IMPORTANT NOTICE

STRICTLY NOT TO BE FORWARDED TO ANY OTHER PERSONS

IMPORTANT: You must read the following disclaimer before continuing. This electronic transmission applies to the attached prospectus relating to Azelis Group NV, a limited liability company (*naamloze vennootschap / société anonyme*) organized under the laws of Belgium with its registered office at Posthofbrug 12, box 6, B-2600 Antwerp, Belgium and registered with the Register of Legal Entities under number 0769.555.240 (the "**Company**") dated September 14, 2021 (the "**Prospectus**"), and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Prospectus. In accessing the attached Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached Prospectus is confidential and intended for you only and you agree you will not forward, reproduce, copy, download or publish this electronic transmission or the attached Prospectus whether electronically or otherwise to any other person.

The Prospectus has been approved by the Belgian Financial Services and Markets Authority (the "**FSMA**") on September 13, 2021 and published on the Company's website at www.azelis.com/investor-relations. Pricing information and other related disclosures are expected to be published on this website. Prospective investors are advised to access such information prior to making an investment decision.

THIS ELECTRONIC TRANSMISSION AND THE ATTACHED PROSPECTUS MAY ONLY BE DISTRIBUTED IN CONNECTION WITH "**OFFSHORE TRANSACTIONS**" AS DEFINED IN, AND IN RELIANCE ON, REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**") ("**REGULATION S**") OR WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**") OR PURSUANT TO ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

ANY FORWARDING, DISTRIBUTION, REPRODUCTION OR PUBLICATION OF THIS ELECTRONIC TRANSMISSION AND THE ATTACHED PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. NOTHING IN THIS ELECTRONIC TRANSMISSION AND THE ATTACHED PROSPECTUS CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SHARES IN THE COMPANY (THE "**SHARES**") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB IN RELIANCE ON RULE 144A OR PURSUANT TO ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT OR (2) IN AN "**OFFSHORE TRANSACTION**" AS DEFINED IN, AND IN ACCORDANCE WITH RULE 903 OR RULE 904 OF, REGULATION S, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

CANADIAN INVESTORS ARE ADVISED THAT THIS ELECTRONIC TRANSMISSION AND THE DOCUMENT ATTACHED HERETO MAY ONLY BE TRANSMITTED IN THOSE JURISDICTIONS IN CANADA AND TO THOSE PERSONS WHERE AND TO WHOM THEY MAY BE LAWFULLY OFFERED FOR SALE, AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES. THE DOCUMENT ATTACHED HERETO IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN ADVERTISEMENT OR A PUBLIC OFFERING IN CANADA. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS REVIEWED OR IN ANY WAY PASSED UPON THE DOCUMENT ATTACHED HERETO OR THE MERITS OF THE SECURITIES DESCRIBED THEREIN AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THE DISTRIBUTION OF THE SECURITIES CONTAINED IN THE DOCUMENT ATTACHED HERETO IS BEING MADE ON A PRIVATE PLACEMENT BASIS ONLY AND IS EXEMPT FROM THE REQUIREMENT THAT THE COMPANY PREPARE AND FILE A PROSPECTUS WITH THE RELEVANT CANADIAN SECURITIES REGULATORY AUTHORITIES.

This electronic transmission and the attached Prospectus and the offer of the Shares (the "**Offer**") are only addressed to and directed at persons in member states of the European Economic Area who are "qualified investors" within the meaning of Article 2(e) of the Prospectus Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") ("**Qualified Investors**"). In the United Kingdom, this electronic transmission and the attached Prospectus is being distributed only to, and is directed only at, Qualified Investors who are (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (ii) persons who are high net worth entities falling within Article 49(2)(a) to (d) of the Order, and (iii) other persons to whom they may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This electronic transmission and the attached Prospectus must not be acted on or relied on (i) in the United Kingdom, by persons who are not relevant persons, and (ii) in any member state of the European Economic Area, by persons who are not Qualified Investors. Any investment or investment activity to which the attached Prospectus relates is available only to (i) in the United Kingdom, relevant persons, and (ii) in any member state of the European Economic Area, Qualified Investors, and will be engaged in only with such persons.

Confirmation of your Representation: This electronic transmission and the attached Prospectus is delivered to you on the basis that you are deemed to have represented to Goldman Sachs Bank Europe SE, J.P. Morgan AG, Barclays Bank Ireland PLC, BNP Paribas Fortis SA/NV, HSBC Continental Europe, ING Belgium SA/NV, Coöperatieve Rabobank U.A. and Landesbank Baden-Württemberg (collectively, the "**Banks**"), the Company and the Selling Shareholders (as defined in the "*Glossary*" section of the Prospectus) that you have understood and agree to the terms set out herein, and (i) you are (a) a QIB acquiring such securities for its own account or for the account of another QIB (if you are in the United States) or (b) acquiring such securities in "offshore transactions," as defined in, and in reliance on, Regulation S; (ii) if you are in the United Kingdom, you are a relevant person, and/or a relevant person who is acting on behalf of, relevant persons in the United Kingdom and/or Qualified Investors to the extent you are acting on behalf of persons or entities in the United Kingdom or the European Economic Area; (iii) if you are in any member state of the European Economic Area, you are a Qualified Investor and/or a Qualified Investor acting on behalf of relevant persons in the United Kingdom and/or Qualified Investors, to the extent you are acting on behalf of persons or entities in the European Economic Area; and (iv) you are an institutional investor that is eligible to receive this Prospectus and you consent to delivery of this Prospectus by electronic transmission.

For investors in British Columbia, Alberta, Ontario and Quebec (the "Relevant Provinces"): You acknowledge and agree that: (a) the securities described in the attached document are only being distributed to investors located or resident in the Relevant Provinces; (b) you are (i) an "accredited investor" as such term is defined in National Instrument 45-106 Prospectus Exemptions or, in Ontario, as such term is defined in section 73.3(1) of the Securities Act (Ontario), as applicable; (ii) you are a "permitted client" as such term is defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations; and (iii) you are not an individual; and (c) where required by law, you are either participating in the offering as principal for your own account or are deemed to be participating in the offering as principal in accordance with applicable law and not as agent for the benefit of another person.

You are reminded that you have received this electronic transmission and the attached Prospectus on the basis that you are a person into whose possession this electronic transmission and the attached Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this electronic transmission or the attached Prospectus, electronically or otherwise, to any other person.

The attached Prospectus has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Company, the Banks nor any of their respective affiliates, directors, officers, employees, agents or advisers accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. A hard copy of the Prospectus will be made available to you only upon request. By accessing the attached Prospectus, you consent to receiving it in electronic form.

None of the Banks nor any of their respective affiliates, directors, officers, employees, agents or advisers accepts any responsibility whatsoever for the contents of the attached Prospectus or for any statement made or purported to be made by them, or on their behalf, in connection with the Company, the Offer or the Shares. To the fullest extent permitted by law, such persons accordingly disclaim all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by the Banks or any of their respective affiliates, directors, officers, employees, agents or advisers as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in the attached Prospectus.

The Banks are acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Offer. They will not regard any other person (whether or not a recipient of the attached Prospectus) as their client in relation to the Offer and will not be responsible to anyone other than the Company and the Selling Shareholders for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in the attached Prospectus.

Restriction: Nothing in this electronic transmission constitutes, and this electronic transmission may not be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

You are responsible for protecting against viruses and other destructive items. Your receipt of this Prospectus via electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Azelis Group NV

(currently existing as Akita Midco 1 NV)

Admission to trading on Euronext Brussels of all existing Shares and of a maximum of 40,000,000 newly issued Shares (based on the bottom of the Price Range) to be offered in a private placement

This prospectus (the "**Prospectus**") relates to the admission to trading on the regulated market of Euronext Brussels ("**Admission**") of: (i) all existing Shares and (ii) a maximum of 40,000,000 newly issued Shares without nominal value of Azelis Group NV (the "**Company**"). The newly issued Shares will be offered by the Company in a private placement within the Price Range (as defined below). The Company is a limited liability company (*naamloze vennootschap / société anonyme*) organized under the laws of Belgium with its registered office at Posthofbrug 12, box 6, B-2600 Antwerp, Belgium and is registered with the Register of Legal Entities (Antwerp, division Antwerp) under number 0769.555.240. The Company currently exists under the name Akita Midco 1 NV and will assume the name Azelis Group NV on the Closing Date (as defined below).

Through the private placement of a maximum of 40,000,000 newly issued Shares (the "**Primary Tranche**") (based on the bottom of the Price Range (as defined below)), the Company aims to raise gross proceeds of approximately €880.0 million. In addition to the Primary Tranche, up to 25,396,424 existing Shares (the "**Secondary Tranche**") will be offered by: (i) Akita I S.à r.l. ("**Akita**"), (ii) PSP Investments Holding Europe Limited ("**PSP Europe**") and (iii) the Individual Selling Shareholders (as defined below). The newly issued and existing ordinary shares of the Company (the "**Shares**") offered by the Company and the Selling Shareholders (as defined below) are collectively referred to herein as the "**Offer Shares**."

Akita is indirectly controlled by EQT VIII SCSp (the "**EQT VIII Fund**"), a fund managed and advised by subsidiaries of EQT AB ("**EQT**"). PSP Europe is indirectly controlled by the Public Sector Pension Investment Board ("**PSP Investments**"). Akita and PSP Europe are collectively referred to herein as the "**Principal Selling Shareholders**." The "**Individual Selling Shareholders**" are the Directors and members of the Executive Committee of the Company named as such in this Prospectus, together with certain other employees or consultants of the Group. The Principal Selling Shareholders and the Individual Selling Shareholders are collectively referred to herein as the "**Selling Shareholders**." The Selling Shareholders will, together with certain managers of businesses recently acquired by the Group, be the shareholders of the Company following the Reorganization (as defined below).

An investment in the Offer Shares involves substantial risks and uncertainties. Prospective investors should read the entire Prospectus, and, in particular, section 1 (*Risk Factors*) beginning on page 1 for a discussion of certain factors that should be considered in connection with an investment in the Offer Shares. In section 1 (*Risk Factors*), the most material risk factors have been presented first within each subcategory. All of the risk factors should be considered before investing in the Offer Shares. Such risk factors include the risks that: (i) Azelis' business and growth opportunities may be materially adversely affected by any deterioration in global or regional economic conditions; (ii) the Principal Selling Shareholders' interests may diverge from the interests of other shareholders, and they may exercise significant control over Azelis' operations, in particular considering the nomination rights of one of the Principal Selling Shareholders; (iii) Azelis is heavily dependent on principals' mandates, and the loss of such mandates may materially adversely affect its business, results of operations and financial condition; (iv) the Group may fail to timely acquire and integrate suitable acquisition candidates or it may incur liabilities in connection therewith; (v) Azelis may fail to address the challenges and risks associated with its international expansion in emerging markets; (vi) business interruption in the Group's supply chain or facilities could result in significant losses and reputational damage to Azelis' business; and (vii) the Group carries very significant goodwill and intangible assets (primarily relating to its trademark and distributions rights) on its statement of financial position, collectively representing 73.6% of total assets and amounting to 199.8% of total equity (before the Offering) as at June 30, 2021. A decision to invest in the Offer Shares must be based on all information provided in this Prospectus. Prospective investors must be able to bear the economic risk of an investment in the Offer Shares and should be able to sustain a partial or total loss of their investment.

The offering (the "**Offering**") consists of private placements to: (i) qualified investors (as defined in article 2(e) of the Prospectus Regulation) in Belgium; (ii) persons in the United States who are reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**")), in reliance on Rule 144A or another exemption from, or transaction not subject to, the U.S. Securities Act; and (iii) certain qualified and/or institutional investors in the rest of the world (together, the "**Institutional Investors**"). The Offering outside the United States will be made in compliance with Regulation S ("**Regulation S**") under the U.S. Securities Act.

The Principal Selling Shareholders are expected to grant Goldman Sachs Bank Europe SE, as stabilization manager (the "**Stabilization Manager**"), acting on behalf of the Underwriters (as defined herein), an option to purchase additional Shares in a number equal to up to 15% of the number of Offer Shares sold in the Offering (the "**Over-Allotment Shares**") at the Offer Price to cover over-allotments or short positions, if any, in connection with the Offering (the "**Over-Allotment Option**"). The Over-Allotment Option will be exercisable for a period of 30 calendar days following the Listing Date (as defined below). The Stabilization Manager (or any person acting for the Stabilization Manager) may engage in transactions that stabilize, maintain or otherwise affect the price of the Shares during a period of 30 calendar days following the Listing Date. These activities may support the market price of the shares at a level higher than that which might otherwise prevail. As used herein, the term "Offer Shares" shall include any Over-Allotment Shares (unless the context requires otherwise). Within five business days of the end of the Stabilization Period (as defined below), information in relation to stabilization activities, if any, will be made public.

In accordance with Article 12.1 of the Prospectus Regulation, this Prospectus is valid for a period of twelve months from the date on which it was approved by the FSMA, which was September 13, 2021. The obligation to publish a supplement to the Prospectus in accordance with Article 23 of the Prospectus Regulation (a "Prospectus Supplement") in the event of an important new factor, a material mistake or a material inaccuracy is not applicable when the validity of this Prospectus has expired.

