measured at fair value													
Interest rate swaps used for hedging	28	–	–	1,793	–	–	–	–	1,793	–	1,793	–	1,793
Forward exchange contracts used for hedging	28	–	–	1,494	–	–	–	–	1,494	–	1,494	–	1,494
Contingent consideration	7, 28	–	21,769	–	–	–	–	–	21,769	–	–	21,769	21,769
		–	**21,769**	**3,287**	**–**	**–**	**–**	**–**	**25,056**	**–**	**3,287**	**21,769**	**25,056**
Financial liabilities not measured at fair value													
Other short term financial liabilities	25	–	–	–	–	15,867	–	–	15,867				
Secured bank loans	25	–	–	–	–	503,033	–	–	503,033				
Loans from shareholders	25	–	–	–	–	325,230	–	–	325,230				
Other loans and borrowings	25	–	–	–	–	1,333	–	–	1,333				
Trade payables	28	–	–	–	–	–	–	136,563	136,563				
Other payables	28	–	–	–	–	–	–	41,712	41,712				
		–	**–**	**–**	**–**	**845,463**	**–**	**178,275**	**1,023,738**				

Measurement of fair values

Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value

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

Financial instruments not measured at fair value

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

1 *Financial assets include trade and other receivables and cash and cash equivalents.*

2 *Financial liabilities include syndicated senior bank loans, loans from shareholders, other loans and borrowings, other short term financial liabilities, trade payables and other payables.*

Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

EUR 1,000	Contingent consideration
Balance at 1 January 2014	21,769
Assumed in a business combination	320
Paid contingent consideration	(5,199)
Gain included in profit or loss	(2,046)
Effect of movement in exchange rates	607
Balance at 31 December 2014	**15.451**
Balance at 1 January 2013	4,360
Assumed in a business combination	18,577
Paid contingent consideration	(1,133)
Gain included in profit or loss	(35)
Effect of movement in exchange rates	–
Balance at 31 December 2013	**21,769**

The net gain included in profit and loss of EUR 2.0 million is the result of reameasuring contingent considerations.

Sensitivity analysis

The fair value of contingent consideration is subject to two principle assumptions. The effects of reasonable changes to these assumptions, holding other assumptions constant, are set out below:

	Profit or loss	
31 December 2014 EUR 1,000	Increase	Decrease
EBITDA margin (10% movement)	(1,093)	1,093
Risk-adjusted discount rate (1% movement)	128	(123)

Offsetting financial assets and liabilities

Gross amounts of financial assets and liabilities are offset on the basis of offsetting arrangements or are subject to enforceable master netting arrangements or similar agreements that do not meet the requirements for offsetting in the balance sheet.

EUR 1,000	Gross amount of financial assets and liabilities	Offsetting	Gross carying amounts in the balance sheet	Enforceable master netting arrangements or similar arrangements	**31 December 2014 Net amount**
Trade and other receivables	205,405	(910)	204,495	–	204,495
Cash and cash equivalents	59,974	–	59,974	(199)	59,775
Other financial assets	773	–	773	–	773
Trade payables	135,016	(322)	134,694	–	134,694
Other payables	52,182	(588)	51,594	–	51,594
Other short term financial liabilities	15,335	–	15,335	(199)	15,136

The amount available for offsetting in the Group's notional cash pool amounted to EUR 0.2 million at 31 December 2014.

30 Off-balance sheet commitments

Operating leases

Financial commitments, contracted for a number of years under leasehold, rental and operational lease agreements, amount in total to EUR 37.1 million (2013: EUR 33.5 million).

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

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

EUR 1,000	2015	2016-2019	After 2019
Long lease and rent	9,188	19,318	4,748
Operational lease	1,990	1,901	–
	11,178	**21,219**	**4,748**

During the year an amount of EUR 11.2 million was recognised as an expense in profit or loss in respect of operating leases (2013: EUR 10.1 million).

Guarantees

As at 31 December 2014, the Group has granted guarantees of EUR 0.7 million in total. Those guarantees relate to bank guarantees provided to customs authorities (EUR 0.6 million) and office rental guarantees (EUR 0.1 million).

31 Related parties

Identity of related parties

The Group has related party relationships with its shareholders, subsidiaries, Management Board and Supervisory Board, post-employment benefit plans and until June 2014, with Portfolio Company Advisor Limited, an advisory company under the control of one of the shareholders of the Group. For an overview of the group companies, reference is made to pages 109 – 110.

