

Press release

IMCD reports 7% EBITA growth in the first half of 2020

Rotterdam, The Netherlands (18 August 2020) - IMCD N.V. ("IMCD" or "Company"), a leading distributor of speciality chemicals and food ingredients, today announces its first half year 2020 results.

HIGHLIGHTS

- Gross profit growth of 7% to EUR 332.7 million (+8% on a constant currency basis)
- Operating EBITA increase of 7% to EUR 131.4 million (+8% on a constant currency basis)
- Net result before amortisation and non-recurring items increase of 6% to EUR 90.2 million (+7% on a constant currency basis)
- Cash earnings per share increased by 5% to EUR 1.69 (first half of 2019: EUR 1.60)

Piet van der Slikke, CEO: "IMCD's results in the first six months were strong with a gross profit and operating EBITA growth of both 8% (FX adjusted). Although the market circumstances due to the COVID-19 crisis were challenging, in Q2 we were able to improve our operating EBITA by 4% due to a strong performance in the Americas and APAC. At this moment, the economic consequences of the pandemic are uncertain. Therefore, it is difficult to predict how the rest of the year will develop. Nonetheless, our focus is clear. We will continue to work on new projects and to execute our diversification strategy, not only geographically, but in our market segments as well. I am proud of the resilience of our Group and encouraged by the flexibility we have shown during this crisis, and confident on our company's potential for future growth"

KEY FIGURES

EUR MILLION	JAN. 1 - JUNE 30, 2020	JAN. 1 - JUNE 30, 2019	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	1,411.2	1,398.1	13.1	1%	2%
Gross profit	332.7	312.0	20.7	7%	8%
Gross profit in % of revenue	23.6%	22.3%	1.3%		
Operating EBITA ¹	131.4	123.1	8.3	7%	8%
Operating EBITA in % of revenue	9.3%	8.8%	0.5%		
Conversion margin ²	39.5%	39.5%	- %		
Net result before amortisation/non-recurring items	90.2	84.8	5.4	6%	7%
Free cash flow ³	76.3	80.9	(4.6)	(6%)	
Cash conversion margin ⁴	57.4%	64.4%	(7.0%)		
Earnings per share (weighted)	1.22	1.23	(0.01)	(1%)	1%
Cash earnings per share (weighted) ⁵	1.69	1.60	0.09	5%	6%
Number of full time employees end of period	3,049	2,822	227	8%	

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

² Operating EBITA in percentage of Gross profit

³ Operating EBITDA excluding non-cash share-based payment expenses, less lease payments, plus/less changes in working capital, less capital expenditures

⁴ Free cash flow in percentage of Adjusted Operating EBITDA (Operating EBITDA plus non-cash share-based payment costs minus lease payments)

⁵ Result for the year before amortisation (net of tax)



Revenue

Revenue increased from EUR 1,398.1 million to EUR 1,411.2 million, an increase of 1% compared to the first half of 2019. On a constant currency basis, the increase in revenue is 2%, predominantly driven by the impact of the first time inclusion of businesses acquired in 2019 and 2020.

Gross profit

Gross profit, defined as revenue less costs of materials and inbound logistics, increased by 7% from EUR 312.0 million in the first half of 2019 to EUR 332.7 million in the same period of 2020. On a constant currency basis, the gross profit growth was 8%, consisting of organic growth of 3% and the impact of the first time inclusion of businesses acquired in 2019 and 2020 of 5%.

Gross profit in % of revenue increased by 1.3%-point from 22.3% in the first half of 2019 to 23.6% in 2020. The gross profit margin increase is the result of changes in local market conditions, gross margin improvement initiatives, currency exchange rate movements and fluctuations in the product mix.

Operating EBITA

Operating EBITA increased by 7% from EUR 123.1 million in the first half of 2019 to EUR 131.4 million in the same period of 2020 (+8% on a constant currency basis).

The growth in operating EBITA is a combination of organic growth and the impact of the first time inclusion of acquisitions completed in 2019 and 2020.

The operating EBITA in % of revenue increased by 0.5%-point from 8.8% in the first half of 2019 to 9.3% in 2020.