PRICE RANGE: €22.00 TO €26.00 PER OFFER SHARE

The price per Offer Share (the "**Offer Price**") will be determined at the end of the Offering Period (as defined herein) following a book-building process. The date of determination of the Offer Price is herein referred to as the "**Pricing Date**." Among the factors to be considered in determining the Offer Price, in addition to prevailing market conditions, will be Azelis' historical performance, estimates of its business potential, an assessment of its management and consideration of the above factors in relation to the market valuation of companies in related businesses. See section 18.8 (*The Offering—Determination of the Offer Price*) for further information. The actual number of Offer Shares will only be determined at the end of the Offering Period and is expected to be made public by a Company press release, simultaneously with the publication of the Offer Price, on or about September 22, 2021 and in any event no later than the first business day after the end of the Offering Period if the Offering Period closes early. The Offer Price will be a single price in euros, exclusive of the Belgian tax on stock exchange transactions. The information about the Offer Price and the final number of the Existing Offer Shares (including the Over-Allotment Shares) and New Offer Shares to be offered in the Offering and the final number of the Offer Shares to be offered will be published on or about the Pricing Date in a Company press release and will be available in the same manner as this Prospectus (i.e., in searchable electronic form on the Company's website (www.azelis.com/investor-relations) after the end of the book-building process for the Institutional Investors and on the website of the regulated market where the admission to trading is sought). The Offer Price is expected to be in the range of €22.00 to €26.00 per Offer Share (the "**Price Range**"). The Offer Price may be set within the Price Range or below the bottom of the Price Range but will not exceed the top of the Price Range. There is no minimum amount of the Offer Shares that needs to be subscribed for in order for the Offering to proceed.

The offering period (the "**Offering Period**") will begin on September 14, 2021 and is expected to end no later than 4:00 p.m. (CET) on September 21, 2021, subject to early closing. Any early closing of the Offering Period will be announced by means of a Company press release, and the dates for each of pricing and allocation, publication of the Offer Price and results of the Offering, conditional trading and closing of the Offering will in such case be adjusted accordingly.

Prior to the Offering, there has been no public market for the Shares. An application has been made to list the Shares under the symbol "AZE" on the regulated market of Euronext Brussels. Trading of the Shares on the regulated market of Euronext Brussels is expected to commence on an "if-and-when-issued and/or delivered" basis, on or about September 22, 2021 (the "**Listing Date**").

Delivery of the Offer Shares is expected to take place in book-entry form against payment therefor in immediately available funds on or about September 24, 2021 (the "**Closing Date**") to investors' securities accounts via Euroclear Belgium, the Belgian central securities depository. See section 18 (*The Offering*).

The Company and the Principal Selling Shareholders, following close consultation with the Joint Global Coordinators, may: (i) cancel the Offering, in which case the Shares will not be admitted to trading on Euronext Brussels or on any other multilateral trading facilities operated by Euronext Brussels or any other equivalent market; (ii) suspend the Offering or modify its terms and dates at any time prior to the Closing Date; or (iii) decide to decrease the number of Offer Shares. A cancellation or a suspension of the Offering will require a supplement to this Prospectus, while a modification of the conditions of the Offering (depending on its impact) will be made public through a Company press release and, to the extent legally required, by way of a supplement to this Prospectus. Any early closing of the Offering Period will be announced by means of a Company press release and on the Company's website and the dates for each of pricing and allocation, publication of the Offer Price and results of the Offering, conditional trading and closing of the Offering will in such case be adjusted accordingly. A decision to decrease the number of Offer Shares will not require the publication of a supplement to this Prospectus.

Goldman Sachs Bank Europe SE and J.P. Morgan AG are acting as joint global coordinators and joint bookrunners for the Offering (in such and any other capacity, the "**Joint Global Coordinators**"); Barclays Bank Ireland PLC, BNP Paribas Fortis SA/NV, HSBC Continental Europe and ING Belgium SA/NV are acting as joint bookrunners (together with the Joint Global Coordinators, the "**Joint Bookrunners**"); and Coöperatieve Rabobank U.A. and Landesbank Baden-Württemberg (the "**Co-Lead Managers**" and, together with the Joint Global Coordinators and the Joint Bookrunners, the "**Underwriters**").

This document constitutes a listing prospectus for purposes of Article 3.3 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of the European Union of 14 June 2017 (the "**Prospectus Regulation**"). The English version of this Prospectus was approved by the Belgian Financial Services and Markets Authority (the "**FSMA**"), as competent authority under the Prospectus Regulation, on September 13, 2021. The FSMA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Company or the quality of the Offer Shares that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Offer Shares.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any of the Offer Shares in any jurisdiction or to any person to whom it would be unlawful to do so. The distribution of this Prospectus may in certain jurisdictions be restricted by law. Persons into whose possession this Prospectus comes must therefore inform themselves about and observe such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of any such jurisdictions. In particular, subject to certain exceptions, this Prospectus must not be distributed, forwarded to or transmitted in or into the United States, Australia, Canada, South Africa, Japan or any other state or jurisdiction in which such release, publication or distribution would be unlawful. Shareholders who have a registered address in, or who are resident or located in, jurisdictions other than Belgium and any person (including, without limitation, agents, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this Prospectus to a jurisdiction outside of Belgium should read section 20 (*Transfer Restrictions*).

The Shares have not been and will not be registered under the U.S. Securities Act or the applicable securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Prospective purchasers are hereby notified that sellers of the Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on transfer of the Shares, see section 20 (*Transfer Restrictions*).

The contents of this Prospectus are not to be construed as investment, legal, business or tax advice. Each prospective investor should consult their own legal adviser, financial adviser or tax adviser for legal, financial or tax advice, respectively.

Joint Global Coordinators and Joint Bookrunners

Goldman Sachs Bank Europe SE **J.P. Morgan**

Joint Bookrunners

Barclays **BNP Paribas Fortis SA/NV** **HSBC** **ING**

Co-Lead Managers

Landesbank Baden-Württemberg **Rabobank**

Prospectus dated September 14, 2021

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I. PROSPECTUS SUMMARY

A. Introduction and Warnings

Name and ISIN of the Securities – BE0974400328.

Identity and Contact Details of the Issuer – Azelis Group NV (currently existing as Akita Midco 1 NV, to be renamed on the Closing Date), a limited liability company (*naamloze vennootschap / société anonyme*) organized under the laws of Belgium, having its registered office at Posthofbrug 12, box 6, B-2600 Antwerp, Belgium and is registered with the Register of Legal Entities (Antwerp, division Antwerp) under number 0769.555.240 (the "**Company**"). The LEI code is 699400M9RRMTV264FM70. The Company's phone number is +32 (0) 3 613 01 20 and its website is www.azelis.com.

Identity and Contact Details of the Competent Authority Approving the Prospectus – Belgian Financial Services and Markets Authority (the "**FSMA**"), Congresstraat 12-14, 1000 Brussels. The FSMA's phone number is +32 (0) 2 220 52 11 and its website is www.fsma.be.

Date of Approval of the Prospectus – September 13, 2021.

Warnings – This summary must be read as an introduction to this Prospectus. Any decision to invest in the Offer Shares should be based on a consideration of this Prospectus as a whole by the investor. An investor could lose all or part of its invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor may, under the national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such Shares. Capitalized terms used in the summary have the meanings given to them in the Prospectus.

B. Key Information on the Issuer

B.1 – Who is the issuer of the securities?

Registration and Applicable Laws – The Company is a public limited liability company (*naamloze vennootschap / société anonyme*) organized and existing under the laws of Belgium, having its registered office at Posthofbrug 12, box 6, B-2600 Antwerp, Belgium and is registered with the Register of Legal Entities (Antwerp, division Antwerp) under number 0769.555.240. The legal name of the Company as of the date of this Prospectus is "Akita Midco 1 NV." The legal name of the Company as of the Closing Date will be "Azelis Group NV." Immediately prior to the closing of the Offering, the Company will become the new ultimate parent company of the business carried out by Akita Topco S.à r.l. ("**Akita Topco**") and its subsidiaries under the name "Azelis" and associated registered trademarks, and the shareholders of Akita Topco, which is the ultimate parent company of the operational activities of the Group as at the date of this Prospectus, will become the shareholders of the Company. References in this Prospectus to the "**Group**" or "**Azelis**" refer to the consolidated group of Azelis companies either before or after the foregoing reorganization steps, as the context requires.

Principal Activities – Azelis is a leading global innovation service provider for the specialty chemicals and food ingredients industry. The Group is the conduit between over 2,200 specialty chemicals and food ingredients suppliers (which the Group refers to as its "principals") that have granted Azelis one or more mandates to distribute their products, and over 45,000 customers, which are typically small- and medium-sized players that cater to diversified life sciences and industrial chemicals end markets.

Azelis represents its principals, predominantly on an exclusive basis, with sales, marketing, distribution and formulation expertise while providing customers with a "one-stop shop" for a broad range of products and value-added services. Principals rely on Azelis to gain market insights and to serve a localized market while minimizing the complexity of their own operations, and Azelis' customers rely on the Group to supply numerous ingredients (including bundling products from various principals) and act as their outsourced formulation function with a focus on developing the innovative products that customers use to differentiate themselves, while providing technical expertise along with services relating to adequate packaging and labeling, handling of customs and regulatory compliance.

Azelis has a leading position in the highly fragmented specialty chemicals and food ingredients distribution market, having established a global market reach with a local footprint. The Group is a market leader in EMEA (46.5% of 2020 revenue) and the Americas (42.9% of 2020 revenue) and has a growing presence in Asia-Pacific (10.7% of 2020 revenue). The Azelis approach is to manage its businesses locally with dedicated local technical sales teams and local sales offices (local-for-local approach) for a faster time-to-market, and at the same time ensure global coverage for both its principals and customers. In addition, the Group has local laboratories, staffed with technical and application expert teams, who work closely with customers in their respective regions. The Group is present in 56 countries, with over 60 application laboratories and 90 offices globally. The Group's distribution model offers an asset-light sales and marketing and formulation development platform with a fully controlled warehousing and logistics network that is mainly outsourced.

Azelis believes that the following competitive strengths have been the primary drivers of its success in the past and will continue to set it apart from competitors in the future.

- It is a global leader in the attractive specialty chemicals and food ingredients distribution market, which is an attractive and structurally growing market that is supported by increased outsourcing and ongoing consolidation by leading distributors.
- Its value-added services approach is built around innovation through formulation and a comprehensive lateral value chain, which drives principal and customer stickiness and results in high barriers to entry.
- Its diversification across multiple dimensions and its asset-light business model characterized by a high cash conversion rate create a strong and resilient platform.
- It benefits from consistent organic and acquisition-driven growth, margin expansion and cash conversion.
- It has a long-term business model that is supported by favorable trends, such as outsourcing, increasing regulation and consumption growth, in the end markets it serves.
- Its leadership in sustainability and digital technologies strengthen its long-term value proposition.

- It has an experienced management team with a track record of high performance and consistent delivery along with ambition for the future.

Azelis aspires to be the preeminent global innovation service provider for the specialty chemicals and food ingredients industry. There are three strategic pillars to Azelis' growth: (i) growth with principals; (ii) growth with customers; and (iii) growth through acquisitions. Furthermore, there are three strategic enablers and drivers that underpin Azelis' continued expansion: (i) leadership in innovation; (ii) leadership in sustainability; and (iii) leadership in digitalization.

Major Shareholders – The Selling Shareholders are: (i) Akita I S.à r.l. ("**Akita**"), which is indirectly controlled by EQT VIII SCSp (the "**EQT VIII Fund**"), a fund managed and advised by subsidiaries of EQT AB ("**EQT**"); (ii) PSP Investments Holding Europe Limited ("**PSP Europe**" and, together with Akita, the "**Principal Selling Shareholders**"), a company indirectly controlled by the Public Sector Pension Investment Board ("**PSP Investments**"); and (iii) the following Directors and members of the Executive Committee of the Company: 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 (collectively, the "**Individual Selling Shareholders**" and, together with the Principal Selling Shareholders, the "**Selling Shareholders**"). The Selling Shareholders, together with certain managers of businesses recently acquired by the Group (the "**New Managers**"), are the shareholders of Akita Topco as at the date of this Prospectus and will be the shareholders of the Company immediately prior to the closing of the Offering.

The following table presents the ownership of the Shares, both as a total number of Shares and as a percentage of the total Shares: (1) immediately prior to the closing of the Offering, assuming that the Offer Price is at the midpoint of the Price Range; (2) giving effect to the Reorganization and the Offering, assuming (i) a full placement of the Offer Shares in the Primary and Secondary Tranches and (ii) that the Offer Price is at the midpoint of the Price Range; and (3) giving effect to the Reorganization and the Offering, assuming (i) a full placement of the Offer Shares in the Primary and Secondary Tranches, (ii) that the Offer Price is at the midpoint of the Price Range and (iii) full exercise of the Over-Allotment Option. The numbers in the following table are based on the assumption that closing of the Offering will take place on September 24, 2021. Because the precise valuation ascribed to the contributions in kind of preference shares in connection with the Reorganization is dependent upon the date of the contribution in kind, such share numbers may vary by an immaterial amount if closing of the Offering should take place on an earlier date. See section 14.3 (*Group Structure—Reorganization*).

