



**#WeAre
Azelis**



Annual Report 2021

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Global footprint

We are trusted by more than 51,000
customers around the world

#WeAreAzelis





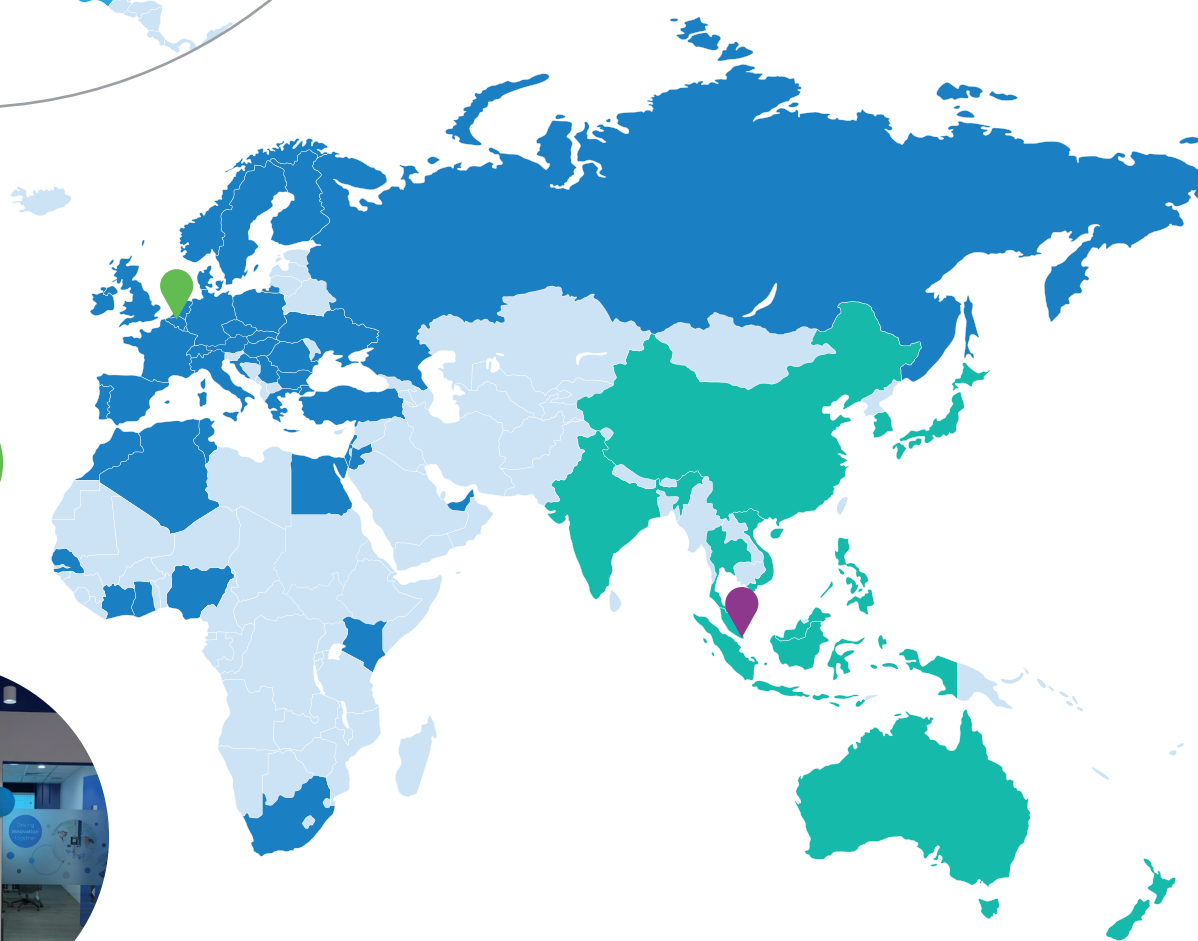
Mexico
Innovation
Center



Belgium
HQ



Singapore
Innovation
Center



Revenue in €M



Employees



Customer-facing
employees



Offices



Laboratories

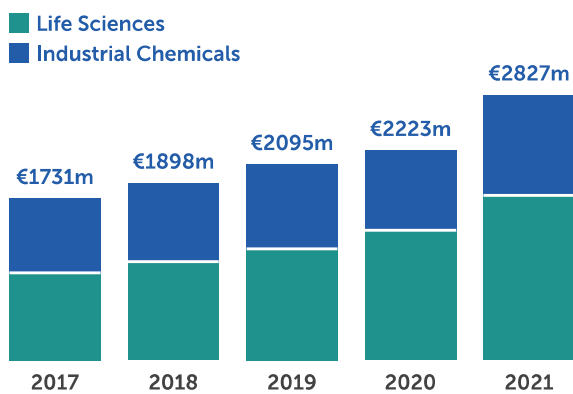
	Revenue in €M	Employees	Customer-facing employees	Offices	Laboratories
EMEA	1,232	1486	1054	50	30+
Americas	1,164	805	508	18	10+
Asia Pacific	431	744	528	33	20+

*Employees does not include Group and Holding FTEs, which is 142

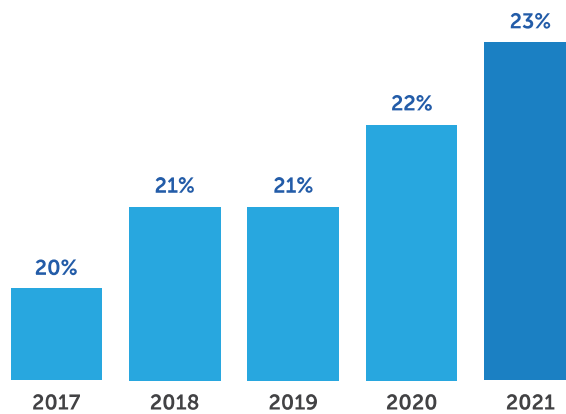
Key figures

We are accelerating our
global growth mission
#WeAreAzelis

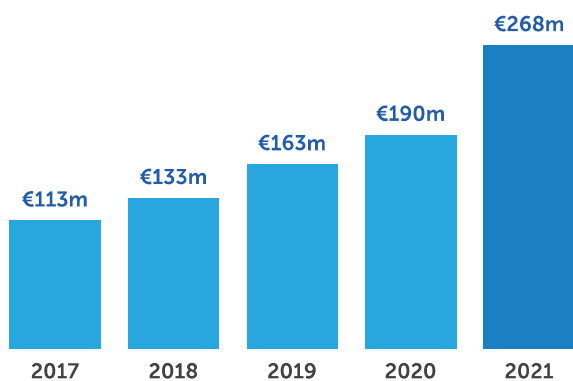




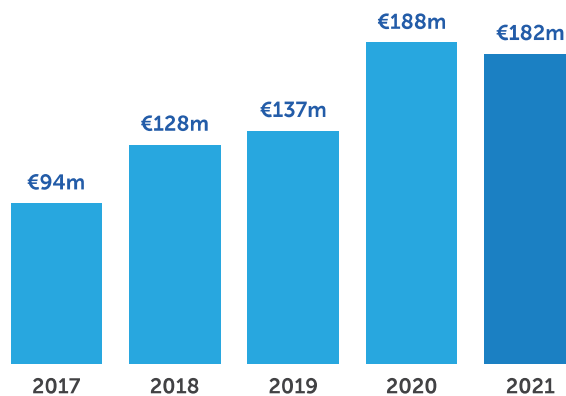
Revenue



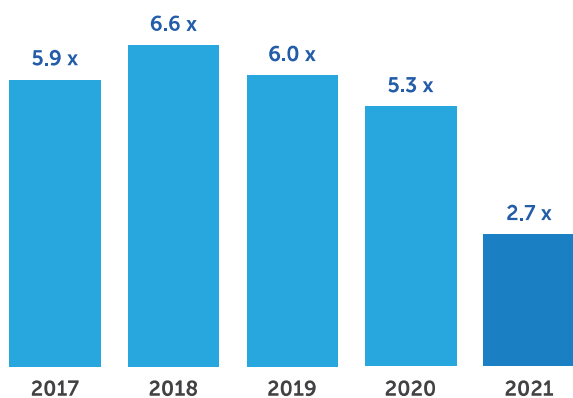
Gross profit margin



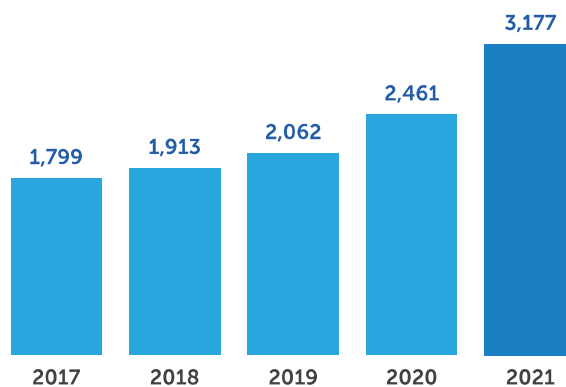
Adjusted EBITA



Free cash flow



Leverage ratio



Employees (FTE's)

Chairman's statement

2021 was a record year of achievements for Azelis. The group delivered revenue growth of 27%, the highest in 5 years. Far from pursuing growth at the expense of profitability, Azelis delivered even faster adjusted EBITA growth of 41%. Moreover, the group closed a record number of acquisitions, continued to win business from principals, and made excellent progress on various strategic initiatives. The execution of a successful IPO of the company's shares on the Euronext Brussels stock exchange added another landmark to Azelis' rich corporate legacy.

These achievements reflect Azelis' asset-light, cash-generative business model. Moreover, the results validate its strategy of pursuing growth centered around its end customers, its principals, and industry consolidation.

On the other hand, the Board of Directors remains vigilant of potential risks to the group. In 2021, Azelis' activities again proved to be resilient despite the Covid-19 pandemic continuing - regardless, new challenges and risks will inevitably emerge.

With the current developments in Ukraine, businesses worldwide again have to deal with an exceptional situation. Even though the group's direct exposure to Russia and Ukraine is low, there is limited visibility on whether this will impact global trade. Furthermore, Azelis operates in diverse end segments across multiple geographies, and results are influenced by factors that are often beyond the group's control. The Board of Directors, therefore, continues to take an active approach to risk management, as reflected in the Enterprise Risk Management (ERM) framework, which is embedded in the group's strategy and operations.

As part of our focus on robust risk management, in 2021, we further enhanced Azelis' compliance framework by moving to a new customized governance risk and compliance platform, which greatly improved our internal process from planning and assessments to reporting. Our risk register was also reviewed and the group identified 41 priority risk areas. Further details on Azelis' ERM system, are set out in section Risk Management of this annual report.



Within the context of the group's endeavor to strengthen its corporate governance and to contribute to its ambitious diversity targets, the Board of Directors was expanded to include Ms. Ipek Özsüer as a non-executive and independent director. With Ms. Özsüer's significant international business experience in IT and digital solutions roles and her extensive knowledge in the digital arena, she will undoubtedly provide valuable supervisory oversight on the group's ambitious initiatives in this respect.

I would be remiss if I would not highlight the group's impressive sustainability credentials. Over the years, EcoVadis' awarded two consecutive gold ratings to Azelis. In 2021, EcoVadis® recognized our continued excellent progress on sustainability initiatives: We obtained their highest ranking, EcoVadis® Platinum. EcoVadis® Platinum demonstrates the group's constant strive for improvement and commitment to its sustainability strategy *Action 2025*, as reflected in the management's remuneration structure, with a 15% weighting on achieving sustainability objectives.

As Azelis embarks on the next leg of its development as a publicly-listed company, the Board of Directors is committed to a sound capital allocation discipline. As such, the Board is proposing a dividend of EUR 0.03, representing a 35% dividend pay-out ratio pro-rated to the period that the company's shares have been admitted to trading.

Finally, my sincere appreciation goes out to all Azelis employees across the globe for their high level of dedication in this extraordinary and eventful 2021. They are the prime asset of the group and instrumental to the current and future success of Azelis.



Antonio Trius, Chair of the Board of Directors



“

I'm humbled by the achievements of the Group over the past 20 years... and also by the spirit of our team.

Whilst there remains considerable uncertainty... I am confident that Azelis will continue to deliver on its objectives.

Dr. Hans Joachim Müller
Group Chief Executive Officer

Letter from the CEO

As I started writing my first letter to our shareholders, I found myself humbled and inspired not only by the achievements of the Group over the past 20 years, but also by the spirit of our team. I am proud and thankful for the dynamic, resilient, and unwavering commitment of all our colleagues to deliver consistently excellent performance for our customers, principals, and all of our stakeholders.

In 2021, we built on the experience from the unprecedented impact of the pandemic in 2020, emerging stronger and fitter than ever to accelerate our growth journey. We also marked our 20th anniversary as a Group in true Azelis style: with multiple achievements.

Azelis 20 years celebration in Turkey



We delivered EUR 2.8bn of total revenues, representing 27% growth year-over-year, we generated more business from our existing operations, and completed a record number of acquisitions.

In 2021, we secured several new principal mandates that further strengthened our lateral value chain and, as a consequence, expanded our market footprint. These mandate wins reflect the trust that our principals give us to grow their business and develop the market for their products, underpinned by the most innovative formulations for customers, supported by our industry-leading digital platform, and guided by our commitment to sustainability.

We successfully completed a record 12 acquisitions. They reinforced our footprint in existing markets and gave us access to strategic new ones. Eight of the acquisitions focused on the growth region of Asia Pacific. For the first time we entered the Philippines with the acquisition of PSSI, a prime distributor of specialty chemicals in the domestic market. We also succeeded in strengthening our network in the rest of the region with acquisitions in Korea, Vietnam, India and China. In May, we expanded into the US food ingredients distribution market by acquiring Vigon, a leading distributor of flavor and fragrance ingredients in the domestic market. The acquisition of Quimdis in France shortly afterward consolidates Azelis' leading footprint in flavor and fragrance ingredients distribution, a highly technical and strategic market for the Group.

Earlier in the year, we launched Action 2025, detailing our priorities and medium-term objectives around the four pillars of our sustainability strategy – people, product and innovation, governance, and the environment. In July, the Group's intense focus on sustainability earned us an EcoVadis® Platinum rating, putting us in the top 1% of all EcoVadis®-assessed companies. At Azelis, we take our commitment to being a sustainability champion in our industry seriously, and we aim to work tirelessly to convert the sustainability aspirations of our principals and customers into innovative sustainable solutions.

In line with our strategy of driving growth through innovation, we continued our investments into our network and technical capabilities. In July, we opened a state-of-the-art innovation center in Mexico City; this innovation center will be home to 5 different application laboratories. We also made further investments in 3 labs in EMEA and 9 across Asia Pacific. These specialized application laboratories allow us to stay at the forefront of innovation for our customers and principals.

We made significant progress towards our objective to have the most cutting-edge digital platform in our industry. At the end of 2021, more than 50 customer portals were live across Agri, Food, Homecare & Industrial, Personal Care and Pharma market segments. That puts us on track to have 125 customer portals live across all our market segments by the end of 2022. We also successfully launched the pilot phase of our principal portal roll-out, further strengthening our value proposition for our suppliers. In addition, we continued to focus on improving our customers' experience with 10 e-Labs now completed in the Personal Care and Food & Health segments, putting us on track to completing 25 e-Labs by the end of 2022. Equally important, our Product Information Management (PIM) system is now fully-deployed across EMEA, APAC and Canada, allowing us to leverage the scale benefits of our global network. Finally, we have implemented a fully cloud-enabled and scalable information technology backbone and are on track to move towards a fully cloud-based IT application landscape.

We are very proud to report that we have received the Coup de Cœur award from the French Society of Cosmetology for our Time Dilution formulation - a water-free, natural-based cream cube. This formulation is one of many innovative formulations that illustrate our commitment to innovation and sustainability. In 2021, the Group also won the Ringier Technology Innovation Award for Food & Beverage in China for its ground-breaking hop-based beverage formulation. These awards are a testimony to our employees' dedication to developing ground-breaking formulations.

I could not reflect on our achievements in the past year without mentioning our successful listing on the Euronext in September. Our IPO, which was significantly over-subscribed, reflects the positive view of our industry, the track record we have built so far, as well as the value upside that our objectives and business model represent. This milestone marks the next chapter of Azelis' journey, allowing us to continue investing in growth and strengthen

our position as the global industry reference in the markets we serve.

Euronext bell ceremony



These accomplishments were all the more noteworthy given the ongoing volatility in the global economy as we find our path out of the Covid-19 pandemic. The resilience and determination of all our colleagues across the Group to deliver outstanding results in the face of uncertainty strengthen my conviction that we will continue to perform well. We will generate value for all our stakeholders over the years to come.

The developments in Russia and Ukraine have raised uncertainty around the world. We are closely monitoring the situation and our priority is the safety of our colleagues in the region. If the situation does not escalate further, I am confident that Azelis will continue to deliver on its annual objective of generating 8-10% revenue growth and 10-15 bps EBITA margin expansion. However, we currently have limited visibility on the wider trade repercussions that may ultimately impact the Group.

2021 has been an eventful year for Azelis, and I am profoundly grateful to all of our colleagues, suppliers, customers, and investors for the commitment and the trust you have given to Azelis. We look forward to working with all of you in rising to the challenges and opportunities in 2022 and beyond.

Yours sincerely,

Dr. Hans Joachim Müller, Chief Executive Officer

2021 Highlights

We are reflecting on a
defining year in our history
#WeAreAzelis



Operational achievements

20 years of formulation - connecting the most discerning customers with the best suppliers to create the most innovative products for consumers. We have built a unique asset around our library of products and formulations, our network of laboratories, our pioneering digital platforms and our people, guided by our commitment to contribute to a better, more sustainable world. From a single-region distributor, we have built an award-winning seamless distribution network active globally.

Further strengthening a robust network of technical and scientific capabilities. In 2021 we commissioned a state-of-the-art innovation center in Mexico to house 5 new laboratories for food, pharma, CARE, CASE, and Plastics. In addition, we opened a new CASE lab in Turkey, and a new Personal Care lab in Egypt. We operate over 60 laboratories across our network, supporting our promise of delivering innovative formulations for our customers.

Lab opening in China



Earning the trust of our suppliers. During the year, we secured multiple mandate wins from our principals to grow their business. This trust propels us to work even harder to create value for our stakeholders.

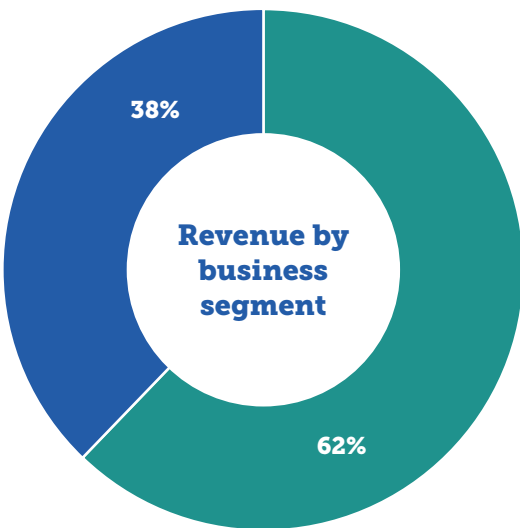
Actively consolidating a growing, fragmented market. We completed 12 strategic acquisitions during the year. We doubled-down on our flavors & fragrances footprint with the acquisition of Vigon in the US, and Quimdis in France. We further reinforced our EMEA network with the acquisition of CAME in Italy and Neupert in Austria. 8 of the 12 acquisitions were in Asia Pacific, underscoring our growth commitment in the region.

Quimdis' site in Grasse, France

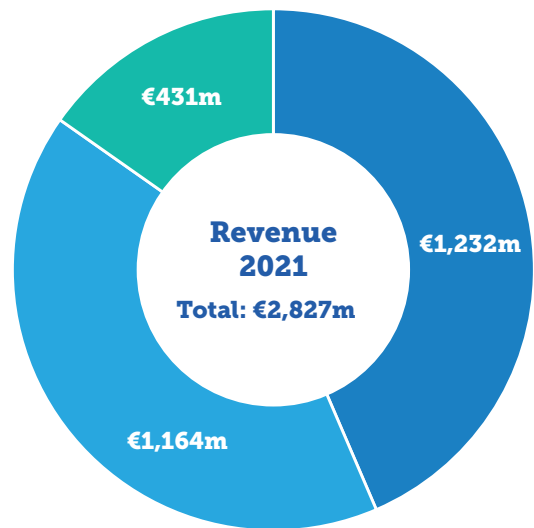


Digital future. In 2021, we launched the pilot phase of our principal portals, and accelerated the roll-out of our digital platforms for our customers and principals. At the end of the year, more than 50 customer portals were live across Agri, Food, Homecare & Industrial, Personal Care, and Pharma market segments. Moreover, we continued to focus on improving our customers' experience with 10 e-Labs now completed in the Personal Care and Food & Health segments.

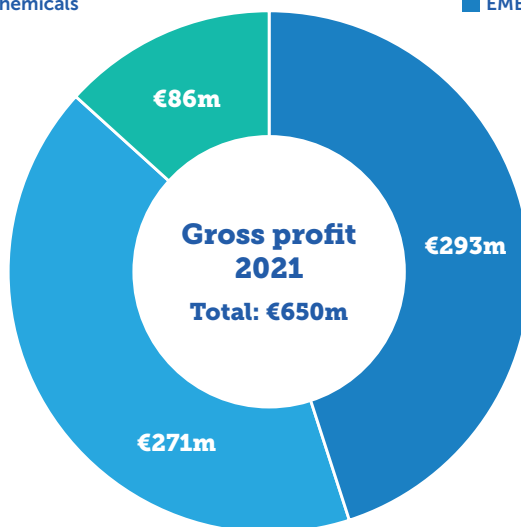
Financial achievements



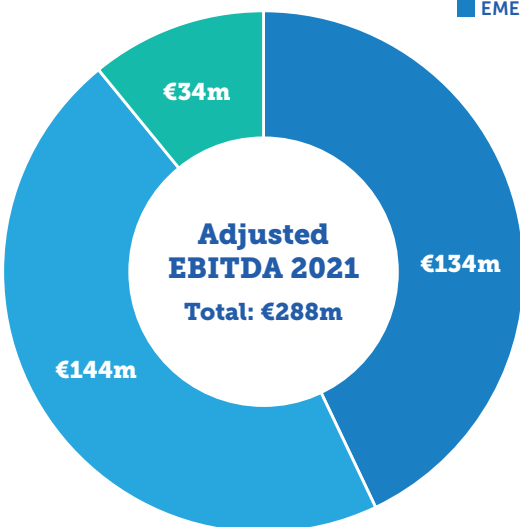
■ Life Sciences ■ Industrial Chemicals



■ EMEA ■ Americas ■ Asia Pacific

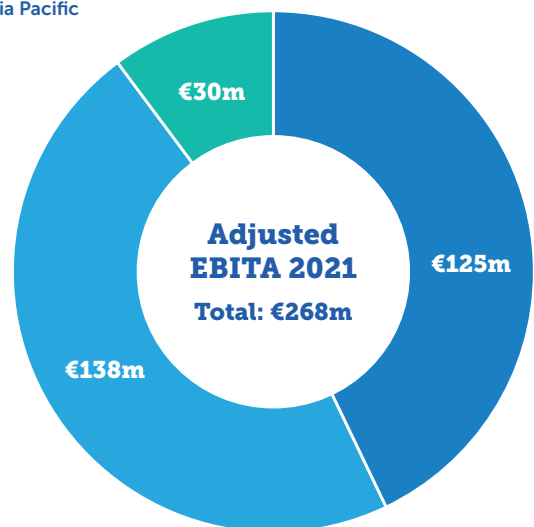


■ EMEA ■ Americas ■ Asia Pacific



■ EMEA ■ Americas ■ Asia Pacific

Holding companies: €-24m



■ EMEA ■ Americas ■ Asia Pacific

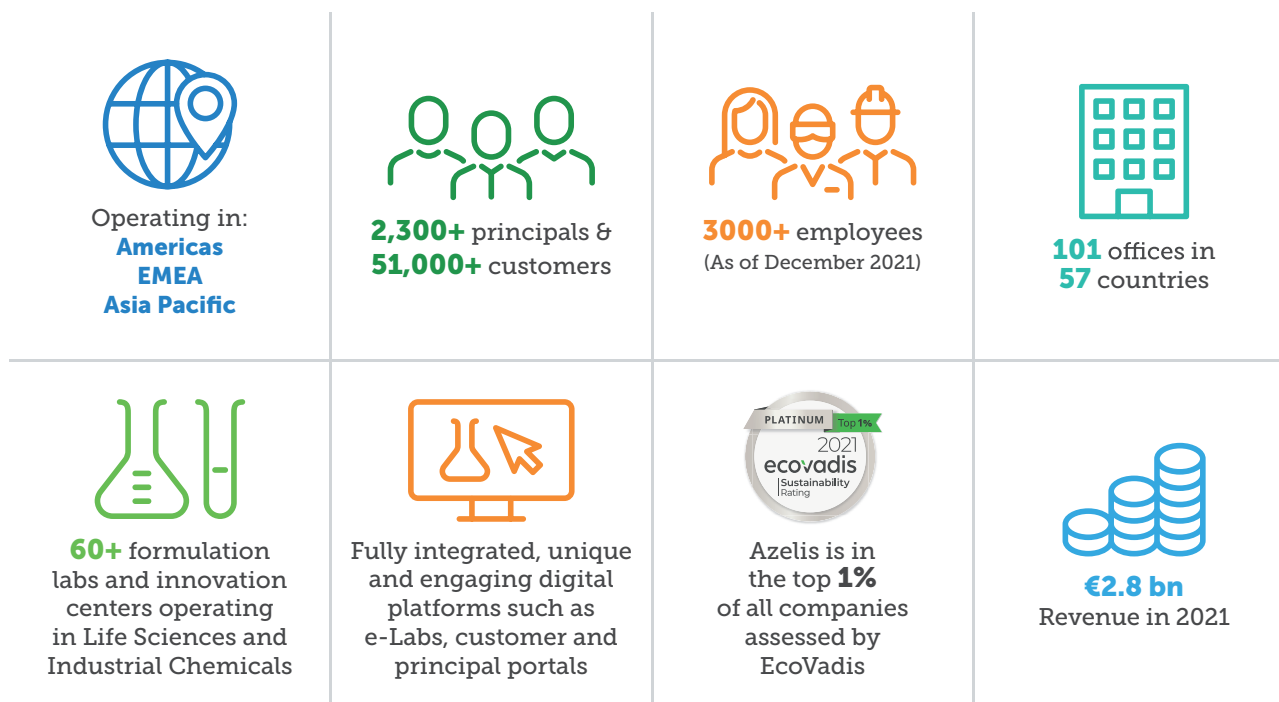
Holding companies: €-25m

Azelis at a glance

We are a leading global
innovation service provider
#WeAreAzelis



Azelis is a leading global innovation service provider for the specialty chemicals and food ingredients industry. We go beyond connecting producers of specialty chemicals and food ingredients (our principals), and the manufacturers of consumer products for the Life Sciences and Industrial Chemicals end markets (our customers). We create value by expanding the market reach for our principals' products through our technical expertise, which allows us to combine products from different principals and develop innovative formulations. Our customers appreciate the one-stop-shop opportunities and these innovative formulations which support the continued growth of their businesses.



Our value creation proposition is powered by our continually expanding lateral value chain, a comprehensive library of chemistries required to develop formulations within a specific end-market, exclusively sourced from a vast list of principal partners, and formulation expertise for a wide range of applications across market segments and geographies. Our focus on innovation is supported by a growing network of laboratories, each specialized in a market segment to serve a region. We take innovation even further with an industry-leading digital platform that connects our stakeholders to the Azelis ecosystem of chemistry, formulations, market insights, regulatory documentation, and other services.

Our strategy of 'Innovation through formulation' has created value for our stakeholders over the years, delivering average annual revenue growth of 13.1%¹ and generating 59.2%² return on investments per year on average.

At Azelis, our single greatest asset is our people. We have a shared value system that is reflected in our commitment to sustainability. We are EcoVadis® Platinum-rated and our *Action 2025* sustainability strategy details our objective to become the industry reference distributor of sustainable solutions and services.

#WeAreAzelis

¹ 2017-2021 revenue CAGR

² 2017-2021 Average Return on tangible invested capital (ROTIC)

History

We are proud of the history
we're creating together
#WeAreAzelis



Azelis timeline

2001-2021

Our heritage
can be traced
back to the
formation of
Chance & Hunt
in 1898

2001-2014

Start-up

2001

Azelis was created through the merger of Novorchem and Arnaud to create a truly chemistry-driven specialty distribution platform, as envisioned by Azelis' founder, Dr. Hans Udo Wenzel.

2011

Acquisition of several distributors across **Europe** to gain critical mass.

2012

Launch of strategy focused on the lateral value chain.

2014

Portfolio management – strengthening of specialty offering and rationalization of non-core businesses.

Investments in IT and laboratory network.

2015-2019

Build-up

2015

Expansion into **North America** with the acquisition of Koda in the US.

Acceleration of growth with principals and strengthening of the lateral value chain.

Intensification of investments in global laboratory network.

Commitment to sustainability; creation of CSR program.

2016

Acceleration of **Asia Pacific** expansion strategy; creation of regional hub in Singapore.

Group sales reach €1 billion.

2018

Start of digital efforts with e-Lab Americas.

2019

Innovation through formulation – launch of company tagline reiterating focus on innovation.

Commitment to sustainability: Azelis obtains EcoVadis Gold rating.

2020-2021

Scale-up

2020

Continued global expansion to strengthen scale and profitability of the Group.

Reinforced global innovation strategy with the creation of the Azelis global lab community.

Launch of **e-Lab, customer and principal portals**; acceleration of digital strategy to be the leading digital services and insights provider.

Commitment to sustainability: Launch of **Action 2025**; Together for Sustainability membership, publication of first Sustainability Report.

2021

Strengthening of the lateral value chain: acquisition of Vigon (US) and Quimdis (FR) to provide compelling offer in Flavors & Fragrances.

20 years of formulating ground-breaking and innovative solutions together with our stakeholders.

Investing in innovation with 60+ labs world-wide, operating in 57 countries, and across 10 market segments.

Intensification of **global expansion strategy** with a total of 12 acquisitions across Americas, EMEA and Asia Pacific in 2021.

Commitment to sustainability: Azelis obtains **EcoVadis Platinum rating**.

Azelis lists on Euronext Brussels.

Azelis was created in 2001 through the merger of Novorchem in Italy and Arnaud in France, establishing the foundation for an international distribution network, as envisioned by Dr. Hans Udo Wenzel, the founder of Novorchem. However, the roots of Azelis actually can be traced back to 1898, with the formation of Chance and Hunt, a chemical distributor in the UK, which became part of Azelis in 2002.

In the decade following its creation, Azelis developed a strong regional network through the acquisition of several distributors across Europe, all with the same shared focus on laboratory-based formulations.

In 2012, the appointment of current Chief Executive Dr. Hans Joachim Müller crystalized the Group's long-term strategy of creating a truly science-driven distribution platform centered around the lateral value chain, providing the blueprint that would drive the Group's international expansion. Over the next couple of years, the Group established its footprint in Asia-Pacific, opened offices in China and Japan and entered North America in 2015 by acquiring Koda, a leading specialty chemicals distributor in the US and Canada.

Between 2015 and 2019, Azelis pursued intense growth investments in its three key regions – EMEA, the Americas, and Asia-Pacific – by strengthening the Group's lateral value chain, expanding relationships with strategic principals, developing its market and geographic footprint, and building a global laboratory network to produce the most innovative solutions for customers across the Life Sciences and Industrial Chemicals markets around the world. During this period, Azelis also intensified its investments to build an industry-leading IT and digital backbone that would support the Group's mission to be the reference innovation service provider for the specialty chemicals and food ingredients industry. During this time, Azelis also launched its Corporate and Social Responsibility (CSR) program, the pre-cursor to its current sustainability agenda, underscoring the Group's commitment to the industry's efforts to contribute to a better world.

In 2019, we launched our company tagline, *Innovation through formulation*, leveraging our lateral value chain, and reiterating our focus on creating value for our customers, principals, and all our stakeholders through our technical expertise.

Since 2020, the Group has accelerated its investments to expand its global footprint and strengthen its network to serve its customers and principals. We reinforced our global innovation strategy by creating the Azelis global lab and innovation community (GLIC) team. We also started the roll-out of the e-Lab, and customer and principal portals, highlighting the strength of our digital value proposition. In 2020, we also launched our sustainability agenda, *Action 2025*, and became members of Together for Sustainability®, TFS, highlighting our commitment to being an instrument for good.

In 2021, we proudly celebrated our 20th anniversary with multiple milestones: We established a leading distribution platform in the flavors and fragrances end-market with the acquisition of Vigon in the US and Quimdis in France. In addition, we completed another ten acquisitions during the year to strengthen our global footprint, winning two major industry innovation awards, obtaining an EcoVadis® Platinum rating, and becoming a publicly-listed company. In our 20th year, we are more excited and committed to our mission than ever. **#WeAreAzelis**

Who we are

We are passionate about
the power of innovation
#WeAreAzelis



Who we are

We are a leading global innovation service provider in the specialty chemicals and food ingredients industry. We innovate through formulation to create value for our principals and customers, allowing them to benefit from the breadth of our technical expertise, the strength of our lateral value chain, and the depth of our strategic alliances. We provide innovative and sustainable formulations to over 51,000 customers, and market insights and channels to grow the market for products of more than 2,300 principals. Our activities are supported by industry-leading digital capabilities powered by a robust IT infrastructure. Our mission is guided by our commitment to sustainability and contributing to a better world.

Driving innovation together

We have more than 60 application laboratories worldwide, delivering a wide range of very relevant services for customers, including the development of new formulations or enhancement of existing ones, as well as benchmarking of product performance.

Our lateral value chain and our broader network capabilities provide customers with constant innovative formulations, while our digital platforms (customer portals, e-lab) provide them access to our network capabilities in real-time, reducing time to market. Our innovative tools and formulations expand the market for our principals' products and empower them with valuable insights on emerging market trends that inform their R&D and contribute to shaping products for the future.

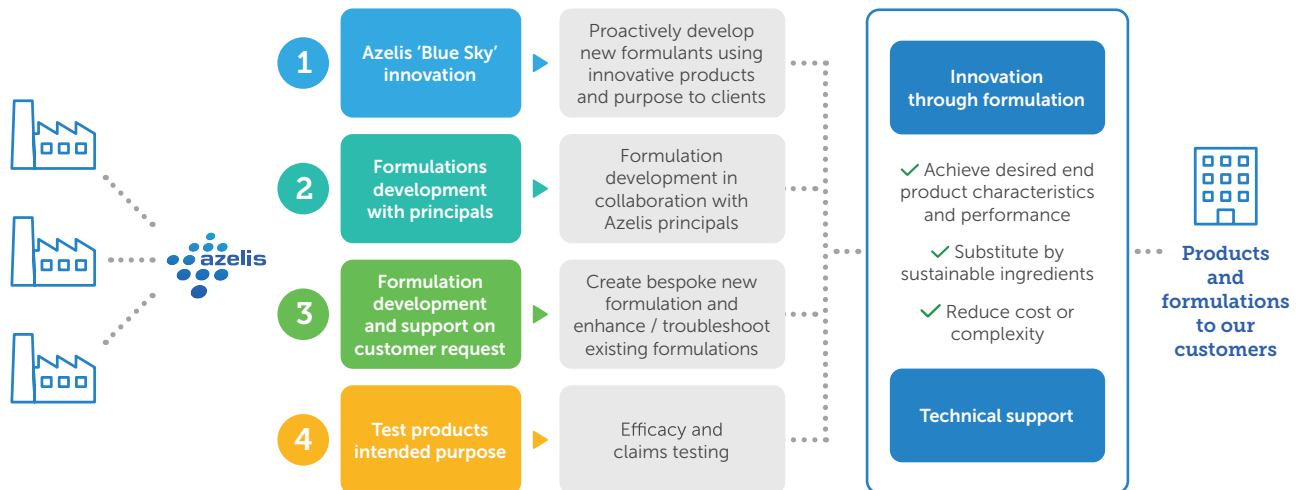


Innovation through formulation – our unique proposition

Combining products from multiple principals...

... Azelis leverages its labs to create and enhance both new and existing formulations...

... to support customers throughout the product development process until commercial launch.



Taking action together

Sustainability is a critical part of our value proposition, our identity, and our business model. In 2021, Azelis launched *Action 2025*, the Group's sustainability strategy. *Action 2025* reinforces our commitment to become the world's leading provider of sustainable solutions and services for the specialty chemicals and food ingredients distribution industry. At Azelis, we play a significant role in helping our suppliers and customers achieve their sustainability objectives. Selecting from the broad portfolio of products that we distribute, we identify sustainable products and develop formulations that enable our customers to launch more environmentally-friendly products. We will continue to assess the sustainability protocols of our suppliers and help them develop their own sustainability practices, improve sustainability standards across the value chain, and enhance the reputation of the chemical industry.

Taking action together

Vision: Become the world-leading distributor of sustainable solutions and services in the specialty chemicals distribution industry.

Mission: Fulfill our role as a specialty chemical service provider by converting the sustainability aspirations of our principals and customers into innovative sustainable solutions.



People

We will be recognized as a global employer of choice for our industry.



Products and innovation

We will be the leader in distribution of sustainable, innovative and safe chemicals.



Governance

We will be fair in business practices and compliant with all laws and regulations, embedding trust and ethics in the foundation of our operations.



Environment

We will continually reduce the environmental impact of our operations.

Building connections together

With digitalization as one of the top strategic pillars at Azelis, we aim to deliver engaging and personalized digital experiences to both our customers and principals. For our principals, we have developed seamless API (application programming interface) connectivity that automates the real-time flow of information, reducing the complexity of ensuring that all relevant technical, commercial, and regulatory information about their products is up to date and accessible. For our customers, we have created end-to-end digital services that include customer portals and the e-Lab. The customer portals offer our customers easy access to the latest trends, high-quality information on products and formulations, regulatory documentation and easy access to relevant Azelis teams.

The Azelis e-Lab is a digital platform that allows customers to create, enhance or fix formulations at their convenience. The e-lab provides all the necessary tools to create a detailed briefing of the customer's project, with immediate formulation and product recommendations. The platform gives instant access to our global network of technical experts, offering a faster and easier path towards innovative formulation, and with this, reducing time to market for their products.

Through our principal portals, we provide transparency, key statistics, and relevant market insights to our principals. In addition to a real-time view of sales performance and opportunities, we give our principals concrete insights into the application of their products, as well as emerging market trends that could inform their R&D programs.

Digital service platforms

 Customer portal Inspire, discover, create	 The e-Lab Create, enhance, fix	 Principal portal Inspire, analyze, collaborate
• Accessible anytime, anywhere	1. The brief We provide the customer with all the necessary tools to create a detailed briefing	• Full transparency
• From inspiration to product	2. Formulate Our teams will find the tailor-made solution that the customer needs	• Flexible self-serve reporting
• Reduced time to market	3. Technical advice Immediate formulations and product recommendations	• Customer base insights
• Local and reachable	4. Stay connected Our teams are available at any time via live chat	• From global to specific analysis
• Access to Azelis expertise	5. Your formulation	• Efficient collaboration

Our people

Our people are our single most important asset and the force behind our success. Across the 71 nationalities who work at Azelis, all of our 3,000 employees share the same values of being respectful, focused, knowledgeable, and entrepreneurial.