The conversion margin, defined as operating EBITA as a percentage of gross profit, was 39.5%, in line with the first half of 2019.

Cash flow and capital expenditure

In the first half of 2020, free cash flow was EUR 76.3 million compared to EUR 80.9 million in the first half of 2019 (-6%).

The cash conversion margin, defined as free cash flow as a percentage of adjusted operating EBITDA (Operating EBITDA adjusted for non-cash share-based payments and lease payments), was 57.4% compared to 64.4% in the first half of 2019. The decrease in free cash flow and cash conversion margin in 2020 is the result of higher operating EBITDA more than offset by higher investments in net working capital and higher capital expenditures.

The investment in net working capital (sum of inventories, trade and other receivables minus trade and other payables) in the first half of 2020 was EUR 53.1 million compared to EUR 42.5 million in the first half of 2019. Working capital investments were primarily driven by increased business activities and expected temporary higher stock values due to the COVID-19 pandemic. As at the end of June 2020, net working capital in days of revenue was 60 days (June 2019: 58 days).

Capital expenditure was EUR 3.6 million in the first half of 2020 compared to EUR 2.2 million in the same period of 2019 and mainly relates to investments in ICT infrastructure, office furniture and technical and office equipment.

Net debt

As at 30 June 2020, net debt was EUR 767.9 million compared to EUR 735.2 million as at 31 December 2019. This net debt position includes the liability to distribute a dividend of EUR 47.3 million to the shareholders of IMCD N.V. (early July 2020) related to financial result of 2019, following the decision of the AGM of 30 June 2020.

The leverage ratio (net debt/operating EBITDA ratio including full year impact of acquisitions) as at the end of June 2020, was 2.9 times EBITDA (31 December 2019: 2.8). The leverage ratio at the end of June 2020, based on definitions used in the IMCD loan documentation, was 2.5 times EBITDA (31 December 2019: 2.6), which is well below the maximum of 3.5 as allowed under the loan documentation.

DEVELOPMENTS BY OPERATING SEGMENT

The reporting segments are defined as follows:

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

The developments by operating segment in the first half of 2020 are as follows.

EMEA

EUR MILLION	JAN. 1 - JUNE 30, 2020	JAN. 1 - JUNE 30, 2019	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	686.0	695.9	(9.9)	(1%)	(0%)
Gross profit	176.0	173.4	2.6	2%	3%
Gross profit in % of revenue	25.7%	24.9%	0.8%		
Operating EBITA	69.8	71.0	(1.2)	(2%)	(1%)
Operating EBITA in % of revenue	10.2%	10.2%	- %		
Conversion margin	39.6%	41.0%	(1.4%)		

In the first half of 2020, revenue development was flat compared to the same period of 2019. Gross profit increased by 2% to from EUR 173.4 million in the first half of 2019 to EUR 176.0 million in 2020 (+3% on a constant currency basis). Gross profit margin increased by 0.8%-point to 25.7%.

Operating EBITA decreased by 2% from EUR 71.0 million in the first half of 2019 to EUR 69.8 million in 2020. On a constant currency basis the decrease in operating EBITA was 1%. Operating EBITA in % of revenue remained stable at 10.2% in 2020.

The first half of 2020 figures include the impact the acquisition of DCS Pharma AG, completed in December 2019 and Zifroni Chemical Supplier Limited, completed in January 2020.

Americas

EUR MILLION	JAN. 1 - JUNE 30, 2020	JAN. 1 - JUNE 30, 2019	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	493.0	509.7	(16.7)	(3%)	(3%)
Gross profit	109.3	99.4	9.9	10%	11%
Gross profit in % of revenue	22.2%	19.5%	2.7%		
Operating EBITA	47.6	42.0	5.6	13%	14%
Operating EBITA in % of revenue	9.7%	8.2%	1.5%		
Conversion margin	43.5%	42.2%	1.3%		

In the first half of 2020, revenue decreased by 3% compared to the same period of 2019 (-3% on a constant currency basis). Gross profit increased by 10% to EUR 109.3 million in 2020, compared to EUR 99.4 million in the first half of 2019. Gross profit margin increased by 2.7%-point from 19.5% in the first half of 2019 to 22.2% in 2020.