	Shares Owned after the Reorganization and immediately before the Closing of the Offering		Shares Owned after the Reorganization and after the Closing of the Offering, assuming			
			No Exercise of Over-Allotment Option		Full Exercise of Over-Allotment Option	
Shareholder	**Number**	**%**	**Number**	**%**	**Number**	**%**
Akita (1)	142,027,020	71.0	126,830,130	53.6	119,317,732	50.4
PSP Europe (2)	35,494,529	17.7	30,205,845	12.8	28,416,693	12.0
Individual Selling Shareholders (3)	22,434,798	11.2	17,576,702	7.4	17,576,702	7.4
New Managers (3)	43,653	0.0	43,653	0.0	43,653	0.0
Public (3)	–	–	62,010,336	26.2	71,311,886	30.1
Total	**200,000,000**	**100.0**	**236,666,666**	**100.0**	**236,666,666**	**100.0**

(1) Akita is ultimately controlled by the EQT VIII Fund.

(2) PSP Europe is indirectly controlled by PSP Investments.

(3) The Individual Selling Shareholders, the New Managers and the public shareholders have no controlling shareholder.

Key Managing Directors – Following the closing of the Offering, the Board of Directors will be composed of eight Directors, including the Chief Executive Officer of the Group, Dr. Hans Joachim Müller, and the Chief Financial Officer of the Group, Thijs Bakker, each of whom will be executive Directors.

Independent Auditors – From the Listing Date, the statutory auditor of the Group will be PwC Bedrijfsrevisoren bv / PwC Reviseurs d'Entreprises srl, Woluwe Garden, Woluwedal 18, B-1932 Sint-Stevens-Woluwe, Belgium, represented by Peter Van den Eynde BV, with permanent representative Peter Van den Eynde, which is the statutory auditor of the Company, which will become the parent company of the Group in connection with the Reorganization and the Offering. Until the completion of the Reorganization and the Offering, the statutory auditor of the Group is PricewaterhouseCoopers, *Société coopérative*, 2, rue Gerhard Mercator, L-2182 Luxembourg, Grand Duchy of Luxembourg, which is the statutory auditor of Azelis Holding S.à r.l.

B.2 – What is the key financial information regarding the issuer?

Historical Financial Information – *The following selected financial information from the consolidated income statement and the consolidated statement of cash flows for the years ended December 31, 2020 and 2019 and from the consolidated statement of financial position as at December 31, 2020 and 2019 has been derived from the 2020 Azelis Holding S.à r.l. Financial Statements and the 2019 Azelis Holding S.à r.l. Financial Statements included elsewhere in this Prospectus. The following selected financial information from the consolidated income statement and the consolidated statement of cash flows for the year ended December 31, 2018 has been derived from the 2018 Azelis Holding S.A. Financial Statements included elsewhere in this Prospectus. The following selected financial information from the consolidated statement of financial position as at December 31, 2018 has been derived from the 2018 Azelis Holding S.à r.l. Financial Statements included elsewhere in this Prospectus. PricewaterhouseCoopers, Société coopérative has audited the 2020 Azelis Holding S.à r.l. Financial Statements, the 2019 Azelis Holding S.à r.l. Financial Statements, the 2018 Azelis Holding S.à r.l. Financial Statements and the 2018 Azelis Holding S.A. Financial Statements, each of which was prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**").*

The following selected interim financial information as at and for the six-month periods ended June 30, 2021 and 2020 has been derived from the Azelis Holding S.à r.l. Interim Financial Statements included elsewhere in this Prospectus. PricewaterhouseCoopers, Société *coopérative has reviewed the Azelis Holding S.à r.l. Interim Financial Statements, which were prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim Financial Reporting."*

Selected Financial Information from the Consolidated Income Statement

	For the six-month period ended June 30,		For the year ended December 31,		
	2021*	**2020***	**2020***	**2019***	**2018†**
	(€ millions except per share items)				
	(unaudited)		*(audited)*		
Revenue	1,309.5	1,134.6	2,222.9	2,095.0	1,898.2
Gross profit	294.3	247.2	486.1	444.7	396.0
Operating profit	104.7	77.4	147.2	128.9	87.1
Net profit/(loss) for the period	47.5	27.8	71.0	48.0	(50.1)
Basic earnings per share [(1)] (€)	0.04	0.02	0.06	0.04	(11.82)
Diluted earnings per share [(1)] (€)	0.04	0.02	0.06	0.04	(11.82)
Restated basic earnings per share [(2)] (€)	0.23	0.14	0.35	0.24	(0.25)
Restated diluted earnings per share [(2)] (€)	0.23	0.14	0.35	0.24	(0.25)

(1) Basic earnings per share and diluted earnings per share presented in this Prospectus are historical amounts calculated based on the share structure of Azelis Holding S.à r.l. and Azelis Holding S.A. up to and including the date of this Prospectus and not based on the share structure of Azelis Group NV. Such information is not directly comparable across all reporting periods and may not be indicative of, or directly comparable to, future earnings per share of the Company following the Reorganization and the Offering.

(2) Restated basic earnings per share and restated diluted earnings per share are the historical amounts of the basic earnings per share and the diluted earnings per share, recalculated on the basis of the number of Shares of Azelis Group NV that will be in existence after the completion of the Reorganization (but before closing of the Offering).

Selected Financial Information from the Consolidated Statement of Financial Position

	As at June 30,	As at December 31,		
	2021*	**2020***	**2019***	**2018***
	(€ millions)			
	(unaudited)	*(audited)*		
Total non-current assets	2,757.0	2,262.7	2,280.0	2,093.0
Total current assets	846.6	691.9	600.4	540.9
Total assets	**3,603.5**	**2,954.6**	**2,880.3**	**2,633.9**
Total equity	**1,328.2**	**1,217.9**	**1,234.6**	**1,180.4**
Total non-current liabilities	1,714.7	1,319.6	1,275.0	1,123.4
Total current liabilities	560.6	417.1	370.7	330.1
Total liabilities	**2,275.3**	**1,736.7**	**1,645.7**	**1,453.5**
Total equity and liabilities	**3,603.5**	**2,954.6**	**2,880.3**	**2,633.9**
Total financial indebtedness	**1,565.6**	–	–	–

Selected Financial Information from the Consolidated Statement of Cash Flows

	For the six-month period ended June 30,		For the year ended December 31,		
	2021*	**2020***	**2020***	**2019***	**2018†**
	(€ millions)				
	(unaudited)		*(audited)*		
Net cash flow from operating activities	39.7	9.2	117.0	75.9	69.8
Net cash flow from investing activities	(466.7)	(94.1)	(115.4)	(159.3)	(63.9)
Net cash flow from financing activities	375.2	154.5	62.5	96.8	(5.7)

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements.

† Denotes that the column presents amounts from the 2018 Azelis Holding S.A. Financial Statements.

***Selected Other Financial and Operating Data** – The following alternative performance measures are not calculated in accordance with IFRS and are not extracted from the historical financial information noted above.*

	As at and for the twelve months ended June 30,	As at and for the six-month period ended June 30,		As at and for the year ended December 31,		
	2021	2021	2020	2020	2019	2018
	(€ millions unless otherwise indicated)					
	(unaudited)					
EBITA	208.7	122.0	93.8	180.5	159.5	107.6
Adjusted EBITA	219.8	127.2	96.9	189.6	163.3	133.5
Adjusted EBITA Margin	9.2%	9.7%	8.5%	8.5%	7.8%	7.0%
Adjusted EBITDA	238.4	136.4	105.1	207.2	178.5	137.3
Adjusted EBITDA Margin	9.9%	10.4%	9.3%	9.3%	8.5%	7.2%
Conversion Margin	41.2%	43.2%	39.2%	39.0%	36.7%	33.7%
Free Cash Flow	210.3	79.9	57.9	188.3	137.2	127.8
Free Cash Flow Conversion	94.8%	62.3%	59.3%	98.4%	82.8%	93.1%
Net Working Capital	340.4	340.4	272.3	250.4	235.4	176.0
Net Working Capital/Revenue	14.2%	13.0%	12.0%	11.3%	11.2%	9.3%
ROTIC	58.1%	67.2%	–	67.1%	61.5%	65.5%
Net Indebtedness	1,531.7	1,531.7	–	1,124.5	1,106.1	939.3
Financing EBITDA	282.0	–	–	210.5	184.9	142.5
Net Leverage	5.4x	–	–	5.3x	6.0x	6.6x

***Unaudited Pro Forma Financial Information** – The unaudited pro forma financial information comprising the unaudited pro forma consolidated income statement for the year ended December 31, 2020 and for the six-month period ended June 30, 2021 of the Group has been prepared to illustrate the effects of Azelis' acquisition on June 1, 2021 of Vigon International, LLC ("**Vigon**") as if it had taken place on January 1, 2020.*

*The unaudited pro forma financial information has been prepared in accordance with the principles described in the Prospectus Regulation and the Commission Delegated Regulation (EU) 2019/980 and the related European Securities and Markets Authority ("**ESMA**") guidance. The unaudited pro forma financial information has not been audited; however, it has been reported on in accordance with ISAE 3420 (Assurance Engagements to Report on the compilation of Pro Forma Financial Information included in a Prospectus) by PricewaterhouseCoopers, Société coopérative, as indicated in its report included herein.*

Selected Financial Information from the Unaudited Pro Forma Consolidated Income Statement

	For the six-month period ended June 30,	For the year ended December 31,
	2021	2020
	(€ millions)	
	(unaudited)	
Revenue	1,364.6	2,339.0
Gross profit	319.6	534.7
Operating profit/(loss)	122.3	173.5
Net profit/(loss) for the period	58.5	82.0

Audit Qualifications – The audit reports relating to the historical financial information included in this Prospectus do not contain any qualifications.

B.3 – What are the key risks that are specific to the issuer?

Azelis' operations and industry are subject to the following risks, among others.

- Azelis' business and growth opportunities may be materially adversely affected by any deterioration in global or regional economic conditions.
- Geopolitical developments, particularly in Europe, the United States and China, may have repercussions that could have a negative impact on global or regional economic growth, disrupt markets and materially adversely affect Azelis' business, results of operations and growth opportunities.
- Azelis is heavily dependent on principals' mandates, and the loss of such mandates may materially adversely affect its business, results of operations and financial condition.
- The Group may fail to timely acquire and integrate suitable acquisition candidates, or it may incur liabilities in connection therewith, which may materially affect the Group's ability to achieve its strategic objectives and growth.
- Azelis may fail to address the challenges and risks associated with its international expansion in emerging markets and may consequently fail to achieve its strategy and expansion in certain emerging markets.
- Business interruption in the Group's supply chain or facilities could result in significant losses and reputational damage to Azelis, which could materially affect its business, results of operations and prospects.
- Azelis' business, reputation, results of operations and prospects could be materially adversely affected by security threats, including cybersecurity threats.
- Azelis' working capital needs may increase due to inefficient inventory management, increased credit risk or otherwise, and it may be unable to finance its working capital in the current conditions.

- 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.
- Azelis' statement of financial position includes very significant goodwill and intangible assets, collectively representing 73.6% of total assets and amounting to 199.8% of total equity (before the Offering) as at June 30, 2021, which could become impaired.
- Compliance with and changes to environmental, health and safety laws, including laws relating to the investigation and remediation of contamination, could have a material effect on Azelis' cost of doing business.

C. Key Information on the Securities

C.1 – What are the main features of the securities?

Type, Class and ISIN – This summary relates to the Offer Shares (ISIN: BE0974400328; Trading Symbol: AZE). The Offer Shares are ordinary shares of the Company without nominal value.

Currency, Denomination, Par Value, Number of Securities Issued and Duration – The Offer Shares are denominated in euros. As at the date of this Prospectus, the share capital of the Company amounts to €61,500 and is represented by 61,500 fully paid-up Shares. A reorganization is being implemented, pursuant to which the Company will become, subject to and with effect immediately prior to the closing of the Offering, the new ultimate parent company of the operational activities of the Group, and the shareholders of Akita Topco will become the shareholders of the Company (the "**Reorganization**"). On the first day of trading on the regulated market of Euronext Brussels, following completion of the Reorganization and upon completion of the Offering, assuming that the Company will receive gross proceeds from the Primary Tranche in the amount of €880.0 million, and further assuming that the Offer Price is at the midpoint of the Price Range, the share capital of the Company will amount to €5,279,999,984 and be represented by 236,666,666 fully paid-up Shares.

Rights Attaching to the Offer Shares – Each Share entitles the shareholder to one vote at the general meeting of shareholders of the Company. There are no restrictions on voting rights. All of the Offer Shares carry the right to participate in dividends declared in respect of the financial year ending December 31, 2021 and future years. Each shareholder has the right to attend a general shareholders' meeting and to vote at the general shareholders' meeting in person or through a proxy holder, who need not be a shareholder. Within the limits of article 7:139 of the BCCA, holders of securities have a right to ask questions to the directors in connection with the report of the Company's Board of Directors or the items on the agenda of such general shareholders' meeting. In principle, changes to the share capital are decided by the shareholders and the general shareholders' meeting may at any time decide to increase or reduce the share capital of the Company. In the event of a capital increase for cash with the issue of new Shares, or in the event of an issue of convertible bonds or subscription rights, the existing shareholders in principle have a preferential right to subscribe, pro rata, to the new Shares, convertible bonds or subscription rights. If the Company is dissolved for any reason, any balance remaining after discharging all debts, liabilities and liquidation costs must first be applied to reimburse, in cash or in kind, the paid-up capital of the Shares not yet reimbursed. Any remaining balance shall be equally distributed amongst all the shareholders.