We aspire to foster an environment where talent is developed, ownership of responsibility is encouraged, autonomy is supported, and entrepreneurship is enabled. We believe this environment is conducive to developing talent and fulfilling an individual's potential.

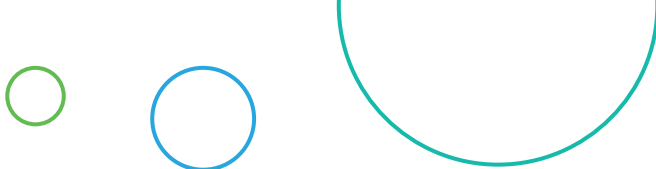
To ensure that we keep up with the pace of talent development, we continuously invest in tools that allow us to track not only performance, but also our employees' development and overall satisfaction. In 2021 we accelerated the deployment of Workday®, Azelis' Human Capital Management system, with two new functionalities: talent pool assignment and succession planning. These complete and integrate the annual performance and talent review process, allowing us to systematically track and manage performance and focus on career planning and development of our people.

We also actively encourage mobility within the Group; this promotes collaboration and encourages our colleagues to learn about different aspects of our business in different countries and grow into well-rounded leaders.



How we develop talent and expertise

At Azelis, we position ourselves towards potential candidates and current employees by offering competitive and externally-benchmarked remuneration and benefits, excellent working conditions, and rewarding development and career opportunities. Our continued focus on improving working conditions helps us



attract and retain talent. The same holds for our ever-increasing investments in training and development. At the same time, our rapid growth enables us to offer a significant number of attractive career opportunities, prioritizing existing internal talent to fill open positions.

At Azelis, we foster and develop a robust talent pipeline and have a straightforward system to identify high potentials and assign them to the appropriate talent pools. The performance and talent review process and talent pools are seamlessly linked with succession planning, thereby providing a process to fill management roles across the whole group with internal candidates.

Performance culture, accountability and supporting development of colleagues

Azelis' yearly performance and talent review process works to improve employee performance, professional skills, and functional competencies, and ensure the development of all our employees. The culture of performance is enhanced across the organization. We track performance expectations and monitor accountability, and we have introduced multiple calibration steps to review and validate the performance ratings.

High awareness and compliance with health and safety rules

A healthy and safe work environment is of utmost priority. With the implementation of sound SHEQ policies and processes (including quality control and audit plans) and a safety culture that protects human health and prevents safety hazards, accidents, quality complaints, business disruption, reputational damage, and higher costs, we've put every step into place to ensure the well-being of employees.

Surveying our employees' satisfaction

The engagement and well-being of our employees are fundamental to the success of Azelis. Since 2014, we have collaborated with an independent provider to run a company-wide Employee Satisfaction Survey (ESS) every two years. This survey allows us to assess the engagement, loyalty, and motivation of our employees while at the same time guaranteeing employee confidentiality and anonymity. The ultimate purpose of this survey is to put in place employee-driven improvement initiatives in all local Azelis companies and to measure the progress we are making towards our targets. We want to ensure that all our employees are motivated and consider Azelis to be the best place to work to realize their long-term professional ambitions.

An adapted, extensive training program

As a knowledge-based company, developing an inclusive learning culture is a prime success factor for Azelis. We are committed to training and developing employees to their full potential. We encourage and empower our employees to take ownership of their development, and we ensure that there are appropriate procedures to plan, deliver and evaluate our training and development activities.

Supporting diversity and inclusion

The diversity of our employees creates significant value and additional competitive advantage for our business. Diversity does not only apply to gender, it is also relevant to culture, age, sexual orientation, physical impairments, work experience, and more. We are convinced that diverse companies are better at attracting talent, have a better customer orientation, higher employee satisfaction, and enhanced decision-making processes. Ultimately, a diverse company will also perform better financially. Moreover, studies have shown that companies with high diversity perform better financially³. Azelis' senior management team is currently comprised of 24% women, and our objective is to raise this to 30% as part of Action 2025 sustainability strategy.

³ How diversity, equity, and inclusion (DE&I) matter | McKinsey

Our values

Our purpose inspires us. Our growth drivers power us forward. But it is our values that define who we are and what we stand for. On our journey towards a more sustainable and innovative future, our values are embedded into everything we do and each step we take.

We are entrepreneurial. Embracing a culture of ambition and innovation that empowers our people, ensuring they can explore different ways of thinking for our customers and principals.

We are respectful. Balancing hunger with humility as we strive to become a benchmark for sustainability, dedicating our professional lives to the future of our customers, our principals, and our planet.

We are focused. We deliver unrivaled service and build trusted partnerships by providing uniquely tailored solutions in response to deep local knowledge and emerging market trends.

We are knowledgeable. Collaborating with principals, colleagues, and customers to blend ideas and expertise that deliver market-leading solutions that will improve people's lives globally.



What we do

We are connectors,
creators, and formulators
#WeAreAzelis



What we do

High value-add model with innovation and technical services at the core

	High value-added distribution					
	Warehouse / Logistics	Formulation	Value-added services	Technical support	Sales / Pricing	Marketing / Business Dev
Basic resell distributor	✓				✓	✓
Technical sales distributor	✓		✓	✓	✓	✓
	✓ Outsourced but fully controlled	✓ Innovation services	✓ Regulatory support	✓ Product and application knowledge	✓ Integration with customers	✓ Strategic growth partner

As a global innovation service provider, Azelis provides solutions to a wide range of customers. We connect producers of specialty chemicals and food ingredients (our principals), and the manufacturers of consumer products for the Life Sciences and Industrial Chemicals end-markets (our customers). We create value by expanding the market for our principals' products through our expertise in sales, marketing, distribution, and formulation, generally widening the application for their products, while providing customers with a one-stop-shop for products from different principals as well as the most innovative formulations for the Life Sciences and Industrial Chemicals end-markets.

We create value for our customers and principals by leveraging our lateral value chain, a comprehensive library of chemistries required to develop formulations within a specific end-market, exclusively sourced from our vast list of principal partners, supported by a growing network of laboratories, each specialized in a market segment. We continue to invest in industry-leading digital platforms that connect our stakeholders to the Azelis ecosystem of chemistry, formulations, market insights, regulatory documentation, and other services.

As sustainability champions in our industry, we are deeply committed to continuously raising the bar within Azelis. Equally important, we help advance the sustainability agenda of both our customers and our principals by systematically proposing sustainable alternatives within formulations.

The markets we serve

We are dynamic, resilient,
and unwavering in our focus
#WeAreAzelis



The markets we serve

Specialty Chemicals and Food Ingredients Distribution Market

The market for third-party chemicals distribution was estimated at over EUR 271bn as of the end of 2019. Roughly 43% of this market (ca. EUR 117bn) is in specialty chemicals, which grew 4%-5% in the prior five years (Boston Consulting Group, ***Innovative Chemical Distributors Gain a Digital Edge***, July 2020). This market is split across multiple sectors and market segments, addressed predominately by small, local distributors, with only a handful of regional and global players.

Ever-increasing consumer demand raises the need for innovation to drive increased performance of existing products or create new ones, which in turn drives demand for our formulations and the products in our portfolio. The megatrends driving the end markets (increased food production, shift to green or sustainable alternatives, increasing focus on wellness) also raise the complexity of serving customers as regulations tighten and supply chains widen.

Azelis reduces this complexity by leveraging our lateral value chain, our technical expertise, and our global network of laboratories to provide innovative formulations that use multiple products and ingredients from different principals to address a customer's need, thereby expanding the market for our principals' products. Our intermediation gives us ring-side seats to emerging consumer market trends, as well as product development pipeline of principals. The value we bring as intermediary lies in our ability to generate the most innovative formulations that address our customers' needs and generate a market pull for our principals' products. Our innovation capabilities are centered around our lateral value chain, supported by our technically trained sales organization, a network of application laboratories, industry-leading digital platforms, and guided by best-in-class sustainability agenda.

In response to the rising market complexity, principals are increasingly seeking new capabilities that have the scale and the ability to serve customers with innovation capabilities, invest in digital tools and platforms, and address the increasing regulatory burden. Principals who have ambitious sustainability commitments also look for partners who share their values and have demonstrated willingness and ability to advance their sustainability agenda.

Our business segments

We serve a diverse customer base that produces for millions of consumers or businesses across multiple sectors. Our formulations are used for different applications, from food production to car manufacturing. We have organized our business along with the end market segments we address, described in the tables below.

Life Sciences

Market	Categories		Market characteristics
 Food and Health	- Bakery - Dairy and non-dairy - Nutrition human - Nutrition animal - Confectionary	- Beverages (powdered/liquid) - Savory (ready meals, soups, sauces and snacks)	- Increased focus on health regulations - Increasing demand for plant-based food - Increased consumer demand for taste, health and sustainability (healthy indulgence/dairy and meat alternatives)
 Personal Care	- Hair care - Skin care - Oral care - Bath and shower	- Sun care - Decorative cosmetics - Fragrance and ingredients	- Personal Care market moving quickly to higher degree of sustainability - Natural ingredients and conscious beauty (e.g. vegan) on the rise - Smaller independent brands drive innovation
 Specialty Agri / Horti	- Crop protection - Fertilizers - Forestry - Vegetation mgt - Aquatic - Weed control	- Seed coating - Vector control - Fertilizer and biostimulants - Fertilizer efficacy enhancers	- Very technical industry - Need for formulation work - Focus on performance, health and environmental benefits
 Pharma	- Pharmaceutical excipients - APIs - Medical devices - Nutraceutical actives and excipients	- Veterinary medicine - Wound care - Biologicals and process aids	- Highly regulated - Products require iterations of development, testing and approvals - NPD protected by long patent period to justify the investment. - Generics market growing faster than Branded NPD
 Home Care and Industrial Cleaning	- Air care - Automotive - Fragrances - Cleaning	- Disinfection - Laundry - Animal care - Surface maintenance	- Increased regulatory triggers new developments - Strong focus on sustainability but market cost sensitive - Biodegradability and renewable feedstocks important - Trend for concentrates, refills and returnable packaging - Fragmented
 Animal Nutrition	- Monogastric - Ruminant - Pet - Aqua	- Equine - Feed hygiene - Feed preservation - Biosecurity	- Focused on sustainable food production - Reduction of reliance on antibiotics - Market driven by multinationals and local champions - Regulated product and companies



Food and Health

Bringing oat milk mainstream

Challenge: As plant-based food and beverage markets become more and more mainstream, consumers are asking for more variety at their table, adopting sustainable food solutions, and are becoming more conscious about their impact on the planet. In one country with a high use of cow and buffalo milk, an Azelis customer wanted to enter into the oat-milk market, and turned to our team for support in developing the product.

Solution: The major challenges in oat milk processing are to control the viscosity, eliminate the slimy mouthfeel, and to deliver desired viscosity and sweetness. To develop this sustainable formulation, our team used a combination of enzymes from our portfolio, creating an oat milk without any added sugar. The lab team used a combination of starch-degrading enzymes and went through multiple trials of different mixtures of fungal and bacterial amylase. To add to the nutritional profile, various calcium salts were also added. After optimizing the recipe to obtain the right sweetness, consistency and mouthfeel, the team organized a sensory evaluation with panelists eager to try this non-dairy alternative. In the end, our recipe helped the customer become one of the first manufacturers of oat milk in the country!

#WeAreAzelis – we help our customers break new ground!



Personal Care

A cleaner mouthwash

Challenge: The dedicated Azelis laboratories have perfected many award-winning Personal Care formulations, and always look for synergies between product lines. In one case, the team developed numerous formulations using gellan gum across segments such as skin care, body care and color cosmetics – both in liquid and solid form. Looking for other innovative areas of application, the lab team studied the ingredients of oral care products and had an idea.

Solution: Generally, mouthwash is made up of a combination of water, color agents, preservatives, fragrance, surfactants, and an anti-bacterial agent, such as alcohol, to help fragrance dissolve. Knowing that alcohol and surfactants can irritate mouth mucosa, our lab team came up with an innovative, sustainable mouthwash. This newly formulated mouthwash had no alcohol, fragrance or chemical sterilant, and included the sustainable ingredient gellan gum, produced by the fermentation of plant materials. The gellan gum lets the formulation keep a fresh mouth feeling, by giving its viscosity shear-thinning properties for pleasant swishing. After testing the pH, thermostability, freeze stability and even trying the (very fresh) mouth feeling in the lab, the lab team found that by using gellan gum and essential oils they were able to formulate a clean mouthwash with health functionalities, a pleasant smell, and various benefits dependent upon essential oil used.

#WeAreAzelis – we deliver healthier, innovative formulations!



Specialty Agri / Horti

Demand for green & environmentally friendly solvents

Challenge: In light of increasing global concern for environmental safety, an Azelis customer approached our Agri/Horti team with a problem. The customer was looking to replace environmentally harmful solvents and petroleum derivatives in existing formulations with less harmful solvents, while still maintaining top product performance and a stable emulsion, so it can easily be sprayed. At surface level, switching out a few products could seem simple – however changing to different, less harmful solvents also requires changing the surfactant and coformulant package as well.

Solution: Our Agri/Horti laboratory is constantly experimenting with new products and had been formulating with a variety of environmentally friendly solvents. With several possibilities on hand, the team used their experience, wide range of knowledge of interactions between solvents and active ingredients, and many tests to determine stability and efficacy. Within only two weeks, the Azelis lab team was able to find a complete new set of solvents, surfactants and coformulants that provided the same performance and price level, without harming the environment. In addition to a happy customer, the lateral value chain was used, with existing Azelis suppliers providing the green solvent used in the new sustainable formulation.

#WeAreAzelis – we innovate for our customers and the planet!



Pharma

The fight against Covid-19

Challenge: At the onset of the pandemic, pharma companies from around the world were called on to develop treatments to fight Covid-19. In one market, our Pharma team had two different customer requests come in with an urgent desire for Covid-19 pill formulations. Normally, in this market the regulatory phases take a minimum of 2 years, if everything goes smoothly, and during this time many businesses and offices were working remotely.

Solution: Giving priority to the identified public health risk and well-being, our Azelis formulators opened the application lab in the midst of the pandemic, and quickly got to work. For the first customer, our lab formulated a film coating based on nine different ingredients, and a tenth as a binder. With extensive experience of successful projects together, the first customer knew they wanted to work with the Azelis team on this project. The customer made the API synthesis themselves, the coating material was quickly manufactured, and we completed several lab trials in our application lab – all proving successful. For the second customer, the team demonstrated the suitability of one ingredient as a binder and a second as a disintegrant for the core tablet. Our team made the first mixtures, and these results were demonstrated in tablet pressing trials both in Azelis' lab and with the customer. Within two months both projects went from being in the Azelis application lab to being pills used in treatment protocols recommended by the government. The team not only leveraged Azelis' lateral value chain, but also worked proudly committing to the UN Sustainable Development Goal number 3 (Good Health & Wellbeing).

#WeAreAzelis – we stand with the world to combat the pandemic!

A close-up photograph of a hand using a yellow sponge to wash a car's alloy wheel. The wheel and the hand are covered in thick white soap foam. The background is dark and out of focus.

Home Care and Industrial Cleaning

Keeping your car nice and clean

Challenge: When it comes to car care, consumers want to be sure they have a full set of quality cleaning products to brush up their car from top to bottom. With the current and most common products in the market, like the hydrophobic rinse, even after a good cleaning, your car is still left with watermarks. To widely share our technical strength and knowledge in the auto care market, the Home Care & Industrial Cleaning team proactively saw that customers would benefit from seeing the formulations achievable using Azelis ingredients and formulation know-how.

Solution: With the latest trends on hand, like the popular snow foam, our team developed seven formulations for cleaning, polishing and waxing vehicles. After competitive benchmarking, numerous testing rounds (with lots of use of the pressure washer), and many clean cars, the kit was created. This included an innovative rinse aid based on a hydrophilic polymer, preventing water marks from being left behind, a clear wax leather cleaner and a plastic cleaner – both using biodegradable solvents and outperforming industry benchmark standards, and an ecological heavy-duty degreaser with a unique green solvent degreasing the most difficult surfaces. The kit also included a snow foam formulation – an impressive foam coating sprayed onto your car that leaves it clean in minutes, along with a cold process polish. The cold process polish allows Azelis customers to make the formula without heat, creating a more accessible formulation. Utilizing the lateral value chain, these novel and sustainable solutions help Azelis Home Care ingredient suppliers become the suppliers of choice for formulations.

#WeAreAzelis – we enable our principals to become a supplier of choice!



Animal Nutrition

Bringing safer feed to the market

Challenge: In many countries, the use of antibiotics in livestock feed has been either restricted or banned. Antibiotics are used as medicine but should not be used preventively in feed. However, some markets have not adopted these legislations, and still see the cost benefits through the prevention of diseases and are reluctant to switch to safer, more sustainable feeds.

Solution: Staying up to date on market trends, the Azelis Animal Nutrition team saw the need for innovation and to bring safer and more sustainable products to their customers – even in countries without these legislations. Our team brought forth a probiotic feed as a replacement for antibiotic use in the poultry industry, and has been working hard alongside customers, nutritionists and consultants, in order to ensure the safest and most beneficial feeds are being manufactured. The team was able to convert many customers to probiotics during the winter season, which is the most challenging time, as the worry of disease is highest. While the use of probiotics and this 'new thinking' can be a challenge for customers, our Animal Nutrition team is helping throughout the entire journey, testing raw material content, providing technological support on machinery to help with new implementation, and more. With the continued trust from Azelis customers, the Animal Nutrition team is confident in bringing these safe, new technologies and innovations to the market.

#WeAreAzelis – we innovate to help you comply with emerging regulations!

Industrial Chemicals

Market	Application categories		Market characteristics
 CASE	- Coatings (Paints and Varnishes) - Adhesives and sealants - Elastomers	- Inks - Building and construction	- Price-driven end-markets and niche, specialty subsegments with product properties and features allowing differentiation and sophistication through formulation enhancements - Gradual to slow, yet consistent trend supporting more sustainable offerings (water-based formulations and biobased feeds/green products)
 Rubber and Plastic Additives	- Rubber - Plastic additives	- Flooring - Wire and cables	- Governed by regulations - Green innovation (carbon footprint reduction, biodegradable plastics) - Automotive trends to improved life-cycle, weight and cost efficiency - Increased use of recycling and recycled materials - Change in material requirements due to electrification of cars
 Lubricants and Metalworking Fluids	- Additives - Base oils - Thickeners - Amines	- Packages for automotive and industrial lubricants - Additives and components: AW/EP, VII, PPD, antioxidants, defoamers,... - Synthetics base oils - Surfactants and emulsifiers	- Very technical industry - Large exposure to automotive and industrial manufacturing - Innovation driven by emissions and efficiency regulations
 Electronics	- High-purity metals - Equipment and tooling	- Precursors for chemical deposition - High-purity substrates - SN100C® lead-free alloys for assembling industry	- Focus on increasing performance - Fragmented and regionally organized - Very technical industries, requiring product and service specialists
 Essential and Fine Chemicals	- Chemical synthesis - De-icing	Process aids	
 Textiles, Leather and Paper	Pulp and paper production	Textile and leather production	



CASE

Longer product life at a lower cost

Challenge: Titanium dioxide (TiO_2) is an expensive, but critical ingredient used in coating or ink formulations. The high reflective index in TiO_2 allows a coating to reflect incoming light, hiding the visual appearance of a substrate, and is measured by opacity. A 100% opacity measurement would mean the perfect hiding power of a coating. An Azelis principal approached our CASE application laboratory to help solve issues with viscosity and opacity with their TiO_2 in printing ink compared to a competitive TiO_2 . At the same time, the Azelis team identified a shared customer that was using a competing supplier's TiO_2 product but would instead benefit from the purer grade of the principal's TiO_2 , resulting in an improved opacity.

Solution: After numerous evaluations and tests, the lab team together with the supplier deduced that the ink from the competitive grade of TiO_2 sits on top of paper rather than being absorbed into the paper, because of the higher viscosity of the ink. To achieve the same opacity, but also at a lower price and with sustainability in mind, our lab team incorporated low-cost kaolin into the ink – thus needing less TiO_2 . TiO_2 is also abrasive to printing machinery, so our solution promotes longer lifetimes of printing equipment, better rheology, and a lower-cost option for customers.

#WeAreAzelis – we help both our suppliers and customers win!



Leather

Trendy casual footwear

Challenge : A local manufacturer specializing in casual footwear from woolskins approached the Azelis Textile & Leather team with a problem. Being a vertically-integrated manufacturer, the client starts from raw wooly sheepskins and through a long process they clean and tan the woolskins, converting them into the leather that is then manufactured into footwear. Unfortunately, the tanning process was not delivering the right quality of leather, and it lacked important flexibility. Tanning is a chemical process involving the interaction of mainly collagen protein and protein reactive components, tailored to have different effects on the final leather.

Solution: After analyzing the current tanning process, our team realized the polymer the client was using was not providing the right degree of flexibility to the final leathers – despite it being one used worldwide for the purpose. Azelis lab research showed the polymer (called a syntan) was not penetrating thoroughly enough into the leather cross-section in the timeframe of the tanning process, so a fast penetrating polymer was needed. Utilizing the lateral value chain, our team advised the client to use a different syntan designed for the fast penetration they needed, in combination with the existing syntan in a different ratio – resulting in a tremendous improvement in the overall quality of final leathers.

#WeAreAzelis – we innovate to elevate your product!



R&PA

Solving problems with sustainable solutions

Challenge: A plastic additives customer of Azelis was approached by a plastic processing company with a problem. The plastic processor was having an issue with mold release (stiction) while using a polylactic acid biopolymer. Stiction can cause surface defects, production line stops and slow cycle times, as parts may not correctly release from the mold.

Solution: Our R&PA lab team first noticed that the customer was using a fossil-derived wax as a mold release agent. After rounds of testing various recipes, the Azelis lab team proposed an alternative grade instead – a bio-based, renewable, non-food-competing rice bran wax. Not only did it improve the sustainability profile, but its lower melt flow and improved mold release properties, eliminated the stiction problem, and enabled the injection molder to reduce process temperature, reducing cycle time and improving process efficiency.

#WeAreAzelis – we formulate to help you raise efficiency and sustainability!



L&MWF

Oxidative stability of base oils

Challenge: The Azelis Lubricants and Metalworking lab team has extensive background knowledge on a variety of base oils used for lubricants and metalworking fluids. Over the past few years, they've also been working with High Oleic (HO) vegetable oils, leading to an understanding of their stability and benefits. Initially, the food industry developed the idea of increasing the Oleic content of vegetable oils, to create longer lasting oils in hot applications like frying. When looking for sustainable materials, the lubricants industry thought this could be an interesting solution.

Solution: In some lubricant applications, the market adopted the use of High Oleic vegetable oils – a sustainable substitute. In the Azelis L&MWF lab, a High Oleic Sunflower and High Oleic Soy Bean oil were evaluated for their thermo-oxidative stability (the ability to resist degradation at high temperatures). The lab found that once the Oleic content of vegetable oil reached a certain amount, improvements in thermo-oxidative stability began to diminish. Based on experience and extensive research, our L&MWF lab team developed an information package for our customers, not only explaining the benefits of vegetable oils, but even more importantly also explaining how to successfully apply them.

#WeAreAzelis – we train you on product benefits and performance!

Our strategy

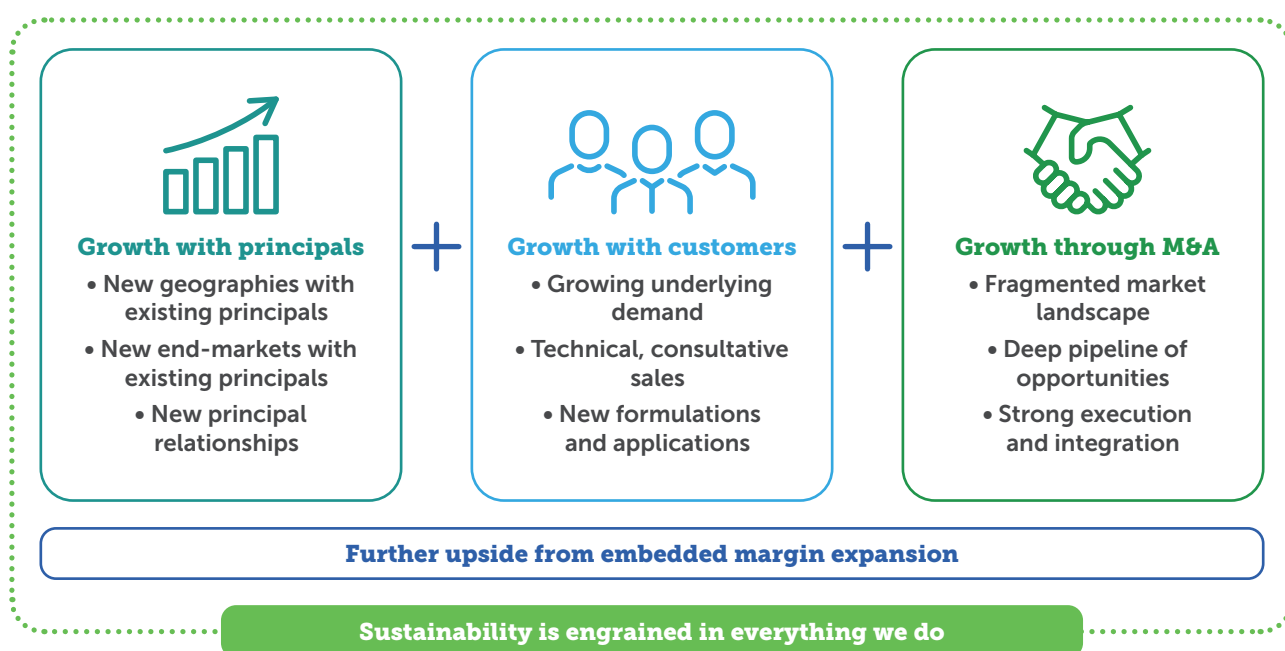
We are inspired by our team,
our customers, and principals
#WeAreAzelis



Our objective is to be the pre-eminent global innovation service provider for the specialty chemicals and food ingredients markets. Our strategy for achieving this objective is to drive growth centered around our lateral value chain, guided by our commitment to innovation, sustainability, and digitalization.

Our pursuit of growth is underpinned by our vision to be an innovation service provider that enables the success of principals and end-market customers, while at the same time supporting the chemicals industry in making a positive contribution to society and the environment.

A winning growth model lies at the heart of our business



Growth with customers

We help customers improve existing products and develop new ones with exciting, innovative formulations, leveraging our lateral value chain, unparalleled technical expertise, and industry-leading digital platforms, driving consistent customer growth.

As we expand our lateral value chain, we create incremental opportunities for growth with new and existing customers. A broader product portfolio, including a continuously growing list of sustainable alternatives in all markets, helps win new customers for those specific products, and unlocks new formulations that can serve existing customers.

Growth with principals

We serve approximately 2,300 principals for whom we act as an outsourced technical sales and solutions provider. We have a proven ability to help our principals enter new markets and accelerate growth in existing markets. In addition, Azelis' compelling suite of services for customers attracts new principals, further strengthening our lateral value chain, thereby accelerating market share expansion.

We believe that the shift towards more sustainable products is another growth engine for the industry in the coming years. As an innovation partner with a strong focus on sustainability, Azelis helps principals advance their sustainability agenda by bringing environmentally friendly and healthy products to market.

We help our customers to have a positive impact on society and the environment - this makes us their preferred partner.

Growth through acquisitions

The market for specialty chemicals and food ingredients distribution is large and highly fragmented. A 2019 study by the Boston Consulting Group estimated the addressable market for specialty chemicals distributors at ca. EUR 117bn, growing at 4-5% per year (Boston Consulting Group, ***Innovative Chemical Distributors Gain a Digital Edge***, July 2020), with the top 4 distributors accounting for less than 10%⁴ of a market comprised of ca. 20,000 local and regional distributors. At the same time, new products are more becoming sophisticated, and regulations are increasingly stringent. These trends, along with a growing market, increased supply chain complexity and challenging customer requirements increase the pressure to streamline the distribution process by consolidating among sizable distributors; only those have the resources and capability to respond to these emerging industry trends and challenges.

Azelis creates value by leveraging scale and increased efficiencies through acquisitions. In line with our objective to be the industry reference for innovation, digitalization, and sustainability, we look for companies with the same values and a complementary product and principal portfolio to reinforce our lateral value chain and overall market leadership.

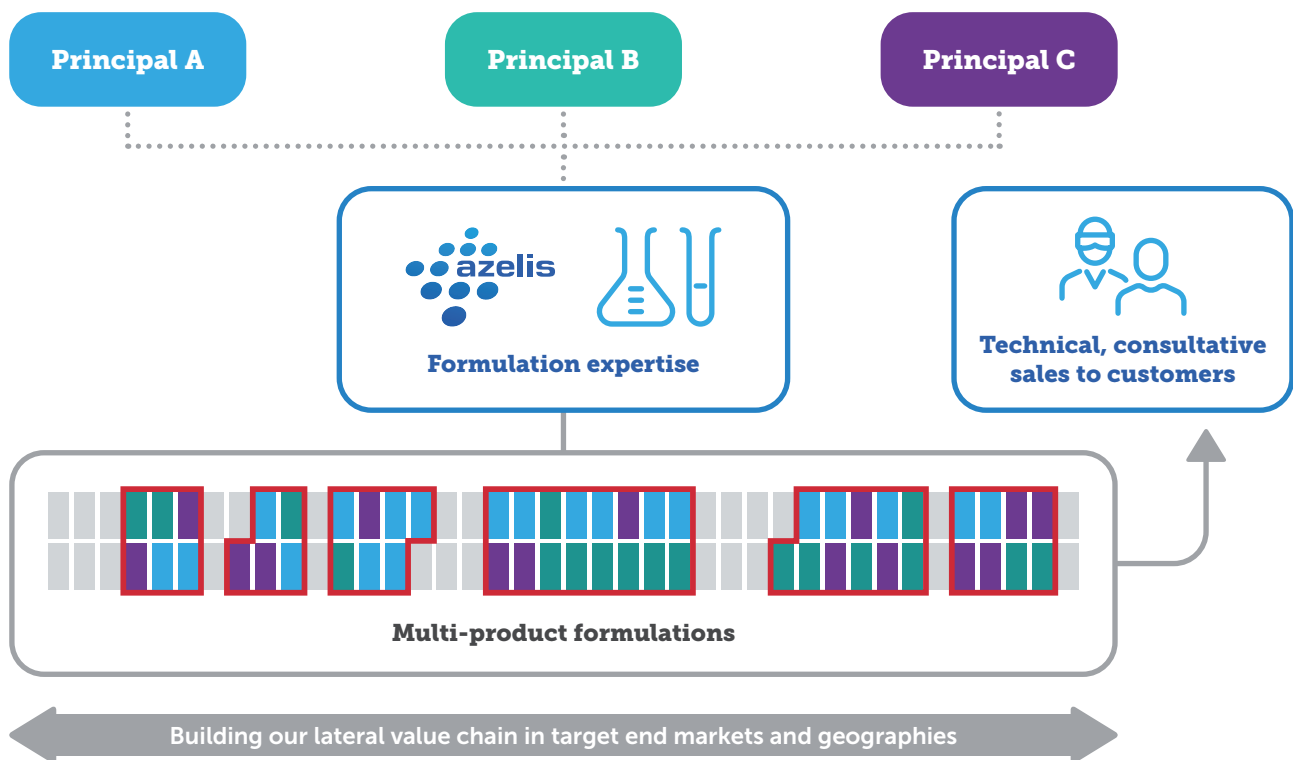


⁴ Combined revenues of IMCD, Azelis and the specialty divisions of Brenntag and Univar

Lateral value chain

Powering Azelis' value proposition is our lateral value chain. We leverage our lateral value chain by combining multiple products from different principals to create formulations that are both innovative and sustainable for our customers and build new markets for our principals.

The combination of our lateral value chain, our technical expertise, and a vast catalogue of formulations developed over the years allow us to bundle products and develop innovative formulations, enabling an unrivalled one-stop-shop experience for our customers. A strong lateral value chain is also beneficial for our principals as we can create more applications for their products, thereby creating a wider market and delivering higher growth. This expertise in combining products from the lateral value chain in a formulation creates customer and principal intimacy.



Innovation

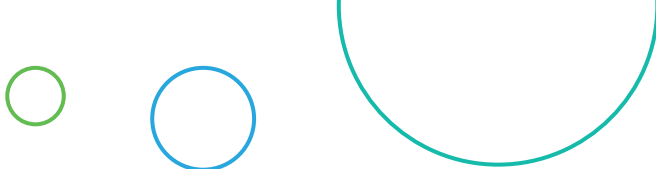
Innovation through formulation is not just our tagline, it is engrained in everything we do. Our innovation expertise has been recognized globally in the industry, as evidenced by the multiple industry innovation awards our teams have won over the years⁵.

Azelis runs the industry's largest network of laboratories with more than 60 application labs worldwide. In these application laboratories, we develop new formulations, enhance existing ones, and benchmark product performance. Complementing our physical laboratory network, our online tools - customer portals and e-Lab - enable customers to explore innovations in a virtual environment. Moreover, seamless API connectivity through our principal portals reduces the administrative burden for our suppliers and provides them real-time insights on the application of their products.

In line with our sustainability strategy, *Action 2025*, we aim to become the world-leading distributor of sustainable solutions and services within our industry. Our innovation capabilities serve not only our customers' needs and expand the market for the products of our principals; they are also advancing the sustainability agenda of us and the rest of our stakeholders'. We leverage our lateral value chain and the breadth of our technical expertise to develop new or alternative sustainable formulations for customers, systematically pushing sustainable materials into the supply chain. At Azelis, we believe in innovating for a better world.



⁵ For the list of the Group's awards, please consult our website



Digitalization

Azelis connects and empowers customers and principals to innovate and develop sustainable products and formulations. We believe that digital is the new way to connect and engage. Consequently, we have developed powerful tools and platforms to create deep, meaningful, personalized digital engagement via its digital platforms for customers (customer portal and e-Lab) and via its digital platforms for principals (principal portal).

We have invested in strong, future-proof digital foundations, which enable us to deliver customer- and principal-facing digital engagement at scale. In addition to an integrated ERP, a Product Information Management (PIM), Customer Relationship Management (CRM), and global Master Data and Analytics Hub, Azelis has invested in differentiating capabilities such as automated data extraction tools. Azelis pioneers the use of artificial intelligence (AI) to understand TDS and SDS documents, extracting data automatically while learning from every document processed. The tool significantly increases the efficiency of handling a catalogue of over 100,000 base products, delivering twice as much information in half the time, and at the same time improving the quality of data extracted.

The foundations are now complete, and we have shifted to the next phase of scaling up our platform rollouts and digitizing our core business. We have built end-to-end services, rather than siloed apps and websites and continuously improve them.

As an innovation solutions provider with advanced digital capabilities, Azelis can collect and connect a vast amount of data points from multiple sources. That delivers a flywheel effect where Azelis customers benefit from high-quality technical information and personalized digital engagement, and our principals benefit from enhanced market intelligence.

We place as much focus on the security of our systems as we do in developing our digital infrastructure. As part of our information security management system, we have obtained ISO 27001 information security certification.

Sustainability

“

At Azelis, we're passionate about making the world a better place. We strive to develop sustainable, responsible, and innovative solutions for the market and to provide our expertise in formulating for the future. Diversity is deeply engrained in our business principles, and it's a personal goal of mine to show women that there are no gender boundaries in the modern business world. Diverse companies are better performing companies, and at Azelis we will continue to strongly promote diversity of all forms.

”



Anna Bertona
ExCom Sponsor
'Sustainability'
CEO & President,
EMEA

In 2021, Azelis launched its sustainability strategy, *Action 2025*, reinforcing our commitment to become the world's leading provider of sustainable solutions and services in the specialty chemicals and food ingredients distribution industry.

Action 2025 was developed on insights gained from in-depth interviews with our principals and customers, the results of our EcoVadis® assessment, input from Azelis business representatives, and the materiality assessment that we carried out in 2019 for our first Sustainability Report.

The four pillars of Action 2025

We have defined four pillars of our sustainability strategy: People, Products and Innovation, Governance, and Environment. In line with *Action 2025*, we are committed to achieving a series of ambitious targets by 2025.

People

We are recognized as a global employer of choice in our industry. This pillar of our sustainability strategy includes the targets and KPIs for employee attraction, development and retention, diversity and inclusion, and working conditions.

Products and Innovation

We are the leader in distributing sustainable, innovative specialty chemicals and food ingredients, that minimize or eliminate the use and generation of hazardous substances. Azelis offers products that help reduce the environmental impact of our customers' businesses. Furthermore, through our membership in

Together for Sustainability®, we have strong due diligence procedures in place. These procedures allow us to assess the corporate social responsibility (CSR) policies of our suppliers and their level of implementation.

Governance

We are fair in our business practices and compliant with all laws and regulations, embedding trust and ethics in the foundation of our operations. With a robust compliance framework and strong crisis management and business continuity planning in place at all our sites, Azelis embeds sound governance and fair business practices into the heart of its daily operations.

Environment

We are continually reducing the environmental impact of our operations. Under the environmental pillar of our sustainability strategy, we have committed to reduce our Scope 1 and Scope 2 carbon intensity as well as to work with our supply chain to reduce Scope 3 emissions. We will also improve our waste management system and decrease the waste that we generate and hence reduce pollution. To achieve our objectives, we will develop closer partnerships with our principals and external service providers.

For each of the four pillars of our strategy (People, Products and Innovation, Governance and Environment), we have prioritized the SDGs to which we can best contribute through the different pillars of *Action 2025*, our sustainability strategy.

In 2021, Azelis obtained an EcoVadis® Platinum rating. We are the first global specialty chemicals and food ingredients distributor and innovation service provider to achieve this milestone, putting us in the top 1% of the 75,000+ companies assessed by EcoVadis®. This achievement inspires us to do even more to contribute to a safer, healthier, more sustainable future.



We're proud to have been awarded the EcoVadis Platinum rating, placing Azelis in the top 1% of all companies assessed by EcoVadis.

'Action 2025', our sustainability strategy

Vision: Become the world-leading distributor of sustainable solutions and services in the specialty chemicals distribution industry.

Mission: Fulfill our role as a specialty chemical service provider by converting the sustainability aspirations of our principals and customers into innovative sustainable solutions.