Operating EBITA increased by 13% from EUR 42.0 million in the first half of 2019 to EUR 47.6 million in 2020. On a constant currency basis operating EBITA increased by 14%.



The first half of 2020 figures include the impact the acquisition of Unired Químicas SAS, completed in November 2019.

Asia Pacific

EUR MILLION	JAN. 1 - JUNE 30, 2020	JAN. 1 - JUNE 30, 2019	CHANGE	CHANGE	FX ADJ. CHANGE
Revenue	232.2	192.5	39.7	21%	24%
Gross profit	47.4	39.2	8.2	21%	24%
Gross profit in % of revenue	20.4%	20.3%	0.1%		
Operating EBITA	21.9	17.4	4.5	26%	29%
Operating EBITA in % of revenue	9.4%	9.0%	0.4%		
Conversion margin	46.1%	44.4%	1.7%		

In the first half of 2020, revenue was EUR 232.2 million, an increase of 21% compared to the same period of 2019 (24% on a constant currency basis). Gross profit increased by 21% to EUR 47.4 million, with a gross profit in % of revenue of 20.4% (20.3% in the first half of 2019).

Operating EBITA increased by 26% from EUR 17.4 million in the first half of 2019 to EUR 21.9 million in 2020 (29% on a constant currency basis). In the first half of 2020, operating EBITA in % of revenue was 9.4% compared to 9.0% in the same period of last year.

The first half of 2020 results include the impact of the acquisition of, amongst others, Whawon Pharm Co. Ltd., completed in December 2019.

On 13 July 2020, IMCD acquired the pharmaceutical business in China of Develing International Trade (Shanghai) Co. Ltd. ("Develing"). Develing with its head office in Shanghai, is a Dutch sales and distribution company (B2B) of high-quality ingredients for the food, pharmaceutical, chemical, and feed industry in China and Vietnam. The acquired business with annual sales of approximately EUR 10 million will be integrated into IMCD China's Pharma business unit and will be synergistic with IMCD's existing product range.

Holding companies

EUR MILLION	JAN. 1 - JUNE 30, 2020	JAN. 1 - JUNE 30, 2019	CHANGE	CHANGE	FX ADJ. CHANGE
Operating EBITA	(7.9)	(7.3)	(0.6)	(8%)	(7%)
Operating EBITA in % of total revenue	(0.6%)	(0.5%)	(0.1%)		

Operating EBITA of Holding companies represents the central head office in Rotterdam as well as the regional offices in Singapore and in New Jersey, US.

Operating expenses increased by EUR 0.6 million from EUR 7.3 million in the first half of 2019 to EUR 7.9 million in 2020. This increase is the result of the further strengthening of the support functions in both Rotterdam and the regional head offices.

OUTLOOK

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



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

Despite the impact of the COVID-19 pandemic on current economic situation, we had a satisfactory first half year. The uncertainty around the duration of the COVID-19 crisis and its impact on the global economy makes it impossible to give a near-term trading outlook. However, IMCD is a strong, resilient and well diversified business with a robust liquidity position and capital structure. These qualities will allow the company to absorb an extended period of uncertainty.

FINANCIAL CALENDAR

11 November 2020	Third quarter 2020 trading update
26 February 2021	Full year 2020 results
28 April 2021	Annual General Meeting
28 April 2021	First quarter 2021 trading update
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FURTHER INFORMATION

Today's analysts call will start at 10:00 am CET. A recording of this call will be made available on the IMCD website (www.imcdgroup.com).

ABOUT IMCD

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

Listed at Euronext, Amsterdam (IMCD), IMCD realised revenues of EUR 2,690 million in 2019 with nearly 3,000 employees in over 50 countries on 6 continents. IMCD's dedicated team of technical and commercial experts work in close partnership to tailor best in class solutions and provide value through expertise to more than 49,000 customers and a diverse range of world class suppliers.

For further information, please visit www.imcdgroup.com



Disclaimer forward looking statements

This press release may contain forward looking statements. These statements are based on current expectations, estimates and projections of IMCD's management and information currently available to the company. IMCD cautions that such statements contain elements of risks and uncertainties that are difficult to predict and that could cause actual performance and position to differ materially from these statements. IMCD disclaims any obligation to update or revise any statements made in this press release to reflect subsequent events or circumstances, except as required by law.