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 45.

Transactions with associates

The Group owns 49% of the shares in SARL IMCD Group Algerie. At year end the Group has an outstanding receivable from SARL IMCD Group Algeria of EUR 4 thousand.

Transactions with post-employement benefit plan

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

The contributions to the defined benefit plan in the United Kingdom were EUR 853 thousand and in the Netherlands EUR 1,155 thousand in 2014. The outstanding payables to the defined benefit plan in the United Kingdom at the year end 2014 were nil. At 31 December 2014, the Group has a receivable from the Dutch defined benefit plan of EUR 266 thousand.

Other related party transactions

Until 27 June 2014 a consultancy service agreement between Portfolio Company Advisor Limited and the group was in place for services in the field of, amongst others, business development, finance, marketing, human resources management, operations and project management. Service fees related to the agreement amounted to EUR 247 thousand (2013: EUR 500 thousand).

No outstanding balances with this related party existed at 31 December 2014.

32 Subsequent events

There were no material events after 31 December 2014 that would have changed the judgement and analysis by management of the financial condition at 31 December 2014 or the result for the year of the Group.

Company balance sheet as at 31 December 2014 (before profit appropriation)

EUR 1,000	Note	31 December 2014	31 December 2013
Fixed assets			
Participating interest in group company	35	523,911	76,479
Accounts receivable from subsidiary	36	–	182,464
Deferred tax assets	37	12,376	–
Total fixed assets		**536,287**	**258,943**
Current assets			
Trade and other receivables	38	53	20
Cash and cash equivalents		–	342
Total current assets		**–**	**362**
Total assets		**536,340**	**259,305**
Shareholders' equity	39		
Issued share capital		8,000	100
Share premium		573,566	4,938
Translation reserve		(9,576)	(14,057)
Hedging reserve		128	(76)
Other reserves		(7,763)	(4,496)
Accumulated deficit		(53,459)	(48,069)
Unappropriated result		19,909	(5,390)
Total equity		**530,805**	**(67,050)**
Non-current liabilities	40	–	326,196
Current liabilities	41	5,535	159
Total equity and liabilities		**536,340**	**259,305**

Company income statement for the year ended 31 December 2014

EUR 1,000	Note	2014	2013
Share in results from participating interests, after taxation	35	18,856	3,517
Other results after taxation		1,053	(8,907)
Net result		**19,909**	**(5,390)**

33 General

The company financial statements are part of the 2014 consolidated financial statements of IMCD N.V. (the 'Company'), previously Emma Topco B.V.

With reference to the income statement of the company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

34 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.

35 Participating interest in group companies

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

EUR 1,000	**2014**	2013
Balance at 1 January	76,479	84,959
Changes:		
Investments in participating interests	431,658	–
Share in results from participating interest after taxation	18,856	3,517
Dividends declared	(4,500)	–
Movement hedging reserve	204	(23)
Exchange rate differences	4,481	(11,714)
Movement other reserves	(3,267)	(260)
Balance at 31 December	**523,911**	**76,479**
Accumulated impairments at 31 December 2014	–	–

The Company, statutorily seated in Rotterdam, owns the Group through a 100% share in the issued capital of IMCD Finance B.V., statutorily seated in Rotterdam. During 2014 the Company made capital contributions of EUR 431.7 million to IMCD Finance B.V.

36 Accounts receivable from subsidiary

The movements of the accounts receivable from subsidiary are as follows:

EUR 1,000	**2014**	2013
Balance at 1 January	182,464	168,956
Changes:		
Loans provided	–	13,508
Loans redeemed	(182,464)	–
Balance at 31 December	**–**	**182,464**

The receivable from subsidiaries as at 31 December 2013 mainly related to a a receivable from Emma Holdings B.V. which was merged with IMCD N.V. on 2 July 2014.

37 Deferred tax assets

EUR 1,000	2014	2013
Balance at 1 January	–	–
Changes:		
Recognition of tax losses	12,376	–
Balance at 31 December	**12,376**	**–**

The deferred tax assets recognised during 2014 relate to tax losses carried forward by the Dutch fiscal entity headed by IMCD N.V.