Goal			
 People We will be recognized as a global employer of choice for our industry.	 Products and innovation We will be the leader in distribution of sustainable, innovative and safe chemicals.	 Governance We will be fair in business practices and compliant with all laws and regulations, embedding trust and ethics in the foundation of our operations.	 Environment We will continually reduce the environmental impact of our operations.
KPIs 2020 to 2025			
Employee attraction, development and retention • 75 points score for 'engagement' and 'loyalty' in ESS (Employee Satisfaction Survey). • >10% of employees in the company's 'talent pools'. Diversity and inclusion • 100% of line managers will be trained in diversity and inclusive leadership. • 30% of senior management positions will be held by women. Good working conditions • 72 points score for 'working conditions' in ESS. • 0 workplace accidents with lost time.	Sustainable products • In 2021, we will continue to accelerate the development of sustainable solutions and create the baseline for establishing targets for sustainable formulations from 2022 onwards. Sustainable sourcing • 80% of our revenue will come from ESG assessed or audited suppliers, thanks to our membership of Together for Sustainability®.	Compliance • No material breaches of laws and regulations in any country in which we operate. Ethics and fair business practices • 100% of employees trained in policies and procedures relating to ethics. • No material breaches of these policies and procedures. Crisis management • 100% of Azelis sites to have effective crisis management and business continuity plans in place.	Energy management and mitigating climate change • Create an inventory of our GHG emissions and identify carbon reduction measures. • Establish a roadmap for sourcing renewable electricity. • Achieve our carbon intensity reduction target of 50% (Scope 1 and Scope 2 emissions) by 2030 from a baseline year of 2019, with a mid-term target of 25% carbon intensity reduction by 2025. Waste management and prevention of pollution • Implement a robust waste management strategy. • Establish the reporting baseline and set targets for 2022 onwards, to further reduce volumes of non-recoverable waste from our operations. Preventing environmental accidents • No environmental accidents.
SDG			
   	    	 	   
CSR and sustainability commitments		CSR and sustainability recognitions	
     		  	

Report of the Board of Directors



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Management review

Operational review

Azelis Headline Results (EUR m)	2021	2020	F/X Contribution	M&A Contribution	Organic Growth	Total Growth
EMEA	1,232.3	1,034.2	-1.2%	6.4%	13.9%	19.2%
Americas	1,164.2	952.6	-1.8%	7.5%	16.5%	22.2%
Asia Pacific	430.8	237.7	1.7%	60.2%	19.4%	81.2%
Group Revenue	2,827.3	2,222.9	-1.2%	12.6%	15.7%	27.2%
EMEA	292.8	239.9	-1.2%	7.1%	16.2%	22.1%
Americas	270.9	199.4	-1.8%	15.8%	21.8%	35.9%
Asia Pacific	86.2	47.9	1.7%	52.8%	25.6%	80.1%
Group Gross Profit	650.1	489.9	-1.3%	15.1%	18.9%	32.7%

Azelis delivered total revenues of EUR 2.8bn, an increase of 27.2% compared to 2020 (+28.4% in constant currency), supported by the Group's increasing scale and favorable economic tailwinds. Growth in life sciences accelerated in Q4, catching up with the strong performance of industrial chemicals throughout the year. Group revenue growth of 27.2% for 2021 was evenly split between life sciences and industrial chemicals; with life sciences comprising 62% of total revenue in 2021 and the remaining 38% coming from industrial chemicals.

Demand remained strong throughout the year across most of our businesses, driving 15.7% of organic growth. Revenue growth contribution from acquisitions was 12.6%, while FX represented a 1.2% revenue headwind.

Azelis EMEA (EUR m)	Q4 2021	Q4 2020	Reported Change	2021	2020	Reported Change	Constant Currency
Revenue	338.0	248.5	36.0%	1,232.3	1,034.2	19.2%	20.3%
Gross Profit	82.3	60.4	36.2%	292.8	239.9	22.1%	23.3%
Gross Profit Margin	24.3%	24.3%	4 bp	23.8%	23.2%	57 bp	57 bp
Adjusted EBITDA	32.9	22.8	44.6%	134.1	106.9	25.4%	27.2%
Adjusted EBITDA Margin	9.7%	9.2%	58 bp	10.9%	10.3%	54 bp	60 bp
Adjusted EBITA	30.6	19.9	53.4%	125.3	98.4	27.3%	29.1%
Adjusted EBITA Margin	9.0%	8.0%	103 bp	10.2%	9.5%	65 bp	71 bp
Conversion Margin	37.2%	33.0%	416 bp	42.8%	41.0%	176 bp	200 bp

EMEA revenue increased by 19.2% to EUR 1,232.3m on organic growth of 13.9% for the full year 2021, supported by strong end-market demand, especially in industrial chemicals, where CASE benefitted from the ongoing recovery in the building and construction sectors. Growth in life sciences accelerated in Q4 on the back of strengthening trend in Personal Care, and a strong pick-up in the Food & Health segment as restrictions are being gradually lifted. In EMEA, revenue growth contribution from acquisitions was EUR 66.4m, contributing 6.4% of revenue growth for the full year, while FX headwinds reduced reported revenues by 1.2%

In January, Azelis closed the acquisition of CAME, a specialty distributor active in the CASE market in Italy. In August, the acquisition of Quimdis, a leading French distributor of specialty chemicals with a strong franchise in flavors & fragrances, was closed. In November, we closed the transaction to acquire Neupert, a local distributor of specialty chemicals and food ingredients in Austria. These companies generated combined revenues of EUR 132.6m for the full year.

Gross profit increased 22.1% to EUR 292.8m compared to the previous year, representing a margin expansion of 57 bp, as we continue to optimize prices to mitigate the ongoing price inflation. Adjusted EBITA grew 27.3% to EUR 125.3m, driving a 65 bp margin expansion to 10.2%, and a 176 bp increase in conversion margin in the region, reflecting the benefit of scale and gains from past and present efficiency investments.

Azelis Americas (EUR m)	Q4 2021	Q4 2020	Reported Change	2021	2020	Reported Change	Constant Currency
Revenue	308.7	224.1	37.7%	1,164.2	952.6	22.2%	24.1%
Gross Profit	79.5	47.4	67.8%	270.9	199.4	35.9%	37.6%
Gross Profit Margin	25.8%	21.2%	461 bp	23.3%	20.9%	234 bp	232 bp
Adjusted EBITDA	38.7	22.6	71.1%	143.7	100.7	42.8%	44.4%
Adjusted EBITDA Margin	12.5%	10.1%	245 bp	12.3%	10.6%	178 bp	175 bp
Adjusted EBITA	37.0	21.4	72.7%	137.6	95.2	44.5%	46.1%
Adjusted EBITA Margin	12.0%	9.6%	243 bp	11.8%	10.0%	182 bp	180 bp
Conversion Margin	46.5%	45.2%	134 bp	50.8%	47.8%	305 bp	294 bp

Revenue in **Americas** increased 22.2% in 2021 to EUR 1,164.2m, on strong organic growth of 16.5% and revenue growth contribution from acquisitions of 7.5%. In North America, demand remained strong throughout the year across life sciences and industrial chemicals. The marked growth acceleration of the life sciences segment in the second half of the year was largely due to the acquisition of Vigon, a leading specialty distributor of ingredients for the flavors, fragrances, and cosmetics market segments in the US, which generated total annual revenue of EUR 126.7m in 2021. We closed the transaction at the beginning of June 2021.

Gross profit increased 35.9% to EUR 270.9m in Americas, with gross margin expanding by 234 bps compared to the prior year, mostly from improved mix effects but also from ongoing price optimization initiatives. Adjusted EBITA grew 44.5% to EUR 137.6m, resulting in a conversion margin increase of 305bp to 50.8% due partly to the positive mix effect from the Vigon acquisition as well as efficiency gains.

Azelis Asia Pacific (EUR m)	Q4 2021	Q4 2020	Reported Change	2021	2020	Reported Change	Constant Currency
Revenue	144.4	61.0	136.9%	430.8	237.7	81.2%	79.6%
Gross Profit	29.9	14.9	100.4%	86.2	47.9	80.1%	78.4%
Gross Profit Margin	20.7%	24.5%	-377 bp	20.0%	20.1%	-12 bp	-12 bp
Adjusted EBITDA	9.4	4.7	99.5%	33.7	17.8	89.5%	88.1%
Adjusted EBITDA Margin	6.5%	7.7%	-122 bp	7.8%	7.5%	34 bp	36 bp
Adjusted EBITA	8.1	3.9	109.6%	29.6	15.0	97.8%	96.4%
Adjusted EBITA Margin	5.6%	6.3%	-73 bp	6.9%	6.3%	58 bp	59 bp
Conversion Margin	27.1%	25.9%	119 bp	34.4%	31.3%	308 bp	315 bp

Revenue in **APAC** grew 81.2% to EUR 430.8m in 2021, on strong organic growth of 19.4% as demand remains robust across end-markets and as Azelis leverages its growing footprint in the region. In 2021, revenue growth contribution from acquisitions was EUR 143.2m, representing 60.2% of growth.

In 2021, we delivered significant progress on our Asia Pacific growth strategy with multiple mandates won from global suppliers and the completion of 8 strategic acquisitions during the year. In January, we closed the acquisition of MKVN and Viet Chemi, a local specialty chemicals distributor active in both the life sciences and industrial chemicals markets in Vietnam. In February, we closed the acquisition of CW Pacific, a local specialty chemicals distributor primarily for the food market in Australia. In March, we completed the acquisition of Asia Primera Kimika Inc. and Phil-Asiatic Supply & Services Inc., leading chemical distributors for the life sciences market in the Philippines. In April, we closed the acquisition of Spectrum Chemicals and Nortons Exim Private Limited, local chemical distributors for the life sciences market, with a strong focus on Agri/Horti in India. In July, we closed the acquisition of Coseal, a local distributor active in the Agri market in South Korea. In August, we completed the acquisition of Ingredients Plus, a local distributor for the food & health market in China. In October, we closed the acquisition of WWRC & Friendship Chemicals, strong local distributors in the industrial chemicals sector in China. Finally, we also completed another acquisition in South Korea, MH & MIF, a local distributor specialized in the food market. These eight acquisitions had a combined total revenue of EUR 276.0m for the full year.

Gross profit in Asia-Pacific increased 80.1% to EUR 86.2m during the year, resulting in gross profit margin contraction of 12 bp, due to mix effect from the first-time inclusion of acquisitions. However, this was offset by 97.8% growth in Adjusted EBITA, resulting in EBITA margin expansion of 58 bp, despite ongoing investments to drive future growth, including dedicated M&A resources as well as other support and commercial functions for the region. The rapid growth in EBITA drove a 308 bp increase in conversion margin in Asia-Pacific in 2021.

Holding companies	Q4 2021	Q4 2020	Reported Change	2021	2020	Reported Change	Constant Currency
Adjusted EBITA (EURm)	-8.3	-5.2	58.5%	-24.7	-19.1	29.2%	29.2%
As % of Group Revenues	-1.1%	-1.0%	7.1 bp	-0.9%	-0.9%	-1.4 bp	-0.4 bp

Operating costs at the Group's holding companies, which relate to the Group's non-operating entities, as well as the head office in Belgium, were EUR 24.7m in 2021, compared to EUR 19.1m in the previous year. Relative to total revenue, operating costs at the Group's holding companies remained broadly stable during the year.

Outlook

Azelis operates across multiple market segments in 57 countries, partnering with over 2,300 suppliers to serve around 51,000 customers. Our results are influenced by factors that are often beyond our control. (For an in-depth analysis of the business risks we face, we refer to the Risk management section.) However, our performance over the last 20 years reflects a resilient business model that will generate value through the cycle.

Our strategy of driving growth is underpinned by a continually strengthening lateral value chain, supported by continuous investments in innovation capabilities and digitalization, as well as a commitment to sustainability to create long-term value. In line with this, we are confident that we will generate 8-10% of revenue growth and deliver 10-15 bps adjusted EBITA margin expansion per year in the medium-term.

At present, we are on track to continue delivering on our annual objectives. We are closely monitoring the situation in Russia and Ukraine, which make up 1%-2% of Group revenue. While direct revenue exposure at risk is very low, the Group currently has limited visibility on the wider trade repercussions that may ultimately impact the Group.

Financial review

Revenue

Azelis Group (EUR m)	2021	2020	F/X Contribution	M&A Contribution	Organic Growth	Total Growth
Revenue	2,827.3	2,222.9	-1.2%	12.6%	15.7%	27.2%
Gross Profit	650.1	489.9	-1.3%	15.1%	18.9%	32.7%

Azelis Group (EUR m)	Q4 '21	Q4 '20	Reported Change	2021	2020	Reported Change	Constant Currency
Life Sciences	498.6	334.9	48.9%	1,758.9	1,383.2	27.2%	28.1%
Industrial Chemicals	291.0	199.4	45.9%	1,068.4	839.7	27.2%	28.8%
Group Revenue	789.6	534.3	47.8%	2,827.3	2,222.9	27.2%	28.4%

Revenue increased 27.2% to EUR 2,827.3m in 2021 on the back of strong demand across our end-markets. Organic growth accelerated to 22.3% in Q4, bringing organic growth for the full year to 15.7%. Revenue growth contribution from acquisitions was EUR 281.0m, representing a topline growth contribution of 12.6%, while FX resulted in a 1.2% currency headwind for the full year.

Revenue growth acceleration was slightly faster in life sciences in Q4, catching up with the impressive performance in industrial chemicals, to finish delivering similar growth of 27.2% compared to the previous year. Revenue in industrial chemicals was EUR 1,068.4m, driven by the strong rebound in infrastructure and broader economic activities worldwide as governments launched concerted efforts to recover from the pandemic. In Life Sciences, we generated revenues of EUR 1,758.9m. As a result of lifted restrictions on food & catering and travel & entertainment, the growth of the segments Food & Health, and Personal Care accelerated even further in Q4.

Organic growth was strong across our geographic markets - EMEA, Americas, and Asia-Pacific - all regions delivered double-digit organic growth of 13.9%, 16.5%, and 19.4%, respectively.

Profitability

Azelis Group (EUR m unless indicated)	2021	2020
Gross Profit	650.1	489.9
Gross Profit Margin	23.0%	22.0%
Adjusted EBITDA	287.8	207.2
Adjusted EBITDA Margin	10.2%	9.3%
Adjusted EBITA	267.9	189.6
Adjusted EBITA Margin	9.5%	8.5%
Conversion Margin	41.2%	38.7%

In 2021, gross profit increased by 32.7% to EUR 650.1m as gross margin expanded by 95 bp to 23.0%, supported by price optimization initiatives to offset the impact from the ongoing price inflation across the industry. The gross margin was also impacted by a net positive mix effect from recent acquisitions.

Adjusted EBITA grew 41.3% to EUR 267.9m, implying a 95 bp margin uptick for the full year as the strong topline growth and the benefits of scale mitigated the impact from the ongoing pressures on the supply chain. The Group's ability to leverage its scale is reflected in the 252 bp expansion in conversion margin during the year.

Net profit

Azelis Group
(EUR m)

	2021	2020
Operating profit	207.8	147.2
Net financial expense	-87.5	-68.1
Financial income	0.7	4.9
Financial expense	-88.3	-73.0
Interest expense on bank loans and overdrafts	-46.9	-55.7
Interest lease commitments	-3.0	-2.7
Accelerated amortization of transaction costs due to IPO	-19.6	0.0
Other financial cost	-18.8	-14.6
Share of associates' result	-0.1	0.0
Profit before tax	120.2	79.1
Tax expense	-50.0	-8.1
Net profit	70.2	71.0
One-off cash and non-cash charges due to IPO:		
IPO cost	8.4	0.0
Accelerated amortization of transaction costs due to IPO	19.6	0.0
Adjusted net profit	98.2	71.0

Our reported net profit of EUR 70.2m for 2021 includes a one-off IPO-related cost of EUR 8.4m.

The tax expense for the year was EUR 50.0m, implying an effective tax rate (ETR) of 41.6%. The ETR was impacted by one-off restructuring costs related to the IPO, for which no tax benefit was recognized in 2021. Going forward, we expect the ETR to be in the range of 20-22%, reflecting the Group's actual tax exposure in geographies where it generates its profits.

Financial expense for the year was EUR 88.3m, including a one-off charge of EUR 19.6m (of which €16.8m is non-cash) for the full accelerated amortization of transaction costs related to the previous financing that was repaid following the IPO. Interest expense for the full year 2021 declined 15.7% to EUR 46.9m, due to the lower debt level at the end of the year. Going forward, the interest cost on the Group's existing debt level should further reduce following the re-financing in September 2021 at more attractive rates.

Adjusted net profit in 2021 was EUR 98.2m (i.e. excluding aforementioned one-off costs for listing, and excluding accelerated amortization of costs from previous financing structure that was repaid following

the IPO), an increase of 38.3% over the previous year. Adjusted earnings per share for the period stood at EUR 0.41.

Cash Flow and Financing

Azelis Group
(EUR m)

	2021	2020
Operating Cash Flow	205.5	205.3
Free Cash Flow	181.6	188.3
FCF conversion	67.1%	98.4%
Net Working Capital/revenue normalised for acquisitions	15.3%	11.1%
Net indebtedness	870.7	1,124.5
Net leverage	2.7x	5.3x

Net working capital to revenue normalised for acquisitions was 15.3% at the end of 2021, compared to 11.1% at the end of December 2020. The increase was driven by the organic growth acceleration in Q4, as well as a ramp-up in inventory at the end of the year in preparation for the significant growth in demand expected in the first quarter of 2022, as indicated by a strong order book. On a reported basis, net working capital was 16.8% of revenue as the full working capital of companies acquired in the course of the year are reflected in the balance sheet as of December 31, 2021, but with only a few months of their revenues included in the Group accounts. Working capital is expected to gradually return to normal levels throughout the year.

Despite the increase in working capital investments to support current and expected growth, operating cash flow remained stable at EUR 205.5m.

Capital expenditure in 2021 was EUR 18.3m, compared to EUR 12.1m in the prior year, as the Group resumed investments in digital and IT infrastructure, as well as laboratory network to support our growth.

Free cash flow in 2021 was EUR 181.6m, representing a free cash flow conversion ratio of 67.1%, versus 98.4% in the prior year. The decline in free cash flow was driven by the temporary increase in working capital investments on the back of the strong revenue growth acceleration as well as inventory build-up to support a strong order book.

At the end of December 2021, net debt was EUR 870.7m and leverage ratio stood at 2.7x, versus 5.4x at the end of June 2021 and 5.3x at the end of December 2020. At the end of the period, the Group had liquidity of EUR 361.3m in both cash and unused revolving credit facility (RCF).

Non-financial performance review

In line with our *Action 2025* sustainability strategy, we are committed to achieving a series of ambitious targets by 2025. We measure our progress on all four pillars of this strategy by using KPIs and other metrics. Additionally, we keep the *Action 2025* targets and KPIs under ongoing review as our ambitions continue to grow.

In our most recent Sustainability Report, published in August 2021, we communicated the results of the KPI measurements for year 2020 – as seen in the table below.

Regarding the KPI measurements for year 2021 these will be published in our next Sustainability Report 2021. We will describe in detail the progress made compared to year 2020 in the four pillars: People, Products & Innovation, Governance, and Environment.

We are fully committed to further enhancing the credibility of our sustainability reporting. Therefore, we are working with our independent auditor, PwC, with the objective of obtaining ISAE 3000 limited assurance in our 2021 Sustainability Report on two key sustainability KPI's; the percentage of senior management positions held by women and carbon intensity emissions (scope 1 & 2 tCO₂e/mn € sales). In addition, the objective is to have a broader set of our sustainability KPI's with limited assurance in next years' reporting, as shown below:



Key performance indicator	2021	2020	Target 2025
People			
1. Loyalty score (Employee Satisfaction Survey)	82	82	75
2. % of employees in the talent pools	To be disclosed in the Sustainability report 2021	7.1%	>10%
3. % line managers trained in diversity and inclusive leadership	100% (part of annual knowledge review)	Not reported	100%
4. % senior management positions held by women	23.5%	21.9%	30%
5. Score working conditions (Employee Satisfaction Survey)	74	74	72
6. Workplace accidents with lost time	6	2	0
Products & Innovation			
7. Baseline of Sustainable products i.e. # Sustainable products in product portfolio	Ongoing	Not measured	To be agreed in 2022
8. % of revenue covered with ESG assessed ¹ suppliers	50%	52%	80%
Governance			
9. # Material breaches in laws and regulations	0	0	0
10. % Employees trained in ethical and fair business practices	98.9%	99.4%	100%
11. # Material breaches of ethical and fair business practices policies	0	1	0
12. % sites with a crisis management and business continuity plans in place	To be disclosed in the Sustainability report 2022	Not reported	100%
Environment			
13. Carbon intensity emissions, scope 1 & 2 tCO ₂ e/mn€ sales	3.32	3.75	3.57
14. Total waste (hazardous + non hazardous) per employee (t/FTE)	To be disclosed in the Sustainability report 2021	4.8 t/FTE	To be agreed in 2022
15. # Environmental accidents	0	0	0

1 EcoVadis® assessments

The **"People"** pillar of our sustainability strategy includes the key sustainability KPI - percentage of senior management positions held by women. In this KPI we have observed an increase: from 21.9% in 2020 to 23.5% in 2021. This increase is mainly due to hirings and internal promotions; M&A activity is also having an impact on the 1.6% increase of women in senior management positions.

On a biannual basis we organize an employee satisfaction survey. Once the results of the upcoming 2022 survey become available, we will consider raising the Action 2025 targets, should the loyalty and working conditions KPIs already achieve the 2025 target.

Regarding line managers trained in Diversity & Inclusion, although this is part of the annual knowledge review together with ethical and fair business practices, we will have a separate training program for line managers in 2022.

We have also noticed an increased number of accidents with lost time. While this can be linked to the fact that in 2021 more people were working from offices and operational sites, this is something that it is

unacceptable to Azelis: our objective is to have zero workplace accidents. Therefore, in 2021 we have been working on a new Group Safety, Health and Environment (SHE) policy with a series of basic principles that should be respected in all our entities. More details will be given in our 2021 Sustainability Report.

Regarding the **“Products & Innovation”** pillar, during 2021 and in cooperation with our principals, we have been identifying the sustainable products in our portfolio. A product is marked as sustainable in our systems when a certificate (RSPO, Cosmos, Bio, Organic, etc.), a company statement (natural ingredients, etc.) or any other company document that substantiates the sustainable claim, is shared with us by our business partners. A due diligence documentation check is then carried out by our Group SHEQ support center.

In 2021 we continued assessing our suppliers on their sustainability policies and practices through our “Together for Sustainability” membership and EcoVadis® assessments. The assessed suppliers covered a 50% of our total annual revenue.

On the **“Governance”** pillar, 98.9% of our employees were trained in ethical and fair business practices. There were no material breaches reported in ethical and fair business practices, and laws and regulations.

Regarding **“Environment”** and the second key sustainability KPI, carbon intensity emissions, we have observed decrease compared to 2020.

Different reasons explain this decrease but the main one is the introduction of a new reporting process in place since Q2 2021. In 2021 we have increased the frequency for reporting environmental data, where energy consumption (Scope 1 & Scope 2) and waste management data is collected in monthly and quarterly periods, in addition to annual reporting, with three layers of control: local contributor, local validator, and regional SHEQ, before data is consolidated at Group level. In addition, it is noted that at the occasion of this new reporting process, some corrections have been made in the carbon emissions intensity previously published in our Sustainability report 2020, including adjusting the baseline to measure against. With this new process, the quality of data has improved as we can see there are fewer estimates submitted and more actual data available.

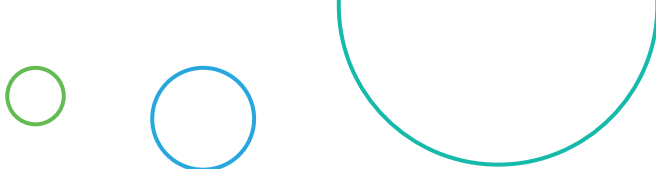
The reporting scope is global, the only exclusion is M&A activity where new entities are integrated in the reporting 12 months after acquisition.

Our carbon emission target for 2025 has already been achieved in 2021. To continuously improve on this important KPI and keep on challenging ourselves, we will consider reviewing this target in 2022.

Waste management data is also reported at monthly, quarterly and annual frequency. Final consolidated data will be disclosed in our next Sustainability Report 2021.

In 2021 we have reported no environmental accidents.

Additional details on the progress made in the four areas of our sustainability strategy and measurements, will be provided in our Sustainability Report 2021.



Corporate Governance

Azelis Group NV (the "Company") – headquartered in Antwerp, Belgium – is committed to maintaining high Belgian governance principles and seeks to continuously strengthen its corporate governance practices and disclosures, emphasizing transparency and promoting a culture of sustainable long-term value creation.

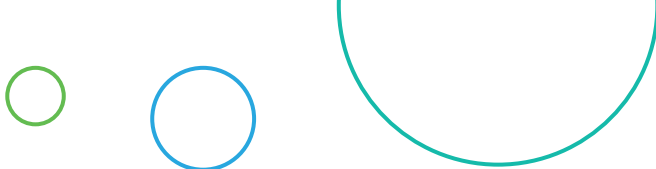
This Corporate Governance Statement summarizes the rules and principles by which the Company's corporate governance is organized in accordance with the Belgian Code of Companies and Associations (the "BCCA"), the 2020 Belgian Code of Corporate Governance (the "Corporate Governance Code"), the articles of association of the Company (the "Articles of Association") and the Company's Corporate Governance Charter (the "Charter").

Pursuant to the BCCA, the Company relies on the Corporate Governance Code as a reference code, which is available on the website of the Corporate Governance Committee (**click** to open).

The Articles of Association were last amended by the Shareholders' Meeting on September 10, 2021, with effect on September 21, 2021. In addition, the Board of Directors adopted the Charter on September 4, 2021, with effect on September 21, 2021 in accordance with the Corporate Governance Code, and will review the Charter at regular intervals in order to adopt any changes deemed necessary and appropriate. The Articles of Association and the Charter are available on the Company's website (www.azelis.com/investor-relations).

The Corporate Governance Code is based on a "comply or explain" approach. Under the BCCA, Belgian-listed companies are required to justify any deviations from the Corporate Governance Code in the annual corporate governance statement, which is included in their annual report.

Except for the principles set out in article 7.6 of the Corporate Governance Code (please refer to section Remuneration of the report of the Board of Directors) the Company and this Corporate Governance Statement comply fully with all the recommendations of the Corporate Governance Code.



Shares and shareholder information

Share capital and shares

Changes to the capital and share structure

The Company was incorporated on June 10, 2021 with a share capital of EUR 61,500 represented by 61,500 shares.

On September 10, 2021, the Shareholders' Meeting resolved on the following changes to the capital structure of the Company in the context of the restructuring of the Group in preparation of the IPO, all of which entered into effect on September 21, 2021:

- capital increase in the amount of EUR 5,084,020,526 by contribution of preference and ordinary shares in Akita Topco S.à r.l. by Akita, PSP Europe, the Partnerships and certain managers of businesses recently acquired by the Group in exchange for the issuance of 195,539,251 shares of the Company;
- capital increase in the amount of EUR 115,979,474 by contribution of shares in Azelis Finance NV by certain managers of the Group resident in Germany in exchange for the issuance of 4,460,749 shares of the Company;
- capital decrease in the amount of EUR 61,500 with cancellation of 61,500 shares issued at incorporation of the Company and held by Akita;
- capital decrease in the amount of EUR 400,000,000 without cancellation of shares, by conversion into a distributable reserve; and
- capital increase in the amount of EUR 879,999,978 by contribution of cash by investors to whom shares had been placed in the context of the IPO in exchange for the issuance of 33,846,153 shares of the Company.

As a result, the share capital of the Company on December 31, 2021, amounted to EUR 5,679,999,978 represented by 233,846,153 shares.

Form and transferability of shares

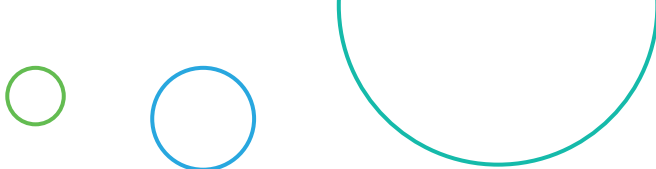
All shares issued by the Company belong to the same class and are in registered or dematerialized form. The Board of Directors keeps a register in which the names and addresses of all holders of registered shares and any other mentions required by law are recorded. Shareholders may elect, at any time, to have their registered shares converted into dematerialized shares, and vice versa, at their own expense.

Under the BCCA and the Articles of Association, the shares issued by the Company are freely transferable, subject to any contractual (lock-up) restrictions.

Rights attached to the shares

Each share entitles its holder to one vote at the Shareholders' Meeting, equally shares in the profit and, unless otherwise decided by the Shareholders' Meeting or the Board of Directors pursuant to the authorized capital, gives its holder a preferential subscription right to subscribe to new shares, convertible bonds or warrants of the Company.

The Articles of Association do not contain any restriction on voting rights. The Company is not aware of shareholders' agreements that may give rise to restrictions on the exercise of voting rights. As far as the Company is aware, there are no holders of securities with special control rights in the Company, other than the nomination rights set out in section "Nomination right" of this Corporate Governance Statement.



Authorized capital

Under article 9 of the Articles of Association, pursuant to an authorization granted by the Shareholders' Meeting on September 10, 2021, with effect on September 21, 2021, the Board of Directors may increase the share capital of the Company once or several times by a cumulative amount of maximum EUR 5,679,999,978.

The Board of Directors can determine the modalities of any such capital increase, such as the cancellation of preferential subscription rights, in accordance with the BCCA. This authorization includes the restriction or cancellation of preferential subscription rights for the benefit of one or more specific persons (whether or not employees of the Company or its subsidiaries) and in connection with capital increases in the event of a public takeover bid (please refer to section "Authorized Capital" below).

The capital increase can be organized by means of a contribution in cash or in kind or through conversion of reserves. The Board of Directors can also use this authorization for the issuance of convertible bonds, warrants or other securities.

The authorization is valid until September 30, 2026, except for capital increases in the event of a public takeover bid, in respect of which the authorization is only valid until September 21, 2024.

In the course of 2021, the Board of Directors did not make use of its authorization to increase the Company's capital.

Acquisition of own shares

According to article 15 of the Articles of Association, the Board of Directors may, within the limits set by this provision and by the BCCA, itself or through a direct subsidiary, acquire, on or outside a regulated market, up to 20% of the Company's own shares at a price which complies with legal requirements, but which is in any case not more than 10% below the lowest closing price in the last thirty trading days preceding the transaction and not more than 10% above the highest closing price in the last thirty trading days preceding the transaction. This authorisation is valid until September 30, 2026.

The Board of Directors is furthermore authorized, subject to compliance with the applicable provisions of the BCCA, to acquire own shares for account of the Company if such acquisition is necessary to avoid serious and imminent harm to the Company. This authorization is valid until September 30, 2024.

Finally, the Board of Directors is authorized to divest, at any time and at a price it determines, all or part of the Company's shares acquired by it, within the conditions set out in the Articles of Association and the BCCA.

In the course of 2021, the Company did not acquire or divest any own shares.

Dividend policy

The Company's dividend policy is that, subject to the availability of distributable reserves and approval by the Shareholders' Meeting and barring exceptional circumstances, it intends to declare and distribute an annual non-cumulative dividend based on a target pay-out ratio of 25-35% of the Group's reported net profit. However, the amount of any dividend and the determination of whether to pay the dividend in any year may be affected by a number of factors, including the Company's business prospects, cash requirements and any material growth opportunities.

With respect to the year ending December 31, 2021, the amount of any dividends will be calculated pro rata such that the Company will pay dividends only in respect of the portion of the financial year for which it shares are listed on Euronext Brussels. The proposed dividend for the year ending December 31, 2021 is €0.03 per share.

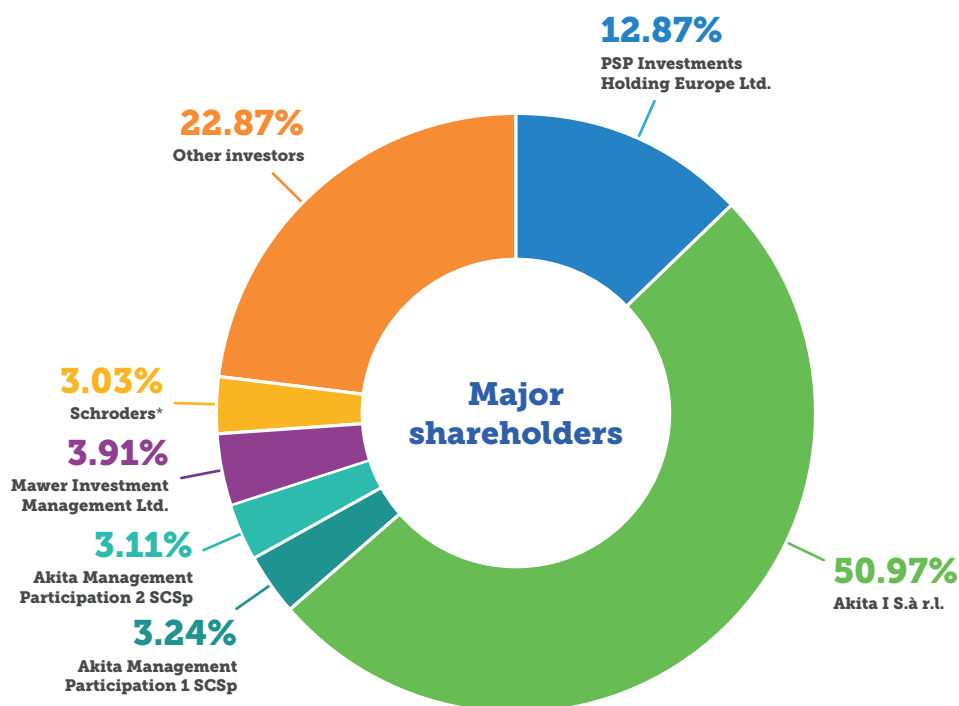
Liquidity of the Company's shares

In order to maintain a sufficiently active market for its shares traded on Euronext Brussels, Azelis intends to enter into a liquidity provider agreement with KBC Securities NV during the financial year 2022.

Shareholders

Major shareholders

The chart below represents the shareholder structure, based on the transparency notifications made by shareholders up to December 31, 2021. The transparency notifications are required by Belgian law and/or pursuant to the Articles of Association, when the shareholding crosses the thresholds of 3%, 5%, or any multiple of 5%.



*: combined shareholding through Schroders Investment Management Limited, Schroder & Co. Limited, Schroders (C.I.) Limited, Schroder Investment Management (Hong Kong) Limited and Schroder Wealth Management (US) Limited

In the year 2021, the Company received the following transparency notifications:

- on September 28, 2021, Public Sector Pension Investment Board gave notice that, through PSP Europe, it held 12.14% of the voting rights, as well as equivalent financial instruments corresponding to 0.73% of the voting rights;
- on September 29, 2021, EQT VIII Collect SCSp gave notice that, through Akita, it held 50.97% of the voting rights, as well as equivalent financial instruments corresponding to 3.07% of the voting rights;

- on September 29, 2021, Akita Management Participation 1 SCSp gave notice that it held 3.24% of the voting rights;
- on September 29, 2021, Akita Management Participation 2 SCSp gave notice that it held 3.11% of the voting rights;
- on October 6, 2021, EQT VIII Collect SCSp gave notice that, through Akita, it held 50.97% of the voting rights;
- on October 11, 2021, Mawer Investment Management Ltd. gave notice that it held 3.91% of the voting rights; and
- on November 10, 2021, Schroders plc gave notice that, through Schroders Investment Management Limited, Schroder & Co. Limited, Schroders (C.I.) Limited, Schroder Investment Management (Hong Kong) Limited and Schroder Wealth Management (US) Limited, it held 3.03% of the voting rights, as well as equivalent financial instruments corresponding to 0.00% (rounded) of the voting rights.

Agreements between shareholders of the Company

The Company is not aware of any shareholders' agreements that may give rise to restrictions on the exercise of voting rights.

Relevant information in the event of a takeover bid

Article 34 of the Royal Decree of November 14, 2007 on the obligations of issuers of securities which have been admitted to trading on a regulated market, requires that listed companies disclose certain items that may have an impact in the event of a takeover bid.

Capital structure

A comprehensive overview of the Company's capital structure as at December 31, 2021 can be found in section "Share capital and shares" of this Corporate Governance Statement.

Restrictions on transfers of securities

Under the BCCA and the Articles of Association, the shares issued by the Company are freely transferable, subject to any contractual (lock-up) restrictions.

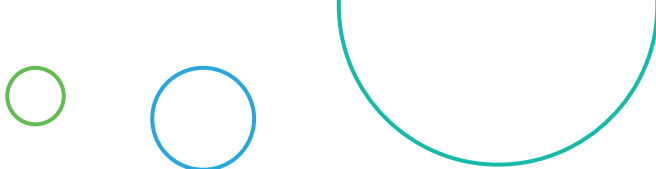
Holders of securities with special control rights

As far as the Company is aware, there are no holders of securities with special control rights, other than the nomination rights set out in section "Nomination right" of this Corporate Governance Statement.

Employee share schemes

The members of the Board of Directors, the members of the Executive Committee and certain other key employees (including certain managers of newly acquired businesses) have had the opportunity to invest in the Group via a management participation plan. With effect immediately prior to the closing of the IPO, the securities held by the participants in the management participation plan have been replaced by shares in the Company. These shares, to the extent not sold as part of the IPO, are subject to certain contractual lock-up restrictions for periods ranging between one year and three years following the IPO. Most of these shares continue to be held by the Partnerships on behalf of the participants in the management participation plan.

On September 4, 2021, the Board of Directors approved the proposal for a long-term incentive plan (the "LTIP"), which was approved by the Shareholders' Meeting on September 10, 2021, with effect on September 21, 2021. The LTIP does not provide for any control mechanism over the voting rights attached to the shares awarded pursuant to the LTIP. In 2021 no shares were awarded under the LTIP.



Restriction on voting rights

The Articles of Association of the Company do not contain any restrictions on the exercise of voting rights by the shareholders, provided that the shareholders concerned comply with all formalities to be admitted to the Shareholders' Meeting and have complied with the relevant rules on disclosure of major shareholdings.

Shareholder agreements

The Company is not aware of any shareholder agreement which includes or could lead to a restriction on the transfer of its shares or exercise of voting rights related to its shares.

Appointment of members of the Board of Directors

The rules applicable to the appointment and replacement of members of the Board of Directors are set out in section "Appointment" of this Corporate Governance Statement.

Amendment of the Articles of Association

Amendments to the Articles of Association must be submitted as a resolution to the Shareholders' Meeting. In order to be approved, the resolution requires at least 50% of the share capital to be present or represented and the affirmative vote of the holders of at least 75% of the votes cast. If the quorum is not reached, a second meeting may be convened at which no quorum shall apply. The aforesaid special majority requirement, however, remains applicable.

Authorized capital

In principle, the authorization of the Board of Directors to increase the share capital of the Company as described in section "Authorized capital" of this Corporate Governance Statement, is suspended upon the notification to the Company by the FSMA of a public takeover bid for the securities of the Company. The Shareholders' Meeting can, however, under certain conditions, expressly authorize the Board of Directors to increase the capital of the Company in such a case by issuing shares in an amount of not more than 10% of the existing shares at the time of such public takeover bid, in accordance with the additional terms and conditions set out in article 7:202 of the BCCA.

Such authorization was granted to the Board of Directors for a three-year period ending on September 21, 2024.

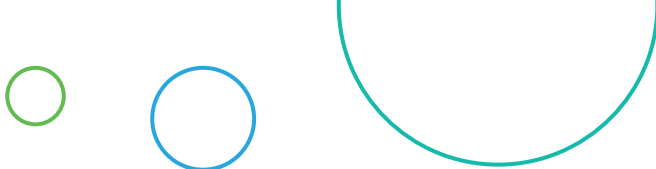
Acquisition of own shares

The ability of the Board of Directors to acquire shares of the Company on account of the Company is explained in section "Acquisition of own shares" of this Corporate Governance Statement.

Change of control clauses

The following significant agreements to which the Company or certain of its subsidiaries are a party contain change of control provisions:

- **Facilities Agreement.** On September 6, 2021, the Company entered into a Multicurrency Term and Revolving Facilities Agreement with certain financial institutions as a guarantor, with as purpose the refinancing of the Group in the context of the IPO.
- **LTIP.** An accelerated vesting of the awards granted under the LTIP applies, under certain conditions, upon a public takeover on the Company.