Except for the aforementioned potential impact of the COVID-19 pandemic, the relevant risk categories and risk factors that could adversely affect the company's business and financial performance have been described in the annual report of the company. They are deemed to be incorporated in this release.

This press release contains inside information as meant in clause 7 of the Market Abuse Regulation and was issued on 18 August 2020, 07:00 am CET.



IMCD N.V.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FIRST HALF YEAR 2020

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1,000	NOTE	30 JUNE 2020	31 DECEMBER 2019
Assets			
Property, plant and equipment		90,914	90,331
Goodwill		743,814	749,001
Other intangible assets		372,973	392,248
Equity-accounted investees		193	65
Other financial assets		5,387	5,368
Deferred tax assets		34,956	34,663
Non-current assets		1,248,237	1,271,676
Inventories		383,296	377,229
Trade and other receivables		457,461	434,624
Cash and cash equivalents		105,489	104,357
Current assets		946,246	916,210
Total assets		2,194,483	2,187,886



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1,000	NOTE	30 JUNE 2020	31 DECEMBER 2019
Equity	8		
Share capital		8,415	8,415
Share premium		657,514	657,514
Reserves		(82,619)	(46,725)
Retained earnings		199,721	139,315
Unappropriated result		64,116	108,006
Equity attributable to owners of the Company		847,147	866,525
Total equity		847,147	866,525
Liabilities			
Loans and borrowings	9	565,274	565,646
Employee benefits		23,695	24,053
Provisions		7,607	4,358
Deferred tax liabilities		71,946	77,422
Total non-current liabilities		668,522	671,479
Other short term financial liabilities	9	308,157	273,950
Trade payables		279,524	279,796
Other payables		91,133	96,136
Total current liabilities		678,814	649,882
Total liabilities		1,347,336	1,321,361
Total equity and liabilities		2,194,483	2,187,886



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

EUR 1,000	NOTE	JAN. 1 - JUNE 30, 2020	JAN. 1 - JUNE 30, 2019
Revenue		1,411,175	1,398,125
Other income		6,420	6,968
Operating income		1,417,595	1,405,093
Cost of materials and inbound logistics		(1,078,449)	(1,086,154)
Cost of warehousing, outbound logistics and other services		(41,910)	(36,356)
Wages and salaries		(98,736)	(90,202)
Social security and other charges		(26,727)	(24,960)
Depreciation of property, plant and equipment		(12,267)	(10,669)
Amortisation of intangible assets		(26,404)	(21,318)
Other operating expenses		(29,579)	(34,257)
Operating expenses		(1,314,072)	(1,303,916)
Result from operating activities		103,523	101,177
Finance income		281	277
Finance costs		(15,490)	(12,971)
Net finance costs	11	(15,209)	(12,694)
Share of profit of equity-accounted investees, net of tax		(2)	(4)
Result before income tax		88,312	88,479
Income tax expense		(24,196)	(24,166)
Result for the year		64,116	64,313
Gross profit ¹		332,726	311,971
Gross profit in % of revenue		23.6%	22.3%
Operating EBITA ²	5	131,362	123,144
Operating EBITA in % of revenue		9.3%	8.8%

¹ Revenue minus cost of materials and inbound logistics

² Result from operating activities before amortisation of intangibles and non-recurring items



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME (CONTINUED)

EUR 1,000	JAN. 1 - JUNE 30, 2020	JAN. 1 - JUNE 30, 2019
Result for the year	64,116	64,313
Defined benefit plan actuarial gains/(losses)	(1,543)	(1,195)
Related tax	401	317
Items that will never be reclassified to profit or loss	(1,142)	(878)
Foreign currency translation differences re foreign operations	(37,972)	6,625
Effective portion of changes in fair value of cash flow hedges	32	7
Related tax	3,675	(536)
Items that are or may be reclassified to profit or loss	(34,265)	6,096
Other comprehensive income for the period, net of income tax	(35,407)	5,218
Total comprehensive income for the period	28,709	69,531
Result attributable to:		
Owners of the Company	64,116	64,313
Total comprehensive income attributable to:		
Owners of the Company	28,709	69,531
Weighted average number of shares	52,499,307	52,471,225
Basic earnings per share	1.22	1.23
Diluted earnings per share	1.26	1.25