38 Trade and other receivables

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

39 Shareholders' equity

Reconciliation of movement in capital and reserves

EUR 1,000	Issued share capital	Share premium	Translation reserve	Hedging reserve	Other reserves	Accumulated deficit	Unappropriated result	**Total equity**
Balance as at 1 January 2014	100	4,938	(14,057)	(76)	(4,496)	(48,069)	(5,390)	(67,050)
Total recognised income and expense	–	–	–	–	–	–	19,909	19,909
Appropriation of prior year's result	–	–	–	–	–	(5,390)	5,390	–
Conversion shareholders' loan	621	313,733	–	–	–	–	–	314,354
Adjustment to nominal value	5,221	(5,221)	–	–	–	–	–	–
Issue of ordinary shares minus related costs	2,058	260,116	–	–	–	–	–	262,174
Movement in other reserves	–	–	–	204	(3,267)	–	–	(3,063)
Exchange rate differences	–	–	4,481	–	–	–	–	4,481
Balance as at 31 December 2014	**8,000**	**573,566**	**(9,576)**	**128**	**(7,763)**	**(53,459)**	**19,909**	**530,805**
Balance as at 1 January 2013	100	4,938	(2,333)	(53)	(4,236)	(30,249)	(17,820)	(49,653)
Total recognised income and expense	–	–	–	–	–	–	(5,390)	(5,390)
Appropriation of prior year's result	–	–	–	–	–	(17,820)	17,820	–
Movement of other reserves	–	–	–	–	(260)	–	–	(260)
Exchange rate differences	–	–	(11,724)	(23)	–	–	–	(11,747)
Balance as at 31 December 2013	**100**	**4,938**	**(14,057)**	**(76)**	**(4,496)**	**(48,069)**	**(5,390)**	**(67,050)**

Share capital and share premium

	Ordinary shares	
EUR 1,000	**2014**	2013
In issue at 1 January	5,038	5,038
Conversion from shareholders' loans	314,354	–
Issue of shares minus related cost	262,174	–
In issue at 31 December – fully paid	**581,566**	**5,038**

Ordinary shares

At 31 December 2014, the authorised share capital comprised 150,000,000 ordinary shares of which 50,000,000 shares have been issued. All shares have a par value of EUR 0.16 and are fully paid. At 31 December 2013, the authorised share capital comprised 500,000 shares with nominal value of EUR 1 of which 100,000 were issued.

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.

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 2014 will be proposed: an amount of EUR 10,000 thousand to be paid out as dividend (EUR 0.20 per share) and EUR 9,909 thousand to be deducted from the accumulated deficit.

40 Non-current liabilities

This refers to the following:

	Loans from shareholders	
EUR 1,000	**2014**	2013
Balance as at 1 January	326,196	303,707
Additions	–	22,489
Conversions and withdrawals	(326,196)	–
Exchange rate differences	–	–
Balance as at 31 December	**–**	**326,196**

During 2014, shareholders' loans to the amount of EUR 314,354 thousand were converted to share capital and share premium. The remainder has been repaid.

41 Current liabilities

The current liabilities mainly relate to accounts payable to group companies.

42 Financial instruments

The Group has exposure to the following risks:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk.

In the notes to the consolidated financial statements information is included about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

These risks, objectives, policies and processes for measuring and managing risk, and the management of capital apply also the company financial statements of IMCD N.V.

43 Off-balance sheet commitments

The Company forms part of a tax entity for corporate income tax together with other Dutch group companies. In addition the Company together with IMCD Holding B.V. forms a tax entity for value added tax purpose.
As a consequence, the Company is jointly and severally liable for the corporate income taxes and value added taxes due by these tax entities.

44 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 KPMG Accountants N.V. and other KPMG member firms and affiliates to the Company, its subsidiaries and other consolidated entities:

	KPMG Accountants N.V.	Other KPMG member firms and affiliates	**Total KPMG**	KPMG Accountants N.V.	Other KPMG member firms and affiliates	**Total KPMG**
EUR 1,000			**2014**			2013
Statutory audits of annual accounts	249	1,004	1,253	96	689	785
Other assurance services	544	25	569	–	19	19
Tax advisory services	–	286	286	2	153	155
Other non-audit services	–	89	89	–	164	164
	793	**1,404**	**2,197**	**98**	**1,025**	**1,123**

45 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 46.

Other related party transactions

Until 27 June 2014, a management service agreement between IMCD Holding B.V. and IMCD N.V. (as service provider) was in place for services including but not limited to, business evaluations, investment planning, strategic and operational advice. The fees related to the agreement amounted to EUR 1.0 million (2013: EUR 2.0 million).