Severance pay

The Company has not concluded any agreement with members of the Board of Directors, service providers or employees which would result in the payment of specific severance pay if, pursuant to a takeover bid, the members of the Board of Directors, service providers or employees are dismissed or their service or employment agreements are terminated.

Measures regarding market abuse

The Company implemented measures to comply with the provisions of the Belgian financial supervision law of August 2, 2002, and of the Market Abuse Regulation (EU 596/2014) of the European Parliament and of the Council of April 16, 2014, in order to prevent market abuse such as insider trading, tipping and market manipulation.

In addition, the Company maintains rules regarding reporting of transactions on the Company's shares. The Company adopted a dealing code (the "Dealing Code") as part of the Charter on September 4, 2021, with effect on September 21, 2021, which is available on its website as part of the Charter.

The Dealing Code describes the obligations related to notification and conduct which apply to directors, members of the Executive Committee, certain other senior employees and other persons with respect to transactions in shares and other financial instruments of the Company. The Dealing Code sets limits on carrying out transactions in shares and other financial instruments of the Company and allows dealing by the above-mentioned persons only during certain windows.

The Dealing Code will be kept up to date to reflect legislative developments. The Group General Counsel & Chief Compliance Officer is in charge of compliance with regulatory requirements regarding disclosures and filings to be made to the FSMA and any other relevant stock exchange or supervisory authority.

Board of Directors

Composition

The Company has a "one-tier" governance structure whereby the Board of Directors is the ultimate decision-making body, with overall responsibility for the management and control of the Company.

Size and composition

Pursuant to the Articles of Association, the Board of Directors must comprise a minimum of five and a maximum of eleven directors. On December 31, 2021, the Board of Directors was composed of eight directors, six of whom are non-executive directors and two of whom are executive directors (the Chief Executive Officer and the Chief Financial Officer).

On December 31, 2021, the Board of Directors was composed as follows:

Name	Age	Position	Director since	Mandate expires
Antonio Trius	66	Independent Non-Executive Director (Chair)	2021	2025
Alexandra Brand	50	Independent Non-Executive Director	2021	2025
Jürgen Buchsteiner	63	Independent Non-Executive Director	2021	2025
Ipek Özsüer	44	Independent Non-Executive Director	2021	2025
Bert Janssens	45	Non-Executive Director	2021	2025
Kristiaan Nieuwenburg	51	Non-Executive Director	2021	2025
Hans Joachim Müller	62	Executive Director	2021	2025
Thijs Bakker ¹	47	Executive Director	2021	2025

¹ Thijs Bakker provides services through Cloudworks BV

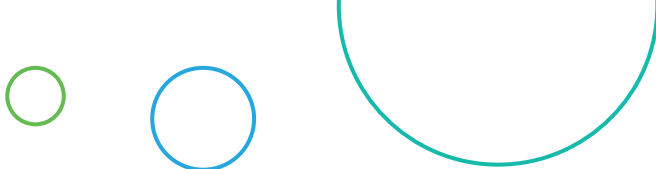
Appointment

Directors are appointed, renewed or dismissed by the Shareholders' Meeting upon the proposal of the Board of Directors, after having sought the prior advice of the Remuneration and Nomination Committee. If the mandate of a director becomes vacant due to his or her death or voluntary resignation, the remaining directors have the right to appoint a new director on a temporary basis in order to fill the vacancy until the first Shareholders' Meeting after the mandate became vacant. The new director will complete the term of the Director who died or resigned.

Each of the current directors has been appointed pre-IPO by written resolutions of the sole shareholder of the Company on September 2, 2021, other than Ms Ipek Özsüer, who was appointed by the extraordinary Shareholders' Meeting of the Company held on September 10, 2021, with effect on September 21, 2021. Given that these appointments were made prior to the IPO, they were not made on the proposal of the Board of Directors to the Shareholders' Meeting nor was any prior advice of the Remuneration and Nomination Committee sought.

Nomination right

The Articles of Association entitle the founder of the Company, Akita, to nominate candidates for the appointment of at least one director for each 10% of the shares held, directly or indirectly, by Akita and/or one or more companies affiliated therewith, acting alone or together, and this up to a shareholding of 50%.



On December 31, 2021, Akita held more than 50% of the total number of shares issued by the Company, meaning that Akita is entitled to nominate candidates for the appointment of at least five directors.

Independent directors

Pursuant to the Corporate Governance Code, a majority of the directors should be non-executive and at least three directors should be independent in accordance with the independence criteria set out in the BCCA and the Corporate Governance Code.

There are currently four independent directors in the Board of Directors: Ms Alexandra Brand, Mr Jürgen Buchsteiner, Ms Ipek Özsüer and Mr Antonio Trius.

Observers

The Articles of Association provide for the right to appoint one or more observer(s) to the Board of Directors.

On September 29, 2021, the Board of Directors appointed Mr Pedram Shayegan, Mr Pieter Jan van Haute and Mr Floris Van Halder as observers to the Board of Directors. Ms Audinga Besusparyte and Will Boardman were additionally appointed as observers to the Board of Director in its meeting of November 25, 2021.

Company secretary

On September 29, 2021, the Board of Directors appointed Mr Gerrit De Vos, Group General Counsel & Chief Compliance Officer, as company secretary of the Company.

Term of office

Although the term of office of directors under the BCCA is limited to six years (renewable), the Corporate Governance Code recommends that it be limited to four years. The Articles of Association limit the term of office of Directors to a maximum (renewable) period of four years.

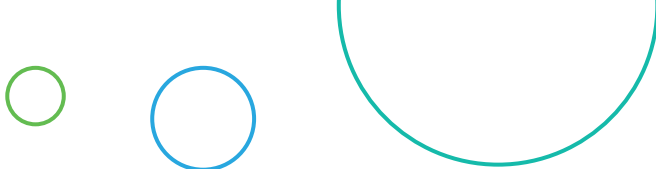
Pursuant to the Group's policy on age of serving directors, the age limit for membership of the Board of Directors is the ordinary Shareholders' Meeting following the (proposed) member's 70th birthday.

Diversity

The Company strives for diversity within the Board of Directors, creating a mix of executive directors, non-executive directors and independent directors. In line with the Corporate Governance Code and the Charter, the composition of the Board of Directors has therefore been determined to gather a wide range of competences and expertise in the Company's areas of activity and ensures sufficient diversity of skills, background, nationality, age and gender.

In particular, from January 1, 2027, the BCCA requires that at least one third of the directors is of the opposite gender of the majority of the directors. At December 31, 2021, the Board of Directors included two female members: Ms Alexandra Brand and Ms Ipek Özsüer. The necessary attention is being paid to meet the gender composition requirement within the future.

With regard to the diversity policy followed by the Azelis group, please refer to section 'Diversity and inclusion'.



Curricula vitae

The following description provides summaries of the *curricula vitae* of the members of the Board of Directors and indicates their principal activities outside of Azelis to the extent those activities are significant with respect to Azelis.

Antonio Trius is the chair of the Board of Directors, having joined as a non-executive director of Azelis in 2014. Dr. Trius is currently a non-executive director of several companies, including Arxada AG and Altana AG in the chemical industry, and Cuantum Medical & Cosmetics S.L. in a different industry. Prior to joining Azelis, Dr. Trius was the chief executive officer of Cognis, a specialty chemicals supplier. Dr. Trius holds a Ph.D. in Chemistry from the Universitat Autònoma de Barcelona and completed an executive development program (*Programa de Desarrollo Directivo (PDD)*) in Business Administration from IESE Business School.

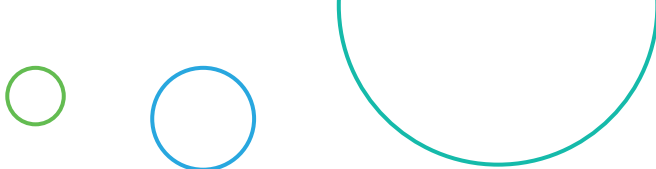
Alexandra Brand joined Azelis as a non-executive director in 2019. Dr. Brand is the regional director for the Europe, Africa and Middle East region of Syngenta, an agricultural science and technology group, and previously held the role of chief sustainability officer at Syngenta. Prior to working at Syngenta, Dr. Brand held various management and executive roles and was involved in global research at BASF in Germany and in Mumbai, India. Dr. Brand holds a Ph.D. in Chemistry from the Technische Universität Darmstadt.

Jürgen Buchsteiner joined Azelis as a non-executive director in 2018. Mr. Buchsteiner is an experienced management professional in the chemical manufacturing and distribution industries. Prior to joining Azelis, he was the chief financial officer and a member of the executive board of Brenntag AG and held multiple roles at Stinnes AG and Hüls AG. Mr. Buchsteiner holds a master's degree in business economics (*Diplom-Ökonom*) from Ruhr-Universität Bochum and an Executive Master of International Business from Saint Louis University.

Ipek Özşüer joined Azelis as a non-executive director in 2021. Ms. Özşüer has more than 20 years of significant international business experience in IT and digital solutions roles. She has held numerous high-profile roles, including senior leadership roles in business intelligence and analytics at Bayer and currently serves as Bayer's chief information officer and head of digital transformation for enabling functions. She previously held positions focusing on business services, outsourcing, data and analytics for over twelve years at Hewlett Packard, having started her career at Procter & Gamble in 1999. Ms. Özşüer holds a bachelor's degree in computer engineering from Boğaziçi University in Istanbul.

Bert Janssens joined Azelis as a non-executive director in 2018, having led EQT's investment in Azelis. Mr. Janssens is a partner at EQT, where he is the head of Western Europe equity. He joined EQT Group in 2015. Through his roles as a private equity principal, he holds or has held non-executive director roles at various companies, including Desotec in Belgium, idealista in Spain and Sitecore in Denmark. Mr. Janssens holds an MBA from Harvard Business School, and a B.Sc. and M.Sc. in mechanical engineering from KU Leuven.

Kristiaan Nieuwenburg joined Azelis as a non-executive director in 2018. Mr. Nieuwenburg has been a partner at EQT since 2013 and has led its expansion into the Western European region. He is currently Chairman of EQT Partners Inc., head of private capital North America, and a member of EQT's global private capital management committee. Through his roles as a private equity principal, he holds or has held non-executive director and chairman roles at various companies, including activated carbon technology provider, Desotec, private company data provider, Bureau van Dijk, and abrasive and impact applications solution provider, Magotteaux, in Belgium. Mr. Nieuwenburg holds an MBA from Harvard Business School and an M.Sc. in chemical engineering from Technische Universiteit Delft.



Hans Joachim Müller joined Azelis as Chief Executive Officer in 2012. Prior to joining Azelis, Dr. Müller was a member of the Managing Board at Clariant and Chief Operating Officer and member of the managing Board at Süd-Chemie. Dr. Müller started his career at BASF, where he became director of technology and catalysts for Asia, based in Hong Kong, and then global director of specialty chemicals. Dr. Müller holds a Ph.D. in Chemistry from Ludwig-Maximilians-Universität in Munich. He also obtained a research fellowship at the University of California, Los Angeles.

Thijs Bakker joined Azelis as Chief Financial Officer in 2016. Mr. Bakker has over 20 years' international experience in finance and the chemical industry, having worked in various finance roles in the Netherlands, the United States and across the Asia Pacific region for a leading global paints and coatings company and a major producer of specialty chemicals. Prior to joining Azelis, Mr. Bakker worked at Nuplex Resins, a specialty chemicals manufacturing company, and was finance director marine and protective coatings at Akzo Nobel N.V. Mr. Bakker holds a master's degree in business administration and economics from the Erasmus University of Rotterdam in the Netherlands as well as a Post Graduate Master of Finance and Control (RC) from the Rotterdam School of Management.

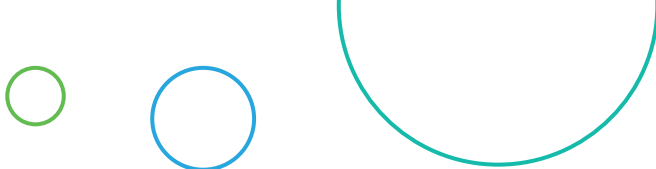
Functioning

In principle, the Board of Directors meets at least five times a year. Additional meetings may be called with appropriate notice at any time to address the specific needs of the business. Non-executive Directors meet at least once a year in the absence of the Chief Executive Officer and the other executive Directors. In consideration of the fact that the Board of Directors was only appointed in September 2021, such meeting did not take place in 2021. The functioning of the Board of Directors is governed by the Articles of Association and the Charter.

As the Company was incorporated only on June 10, 2021 and went through the IPO process, the Board of Directors met three times during the year 2021. In addition, the Board of Directors resolved on certain matters by way of written resolutions.

Major matters reviewed and discussed by the Board of Directors in 2021 were:

- the restructuring of the Group in preparation for the IPO;
- the IPO of the Company and the related actions taken by the Company, such as the amendment of the Articles of Association, the application for listing of its shares on the regulated market of Euronext Brussels, the preparation of the prospectus and the entry into the underwriting agreement;
- the corporate governance of the Company after the IPO, including the preparation of the Charter, the establishment of the Audit and Risk Committee, the Remuneration and Nomination Committee and the Executive Committee as well as the appointment of a corporate secretary and observers to the Board of Directors;
- the financial, overall performance and strategy of the Group and its regions Americas, EMEA and Asia Pacific more specifically;
- the financial budget of the Group related to financial year 2022;
- the M&A projects; and
- the LTIP and the list of participants thereto.



Evaluation

With a view to improve its own effectiveness, the Board of Directors, under the direction of the chair of the Board of Directors and the chair of the Remuneration and Nomination Committee, will evaluate at least every two to three years its composition, its functioning, its information and interactions with management and the composition and functioning of the committees created by it.

No such evaluation activities took place during the year 2021.

Application of rules regarding conflicts of interest

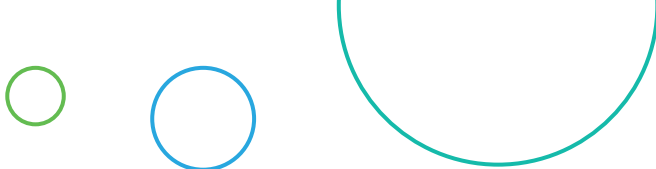
During the meetings of the Board of Directors of September 4, 2021, September 29, 2021, and November 25, 2021, the conflicts of interest procedure under article 7:96 of the BCCA was applied.

At the meeting of September 4, 2021, the Board of Directors discussed, amongst other items, the application for admission of the shares of the Company on the regulated market of Euronext Brussels, the underwriting agreement in respect of the IPO, the management agreement of the Chief Financial Officer and the agreements with the independent non-executive directors. The minutes of the meeting mention the following in this respect:

"(a) Prior to the deliberation and decisions, Mr Antonio Trius, Ms Alexandra Brand, Mr Jürgen Buchsteiner, Mr Hans Joachim Müller and Mr Thijs Bakker (as permanent representative of Cloudworks BV) have each declared to have a direct or indirect interest of a financial nature that may conflict with the decision of the board of directors and with the interest of the Company in accordance with article 7:96 of the Code of Companies and Associations (a "Conflict of Interest") in respect of certain decisions on the planned initial public offering of the Company on the regulated market of Euronext Brussels (the "IPO"), notably in respect of agenda items (i) and (ii), as it is planned that they will sell part of the shareholding they hold in the Group. They are therefore expected to be (directly or indirectly) a party to the Underwriting Agreement (as defined below) as a selling shareholder, to which the Company will also be a party and in which their interests may not be entirely aligned, in particular with regard to (i) the determination of the price at which the shares will be offered in the IPO, (ii) the bearing of the transaction costs and (iii) the warranties and indemnities to be given to the underwriters.

The financial consequences of the IPO and the entry into the Underwriting Agreement can be described as follows. On the one hand, the Company will be able to raise new capital through the IPO. The exact amount of the capital increase is still to be confirmed by the extraordinary general shareholders' meeting of the Company but is – as stated in the ITF (as defined below) – expected to be around EUR 880 million. On the other hand, the Company will incur significant transaction costs due to the IPO (as further explained below). These costs can also not be precisely determined at present, because they will depend in part on the exact number of shares that will be offered in the IPO. In addition, the Company may be exposed to claims for indemnification under the warranty and indemnity provisions of the Underwriting Agreement.

However, incurring these costs and providing the warranties and indemnities in the Underwriting Agreement is necessary to enable the IPO, and thus the raising of new capital on the stock exchange. This will mainly have the following advantages for the Company: (i) the creation of a flexible access to capital markets, (ii) a reduction of the degree of external indebtedness and (iii) ensuring sufficient financial strength for further international expansion. These advantages are expected to be many times larger than the disadvantages



of transaction costs and the giving of warranties and indemnities (which, moreover, are in line with what is customary for transactions of this nature).

For these reasons, the board of directors believes that the proposed resolutions are in the interest of the Company and are therefore justified.

(b) Furthermore, Mr Thijs Bakker (as permanent representative of Cloudworks BV) has declared to have a Conflict of Interest in respect of the relocation of certain Group functions to the Company (agenda item (xii)), as this item relates, i.a., to the approval by the Company of the management agreement with Cloudworks BV itself.

The financial consequences of the approval of this management agreement consist in the obligation for the Company to pay to Cloudworks BV the remuneration provided for in the management agreement. However, this is necessary to contract Cloudworks BV (represented by Mr Thijs Bakker). The expertise of Cloudworks BV (represented by Mr Thijs Bakker) as CFO of the Group is of importance for the financial management as well as the further development of the Company. The terms of the agreement with Cloudworks BV are at arm's length.

For these reasons, the board of directors believes that the proposed resolution is in the interest of the Company and is therefore justified.

(c) Finally, Mr Antonio Trius, Ms Alexandra Brand and Mr Jürgen Buchsteiner have each declared to have a Conflict of Interest in respect of the proposed agreements between the Company and each of these directors as non-executive and independent directors (agenda item (xiii)).

The financial consequences of the approval of these agreements consist in the obligation for the Company to pay to these directors a remuneration of EUR 70,000 p.a. (and an additional remuneration of EUR 30,000 for the chair of the board of directors). However, this remuneration is necessary to attract these directors. Their expertise as non-executive and independent directors is of importance for the further development of the Company. The terms of the agreements with the non-executive and independent directors are at arm's length and the remuneration provided for therein will in addition be submitted to the extraordinary general shareholders' meeting of the Company in the framework of the approval of the remuneration policy.

For these reasons, the board of directors believes that the proposed resolution is in the interest of the Company and is therefore justified."

At the meeting of September 29, 2021, the Board of Directors discussed, amongst other items, the lock-up agreements to be entered into with certain managers of the Group. The minutes of the meeting mention the following in this respect:

"It is noted that the proposed ratification of the lock-up agreements under agenda item (ii)d is to be seen in the context of the decision of the board of directors during its meeting held on 4 September 2021 to approve the IPO and the draft Underwriting Agreement, whereby Mr Antonio Trius, Mr Jürgen Buchsteiner, Ms Alexandra Brand, the Group CEO and the Group CFO (as permanent representative of Cloudworks BV) have each declared to have a direct or indirect interest of a financial nature that may conflict with the decision of the board of directors and with the interest of the Company in accordance with article 7:96 of the Code of Companies and Associations. In addition, prior to the deliberation and decisions, Ms Ipek Özsüer



has equally declared to have a direct or indirect interest of a financial nature that may conflict with the decision of the board of directors and with the interest of the Company in accordance with article 7:96 of the Code of Companies and Associations in respect of the proposed ratification of the lock-up agreements under agenda item (ii)d.

Each of Mr Antonio Trius, Mr Jürgen Buchsteiner, Ms Alexandra Brand, Ms Ipek Özşüer, the Group CEO and the Group CFO (as permanent representative of Cloudworks BV) is a party to a lock-up agreement with the Company, whereby his/her/its and the Company's interests may not be entirely aligned, in particular with regard to the duration and the accompanying terms of the lock-up undertaking.

The Company will not incur any direct financial consequences in relation to the entry into the lock-up agreements. However, the entry into these lock-up agreements has facilitated the success of the IPO and will in the future facilitate the alignment of the interests of management of the Company with those of the shareholders of the Company, which is in the interest of the Company. For these reasons, the board of directors believes that the proposed ratification of the lock-up agreements is in the interest of the Company and are therefore justified."

At the meeting of November 25, 2021, the Board of Directors discussed amongst others – upon recommendation of the Remuneration and Nomination Committee – the participants to the LTIP. In this respect, the minutes of the meeting mention the following in this respect:

"It is noted that the proposed recommendation by the remuneration and appointment committee to approve the list of participants to the long-term management incentive plan (the "LTIP") and the associated amount of awards under agenda item (iii)b is to be seen in the context of the decision taken by the board of directors during its meeting held on 4 September 2021 to approve the remuneration policy and the LTIP, whereby the Group CEO and the Group CFO (as permanent representative of Cloudworks BV) have each declared to have a direct or indirect interest of a financial nature that may conflict with the decision of the board of directors and with the interest of the Company in accordance with article 7:96 of the Code of Companies and Associations.

The Group CEO and the Group CFO (as permanent representative of Cloudworks BV) (the "Conflicted Directors") are included on the proposed list of participants to the LTIP, whereby their and the Company's interests may not be entirely aligned.

The financial consequences of the approval of the LTIP participation of the Conflicted Directors consist of the obligation for the Company to pay to these Conflicted Directors the associated amount of awards provided in the LTIP. However, the participation of both Conflicted Directors is important to the strategic and financial management as well as the further development of the Company and the wider Azelis group. The terms of the LTIP are at arm's length.

For these reasons, the board of directors believes that the proposed approval of the participation of the Conflicted Directors to the LTIP and the associated amount of awards is in the interest of the Company and is therefore justified."

Attendance

The attendance of the directors to the meetings of the Board of Directors during the year 2021 was as follows:

Name	Sep 4	Sep 29	Nov 25
Antonio Trius	Y	Y	Y
Alexandra Brand	Y	N	Y
Jürgen Buchsteiner	Y	Y	Y
Ipek Özsüer ¹	N/A ¹	Y	Y
Bert Janssens	Y	Y	Y
Kristiaan Nieuwenburg	Y	Y	Y
Hans Joachim Müller	Y	Y	Y
Thijs Bakker ²	Y	Y	Y

¹ Ms Ipek Özsüer was appointed as a director with effect on September 21, 2021.

² Thijs Bakker provides services through Cloudworks BV.

Committees of the Board of Directors

During its meeting held on September 4, 2021, the Board of Directors established two advisory committees with effect on September 21, 2021, which are responsible for assisting the Board of Directors and making recommendations in specific fields: the Audit and Risk Committee and the Remuneration and Nomination Committee. The terms of reference of these committees are primarily set out in the Charter.

The Audit and Risk Committee

Role and mission

The Audit and Risk Committee assists the Board of Directors in its task of carrying out on accounting, audit and internal control matters and exercising general supervision in a broad sense.

The Audit and Risk Committee also reports regularly to the Board of Directors on the exercise of its duties identifying any matters where it considers that action or improvement is needed and making recommendations as regards the steps to be taken.

Composition

The Audit and Risk Committee consists of at least three directors, all of them being non-executive directors and one of them being an independent director.

The members of the Audit and Risk Committee have a collective competence in the business activities of the Company. Mr Jürgen Buchsteiner has the necessary competence in accounting and auditing as required by the BCCA.

On December 31, 2021, the Audit and Risk Committee was composed as follows:

Name	Age	Position	Member since	Mandate expires
Jürgen Buchsteiner	63	Chair	2021	2025
Antonio Trius	66	Member	2021	2025
Bert Janssens	45	Member	2021	2025

Functioning

In principle, the Audit and Risk Committee meets at least four times a year and whenever it deems necessary in order to carry out its duties.

As the Audit and Risk Committee was established only on September 21, 2021, it met one time during the year 2021. All members attended this meeting of the Audit and Risk Committee. In addition, the Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit, the Group General Counsel & Chief Compliance Officer, the Group SHEQ & Sustainability Director, the IT Security & Compliance Officer as well as Mr Floris van Halder (observer) and the Company's statutory auditor were invited to and attended this meeting.

The Remuneration and Nomination Committee

Role and mission

The Remuneration and Nomination Committee has an advisory role and prepares the decisions of the Board of Directors regarding remuneration and regarding the appointment of Directors and of the members of the Executive Committee.

The Remuneration and Nomination Committee also reports regularly to the Board of Directors on the exercise of its duties.

Composition

The Remuneration and Nomination Committee consists of at least three directors, all of them being non-executive directors and two of them being independent directors.

The members of the Remuneration and Nomination Committee have the necessary expertise in terms of remuneration policy.

On December 31, 2021, the Remuneration and Nomination Committee was composed as follows:

Name	Age	Position	Member since	Mandate expires
Antonio Trius	66	Chair	2021	2025
Alexandra Brand	50	Member	2021	2025
Bert Janssens	45	Member	2021	2025

Functioning

In principle, the Remuneration and Nomination Committee meets at least twice a year and whenever it deems necessary in order to carry out its duties.

As the Remuneration and Nomination Committee was established only on September 21, 2021, it met one time during the year 2021. All members and the Chief Executive Officer attended this meeting of the Remuneration and Nomination Committee.

Executive Committee

General

The Executive Committee was established by decision of the Board of Directors on September 4, 2021, with effect on September 21, 2021. It is an informal executive committee within the meaning of Article 3:6, §3, last sentence of the BCCA. It does not constitute a management board within the meaning of Article 7:104 of the BCCA (*directieraad / conseil de direction*).

The Executive Committee exercises the duties delegated to it by the Board of Directors and the members of the Executive Committee have the specific duties assigned to them by the Chief Executive Officer, under the ultimate supervision of the Board of Directors. On September 4, 2021, the Board of Directors resolved to delegate certain powers to the Executive Committee with effect on September 21, 2021.

Composition

The Executive Committee is composed of the Chief Executive Officer, who chairs the Executive Committee, and the other members of the Executive Committee. The Chief Executive Officer is appointed and removed by the Board of Directors, upon the advice of the Remuneration and Nomination Committee, and reports directly to the Board of Directors. The other members of the Executive Committee are appointed and removed by the Board of Directors, upon the advice of the Chief Executive Officer and the Remuneration and Nomination Committee.

On December 31, 2021, the Executive Committee consisted of the following members:

Name	Age	Position
Hans Joachim Müller	62	Chief Executive Officer
Thijs Bakker ¹	47	Chief Financial Officer
Frank Bergonzi	61	CEO & President, Americas
Anna Bertona ²	54	CEO & President, EMEA
Laurent Nataf	48	CEO & President, Asia-Pacific

¹ Thijs Bakker provides services through Cloudworks BV.

² Anna Bertona provides services through AU-R-ORA BV.

Each of the members of the Executive Committee has been appointed by the Board of Directors on September 4, 2021, with effect on September 21, 2021, for a period of four years.

Ms Ilse Van den Brandt serves as secretary to the Executive Committee.

Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day management of the Company. He/she may be granted additional well-defined powers by the Board of Directors. They have direct operational responsibility for the Company and oversees the organization and day-to-day management of the Company's subsidiaries, affiliates and joint ventures. The Chief Executive Officer is responsible for the execution and management of the outcome of all of the Board of Directors' decisions.

On December 31, 2021, the Chief Executive Officer of the Company was Mr Hans Joachim Müller. On September 4, 2021, the Board of Directors also entrusted Mr Müller with the powers of daily management of the Company in accordance with article 7:121 of the BCCA, with effect on September 21, 2021 and for the duration of his mandate as a member of the Executive Committee.

Curricula vitae

The following contains summaries of the *curricula vitae* of the members of the Executive Committee.

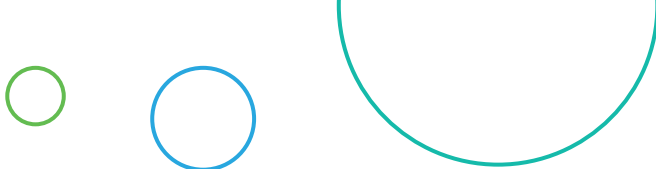
For the *curricula vitae* of Thijs Bakker and Hans Joachim Müller, please see section "Board of Directors" of this Corporate Governance Statement.

Frank Bergonzi joined Azelis in 2015. He was the President & CEO of KODA Distribution Group from 2012 and in 2015, following the acquisition of KDG Holdings, Inc. by Azelis, Mr. Bergonzi was appointed CEO & President Azelis Americas. Prior to that, Mr. Bergonzi was the Director of Corporate Distribution North America Chemicals and Plastics at BASF. Mr. Bergonzi served on the board of the National Association of Chemical Distributors and as chairman of the supplier advisory panel, in addition to his role as a board trustee of the Chemical Education Fund. He is also an active member in the Chemical Club of New England, the Society of Cosmetic Chemists, the American Coatings Association and the Drug, Chemical and Associated Trade. Mr. Bergonzi holds a BS in chemical engineering from the University of Connecticut.

Anna Bertona joined Azelis in 2013 as Group VP Strategic Planning & Implementation and was appointed Chief Strategy & Principal Officer in 2014. In 2016 she was appointed CEO & President Azelis EMEA. Prior to joining Azelis, Ms. Bertona worked in strategy consultancy, most recently as a partner within A.T. Kearney. Ms. Bertona holds a Master of Science in Industrial Design Engineering from the Delft University of Technology (the Netherlands), as well as an MBA from the Rotterdam School of Management.

Laurent Nataf joined Azelis in 2003. In 2012, Mr. Nataf was appointed Group Chief Operating Officer of Azelis, after having exercised various positions within Azelis' Industrial Chemicals segment. In 2016, Mr. Nataf was appointed CEO & President Asia-Pacific. Mr. Nataf holds a master's degree in Chemistry from the Engineering School of Industrial Chemistry of Lyon, France and an MBA from the Sorbonne Graduate Business School in Paris, France.





Remuneration report

Remuneration policy

In accordance with Article 7:89/1 of the Belgian Code of Companies and Associations and the 2020 edition of the Belgian Code of Corporate Governance, Azelis Group NV has established a remuneration policy applicable to the remuneration of Board members (executive and non-executive directors) and members of the Executive Committee. Azelis' remuneration policy has been applicable since the financial year starting on January 1, 2022 and has been approved by its remuneration and nomination committee on March 7, 2022 and by its board of directors on March 8, 2022. It is envisaged that Azelis' board of directors will submit Azelis' remuneration policy to the annual general shareholders' meeting to be held on June 9, 2022 for approval.

The policy is intended to be applicable for four years from the date on which approved by the Board of Directors, unless the Remuneration Committee seeks approval for material changes before then. The remuneration policy shall be made public on Azelis' website and shall remain accessible at least during the period in which the remuneration policy is applicable.

Objectives of the remuneration policy

- Support the achievement of the Azelis business strategy by enabling the recruitment, retention and motivation of Directors and Executive Committee members of the calibre necessary to execute strategy for the benefit of all stakeholders.
- Balance the need to create long term sustainable growth in company value while keeping a strong focus on short-term financial results to drive appropriate behaviours.
- Provide remuneration levels that are competitive relative to companies similar in size, sector and complexity and that also reflect the level of responsibility and competency of the individual.
- Provide for higher levels of remuneration only if stretching Group, divisional and personal performance targets are achieved that have a clear link to strategy, and sustainable value creation.
- Align the interests of Directors and Executive Committee members with shareholders by partly rewarding Executive Committee members in shares and requiring both Directors and Executive Committee members to build up and maintain a shareholding.
- Support the achievement of environmental, societal and governance related objectives by linking remuneration policy and levels of remuneration to stakeholder interests.
- Align with both best practices and market practice while providing an appropriate level of flexibility to ensure the Remuneration Committee can respond to business needs as they arise.

Remuneration of the Board of Directors

Azelis Group NV's directors are remunerated in line with the Remuneration Policy of Azelis Group NV. The remuneration of the Non-Executive Directors takes account of their role as a Board Member or Chair of the Board and their associated responsibilities and time commitment.

Each independent non-executive director receives a fixed annual fee wholly in cash with expenses reasonably associated with attending board meetings reimbursed by the company. There is no automatic adjustment of the fixed fee level. Independent non-executive directors do not receive any variable remuneration linked to results or other performance criteria.

The remuneration of the independent non-executive Directors was last reviewed by the Shareholders' Meeting dated September 10, 2021 and defined as follows:

- Director fee: annual fee of €70,000 gross; and
- Additional fee applicable to the chair: annual fee of €30,000 gross.

There is no additional fee for committee membership.

The non-executive directors do not receive any part of their remuneration in the form of shares, as the interests of the non-executive members of the Board of Directors are currently considered to be sufficiently oriented to the creation of long-term value for the Company.

Independent non-executive directors, however, are required to build-up and maintain a shareholding equal to the value of their fixed annual fee within a period of 5 years. This requirement is effective January 1st, 2022 and must be reached over a period of 5 years.

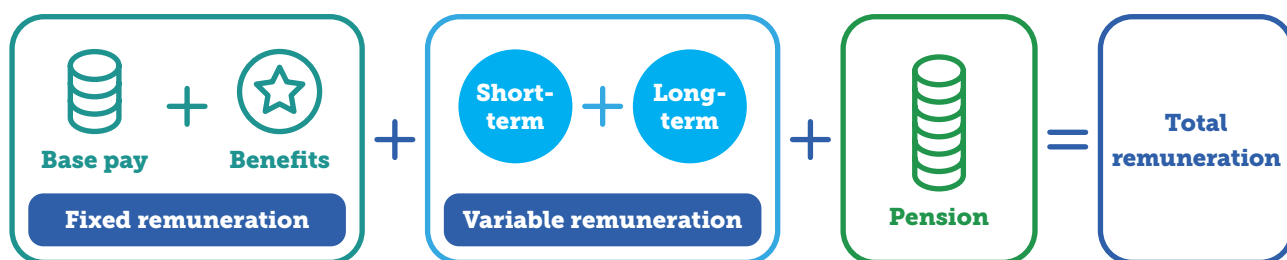
Remuneration of the Executive Committee

Remuneration structure

The Board of Directors, upon recommendation of the Remuneration Committee, determines the level and structure of the remuneration of the CEO, CFO and other Executive Committee members.

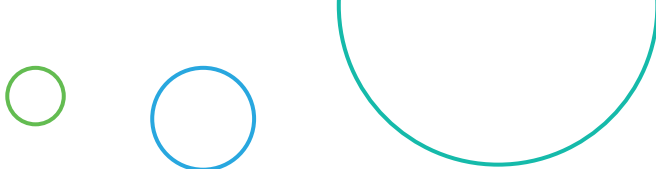
Levels of remuneration are reviewed regularly to assess their competitiveness compared to companies similar in size, sector and complexity along with the pay and conditions of Azelis employees. There is no automatic adjustment of remuneration levels and the remuneration policy seeks to closely align the interests of the CEO, CFO and other Executive Committee members with shareholders by rewarding partly in company shares.

The total remuneration packages for CEO, CFO and other Executive Committee members consists of the following key elements:



Base pay

Base pay is set at a level to attract and retain qualified and competent individuals considering levels of pay for similar roles in similar companies, the responsibilities of the role, the experience of the individual and their performance in role. The Remuneration Committee may propose annually or otherwise to the Board of Directors an increase in base pay along with a reason for the proposal. Any increase shall ordinarily be in line with increases for employees in the country in which the executive is based although may be higher to reflect, for example, a change in role, responsibilities or individual performance.



Benefits

Azelis provides benefits that are consistent with local market practices and that are necessary to recruit and retain qualified and competent individuals. Executive Committee members, apart from those operating via a Management Company or a self-employed basis, are eligible for various benefits. Benefits offered may include, but are not limited to, the following:

- Company car with fuel card or car allowance
- Health or hospitalization insurance
- Representation allowance

Variable remuneration: Short-term variable pay

Short-term variable pay supports key annual priorities in line with overall company strategy, with a strong focus on short-term financial performance and rewarding behaviour that supports long-term sustainable value creation.

Short-term variable remuneration is contingent on both collective performance targets (at Group and regional level for positions with a regional scope) and individual performance targets. Group and regional targets are all quantitative and financially orientated.

Actual short-term variable remuneration is determined based on achievement against performance targets set at the beginning of each financial year.

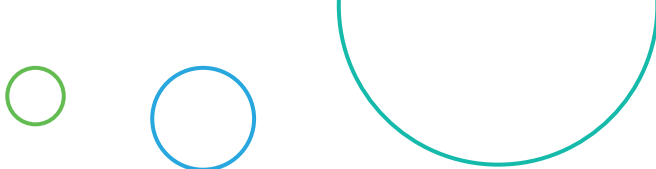
CEO, CFO and the other Executive Committee members receive short-term incentives in cash with a target opportunity of 100% of the annual base salary, capped at 150% of the target. This cap applies as from the short-term incentive (STI) plan 2022. Until December 31st, 2021 the STI plan was uncapped for all participants (senior managers of the group including members of the Executive Committee).

This cash bonus is dependent on achievement of Group EBITA (with a focus on organic growth), cash flow and individual performance. Wherever relevant, regional EBITA and working capital will also be taken into account.

The pay-out is zero if threshold performance is not met.

The STI plan consists of the following performance components:

- Group Performance is measured in terms of group EBITA and net debt, actual vs. budget. The group performance has a dual role:
 - it determines the total amount of short-term variable remuneration to be paid out and distributed among all participants
 - it is one of the three STI components whose payout percentage is the baseline for the calculation of all STI plan components
- Organisational Performance Region (Americas or EMEA or Asia Pacific) is measured in terms of regional EBITA and working capital, actual vs. budget.
- Individual Performance is measured against non-financial, quantitative objectives.



Eligible STI plan participants	Group performance – weight	Regional performance (EMEA / Americas / Asia Pacific) – weight	Individual performance – weight
CEO, CFO	80%		20%
Other Executive Committee members	40%	30% = EBITA EMEA / Americas / Asia Pacific 10% = GWC* EMEA / Americas / Asia Pacific	20%

*Gross working capital

The Board of Directors is responsible for approving performance targets and reviewing performance against them considering any feedback from the Remuneration Committee and in the case of the CFO and each other member of the Executive Committee the views and recommendations of the CEO.

Short-term variable remuneration is payable wholly in cash before the end of the second quarter of the financial year following the performance year, once audited results are available and subject to final approval of the Remuneration Committee. There is no deferral of payment.

Variable remuneration: Long-term variable pay

Long-term variable pay supports the policy objective of creating long term sustainable growth in value by rewarding for achievement of long-term performance goals and aligning the interests of the CEO, CFO and other Executive Committee members with those of shareholders by rewarding in Azelis shares.

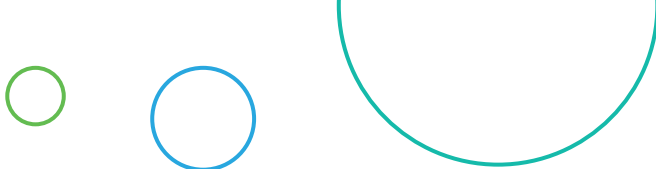
Up to December 31, 2021 Azelis did not operate a long-term incentive plan ("LTIP"). The non-executive directors and members of the Executive Committee, namely Thijs Bakker, Frank Bergonzi, Anna Bertona, Alexandra Brand, Jürgen Buchsteiner, Hans Joachim Müller, Laurent Nataf, Ipek Özsüer and Antonio Trius, together with certain other employees or consultants of the Group held shares of Akita Topco S.à r.l. and became shareholders of Azelis Group NV immediately prior to the closing of the Initial Public Offering.