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000	NOTE	SHARE CAPITAL	SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	RESERVE OWN SHARES	OTHER RESERVES	RETAINED EARNINGS	UNAPPROPRIATED RESULT	TOTAL EQUITY
Balance as at 1 January 2020		8,415	657,514	(36,169)	(96)	(4,686)	(5,774)	139,315	108,006	866,525
Appropriation of prior year's result		-	-	-	-	-	-	60,673	(60,673)	-
		8,415	657,514	(36,169)	(96)	(4,686)	(5,774)	199,988	47,333	866,525
Result for the year		-	-	-	-	-	-	-	64,116	64,116
Total other comprehensive income		-	-	(34,297)	32	-	(1,142)	-	-	(35,407)
Total comprehensive income for the year		-	-	(34,297)	32	-	(1,142)	-	64,116	28,709
Cash dividend		-	-	-	-	-	-	-	(47,333)	(47,333)
Share based payments		-	-	-	-	-	(1,279)	(1,548)	-	(2,827)
Purchase and transfer own shares		-	-	-	-	792	-	1,281	-	2,073
Total contributions by and distributions to owners of the Company		-	-	-	-	792	(1,279)	(267)	(47,333)	(48,087)
Balance as at 30 June 2020	8	8,415	657,514	(70,466)	(64)	(3,894)	(8,195)	199,721	64,116	847,147



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000	SHARE CAPITAL	SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	RESERVE OWN SHARES	OTHER RESERVES	RETAINED EARNINGS	UNAPPRO- PRIATED RESULT	TOTAL EQUITY
Balance as at 1 January 2019	8,415	657,514	(50,229)	(129)	(5,683)	(5,523)	81,926	100,057	786,348
Appropriation of prior year's result	-	-	-	-	-	-	57,983	(57,983)	-
	8,415	657,514	(50,229)	(129)	(5,683)	(5,523)	139,909	42,074	786,348
Result for the year	-	-	-	-	-	-	-	64,313	64,313
Total other comprehensive income	-	-	6,089	7	-	(878)	-	-	5,218
Total comprehensive income for the year	-	-	6,089	7	-	(878)	-	64,313	69,531
Cash dividend	-	-	-	-	-	-	-	(42,074)	(42,074)
Share based payments	-	-	-	-	-	(416)	(1,703)	-	(2,119)
Purchase and transfer own shares	-	-	-	-	997	-	914	-	1,911
Total contributions by and distributions to owners of the Company	-	-	-	-	997	(416)	(789)	(42,074)	(42,282)
Balance as at 30 June 2019	8,415	657,514	(44,140)	(122)	(4,686)	(6,817)	139,120	64,313	813,597



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	NOTE	JAN. 1 - JUNE 30, 2020	JAN. 1 - JUNE 30, 2019
Cash flows from operating activities			
Result for the period		64,116	64,313
Adjustments for:			
• Depreciation of property, plant and equipment		12,267	10,669
• Amortisation of intangible assets		26,404	21,318
• Net finance costs excluding currency exchange results		11,972	12,494
• Currency exchange results		3,237	200
• Cost of share based payments		2,204	1,233
• Share of profit of equity-accounted investees, net of tax		2	4
• Income tax expense		24,196	24,166
		144,398	134,397
Change in:			
• Inventories		(20,540)	8,593
• Trade and other receivables		(39,046)	(66,345)
• Trade and other payables		6,466	15,283
• Provisions and employee benefits		(1,425)	(668)
Cash generated from operating activities		89,852	91,260
Interest paid		(14,544)	(15,460)
Income tax paid		(19,994)	(19,687)
Net cash from operating activities		55,314	56,113
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(9,866)	3,098
Acquisition of intangible assets		(6,752)	(4,208)
Acquisition of property, plant and equipment		(3,633)	(2,180)
Acquisition of other financial assets		(105)	(436)
Net cash used in investing activities		(20,356)	(3,726)
Cash flows from financing activities			
Dividends paid	8	-	(42,074)
Movements in bank loans and other short term financial liabilities	9, 10	(13,336)	36,627
Repayment of loans and borrowings	9, 10	38	(2,807)
Redemption of lease liabilities		(14,582)	(11,294)
Net cash from financing activities		(27,879)	(19,548)
Net increase in cash and cash equivalents		7,079	32,839
Cash and cash equivalents as at 1 January		104,357	85,162
Effect of exchange rate fluctuations		(5,947)	(3,566)
Cash and cash equivalents as at 30 June		105,489	114,435