All outstanding transactions with these related parties were priced on an arm's length basis.

46 Compensation of the Management Board and the Supervisory Board

The Management Board and Supervisory board members' compensations, including pension obligations as intended in Section 2:383(1) of the Netherlands Civil Code, which were charged in the financial year to the Company and group companies are as follows:

EUR 1,000	Year	Gross salary	Bonus	Pension	Other	**Total**
Management Board						
P.C.J. van der Slikke	2014	487	303	210	31	1,031
	2013	445	219	234	25	923
H.J.J. Kooijmans	2014	372	229	146	32	779
	2013	353	172	171	31	727
Total	**2014**	**859**	**532**	**356**	**63**	**1,810**
	2013	**798**	**391**	**405**	**56**	**1,650**

The total compensation of the Management Board in 2014 amounted to EUR 1,810 thousand (2013: EUR 1,650 thousand, excluding crisis levy of EUR 141 thousand).

EUR 1,000	**2014**	2013
Supervisory Board		
J.C. Pauze	33	–
F. Waller, until September 2014	13	–
I. Sessa	–	–
M.G.P. Plantevin	–	–
M.F. Siefke	–	–
	46	**–**

In addition to the aforementioned compensation, the Management Board and Supervisory Board members receive reimbursements for out-of-pocket expenses.

Rotterdam, 10 March 2015

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

The Supervisory Board:
J.C. Pauze
A. Kaaks
M.G.P. Plantevin
I. Sessa
M.F. Siefke

List of group companies as at 31 December 2014

The list of group companies is as follows (100% owned unless mentioned otherwise):

IMCD Finance B.V. [1]	Rotterdam	The Netherlands
IMCD Holding 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.	Wormerveer	The Netherlands
IMCD Benelux N.V.	Mechelen	Belgium
CBG Chemie Beteiligungsgesellschaft GmbH	Cologne	Germany
IMCD Deutschland GmbH & Co. KG	Cologne	Germany
Otto Alldag Handel GmbH	Cologne	Germany
IMCD France Investments S.A.S.	Paris	France
IMCD Holding France S.N.C.	Paris	France
IMCD France S.A.S.	Paris	France
IMCD UK Acquisitions Ltd.	Sutton	United Kingdom
IMCD Holding UK Ltd.	Sutton	United Kingdom
IMCD UK Investments Ltd.	Sutton	United Kingdom
IMCD UK Ltd.	Sutton	United Kingdom
IMCD Ireland Ltd.	Dublin	Ireland
IMCD South Africa Pty. Ltd.	Isando	South Africa
Chemimpo South Africa Pty. Ltd.	Randburg	South Africa
IMCD Switzerland AG	Zürich	Switzerland
IMCD Ticaret, Pazarlama ve Danismanlik Limited Sirketi	Istanbul	Turkey
Internatio Special Products LLC	Saint-Petersburg	Russia
IMCD Ukraine LLC	Kiev	Ukraine
IMCD Czech Republic s.r.o.	Prague	Czech Republic
IMCD Polska Sp.z.o.o.	Warsaw	Poland
Jan Dekker Polska Sp.z.o.o.	Warsaw	Poland
IMCD Slovakia s.r.o.	Bratislava	Slovak Republic
IMCD South East Europe GmbH	Vienna	Austria
IMCD d.o.o.	Ilirska Bistrica	Slovenia
IMCD Nordic Investments AB	Malmö	Sweden
IMCD Nordic AB	Malmö	Sweden
IMCD Sweden AB	Malmö	Sweden
IMCD Finland Oy	Helsingfors	Finland
IMCD Danmark AS	Helsingør	Denmark
IMCD Norway AS	Ski	Norway
IMCD Baltics UAB	Vilnius	Lithuania
IMCD Italia S.p.A.	Milan	Italy
IMCD Espana Especialidadis Quimicas S.A.	Madrid	Spain
IMCD Portugal Produtos Quimicos Ltda	Lisbon	Portugal
IMCD Maroc S.a.r.l.	Casablanca	Morocco
IMCD Tunisia S.a.r.l.	Tunis	Tunisia
IMCD Manufacturing Tunisia S.a.r.l.	Tunis	Tunisia
IMCD Australasia Investments Pty. Ltd	Melbourne	Australia
IMCD Australasia Pty. Ltd.	Melbourne	Australia
IMCD Australia Ltd.	Melbourne	Australia
IMCD Additives Pty. Ltd.	Melbourne	Australia
Capitol Product Management Pty. Ltd.	Melbourne	Australia
Capitol Ingredients Australia Pty. Ltd.	Melbourne	Australia