On September 10, 2021, an extraordinary Shareholders' Meeting of the Company approved the proposal to set up a long-term incentive plan for employees, Directors, members of the Executive Committee or self-employed managers of a Group member.

Effective January 1, 2022 the CEO, CFO and other Executive Committee members are eligible to participate in the new LTIP which involves the grant of an award of a specified number of Azelis shares. The awards will be subject to a vesting period of at least three years, i.e. the shares will only be delivered if performance targets are met which are measured over a three-year performance period. The targets and assessment of performance against them is determined by the Board, on recommendation by the Remuneration Committee.

Although a target number of shares (performance shares) is awarded at grant, at the end of the three-year performance period the target number of performance shares to be delivered may be adjusted up or down depending on the actual level of performance achieved.

Performance will be measured against objectively measurable key performance indicators (both financial and non-financial) that reflect the performance of Azelis as a whole. For initial awards, three metrics are operated in the LTI plan:

- 
1. Total Shareholder Return (TSR) relative to a peer group – 50% weighting
 2. EBITA – 35% weighting
 3. ESG Metric; Scope 1 and Scope 2 CO₂ reduction – 15% weighting

At the end of the three-year performance period, outcomes are evaluated and assessed against the targets. Targets are communicated at the time of awards and will broadly vest as follows:

- Below threshold: The number of shares vesting shall be zero for below-threshold performance.
- Between threshold and target: The number of shares vesting shall increase on a pro-rata basis from zero to the number of shares granted.
- At-target performance: The number of shares awarded at date of grant will fully vest.
- Above-target performance: The number of shares awarded at date of grant that vest will increase on a pro-rata basis and in accordance with realized performance, with a maximum of 150% in case of maximum performance.

Should long-term variable remuneration be payable, vesting date for the awards is expected to be before the end of the second quarter of the financial year following the end of the performance period, once audited results are available and subject to final approval of the Board, on recommendation by the Remuneration Committee.

The target opportunity for the CEO, CFO and other Executive Committee members is up to 100% of base pay whereas the maximum is 150% of the target award.

During the performance period participants have no right to receive dividends in respect of the performance shares. However, should the relevant performance targets be achieved then the Board, on recommendation from the Remuneration Committee may determine that the number of shares due to the participant is increased by an amount equivalent to the dividends the performance shares would have received during the performance period. This may also be made as a cash payment.

Pension

Azelis provides market competitive pension plans in line with local market practice and those available to employees. Executive Committee members, apart from those operating via a Management Company or on a self-employed basis, are entitled to receive pension benefits.

Amount of compensation paid and other benefits granted directly or indirectly to the Chief Executive Officer, the Chief Financial Officer and the other Members of the Executive Committee

Name, position	Fixed remuneration / Salary	Variable remuneration		Total direct compensation	Extraordinary items (2)	Benefits		Total remuneration	Proportion of fixed and variable remuneration	
		Annual variable pay based on 2021 results	Equity-based compensation 2021 (1)			Pension	Other benefits (3)			
Dr. Hans Joachim Müller, CEO	560,155	1,046,570	–	1,606,725	–	–	127,776	1,734,501	F V	40% 60%
Thijs Bakker, CFO	386,386	676,710	–	1,063,096	99,567	25,909	47,652	1,236,224	F V	37% 63%
Other members of the Executive Committee (Frank Bergonzi, CEO Americas / Anna Bertona, CEO EMEA / Laurent Nataf, CEO Asia Pacific)	1,098,228	2,352,268	–	3,450,496	81,111	39,786	608,044	4,179,438	F V	42% 58%
Total	2,044,769	4,075,548	–	6,120,317	180,678	65,695	783,472	7,150,162		

(1) Not applicable: Effective 1 January 2022 the CEO, CFO and other Executive Committee members are eligible to participate in a long-term incentive (LTI) plan which involves the grant of an award of a specified number of Azelis shares (performance shares).

(2) Effective 30/09/2021 the employment relationships with Mr. Thijs Bakker and Ms. Anna Bertona were terminated by mutual consent. Effective 01/10/2021, service agreements were put in place with the management companies of Mr. Bakker and Ms. Anna Bertona. These costs are related to the out-of-service payments made upon employment termination. No redundancy payments were made.

(3) Long-term benefits (e.g. death-in-service, disability insurance, medical benefits, private health insurance, etc.) and benefits in kind (e.g. company vehicle, meal vouchers, other vouchers, tax assistance, tuition / school fees, club / association fees, etc.)

Short-term incentive granted for performance year 2021 granted to the Chief Executive Officer, the Chief Financial Officer and the other Members of the Executive Committee

Name, position	Target STI percentage 2021 (% of gross base pay)	Performance metrics and target weights		Payout by performance metric and total (EUR)	
Dr. Hans Joachim Müller, CEO	100%	Weight group performance metric	80%	Group performance metric – Payout	837,256
		Weight individual performance metric	20%	Individual performance metric – Payout	209,314
		Total payout			1,046,570
		STI payout – Actual vs target			186.8%
Thijs Bakker, CFO	96.25% (1)	Weight group performance metric	80%	Group performance metric – Payout	541,368
		Weight individual performance metric	20%	Individual performance metric – Payout	135,342
		Total payout			676,710
		STI payout – Actual vs target			186.8%
Other members of the Executive Committee	98.75% (2)	Weight group performance metric	40%	Group performance metric – Payout	815,523
		Weight regional performance metric	EBITA 30% GWC 10%	Regional performance metric – Payout (EBITA and GWC combined)	1,128,983
		Weight individual performance metric	20%	Individual performance metric – Payout	407,762
		Total payout			2,352,268
		STI payout – Actual vs target			215.2%

(1) 9 months at 100%, 3 months at 85%

(2) CEO and President Americas: 100%, CEO and President EMEA: 9 months at 100%, 3 months at 85%, CEO and President Asia Pacific: 100%

Share-based payment awarded to the Chief Executive Officer, the Chief Financial Officer and the other Members of the Executive Committee

In 2021 no share-based payment was awarded to the Chief Executive Officer, Chief Financial Officer and other members of the Executive Committee.

Other quantitative information

Comparative information on the evolution of compensation and company performance

Remuneration in EUR	2017	2018	2019	2020	2021
Remuneration of the Board	200,016 (1)	203,617 (2)	257,500 (3)	240,000 (4)	240,000 (5)
Remuneration of the CEO, Dr. Hans Joachim Müller	1,153,794	1,309,271	1,093,272	1,415,687	1,734,501
Remuneration of the CFO, Thijs Bakker	546,149	680,675	646,606	882,314	1,236,224
Remuneration of the other members of the Executive Committee F. Bergonzi, CEO Americas / A. Bertona, CEO EMEA / L. Nataf, CEO Asia Pacific	2,331,248	2,898,281	2,527,990	3,147,825	4,179,438
Total remuneration	4,231,207	5,091,844	4,525,368	5,685,826	7,390,162
Azelis performance (in € thousands)					
Adjusted EBITDA (6)	116,247	137,326	178,475	207,175	287,824
Adjusted EBITA (6)	112,650	133,493	163,340	189,553	267,922
Net profit	-38,583	-21,551	47,978	71,012	70,225

(1) Independent non-executive Directors 2017: Antonio Trius (12 m.), Mario Preissler (12 m.), Michael Roney (12 m.)

(2) Independent non-executive Directors 2018: Antonio Trius (12 m.), Mario Preissler (10 m.), Michael Roney (10.3 m.), Kees Verhaar (2 m.), Jürgen Buchsteiner (2 m.)

(3) Independent non-executive Directors 2019: Antonio Trius (12 m.), Kees Verhaar (6 m.), Jürgen Buchsteiner (12 m.), Alexandra Brand (9 m.)

(4) Independent non-executive Directors 2020: Antonio Trius (12 m.), Jürgen Buchsteiner (12 m.), Alexandra Brand (12 m.)

(5) Independent non-executive Directors 2021: Antonio Trius (12 m.), Jürgen Buchsteiner (12 m.), Alexandra Brand (12 m.), Ipek Ozsuer (6 m.: the relevant Director fee will be invoiced in 2022)

(6) From 2017 until 2019, the STI bonus was based on Adjusted EBITDA performance. As from 2020, driven by the application of IFRS 16, Adjusted EBITA is the main performance measure for the STI bonus.

The remuneration of the independent non-executive directors ('Remuneration of the Board') does not include travel and other expenses reimbursed by Azelis Group NV for meetings related to their Board and Board Committee mandates.

The ratio between the highest remuneration of a member of the Executive Committee (CEO) and the lowest remuneration of an employee of Azelis Group NV in 2021 is 28.7 (in full-time equivalent).

Other information

Minimum number of shares to be held

In line with provision 7.9 of the 2020 Belgian Code on Corporate Governance, the Board has set a minimum threshold of shares to be held by the CEO, CFO and each other member of the Executive Committee as follows:

- The CEO is required to build and maintain a holding of shares equal in value to 200% of base pay;
- Each other member of the Executive Committee is required to build and maintain a holding of shares equal in value to 100% of base pay.

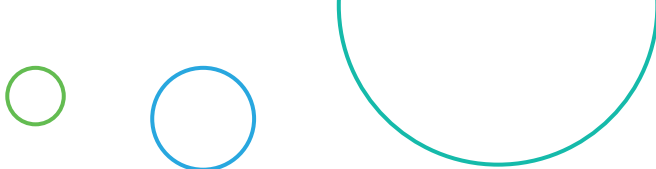
This requirement is effective January 1st, 2022 and must be reached over a period of 5 years. It will apply to all current and future appointments to the Executive Committee.

Severance pay

All agreements with the CEO, CFO and other Executive Committee members are for an indefinite period.

On termination of the employment of the CEO, CFO or another member of the Executive Committee, the termination terms are determined as follows:

- The service agreement of the Chief Executive Officer may be terminated by either party observing a notice period of twelve months to the end of a calendar month. In addition, in case of termination by Azelis, the Chief Executive Officer is entitled to receive a redundancy payment in the amount of one month's



gross base pay per each completed year of service upon the effective termination of the service agreement, provided Azelis has not terminated the agreement by cause. The side agreement to the service agreement of the Chief Executive Officer, pursuant to which the Chief Executive Officer is also providing services at the premises of Azelis Corporate Services NV in Belgium, can be terminated by Azelis at the end of a month with a notice period of one month. Termination of the service agreement of the Chief Executive Officer does not automatically result in the termination of the side agreement.

- The CEO & President Americas, a member of the Executive Committee, is an at-will employee who, in case of termination by Azelis without "cause" or by the employee for "good reason," subject to the execution of a release of claims in favor of Azelis, will be entitled to receive accrued and vested benefits under Azelis' employee benefit plans, continued pay for a period of 24 months following termination, payable in accordance with the Azelis' payroll practices, and a pro rata annual bonus for the year of termination based on actual results for such year.
- The CEO & President Asia Pacific, a member of the Executive Committee, is in case of termination by Azelis without "cause" entitled to a notice period of six months and severance pay equal to the annual gross base salary, and to an amount equal to the *indemnité légale de licenciement* as calculated in accordance with applicable French law.
- The other members of the Executive Committee (i.e., the Chief Financial Officer and the CEO & President EMEA) are subject to a management agreement that may be terminated by either party observing a notice period of six months. In case of termination by Azelis with immediate effect, they are entitled to receive a lump sum termination fee equal to six months of the fixed fee paid pursuant to their management agreement.

Restrictive covenants

The members of the Executive Committee are each bound by post-termination non-compete clauses.

- The Chief Executive Officer of the Group is bound by a post-termination non-compete clause that has a term of twelve months after effective termination of the service agreement for all countries where Azelis carries out its business. During this twelve-month period, the Chief Executive Officer is entitled to compensation in the amount of one-twelfth of 50% of his annual base gross salary per month, except if the application of the non-compete clause is waived by Azelis giving six months' notice at any point during the employment agreement, in which case the obligation to pay compensation would end six months after the declaration of the waiver.
- The CEO & President Asia Pacific is bound by a post-termination non-compete clause that has a term of twelve months after effective termination of the employment agreement for all countries where Azelis carries out its business in the Asia Pacific region. During this twelve-month period, the CEO & President Asia Pacific is entitled to compensation in the amount of one-twelfth of 50% of his annual base gross salary and selected allowances for each month of the duration of the non-compete period, except if the application of the non-compete clause is waived by Azelis, which waiver would take immediate effect, at any point during the term of the employment agreement.
- The term of the post-termination non-compete period for the CEO & President Americas is 24 months after effective termination of his service agreement, while
- The Chief Financial Officer and the CEO & President EMEA are each bound by post-termination non-compete clauses that have a term of twelve months after effective termination of their management agreement.

In respect of variable pay, to receive short-term variable pay participants must provide services to the Group and not be serving notice. Good and bad leaver vesting provisions consistent with market practice are in place for the LTI plan.

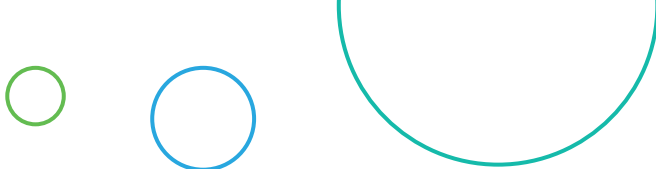
Possibility to reclaim variable remuneration

The Company has the right to claim, during a period of three years from the date of the payment, the reimbursement of undue amounts paid on the basis of erroneous results that were subsequently adjusted or corrected.

Info on any deviation from the remuneration policy

By law, certain restrictions apply to the remuneration of the Chief Executive Officer and the members of the Executive Committee. Variable remuneration can only be paid to the Chief Executive Officer and the members of the Executive Committee if the performance criteria explicitly mentioned in the contractual or other provisions governing the relationship were met in the relevant period. If the variable remuneration constitutes more than 25% of the total annual remuneration package, at least 25% of the variable remuneration must relate to pre-determined and objectively measurable performance criteria deferred over a minimum period of two years, and at least another 25% must relate to such criteria deferred over a minimum period of three years (except where the Articles of Association provide otherwise or the Shareholders' Meeting expressly approves an exception) (refer to article 7:91 of the BCCA). The Articles of Association authorize the Company to deviate from such rule, as allowed under the BCCA. Pursuant to the Corporate Governance Charter recommendation, short-term variable remuneration is subject to a cap.





Auditor

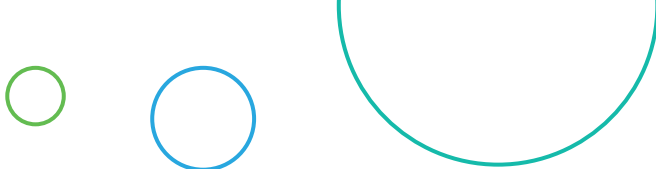
The external audit of Azelis Group NV's statutory and consolidated annual accounts has been entrusted to PwC Bedrijfsrevisoren BV / Reviseurs d'Entreprises SRL, Culliganlaan 5, B-1831 Diegem, Belgium, represented by Peter Van den Eynde BV, with permanent representative, Peter Van den Eynde. The statutory auditor is appointed by the Shareholders' Meeting for renewable terms of three years.

The current mandate of PwC Bedrijfsrevisoren BV / Reviseurs d'Entreprises SRL is to act as the statutory auditor of the Company for the three years ending on the date of the Shareholders' Meeting convened to deliberate on the annual accounts as of and for the year ending 31 December 2023.

The auditor conducts its audits in accordance with the International Standards on Auditing (ISA) and delivers a report, which confirms if the Company's annual accounts and the consolidated financial statements of the Company reflect a true and fair view of the assets, financial condition and results of the Company.

Base fees for auditing the annual financial statements of Azelis Group NV and its subsidiaries are determined by the Shareholders' Meeting after review and approval by the company's Audit and Risk Committee and Board of Directors.

For details on the audit and non-audit fees paid to the auditor in the year ended 31 December, 2021, we refer to note 12 - External services and other expenses to the consolidated financial statements of the Company.



Risk management

Management of risks and opportunities

The Azelis group faces various risks that may affect among others, turnover, earnings and receivables, the simultaneous loss of several key suppliers, and the breach of safety, health, environmental and quality (SHEQ) regulations. Azelis is managing these strategic risks via an integrated Control & Risk Management Framework.

Risk management is a fundamental feature of the Azelis business model that strengthens our performance. Our Enterprise Risk Management (ERM) framework includes a global risk management approach, fully integrated with our strategy and operations. This approach offers a comprehensive view on effectively aligning the interests of our business with those of our investors and society, using a risk-based approach towards our ESG performance.

Risks analysis methodology

Risk governance

On a yearly basis, the Azelis Board of Directors assesses the risks facing the business and determines our risk appetite. This process is conducted with the active participation and input of the Azelis Executive Committee. Once identified, risks are assessed and mitigation measures are implemented for risks which are considered a priority.

The Executive Committee considers the adequacy of measures in place to mitigate and manage risks and assigns responsibility to designated managers ('risk owners') for implementation of these measures. The effectiveness of risk mitigation measures is tested by Internal Audit and findings are reported to the Audit Committee so that progress and identified risks can be monitored objectively and independently from management.

Quarterly meetings with integrated reporting on our compliance and risk programs are held between our Group CEO, Group CFO and Chief Compliance Officer. The Chair of our Audit and Risk Committee and our Group CFO act as sponsors for all matters relating to audit, data security and compliance.

Risk management framework

The Azelis risk management framework is a five-step cycle, focusing on timely risk identification, systematic assessments, and adequate response in line with the company's risk appetite. Azelis integrates a broad array of risk factors directly into the ERM process, resulting in a robust and comprehensive risk management approach. This approach to risk management increases our effectiveness and efficiency and ensures the sustainable growth of our business.

The Azelis risk assessment process follows the COSO ERM framework which defines essential risk components, discusses key principles and concepts, and provides clear direction and guidance for ERM. Its purpose is to focus management's attention on the most important threats and opportunities, to lay the groundwork for risk response and to make sure that risk levels are managed within defined tolerance thresholds without being subject to excessive controls which could result in Azelis missing out on opportunities.

Risk management framework



Risk oversight

To further support our ERM framework, in 2021 we moved to a new customized governance risk and compliance (GRC) platform. This consists of audit management software which is designed for risk management, from planning, risk assessments and fieldwork to analytics, issue management and reporting.

GRC enables the reporting and mitigation of risks using two approaches:

- **Control self-assessment (CSA) process:** at a local entity level, taking a bottom-up approach, potential risks and action plan mitigations are put in place should risks materialize at a local level.
- **ERM process:** at group level, we use ERM processes to apply a top-down approach to identifying and assessing any future global risks to the company that could potentially be overlooked in the bottom-up evaluation.

2021 Risk assessment process

In 2021, Azelis reviewed and updated its risk register which contains over 100 risks. For ERM assessment purposes, the risk register was narrowed down to focus on 41 priority risk areas and participants were asked to assess these risks.

Risk descriptions and mitigations are included below for priority risks identified as part of our latest Enterprise Risk Management update:

Financial risks

The key financial risks are controlled by the Group Finance team in conjunction with the local finance and business managers.

Continuously striving to promote operational excellence throughout the group, Azelis has an integrated ERP platform in order to promote harmonization in procedures and operating models. The Company continues to improve effectiveness and efficiency of the ERP platform, and introduces continuously further enhancements in improving and standardizing its systems and processes.

Risk	Risk Description	Risk Mitigation
Working capital	Risk of Azelis' working capital needs increasing due to inefficient inventory management or increased credit risk, resulting in being unable to finance its working capital in the current conditions.	Azelis continually manages its working capital performance through standardized processes such as punctual invoicing, regular reviews of customer credit limits, maintaining an asset light business model and demand driven inventory management which is particularly important given recent supply chain disruptions.
Fluctuations in exchange rates¹	Azelis is exposed to risks associated with fluctuations in currency exchange rates and with its currency hedging, which could result in increases to Azelis' costs.	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 a natural hedge. In respect of other monetary assets and liabilities denominated in foreign currencies, the company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, or performing forward transactions, when necessary to address short-term imbalances.
Interest rate risk¹	Azelis faces risks in relation to the financing of its future capital needs, including interest rate risks.	The interest rate risk of syndicated external debt, was covered through two CAP agreements that expired in February 2022, and protected the Company against an increase of interest rates above defined levels. Considering new financing in place since September 2021, and expectations on the interest rates, the Company is evaluating new hedging agreements for the years to come.

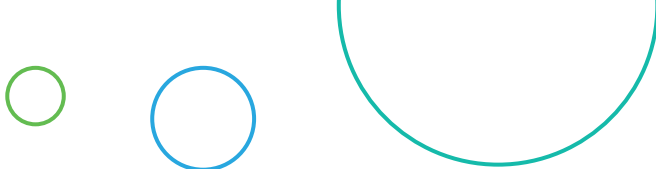
¹ Also refer to Note 4 to the consolidated financial statements for quantitative insight

Strategic risks

Given ongoing political events in Russia and Ukraine there are a number of risk considerations given immediate priority, as part of our 'macro-economic environment' risk mitigations.

Firstly we are supporting our employees throughout the affected regions with a focus on employees safety. As this situation unfolds further we will continue to closely monitor potential impacts and implications such as supply chain disruption, commodity prices, cyber threat exposure and impact of sanctions. We have contingencies in place for these scenarios.

In 2021, Russia and Ukraine together accounted for 1-2% of our total revenue.



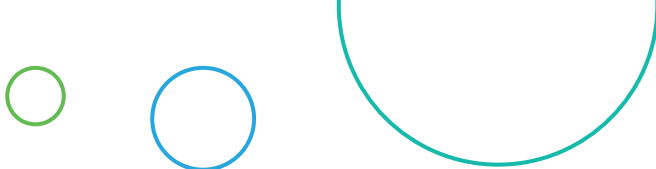
Risk	Risk Description	Risk Mitigation
Macro-economic environment	Change to economic or political context with negative impact, due to trade tensions, global liquidity crunch, or regime change.	- Updated contingency plans for 2021 and 2022 - Continued focus on operational costs and complexity reduction - Geo-political assessment as part of investment decisions - Identify M&A targets which further strengthen our geographical and segment diversification
Market risk	Loss of relationship with principals and customers and market share due to accelerated consolidation among suppliers and distributors.	- Expanding and maintaining close relationships with principals and customers - Focus on creating long term relationships - Bi-annual principal satisfaction survey to measure satisfaction of top global principals
Mergers and acquisitions	Failure to achieve synergies. Inability to streamline integration efforts with the pace of M&A activity.	- Focus on value creating acquisitions, with alignment on our strategic mandates and organisational culture - All acquisitions are subject to Board approval - Detailed post-merger integration process in place

Operational risks

Risk	Risk Description	Risk Mitigation
Information security	Cybersecurity attacks and other threats to IT infrastructure resulting in IT systems failure and business interruption.	- In 2021 Azelis obtained the international ISO27001 'information security management' certificate - Continued consolidation of ERP system to increase standardization of digital landscape - Embedding a cybersecurity culture (mandatory training, awareness creation) - Centralized infrastructure and security team and improved cyber resilience through Open Systems roll out
Human resources	Reliance on a single source of competence for key positions. Plus failure to attract and retain high potential employees and talent.	- Azelis provides a collaborative and entrepreneurial working environment and international career opportunities - Succession Planning Process designed and configured in our Group HR platform - Focus on training. Defined minimum training standards plus training catalogues developed for the main job functions
Business continuity	Inadequate crisis management plan leading to lack of coordination of actions and mitigation plans in the event of a crisis (major safety incidents, office shutdown, ERP interruption, pandemic, ...).	- Continuous monitoring of pandemic including updating of forecasts - Crisis management communication policy in place - Per Action 2025, target is to have crisis management and business continuity plans in place for 100% of Azelis sites

Legal and compliance risks

Risk	Risk Description	Risk Mitigation
Business and trade regulations	Failure to (timely) comply with specific product related standards within highly regulated businesses and industries (e.g. quality standards linked to pharma/food regulations).	• Azelis has developed product stewardship policies and has a network of SHEQ managers who ensure compliance with the various regulations to which the group is subject • Azelis has invested heavily in IT systems backed up by robust procedures to ensure the efficient extraction, recording and maintenance of information required to meet the complex regulatory framework in which it trades
Governance	Inability to appropriately and timely address and respond to a rapidly increasing regulatory framework and initiatives in multiple jurisdictions.	• In addition to the Board of Directors, the governance model includes formal remuneration and audit committees. Each of those committees consist of non-executive members of the Board • Internal auditor reports directly and independently to the Audit Committee • All employees have agreed to Azelis Code of Conduct and that agreement is verified annually



Diversity and inclusion

The diversity of our employees creates significant value and additional competitive advantage for our business. Diversity does not only mean gender diversity, it also includes differences in culture, age, sexual orientation, physical impairments, work experience and many other forms of variety.

We are convinced that diverse companies are better at attracting talent, have a better customer orientation, higher employee satisfaction and enhanced decision-making processes. Ultimately, a diverse company will also perform better financially.

Azelis operates across five continents and 57 countries, with a global workforce including 71 different nationalities at the end of 2021.

Starting at the top of our organization, the appointment of Ipek Özsüer in 2021 has raised the ratio of female independent non-executive directors in our Board from 25% in 2020 to 50%.

Overall, out of the eight members of the Board, two were female and six male on December 31, 2021.

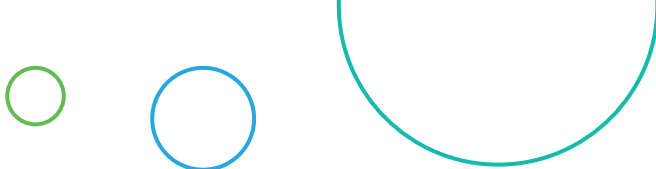
Our senior management team included 68 men and women from many different cultures, ethnic origins and ages and from 26 different nationalities on December 31, 2021. 23.5% of the members of the group senior management team (including our Executive Committee) were women.

Women represented over 52% of our global workforce on December 31, 2021. This percentage has consistently been above 50% in the past 5 years.

This ratio is exceeded when it comes to people development: almost 65% of our internal promotions in 2021 resulted in the appointment of women to the vacant positions.

Diversity is not only related to gender and nationalities, but also to age. Azelis invests in young talents: 13.5% of the employees are younger than 30 years. At the same time, we also value expertise and experience: 28.8% of our employees are aged 50 and above, and close to 8% are over 60.

Diversity and inclusion play a major role in the new sustainability strategy - *Action 2025* - which Azelis launched in 2021. *Action 2025* addresses the 21 major sustainability aspects impacting our Operations and commits Azelis to achieving a series of ambitious targets by 2025. All these aspects have been included in the four pillars of the new sustainability strategy: People is one of these pillars and 33% of the targets of this pillar are related to Diversity and Inclusion.



Statement on non-financial information

For Azelis, sustainability is a key strategic growth driver. We have implemented a series of measures which ensure that sustainability is at the top of our agenda for the future. Azelis launched a new sustainability strategy, *Action 2025*, in 2021. *Action 2025* reinforces our commitment to become the world's leading provider of sustainable solutions and services in the specialty chemicals and food ingredients distribution industry.

Azelis is committed to working with its partners to create value and grow together in a sustainable way. As a global business, with operations across EMEA, Asia Pacific and Americas, Azelis takes its responsibilities very seriously, always looking for new ways to make a positive impact on society and minimise its footprint, while delivering the best possible products and services. Azelis' sustainability commitments follows 10 principles of the United Nations Global Compact pillars on Human Rights, Labour, Environment and Anti-Corruption and other global sustainability standards. Under each of these commitments, Azelis has a framework to measure and monitor performance and develop action plans to ensure continuous improvement.

Azelis yearly communicates its non-financial indicators in the form of a Sustainability report, based on the Global Reporting Initiative (GRI). In 2021 Azelis has published its second Sustainability report (**click** to open the report), including non-financial KPI performance during 2020. Non-financial KPI performance during 2021 will be included in the 2021 Sustainability report, and a selection of these 2021 KPI's can be found in section 'Non-financial performance review' part of this Annual Report.

Statement of Board of Directors

To the best of their knowledge the Board of Directors of Azelis Group NV declares, on behalf and for the account of the Company, that:

- The consolidated financial statements, prepared in accordance with the "International Financial Reporting Standards" (IFRS) as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the entities included in the consolidation scope; and
- The report of the Board of Directors related to the consolidated financial statements gives a true and fair view of the development and performance of the business and the position of the company and the entities included in the consolidation scope, together with a description of the main risks and uncertainties they face.

Belgium, Antwerp, 8 March 2022

For the Board of Directors,

Dr. Hans Joachim Müller

Chief Executive Officer and Director

Cloudworks BV, represented by Thijs Bakker

Chief Financial Officer and Director



Auditor's report



Statutory Auditor's report to the general shareholders' meeting of Azelis Group NV on the consolidated accounts for the year ended 31 December 2021

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of Azelis Group NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting *d.d.* 10 June 2021, following the proposal formulated by the board of directors. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2023. We have performed the statutory audit of the Company's consolidated accounts for the first year.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR 3.981.801 thousand and a profit for the year of EUR 70.225 thousand.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the *"Statutory auditor's responsibilities for the audit of the consolidated accounts"* section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Accounting for a capital reorganisation under common control in preparation of the IPO (Refer to notes 2 and 21 in the Group financial statements) The Group completed its Initial Public Offering ('IPO') on the EuroNext Brussels Stock Exchange on 17th of September 2021. As part of this IPO, management needed to assess the following complex accounting matter. In preparation of the IPO of the Group in 2021, Azelis Group NV was incorporated on 10 June 2021 for the purpose of acquiring Akita Topco S.à r.l. and its subsidiaries, which occurred on 10 September 2021 through contributions in kind in the Share Capital of the Company. Azelis Group NV was established by the same shareholders as Akita Topco S.à r.l. Since the shareholders of Akita Topco S.à r.l. (before the contributions in kind) have the same absolute and relative interest in the net assets of the Group immediately before and after the contributions in kind, this transaction constitutes a capital reorganisation under common control. Consequently, management recognized these transactions in the Financial Statements using the predecessor value method. We have identified accounting for a capital reorganisation under common control as a Key Audit Matter due to the complexity of the related accounting and magnitude of the amounts involved.	Our audit procedures included the following: • We obtained an understanding of the financial history of the Group, as well as the sequence of the transactions during the reorganisation of the Group prior to the IPO. • We recalculated management's supporting calculations. • We involved our capital markets and IFRS specialists to assist in evaluating this complex accounting topic. • We considered the appropriateness and sufficiency of related disclosures in the consolidated financial statements. Based on the evidence obtained from our audit, we consider the accounting treatment appropriate.

Impairment test of goodwill and intangible assets Our audit procedures included the following:

(Refer to note 2.5 and 15 in the Group financial statements)

Azelis grows its business organically and through acquisitions. As a result of these acquisitions and its own acquisition, the Group has recorded on its balance sheet as at 31 December 2021 goodwill of EUR 1.803 million and intangible assets for an amount EUR 1.004 million, of which EUR 660 is related to distribution rights and EUR 317 million is related to the Azelis brand name.

In 2021, goodwill and other intangible assets increased with EUR 640 million, mainly due to several acquisitions of which Vigon International is the most significant (see also Key Audit Matter "Accounting for Business Combinations").

Goodwill is allocated to the three Cash Generating Units ('CGU') identified by the Group as described in note 15.1. The Group is required to perform an annual impairment assessment on goodwill and intangible assets with indefinite useful lives. The definite lived intangible assets are reviewed for any impairment triggers.

The carrying value of these assets are contingent on future cash flows and there is a risk that the assets will be impaired if these cash flows do not meet the Group's expectations. The impairment reviews performed by the Group contain a number of significant judgements and estimates, including the Weighted Average Cost of Capital, gross margin growth, sales growth and long term perpetual growth rate (per CGU).

This is an area of focus for our audit due to the significant value of these assets on the balance sheet and the inherent judgement in assessing these assets for impairment.

- We reconciled goodwill and intangible assets balances to the consolidated financial statements, and reconciled the goodwill of each new acquisition made throughout the period to the related purchase price allocation.
- We assessed the appropriateness of the CGU's identified in view of management structure and internal reporting to CODM.
- We verified the appropriate allocation of goodwill and intangible asset balances to the correct CGU for each new acquisition.
- We obtained the Group's impairment analysis and assessed the adequacy of the valuation methodology;
- We checked the mathematical accuracy of management's model and supporting calculations;
- We reconciled input data to supporting evidence, such as the business plan being approved by the Board of Directors', and considered the reasonableness of these budgets by comparing them to prior year's assumptions;
- We performed a sensitivity analysis and identified the most significant management estimates as being the Weighted Average Cost of Capital, gross margin growth, the sales growth and long term perpetual growth rate (per CGU). As part of our sensitivity analysis, we performed our independent calculations to quantify the downside to management's models required to result in impairment.
- We considered the reasonableness of management's key assumptions based on (i) the current and past performance of each cash-generating unit (ii) the consistency with external market and industry data, (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit and (iv) analysis of sensitivities in the Company's discounted cash flow model.
- We involved our own valuation specialists to support our procedures.
- We obtained management's review for impairment triggers of the distribution rights.
- We considered the appropriateness and sufficiency of related disclosures in the consolidated financial statements.

Based on the evidence obtained from our audit, we consider the valuation method and the underlying assumptions to be an appropriate basis for the impairment testing of goodwill and of intangible assets.

KEY AUDIT MATTER

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Accounting for business combinations - Vigon International purchase price allocation (Refer to note 7 in the Group financial statements)

The Group has entered into various Share Purchase Agreements throughout the year which have resulted into business combinations under IFRS 3, of which the acquisition of Vigon International Inc ('Vigon') has been the most significant. The Group has successfully completed the acquisition of Vigon on 1 June 2021.

IFRS 3 requires management to apply judgement and use assumptions in determining the fair value of identified assets and liabilities and to determine the resulting goodwill to be recognized.

The most significant assets identified in the Vigon acquisition consist of goodwill and distribution rights of EUR 311.6 million and EUR 98 million respectively.

In estimating the fair values, management needed to make significant assumptions with regards to future cash flows, in particular to estimate the fair value of the distribution rights. The key assumptions relate to the discount rate, the attrition rate for suppliers and the part of revenues attributable to the main suppliers as well as those revenue growth rates.

We have identified accounting for Business Combinations as a Key audit Matter and focussed mainly on the Vigon Business Combination because of the magnitude of the acquisition and the management judgements involved to estimate the fair values.

Our audit procedures included the following:

- We obtained and inspected the Share Purchase Agreement, the related due diligence reports, and the Vigon historical financial statements.
- We performed audit procedures over the opening balances as per date of acquisition.
- We obtained management's purchase price allocation, including underlying supporting calculations and supporting documentation, and assessed the adequacy of the valuation methodology;
- We checked the mathematical accuracy of management's model and supporting calculations;
- We performed a sensitivity analysis and identified the most significant management estimates, being the discount rate, the attrition rate for suppliers and the part of revenues attributable to the main suppliers as well as those revenue growth rates.
- We evaluated the reasonableness of management's key assumptions based on (i) the current and past performance of Vigon (ii) the consistency with external market and industry data, (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit and (iv) analysis of sensitivities in the Company's discounted cash flow model.
- We involved our own valuation specialists to support our procedures.
- We considered the appropriateness and sufficiency of related disclosures in the consolidated financial statements.

Based on the evidence obtained from our audit, we consider the valuation method and the underlying assumptions to be an appropriate basis for determining the fair value of identified assets and liabilities from the Business Combinations and the Vigon Business combination in particular.

Responsibilities of the board of directors for the preparation of the consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level. Our responsibilities in respect of the use of the going concern basis of accounting by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain 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 Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- Conclude on the appropriateness of the board of directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts 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 statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We

are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the audit committee 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 audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts 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.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts and to report on these matters.

Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information required by virtue of article 3:32, §2 of the Companies' and Associations' Code is included in the directors' report on the consolidated accounts. The Company has prepared the non-financial information, based on the Global Reporting Initiative framework. However, in accordance with article 3:80, §1, 5° of the Companies' and Associations' Code, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the Global Reporting Initiative framework as disclosed in the directors' report on the consolidated accounts.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemised in the notes to the consolidated accounts.

European Uniform Electronic Format (ESEF)

We have also verified, in accordance with the draft standard on the verification of the compliance of the financial statements with the European Uniform Electronic Format (hereinafter "ESEF"), the compliance of the ESEF format with the regulatory technical standards established by the European Delegate Regulation No. 2019/815 of 17 December 2018 (hereinafter: "Delegated Regulation").

The board of directors is responsible for the preparation, in accordance with ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format (hereinafter "consolidated financial statements") included in the annual financial report.

Our responsibility is to obtain sufficient appropriate evidence to conclude that the format and marking language of the digital consolidated financial statements comply in all material respects with the ESEF requirements under the Delegated Regulation.

Based on the work we have performed, we believe that the format of and marking of information in the digital consolidated financial statements included in the annual financial report of Azelis Group NV per 31 December 2021 comply in all material respects with the ESEF requirements under the Delegated Regulation.