Rank of Securities in the Company's Capital Structure in the Event of Insolvency – The Offer Shares are subordinated to all other securities and claims in case of an insolvency of the Company. All Shares are entitled to a share of any distributable liquidation proceeds or insolvency surpluses at the ratio of their share in the share capital.

Restrictions on Transferability – There are no restrictions on the transferability of the Shares other than certain lock-up undertakings of the Directors, the members of the Executive Committee and certain other key employees (including the New Managers) and certain lock-up agreements entered into by the Company, the Selling Shareholders (including the Directors and members of the Executive Committee who are Individual Selling Shareholders) and the Underwriters.

Dividend Policy – No dividends have been paid by the Company or by Azelis Holding S.à r.l. prior to the Offering. Subject to the availability of distributable reserves and approval by the Shareholders' Meeting and barring exceptional circumstances, the Company currently intends to declare and distribute an annual dividend based on a target pay-out ratio of 25-35% of the Group's reported net profit. With respect to the year ending December 31, 2021, the amount of any dividends would be calculated *pro rata* such that the Company would pay dividends only in respect of the portion of the financial year for which the Offer Shares are listed on Euronext Brussels (based on the application of the dividend policy described above).

The amount of any interim or final dividends and the determination of whether to pay dividends in any year may be affected by a number of factors, including Azelis' earnings, business prospects, capital requirements and financial performance, the condition of the market, the general economic climate, regulatory considerations and other factors considered important by the Board of Directors. In particular, the Company's ability to pay dividends may be impaired if any of the risks described in this Prospectus were to occur. Furthermore, the Company's dividend policy is subject to change as the Board of Directors will revisit the Company's dividend policy from time to time.

C.2 – Where will the securities be traded?

An application has been submitted to admit all of the Shares (including the Offer Shares) to listing and trading on the regulated market of Euronext Brussels under the trading symbol "AZE" (the "**Listing**"). Subject to an early closing, suspension or extension of the timetable for the Offering, trading of the Offer Shares is expected to commence on an "if-and-when-issued and/or delivered" basis on or about September 22, 2021 until the Closing Date, when the Offer Shares are delivered to investors.

C.3 – What are the key risks that are specific to the securities?

The Offer Shares are subject to the following key risks.

- Azelis may not be able to pay dividends in accordance with its stated dividend policy.
- The Principal Selling Shareholders' interests may diverge from the interests of other shareholders, and they may exercise significant control over Azelis' operations (in particular, considering the nomination rights of one of the Principal Selling Shareholders).
- The fact that no minimum amount is set for the Offering may affect the Company's investment plan and the liquidity of the Shares.

- Future sales of substantial amounts of Shares, or the perception that such sales could occur, could adversely affect the market value of the Shares.

D. Key Information on the Offer of the Securities to the Public and the Admission to Trading on a Regulated Market

D.1 – Under which conditions and timetable can I invest in this security?

Offer Terms and Conditions – The offering (the "**Offering**") consists of private placements to: (i) qualified investors (as defined in article 2(e) of the Prospectus Regulation) in Belgium; (ii) persons in the United States who are reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**")), in reliance on Rule 144A or another exemption from, or transaction not subject to, the U.S. Securities Act; and (iii) certain qualified and/or institutional investors in the rest of the world (together, the "**Institutional Investors**"). The Offering outside of the United States will be made in compliance with Regulation S ("**Regulation S**") under the U.S. Securities Act. The Offering is an offering of up to 40,000,000 New Offer Shares (the "**Primary Tranche**") and up to 25,396,424 Existing Offer Shares (the "**Secondary Tranche**"). The Offer Price will be a single price in euros and is expected to be in the range of €22.00 to €26.00 per Offer Share. The actual number of Offer Shares will be determined after the Offering Period and will be published in the financial press and by means of a press release on the Company's website, simultaneously with the publication of the Offer Price. There is no minimum amount for the Offering. The Company therefore has the right to proceed with a capital increase in a reduced amount. As a result, a number of Shares that is lower than the maximum number of Offer Shares in the Offering could be available for trading on the market, which could limit the liquidity of the Shares. Furthermore, the Company's financial means in view of the uses of proceeds would in such case also be reduced.

Stabilization Manager – The Principal Selling Shareholders are expected to grant the Stabilization Manager, acting on behalf of the Underwriters, an option to purchase additional Shares in a number equal to up to 15% of the number of Offer Shares sold in the Offering at the Offer Price to cover over-allotments or short positions, if any, in connection with the Offering (the "**Over-Allotment Option**"). The Over-Allotment Option can be exercised even if the Offering has not been subscribed in full.

Expected Timetable – The following is the expected timetable of the Offering, which may be extended or shortened.

Date	Event
September 14, 2021	Opening of the Offering Period (commencement of the book-building process)
September 21, 2021 (the "**Pricing Date**")	End of the Offering Period (book-building process), subject to early closing.
	Determination of the Offer Price, the final number of the Existing Offer Shares (including the number of Shares covered by the Over-Allotment Option) and New Offer Shares to be offered in the Offering
on or about September 22, 2021	Publication of the Offer Price, the final number of the Existing Offer Shares (including the number of Shares covered by the Over-Allotment Option) and New Offer Shares to be offered in the Offering in a Company press release that is available in searchable electronic form on the Company's website (www.azelis.com/investor-relations) and on the website of the market where admission to trading is sought
on or about September 22, 2021 (the "**Listing Date**")	Expected first day of trading of the Shares on the regulated market of Euronext Brussels (listing and start of conditional trading)
on or about September 24, 2021	Expected Closing Date
on or about October 21, 2021	Expected last possible exercise of the Over-Allotment Option

Plan of Distribution – The relative underwriting commitments of the Underwriters are set forth in the table below.

Underwriter	Percentage of Offer Shares
Goldman Sachs Bank Europe SE	30.00%
J.P. Morgan AG	30.00%
Barclays Bank Ireland PLC	9.75%
BNP Paribas Fortis SA/NV	9.75%
HSBC Continental Europe	9.75%
ING Belgium SA/NV	9.75%
Coöperatieve Rabobank U.A.	0.50%
Landesbank Baden-Württemberg	0.50%
Total	**100.00%**

The several obligations of the Underwriters to purchase the Offer Shares referred to above are subject to the entry into the Underwriting Agreement between the Company, the Selling Shareholders and the Underwriters setting the Offer Price per Offer Share and the fulfillment of certain customary conditions, including, among other things, delivery of legal opinions by legal counsel to the Company and the Selling Shareholders.

The Company will pay the commissions of the Underwriters in accordance with the terms of the Underwriting Agreement. The Company will also reimburse the Underwriters for certain of their expenses in connection with the Offering set forth in and in accordance with the terms of the Underwriting Agreement.

Dilution – As a result of the issuance of Offer Shares to be issued by the Company in the Primary Tranche, the economic interest and the voting interest of the Selling Shareholders will be diluted. The maximum dilution for the Selling Shareholders would be 15.49%, based on expected gross proceeds from the Primary Tranche of €880.0 million and assuming that the Offer Price is at the midpoint of the Price Range. An existing Shareholder who holds 1.00% of the Company's share capital prior to the issue and who does not subscribe to the Offering will hold 0.85% of the Company's share capital after the issue of the New Offer Shares, assuming full placement of the New Offer Shares.

Expenses of the Offering – Based on expected gross proceeds from the Primary Tranche of €880.0 million, the Company estimates the expenses of the Offering to include underwriting commissions (including discretionary fees payable to the Underwriters at the full discretion of the Company) relating to the Primary Tranche, the Secondary Tranche and the Over-Allotment Option in the amount of approximately €39.9 million and other fees and expenses (including administrative, legal, tax and audit expenses) of approximately €17.1 million. All fees and expenses relating to the Offering will be borne by the Company.

Expenses Charged to Investors **–** Investors will not be charged expenses by the Company, the Selling Shareholders or the Underwriters in connection with their role as underwriters. Investors may, however, have to bear customary transaction and handling fees charged by their account-keeping financial institution. The Belgian tax on stock exchange transactions may be due on the subscription for Existing Offer Shares but not on the subscription for New Offer Shares.

D.2 – Who are the offerors and the person asking for admission to trading?

Offerors **–** The Offer Shares are being offered by the Company and the Underwriters.

Admission to Trading – An application has been made for the listing and admission to trading of the Offer Shares on the regulated market of Euronext Brussels.

D.3 – Why is this prospectus being produced?

Reasons for the Offering and the Admission to Trading – Azelis believes that the Offering will significantly strengthen its financial position. The Primary Tranche will enable Azelis to repay current outstanding debt and provide it with increased financial flexibility that is more consistent with its current profile and maturity. The Offering will also support Azelis' growth strategy and future acquisitions, by providing funding through the Primary Tranche and by giving it access to capital markets. In addition, Azelis expects that the Offering will support its ability to incentivize the current and future members of the Executive Committee and senior management, and to continue to attract high-caliber individuals to join its Executive Committee and senior management team in the future. Such incentivization could occur by way of awards of listed Shares in the Company, aligning the interests of the members of the Executive Committee and senior management team with those of Azelis' shareholders.

Estimated Net Amount and Use of Proceeds **–** The Group intends to apply the entire approximately €823.0 million of expected net proceeds of the Primary Tranche to the repayment of the Existing Indebtedness. The Group will also draw the full amount of borrowings under the New Term Loan (being approximately €790.0 million) and apply such borrowings to the repayment of the Existing Indebtedness. All outstanding amounts under the Existing Indebtedness (being (i) the €1,490.9 million principal amount of the Existing Senior Facilities and the Existing Second Lien Notes that was outstanding as at June 30, 2021, (ii) €24.4 million of accrued and unpaid interest on the Existing Senior Facilities and the Existing Second Lien Notes as at June 30, 2021 and (iii) €100.0 million that was drawn under the Existing RCF after June 30, 2021) will be repaid, thereby reducing the Group's Net Leverage, which Azelis believes will provide it with greater financial flexibility. If any amounts remain following the full repayment of the Existing Indebtedness using the net proceeds of the Primary Tranche and borrowings under the New Term Loan, such amounts will be available for the general corporate purposes of the Group. If any additional amounts are required for the full repayment of the Existing Indebtedness after the application of the net proceeds of the Primary Tranche and borrowings under the New Term Loan to such repayment, such amounts will be taken from cash on the Group's balance sheet and applied to the repayment of the Existing Indebtedness. The Refinancing is conditional on the closing of the Offering and Admission.

Assuming a full placement of the Offer Shares in the Secondary Tranche, that the Offer Price is at the midpoint of the Price Range and that the Over-Allotment Option is exercised in full, the Selling Shareholders will receive aggregate gross proceeds and equivalent net proceeds from the Offering of approximately €831.5 million. The Company will not receive any of the proceeds from the Secondary Tranche or from the Over-Allotment Option, all of which will be paid to the Selling Shareholders.

Underwriting Agreement **–** The Company, the Selling Shareholders and the Underwriters are expected to enter into an underwriting agreement (the "**Underwriting Agreement**") with respect to the offer and sale of the Offer Shares in the Offering on the Pricing Date.

Material Conflicts of Interest **–** The Underwriters and their respective affiliates have engaged in, and may in the future engage in, investment or commercial banking, financial advisory, hedging or other financial services and other commercial dealings with the Selling Shareholders, any entities with respect to which the Selling Shareholders are a controlling party, and with the Company and its affiliates, including the provision of loans and/or other debt instruments and hedging products to the Company and/or its affiliates and the Selling Shareholders and/or any entities with respect to which the Selling Shareholders are a controlling party. In addition, certain of the Joint Global Coordinators (in each case either directly, or through an affiliate) may enter into financing documentation to act as a lender under margin loan financing arrangements, in respect of which they may in the future receive fees and commissions. Pursuant to such potential margin loan, a shareholder could grant a security interest over certain Shares owned by them to one or more lenders or their affiliates under such margin loan. In case of a default of the shareholder under the margin loan, the lenders would be in a position to enforce their security interest over such Shares, which may therefore result in a disposal or sale of Shares by the lenders. In addition, should the market price of the Offer Shares decrease, the lenders might carry out hedging transactions in order to cover financial risk relating to the pledged Shares. The Underwriters and/or their respective affiliates are lenders under the New Debt Facilities. The Underwriters and their respective affiliates have received, and may in the future receive, customary fees and commissions for these transactions and services.

The Underwriters or their related parties may acquire financial instruments issued by the Selling Shareholders, the Company or their related parties or financial instruments related to the financial instruments issued by any of the above entities. In connection with the Offering, each of the Underwriters or their affiliates may also, acting as an investor for its own account, purchase the Offer Shares in the Offering, and then either hold them or sell them, or otherwise dispose of them. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps) with investors. None of the Underwriters intends to disclose the extent of any such investment or transactions other than in accordance with any legal or regulatory obligation to do so. The Underwriters act for the Company and the Selling Shareholders on the Offering and coordinate the structuring and execution of the Offering. Upon successful implementation of the Offering, the Underwriters will receive a commission. As a result of these contractual relationships, the Underwriters have a financial interest in the success of the Offering.