Capitol Specialty Products Pty. Ltd.	Melbourne	Australia
IMCD New Zealand Ltd.	Auckland	New Zealand
IMCD Asia Pacific Sdn Bhd	Shah Alam	Malaysia
IMCD Malaysia Sdn Bhd	Shah Alam	Malaysia
IMCD Asia Pte. Ltd.	Singapore	Singapore
IMCD (Thailand) Co., Ltd.	Bangkok	Thailand
IMCD (Shanghai) Trading Co. Ltd.	Shanghai	China
IMCD International Trading (Shanghai) Co. Ltd.	Shanghai	China
IMCD Philippines Corporation	Quezon City	Philippines
IMCD Singapore Pte. Ltd.	Singapore	Singapore
Paceco Industrial Supplies (M) Sdn Bhd	Klang	Malaysia
Paceco Industrial Supplies (Shanghai) Co. Ltd.	Shanghai	China
PT IMCD Indonesia (90.01% of shares)	Jakarta	Indonesia
PT Sapta Permata (90.01% of shares)	Surabaya	Indonesia
IMCD Holding Brazil Ltda.	São Paulo	Brazil
IMCD Brasil Comércio e Indústria de Produtos Quimicos Ltda. (80.0% of shares)	São Paulo	Brazil
Danasia, Inc. [2]	Manila	Philippines
S.a.r.l. IMCD Group Algerie (49%) [3]	Algiers	Algeria
IMCD India Pte. Ltd. [4]	Mumbai	India

1 *Previously Emma Midco B.V.*

2 *As from September 2014.*

3 *As from September 2014.*

4 *As from December 2014.*

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 General Meeting.

Proposal regarding the appropriation of profit

At the Annual General Meeting the following appropriation of the result 2014 will be proposed: an amount of EUR 10,000 thousand to be paid out in cash as dividend (EUR 0.20 per share) and EUR 9,909 thousand to be deducted from the accumulated deficit.

Subsequent events

There were no material events after 31 December 2014 that would have changed the judgement and analysis by management of the financial condition at 31 December 2014 or the result for the year of the Company.

Independent auditor's report

The auditor's report with respect to the financial statements is set out on pages 112 – 115.

To: The Annual General Meeting of Shareholders of IMCD N.V.

Report on the financial statements 2014

Our opinion

In our opinion:

- the consolidated financial statements as set out on pages 55–101 give a true and fair view of the financial position of IMCD N.V. as at December 31 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code;
- the company financial statements as set out on pages 102–110 give a true and fair view of the financial position of IMCD N.V. as at December 31 2014, and of its result for 2014 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

What we have audited

We have audited the financial statements 2014 of IMCD N.V. (the Company), based in Rotterdam, The Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2014;
- the following consolidated statements for 2014: the profit or loss and comprehensive income, changes in equity and cash flows; and
- the notes comprising a summary of the accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at December 31, 2014;
- the company income statement for 2014; and
- the notes comprising a summary of the accounting policies and other explanatory information.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of IMCD N.V. in accordance with the *Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO)* and other relevant independence requirements in The Netherlands. Furthermore, we have complied with the *Verordening gedrags- en beroepsregels accountants (VGBA).*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Misstatements can arise from fraud or errors 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.

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 5 million. The materiality is determined with reference to gross profit (1.7%) and profit before taxation and non-recurring items (6.5%). We consider these benchmarks of gross profit and profit before taxation and non-recurring items to be the most relevant benchmarks given the nature and business of the Company. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Audits of Group entities were performed using materiality levels determined by the judgment of the group audit team, having regard to the materiality for the Group financial statements as a whole and the reporting structure within the group. Component materiality did not exceed EUR 3 million and is often based on local statutory materiality levels.

We communicated to the Supervisory Board that uncorrected misstatements in excess of EUR 250 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.