Other statements

- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

14 March 2022, Antwerp

The statutory auditor
PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV
Represented by

Peter Van den Eynde
Bedrijfsrevisor

Consolidated financial statements



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Consolidated income statement

	Note	2021	2020
<i>(in thousands of €)</i>			
Revenue	8	2,827,295	2,222,896
Other operating income	9	8,470	10,468
Total income		2,835,765	2,233,364
Costs for goods and consumables	10	-2,185,622	-1,743,426
Gross profit		650,143	489,938
Employee benefits expenses	11	-232,215	-181,169
External services and other expenses	12	-150,731	-110,644
Depreciation of property, plant and equipment	16	-19,901	-17,622
Amortization & impairment of intangible assets	15	-39,483	-33,305
Operating profit / loss (-)		207,813	147,198
Financial income	13	731	4,892
Financial expenses	13	-88,278	-73,004
Net financial expense		-87,547	-68,112
Share of result of associates	17	-68	-
Profit / loss (-) before tax		120,198	79,086
Income tax income / expense (-)	14	-49,973	-8,074
Net profit / loss (-) for the period from continuing operations		70,225	71,012
Attributable to:			
Equity holders of the parent		67,756	70,962
Non-controlling interests		2,469	50
Net profit / loss (-) for the period		70,225	71,012
		in Euro's	in Euro's
Basic earnings per share	21	0.29	0.30
Diluted earnings per share	21	0.29	0.30

The notes are an integral part of these consolidated financial statements

Consolidated statement of other comprehensive income

	Note	2021	2020
<i>(in thousands of €)</i>			
Net profit / loss (-) for the period		70,225	71,012
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	21.5	91,496	-92,700
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains / losses (-) on employee benefits	11	1,113	-817
Income tax relating to these items		-259	167
Total other comprehensive income		92,350	-93,350
Total comprehensive income for the period		162,575	-22,338
Attributable to:			
Equity holders of the parent		159,356	-22,388
Non-controlling interests	26.4	3,219	50
Total comprehensive income for the period		162,575	-22,338

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

Consolidated statement of financial position

	Note	2021	2020
<i>(in thousands of €)</i>			
Assets			
Goodwill	15	1,803,266	1,345,938
Intangible assets	15	1,004,258	821,360
Property, plant and equipment	16.1	53,008	32,304
Right of Use assets	16.2	65,582	55,657
Investments in associates	17	180	221
Other financial assets		1,355	775
Deferred tax assets	14	10,482	6,419
Total non-current assets		2,938,131	2,262,674
Inventories	18	467,473	267,780
Trade and other receivables	19	428,950	258,633
Income tax receivables	14	4,432	2,011
Other financial assets		1,522	238
Cash and cash equivalents	20	141,293	163,255
Total current assets		1,043,670	691,917
Total assets		3,981,801	2,954,591
Equity	21		
Share capital		5,680,000	11,751
Share premium		-	1,189,405
Reserves		-3,617,020	-80,958
Retained earnings		96,817	24,669
Unappropriated result		67,756	70,962
Issued capital and reserves attributable to owners of the parent		2,227,553	1,215,829
Non-controlling interests		23,792	2,072
Total equity		2,251,345	1,217,901
Loans and borrowings	22	840,030	1,145,092
Lease obligations	22.1b	54,078	45,708
Employee benefit obligations	11	8,822	7,684
Provisions	23	4,127	3,214
Other non-current liabilities		9,655	7,922
Deferred tax liabilities	14	135,315	109,993
Total non-current liabilities		1,052,027	1,319,613
Bank overdrafts	20	40,524	23,560
Loans and borrowings	22	62,604	65,725
Lease obligations	22.1b	15,200	12,350
Provisions	23	1,981	1,646
Income tax payables	14	17,046	5,325
Trade and other payables	24	541,074	308,471
Total current liabilities		678,429	417,077
Total liabilities		1,730,456	1,736,690
Total equity and liabilities		3,981,801	2,954,591

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

Consolidated statement of cash flows

	Note	2021	2020
<i>(in thousands of €)</i>			
Cash flows from operating activities			
Net profit / loss (-) for the period		70,225	71,012
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment expenses	15/16	59,384	50,927
Net financial expense	13	87,547	68,112
Expenses related to IPO included in Net profit / loss for the period		8,360	-
Income tax income / expense	14	49,973	8,075
Share of result of associates	17	68	-
Change in inventories	18	-101,373	1,224
Change in trade and other receivables and other investments	19	-47,901	4,185
Change in trade and other payables	24	80,395	-414
Change in provisions	23	-1,226	2,193
Cash flow from operating activities		205,452	205,314
Income tax paid		-43,540	-30,722
Interest paid		-72,016	-57,574
Net cash flow from operating activities		89,896	117,018
Cash flow from investing activities			
Acquisition of property, plant and equipment and intangible assets	15/16	-18,288	-12,072
Acquisition of subsidiaries, net of cash acquired	7	-633,883	-103,279
Net cash flow from investing activities		-652,171	-115,351
Cash flows from financing activities			
Payments of lease obligation	16b	-17,263	-15,857
Proceeds from shareholders for issue of equity	21	930,000	-
Expenses related to capital increase (part through equity)		-50,525	-
Expenses related to capital increase (part of operating income)		-8,360	-
Proceeds from loans and borrowings	22	909,653	78,311
Repayments of loans and borrowings	22	-1,231,342	-
Transaction costs related to loans and borrowings	22	-8,338	-
Net cash flow from financing activities		523,825	62,454
Net (decrease) increase in cash and cash equivalents		-38,450	64,121
Effect of exchange rate fluctuations on cash held		-477	-11,041
Cash and cash equivalents minus Bank overdraft at beginning of the period	20	139,696	86,616
Cash and cash equivalents minus Bank overdraft at 31 December	20	100,769	139,696

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

Consolidated statement of changes in equity

ATTRIBUTABLE TO EQUITY
HOLDERS OF THE PARENT

(in thousands of €)	Share capital	Share premium	Other reserves	Reserves available for distribution	Translation reserve	Retained earnings	Un-appropriated result	Total equity holders of the parent	Non-controlling interests	Total equity
Balance as per 31 December 2019	11,752	1,183,788	-	-	12,925	-22,654	47,973	1,233,783	839	1,234,622
Appropriation of result prior year						47,973	-47,973	-		-
Capital increase without issuance of new shares		5,617						5,617		5,617
Net profit / loss (-) for the period							70,962	70,962	50	71,012
Other comprehensive income					-93,883	-650		-94,533	1,183	-93,350
Balance as per 31 December 2020	11,752	1,189,405	-	-	-80,958	24,669	70,962	1,215,829	2,072	1,217,901
Appropriation of result prior year						70,962	-70,962	-		-
Capital increase		50,000						50,000		50,000
Written put options on non-controlling interests			-27,107					-27,107		-27,107
Net profit / loss (-) for the period							67,756	67,756	2,469	70,225
Other comprehensive income					90,746	854		91,600	750	92,350
Other movements			-332			332		-	18,501	18,501
Incorporation of founders' share	62							62		62
Contribution in kind of Akita Topco S.à r.l.	5,200,000							5,200,000		5,200,000
Transfer of share capital to reserves available for distribution	-400,000			400,000				-		-
Cancellation of founders' share	-62							-62		-62
Contribution of net proceeds from the Primary Tranche of the IPO	880,000							880,000		880,000
IPO expenses attributed to the Primary Tranche of the IPO			-50,525					-50,525		-50,525
Capital reorganisation under common control	-11,752	-1,239,405	-3,948,843					-5,200,000		-5,200,000
Total transactions with the owners	5,668,248	-1,239,405	-3,999,368	400,000	-	-	-	829,475	-	829,475
Balance as per 31 December 2021	5,680,000	-	-4,026,807	400,000	9,788	96,817	67,756	2,227,553	23,792	2,251,345

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

Notes to the consolidated financial statements

1. General

Azelis Group NV (the "Company"), formerly named Akita Midco 1 NV, was incorporated on 10th of June 2021 and is domiciled in Belgium. The address of the Company is Posthofbrug 12 box 6, 2600 Antwerp, Belgium. The Company's principal place of business is Belgium. The Company is registered in Belgium under the number 0769.555.240. The legal name of the Company was modified with regard to the Company's IPO and the continuation of the Group with Azelis Group NV as consolidating company.

The (direct) parent company of Azelis Group NV is Akita I S.à r.l., 26A Boulevard Royal, 2449 Luxembourg. The ultimate controlling party of Azelis Group NV is EQT VIII Collect SCSp.

The consolidated financial statements of the Company for the period ended 31st December 2021 comprise the Company and its subsidiaries (together referred to as the "Group" or as "Azelis" being the trade name of the Group) and the Group's interest in associates.

The Group is primarily involved in the distribution of speciality chemical products used in the Life Sciences (Personal Care, Pharma, Food & Health, Animal Nutrition, Specialty Agri/Horti, Homecare & Industrial Cleaning) and Industrial Chemicals Industry (Case, Rubber & Plastic Additives, Lubricants and Metalworking Fluids, and Other).

This diversified specialty chemicals portfolio has enabled Azelis to face the challenges of the Covid-19 Pandemic in a successful way. With its laboratories, the Company is able to support its customers with many new formulations that are necessitated as a result of the changing conditions since 2020. Azelis has shown to be able to respond quickly to the crisis, including securing the continuity of its supply chain. Because the specialty chemicals and food ingredients distribution sector in which the Group operates is recognized as essential critical infrastructure, it allows Azelis to continue operating throughout the pandemic. With its robust IT infrastructure, employees are able to continue the Company's business processes while working remotely. Expenses are tightly managed consistent with the contingency plans that are in place as part of the annual internal review cycle. Azelis' cost base, other than payroll and other predominantly fixed costs (e.g., utilities, communication systems, insurance costs and administrative expenses), is mostly variable. Azelis has multiple cost levers that can be activated to mitigate the impact of downturns, which enables it to react rapidly to downturns or economic crises and furthers the Group's resilience.

Although the long-term effects of the COVID-19 pandemic are still unclear, to date the Group has demonstrated its resilience and its successful digital strategy while also emphasizing heightened levels of safety in the workplace. Developments in each jurisdiction in which the Group operates are being closely monitored and the Group's protocols are flexible to allow for rapid adjustments as needed, particularly given the risk of further waves of increases in cases in many of Azelis' jurisdictions.

2. Basis of preparation

The consolidated financial statements for the period ended December 31, 2021, were authorized for issue by the Board of Directors on 8 March 2022 and will be submitted for approval to the Shareholders' Meeting to be held on 9 June 2022.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted in the European Union (IFRS). The Group has consistently applied the accounting policies as set out below to all periods presented in these consolidated financial statements. Changes to the accounting policies in the current year are limited to the changes in IFRS below and are applied starting as per 1st January 2021.

Endorsement status of the new standards as at 31 December 2021

A. The following amendments and annual improvements to standards are mandatory for the first time for the financial year beginning 1 January 2021 and have been endorsed by the European Union. They have been implemented by the Group without significant impact on the financial statements:

Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 01/01/2021). This amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 01/01/2021). These amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (effective 01/06/2020, with early application permitted). If certain conditions are met, the Amendment would permit lessees, as a practical expedient, not to assess whether particular covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications.

B. The following **new amendments** have been issued, are **not mandatory** for the first time for the financial year beginning 1 January 2021 but have **been endorsed by the European Union**: The amendments are not expected to have a significant impact on the preparation of financial statements.

IFRS 17 'Insurance contracts' (effective 1 January 2023). This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. On 17 March 2020, IASB decided to defer effective date to annual reporting periods beginning on or after 1 January 2023. The endorsement includes the amendments issued by the Board in June 2020, which are aimed at helping companies implement the Standard and making it easier for them to explain their financial performance.

The EU regulation provides an optional exemption from applying the annual cohort requirement that relates to the timing of the recognition of the profit in the contract, the contractual service margin, in profit or loss. Entities making use of the exemption are not applying IFRSs as issued by the IASB and need to disclose the fact.

Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions beyond 30 June 2021 (effective 01/04/2021, with early application permitted). The amendments extend, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a

COVID-19-related rent concession is a lease modification. In particular, the amendment permits a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021). The amendment is effective for annual reporting periods beginning on or after 1 April 2021 (earlier application permitted, including in financial statements not yet authorised for issue at the date the amendment is issued).

Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (effective 1 January 2022).

The package of amendments includes narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.

- **Amendments to IFRS 3 Business Combinations** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to IAS 16 Property, Plant and Equipment** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets** specify which costs a company includes when assessing whether a contract will be loss-making.
- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

C. The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2021 and have not been endorsed by the European Union.

Amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as current or non-current' (effective 01/01/2023), affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

- Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The IAS 1 amendment requires companies to disclose their material accounting policy information rather than their significant accounting policies. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. To support this amendment, the Board also amended IFRS Practice Statement 2, 'Making Materiality Judgements', to provide guidance on how to apply the concept of

materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted (subject to any local endorsement process).

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors:

Definition of Accounting Estimates (effective 1 January 2023). The amendment to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted (subject to any local endorsement process).

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023).

The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change in the amendments is an exemption from the initial recognition exemption of IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 –

Comparative Information (issued on 9 December 2021, effective 1 January 2023). The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

European Single Electronic Format ("ESEF")

This annual report is the Group's first report that is required to be published in the European Single Electronic Format, as determined by and according to the requirements set out in the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC. The PDF version of the annual report is not ESEF compliant and has been solely prepared for ease of use of readers. The Group's official reporting package in ESEF can be found on the Group's website (**click** to open).

Capital reorganization under common control

In anticipation of the Group's Initial Public Offering on Euronext Brussels, effective 21 September 2021, Akita Midco 1 NV (later renamed to Azelis Group NV) was incorporated 10th June 2021, and consecutively incorporated Akita Midco 2 NV (later renamed to Azelis Finance NV). On 21 September 2021, Azelis Finance NV acquired all the shares of Azelis S.A. from Antelope Topco S.C.A. being its direct controlling shareholder, in exchange for a loan note. Subsequently, on 21 September 2021, Azelis Group NV acquired 100% of the shares of Akita Topco S.à r.l. (being the owner of Azelis Holding S.à r.l.) and its subsidiaries through a contribution in kind in the share capital of Azelis Group NV, after which Azelis Group NV contributed the shares in Akita Topco S.à r.l. to Azelis Finance NV. Upon these transactions, as controlling shareholder of Azelis Finance NV, Azelis Group NV controls both Akita Topco S.à r.l. and Azelis S.A. and their subsidiaries and consequently all the companies that were previously consolidated by Azelis Holding S.à r.l..

Azelis Group NV and indirectly Azelis Finance NV were incorporated by the same shareholders as those of Akita Topco S.à r.l. and indirectly Azelis S.A. Because of the fact that the same shareholders have the same absolute and relative interest in the net assets of the old Company and the new Company

immediately before and after the above described reorganisation, those transactions constitute a capital reorganisation under common control. Consequently, they are accounted for under the predecessor value method.

More specifically, this implies that:

1. The consolidated assets and liabilities of Azelis Holding S.à r.l. have been recognised at their book value in the financial statements of the Group, in accordance with IFRS. IFRS 1 is not applicable as Azelis Holding S.à r.l. has always prepared consolidated financial statements in accordance with IFRS.
2. The consolidated reserves, retained earnings and unappropriated result are those of Azelis Holding S.à r.l. The difference between the consideration for the contribution in kind of the shares in Akita Topco S.à r.l. and the eliminated share capital of Azelis Holding S.à r.l. is recognized in Other reserves.
3. The consolidated income statement and consolidated statement of cash flows of the Company for the twelve months ended 31st December 2021 span twelve months, notwithstanding the fact that the financial year of Azelis Group NV as a legal entity is shorter (10th June to 31st December 2021).
4. The comparative information presented in the consolidated financial statements represents the information of Azelis Holding S.à r.l. for prior periods.

Initial Public Offering and listing on Euronext Brussels

The Company and its shareholders have proceeded to an IPO (Primary Tranche) and Listing (Secondary Tranche) on Euronext Brussels, effective 21 September 2021. During the IPO a total of 59,242,577 shares was sold, of which 33,846,153 were new shares and 25,396,424 existing shares, at an offer price of €26 per share, totaling proceeds of €1,540 million. On 1 October 2021, the over-allotment option was settled and an additional tranche of 8,886,386 shares was sold by the existing shareholders, increasing total shares sold to 68,128,963 and total proceeds to €1,771 million.

The total gross proceeds for Azelis Group NV resulting from the new shares sold were approximately €880 million, recognized as a capital increase in equity. The Company has incurred a total of €58.9 million transaction expenses, of which €50.5 million are incremental costs related to the issuance of new shares and deducted from equity (other reserves), and of which €8.4 million are related to the listing procedure and recognized as an expense.

Reclassification Cost for goods and consumables

The activities of the acquired companies Vigon International Inc (United States) and Quimdis SAS (France) (refer to note 7), include certain internal production costs which are allocated to the manufactured inventory costs on the Company's inventory valuation, and are presented in the Company's income statement on a 'by nature' basis consistent with IAS 1 (€9.5 million included in Azelis' 2021 Income Statement). Historically, the Company had presented these costs in Cost of goods and consumables. As this is a presentation that rather supports the 'by function' presentation as defined in IAS 1 the Company has reclassified, in accordance with IAS 8, the internal production cost related to sold manufactured inventories for the year 2020 from Cost of goods and consumables to External services and other expenses, in an amount totalling €3.9 million. This reclassification has increased the 2020 Gross profit by the same amount, but has no impact the balance of the Income Statement, and neither on the Statement of Financial Position, Statement of Other Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity and the earnings per share. The increase of 2020 Gross profit has also increased the 2020 Gross profit margin by +10 bps (21.9% to 22.0%) and decreased the 2020 Conversion margin by -30 bps (39.0% to 38.7%).

2.1. Financial period

The financial period is the calendar year starting as at 1 January 2021 and ending as at 31 December 2021 (further mentioned as 2021).

The comparative period is reflecting the financial performance of the Group starting 1 January 2020 and ending at 31 December 2020.

2.2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all entities controlled by the Company made up to 31st December 2021. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

I. Subsidiaries

Subsidiaries are entities controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights to direct relevant activities);
- Exposure, or rights, to variable returns from its involvement in the investee; and
- The ability to use its power to affect the investee's returns.

Generally, there is a presumption that having a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

II. Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. A choice of measurement is made on an acquisition-by-acquisition basis. For its current non-controlling interests in subsidiaries, the Group has opted to measure at the proportionate share of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction between shareholders.

III. **Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred for each acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition at the balance sheet are recognized at their fair value at the acquisition date, except for deferred tax assets or liabilities and liabilities and assets related to employee benefit arrangements.

The difference between the fair value of the consideration transferred and the fair value of the identified assets, liabilities and contingent consideration is recorded as goodwill. If the fair value of the net assets acquired exceeds the aggregate consideration transferred, this purchase bargain is included in the profit or loss, after the Group has re-assessed whether it has correctly identified all of the assets acquired and all of the liabilities assumed. Acquisition-related costs are recognized in profit or loss as incurred.

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

IV. **Associates**

Associates are entities over which the Group has significant influence, but no control. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

Associates are accounted for under the equity method and are recognized initially at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate. The Group's investment includes goodwill on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expense and the equity movements of the investments accounted within equity, after the alignment of the accounting policies to those of the Group, from the day significant influence commences until the day significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and no further losses are recognized except for losses arising from the Group's obligation or payments on behalf of the investee.

2.3. Foreign currency translation

I. Functional and presentation currency

The consolidated financial statements are presented in Euro, which is the Group's presentation currency. The Group companies determine their functional currency based on the primary economic environment in which they operate. The main indicators to determine the functional currency is the currency of the sales, expenses and financing activities.

II. Transactions and balances

The Group operates in different currency environments, but mainly in Euro and Usd. Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency of the entities at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated to the functional currency of the Group 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 not retranslated. Foreign currency differences arising from these operational translation are recognized in the income statement.

III. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated to Euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Euro at average exchange rates.

Foreign currency differences are recognized in other comprehensive income and accumulated in equity. These differences have been recognized in the foreign currency translation reserve (FCTR). When the Group loses control over a foreign operation the accumulated foreign translation amount of the subsidiary is transferred from equity to the profit or loss.

Foreign exchange gains and losses, arising from a monetary item to be received from or paid to a foreign operation for which the settlement is neither planned nor likely to occur in the foreseeable future, are included in the value of net investment in a foreign operation and recognized directly in equity in FCTR.

2.4. Impairment of non-financial assets

The carrying amounts of the Group's non-current non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the Group performs an impairment test. For goodwill and intangible assets with indefinite lives an impairment test is performed every year.

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future pre-tax 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. For the purpose of impairment testing, assets 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 groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to (groups of) cash-generating units that are expected to benefit from the synergies of the combination.

Corporate assets are assets that do not generate cash inflows independently, and their carrying amounts need to be allocated to the cash-generating units on a reasonable and consistent basis. If a corporate asset cannot be allocated to cash-generating units on a reasonable and consistent basis, the Group performs the goodwill impairment test in two stages: first on the level of the cash-generating units, and secondly on the level of the smallest group of cash-generating units to which the corporate asset can be allocated on a reasonable and consistent basis.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the income statement. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill will not be reversed afterwards. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 amortization, if no impairment loss had been recognized.

2.5. Intangible assets

I. **Goodwill**

Goodwill is initially measured at cost, the excess of the aggregate of the consideration transferred and the amount recognized for the assets acquired and liabilities assumed in a business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. In the event of disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

II. **Research and development**

Research activity expenses, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in the income statement when incurred.

Development expenses for which the Group has the technical feasibility, intention and means to complete the intangible assets and the economic future benefits of the assets will flow to the Group are capitalized at cost.

III. **Other intangible assets**

Other intangible assets with finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in the income statement on a straight-line

basis over the estimated useful lives of intangible assets, other than goodwill, from the date when the asset is ready for use. The estimated useful lives of intangible assets and their residual value (if applicable) are reviewed every year.

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

Intangibles asset	Economic lifetime
Trademarks	Indefinite
Customer lists	5 to 10 years
Distribution rights	20 years
Other intangible assets	3 to 7 years

2.6. Property, plant and equipment

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. Components of property, plant and equipment with separate useful lives are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in other income or other expenses in the income statement.

I. Depreciation

Depreciation is recognized in the income statement on a straight-line basis over the estimated useful lives of each component of property, plant and equipment to their residual values. Leasehold improvements are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

Property, plant and equipment	Economic lifetime
Buildings	20 to 33 years
Plant and equipment	5 to 10 years
Other property, plant and equipment	5 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

II. **Leased assets**

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable by the Group under residual value guarantees.
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

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

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

2.7. Financial instruments

I. Classification, recognition and initial measurement

Financial assets and liabilities are classified into three categories: Measured at amortized cost, at fair value through other comprehensive income (FVTOCI) and at fair value through Profit and Loss (FVTPL).

The Group recognizes financial instruments when it enters into a contract. Financial instruments are derecognized when the contractual rights to the cash flows of 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. With regard to its trade receivables, the Group engages in non-recourse factoring programs. Receivables are derecognized when the factor pays the Group, which also triggers a fee to be paid for the credit risk assumed by the factor. Factoring fees are recognized in the Group's financial expenses.

Initially, financial instruments are recognized at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are recognized at the initial measurement date, except for financial instruments measured at FVTPL. Transaction costs related to FVTPL financial instruments are recorded in the profit or loss at initial recognition.

Financial assets

The classification of financial assets is based on two criteria: The objective of the company's business model for managing the assets, and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (known as the 'SPPI-test').

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. The group holds trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Other receivables are initially measured at fair value and subsequently measured at amortized cost.

Financial liabilities

Trade and other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method. Loans and borrowings are initially recognized at fair

value, net of transaction costs incurred. Loans and borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

An exchange between an existing borrower and lender of financial liabilities with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. However, costs or fees that are incremental and directly related to the issue of the new debt instrument are treated as transaction costs of the new liability, and hence are spread forward by adjusting the effective interest rate.

Derivatives

The Group uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge its foreign currency risk and interest rate risk. Derivatives are subsequently measured at FVTPL.

Put options on non-controlling interests

The Group has granted put options for remaining non-controlling interests in acquired companies, giving the holders the right to sell to the Group their investments in these subsidiaries. These financial liabilities do not bear interest. In accordance with IAS 32, the Group recognizes a redemption liability corresponding to the present value of the estimated exercise price of the option. The redemption liability is included in other non-current liabilities and the counterpart is a reduction from the Group's equity. At the end of each reporting period, the liability is adjusted to reflect changes in the estimated exercise price. These subsequent changes are accounted for in the income statement.

If the Group also has obtained a call option on the same remaining non-controlling interests of the acquired companies, this option is taken into account for the control assessment in respect of the business combination.

II. Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECL) for all financial assets that are not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk: if so, the loss allowance is measured as the lifetime expected credit loss. If not, the allowance is measured as the 12-month expected credit loss. For Trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognized from initial

recognition of the receivables (see note 4.2 I for further details). While cash and cash equivalents and other loan receivables are also subject to the impairment requirements of IFRS 9, no impairment loss was identified as these assets are considered as low-credit risk.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses of financial assets are recognized in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

III. **Netting**

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 realize the asset and settle the liability simultaneously.

Cash & cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. 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 for the purpose of the statement of cash flows.

2.8. Income tax

Income tax expense comprises current and deferred taxes. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income, in which case it is recognized in other comprehensive income.

Current tax is the expected tax payable (receivable) on the taxable income (loss) for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. 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 realized.

2.9. Inventories

Inventories are measured at the lower of cost and net realizable value. The inventories are measured at their weighted average costs increased with cost comprising direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Impairments of inventories to net realizable value are recognized in the profit or loss as part of 'Cost for goods and consumables'. In case the value of impaired inventories increases the impairment will be reversed to the lowest of the increased net realizable value and the original weighted average cost.

2.10. Equity

I. Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized in equity net of tax.

II. Share premium

The share premium consists of additional paid-in capital exceeding the par value of outstanding shares.

2.11. Employee benefits

I. Pensions, other post-employment benefits and termination benefits

The Group operates several defined benefit pension plans.

The liability or asset recognized in the balance sheet of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in finance expense in the income statement. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the income statement as past service costs.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

II. **Short term and long term employee benefits**

The cost of all short-term and long-term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are recognized during the period in which the employee renders the related service. The Group recognizes those costs only when it has a present legal or constructive obligation to make such payment and a reliable estimate of the liability can be made.

III. **Share-based payment**

The Group has a performance share plan for key management, qualifying as an equity-settled share-based payment plan. First grant of performance shares will take place upon approval in 2022.

2.12. Provisions

A provision is recognized 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 economic benefits 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. Unwinding of the discount of provisions is recorded as financial expenses.

2.13. Revenue

I. **Goods sold (sales)**

Revenue from product sales is recognized at point in time when the performance obligation is satisfied. For the Group, this is usually upon delivery of the goods to the client. Revenue is measured at the fair value of the consideration received, net of returns, trade discounts and volume rebates. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

II. **Commissions**

When the outcome of a commission transaction can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the end of the reporting period. When the Group acts in the capacity of an agent rather than as principal in a transaction, the revenue recognized is the net amount of commission made by the Group. The Group acts as an agent when it does not take title and is not exposed to risks of the goods, when the risks are born by the supplier and when the selling prices are set by the suppliers.

2.14. Segment reporting

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly head office expenses and income tax assets and liabilities, and are presented in a separate reporting unit 'Group Holding & Other'.

The reporting segments used are defined as follows:

- EMEA: all operating companies in Europe, Middle-East and Africa
- Americas: all operating companies in the United States of America, Canada and Mexico.
- Asia-Pacific: all operating companies in Asia, South-East Asia and the Pacific region.
- Group Holding & Other: all non-operating companies, including the corporate service center and headquarter in Belgium.

2.15. Government grants

Government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related expenses for which the grants are intended to compensate. Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

2.16. Consolidated statements of cash flows

The consolidated statement of cash flows is prepared using the indirect method. Cash is defined as cash and cash equivalents less bank overdrafts. Cash flows are presented separately in the statement of cash flows as cash flows from operating activities, investing activities and financing activities.

2.17. 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 or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

I. **Property, plant and equipment**

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

II. **Intangible assets**

The fair value of trademarks and distribution rights acquired in business combinations are measured using the income approach (relief from royalty and multi-period excess earning method, respectively). The fair value of other intangible assets is mainly based on the cost approach.

III. **Inventories**

The fair value of inventories is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale.

IV. Investments in equity and debt securities

The fair value of financial assets at FVTPL and FVTOCI financial assets is determined by reference to their quoted bid price at the reporting date. In case no market prices are available the instruments are measured using the present value of the expected future cash flows, discounted at the market rate of interest at measurement date.

V. Trade and other receivables

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

VI. Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market 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 increased by an appropriate additional spread related to the credit risk of the Group and the risk of the counterparty.

VII. Non-derivative financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at measurement date, including the Group's credit risk.

The fair value of contingent consideration qualifying as earnout, recognised in relation to business combinations, is calculated based on a forecast of the underlying performance measure and is discounted at the market rate of interest at measurement date. The fair value of contingent consideration constituting a mere fixed deferred payment is determined as the present value of future cash flows and discounted at the market rate of interest at measurement date.

The redemption value of put options on non-controlling interests, recognised in relation to business combinations, is calculated based on specific contractual specifications consisting mostly of a combination of a multiple on a future performance measure and the balance of certain net working capital items upon exercise of the option.

VIII. Fair value hierarchy

Assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable for the asset or liability, either directly or indirectly;
- Level 3: valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data.

3. Estimates and judgements

In the process of applying accounting policies and preparing the consolidated financial statements, the Group has made certain judgements (other than those involving estimates) that affect the reported amounts of assets and liabilities, income and expenses. As part of this judgement assessment, the Group has reviewed and anticipated the effects of climate-related matters on its financial statements, including its growing network of laboratories, where we help advance the sustainability agenda with systematically proposing sustainable alternatives within formulations.

In addition the Group is required to make certain estimates and assumptions that affect the measurement and presentation of reported figures. Estimates are based on past experience and on additional knowledge obtained on transactions to be reported, and are reviewed on an ongoing basis. Actual amounts may differ from these estimates. The most critical accounting judgements and estimates applied in the consolidated financial statements are described below:

Use of judgements

Intangible assets:

The Group has judged that the Azelis trademark has an indefinite useful life. As a consequence, the trademark is not amortized. At each reporting date, the Group reviews this judgement and assesses whether the circumstances continue to support the indefinite useful life. The trademark is part of the yearly impairment test. (See note 15)

Deferred taxes:

In assessing the realization of deferred tax assets, management considers the extent to which it is probable that the deferred tax asset will be realized (note 14). The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profit during the periods in which those temporary differences and tax loss carry forwards are available. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. (See note 14.2)

Right of Use assets:

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. (See note 16.2)

Use of estimates

Business combinations:

In a business combination the acquired assets and liabilities are measured at fair value. The Group uses assumptions and non-observable information to prepare fair value of the assessed, where no observable information is available. Afterwards the actual market performance can differ from the assumptions. The most important assumptions are disclosed in the note for business combinations. (See note 7)

Goodwill & Intangible assets - Impairment assessment:

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period, incorporating estimates for sales growth and margin growth. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. (See note 15.2)

Defined obligation benefit schemes:

The Group's measurement of defined benefit plan assets and liabilities requires the use of statistical data and other parameters used to anticipate future changes. These parameters include the discount rate of the defined benefit obligation and the net interest on the net defined benefit liability (asset), the expected rate of compensation increase, the indexation rate of pensions paid, and the mortality table. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could lead to substantial changes to the amount of the benefit cost of the defined benefit plans recognized in profit or loss and in other comprehensive income and to the net defined benefit assets or liabilities presented in the Consolidated Statement of Financial Position. (See note 11.2)

4. Financial risk management

Azelis is exposed to several financial and other risks, amongst which:

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

Azelis has a risk management framework in place to mitigate those risks. The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

4.1. 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.

As at 31st December the main credit risk can be summarized as follows:

	2021	2020
<i>(in thousands of €)</i>		
Trade and other receivables	428,950	258,632
Cash and cash equivalents	141,293	163,255
Other financial assets	2,877	1,013
	573,121	422,901

I. Trade and other receivables

The Group applies the IFRS 9 simplified approach (refer to Note 2).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. The Group has no significant concentration of credit risk.

The Group has a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer.

Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. The Group's credit policy includes suspension of further deliveries, if customers fail to pay their debts on time. Moreover, the Group engages in non-recourse factoring for the majority of its revenue in the EMEA region, which is used as an efficiency program in its credit collection processes. No other credit insurance programs are deemed to be necessary.

A significant portion of the Group's customers have been transacting with the Group companies for many years and losses have occurred infrequently. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade 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, adjusted for forward-looking information through an assessment of both the current and projected direction of economic conditions at the reporting date.

At year-end the aging of the trade receivables is constituted as follows:

2021	Gross	%	Impairment
<i>(in thousands of €)</i>			
Not due	302,458	76.1%	1,549
Between 0 and 2 months	74,397	18.7%	4,593
Between 2 and 12 months	11,852	3.0%	6,974
More than 12 months	8,668	2.2%	8,668
	397,375	100.0%	21,784

2020	Gross	%	Impairment
<i>(in thousands of €)</i>			
Not due	171,387	73.1%	411
Between 0 and 2 months	48,027	20.5%	517
Between 2 and 12 months	2,955	1.3%	2,720
More than 12 months	12,115	5.2%	12,115
	234,484	100.0%	15,763

The loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

	2021	2020
<i>(in thousands of €)</i>		
Balance at 1 January	15,763	7,636
Business combination	4,190	6,948
Provisions made in the year	2,451	2,354
Decrease on impairment losses	-838	-486
Exchange rate differences	218	-690
Balance at 31 December	21,784	15,763

Cash

The Group's exposure to credit risk is insignificant as the Group deals with highly rated banks for its cash deposits.

II. Guarantees

The Group's policy is to provide financial guarantees only in favor of wholly owned subsidiaries. At balance sheet date, no other material guarantees were outstanding.

4.2. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

The Group ensures that it has sufficient cash on hand and unused credit facilities to meet expected operational expenses for the respective planning horizon, including the servicing of financial obligations.

Maturities of financial liabilities

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of any netting agreements at year-end:

2021	Carrying amount	Undiscounted contractual Cash flows	Less than 1 Year	1 to 5 Years	More than 5 Years
<i>(in thousands of €)</i>					
Loans and borrowings	902,634	996,252	116,317	879,935	0
Lease obligation (IFRS16)	69,278	69,278	15,200	37,831	16,247
Derivatives	155	155	155	0	0
Trade and other payables	550,574	550,574	550,574	0	0
Bank Overdrafts	40,524	40,524	40,524	0	0
	1,563,165	1,656,783	722,770	917,766	16,247

Loans and borrowings are primarily to be repaid in 2026 (Term Loan to be repaid in September 2026).

2020	Carrying amount	Undiscounted contractual Cash flows	Less than 1 Year	1 to 5 Years	More than 5 Years
<i>(in thousands of €)</i>					
Loans and borrowings	1,210,817	1,495,352	74,980	1,175,900	244,472
Lease obligation (IFRS16)	58,058	58,058	12,457	30,134	15,467
Derivatives	224	224	224	0	0
Trade and other payables	316,171	316,171	316,171	0	0
Bank Overdrafts	23,560	23,560	23,560	0	0
	1,608,830	1,893,365	427,392	1,206,034	259,939

4.3. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable

parameters, while optimizing the return. The Group buys and sells derivatives in order to manage its market risks.

I. Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in various currencies. The main currencies are Euro (€), Pound Sterling (GBP), US Dollars (USD) and Canadian Dollars (CAD).

At any point in time, the Group hedges a significant part of its foreign currency exposure in respect of sales and purchases orders via natural hedges within its operational portfolio. The Group uses mainly forward exchange contracts to hedge its remaining currency risk, all with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity. The Group has not applied hedge accounting.

Interest on borrowings is denominated in currencies that predominantly match the cash flows generated by the underlying operations of the Group, primarily Euro (€), US Dollars (USD), Pound Sterling (GBP) and Canadian Dollar (CAD). This provides an economic hedge without derivatives being entered into and therefore the Group has not applied hedge accounting.

The Group's investments in foreign non-euro subsidiaries are considered to be long-term operations of the Group and are therefore not hedged. Currency translation differences on these long-term operations are reported in the translation reserve in equity.

II. Exposure to currency risk

The exposure to foreign currency risk in current assets and current liabilities is mainly related to balances denominated in USD, GBP and CAD, for which the notional amounts (stated in €) amount to:

	2021	2021	2021	2020	2020	2020
(in thousands)	USD	GBP	CAD	USD	GBP	CAD
Trade receivables	138,345	1,759	49,139	95,289	1,820	41,973
Cash and cash equivalents	16,722	2,296	7,120	27,396	1,122	6,954
Trade payables	-68,068	-4,418	-31,346	-82,067	-2,710	-27,384
Gross balance sheet exposure	86,999	-363	24,913	40,618	232	21,543

III. Sensitivity analysis of currency risk

A 10% strengthening of the Euro against the USD, GBP and CAD at year-end would have increased (decreased) equity and the income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2021		2020	
(in thousands of €)	Profit or loss	Equity	Profit or loss	Equity
USD	-7,909	-7,909	-3,693	-3,693
CAD	-2,265	-2,265	-1,958	-1,958
GBP	33	33	-21	-21

A 10% weakening of the Euro against the USD, GBP and CAD at year-end would have had the equal but opposite effect in Euro to the amounts shown above, on the basis that all other variables remain constant.

IV. Interest rate risk

The Group adopts a policy of carefully managing its interest rate risk. On a regular basis, the Board of Directors assesses the Group's interest rates versus external benchmarks, ensuring that management will effect financial transactions resulting in fixed borrowing interest rates in case limits are exceeded. As of the reporting date, the external bank borrowings are on a floating interest rate basis.

The decrease of interest rates in 2021 versus 2020 is the direct result of the Group's capital increase resulting from the IPO, resulting into a lower global interest rate for the Group's new debt financing (refer also to note 22).

V. Interest profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments expressed in their carrying amounts was:

	2021	2020
(in thousands of €)		
Variable rate instruments		
Financial assets	141,293	163,255
Financial liabilities	-1,012,436	-1,292,435
	-871,143	-1,129,180

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and the income statement (not considering income tax impact) by the annual amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss - 2021		Equity - 2021	
(in thousands of €)	100 bp	100 bp	100 bp	100 bp
	Increase	Decrease	Increase	Decrease
Variable rate instruments	-10,124	10,124	-10,124	10,124
Cash flow sensitivity (net)	-10,124	10,124	-10,124	10,124

	Profit or loss - 2020		Equity - 2020	
(in thousands of €)	100 bp	100 bp	100 bp	100 bp
	Increase	Decrease	Increase	Decrease
Variable rate instruments	-12,924	12,924	-12,924	12,924
Cash flow sensitivity (net)	-12,924	12,924	-12,924	12,924

4.4. Operational risks

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

4.5. Financial instruments: fair value and hierarchy

On a selective basis, the Group has outstanding foreign exchange swap contracts to manage the exposure to foreign currency risk on outstanding foreign currency receivables/payables, as well as an interest rate swap relating to its variable rate interest risk. In connection with business combinations, the Group also has outstanding liabilities for contingent consideration and for put options on non-controlling interests. The Group's financial instruments per category are shown below including the fair value and hierarchy information.

All derivatives outstanding per balance sheet date measured at fair value relate to forward exchange contracts and are classified as Level 2. Contingent consideration qualifying as earnout and put options on non-controlling interests are classified as Level 3. For the calculation basis of fair values, see also note 2.17 – Determination of fair values.

The carrying amount of the other financial assets and liabilities approximates their fair value.

2021	Note	Fair value through P&L	Amortized cost	Total book value	Level 1	Level 2	Level 3	TOTAL
<i>(in thousands of €)</i>								
Assets								
Non current assets								
Other Financial receivables	4		1,113	1,113		1,113		1,113
Other investments	4		422	422		422		422
Current assets								
Trade receivables	19		375,591	375,591		375,591		375,591
Other receivables	19		53,359	53,359		53,359		53,359
Other financial receivables			1,479	1,479		1,479		1,479
Derivatives	4	44		44		44		44
Cash & Cash equivalents	20		141,293	141,293		141,293		141,293
Total financial assets		44	573,257	573,301	0	573,301	0	573,301
Liabilities								
Non Current Liabilities								
Interest bearing	22		894,108	894,108		894,108		894,108
Other Financial liabilities		1,371	8,284	9,655		8,284	1,371	9,655
Current liabilities								
Interest bearing	22		77,804	77,804		77,804		77,804
Bank overdraft	20		40,524	40,524		40,524		40,524
Trade payables	24		368,657	368,657		368,657		368,657
Other current liabilities excl derivatives	24	37,286	134,976	172,262		134,976	37,286	172,262
Derivatives	24	155		155		155		155
Total financial liabilities		38,813	1,524,352	1,563,165	0	1,524,507	38,658	1,563,165

2020	Note	Fair value through P&L	Amortized cost	Total book value	Level 1	Level 2	Level 3	TOTAL
<i>(in thousands of €)</i>								
Assets								
Non current assets								
Other Financial receivables	4		624	624		624		624
Other investments	4		136	136		136		136
Current assets								
Trade receivables	19		218,721	218,721		218,721		218,721
Other receivables	19		39,911	39,911		39,911		39,911
Other financial receivables			3	3		3		3
Derivatives	4	235		235		235		235
Cash & Cash equivalents	20		163,255	163,255		163,255		163,255
Total financial assets		235	422,651	422,886	0	422,886	0	422,886
Liabilities								
Non Current Liabilities								
Interest bearing	22		1,190,800	1,190,800		1,190,800		1,190,800
Other Financial liabilities		3,929	3,993	7,922		3,993	3,929	7,922
Current liabilities								
Interest bearing	22		78,075	78,075		78,075		78,075
Bank overdraft	20		23,560	23,560		23,560		23,560
Trade payables	24		236,968	236,968		236,968		236,968
Other current liabilities excl derivatives	24		71,278	71,278		71,278		71,278
Derivatives	24	224		224		224		224
Total financial liabilities		4,153	1,604,675	1,608,828	0	1,604,899	3,929	1,608,828

5. Capital management

The Board of Directors' policy is to maintain a good capital base so as to maintain investor, creditor and market confidence and to sustain future profitable development of the business. The Board monitors the return on capital, and seeks to maintain a balance between the returns on equity versus the levels of borrowings as well as the advantages and security afforded by a sound capital position.