1. RISK FACTORS

Any investment in the Offer Shares involves a high degree of risk. Prospective investors should carefully consider the risks and uncertainties described below, together with other information described elsewhere in this Prospectus, including the consolidated financial statements and the related notes contained elsewhere in this Prospectus, before deciding to purchase any Offer Shares.

The risk factors included in this section 1 are presented in accordance with Article 16 of the Prospectus Regulation. As a result, in each subsection, the risk factors that Azelis considers to be most relevant on the basis of the likelihood of the risk actually materializing, the potential significance of the risk and the scope of any potential harm to its business, results of operations, financial condition and prospects as a result of the risk are listed first. The order in which the subsequent risk factors are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to Azelis' business, results of operations, financial condition and prospects. While the risk factors have been divided into categories, some risk factors could belong in more than one category and prospective investors should carefully consider all of the risk factors set out in this section.

Although Azelis believes that the risks and uncertainties described below are the most material risks and uncertainties facing its business and the Offer Shares, they are not the only ones relating to Azelis and the Offer Shares. There could be other risks, facts or circumstances that are not presently known to Azelis or that Azelis currently deems to be less material than the risks detailed herein or not specific to Azelis.

1.1 Risks Related to Azelis' Business and Industry

Risks Related to Macroeconomic and Political Environment

1.1.1 *Azelis' business and growth opportunities may be materially adversely affected by any deterioration in global or regional economic conditions.*

Azelis is a leading global innovation service provider for the specialty chemicals and food ingredients industry, with customers that are typically small- and medium-sized players that cater to life sciences and industrial chemicals end markets. As overall demand for specialty chemicals and, to a lesser extent food ingredients, tends to decline when economic conditions deteriorate, Azelis' business, results of operations, financial condition and prospects depend on global and regional macroeconomic conditions, particularly in its largest markets in Europe and North America. In 2020, 46.5% of Azelis' revenue was generated in EMEA, 42.9% in the Americas and 10.7% in Asia-Pacific. A deterioration of economic conditions in any of the markets in which the Group operates, including an economic slowdown caused by major national or international political and/or monetary developments, could significantly adversely affect customer demand and sales volumes, product availability or the ability of the Group to cost-efficiently maintain its broad sales networks. Consequently, such impact could, individually or in combination with developments in other regions, have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

More broadly, regional and global macroeconomic conditions, including central banks' monetary and governments' fiscal policies, economic recession, unemployment levels, corporate and private debt default rates, inflation rates, exchange rate movements, the level of business investment, the availability and cost of capital, global investor sentiment and confidence, liquidity in the financial markets, consumer spending levels and confidence, global health risks and acts of terrorism, along with global financial market turmoil and volatility generally, have affected and may continue to affect the financial condition of principals and customers of specialty chemicals and food ingredients as well as commercial activity levels and demand for specialty chemicals and food ingredients both in general and for products distributed by Azelis specifically. Any overall decline in the demand for specialty chemicals and food ingredients could significantly reduce the Group's sales and profitability. General economic conditions could also affect the creditworthiness of the Group's customers, in which case the Group would face increased credit risk with respect to its trade receivables. In addition, volatility and disruption in financial markets could adversely affect the Group's sales and results of operations by limiting its customers' ability to obtain financing necessary to maintain or expand their own operations.

The economic consequences of the sanitary and protective measures taken by governments in response to the COVID-19 pandemic have severely affected global macroeconomic conditions. Although the COVID-19 pandemic has only had a limited adverse impact on Azelis' profitability and on the demand for specialty chemicals and food ingredients to date, the future impact and the degree and pace of economic recovery following the COVID-19 pandemic are not fully known. A potential prolonged economic slowdown globally or in one or more of the regions where the Group operates resulting from the COVID-19 pandemic could damage the Group's business, results of operations, financial condition and prospects. For instance, it is highly uncertain to what extent the market for specialty chemicals and food ingredients in India will be affected by the particularly severe outbreak of COVID-19 in the spring of 2021. Higher unemployment rates, lower disposable income and lower consumption, as well as fluctuations in the financial markets (including the currency market) resulting from the COVID-19 pandemic, may significantly adversely affect the financial condition of the Group's principals and customers.

Any of the factors above could have a material adverse impact on Azelis' business and growth opportunities.

1.1.2 ***Geopolitical developments, particularly in Europe, the United States and China, may have repercussions that could have a negative impact on global or regional economic growth, disrupt markets and materially adversely affect Azelis' business, results of operations and growth opportunities.***

Azelis operates in a large number of geographic regions and countries, some of which are complex or have unstable political or social climates and, as a result, is exposed to a wide range of political, economic, regulatory, social and tax environments. These environments are subject to change in a manner that may be materially adverse for Azelis, including changes to government policies and regulations governing foreign investment, price controls, import and export controls, tariffs, subsidies, income and other forms of taxation, repatriation of income, royalties, the environment, labor and health and safety.

Geopolitical developments in recent years have given rise to significant market volatility and, in certain instances, have had an adverse impact on economic growth and performance globally or regionally. Notably, there has been a significant increase in activity and speculation regarding tariffs and other barriers to trade imposed between governments in various regions, in particular between the United States and its trading partners, such as China and the European Union. Further increases in protectionist policies or a continued escalation in tariff or duty activity, for instance between the United States and China, could negatively impact global economic growth and affect the economy in the Group's principal markets in EMEA, the Americas and Asia-Pacific. Other geopolitical tensions, such as trade tensions between the United Kingdom and the European Union or an escalation of the Israel-Gaza or Russia-Ukraine conflicts, also have the potential to trigger significant market volatility and negatively affect confidence and global or regional growth. Although the Group in the past has not suffered a material impact from such geopolitical developments, the Group now considers this as a material risk as a consequence of its further international expansion.

If the overall economic climate deteriorates as a result of the aforementioned geopolitical developments or any other developments, this may adversely affect global or regional economic growth, heighten trading tensions and disrupt markets, resulting in an overall decline of business levels that could materially adversely affect Azelis' business, results of operations and growth opportunities.

Risks Related to Azelis' Industry

1.1.3 ***Azelis is heavily dependent on principals' mandates, and the loss of such mandates may materially adversely affect its business, results of operations and financial condition.***

The Group is dependent on mandates from its approximately 2,200 principals to develop and supply the product portfolio that the Group markets, sells and distributes. In the year ended December 31, 2020, 37% of the Group's gross profit was derived from products acquired by the Group from its top ten principals. The Group has had an ongoing relationship with its top ten principals in multiple countries for over 20 years on average and has not lost any of such principals in the past ten years. The loss of one or more of the Group's key principals or of a significant portion of the mandates currently in place with such principals could have a material adverse effect on the Group's product portfolio, sales volumes, revenue, cash flow and gross profit.

The Group generally enters into multiple exclusive distribution agreements with its principals, each relating to a different product or portfolio of products and/or geography. With some principals, Azelis works through master distribution agreements (on a regional basis), with specific mandates per product and/or geography included as separate annexes. Therefore, Azelis' relationships with the vast majority of its principals, including with all of its top ten principals, are made up of multiple mandates. Distribution agreements have a typical duration of three to five years. Renewals take place on a continual basis; however, upon expiration, principals may decide not to renew the applicable agreement or may agree to a renewal only on terms that are less favorable to the Group. In addition, these distribution agreements can generally be terminated by the principal without cause and with only a short notice period (typically three to six months), with the least contractual protection mostly seen in the Americas. In addition, as is common in its industry, Azelis makes its purchases with some principals pursuant to purchase orders and oral arrangements, where it does not succeed in entering into written distribution agreements, which it would prefer. The absence of a formal distribution agreement creates uncertainty around the applicable notice period and termination protection when no mandatory statutory or case law is in effect to offer a certain degree of protection at termination.

If, upon termination of a principal mandate, the Group is unable to secure an alternative mandate for the relevant product and within the relevant jurisdictions within a short period of time, the Group may be unable to replace the revenue and margin realized in relation to the product portfolio for which the principal has terminated the mandate. If the Group is unable to continue an existing key mandate or distribution agreement, its business could be adversely impacted. If it is unable to continue the entire existing relationship with a key principal on substantially the same terms for any reason, this could even more materially adversely impact the Group's business, results of operations and financial condition.

Various circumstances may lead principals to terminate mandates with the Group or may impact the ongoing relationship with the principals, as set out below.

Consolidation among Principals

Consolidation among principals could create conflicts between the distributors of the acquirer and the target or result in the consolidated principal taking up distribution itself, either of which may cause the Group to lose existing relationships with its principals. Although the Group has benefited from the increasing trend of consolidation among principals by winning mandates from consolidated principals, there is a risk that the future rationalization of existing distribution networks by principals could result in the termination of distribution relationships with the Group to the advantage of the Group's competitors.

Market Disintermediation

Although the last decades have seen the opposite trend, there is a risk of disintermediation in the market for distribution of specialty chemicals and food ingredients whereby principals could decide to rely less on third parties for distribution of specific products to customers (e.g., by developing online direct sales platforms or other strategies to address their offer to customers). There may be consolidation in certain of the Group's end markets, facilitating the rationalization by principals of their route-to-market as a result of which principals could opt to sell their products directly to customers and no longer through third-party distributors such as the Group. Principals may also decide to outsource marketing and sales to digital e-commerce platforms that might be able to compete with certain aspects of the Group's business. Such loss of mandates constitutes a risk for the Group where it is unable to replace such products by securing new mandates from other principals or otherwise securing supply sources of substitute or similar products.

Operating Performance of Principals

Even where the Group successfully maintains or renews its existing mandates or secures replacement mandates with new principals, the Group is exposed to risks related to the performance of such principals. For example, if a principal is unable to fulfill its contractual obligations to the Group due to product shortages or force majeure, if it reduces its product offering (e.g., for regulatory reasons or because of sustainability standards), or if it changes its product offering in a manner that does not correspond to expected customer demand, the Group may be unable to offer a satisfactory alternative to its customers or otherwise be able to meet its customers' demands. The discontinuation of certain products could also negatively affect customer demand for other related products that the Group distributes for use in a specific formulation or end product. As a result, the Group's customers may turn to one or more of the Group's competitors to obtain products, which could affect the Group's sales volumes and corresponding revenue.

The occurrence of any of these events could have a material adverse effect on Azelis' business, results of operations and financial condition.

1.1.4 *Azelis' success and reputation depend on its ability to offer new products, formulations and services, including digital innovation, to address new developments and changes in customer demand and in sustainability expectations.*

Continuous changes in the industries in which Azelis operates drive customer demand for new products, formulations and services. Such changes are typically driven by new technologies, digital innovation such as e-commerce platforms, and increasing expectations related to sustainability. In this respect, increasing investments in robotics, machine learning, artificial intelligence and advanced analytics are driving efficiency within Azelis. Azelis' future success in responding to customers' demand for such new products, formulations and services on a timely and cost-effective basis, will depend, in part, on Azelis' ability to source innovative products from its principals and/or attract new mandates from principals, to develop such innovative formulations and services in-house or to complete further acquisitions. An example of a new service demanded by customers is online access to technical information on products and formulations, which Azelis provides through its online customer portals.

Azelis works with a wide range of principals that offer sustainable products. However, the attractiveness of Azelis as a distributor will depend, in part, on its continuing ability to access products that meet its customers' sustainability standards. For instance, where a customer demands a more sustainable alternative to a food ingredient in Azelis' product portfolio and Azelis is not able to offer such alternative, a customer may decide to switch to another distributor. If Azelis does not succeed in attracting sufficient mandates from principals with strong sustainability policies, it may lose customers for this reason.

Azelis may be unable to identify and respond to changes in customer demand without committing considerable time and resources, or at all, or may not be successful in realizing a financial return on these efforts. If Azelis is not able to accurately predict or respond effectively to developments in its industries or if it is not able to acquire or develop enhancements and new products, formulations and services that achieve market acceptance or that keep pace with technological and digital developments and evolving industry standards (including on sustainability), Azelis may lose customers to existing or future competitors, which could have a material adverse effect on Azelis' reputation, business, results of operations and growth opportunities.

1.1.5 ***The Group may fail to timely acquire and integrate suitable acquisition candidates, or it may incur liabilities in connection therewith, which may materially affect the Group's ability to achieve its strategic objectives and growth.***

The global chemicals distribution market is highly fragmented, with approximately 20,000 mostly local or regional distributors. To retain its competitive position, it is an important part of Azelis' strategy to continue to pursue targeted acquisitions. The success of this strategy depends on the Group's ability to timely complete the acquisition of suitable acquisition candidates and to successfully integrate them into the Group. Since January 1, 2017, Azelis has completed 29 acquisitions, including the acquisition of Vigon on June 1, 2021. As at the date of this Prospectus, Azelis has entered into binding agreements in relation to two additional acquisitions that are expected to close before the end of 2021 and has identified several additional potential near- and medium-term bolt-on acquisition opportunities.

Although due diligence is completed on potential target companies, acquisitions involve risks, including inaccurate assumptions about revenue and costs of the target, loss of principals and customers after completion of the acquisition, the commitment of significant management resources, dependence on the retention and performance of existing management and workforces of acquired businesses for the future performance of these businesses and regulatory and compliance risks associated with acquired businesses. In addition, the Group cannot be sure that it will be able to acquire, on reasonable terms, suitable acquisition candidates or that it will obtain the necessary funding, on acceptable terms, to finance any of those potential acquisitions. Finally, compliance with antitrust or any other regulations may delay proposed acquisitions, prevent the Group from closing acquisitions or require the Group to dispose of a portion of its existing or acquired businesses.