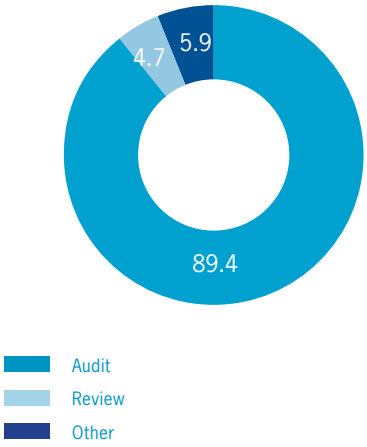
The scope of our group audit

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

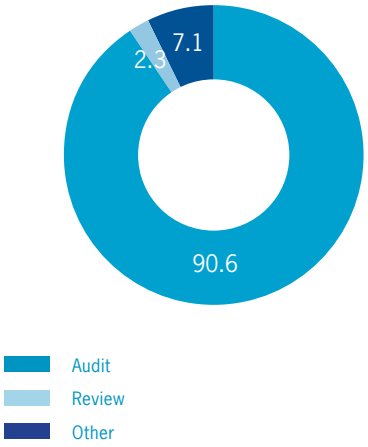
Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for Group entities. Decisive were the size and / or the risk profile of the Group entities or operations. On this basis, we selected Group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Based on these scoping criteria, we selected 27 Group entities, covering 17 countries. This has resulted in the coverage as presented below.

GROUP REVENUE (%)



GROUP ASSETS (%)



The remaining 5.9% of total Group revenue and 7.1% of total Group assets results from a number of Group entities, none of which individually represented more than 2% of total Group revenue or total Group assets respectively. For these remaining Group entities, where considered necessary, we performed analytical procedures amongst other to corroborate our assessment that there are no significant risks of material misstatement within these remaining Group entities. Furthermore, additional procedures were performed on significant risk areas by the Group audit team.

The Group audit team sent detailed instructions to all component auditors, covering the significant areas that should be covered (which included the relevant risks of material misstatement) and set out the information required to be reported back to the Group audit team. The Group audit team visited component locations and/or has held telephone calls with component auditors in Australia, France, Germany, Indonesia, Italy, Sweden, the United Kingdom and The Netherlands. At these visits and calls, the planning, risk assessment, procedures performed, findings and observations reported to the Group audit team were, where considered necessary, reviewed and discussed in more detail, and any further work deemed necessary team was then performed.

By implementing 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Valuation of goodwill and brand names

Goodwill and brand names represent 36% of the total assets. As explained in Note 16 of the financial statements, these intangible are deemed to have an indefinite useful life and are therefore not amortised. Procedures over management's annual impairment test were significant to our audit because the assessment process is complex and imposes estimates. IMCD's goodwill and brand names are allocated to groups of cash generating units (CGUs) in all parts of the world. In 2014 the composition of CGUs was changed as Indonesia, Paceco and Brazil were identified as separate CGUs. The Company uses assumptions in respect of future market- and economic conditions.
We assessed and tested the assumptions, the weighted average cost of capital, methodologies and data used by the Group, for example by comparing them to external data such as the expected inflation rate and external market growth expectations, and by analysing sensitivities in the Company's valuation model.

We assessed that the revised CGU structure is aligned with the new organizational structure. We included in our team a valuation expert to assist us with the audit of management's impairment test. We specifically focused on the sensitivity in the available headroom of the CGUs, where a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We also assessed the historical accuracy of management's estimates. We evaluated the adequacy of the Company's disclosures included in Note 16 about those assumptions to which the outcome of the impairment test is most sensitive.

Valuation of supplier relations, distribution rights and other intangible assets
Supplier rights, distribution rights and other intangible assets represent approximately 24% of the total assets and mainly comprise of supplier relations that were identified as result of previous acquisitions. Supplier relations are amortized over their useful lives. Management has performed an impairment trigger analysis for assessing the valuation of these assets. Furthermore, management has reviewed the remaining useful life for these assets in relation to the amortization period. No impairment triggers or changes to the remaining useful life were identified. We have performed procedures to verify managements' assertions and evaluated the adequacy of the Company's disclosures included in Note 16.

Valuation of deferred income tax asset
The Company recognized deferred tax assets for tax losses carried forward to the extent that it is probable that future taxable profits will be available against which unused tax losses can be utilized. Assessing the future taxable profit is complex and requires significant management estimates, in particular on the assumptions about the expected future market and economic conditions, mainly in The Netherlands.

Our audit procedures included evaluating managements' assumptions and estimates in relation to the likelihood of generating sufficient future taxable profits based on budgets and business plans. We assessed the Company's tax position, the transfer pricing methodology applied and the assumptions used by management. We engaged our audit tax specialists to analyse and challenge the assumptions used to determine tax positions and we corroborated the assumptions used with supporting evidence such as relevant tax legislation, tax memorandums prepared by the Company's tax advisors and correspondence with the tax authorities. Furthermore, we assessed the adequacy of the disclosure in Note 20.