The Group defines its capital as its equity and its net interest borrowing loans:

	2021	2020
<i>(in thousands of €)</i>		
Equity	2,251,345	1,217,900
Other interest-bearing loans	1,012,436	1,292,435
Less: Cash & Cash equivalents	-141,293	-163,255
Total Capital	3,122,488	2,347,080

The Group is not exposed to external capital requirements other than covenant requirements from the syndicated external debt (refer to note 22).

6. Operating segments

The Group's reportable segments are based on the regions in which it operates: EMEA, Americas and Asia-Pacific. This reflects the organization of the Group, providing its specialty chemicals distribution services in all these regions.

Operating expenses of non-operating companies are reported in the segment Group Holding. Adjusted EBITA of Group Holding represents costs related to corporate activities and central support services, mainly at the Group's service center and the headquarter in Belgium.

Transactions between companies within an operating segment have been eliminated. Revenue therefore represents external sales. Transactions between operating segments are based on arm's length principle.

The performance of the operating segments is assessed based on a measure of 'Adjusted EBITA'. The Group currently uses Adjusted EBITA in its business operations to, among others, develop budgets, measure its performance against those budgets and evaluate the performance of its operations.

Gross profit is defined as income less cost of goods and consumables (as disclosed in Note 10), before outbound distribution cost.

Total assets per segment are not being measured and/or reported to the key decision makers on a regular basis, whereas Net Working Capital is used as a major performance indicator of the operating segments⁶.

⁶ For definition and reconciliation of Alternative performance measures (non-GAAP) such as Adjusted EBITA and Net Working Capital included in this report, refer to chapter Alternative Performance Measures.

Results of the operating segments are reflected in the below table:

	2021	EMEA	Americas	Asia-Pacific	Group Holding & other	Total
<i>(in thousands of €)</i>						
Revenue		1,232,253	1,164,233	430,809	0	2,827,295
Gross profit		292,820	270,947	86,220	154	650,143
Adjusted EBITA		125,298	137,643	29,633	-24,652	267,922
Operating profit						207,813
Net Working Capital		146,945	188,487	142,754	-3,779	474,407

	2020	EMEA	Americas	Asia-Pacific	Group Holding & other	Total
<i>(in thousands of €)</i>						
Revenue		1,034,249	952,573	237,726	-1,653	2,222,896
Gross profit		239,897	199,441	47,836	2,764	489,937
Adjusted EBITA		98,411	95,239	14,978	-19,074	189,553
Operating profit						147,198
Net Working Capital		83,327	114,826	55,961	-4,572	249,541

'Group Holding & other' mainly includes the operating expenses for the Group Holding activities and limited revenue and gross profit that remain unallocated to EMEA, Americas or Asia-Pacific.

The Group does not have material intercompany revenue across its segments. The Group has a diverse customer base in all of its reportable segments and has no individual material customers. The Group's non-financial non-current assets are broken down over its country of domicile and regions as follows:

	2021		2020	
(in thousands of €)				
Belgium	19,851	0.7%	15,810	0.7%
Rest of EMEA	1,197,514	40.9%	1,138,282	50.5%
EMEA	1,217,364	41.6%	1,154,092	51.2%
Americas	1,302,878	44.5%	804,718	35.7%
Asia Pacific	406,048	13.9%	296,693	13.2%
	2,926,291	100.0%	2,255,503	100.0%

7. Business combinations

The Group completed the below acquisitions during the financial year 2021:

Main acquisitions

On 1 June 2021, Azelis acquired 100% of the outstanding shares of Vigon International, Inc. ("Vigon"), a leading US specialty chemicals distributor of ingredients for the flavors, fragrances, and cosmetics market segments. Vigon offers a comprehensive product portfolio to its customers, including flavors, natural and synthetic aroma chemicals, actives, functional ingredients, and essential oils. Since 1 June 2021, Vigon contributed €71.5 million to the Group's revenue, €31.5 million of gross profit, €20.7 million of Adjusted EBITA and a positive €20.2 million to the Group's net result.

Other acquisitions

On 4 January 2021, Azelis acquired 51% of the shares of MKVN and Viet Chemi in Vietnam. As Azelis gained control, those subsidiaries are consolidated for 100%, and the minority interests has been recognized separately in the financial statements. MKVN is mainly active in Personal Care, Industrial Chemicals, Agro, Food segments and Supply Chain Solutions, and has a lab for PC and HC&IC applications.

On 19 January 2021, Azelis acquired 100% of the shares of CAME, Italy. The company is specialized in the distribution of chemicals for abrasives (used for friction & sintering applications) and CASE.

On 1 February 2021, Azelis acquired 100% of the shares of CW Pacific, Australia. CW Pacific is specialized in the distribution of food ingredients and manufacturing mixes (bakery and meat) and also supplies trace elements and other inputs to the horticulture market (almonds, grapes and vegetables).

On 31 March 2021, Azelis entered the Philippines by acquiring 51% of the shares of Asia Primera Kimika Inc. and Phil-Asiatic Supply & Services Inc. As Azelis gained control, those subsidiaries are consolidated for 100%, and the minority interests has been recognized separately in the financial statements. The companies are reputed for their deep experience in providing technological innovation, research and integrated services in personal care, home care, paints, coatings, construction and inks, industrial chemicals and supply management.

On 30 April 2021, Azelis acquired the distribution assets of the Indian companies Spectrum Chemicals and Nortons Exim Private Limited ("Spectrum"). Spectrum has offices in Mumbai and New Delhi, and is specialized in the distribution of specialty chemicals for home care, the road sector, agrochemical and other applications.

On 20 July 2021, Azelis acquired 100% of the shares of Coseal Co. Ltd ("Coseal"), Korea. Coseal specializes in the distribution, repackaging and blending of agro-surfactants. The transaction provides Azelis with the opportunity to establish a strong position in the attractive Agri segment in South Korea and further diversify its offering in the country.

On 2 August 2021, Azelis acquired the distribution assets of MH and MIF Co. Ltd in Korea, 2 companies active in the food distribution segment with products such as wheat gluten, starches, general & functional sweeteners and health functional food ingredients.

On 31 August 2021, Azelis acquired 100% of the shares of Quimdis SAS ("Quimdis"), France. Quimdis specializes in the distribution, repackaging and blending of ingredients for the life science segment, mainly nutraceuticals, animal nutrition and flavors & fragrances.

On 31 August 2021, Azelis acquired 100% of the shares of Ingredients Plus Ltd ("Ingredients Plus"), China. Ingredients Plus is a specialty chemical distributor dedicated to personal care, food and homecare segments.

On 29 October 2021, Azelis acquired 100% of the shares of WWRC (China) Holdings Ltd ("WWRC"), China. WWRC is active in the CASE and RPA segments, focusing mainly on plastic additives and coatings. On the same date and from the same seller, Azelis acquired 100% of the shares of Friendship Chemical Ltd ("Friendship Chemical"), China. Friendship Chemical is active in the distribution of ingredients for herbal oils.

On 29 November 2021, Azelis acquired 100% of the shares of Neupert Specialities GmbH ("Neupert"), Austria. Neupert is active in the food & health distribution segment with products such as proteins, hydrocolloids, fine chemicals, agar and sugar substitutes.

In 2021, these other acquisitions (i.e. excluding Vigon) together have added €198.3 million of revenue, €38.3 million of gross profit, €17.1 million of Adjusted EBITA and a positive €12.6 million of net profit to the Group's net result.

Including Vigon, the acquisitions in 2021 have added €269.8 million of revenue, €69.9 million of gross profit, €37.8 million of Adjusted EBITA and a positive €32.8 million of net profit to the Group's net result.

	Vigon	Other acquisitions	Total 2021	Total 2020
<i>(in thousands of €)</i>				
Assets acquired and liabilities assumed				
Distribution rights	98,023	77,548	175,571	27,720
Other intangible assets	2,886	498	3,384	2,616
Property, plant and equipment	5,951	12,714	18,665	1,705
Right-of-use assets	4,825	4,428	9,253	-
Deferred tax assets	485	3,113	3,598	604
Other long term receivables	-	466	466	-
Inventories	20,744	64,307	85,052	23,225
Trade and other receivables	23,753	92,974	116,726	44,780
Cash and cash equivalents	1,781	40,225	42,006	11,048
Assets classified as held for sale	-	22	22	-
Loans and borrowings non current	-	-7,306	-7,306	-1,230
Lease liabilities non current	-4,324	-3,032	-7,356	-
Deferred tax liabilities	-151	-22,140	-22,291	-6,212
Other non-current payables	-27	-382	-409	-
Trade and other payables	-11,688	-58,579	-70,267	-35,110
Loans and borrowings current	-35,513	-35,788	-71,301	-15,996
Lease liabilities current	-501	-1,396	-1,897	-
Provisions	-	-1,282	-1,282	-1,275
Employee benefit obligations	-	-2,213	-2,213	-
Total fair value identified assets acquired and liabilities assumed	106,243	164,178	270,422	51,875
Non-controlling interests	-	-18,307	-18,307	-
Estimated earnout liabilities	-	1,329	1,329	1,732
Deferred payments	31,136	3,837	34,972	3,596
Consideration paid in cash	386,705	210,577	597,282	100,003
Total consideration	417,841	215,743	633,584	105,331
Goodwill	311,597	69,872	381,469	53,456

The purchase price allocations for Quimdis, WWRC, Friendship Chemical and Neupert have not yet been finalized, mainly due to their acquisition dates being close to year-end. Therefore the fair values of the acquired identifiable assets and liabilities and the value of the consideration paid are accounted for on a provisional basis. Based on currently available information, Azelis does not foresee significant adjustments to these provisional amounts. The purchase price allocations will be finalized at a later stage and may result in adjustments to provisional values as a result of completing the initial accounting from the acquisition date. The fair values of the acquired net assets, based on a provisional assessment, are summarized in the table above. Minor indemnification assets or contingent liabilities were recognized in the business combinations, mainly related to tax risks.

The considerations are primarily paid for in cash and, depending on the acquisition, also consist of deferred payments and/or accruals for estimated earnout. For 2021 acquisitions, deferred payments and initial earnout liabilities, recognized as part of the consideration paid, total €36.3 million. Earnout payments are all contingent on the profitability of the acquired company at a future point in time, and have been estimated based on the business plan of the acquired company.

In connection with the acquisitions of MKVN and Viet Chemi in Vietnam and Asia Primera Kimika Inc. and Phil-Asiatic Supply & Services Inc. in the Philippines, put options were granted for the remaining 49% of the shares. The put options can be exercised by the holders at any time, and their fair value is calculated based on specific contractual specifications consisting mostly of a combination of a multiple on a future performance measure and the balance of certain net working capital items upon exercise of the option. Put options are not part of the consideration paid and are accounted for separately of the business combination.

Total goodwill of Azelis has increased by €457.3 million, of which €381.5 million is attributable to the abovementioned acquisitions. The remainder is attributable to currency translation and reflected in other comprehensive income.

Acquisitions are accounted for using the acquisition method. Goodwill represents the excess of acquisition cost over the fair values of identified acquired assets and liabilities, and mainly represents the business knowledge and the qualified staff. Goodwill is not deductible for tax purposes, except for the goodwill relating to Vigon, MH/MIF and Coseal. The trademark and the distribution rights have been valued based upon the expected return being generated through strategic mandates. The trade and other receivables include an amount of €4.2 million for expected credit loss provisions. Certain transactions relating to key employees' compensation plans are considered as separate transactions and are not included in the business combination accounting in accordance with IFRS 3.

If the above acquisitions would have occurred at the start of 2021, management estimates that, for 2021, the consolidated revenue would have been €3,092.8 million, the consolidated gross profit would have been €721.8 million, the consolidated Adjusted EBITA would have been €298.8 million and the consolidated net result for the year would have been €94.6 million.

During 2021, the Group incurred acquisition-related expenses of €8.9 million (2020: €5.6 million) in total, in connection with the costs of external advisors, due diligence and fees paid to the institutions involved. These expenses are recognized in the consolidated income statement as part of external services, and are considered as part of adjustments to determine Adjusted EBITA of the period.

8. Revenue

	2021	2020
<i>(in thousands of €)</i>		
Revenue from sales, net of discounts	2,819,606	2,213,601
Revenue from commercial services	355	2,496
	2,819,961	2,216,097
Commissions received	7,335	6,800
	2,827,295	2,222,897

The Group's revenues are broken down over product group as follows:

	2021		2020	
<i>(in thousands of €)</i>				
Life Sciences	1,758,913	62.2%	1,383,216	62.2%
Industrial Chemicals	1,068,382	37.8%	839,681	37.8%
	2,827,295	100.0%	2,222,897	100.0%

The Group's revenues are broken down over its country of domicile and regions as follows:

	2021		2020	
<i>(in thousands of €)</i>				
Belgium	58,202	2.1%	49,679	2.2%
Rest of EMEA	1,174,051	41.5%	986,794	44.4%
EMEA Total	1,232,253	43.6%	1,036,473	46.6%
Americas	1,164,233	41.2%	948,441	42.7%
Asia Pacific	430,809	15.2%	237,982	10.7%
	2,827,295	100.0%	2,222,897	100.0%

9. Other operating income

	2021	2020
<i>(in thousands of €)</i>		
Recharge of expenses to customers	5,105	8,551
Other income	3,366	1,917
	8,470	10,468

10. Costs for goods and consumables

	2021	2020
<i>(in thousands of €)</i>		
Purchase of goods including change in inventory	2,138,140	1,707,744
Freight and additional charges on purchases	47,483	35,682
	2,185,622	1,743,427

11. Employee benefits

11.1. Expenses

Wages and salaries include managers' fees and current service costs from employee benefits.

	2021	2020
<i>(in thousands of €)</i>		
Wages and salaries and other personnel related expenses	208,488	161,317
Social charges	23,727	19,852
	232,215	181,169

The average number of employees (FTE) located in the regions is set out below:

	2021	2020
EMEA	1,628	1,391
Americas	805	613
Asia Pacific	744	426
	3,177	2,430

The number of employees reported for EMEA includes the holding employees.

11.2. Defined obligation benefit schemes

The Group is subject to the following defined benefit obligations:

	2021	2020
<i>(in thousands of €)</i>		
German companies	743	856
Belgian companies	6,190	6,706
French companies	2,045	1,244
Italian companies	1,823	1,740
Other companies	155	0
Total present value of unfunded obligations	10,956	10,546
Present value of funded obligations (Azelis UK)	9,560	9,107
Total present value of obligations	20,516	19,653
Fair value of plan assets	-14,347	-12,839
Amounts not recognised as asset due to asset ceiling	0	0
Recognised liability for defined benefit obligations	6,169	6,814
Liability for long-service leave and other employees benefits	2,653	870
Total employee benefits recognised in the balance sheet	8,822	7,684

The Group recognized net obligation is based on the difference between the present values of the defined benefit obligations and the plan assets.

Both defined benefit plans and defined contribution plans are in place. Charges for defined contribution schemes amount to €2.5 million (2020: €2.4 million). Expenses for all plans are included in 'Wages, salaries and other personnel related expenses'.

Belgium Pension plans

There are four pension plans in place in Belgium which are all legally structured as defined contribution plans.

Because of the Belgian legislation applicable to 2nd pillar pension plans (so-called "Law Vandenbroucke"), all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans. In the context of defined contribution plans, Law Vandenbroucke states the following:

- The employer must continue to guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions made until 31st December 2015;
- As from 2016 the employer must guarantee a minimum return ranging between 1.75% and 3.75% for all contributions, depending on the development of the average interest on OLO 10 years over a period of 24 months. The current guaranteed minimum return is 1.75%.

Because of this minimum guaranteed return for defined contribution plans in Belgium, the employer is exposed to a financial risk (there is a legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior

periods). These plans should therefore be classified and accounted for as defined benefit plans under IAS 19.

Actuarial calculations have been made per 31st December 2021 and these were recognized in the balance sheet. For information, some key figures related to the plans are given below:

- Employer's contributions in the financial year: €0.7 million (€0.5 million in 2020)
- Amount of the plan assets at 31st December 2021: €5.8 million (€6.4 million in 2020)

United Kingdom

In the UK, the defined benefit pension plan is financed through the accumulation of plan assets held separately from those of the Group in an independently administered fund.

Actuarial calculations have been made per 31st December 2021 and these were recognized in the balance sheet. The duration of Scheme obligations at 31 December 2021 is 20 years; plan assets are primarily invested in equity instruments. For information, some key figures related to the plans are given below:

- Employer's contributions in the financial year: €0.6 million (€0.3 million in 2020)
- Amount of the plan assets at 31st December 2021: €8.6 million (€6.5 million in 2020).

Actuarial assumptions

The actuarial calculations of the present value of defined benefit obligations were based on the following main assumptions:

	2021	2020
Discount rate	0,8% - 2,1%	0,3% - 1,5%
Inflation	2,5% - 5,0%	5%
Future pensions increases	2,5% - 3,0%	2,5% - 2,9%
Future salary increases	0% - 2,5%	0% - 2,4%

In the event that the discount rate were to be raised or lowered by 0.5% in the context of a sensitivity analysis, the obligation ensuring from the defined benefit plan would amount to €4.4 million or €8.1 million, respectively.

The benefits paid are mainly related to Belgium, France, Italy and UK. The 2022 benefits to be paid are expected to be in line with the 2021 benefits.

The following table shows the changes in the present value of the defined benefit obligations:

	2021	2020
<i>(in thousands of €)</i>		
Liability for defined benefit obligations at the beginning of period	19,653	18,333
Current service costs and interest	971	1,001
Benefits paid	-1,035	-360
Remeasurement arising from changes in demographic assumptions	-1	72
Remeasurement arising from changes in financial assumptions	-754	1,144
Remeasurement arising from experience	-167	-84
Business combination	1,208	0
Exchange rate differences	640	-453
Liability for defined benefit obligations at 31 December	20,516	19,653

The following table shows the changes in the plan assets.

	2021	2020
<i>(in thousands of €)</i>		
Fair value of plan assets at the beginning of the period	12,839	12,185
Contributions paid into the plan	1,341	902
Benefits paid by the plan	-745	-115
Expected return on plan assets	436	173
Return on assets excluding amounts in net interests	22	41
Exchange rate differences	454	-347
Fair value of plan assets at 31 December	14,347	12,839

At year-end, the plan assets consisted mainly of equity instruments.

The net periodic cost for defined benefit obligations recognized in the income statement is shown in the following table:

	2021	2020
<i>(in thousands of €)</i>		
Current service costs	-854	-735
Interest on obligation	-155	-46
Interest on assets	436	173
	-573	-608

The changes in actuarial gains and losses from defined benefit obligations and plan assets recognized in other comprehensive income are shown in the following table:

	2021	2020
<i>(in thousands of €)</i>		
Return on assets, excluding amounts in net interests	412	173
Actuarial gains and losses on benefit obligations	701	-990
Effect of changes in asset ceiling	0	0
	1,113	-817

12. External services and other expenses

	2021	2020
<i>(in thousands of €)</i>		
Distribution	62,486	50,507
Utilities, communication, insurance and administrative expenses	26,570	21,911
Commercial expenses	4,269	2,882
Professional service fees	28,265	19,210
Lease expenses	2,785	1,885
Other expenses	26,356	14,249
	150,731	110,644

The professional services & other expenses of 2021 include adjustments of €19.0 million, mainly related to costs with regard to the Company's IPO on Euronext Brussels (€8.4 million) and the remainder (€10.6 million) mainly regarding M&A-activities (2020: €7.7 million, mainly M&A-related).

Audit fees included under professional service fees in the above table :

	2021	2020
<i>(in thousands of €)</i>		
Audit Fees :		
Total fees for the audit of the annual accounts	1,373	1,249
Total fees for audit by non-PWC companies	336	205
Non Audit fees paid to group auditor network :		
Total fees for other attestation	2,399	0
Total fees for other non-audit services (incl. tax)	34	24
	4,143	1,478

The fees for other attestation are primarily related to the Company's IPO.

13. Net financial expenses

	2021	2020
<i>(in thousands of €)</i>		
Financial income		
Interest income	618	871
Other financial income	113	4,021
	731	4,892
Financial expenses		
Interest expense on bank loans and overdrafts	-46,948	-55,692
Interest lease commitments	-2,951	-2,694
Fair value adjustment on financial liabilities	-7,282	-162
Transaction costs for bank loans	-3,336	-3,992
Accelerated amortization of transaction costs due to IPO	-19,616	0
Foreign exchange losses	-1,238	-5,053
Other financial expenses	-6,907	-5,411
	-88,278	-73,004

The fair value adjustment on financial liabilities relates to acquisition-related earnout liabilities and NCI put options.

Transaction costs for bank loans of €3.3 million (2020: €4.0 million) includes the (non-cash) impact of expensing capitalized transaction costs (see note 22). At date of IPO, the Company restructured its debt, whereas the remaining capitalized costs of €19.6 million that related to the previous and repaid financial liabilities were amortized entirely (for the majority non-cash).

The foreign exchange losses include unrealized translation of intercompany loans, mainly relating to non-EUR nominated loans to subsidiaries.

Other financial expenses relate to other bank fees and factoring fees.

14. Income taxes

14.1. Income tax expense

I. Income tax expenses in consolidated income statement

The income tax expenses consist of:

	2021	2020
<i>(in thousands of €)</i>		
Current period tax expense (-) / income	-51,963	-33,107
Adjustments to prior years income tax expense (-) / income	225	-797
Provisions for tax risks	-314	-962
	-52,052	-34,866
Deferred tax income / loss (-)	2,079	26,791
Total income tax income / expense (-)	-49,973	-8,075

Income tax expense consists primarily of income taxes for the current period and prior period of Group companies.

During 2021, the consolidating Azelis entity has changed from Azelis Holding S.à r.l. (Luxembourg) to Azelis Group NV (Belgium), refer to note 2. As a consequence, the domestic tax rate has changed to the Belgian tax rate of 25% instead of the Luxembourg tax rate of 24.94%.

The differences between the taxable income related to the Belgian tax rate and the effective tax rate are reconciled as follows:

	2021	2020
<i>(in thousands of €)</i>		
Profit/loss (-) before tax	120,199	79,086
Income tax using the domestic corporation tax rate	-30,050	-19,724
Impact of tax in different jurisdictions with difference to domestic rate	5,590	2,014
Tax effect of expenses not deductible for tax purposes	-2,629	-2,893
Tax effect of income not subject to tax	403	195
Recognition of previously unrecognised tax losses	-1,264	123
Tax losses for which no deferred income tax asset was recognized	-18,340	-10,436
Reversal Deferred tax liabilities on intangibles	0	75,000
Adjustments on applicable tax rate	593	0
Deferred tax asset on stand-alone carry forward losses	-639	-53,753
Other	-3,636	1,399
Total income tax income / expense (-) in income statement	-49,973	-8,075

Restructurings in anticipation and preparation of the IPO, that included moving the Group's corporate seat from Luxembourg to Belgium, have had the following non-cash consequences on the deferred taxes in Azelis' income statements:

- **2020:** Affected by the release of a deferred tax liability of €75.0 million relating to the Group's intellectual property (IP), due to the transfer of this IP from Luxembourg to Belgium as part of the alignment with Azelis' corporate structure. Before the IP was transferred, Azelis anticipated that royalty gains in Luxembourg would realize its carry-forward losses going forward. However, following the transfer of the IP, the uncertainty on the recoverability of the remaining carryforward losses in Luxembourg increased and the deferred tax assets of €53.8 million that had been recognized in prior years as carried-forward losses that could be offset for an unlimited time were revalued to nil.
- **2021:** Including a loss of €18.3 million that increased Azelis' 2021 effective tax rate, almost only due to the impact of moving the Group's holding-location (including the funding) from Luxembourg to Belgium in view of the IPO, for which no deferred income tax asset could be recognized due to the partial unwinding of the previous Luxembourg holding-structure. This has increased the unrecognized deferred income tax assets accordingly, refer to Note 14.3.

II. Income tax expenses in Consolidated Statement of Other Comprehensive Income

The tax included in other comprehensive income is related to:

	2021	2020
<i>(in thousands of €)</i>		
Relating to actuarial gains and losses on pensions obligations	-259	167
	-259	167

14.2. Deferred taxes

Deferred tax assets and liabilities are attributable to the following:

2021	1 January	Business combinations	Income statement	OCI	Other	Translation differences	31 December
<i>(in thousands of €)</i>							
Property, plant and equipment	216	-1,611	-2,096	0	69	-47	-3,470
Intangible assets	-115,711	-18,115	-909	0	-4,093	-5,502	-144,330
Inventories	2,809	2,642	320	0	-261	216	5,725
Trade receivables	1,095	424	707	0	-208	58	2,076
Loans and borrowings	-1	0	1	0	113	2	114
Employee benefits	1,512	43	1,726	-258	157	72	3,252
Provisions, derivatives and other items	650	-2,264	1,286	0	489	-53	109
Untaxed reserves	4,348	0	1,508	0	4,206	749	10,812
Tax value of loss carry-forwards	1,508	170	-463	0	-343	5	877
	-103,574	-18,711	2,079	-258	129	-4,500	-124,834
Deferred Tax liability	-109,993						-135,315
Deferred Tax assets	6,419						10,482
	-103,574						-124,834

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible for the Group companies, management believes it is probable that the Group will realize the benefits of these deductible differences.

2020	1 January	Business combinations	Income statement	OCI	Other	Translation differences	31 December
<i>(in thousands of €)</i>							
Property, plant and equipment	703	0	-413	0	15	-88	216
Intangible assets	-197,293	-6,390	82,284	0	664	5,024	-115,711
Inventories	2,787	450	-327	0	61	-163	2,809
Trade receivables	484	358	300	0	37	-83	1,095
Loans and borrowings	3	0	0	0	0	-5	-1
Employee benefits	1,240	0	385	15	-100	-28	1,512
Provisions, derivatives and other items	124	0	394	0	6	127	650
Untaxed reserves	6,684	0	-1,584	0	-3	-748	4,348
Tax value of loss carry-forwards	55,432	134	-54,289	0	-73	304	1,508
	-129,837	-5,448	26,749	15	607	4,340	-103,574
Deferred Tax liability	-135,154						-109,993
Deferred Tax assets	5,317						6,419
	-129,837						-103,574

As part of the alignment with Azelis' corporate structure, in the course of 2020 the Group has decided to move the intellectual property (IP) from Luxembourg to Antwerp (Belgium). The tax consequences are reflected in the 2020 tax position. The related deferred tax liability on the IP of €75 million has been released via the income statement. After this transaction, the uncertainty on the recoverability of the carry forward losses in Luxembourg has increased, therefore the tax value of the carry forward losses was lowered accordingly.

Deferred tax assets and liabilities are expected to be recovered or settled over time as follows :

	Deferred tax assets	Deferred tax liabilities
<i>(in thousands of €)</i>		
To be recovered after more than 12 months	8,176	133,811
To be recovered within 12 months	2,305	1,505
	10,482	135,315

14.3. Unrecognized deferred income tax assets

The following deferred tax assets related to compensable losses of Group companies acquired have not been recognized :

	2021		2020	
(in thousands of €)	Gross	Tax	Gross	Tax
Tax losses	289,102	72,275	277,476	69,203
	289,102	72,275	277,476	69,203

Unrecognized carry forward losses of €171.2 million (for 2020: €124.2 million) can be used unlimited in time and €117.8 million (for 2020: €148.9 million for period 2021-2037) need to be used during the period 2022-2037.

No deferred tax assets have been recognized on these carry forward losses, due to the fact that they do not meet the recognition criteria to recognize a deferred tax asset.

The Group may have unrecognized tax liabilities in respect of taxable temporary differences relating to non-distributed reserves of one of its subsidiaries that would be taxed when distributed. No deferred tax liability has been recognized because the Group controls whether the liability will be incurred and management is satisfied that the liability will not be incurred in the foreseeable future.

15. Intangible assets

	Goodwill	Trade- marks	Distribution rights	Concessions and licenses	Develop- ment cost	Customer lists	Other	Intangibles in progress	Total
At 31 December 2019	1,357,237	317,378	510,850	835	275	453	5,865	4,459	2,197,351
Changes in 2020									
Business combination	53,087	-	27,597	-	3	2,616	73	-	83,377
Additions	200	-	369	18	3	303	4,205	50	5,148
Amortisation	-	-	-28,591	-2,909	-87	-321	-1,318	-	-33,226
Reclassifications	-1,987	-	1,231	4,592	5,789	590	-4,391	-4,352	1,472
Translation differences	-62,600	-	-23,859	-122	-0	-159	-73	-13	-86,826
Changes in the Period	-11,300	-	-23,253	1,579	5,708	3,029	-1,504	-4,315	-30,055
At 31 December 2020									
Cost	1,345,937	317,378	546,136	6,194	6,195	3,971	6,630	3,250	2,235,691
Accumulated amortization and impairment	-	-	-58,539	-3,781	-211	-489	-2,269	-3,106	-68,395
	1,345,937	317,378	487,597	2,413	5,984	3,482	4,361	144	2,167,296
Changes in 2021									
Business combination	381,469	-	175,571	3,048	-	-	336	-	560,424
Additions	-	-	1,140	72	1,833	436	7,240	649	11,370
Amortisation	-	-	-33,949	-355	-1,698	-472	-3,007	-	-39,480
Disposals	-3	-	-3	18	-	-	-6	-	6
Reclassifications	-56	-	131	-1,824	-2,578	3	4,543	1,307	1,527
Translation differences	75,919	-	29,822	164	0	239	200	38	106,382
Changes in the Period	457,330	-	172,712	1,122	-2,443	206	9,307	1,994	640,228
At 31 December 2021									
Cost	1,803,269	317,378	752,800	7,654	5,450	4,648	18,949	5,245	2,915,394
Accumulated amortization and impairment	-3	-	-92,491	-4,118	-1,909	-961	-5,282	-3,106	-107,870
	1,803,267	317,378	660,309	3,535	3,541	3,688	13,668	2,139	2,807,524

The trademark relates to the Azelis name. Azelis uses its name globally, and its trade name is considered to be a key asset of its distribution activities given its status of major distributor in the fragmented specialty chemicals sector. The name both supports the Group to onboard principals and customers, and for acquisition targets that want to become part of the Group as they know that their business will grow being part of it. The Azelis trademark is estimated to have an indefinite economic life for amortization purposes; therefore, effectively no amortization expenses are being booked through Azelis' income statement. The total value of €317.4 million as at December 31, 2021 originates entirely from the EQT/PSP acquisition in November 2018 and remained unchanged since that date.

The translation differences of €106.4 million (2020: €-86.9 million) are recognised in other comprehensive income and accumulated in the translation reserve within equity. Reference is made to note 21.4.

15.1. Allocation of assets for impairment testing

A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For the purpose of impairment testing, goodwill is allocated to the following groups of CGU's:

	31-12-2021	31-12-2020
<i>(in thousands of €)</i>		
EMEA	616,570	585,233
AMERICAS	919,385	542,778
ASIA PACIFIC	267,311	217,926
Total Goodwill	1,803,266	1,345,937

All goodwill acquired in the business combinations has been allocated to a regional CGU at the end of the reporting period. The goodwill is allocated on regional level as it are the Group's regions that are expected to benefit of the business combinations, and as goodwill is also monitored internally on the regional level.

Trademarks with a book value of €317.4 million (2020: €317.4 million) have an indefinite life. These do not generate cash inflows independently and qualify as corporate assets. As their carrying amount cannot be allocated to the regional CGU's on a reasonable and consistent basis, the corporate assets are allocated to the Group as a whole and the impairment test is performed in two stages.

15.2. Impairment assessment

The impairment tests have been performed by discounting future pre-tax cash flows from continuing operations of the unit. The recoverable amounts of the regional CGU's as at 31st December 2021 have been determined based on a value in use calculation using cash flow projections from a five year detailed business plan which is approved by senior management and serves as a basis to determine the future free cash flows and the Adjusted EBITA's. The business plan is based on the market growth assumptions and on some general economic indicators (inflation, GDP, etc.). It also properly reflects the future strategy of the regional CGU. For cash flows beyond the business plan period, an extrapolation was made based on a steady terminal growth rate.

The key assumptions used in the impairment tests are the pre-tax WACC, terminal growth rate, sales growth and margin growth (based on gross profit). The pre-tax WACC is estimated per regional CGU, is consistent with external sources of information, and varies mainly due to differences in risk free rates. The risk-free rates per regional CGU are based on the weighted average of the rate of return on local sovereign bonds. The terminal growth rates are based on industry benchmarks by region, and are consistent with the Group's past experience and external sources of information. Sales growth and margin growth reflect the Group's past experience and future expectation of regional business development.

The key assumptions used for the second stage impairment test, on the level of the Group as a whole including corporate asset, are identical to those used for the regional CGU impairment tests.

The values attributed to pre-tax WACC and the growth rates are as follows:

Cash Generating Unit	2021	2022-2026 assumptions		
	Pre-tax WACC	Growth rate for terminal value	Sales Growth	Margin % Growth
EMEA	10.67%	3.0%	5.3%	1.07%
AMERICAS	8.56%	2.5%	4.9%	-0.44%
ASIA PACIFIC	11.08%	5.0%	10.0%	2.58%

Cash Generating Unit	2020	2021-2025 assumptions		
	Pre-tax WACC	Growth rate for terminal value	Sales Growth	Margin % Growth
EMEA	7.99%	2.0%	3.5%	0.10%
AMERICAS	8.96%	2.0%	4.0%	0.42%
ASIA PACIFIC	10.81%	6.0%	11.6%	0.35%

The impairment tests on the recoverable amount of regional CGU's show sufficient headroom on the carrying amount of the Goodwill. In the second stage impairment test, the recoverable amount of the regional CGU's considered as a whole exceeds the carrying amount of the regional CGU's including the carrying amount of the corporate assets.

Sensitivity to changes in assumptions

For each regional CGU, while testing the sensitivity of the carrying amount based on (a) the WACC increased by 1% (1 percentage point), and (b) the growth rate in the terminal value decreased by 1%, the CGU shows sufficient headroom on the carrying amount of the Goodwill.

If we would lower the Sales growth in the assumptions used for the period 2022-2026 with an average of 1% or if we would lower the margin % by 1%, there is still sufficient headroom on the carrying amount of the Goodwill.

16. Property, plant and equipment - Right of use assets

16.1 Property, plant and equipment

	Land and buildings	Plant and equipment	Other	Total
At 31 December 2019				
Cost	19,583	6,677	8,338	34,599
Accumulated depreciation and impairment	-990	-1,128	-2,262	-4,380
	18,593	5,548	6,076	30,219
Changes in 2020				
Business combination	248	72	1,295	1,615
Additions	1,125	1,277	5,507	7,909
Depreciation	-778	-961	-1,939	-3,678
Disposals	-1,205	-118	-327	-1,650
Reclassifications			-1,473	-1,473
Translation differences	-139	-122	-377	-638
Changes in the Period	-749	148	2,686	2,085
At 31 December 2020				
Cost	19,612	7,787	12,963	40,362
Accumulated depreciation and impairment	-1,767	-2,089	-4,201	-8,057
	17,845	5,698	8,762	32,304
Changes in 2021				
Business combination	11,412	6,276	974	18,661
Additions	192	1,379	5,751	7,321
Depreciation	-839	-1,003	-2,849	-4,692
Disposals	-29	-115	-306	-450
Reclassifications	-45	-3,413	2,254	-1,204
Translation differences	430	390	248	1,067
Changes in the Period	11,121	3,513	6,070	20,704
At 31 December 2021				
Cost	31,572	12,303	21,883	65,757
Accumulated depreciation and impairment	-2,606	-3,092	-7,050	-12,750
	28,966	9,211	14,832	53,008

The reclassifications relate mainly to internal project costs which are recognized at year-end as intangibles.

The category 'Other' mainly relates to leasehold improvements, comprising also an insignificant amount of assets under construction.

Security

At 31st December 2021, the Group has not pledged any land and buildings, plant and equipment as security for the bank loans (2020: € 32 million), given the new Term Loan Facility and Revolving Facility (see note 22.1). Other restrictions are mainly related to leasehold improvements and leased machinery.

16.2 Right of use assets

The Right of Use assets are included starting 1 January 2019, following the implementation of IFRS 16 as per that date, and relate to rental agreements for offices, warehouses and cars.

	Land and buildings	Other	Total
At 31 December 2019			
Cost	43,288	12,455	55,743
Accumulated depreciation and impairment	-7,720	-3,699	-11,418
	35,569	8,756	44,325
Changes in 2020			
Business combination	-	42	42
Additions	11,735	5,608	17,343
Depreciation	-9,456	-4,652	-14,108
Disposals	-0	-333	-333
Remeasurements	10,227	484	10,711
Translation differences	-2,023	-301	-2,324
Changes in the Period	10,483	848	11,332
At 31 December 2020			
Cost	63,227	17,956	81,183
Accumulated depreciation and impairment	-17,175	-8,351	-25,526
	46,052	9,605	55,657
Changes in 2021			
Business combination	9,097	155	9,252
Additions	8,814	3,105	11,920
Depreciation	-10,424	-4,785	-15,208
Disposals	-32	-46	-78
Remeasurements	1,358	586	1,944
Translation differences	2,117	-20	2,097
Changes in the Period	10,930	-1,005	9,925
At 31 December 2021			
Cost	84,580	21,736	106,316
Accumulated depreciation and impairment	-27,599	-13,136	-40,734
	56,981	8,600	65,582

Remeasurements mainly relate to the prolongation of the lease period of existing contracts and to the change in IBR following Azelis' improved funding rates, that lowered the IBR to 4.0% per June 1, 2021 and to 2.3% upon the IPO in September 2021 (during 2020: 4.4%).

17. Investments in associates

Azelis holds a 50% investment in Chemlog S.A.S. (refer to note 26.4). Chemlog's aggregated figures are presented as follows:

	Assets	Liabilities	Equity	Revenue	Net result for the period
<i>(in thousands of €)</i>					
31 December 2021	863	393	470	1,617	131
31 December 2020	619	267	352	1,541	37

18. Inventories

	2021	2020
<i>(in thousands of €)</i>		
Inventories	506,379	282,754
Valuation allowance/write downs	-38,906	-14,974
Net carrying amount of inventories	467,473	267,780

Azelis' inventories mainly consist of finished goods.

Inventories usages is recorded in the cost of goods sold in the consolidated income statement.

In 2021 an impairment on inventory of €9.6 million (2020: €4.9 million) is included in the 'cost of goods and consumables' in the income statement. This impairment is based upon the Group accounting policies under IFRS.