For the six-month period ended June 30, 2021 and for the years ended December 31, 2020, 2019 and 2018, acquired businesses contributed €61.0 million, €132.3 million, €93.6 million and €19.3 million, respectively, to the Group's revenue for the relevant period. See section 9.4.2 (*Operating and Financial Review—Key Factors Affecting Azelis' Results of Operations—Acquisitions*). Azelis' ability to realize the anticipated benefits of acquired businesses will depend, in part, on the ability of its in-house integration team to successfully and efficiently integrate those businesses and operations with its own business. The integration of acquired operations with Azelis' existing business can be complex, costly and time-consuming, and may result in additional demands on Azelis' resources, systems, procedures and controls, disruption of its ongoing business and diversion of management's attention from other business concerns.

The Group may be unable to successfully acquire and integrate businesses in the future, or any acquired entity, business or asset may not perform in line with the Group's assumptions or expectations, achieve expected synergies or otherwise complement the Group's business or strategy. Further, the Group's competitors may be more successful in acquiring other distributors, enabling them to expand their distribution networks, product portfolios and sales forces, all of which may make them more attractive to principals and customers. Also see risk factor 1.1.6 (*—Azelis may fail to address the challenges and risks associated with its international expansion in emerging markets and may consequently fail to achieve its strategy and expansion in certain emerging markets*).

Azelis may also acquire liabilities in connection with any acquisitions or ventures, including liabilities related to tort, employment, environmental, regulatory, compliance or tax matters. If Azelis acquires any of these liabilities, and they are not adequately covered by insurance or an enforceable indemnity or similar agreement from a creditworthy counterparty, Azelis may be exposed to unforeseen significant liabilities and expenditures. If such liabilities in connection with acquisitions materialize, these could have a material adverse effect on Azelis' business, results of operations, financial condition and prospects.

Any failure to timely acquire and integrate suitable acquisition candidates or the acquisition of unsuitable candidates could impair the Group's ability to achieve its strategic objectives and growth, and could have a material adverse effect on Azelis' business, growth, results of operations and financial condition.

1.1.6 ***Azelis may fail to address the challenges and risks associated with its international expansion in emerging markets and may consequently fail to achieve its strategy and expansion in certain emerging markets.***

Azelis' strategy partially depends on the expansion of its operations in Asia-Pacific, where it set up a regional head office in Singapore in 2016, as well as in the Middle East and Africa and the development of its activities in Latin America, which are at an early stage. In line with historical trends, outsourcing rates by principals using distributors are expected to grow at approximately 1% per year between 2019 and 2026, with the highest shift seen in emerging markets (i.e., China, India, the Middle East and Africa and Latin America collectively at an approximately 1.5% CAGR) compared with developed markets (i.e., North America, Western Europe and the more developed areas of the Asia-Pacific region, such as Japan, South Korea and Taiwan). See section 10.3 (*Industry Overview—Global Specialty Chemicals and Food Ingredients Distribution Market*). It may prove difficult for Azelis to achieve its strategy and take advantage of growth and acquisition opportunities in certain emerging markets due to a lack of comprehensive market knowledge and network, legal restrictions, inadequate due diligence of acquisition candidates, compliance and other risks. An acquisition or entry in an emerging market may prove to be unsuccessful, compliance failures may create liabilities for the Group and/or the Group may fail to implement its strategy consistently in certain emerging markets.

Azelis' growth in emerging markets is subject to additional risks, many of which are beyond its control, including significant government influence over local economies, foreign investment restrictions, substantial fluctuations in economic growth, high levels of inflation and volatility in currency values, exchange controls or restrictions on expatriation of earnings, high domestic interest rates, wage and price controls, changes in governmental economic or tax policies, imposition of trade barriers, unexpected changes in regulation and overall political social and economic instability. In addition, the heightened exposure to terrorist attacks or acts of war or civil unrest in certain geographies could, if such events occur, result in damage to Azelis' facilities and operations, substantial financial losses or injuries to the Group's personnel.

If any of these risks materialize, the Group could be exposed to business disruption, loss of business and reputational damage, and it may fail to achieve its strategy or expand in certain emerging markets as a result.

1.1.7 ***Azelis' business is exposed to fluctuating demand and fluctuating market prices for specialty chemicals and food ingredients.***

Azelis purchases and sells a wide variety of specialty chemicals and food ingredients to customers in both life sciences end markets, such as food and health, pharmaceuticals and personal care, and industrial chemicals end markets, such as CASE, rubber and plastic additives and essential and fine chemicals. Customer demand for these products as well as the market price and availability of specialty chemicals and food ingredients may fluctuate. Overall market demand for specialty chemicals and food ingredients may not be maintained or increase in the future. Even if the overall market for these products increases, such increase in overall demand may not result in an increase in demand for the specialty chemicals and food ingredients distributed by Azelis. Although such fluctuations in customer demand occur frequently, when substantial, these fluctuations may affect, among others, Azelis' net sales and cost of goods sold, as well as its working capital requirements, levels of debt and financing costs, and in turn could have a material adverse effect on Azelis' business, results of operations, financial condition and prospects. By way of example, during the COVID-19 pandemic, Azelis experienced a decrease in demand and sales within its CASE segment. The decrease of demand was triggered by factors such as decreases in industrial production, residential housing construction and vehicles sales.

In addition, Azelis is exposed to fluctuations in product sourcing costs. The majority of Azelis' contracts with principals include pricing mechanisms dependent on chemical prices that are not fixed, can be changed at short notice or are tied to an index, which allows its producers to change the prices of the products it purchases as the price of the products fluctuates in the market. Azelis is also exposed to fluctuations in the Group's costs for services outsourced to third parties in relation to fuel prices, labor costs, subcontractor costs or other factors. Azelis may be unable to reflect increases in its product sourcing costs and third-party services costs in its own sales pricing in the short term, due to product competition or formal pricing arrangements with its customers. Fluctuations in product prices occur frequently, but when substantial, they may affect, among other things, Azelis' cost of goods sold, as well as its working capital requirements, levels of debt and financing costs, and in turn could have a material adverse effect on Azelis' business, results of operations, financial condition and prospects.

1.1.8 ***The competitive environment in which Azelis operates exposes it to the risk of losing customers.***

Specialty chemicals and food ingredients can be purchased from a variety of sources, including local, regional and global distributors that may have strong or exclusive relationships with principals and customers in specific markets, as well as directly from principals. Where products are made to industry standard specifications and are essentially fungible with products offered by its competitors, which is more often the case for commodity chemicals (which represent approximately 5% of Azelis' sales) than for specialty chemicals, customers may still be able to substitute the products distributed by the Group with alternative products offered by its competitors.

Although Azelis has a leading position in many of the markets where it operates, some of its competitors may have stronger distribution networks or offer a wider range of products in certain markets. Competition in the market for specialty chemicals and food ingredients distribution may increase and Azelis may lose market share, for instance due to the trend of consolidation among distributors, allowing previously smaller players to gain market share, or due to new entrants in the markets where Azelis operates. Competition from existing or new competitors could result in price erosions, reduced margins, a loss of market share or skilled employees, and higher costs for Azelis to enter new countries or end markets. The implementation of Azelis' strategy requires a significant ability to anticipate and adapt to competitive and market developments and continuous investment in technological and digital innovation. Any decline in Azelis' overall competitive position could materially adversely affect Azelis' business, results of operations, financial condition and prospects. See risk factor 1.1.3 (—*Azelis is heavily dependent on principals' mandates, and the loss of such mandates may materially adversely affect its business, results of operations and financial condition*).

In addition, as a result of the competitive environment in which Azelis operates, Azelis' customers may be able to demand purchase arrangements that are less favorable to Azelis or could simply elect to discontinue their purchases, which could materially adversely impact Azelis' business. Azelis may lose customers if its competitors offer more attractive terms on the same or competing products or if Azelis attempts to increase product prices.

Azelis may be unable to retain its customers or its customers may not maintain or increase their current level of business with Azelis. The loss of a significant number of customers, or a significant decrease in levels of business of customers with Azelis, could have a material adverse effect on Azelis' business, results of operations, financial condition and prospects.

1.1.9 ***The absence of formal sales arrangements exposes Azelis to the risk of losing business.***

Specialty chemicals and food ingredients distributors such as Azelis typically do not have formal sales arrangements with customers. Azelis does not have such formal arrangements in place with a substantial majority of its customers, including more than half of its top ten customers (by contribution to gross profit) in each of the three main regions where the Group operates. In line with industry standards, Azelis generally does business with its customers on a non-exclusive basis and with no minimum purchase obligations or long fixed terms. When formal contracts are in place, these are generally arrangements covering prices, payment terms and delivery conditions only with no minimum purchase obligations.

The absence of formal sales arrangements has as a consequence that Azelis' sales are not legally guaranteed in the mid- to long-term. This also facilitates the switch by customers from sourcing products from Azelis to one of its competitors, for reasons as described in risk factor 1.1.8 (—*The competitive environment in which Azelis operates exposes it to the risk of losing customers*).

1.1.10 ***The failure of third-party service providers to perform their obligations towards Azelis, or the failure of Azelis to find qualified service providers, could materially adversely affect Azelis' business, reputation, results of operations, financial condition and prospects.***

Azelis relies on third-party service providers for a substantial part of its service offering such as logistics, warehousing, mixing, blending, packaging and labeling, which it mainly outsources to a large number of local and regional third-party service providers. While Azelis seeks to carefully select and monitor the performance of such third parties, it has limited ability to control the quality of the specific services provided by such third parties. Overall, there are sufficient skilled third-party service providers available, but in regions where there is limited availability, notably in emerging markets, there is a risk that the Group may not be able to secure or maintain these services at acceptable commercial rates and quality levels, if at all.

Poor performance, defaults, the failure to perform services effectively or in a timely manner, or other failures by a third-party service provider may expose Azelis' customers to delays and the Group itself to claims by customers, reputational risk, unanticipated additional costs, penalties, liabilities and, possibly, loss of business with customers. A third party to which Azelis has outsourced mixing and blending services may mishandle or spill products, or products transported by a third party on behalf of Azelis may be contaminated during transport, exposing Azelis to reputational damage and to claims from customers. For instance, in 2019, a third-party logistics provider in Germany mishandled a product warehoused on behalf of the Group, which resulted in such product contaminating a local watercourse, causing damage to the local environment and adverse media attention for the Group.

Disputes with service providers that fail to perform services properly or otherwise fail to meet their obligations may result in liability claims, governmental actions and/or extended and time-consuming litigation, increased costs and expenses, additional demands on Azelis' resources, reputational damage, disruption of its ongoing business and diversion of management's attention from other business concerns. Even if Azelis were to be successful in defending such claims, actions and litigation, it may not be able to successfully find recourse if the third-party service provider that is found liable is insolvent or if Azelis' contract with the relevant third-party service provider contains limitations on liability or compensation.

If any of these circumstances were to occur, or if Azelis is unable to find qualified service providers in the future, Azelis' business in certain jurisdictions or end markets may be disrupted, its reputation or relationships with customers may be harmed, or it may incur significant additional costs or be forced to make significant capital investments, any of which could have a material adverse effect on Azelis' business, reputation, results of operations, financial condition and prospects.

Risks Related to Azelis' Business

1.1.11 ***Business interruption in the Group's supply chain or facilities could result in significant losses and reputational damage to Azelis, which could materially affect its business, results of operations and prospects.***

As a distribution business relying on extended supply chains and on a large number of office, warehouse and laboratory facilities spread across numerous jurisdictions, the Group is exposed to the risk of business interruption. Many of the facilities operated or used by the Group are exposed to a number of risks as a result of external factors such as natural disasters (e.g., hurricanes and earthquakes), international health risks (e.g., viruses, epidemics and pandemics), fires, explosions, accidents or other unforeseen events beyond its control. These external factors may have significant adverse consequences, such as inability to manufacture, source or deliver products, damage to property, injuries to employees and third parties, power failures, interruption of critical technology and the inability of a part of the Group's personnel to perform its duties for the Group.

For instance, the COVID-19 pandemic and the lockdown and quarantine measures imposed by governments in response thereto disrupted supply chains and led to the shutdown of certain facilities of principals of the Group. These events resulted in supply shortages in the market for specialty chemicals and food ingredients mid-2020, which impacted the Group as it is dependent on principals to provide the products it sells to customers.

Azelis may be unable to find recourse against third parties for such business interruption. Although Azelis maintains business interruption insurance covering both the increased cost of working at all Azelis sites as well as financial losses resulting from incidents occurring at Azelis' manufacturing sites, such insurance is subject to financial limits and indemnity periods, and the type or level of coverage may be inadequate or Azelis may be unable to continue to maintain its existing insurance on existing terms or obtain comparable insurance at a reasonable cost. See risk factor 1.1.18 (*—Azelis' business is exposed to operational risks and Azelis may not have adequate insurance against such risks*). For example, Azelis suffered a fire at the Group's leased warehouse facility in Mississippi in the United States in January 2016, which was caused at an adjacent building. Due to the fact that the neighboring tenant had become insolvent and lacked insurance coverage, Azelis was unable to successfully find recourse against any third party and became responsible for the environmental clean-up costs associated with the fire, which largely exceeded the U.S.$2 million of insurance proceeds received.