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

IMCD N.V. (the 'Company') is a company domiciled in The Netherlands and registered in The Netherlands Chamber of Commerce Commercial register under number 21740070. The address of the Company's registered office is Wilhelminaplein 32, Rotterdam. The condensed consolidated interim financial statements of the Company as at and for the first half year ended 30 June 2020, comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Company is acting as the parent company of the IMCD Group, a group of companies leading in sales, marketing and distribution of speciality chemicals, pharmaceutical and food ingredients. The Group has offices in Europe, Africa, North and Latin America and Asia Pacific.

2. Basis of preparation

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of IMCD as at and for the year ended 31 December 2019. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2019.

The condensed consolidated interim financial statements were prepared by the Management Board and were authorised for issue by the Supervisory Board on 17 August 2020.

Functional and presentation currency

The condensed consolidated interim financial statements are presented in Euro, which is the Company's functional currency. All financial information presented in Euro has been rounded to the nearest thousand, unless mentioned differently.

Use of estimates and judgements

In preparing the condensed consolidated interim financial statements, Management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2019.

3. COVID-19

Important events

IMCD's results for the first half of 2020 have been moderately impacted by the COVID-19 pandemic. IMCD was able to remain open for business, whilst adapting working practices to safeguard the health of our employees and business partners. Supply chains were disrupted only limited and remote working allowed operations to be ongoing.

Principal risks and uncertainties

The risk factors as mentioned in the annual report of 2019 are still applicable, with an addition of the pandemic risk such as related to COVID-19. The impact of the COVID-19 pandemic on accounting has been assessed and described in the following section.

Receivables:

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

Inventories:

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

Goodwill impairment test:

IMCD has performed an assessment to determine whether the COVID-19 pandemic is considered a triggering event, albeit, the impact of COVID-19 on the results was limited. Several scenarios were ran in order to determine whether any of the Cash Generating Units (CGUs) would need to be further tested for impairment. Based on these outcomes, IMCD determined that the headroom for all CGUs is sufficient and none of the scenarios would lead to an impairment.

With regard to the other tangible and intangible assets, no significant impact as a consequence of the COVID-19 pandemic has been determined.

4. Changes in significant accounting policies

With the exception of the newly adopted accounting policies as explained below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019.

A number of new standards are effective from 1 January 2020 but they do not have a material effect on the Group's financial statements.



5. Operating segments

In presenting information on the basis of operating segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets with the exception of assets related to holding companies, which are presented in a separate reporting unit.

The reporting segments used are defined as follows:

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

EMEA

EUR 1,000	JAN. 1 - JUNE 30, 2020	JAN. 1 - JUNE 30, 2019
Revenue	686,000	695,891
Gross profit	176,008	173,369
Operating EBITA	69,767	71,044
Result from operating activities	59,492	63,153
Total Assets	932,896	921,995
Total Liabilities	284,716	316,436

Americas

EUR 1,000	JAN. 1 - JUNE 30, 2020	JAN. 1 - JUNE 30, 2019
Revenue	492,957	509,726
Gross profit	109,318	99,438
Operating EBITA	47,589	42,007
Result from operating activities	40,710	34,973
Total Assets	534,101	550,568
Total Liabilities	153,237	154,664

Asia Pacific

EUR 1,000	JAN. 1 - JUNE 30, 2020	JAN. 1 - JUNE 30, 2019
Revenue	232,177	192,508
Gross profit	47,401	39,165
Operating EBITA	21,869	17,392
Result from operating activities	18,581	15,539
Total Assets	371,778	298,644
Total Liabilities	91,888	76,417