19. Trade and other receivables

	2021	2020
<i>(in thousands of €)</i>		
Trade receivables	375,591	218,721
Other receivables	53,359	39,912
	428,950	258,633

See note 4 for ageing and allowance of these receivables. Other receivables relate mainly to prepayments.

20. Cash and cash equivalents and bank overdrafts

	2021	2020
<i>(in thousands of €)</i>		
Bank balances and cash on hand	141,293	163,255
Bank overdrafts (-)	-40,524	-23,560
Cash and cash equivalents (net) in the cash flow statement	100,769	139,695

Interest rates payable for bank overdrafts used have a variable interest rate based on Euribor plus a margin. The cash and cash equivalents are at free disposal of the Group.

21. Capital and reserves

As per Belgian regulations and articles of incorporation of the Company, Azelis has to allocate to legal reserve a minimum of 5% of the standalone net profit, if any and until such reserve reaches 10% of the share capital, distribution of the legal reserve is restricted. As 31 December 2021, the legal reserve amounts to € nil (2020: € nil).

21.1. Earnings per share

As described in note 2 - Basis of preparation, prior to its IPO on Euronext Brussels, the Group has undergone a capital reorganization under common control. As a consequence, the comparative information (2020) in these IFRS financial statements is that of Azelis Holding S.à r.l.. For the earnings per share information presented below, management believes that, for comparative purposes and given the limited legal life of Azelis Group NV and taking into account the capital reorganization under common control, the earnings per share for 2020 and 2021 are best presented based on the total number of shares of Azelis Group NV as if the shares issued for the contribution in kind of Akita Topco S.à r.l. and the IPO were outstanding for all periods presented.

Nevertheless, a separate table showing the 2020 earnings per share calculation of Azelis Holding S.à r.l., based on its then outstanding number of shares, has also been included below for informative purposes.

Comparative EPS

	2021	2020
Net Group profit/loss (-) attributable to shareholders <i>(in thousands of €)</i>	67,756	70,962
Average number of shares <i>(in thousand shares)</i>	233,846	233,846
Earnings per share	0.29	0.30

The average number of shares are calculated as:

	2021	2020
<i>(in thousands)</i>		
Ordinary shares issued (entitled to dividend)	233,846	233,846
Weighted effect of new ordinary shares issued	0	0
Average number of shares	233,846	233,846

The Group currently has no dilutive potential ordinary shares, hence the diluted earnings per share are equal to the ordinary earnings per share.

EPS Azelis Holding S.à r.l. for 2020

	2020
Net Group profit/loss (-) attributable to shareholders <i>(in thousands of €)</i>	70,962
Average number of shares <i>(in thousand shares)</i>	1,175,057
Earnings per share	0.06

21.2. Share capital

During 2021, the following share transactions have occurred:

- On 10th June, Azelis Group NV was established by issuance of 61,500 shares, for a share capital of €61,500;
- On 21st September the 61,500 shares, created on 10th June, were cancelled by a capital decrease and the share capital of €61,500 was repaid to the founding shareholder;
- On 21st September, all preference and ordinary shares in Akita Topco S.à r.l. were contributed to Azelis Group NV in exchange for 195,539,251 shares issued by Azelis Group NV, each at a fractional value of €26, resulting in a capital increase by €5,084,020,526;
- On 21st September, shares in Azelis Finance NV were contributed in exchange for the issuance of 4,460,749 shares by Azelis Group NV, each at a fractional value of €26, resulting in a capital increase by €115,979,474;
- On 21st September, in connection with the Group's IPO and listing on Euronext Brussels, 33,846,153 shares were issued, each at a fractional value of €26, resulting in a capital increase by €879,999,978 million
- On 21st September, the capital of Azelis Group NV was reduced by €400 million, without destruction or repayment of shares, for the purpose of creating distributable reserves

The subscribed share capital has been fully paid. At 31 December 2021, a total of 233,846,143 shares has been issued without nominal value, representing a total share capital of €5.68 billion.

21.3. Share premium

Share premium reflects the additional paid-in capital exceeding the par value of the issued shares. Subject to the Group's capital reorganization under common control and the IPO on Euronext Brussels in September 2021, the shares issued in the capital increases (contribution in kind of Akita Topco S.à r.l. and IPO) were all issued at fractional value of €26 per share. As a result, the Group currently has zero share premium.

21.4. Other reserves

Other reserves is part of the Reserves in the consolidated statement of financial position. It includes the equity effect of the capital reorganisation under common control, mainly due to the cancellation of the share capital and share premium of Azelis Holding S.à r.l., and other adjustments to equity.

21.5. Translation reserve

Translation reserve is part of the Reserves in the consolidated statement of financial position.

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income and accumulated in the translation reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

The majority of the intangible assets on Azelis' statement of financial position relate to the EQT/PSP Acquisition. The respective amounts have been allocated to Azelis' three operating segments, and per IFRS also on the basis of the underlying foreign currencies in Azelis' respective jurisdictions (of which a major part relates to Azelis' activities in the United States). Exchange differences arising on translation of the intangible assets are recognized in other comprehensive income and accumulated in the translation reserve within equity.

21.6. Retained earnings

Retained earnings includes the unappropriated result of previous years.

21.7. Reserves available for distribution

Reserves available for distribution is part of the Reserves in the consolidated statement of financial position.

In connection with the Group's capital reorganization under common control and the IPO on Euronext Brussels in September 2021, the Group has reduced its share capital by €400 million against reserves available for distribution, in order to create funds for distribution to the shareholders. No capital contributions were repaid to the shareholders in the context of this capital reduction. Prior to its IPO, the Group has never distributed dividends.

On 8 March 2022, a dividend of €0.03 per share or €7.0 million was proposed by the Board of Directors. This proposed dividend is calculated pro rata such that dividend will only be paid in respect to the portion of the financial year for which the Group's shares are listed on Euronext Brussels. The dividend will be paid out to the shareholders upon approval by the shareholder's meeting on 9 June 2022.

21.8. Non-controlling interests

Non-controlling interests reflects the share of equity ownership in the Group's subsidiaries that is not owned by the Group, even though those subsidiaries are consolidated in the Group's consolidated financial statements. MKVN Chemicals Co. Ltd, Asia Primera Kimika Inc. and Phil-Asiatic Supply & Services Inc. are the main contributors for the Non-controlling interests, see also note 26.4.

22. Loans and borrowings

The Group's debt finance consists mainly of the following financial instruments:

2021	Interest rate	Duration	Notional amount	Carrying amount
<i>(in thousands of €)</i>				
First lien €	2.25%	2021-2026	640,000	635,533
First lien GBP	2.55%	2021-2026	153,270	152,201
Revolving Credit Facility	2.00%	2021-2026	40,000	40,000
Other bank loans	0,58% - 5,62%	2018-2026	69,249	69,249
Interest accruals			5,652	5,652
			908,171	902,634
Non-current borrowings and loans			845,567	840,030
Current borrowings and loans			62,604	62,604
			908,171	902,634

2020	Interest rate	Duration	Notional amount	Carrying amount
<i>(in thousands of €)</i>				
First lien €	3.25%	2018-2025	710,000	698,129
First lien GBP	4.26%	2018-2025	227,083	223,660
Second lien €	7.00%	2018-2026	135,000	132,217
Second lien CAD	7.78%	2018-2026	92,806	90,864
Revolving Credit Facility	2.75%	2018-2024	0	0
Other bank loans	2.00%	2018-2020	41,195	41,195
Interest accruals			24,752	24,752
			1,230,836	1,210,817
Non-current borrowings and loans			1,165,111	1,145,092
Current borrowings and loans			65,725	65,725
			1,230,836	1,210,817

22.1. Changes in loans and borrowings

22.1a Loans and borrowings

	2021	2020
<i>(in thousands of €)</i>		
At 1 January	1,210,817	1,150,850
Cash flows from loans and borrowings	-400,295	78,311
Transaction costs paid	-8,338	-
Changes arising from business combinations	78,607	-
Accelerated amortization of transaction costs due to IPO	19,616	-
Capitalized transactions cost amortized	3,358	3,336
Changes in interest accruals	-19,100	-2,228
Currency translation differences	17,971	-19,452
At 31 December	902,634	1,210,817

Within the context of the IPO on Euronext Brussels, and partly with the proceeds of the IPO, the Group has repaid its existing bank borrowings in September 2021. At the same time the Group has attracted new bank borrowings from a new lender's syndicate in the form of a Term Loan Facility (€640 million and GBP 128.8 million) and a Revolving Credit Facility (€260 million). Floating interest rates are based on EURIBOR for borrowings drawn in € and SONIA for borrowings drawn in GBP (both capped at a floor of 0%), and a margin based on the Group's total Net Leverage. The margin is capped at 2.25% for the € Term Loan Facility, 2.50% for the GBP Term Loan Facility and 2.00% for the Revolving Credit Facility. In addition, the applicable margins will be subject to +/-10 basis point adjustment depending on the satisfaction of certain ESG criteria.

A total of €5.9 million of transaction costs have been capitalized and are amortized over the lending period.

22.1b Lease liabilities

	2021	2020
<i>(in thousands of €)</i>		
At 1 January	58,058	45,516
New contracts	21,507	17,083
Remeasurements	2,352	10,509
Cash out	-14,846	-12,643
Currency translation differences	2,207	-2,407
At 31 December	69,278	58,058

For disclosure on the Group's right-of-use assets, refer to note 16.2 Right of use assets.

22.2. Other facilities

In addition to cash balances, as of 31st December 2021, the Group maintained the following lines of credit:

- €95.3 million (2020: €69.9 million) uncommitted local credit facility, that concerns local credit lines given by local banks and can be revoked as any standard bank credit line. Interest would be payable at the maximum rate of EURIBOR plus 3.00%. Per 31st December 2021, €69.3 million (2020: €41 million) was utilized.
- €260 million Revolving Credit Facility, of which €40 million has been utilized (2020: €100 million facility of which €0 million utilized). Therefore, per 31st December 2021, €220 million (2020: €100 million) committed facility was unused. Interest would be payable at the maximum rate of EURIBOR plus 2.00%.

22.3. Covenants

The financing arrangements since September 2021 of Azelis Group NV and its subsidiaries contain a financial maintenance covenant, being the total Net Leverage Ratio, which needs to be less than 4.75 : 1.00 (decreasing to 4.50 : 1.00 in 2024) and is tested twice annually.

As at 31st December 2021, the total Net Leverage Ratio is 2.7 : 1.0, therefore the Group complied with the financial covenants. The Group monitors the compliance with the covenants on the basis of the monthly reporting process.

23. Provisions

	Tax Claims	Other provisions	Total
<i>(in thousands of €)</i>			
At 1 January 2020	2,165	857	3,022
Business combination	578	325	903
Provisions made	666	1,309	1,975
Provisions used	-58	0	-58
Provisions released	-418	-348	-767
Translation differences	-187	-27	-215
As 31 December 2020	2,745	2,115	4,860
Non-current	1,962	1,252	3,214
Current	783	863	1,646
	2,745	2,115	4,860
2021			
Business combination	446	836	1,282
Provisions made during the period	253	1,246	1,499
Provisions used during the period	-13	-109	-121
Provisions released during the period	-962	-574	-1,536
Translation differences	113	11	124
At 31 December	2,583	3,525	6,108
Non-current	1,982	2,145	4,127
Current	601	1,380	1,981
Total	2,583	3,525	6,108

The provisions relate to tax risks, administrative fines, labor and commercial matters concerning the past and current activities of the Group companies. The Group expects that the provisions will probably be released within five years. The other provisions relate to onerous contracts and environmental decommission liabilities and will be released within three years.

24. Trade and other payables

	2021	2020
<i>(in thousands of €)</i>		
Trade payables	368,657	236,968
Other taxes	6,618	15,916
Employee and social security payables	71,227	41,284
Derivatives	155	224
Other payables	94,417	14,078
	541,074	308,471

The Other payables mainly consist of put options over non-controlling interests totaling €31.2 million, and earnouts and deferred payments in connection with acquisitions.

25. Capital commitments and contingencies

25.1. Guarantees and Legal and Tax contingencies

As at 31 December 2021, the Group has parental corporate guarantees towards third parties for €26.5 million. These parental guarantees are not pledged.

The Group has been constantly gearing up its structure for future growth. In order to support this growth the structure of the Group has been regularly improved by means of integrating acquired businesses, restructuring of legal entities and the continuous process of adapting the legal structure to economic reality, creation of a shared service center and creation of headquarters.

These continued structural improvements were made to the best efforts and considering to the maximum extent possible all legal and local tax matters. There are no tax and other contingencies per the end of December 2021 (for 2020: none).

The impact of implementing IFRIC 23 during 2021 and 2020 has not led to additional tax obligations.

The Group monitors closely the possible risks and potential implications.

26. Related parties

26.1. Identity of related parties

The Group has a related party relationship with certain of its subsidiaries, shareholders, managers, executive officers and associates. The Group has one minor investment in associates, see Note 17.

26.2. Loans to or from related parties

As per 31 December 2021, there are no significant outstanding loans to or from related parties.

26.3. Key personnel remuneration

	2021	2020
<i>(in thousands of €)</i>		
Board members (non-executive)	240	281
Other members of key management personnel		
Fixed remuneration	2,894	2,584
Variable remuneration	4,256	2,862
	7,390	5,727

Post-employment benefits: Details of the transactions between the Group and its pension plans are disclosed in Note 11.

26.4. Group entities

The following table lists the Group's subsidiaries:

Name	Country of incorporation	% of interest 2021	% of interest 2020
Consolidated companies:			
Azelis Group NV (formerly Akita Midco 1 NV)	Belgium	Parent company	Parent company
<i>Direct Investments:</i>			
Azelis Finance NV (formerly Akita Midco 2 NV)	Belgium	100	0
<i>Indirect Investments:</i>			
Orkila Algérie spa	Algeria	100	100
Azelis Australia Pty Ltd	Australia	100	100
Chemcolour Industries Australia Pty Ltd	Australia	100	100
TimTechChem Australia Pty Ltd	Australia	100	100
EB1 Pty Limited	Australia	100	0
CW Pacific Specialties Pty Limited	Australia	100	0
Elle Bee Exports Pty Limited	Australia	100	0
CW Pacific Pty Ltd	Australia	100	0
Neupert Specialities GmbH	Austria	100	0
Azelis Benelux N.V.	Belgium	100	100
Azelis Corporate Services N.V.	Belgium	100	100
Azelis EMEA Hub NV	Belgium	100	0
Azelis Bulgaria EAD	Bulgaria	100	100
Azelis Canada Inc.	Canada	100	100
Azelis China Ltd	China	100	100
Azelis (Shanghai) Co. Ltd.	China	100	100
Azelis (Shanghai) International Trading Co., Ltd	China	100	100
Azelis Hong Kong Ltd	China	100	100
Beijing CosBond Trading Co. Ltd	China	100	100
CosBond China Ltd	China	100	100
CosBond (Shanghai) International Trading Co. Ltd	China	100	100
Ingredients Plus (Hong Kong) Limited.	China	100	0
Ingredients Plus (Shanghai) Co., Ltd.	China	100	0
Ingredients Plus (Guangzhou) Co., Limited	China	100	0
WWRC (China) Holdings Ltd	China	100	0
WWRC Hong Kong Co. Ltd	China	100	0
WWRC Guangdong Co. Ltd	China	100	0
WWRC Tianjin Co. Ltd	China	100	0
WWRC Chengdu Co. Ltd	China	100	0
WWRC Shanghai Co. Ltd	China	100	0
Friendship Chemical company Ltd	China	100	0
Azelis Croatia D.O.O.	Croatia	100	100
Azelis Czech Republic S.R.O.	Czech Republic	100	100

Name	Country of incorporation	% of interest 2021	% of interest 2020
Azelis Denmark A/S	Denmark	100	100
Orkila Egypt Chemicals SAE	Egypt	99	99
Orchem for Import and Export LLC	Egypt	49	49
Azelis Finland OY	Finland	100	100
Azelis France S.A.S	France	100	100
Azelis France Holding S.A.S	France	100	100
Quimdis SAS	France	100	0
Naturchim SARL	France	100	0
Jerafrance SAS	France	100	0
Azelis Deutschland GmbH	Germany	100	100
Azelis Deutschland Holding GmbH	Germany	100	100
Azelis Deutschland Immobilien GmbH	Germany	100	100
Azelis Deutschland Kosmetik GmbH	Germany	90	90
Quimdis GmbH	Germany	100	0
Orkila Ghana Ltd	Ghana	100	100
Azelis Greece Single Member SA	Greece	100	100
Azelis Hungary Kft.	Hungary	100	100
Azelis India Private Ltd	India	100	100
PT Azelis Indonesia Distribusi	Indonesia	67	67
Azelis Ireland Ltd.	Ireland	100	100
Azelis Israel Distribution Ltd	Israel	100	100
Azelis Italia Logistica S.r.L	Italy	100	100
Azelis Italia S.r.L	Italy	100	100
Deafarma S.r.l.	Italy	100	100
Came Chemical Mineral and Engineering S.r.l.	Italy	100	0
Azelis Côte d'Ivoire S.A.	Ivory Coast	100	100
Azelis Japan K.K.	Japan	100	100
Orkila Jordan LLC	Jordan	50	50
Orkila East Africa Ltd	Kenya	100	100
SammChem Co. Ltd	Korea	100	100
Coseal Co., Ltd.	Korea	100	0
Orkila Holding SAL	Lebanon	100	100
Orkila Lebanon SAL	Lebanon	100	100
Orkila International SAL Offshore	Lebanon	100	100
Azelis Holding S.à r.l. (former parent company)	Luxembourg	Merged	100
Akita Topco S.à r.l.	Luxembourg	100	0
Azelis Finance S.à r.l. (formerly Akita Bidco S.à r.l.)	Luxembourg	Merged	100
Antelope Topco S.C.A.	Luxembourg	Merged	100
Antelope GP S.à r.l.	Luxembourg	Merged	100
Azelis S.A.	Luxembourg	100	100
Azelis Malaysia Sdn Bhd	Malaysia	100	100
Megafarma S.A. de C.V.	Mexico	100	100
Azelis Morocco Sarl	Morocco	100	100
Distralim Sarl	Morocco	Merged	100
Orkila Invest SA	Morocco	100	100

Name	Country of incorporation	% of interest 2021	% of interest 2020
Orkila Maroc SA	Morocco	Merged	100
Orkila Chemicals Ltd	Nigeria	100	100
Azelis Norway AS	Norway	100	100
Azelis New Zealand Ltd	New Zealand	100	100
Asia Primera Kimika Inc.	Philippines	51	0
Phil-Asiatic Supply & Services Inc.	Philippines	51	0
Azelis Poland SP Z.o.o	Poland	100	100
Azelis Romania SRL	Romania	100	100
Azelis Rus LLC	Russia	100	100
Orkila Senegal SA	Senegal	100	100
Azelis d.o.o Beograd	Serbia	100	100
Azelis Singapore Pte. Ltd	Singapore	100	100
Bellekimia Singapore Pte. Ltd.	Singapore	51	0
Azelis Slovakia S.R.O.	Slovakia	100	100
Orkila South Africa (Pty) Ltd	South Africa	100	100
Azelis España S.A.	Spain	100	100
Azelis Iberia Holding SL	Spain	100	100
Azelis Espana Holding SL	Spain	100	100
Azelis Sweden AB	Sweden	100	100
Azelis Switzerland AG	Switzerland	100	100
Azelis Thailand Ltd	Thailand	100	100
Azelis Netherlands B.V.	The Netherlands	100	100
Azelis Tunisie Sarl	Tunesia	100	100
Azelis TR Kimya End. Ur.lth.lhr.Tic ve San A.S.	Turkey	100	100
Ekin Kimya Ticaret A.S.	Turkey	Merged	100
Azelis Ukraine LLC	Ukraine	100	100
Orkila FZE	United Arab Emirates	100	100
Azelis UK Holdings Ltd.	United Kingdom	100	100
Azelis UK Life Sciences Ltd.	United Kingdom	100	100
Azelis UK Ltd.	United Kingdom	100	100
Azelis UK Finance Holding Ltd	United Kingdom	100	100
Azelis UK Finance Ltd	United Kingdom	100	100
S&D Chemicals Ltd.	United Kingdom	Dissolved	100
ADAPCO LLC	United States	100	100
Azelis Americas LLC	United States	100	100
Azelis US Holding Inc.	United States	100	100
Azelis Solutions USA LLC	United States	Merged	100
Dewolf Chemical LLC	United States	100	100
Glenn LLC	United States	100	100
P.T. Hutchins Company LLC	United States	100	100
Marcor Development LLC	United States	100	100
Monson Companies LLC	United States	100	100
Precision Control Technology LLC	United States	100	100
Azelis Americas Case LLC	United States	100	100
Red River Specialties LLC	United States	100	100

Name	Country of incorporation	% of interest 2021	% of interest 2020
C.L. Zimmerman Co. of Delaware LLC	United States	100	100
Ross Organic Specialty Sales Inc.	United States	100	100
Vigon International LLC	United States	100	0
Azelis Vietnam Company Ltd	Vietnam	100	100
MKVN Chemicals Co, Ltd	Vietnam	51	0
Viet Chemicals Trading and Service Company Limited	Vietnam	51	0
Companies accounted for using the equity method			
<i>Indirect Investments</i>			
Chemlog S.A.S.	France	50	50

27. Subsequent events

Part of the growth trajectory of Azelis is expansion through strategic acquisitions, complementary to the corporate strategy of organic growth. As per 31 December 2021 the following transactions were not closed, but will be closed (or are expected to close) in 2022.

On 31 January 2022, Azelis acquired 90% of the shares of Umongo, a market-leading lubricants and metal working fluids distributor, based in South Africa.

In February 2022, Azelis signed an agreement to acquire 100% of the shares of Tunçkaya, a prominent distributor of food ingredients and additives, as well as a provider of a range of blended products for various segments of the food market, in Turkey.

In February 2022, Azelis acquired a majority stake in Catalite Co., Ltd. ("Catalite"), a well-established distributor of specialty chemicals in the Personal Care and Home Care market segments, as well as industrial formulators, intermediates and coatings, in Thailand.

These acquisitions are expected to be funded from the Group's current existing liquidity.

The Group is closely monitoring the developments in Ukraine, and the management's priority is, and will always be the safety and security of our colleagues in the region. The rapid deterioration of the situation has considerably reduced visibility on the impact of these developments on our operations in the region, as well as the wider Group. Direct revenue exposure at risk is limited. However, the Group currently has limited visibility on the wider trade repercussions that may ultimately impact the Group.

No material subsequent events after 31 December 2021 have been identified that may have had a material or significant effect on the 2021 consolidated financial statements.

Statutory financial statements

Introduction

The following information is extracted from the separate Belgian GAAP financial statements of Azelis Group NV. These separate financial statements, together with the management report of the Board of Directors to the general assembly of shareholders as well as the auditor's report, will be filed with the National Bank of Belgium within the legally foreseen time limits. These documents are also available on request from: Posthofbrug 12 box 6, 2600 Antwerp, Belgium.

It should be noted that only the consolidated financial statements as set forth above present a true and fair view of the financial position and performance of the Group, and these separate financial statements present no more than a limited view of the financial position of Azelis Group NV, being a holding company which recognizes its investments at cost in its non-consolidated financial statements. For this reason, the Board of Directors deemed it appropriate to publish only an abbreviated version of the non-consolidated balance sheet for the year ended 31 December 2021 and the income statement for the period 10 June 2021 to 31 December 2021 prepared in accordance with Belgian GAAP.

The abbreviated non-consolidated balance sheet for the year ended 31 December 2021 and the income statement for the period 10 June 2021 to 31 December 2021 of Azelis Group NV prepared in accordance with Belgian GAAP are consistent, in all material respects, with the accounts from which they have been derived.

Abbreviated non-consolidated balance sheet:

	2021
<i>(in thousands of €)</i>	
Financial assets	6,023,000
Non-current assets	6,023,000
Current assets	13,836
Total assets	6,036,836
Share capital	5,680,000
Reserve available for distribution	392,985
Unappropriated result	-57,006
Equity	6,015,979
Non-current liabilities	-
Current liabilities	20,857
Total liabilities	20,857
Total equity and liabilities	6,036,836

Abbreviated non-consolidated income statement:

	2021
<i>(in thousands of €)</i>	
Operating income	4,636
Operating expenses	-61,648
Operating result	-57,012
Net financial result	5
Result for the year available for profit appropriation	-57,007

Alternative performance measures

Throughout its Annual report and in other financial communication (website, press releases, presentations, etc.), Azelis presents certain financial measures and adjustments that are not in accordance with IFRS, or any other internationally accepted accounting principles. Certain of these measures are termed "alternative performance measures" because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS.

The Group presents the APMs as (i) they are used by its management to measure operating performance, including profitability and liquidity, in presentations to its board members, and as a basis for strategic planning and forecasting, and (ii) they represent similar measures that are widely used by certain investors, securities analysts and other parties as supplemental measures of performance. These measures enhance management's and investors' understanding of the Group's financial performance, for example, by excluding items that are outside of ongoing operations such as income taxes, costs of capital and non-cash expenses.

The Group has defined the following APMs as set out below:

APM	Definition	Use
Gross profit margin	Gross profit divided by revenue.	The Group considers Gross Profit Margin to be a useful metric for evaluating how efficiently the Group generates revenue by accounting for the direct costs of producing its products.
EBITA	Operating profit before amortization and impairment of intangible assets.	The Group considers EBITA, Adjusted EBITA and Adjusted EBITDA to be useful metrics for evaluating the Group's performance as they facilitate comparisons of the Group's core operating results from period to period by removing the impact of, among other things, its capital structure, asset base, tax consequences and other specified adjustments. The Group uses Adjusted EBITA for the purposes of calculating its Adjusted EBITA Margin and its Conversion Margin, and uses Adjusted EBITDA for the purposes of calculating its Adjusted EBITDA Margin.
Adjusted EBITA	Operating profit or loss before amortization and impairment of intangible assets and excluding Adjustments. The Group historically referred to "Adjusted EBITA" as "Operating EBITA".	
Adjustments	Income and expense items that are not directly related to the daily performance of the Group, such as expenses relating to corporate restructurings and reorganizations, costs with regard to acquisitions and mergers, financing and capital restructuring and gains or losses on sale of fixed assets. The Group historically referred to "Adjustments" as "One-Off Items".	
Adjusted EBITA margin	Adjusted EBITA divided by revenue. The Group historically referred to "Adjusted EBITA Margin" as "Operating EBITA Margin".	
Adjusted EBITDA	Adjusted EBITA before depreciation of property, plant and equipment. The Group historically referred to "Adjusted EBITDA" as "Operating EBITDA".	
Adjusted EBITDA margin	Adjusted EBITDA divided by revenue.	
Conversion margin	Adjusted EBITA as a percentage of gross profit.	
Organic growth	Increase or decrease for the period, excluding the impact of acquisitions until the first anniversary of their consolidation, and excluding the impact of foreign currency translation.	The Group presents organic growth and growth from acquisitions because it is actively acquiring businesses, making these metrics important elements of its strategy that management measures and investors use to evaluate the Group's results from one period to the next, including and excluding the impact of the contributions of businesses that the Group acquires during the relevant periods.
Growth from acquisitions	Growth attributable to acquired businesses in the first twelve months following their date of acquisition. Growth from acquisitions is calculated as the sum of (i) amounts attributable to acquired businesses in the year of acquisition, from the date of acquisition to December 31 of the year of acquisition, and (ii) amounts attributable to businesses that were acquired in the prior year, from January 1 in the subsequent year to the first anniversary of their acquisition.	
Free cash flow	Adjusted EBITDA less lease payments, plus changes in Net working capital, plus changes in other assets, liabilities and provisions, less net capital expenditures.	The Group presents Free Cash Flow and Free Cash Flow Conversion because it believes that these metrics are useful to investors to highlight its asset-light business model and to understand the funds that the Group has available to meet its financial obligations.
Free cash flow conversion	(i) Free Cash Flow divided by (ii) Adjusted EBITDA less lease payments.	

APM	Definition	Use
Net working capital	Inventories plus trade receivables (as adjusted for advances to suppliers), less trade payables (as adjusted for advances from customers).	The Group's daily operations are driven by its investment in Net working capital. The Group closely monitors its levels of Net working capital not only to support its daily operations and its continued expansion, but also to minimize costs for working capital (including warehouse costs and funding costs). The Group closely monitors its Net working capital as percentage of revenue throughout the year.
Net working capital/revenue	(i) Net working capital as at the end of a period divided by (ii) revenue for such period (with revenue amounts for periods of less than one year being annualized).	
Net working capital/revenue normalised for acquisitions	(i) Net working capital as at the end of a period divided by (ii) revenue including those from acquisitions for the full period (with revenue amounts for periods of less than one year being annualized).	
Net indebtedness	The notional amount of the Group's non-current and current loans and borrowings (including non-current and current lease obligations, and excluding interest accruals) plus bank overdrafts, less cash and cash equivalents.	The Group presents its Net Indebtedness as a measure that is used by the Group's management and the lenders under its debt facilities to assess its financial position at a specific date, including the impact of the Group's cash position compared to its indebtedness. Net Indebtedness is used by the lenders under the Azelis' debt facilities in order to determine Net Leverage.
Financing EBITDA	Adjusted EBITDA further adjusted to account for (i) the earnings (before interest, taxation, depreciation and amortization) of businesses acquired by the Group during the relevant period from the first day of the relevant period to the relevant acquisition date and (ii) anticipated cost savings, expense reductions and synergies expected to be realized within a set period following the calculation date.	The Group presents Financing EBITDA as a measure that is used by the Group's management and the lenders under its debt facilities to assess its earnings for a period, including: (i) the earnings (before interest, taxation, depreciation and amortization) of businesses acquired by the Group during the relevant period from the first day of the relevant period to the relevant acquisition date; and (ii) anticipated cost savings, expense reductions and synergies expected to be realized within a set period following the calculation date. Financing EBITDA is determined according to the definition agreed with the lenders under the Group's debt facilities. The Group calculates Financing EBITDA for purposes of determining its Net Leverage.
Net leverage	Net Indebtedness divided by Financing EBITDA for the preceding twelve months.	The Group presents its Net Leverage because it believes that this measure provides an indicator of the overall strength of its statement of financial position and can be used to assess the impact of the Group's earnings as compared with its indebtedness. In addition, Net Leverage is also used to determine the applicable margin under the New Debt Facilities.
ROTIC	"Return on tangible invested capital" represents (a) Adjusted EBITA for a period (with Adjusted EBITA amounts for periods of less than one year being annualized) as a percentage of (b) the Group's property, plant and equipment (excluding right-of-use assets) as at the end of such period plus Net working capital as at the end of such period. The calculation of ROTIC excludes goodwill and intangible assets.	The Group presents ROTIC because it views it as meaningful metric to measure how efficiently it generates Adjusted EBITA from its main operational invested capital (i.e., Net working capital and, to a lesser extent, also property, plant and equipment).

Reconciliations

EBITA, Adjusted EBITA, EBITDA, Adjusted EBITDA, Free Cash Flow

	2021	2020
<i>(in thousands of € unless otherwise specified)</i>		
Revenue	2,827,295	2,222,896
Gross profit (1)	650,143	489,938
Gross profit margin (1)	23.0%	22.0%
Net profit/(loss) for the period	70,225	71,012
Income tax (income)/expense	49,973	8,074
Share of result of associates	68	0
Financial income	-731	-4,892
Financial expenses	88,278	73,004
Operating profit	207,813	147,198
Amortization and impairment of intangible assets	39,483	33,305
EBITA	247,296	180,503
Adjustments	20,626	9,050
Adjusted EBITA	267,922	189,553
Adjusted EBITA margin	9.5%	8.5%
Conversion margin (1)	41.2%	38.7%
Depreciation of property, plant and equipment	19,901	17,622
Adjusted EBITDA	287,823	207,175
Adjusted EBITDA margin	10.2%	9.3%
Payments of lease obligations	-17,263	-15,857
Adjusted EBITDA less payments of lease obligations	270,561	191,318
Change in Net Working Capital, other assets, liabilities and provisions	-70,683	9,017
Net capital expenditures	-18,288	-12,072
Free Cash Flow	181,590	188,264
Free Cash Flow Conversion	67.1%	98.4%

(1) Gross profit, Gross profit margin and Conversion margin differ from what has previously been reported (2020 Annual report and IPO prospectus) due to a reclassification relating to Cost for goods and consumables. Refer to note 2.

	2021	2020
<i>(in thousands of €)</i>		
Transactions	8,863	5,638
IPO expenses	8,360	0
Employees	1,176	2,150
Property, plant and equipment	262	0
Other	1,964	1,262
Adjustments	20,626	9,050

	2021	2020
<i>(in thousands of €)</i>		
Change in inventories	-101,373	1,224
Change in trade and other receivables and other investments	-47,901	4,185
Change in trade and other payables	80,395	-414
Change in provisions	-1,226	2,193
Foreign currency translation	-579	1,829
Change in Net Working Capital, other assets, liabilities and provisions	-70,683	9,017

	2021	2020
<i>(in thousands of €)</i>		
Intangibles	11,376	5,148
Tangibles	6,912	6,924
Net capital expenditures	18,288	12,072

Net Working Capital

	2021	2020
<i>(in thousands of € unless otherwise specified)</i>		
Current assets:		
Inventories	467,473	267,780
Trade receivables	375,591	218,729
Current liabilities:		
Trade payables	368,657	236,969
Net working capital	474,408	249,541
Revenue	2,827,295	2,222,896
Net working capital/revenue	16.8%	11.2%
Revenue normalised for revenue of acquisitions	3,092,766	2,258,268
Net Working Capital/revenue normalised for acquisitions	15.3%	11.1%

RODIC

	2021	2020
<i>(in thousands of € unless otherwise specified)</i>		
Adjusted EBITA	267,922	189,553
Property, plant and equipment	53,008	32,304
Net working capital	474,408	249,541
RODIC	50.8%	67.3%

Revenue Growth

	2021	2020
Organic growth	15.7%	0.2%
Growth from acquisitions	12.6%	7.6%
Foreign currency translation impact	-1.2%	-1.6%
Reported growth	27.2%	6.1%

Net indebtedness, Financing EBITDA and Net Leverage

	2021	2020
<i>(in thousands of €)</i>		
Non-current borrowings and loans	892,945	1,210,810
Current borrowings and loans	78,555	53,337
Total gross debt	971,500	1,264,147
Cash and cash equivalents	-141,293	-163,255
Bank overdrafts	40,524	23,560
Net indebtedness	870,731	1,124,452

	2021	2020
<i>(in thousands of €)</i>		
Adjusted EBITDA (last 12 months)	287,823	207,175
Earnings (before interest, taxation, depreciation and amortization) of entities acquired	31,017	2,316
Anticipated cost savings, expense reductions and synergies	2,169	960
Financing EBITDA (last 12 months)	321,010	210,451

	2021	2020
<i>(in thousands of €)</i>		
Net indebtedness	870,731	1,124,452
Financing EBITDA (last 12 months)	321,010	210,451
Net Leverage (multiple)	2.7	5.3

Glossary of terms

Akita

Akita I S.à r.l., a private limited liability company (société à responsabilité limitée) incorporated under the laws of the Grand Duchy of Luxembourg, which is indirectly controlled by EQT VIII SCSp, a fund managed and advised by subsidiaries of EQT AB

Articles of Association

The articles of association of the Company, as last amended on September 21, 2021

Audit and Risk Committee

The audit and risk committee of the Board of Directors

BCCA

The Belgian Code of Companies and Associations

Board of Directors

The board of directors of the Company

Charter

The corporate governance charter of the Company, available on the Company's **website**

Chief Executive Officer

The chief executive officer of the Company, as at December 31, 2021, Mr Hans Joachim Müller

Chief Financial Officer

The chief financial officer of the Company, as at December 31, 2021, Mr Thijs Bakker (acting through Cloudworks BV)

Company

Azelis Group NV

Corporate Governance Code

The 2020 Belgian Code on Corporate Governance, available on the **website** of the Belgian Corporate Governance Committee

CSR

Corporate Social Responsibility

Dealing Code

The dealing code of the Company set out in Appendix 5 of the Charter

e-Lab

A one-of-a-kind digital experience that supports our customers in creating and adapting formulations online

EQT

EQT AB and/or any one or more of its direct or indirect subsidiaries (excluding the EQT funds and their portfolio companies)

Executive Committee

The executive committee of the Company

FSMA

The Financial Services and Markets Authority (*Autoriteit voor financiële diensten en markten / Autorité des services et marchés financiers*)

GLIC

Global lab and innovation community

Group

The Company and its consolidated subsidiaries

IPO

The initial public offering of the Company on the regulated market of Euronext Brussels

LTIP

The Company's long-term management incentive plan

Partnerships

Akita Management Participation 1 SCSp and Akita Management Participation 2 SCSp

PSP Europe

PSP Investments Holding Europe Limited

Remuneration and Nomination Committee

The remuneration and nomination committee of the Board of Directors

Shareholders' Meeting

The general meeting of shareholders of the Company

SDG

Sustainable Development Goal

SDS

Safety Data Sheet

TDS

Technical Data Sheet

Financial calendar & contact

Financial calendar

Date	Event
May 12, 2022	Q1 2022 trading update
June 9, 2022	Annual General Meeting
August 9, 2022	Half year 2022 results
November 15, 2022	Q3 2022 trading update

Contact

Investor relations - Email: investor-relations@azelis.com - Tel: +32 3 613 0127

Disclaimer

This annual report may contain statements relevant to Azelis Group NV (the "Company") and/or its affiliated companies (collectively "Azelis" or the "Azelis Group") which are not historical facts and are hereby identified as "forward-looking statements". Such forward looking statements, include, without limitation, those relating to the future business prospects, revenue, working capital, liquidity, capital needs, interest costs and income, in each case relating to the Azelis Group.

The forward-looking statements and estimates contained herein represent the judgement of and are based on the information available to the Board of Directors and the Company's management as of the date of this annual report. They involve a number of known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied by the forward looking statements.

These forward-looking statements should not be considered as guarantees for future performance of the Azelis Group and should, therefore, be considered in light of various important factors that could cause actual results to differ materially from estimates or projections contained in the forward looking statements. These include without limitation economic and business cycles, the terms and conditions of the Azelis' financing arrangements, foreign currency rate fluctuations, competition in Azelis' key markets, acquisitions or disposals of businesses or assets and trends in Azelis' principal industries or economies.

The foregoing list of important factors is not exhaustive. When considering forward looking statements, careful consideration should be given to the foregoing factors and other uncertainties and events, as well as factors described in any other document published by the Company with the Belgian Financial Services and Markets Authority ("FSMA") or on the Azelis website (www.azelis.com/investor-relations) from time to time, including the prospectus related to the admission to trading of the securities of Azelis Group NV on the regulated market of Euronext Brussels dated 14 September 2021. No undue reliance should be placed on such forward looking statements which are relevant only as of the date of this announcement. Except as required by the FSMA, Euronext or otherwise in accordance with applicable law, the Company undertakes no obligation to update publicly or revise any forward looking statements, whether as a result of new information, future events or otherwise.

Certain financial information in this annual report has been rounded according to established commercial standards. As a result, this annual report may show minor rounding differences versus comparable periods as presented earlier.

This annual report has been prepared in the English language and was subsequently translated into Dutch. In the event of any differences or inconsistencies, the Dutch version of this annual report will prevail.

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#WeAre**Azelis**

**Innovation
through
formulation**

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