In addition, the Group is currently in the process of developing adequate business continuity planning for all of its facilities, which is expected to be fully rolled out in 2025. The vast majority of its sites currently have no formal business continuity plan in place and still rely on informal or ad hoc planning to deal with unplanned interruptions. Where such planning is in place, it may prove to be inadequate to prevent business interruption events or maintain the Group's current levels of operations despite the business interruption. If no or inadequate business continuity planning is in place at the time of a major business interruption event, uncoordinated actions of crisis management could result in prolonged or more severe disruptions in Azelis' operations and adversely affect its business.

Business interruption in the Group's supply chain or facilities as well as absence of sound business continuity planning could lead to reputational damage, damage and/or loss to inventory and property and loss of customers, any of which could have a material adverse effect on Azelis' business, results of operations and prospects.

1.1.12 ***Azelis' business, reputation, results of operations and prospects could be materially adversely affected by security threats, including cybersecurity threats.***

Azelis depends on its integrated enterprise resource planning ("**ERP**"), central product information management system, customer relationship management system, master data and analytics hub, online principal and customer platforms and other information systems to execute transactions, billings, payments and inventory, as well as to manage its overall businesses and make a variety of day-to-day business decisions. Although Azelis maintains a group-wide cybersecurity program based on the ISO 27001 standard, the Group's interconnected systems remain susceptible to cyberattacks and other malicious internet-based activity, systems hacking and security breaches, attempts to gain unauthorized access to data (either directly or through Azelis' vendors), computer viruses and other malware, malfunctions, lack of support and other interruptions (including due to equipment damage, power outages and a range of other hardware, software and network problems and incidents). A malfunction or cyberattack that results in a wider or sustained disruption to such systems could have a material adverse effect on Azelis' reputation, business, results of operations, financial condition and prospects.

Cybersecurity threats to gain unauthorized access to sensitive information or to render data or systems unusable or threats to the security of Azelis' facilities are particularly significant risks for Azelis. By way of illustration, Azelis' U.S. IT infrastructure was targeted by a cyberattack in November 2020, which was detected and countered by the Group's cybersecurity systems. Although this cyberattack did not have a significant impact on the Group's U.S. operations, such attacks require significant time and resources from the Group's and regional IT operations and senior management. The Group may be subject to similar or more sophisticated cyberattacks in the future, which could have a material adverse impact on Azelis' reputation, business, results of operations, financial condition and prospects.

Azelis has dedicated significant resources to protect against cybersecurity threats such as cloud-based systems, managed detection and response systems and services, secure software-defined networks and services, multiple server locations, advanced threat protection on end points, the implementation of cybersecurity policies and the appointment of a dedicated chief information security officer. Such measures, systems, procedures and controls may be insufficient to prevent security breaches from occurring, or the Group may be required to expend additional resources on cybersecurity efforts in the future.

If a major security breach were to occur and the measures taken by the Group prove to be inadequate, this could lead to disruptions in the Group's critical systems, loss or unauthorized release of confidential, business-sensitive or otherwise protected information, system inaccessibility and corruption of data. In addition, if any information about Azelis' customers and principals retained by it were the subject of a successful cybersecurity attack against Azelis, the Group could be subject to litigation or other material claims by the affected customers and principals. A cyberattack may also include ransomware requiring the Group to pay ransom amounts in order to regain access to its information systems and data. If any of these risks materialize, this could have a material adverse effect on Azelis' reputation, business, results of operations, financial condition and prospects.

A significant or large-scale malfunction, inaccessibility, interruption or security breach of Azelis' information systems could significantly damage the Group's reputation and lead to financial losses from expenses related to remediation actions, loss of business, potential liability and ransom payments, all of which could materially and adversely affect Azelis' business, reputation, results of operations and prospects.

1.1.13 ***Any failure of management information and internal control systems may materially adversely affect the ability of Azelis to implement its business strategy throughout the organization, and adequately respond to unfavorable developments within Azelis.***

Azelis is commercially decentralized through a local-for-local business model. Therefore, within the framework of the Group guidelines, local management of its operating subsidiaries is left with discretion over certain management decisions, notably in relation to pricing and other sales decisions, working capital management, human resources management and contracting of third-party supplies and services. This may lead to risks in jurisdictions where the Group has recently expanded or recently acquired operating subsidiaries, as the expansion of the Group necessarily adds incremental layers of complexity to the Group's structure. Although Azelis has a risk management and internal control system in place, any such risk management and internal control system is exposed to, and Azelis' risk management and internal control system has not always protected it from, inappropriate, fraudulent, negligent or unauthorized dealings or acts by employees or third parties, such as attempted fraud, antitrust violations and cybersecurity threats. This risk is particularly applicable to Azelis in light of the pace of its acquisition activity. As Azelis acquires businesses, it faces increasing risk as to whether internal control systems and management information are effective until acquisitions are fully integrated into the Group, which occurs over differing time periods depending on, among other things, the size and the geographies of the acquired businesses.

The Group may be unsuccessful in deploying and maintaining standardized management information and internal control systems across all of the Group's operating subsidiaries, and the management information and internal control systems put in place by the Group may be inadequate or ineffective in certain circumstances, particularly if Azelis is confronted with risks that it has not fully or adequately identified or anticipated. Any such failures of Azelis' management information and internal control systems could adversely impact the Group's ability to monitor its local operations and to deploy its strategy across the Group, could result in damage to the Group's reputation or otherwise have a material adverse effect on Azelis' business, results of operations, financial condition and prospects.

1.1.14 ***Azelis relies significantly on the skills and experience of its senior management and key personnel and could fail to retain and attract qualified personnel.***

Azelis' future performance depends to a significant degree upon the continued contributions of the members of its Executive Committee, its senior management team and other key personnel. The members of the Executive Committee joined the Group between 2003 and 2016. The loss of any member of the Executive Committee, any member of the Group's senior management team or a significant number of its key employees may harm Azelis' ability to operate effectively or to achieve its strategic objectives. To the extent that the services of members of the Executive Committee, senior management team and/or other key personnel may be unavailable for any reason (such as personal or family-related ill health or invalidity), Azelis could be required to hire other personnel to manage and operate the Group. Azelis may be unable to identify or employ such senior personnel on acceptable terms or on a timely basis, or such personnel may be unable to effectively execute Azelis' strategy in the anticipated timeframe or at all.

Azelis' future success also depends upon its ability to identify, attract, develop and retain qualified employees in technical and commercial roles. Azelis employees require a deep understanding of the specialty chemicals and food ingredients industry combined with local market knowledge and distribution expertise and capabilities. Given that product expertise is key in the technical market in which the Group operates, over 80% of the Azelis workforce are estimated to hold a bachelor's degree or above (based on a voluntary employee self-survey), which in many cases is a degree related to chemistry. Competition for employees with the specific required skill set or industry experience is intense due to, among other things, a shortage of potential employees with the requisite skills and experience in the industry. For instance, the inability of the Group to retain or hire senior personnel for commercial or country leadership positions may adversely impact the Group's ability to execute its strategy. The competitive environment for such personnel may increase the Group's expenses related to compensation. Any failure to maintain competitive compensation packages, including long-term incentives, may also adversely affect Azelis' ability to attract and retain key personnel and be disruptive to its business.

Certain key employees, such as market segment directors and group principal managers, may be essential to long-standing relationships with principals and customers, and the inability of the Group to retain such employees may adversely impact such relationships and even result in the loss of existing or potential principals or customers. In addition, although in many jurisdictions, applicable labor laws provide for a general duty of confidentiality, and all employment agreements with the members of the Executive Committee and senior managers include confidentiality clauses, Azelis may be unable to prevent the disclosure or use of its technical knowledge, practices, processes or procedures (including its intellectual property rights) by departed personnel to its competitors and may be unable to prevent key employees from engaging in competing activities after termination of employment.

As at June 30, 2021, the Group had nearly 2,800 employees, approximately 3% of whom were either members of its Executive Committee, senior management team or otherwise classified as key personnel (including managing directors, regional management teams and corporate staff). If Azelis cannot retain the members of its Executive Committee, senior management team or other key personnel, or fails to attract and retain qualified and key personnel, this could lead to disruption to its operations, reputational risks, loss of market share and increased costs, resulting in a material adverse effect on Azelis' business, results of operations, financial condition and prospects.

1.1.15 ***Azelis' business exposes it to risks associated with potential product liability and with the processing of hazardous materials and related activities.***

Approximately half of the Group's product portfolio consists of, or contains, hazardous materials. Although the Group primarily outsources the blending, handling, storing, selling or transporting of products containing hazardous materials to third-party providers, where it operates its own facilities and arranges its own transportation, which is the case in Germany, for example, Azelis is directly engaged in the handling, storing, selling, transporting and, to a lesser degree, manufacturing and blending, of a number of products containing hazardous materials. When carrying out such actions, the Group is subject to various laws and regulations governing the processing of hazardous materials. See risk factor 1.3.1 (*—Compliance with and changes to environmental, health and safety laws, including laws relating to the investigation and remediation of contamination, could have a material effect on Azelis' cost of doing business*). Under those laws and regulations, Azelis is exposed to current and future chemical exposure claims by its current and former employees, contractors on Azelis' premises and other individuals who are or have been exposed to hazardous materials, as well as related workers' compensation claims. Azelis' actions with respect to products containing hazardous materials may also lead to environmental damage.

Many of the products Azelis distributes have "long-tail" exposures, meaning that there may be a long time period between the distribution of the product and potential harm caused by the product, possibly giving rise to liabilities many years after their sale and use. Specifically, the sale and distribution of specialty chemicals in the United States involves an inherent risk of exposure to product liability claims that could result in substantial and unexpected expenditures. For instance, in recent years Group companies have been named as co-defendants in certain product liability claims in the United States, where legal risks, including legal risks arising from class action product liability cases, have historically been more significant than in other countries. As at the date of this Prospectus, the Group is involved in two pending claims relating to products distributed by Group companies that were alleged to have contained asbestos and two pending claims relating to health risks allegedly stemming from glyphosate. It is uncertain when any pending claims will be resolved. Azelis anticipates that additional claims of this nature may be brought against it in the future. In addition, another of the Group's U.S. subsidiaries is involved in pending litigation relating to health injuries to factory workers that allegedly relate to the inhalation of substances in ingredients that the plaintiffs claim were distributed by the subsidiary. Litigation is ongoing and there can be no assurance that existing and future claims will not lead to liabilities for the Group that are not covered by the Group's insurance policies or a contractual indemnity from a principal or former business owner. In addition, a number of class action lawsuits have been filed in the United States against manufacturers of electronic cigarettes or vaping devices regarding the health risks of their products, creating a risk for a company as a result of the mere fact that it operates in, or adjacent to, the vaping business to become involved in such litigation. Because one of the Group's U.S. subsidiaries is a manufacturer and a distributor of flavors and fragrances that vaping product manufacturers could use in their products, there can be no assurance that such subsidiary will not in the future become involved in litigation arising in that industry, irrespective of the merit of any claims.

Azelis may be unable to enforce and collect upon indemnities or rights of recourse obtained from its principals and customers or from general, product and environmental impairment liability insurance policies, the type or level of coverage may be inadequate or Azelis may be unable to continue to maintain its existing insurance or obtain comparable insurance at a reasonable cost. See risk factor 1.1.18 (*—Azelis' business is exposed to operational risks and Azelis may not have adequate insurance against such risks*). Therefore, accidents, health liability claims and environmental risks materializing could substantially reduce the Group's revenue, harm its reputation, increase its costs or subject it to other liabilities in excess of available insurance or third-party recourse and could have a material adverse effect on Azelis' business, results of operations, financial condition and prospects.

1.1.16 ***Azelis is exposed to ongoing litigation and other legal and regulatory actions and risks in the ordinary course of its business, and Azelis could incur significant liabilities and substantial legal fees.***

Azelis is subject to the risk of litigation, other legal claims and proceedings and regulatory enforcement actions in the ordinary course of its business. Historically, these have typically related to commercial matters and legal issues in connection with sales transactions and distribution agreements, product liability claims, claims and enforcement actions by tax authorities and litigation in connection with the health risks of products containing hazardous materials.

Product liability risks, product recalls, product containment and related adverse publicity may arise where the Group is involved in the manufacturing, relabeling, repackaging, blending, mixing and distribution of products. Product liability claims could be triggered by health risks (notably with regard to regulated life science industries and industrial chemicals), spills or unintended release of products with environmental effects, product contamination, exposure to hazardous products, personal injuries or property damage, food-related issues, application failure or the delivery of products that are off-specification. A product liability claim, judgment or recall against the Group or its principals and customers could also result in substantial and unexpected liabilities and expenditures for Azelis, adversely affect customers' confidence in the Group and divert management's attention from other responsibilities. It should be noted that Azelis often sells a product to a large number of customers who use such product as part of a formulation within their own production process and subsequently sell their finished product further downstream to an end user. As a consequence, the sale of a defective product could affect a high number of customers and end users within the supply chain, which potentially increases Azelis' exposure to liability claims (including recalls) and litigation.

Unfavorable results of current or future claims, litigation or other legal proceedings could harm Azelis' reputation or brand and could have a material adverse effect on Azelis' business, results of operations, financial condition and prospects.