Holding Companies

EUR 1,000	JAN. 1 - JUNE 30, 2020	JAN. 1 - JUNE 30, 2019
Operating EBITA	(7,863)	(7,299)
Result from operating activities	(15,260)	(12,488)
Total Assets	355,708	322,272
Total Liabilities	817,495	732,365

Results from operating activities

Operating EBITA is defined as the sum of the result from operating activities, amortisation of intangible assets and non-recurring items. Non-recurring items include (i) cost related to refinancing, (ii) costs related to corporate restructurings and reorganisations, (iii) cost related to realised and non-realised acquisitions and (iv) other non-recurring income and expenses.

EUR 1,000	JAN. 1 - JUNE 30, 2020	JAN. 1 - JUNE 30, 2019
Result from operating activities	103,523	101,177
Amortisation of intangible assets	26,404	21,318
Non-recurring items in result from operating activities	1,435	649
Operating EBITA	131,362	123,144

The non-recurring expenses in 2020 and 2019 relate to acquisition of businesses and one-off adjustments to the organisation.

6. Business combinations

On 16 January 2020, IMCD acquired 100% of Zifroni Chemical Suppliers Ltd. Zifroni, based in Rishon Le-Zion, was founded in 1950 and is a leading distributor of pharmaceutical, personal care and other specialty chemical ingredients in Israel. The company has 9 employees and generated a revenue of EUR 10.2 million in 2019 through their representation of world leading producers from the US, Europe and Asia.

7. Seasonality of operations

The Group is not strongly subject to seasonal fluctuations throughout the year except for a slight decrease of sales during the normal holiday seasons in the different regions.

8. Equity

Following the decision about the appropriation of the financial result 2019 by the Annual General Meeting of June 30, 2020, the Company distributed a dividend in cash of EUR 47.3 million (EUR 0.90 per share). In 2019, the Company distributed a dividend in cash of EUR 42.1 million (EUR 0.80 per share).

As the payment of the dividend was effected on 6 July 2020, a liability towards the shareholders is included as Other short term financial liability, in the condensed consolidated statement of financial position as at 30 June 2020.

9. Loans and borrowings

As at 30 June 2020, net debt was EUR 767.9 million (31 December 2019: EUR 735.2 million).

As at the end of June 2020, the leverage ratio (net debt/operating EBITDA ratio including full year impact of acquisitions) was 2.9 times EBITDA (31 December 2019: 3.0). The net debt as at 30 June 2020 includes the liability to distribute a dividend of EUR 47.3 million to the shareholders of the Company, as approved during the Annual General Meeting in June 2020.

The actual leverage as at 30 June 2020, calculated on the basis of the definitions used in the IMCD loan documentation, was 2.5 times EBITDA (31 December 2019: 2.6).

Two leverage covenants are applicable to the Group:

- For the 'Schuldschein Darlehen' of EUR 100 million and USD 90 million, a maximum leverage of 3.5 times EBITDA is applicable (with a spike period maximum of 4.0), tested annually.
- For the revolving credit facilities of EUR 500 million, a maximum leverage of 3.75 times EBITDA is applicable (with a spike period maximum of 4.25), tested semi-annually.

As at 30 June 2020, the actual leverage of 2.5 times EBITDA is well below the applicable maximum leverages.

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



10. Financial instruments

30 JUNE 2020		CARRYING AMOUNT				FAIR VALUE				
EUR 1,000	NOTE	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
		163	-	-	-	163	-	163	-	163
Forward exchange contracts used for hedging										
Trade and other receivables		-	457,461	-	-	457,461				
Cash and cash equivalents		-	105,489	-	-	105,489				
Forward exchange contracts used for hedging		-	-	1,589	-	1,589	-	1,589	-	1,589
Contingent consideration	10	-	-	37,939	-	37,939	-	-	37,939	37,939
Other short term financial liabilities	9	-	-	-	308,157	308,157				
Bank loans	9	-	-	-	476,544	476,544				
Other loans and borrowings		-	-	-	1,170	1,170				
Trade payables		-	-	-	279,524	279,524				
Other payables		-	-	-	89,544	89,544				