Estimates with respect to the valuation of trade receivables and inventories
Trade receivables balances and inventories are significant to the Company as they represent approximately 32% of the total assets. Assessing the valuation of trade receivables and inventories requires judgment. Component auditors were involved in the audit of trade receivables and inventories. They were instructed to evaluate the valuation taking into account the local facts and circumstances. Component auditors have challenged the assumptions used to calculate the trade receivables and inventories impairment amount. Furthermore, we focused on the adequacy of the Company's disclosures about the trade receivables and inventories impairment in Notes 21 and 22 of the financial statements.

Initial public offering and loans restructuring
As from 27 June 2014, the Company is listed on the Euronext Amsterdam stock exchange. We have performed a number of procedures with regard to initial public offering ('IPO') and the loans restructuring that took place as a result of the IPO. We have vouched the costs associated with the initial public offering ('IPO') by reconciling them with supporting documentation. Similar procedures are performed with regard to the repayment of old loans, the receipt of new loans and capitalised finance costs for both old and new loans. We further evaluated the adequacy of the Company's disclosures included in Notes 11, 24 and 25 of the consolidated 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 Netherlands Civil Code and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands 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 errors or fraud.

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 frameworks 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 errors and fraud.
We have exercised professional judgment 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 errors or fraud, 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 errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Report on other legal and regulatory requirements

Our report on the report of the Management Board and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the report of the Management Board and other information):

- We have no deficiencies to report as a result of our examination whether the report of the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the report of the Management Board, to the extent we can assess, is consistent with the financial statements.

Our engagement

We were appointed for the first time as external auditor of IMCD N.V. in 2011 and operated as external auditor since then. We were re-appointed by the Supervisory Board of the Company on 30 April 2014 as external auditor for the year 2014.

Rotterdam, 10 March 2015
KPMG Accountants N.V.
M. Blöte RA

Six year summary

EUR million	**2014**	2013	2012	2011	2010	2009
Results						
Revenue	1,358.3	1,233.4	1,116.6	1,023.4	852.0	686.6
Year on year revenue growth	10%	10%	9%	20%	24%	
Gross profit	287.6	261.3	237.9	218.0	182.0	146.0
Gross profit in % of revenue	21.2%	21.2%	21.3%	21.3%	21.4%	21.3%
Result from operating activities	82.4	73.4	69.7	48.4	50.1	34.5
Operating EBITDA	112.7	99.0	92.0	86.6	69.1	51.2
Operating EBITA [1]	110.0	96.6	90.2	85.3	68.0	50.1
Year on year Operating EBITA growth	14%	7%	6%	25%	36%	
Operating EBITA margin [2]	8.1%	7.8%	8.1%	8.3%	8.0%	7.3%
Conversion margin [3]	38.2%	37.0%	37.9%	39.1%	37.4%	34.4%
Net result before amortisation / non recurring items	54.3	13.1	(0.7)	6.1	36.2	19.6
Cash flow						
Free cash flow [4]	94.6	80.5	86.5	76.3	56.6	62.7
Cash conversion margin [5]	83.9%	81.3%	94.0%	88.1%	81.9%	122.4%
Balance sheet						
Working capital	170.9	150.7	121.0	105.9	90.4	61.2
Total equity	530.8	(67.1)	(49.7)	(27.9)	60.6	17.4
Net debt	257.8	823.5	724.6	671.6	256.5	256.6
Net debt/EBITDA ratio	2.3	8.3	7.9	7.8	3.7	5.0
Employees						
Number of full time employees end of period	1,512	1,452	1,108	979	937	798
Shares						
Number of shares issued at year end	50,000,000					
Weighted average number of shares	25,118,356					
Earnings per share (weighted)	0.79					
Cash earnings per share [6] (weighted)	1.42					
Proposed dividend per share	0.20					

1 *Result from operating activities before amortization of intangibles and non-recurring items.*

2 *Operating EBITA in percentage of Revenue.*

3 *Operating EBITA in percentage of Gross profit.*

4 *Operating EBITDA plus/less changes in working capital less capital expenditures.*

5 *Free cash flow in percentage of Operating EBITDA.*

6 *Earnings before amortization net of tax.*

Colophon

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Photography
Image bank IMCD N.V.

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