31 DECEMBER 2019		CARRYING AMOUNT				FAIR VALUE				
EUR 1,000	NOTE	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
		87	-	-	-	87	-	87	-	87
Forward exchange contracts used for hedging										
Trade and other receivables		-	434,537	-	-	434,537				
Cash and cash equivalents		-	104,357	-	-	104,357				
Forward exchange contracts used for hedging		-	-	1,143	-	1,143	-	1,143	-	1,143
Contingent consideration	10	-	-	38,225	-	38,225	-	-	38,225	38,225
Other short term financial liabilities		-	-	-	269,936	269,936				
Bank loans		-	-	-	476,442	476,442				
Other loans and borrowings		-	-	-	54,993	54,993				
Trade payables		-	-	-	279,796	279,796				
Other payables		-	-	-	94,993	94,993				



Measurement of fair values

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

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration	<i>Discounted cash flows:</i> The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario.	<ul style="list-style-type: none"> Forecast EBITDA margin Risk-adjusted discount rate 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> the EBITDA margins were higher/(lower); or the risk-adjusted discount rates were lower/(higher).
Forward exchange contracts and interest rate swaps	<i>Market comparison technique:</i> The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable

Financial instruments not measured at fair value

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

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

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

Level 3 fair values

The following table shows the reconciliation from the opening balances to the closing balances for level 3 values.

Contingent consideration

Balance as at 1 January 2020	38,225
Assumed in a business combination	-
Paid contingent consideration	(571)
Result included in profit or loss	1,388
Effect of movement in exchange rates	(1,103)
Balance as at 30 June 2020	37,939

11. Net finance costs

The net finance costs in the first half of 2020 consist of the following items:

EUR 1,000	JAN. 1 - JUNE 30, 2020	JAN. 1 - JUNE 30, 2019
Interest income on loans and receivables	281	277
Interest expenses on financial liabilities	(9,117)	(10,924)
Changes in deferred considerations	(1,388)	(105)
Amortisation of finance costs	(328)	(313)
Interest expenses related to employee benefits	(79)	(221)
Interest expenses on lease liabilities	(1,341)	(1,208)
Currency exchange results	(3,237)	(200)
Net finance costs recognised in profit or loss	(15,209)	(12,694)

In the first half of 2020, net finance costs were EUR 15.2 million compared to EUR 12.7 million in the same period of 2019. Main drivers of the increased net finance costs were foreign currency exchange results and non-cash interest accruals related to deferred considerations.

12. Related parties

The Group has related party relationships with its shareholders, subsidiaries, associates, Management Board, Supervisory Board and post-employment benefit plans. The financial transactions between the Company and its subsidiaries comprise financing related transactions and operational transactions in the normal course of business and are eliminated in the consolidated financial statements. The related party transactions in the first half of 2020 do not substantially deviate from the transactions as reflected in the financial statements as at and for the year ended 31 December 2019.

13. Subsequent events

On 13 July 2020, IMCD acquired the pharmaceutical business in China of Develing International Trade (Shanghai) Co. Ltd. ("Develing").

Develing with its head office in Shanghai, is a Dutch sales and distribution company (B2B) of high-quality ingredients for the food, pharmaceutical, chemical, and feed industry in China and Vietnam.

The acquired business with annual sales of approximately EUR 10 million will be integrated into IMCD China's Pharma business unit and will be synergistic with IMCD's existing product range.

14. Auditor's review

The consolidated interim financial statements for the first half year of 2020 have not been audited or reviewed by the external auditor.

15. Responsibility statement

The Management Board of IMCD N.V. hereby declares that, to the best of its knowledge, the Interim Consolidated Financial information for the first half year of 2020, as prepared in accordance with IAS 34 Interim Financial Reporting, gives a true and fair view of the assets, liabilities, financial position and the profit or loss of IMCD N.V. and its jointly consolidated companies included in the consolidation as a whole, and that the semi-annual report gives a fair view of the information required in accordance with Section 5:25d subsection 8 and 9 of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

Rotterdam, 18 August 2020

Management Board:

P.C.J. van der Slikke, CEO

H.J.J. Kooijmans, CFO