1.1.17 ***Azelis may not be able to successfully execute its sustainability strategy.***

Sustainability has become an integral part of the strategy of the chemical industry as a whole, due to regulatory initiatives and pressure from various stakeholders to lower the industry's environmental impact, with a focus on the reduction of emissions, carbon footprint and energy consumption, as well as the development of innovative products and solutions. Azelis' sustainability strategy, *Action 2025*, is a core part of its business strategy and an important differentiator from its competitors. Azelis' sustainability strategy is centered around four pillars: (i) people; (ii) products and innovation; (iii) governance; and (iv) environment. See section 11.12 (*Business—Sustainability*). As part of its sustainability strategy, the Group has set out to achieve certain key performance targets in relation to each of the four pillars. Certain events and circumstances, some of which are outside of Azelis' control, may impact its ability to achieve its strategic targets, including, but not limited to:

- the inability of the Group's principals to develop products that meet the Group's sustainability standards resulting in the Group's product portfolio failing to meet the sustainability standards of the Group's customers;
- the inability to source sufficient supplies and services from third parties complying with the Group's sustainability requirements;
- the occurrence of occupational accidents affecting employee safety and well-being; and
- the occurrence of material breaches by employees of the Group's policies on ethical business behavior.

In addition, the impact of such events may be amplified by a failure of management information or internal control systems to identify and escalate them. See risk factor 1.1.13 (*—Any failure of management information and internal control systems may materially adversely affect the ability of Azelis to implement its business strategy throughout the organization, and adequately respond to unfavorable developments within Azelis*).

The occurrence of any of these events or circumstances may also impact the Group's ability to maintain its current sustainability ratings with independent ESG ratings providers, such as its platinum sustainability rating obtained from EcoVadis in 2021, which may lead to reputational damage to the Group. Sustainability is becoming increasingly important to principals in their selection of partners and, according to the Azelis Data Analysis, principals have indicated that they expect sustainability criteria to be of even higher importance in the coming years. Meanwhile, the majority of the Group's customers are also actively selecting their sources of supply based on their commitment to sustainability. If Azelis is unable to deliver on its sustainability strategy, the Group's reputation and its ability to compete effectively with its main competitors may be adversely impacted, which could lead to the loss of principal mandates and otherwise have a material adverse effect on Azelis' business, results of operations, financial condition and prospects.

1.1.18 ***Azelis' business is exposed to operational risks and Azelis may not have adequate insurance against such risks.***

Azelis' insurance policies are subject to limits, deductibles and specific terms and conditions and, as is consistent with general industry practice, cover only certain aspects of its business. While Azelis maintains insurance policies that include coverage for, among others, damage to its own and third-party property and products (including inventory), personal injury, business interruption, environmental damage and pollution, accident-related and health risks for employees, such insurance is subject to deductibles that must be met prior to recovery and to certain exclusions and financial limitations.

Azelis does not insure against all risks, may not be able to insure adequately against certain risks (whether relating to Azelis' or a third party's activities or other matters) and may not have insurance coverage in place that will compensate in full damages or liabilities incurred by it or resulting from any particular claim. For example, financial limits could be exhausted if one or more catastrophic events take place in a single insurance period and no recourse is available against a third party. Such instances could include a major product recall or an environmental incident. See risk factor 1.1.11 (*—Business interruption in the Group's supply chain or facilities could result in significant losses and reputational damage to Azelis, which could materially affect its business, results of operations and prospects*). In addition, limits, deductibles and other commercial terms may, in the future, become less favorable due to market circumstances or other factors, and Azelis may be unable to maintain adequate insurance coverage for the risks it currently insures against on reasonable terms and at commercially reasonable rates. Certain insurance coverage could become entirely unavailable or available only for significantly reduced amounts of coverage.

A significant risk materializing without adequate insurance coverage being available, or a significant increase in insurance rates, could lead to substantial unanticipated costs for the Group. Any of these events occurring could have a material adverse effect on Azelis' business, results of operations, financial condition and prospects.

1.2 Risks Related to Azelis' Financial Situation

1.2.1 *Azelis' working capital needs may increase due to inefficient inventory management, increased credit risk or otherwise, and it may be unable to finance its working capital in the current conditions.*

As a distributor, Azelis must maintain a significant amount of working capital to run its day-to-day operational activities. Azelis faces multiple risks in relation to the management of its inventory, the collection of receivables and the financing of its working capital.

In order to meet customer demand and maintain service levels, Azelis must maintain local inventories near to local markets. As at June 30, 2021, the Group maintained inventories with a book value of €336.0 million. Azelis must estimate demand from its customers and purchase supplies in various local markets that substantially correspond to the actual demand in those markets. Depending on economic conditions in relevant jurisdictions and end markets, customer demand may fluctuate according to seasonal patterns. For example, Azelis' customers in the agricultural sector require increased deliveries of specialty chemicals at the start of the growing season which can be subject to significant fluctuations as a result of weather conditions in any given year. Azelis needs to build up product inventory in order to secure timely delivery to its customers.

If Azelis overestimates demand and purchases too much of a particular product, for instance due to ineffective sales or operations planning, it faces a risk that the market price of that product will fall, leaving Azelis with inventory that it cannot sell profitably or can only sell at significantly lower margins. In addition, Azelis may have to write down such inventory if it is unable to sell it for its recorded value. If Azelis underestimates demand and purchases insufficient quantities of a particular product and prices of that product rise, it could be forced to purchase that product at a higher price or incur urgent transportation costs and forgo profitability in order to meet customer demand. Particularly in cases of pronounced cyclicity in the Group's end markets, it can be difficult to anticipate the Group's customers' requirements for particular specialty chemicals and food ingredients, and Azelis could be asked to deliver larger-than-expected quantities of a particular product at short notice. There is also a risk that Azelis is unable to purchase certain products from principals due to supply shortages, leaving it unable to satisfy customer demand. If for any reason Azelis experiences widespread, systemic difficulties in filling customer orders for certain jurisdictions or end markets, its customers may be dissatisfied and discontinue their relationship with Azelis or Azelis may be required to pay a higher price in order to obtain the needed product at short notice, thereby adversely affecting its margins.

Azelis' working capital needs may be affected by credit risk and receivables collection, to the extent not naturally hedged by its diversified and non-concentrated customer base. This risk may be exacerbated by negative macroeconomic conditions in the markets in which Azelis operates its business, which may lead to reduced availability of credit in the market and make borrowing conditions more onerous, thereby impairing the ability of customers, principals or other counterparties of Azelis to honor their pre-existing arrangements and fulfill their contractual obligations, and Azelis' credit procedures and policies may not be adequate to eliminate such risks. See risk factor 1.1.1 (*—Azelis' business and growth opportunities may be materially adversely affected by any deterioration in global or regional economic conditions*).

Additionally, in certain countries in Europe and in the Asia-Pacific region, Azelis uses non-recourse factoring programs to accelerate the collection of a part of its trade receivables, to improve the efficiency of the receivables collection processes of Azelis' countries, to lower the collection exposure on such factored receivables and to reduce working capital accordingly. As at June 30, 2021, 25% of Azelis' trade receivables were subject to factoring programs. An inability to utilize these factoring programs in the future would slow the conversion of trade receivables to cash and increase Azelis' working capital requirements, which may lead to less cash being available and which may require Azelis to use availability under the New Debt Facilities or to seek alternative sources of financing, which may not be available or may be more expensive than its existing working capital financing under the factoring programs.

If Azelis' working capital requirements increase due to any of the above events, or due to expansions in its business activities, and if Azelis is unable to finance its working capital on terms and conditions commercially acceptable to Azelis, the amount of free cash Azelis has at its disposal will decrease in the short term. Such decrease in free cash could, among other things, limit Azelis' flexibility, including its ability to finance organic growth or to acquire suitable acquisition targets. If increases in Azelis' working capital occur and have the effect of decreasing its free cash, it could have a material adverse effect on Azelis' business, results of operations, financial condition and prospects.

1.2.2 *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.*

As a result of the international nature of its operations, Azelis is exposed to fluctuations in currency exchange rates. For the year ended December 31, 2020, 46.5% of Azelis' consolidated revenue was generated from its EMEA segment, where the majority of its sales are denominated in euros, while 53.5% of revenue was generated collectively from the Americas and

Asia-Pacific segments, with sales denominated in a number of currencies, including primarily U.S. dollars. The Group's U.S. dollar exposure results from its operations in the United States, as well as from many of Azelis' operations outside of the United States that are conducted in U.S. dollars. In 2020, approximately 40% of the Group's revenue was earned in U.S. dollars, approximately 30% was earned in euros, approximately 5% was earned in British pounds sterling, approximately 5% was earned in Canadian dollars and approximately 20% was earned in other currencies, including, but not limited to, Chinese renminbi, Indian rupees, Japanese yen, Australian dollars, New Zealand dollars, Turkish lira, Russian rubles and Danish kroner. In particular, Azelis' foreign exchange risk consists of transactional exposure, translation exposure and statement of financial position exposure in relation to its non-euro denominated debt.

Most of the Group's purchases are typically transacted in euros or U.S. dollars. This means that the Group will face a risk of exchange rate fluctuation when the sales are made in a different currency than the purchase. Azelis may be unable to pass along increased costs to its customers or its customers may be less willing to purchase its products at higher prices. Conversely, Azelis' customers may request price reductions where any changes in currency exchange rates may have been beneficial to Azelis' operations. In addition, risks arise from changes to exchange rates where nominal foreign currency financial and trade receivables or payables have been incurred, but not yet settled. Azelis may not be able to manage effectively significant and sustained movements or volatility in currency exchange rates, which could have a material effect on the Group's business, financial condition, results of operations and prospects.

Azelis' reporting currency is euros, however, given the Group's global operations, a significant portion of the Group's assets, liabilities, expenses and revenue are denominated in currencies other than euros. Such assets, liabilities, expenses and revenue are translated to euros at the applicable exchange rates to prepare the Group's consolidated financial statements. Therefore, fluctuations in exchange rates between euros and such other currencies affect the value of those items expressed in euro terms in the Group's consolidated financial statements. A change of one or more of the foreign currencies in which Azelis' local subsidiaries operate against euros impacts its revenue and profitability expressed in euro terms accordingly.

Exchange rate changes also affect the Group's consolidated statement of financial position. Changes in the euro values of the Group's consolidated assets and liabilities resulting from exchange rate movements may cause the Group to record foreign currency gains and losses through profit or loss, or through its foreign currency translation reserve recognized in other comprehensive income and accumulated in equity.

Azelis hedges a significant part of its foreign currency exposure in respect of sales and purchases via natural hedges within its operational portfolio. Such natural hedging includes the Group's ability to pass on fluctuations in the cost of goods (including the foreign exchange component) to its customers through adequate price adjustments. In addition, in appropriate circumstances where it is unable to naturally offset its exposure to currency risks, Azelis uses derivative financial instruments in order to reduce the effects of currency fluctuations on its cash flows and financial condition. Azelis has entered into, and may continue to enter into, forward exchange contracts to hedge its residual exposure to British pounds sterling, Polish złoty or any other material currency exposure, with a typical maturity of less than one year. As at June 30, 2021, the aggregate nominal amount of such contracts was €11.2 million and they are recorded on the Group's statement of financial position in an amount of negative €0.2 million. The Group's hedging and financial strategy may prove ineffective or may subject the Group to increased costs or other risks, including that its counterparties to hedging contracts will default on their obligations.

Also see risk factor 1.4.8 (*—Risk Related to the Shares to be Admitted to Trading—Investors with a reference currency other than euros will become subject to foreign exchange rate risk when investing in the Shares*).

1.2.3 *Azelis faces risks in relation to the financing of its future capital needs, including interest rate risks and the risk that it may not continue to be able to secure financing on favorable terms, or at all.*

Azelis funds its business, including its acquisitions and other investments, through a mix of cash generated from its business, third-party debt and equity funding from its shareholders, as the case may be. The Group's Net Indebtedness amounted to €1,531.7 million as at June 30, 2021 and is expected to decrease following the Offering and the Refinancing. See section 6.2 (*Capitalization and Indebtedness—Indebtedness*), section 9.11.5.1 (*Operating and Financial Review—Alternative Performance Measures—Net Indebtedness, Financing EBITDA and Net Leverage—Net Indebtedness*) and section 11.17.2.1 (*Business—Material Contracts—Financing Agreements—New Debt Facilities*). The Refinancing is conditional on the closing of the Offering and Admission.

Where Azelis would require additional capital to finance acquisitions, as well as for refinancing needs or unforeseen circumstances, it may decide to engage in equity or debt financings or enter into credit facilities for other reasons. Azelis may not be able to secure any such debt or equity financing or refinancing at favorable terms, in a timely manner, or at all. In particular, Azelis' ability to obtain external financing in the future is subject to a variety of uncertainties, including with respect to its financial condition, results of operations and cash flows, credit rating and general market conditions. If Azelis is unable to obtain adequate financing or financing on terms satisfactory to Azelis when it requires it, its ability to continue to grow or support its business plan and to respond to business challenges could be significantly limited. The New Debt Facilities and any debt financing obtained by Azelis in the future involve or will involve restrictive covenants relating to Azelis' capital-raising activities and other financial and operational matters, which may make it more difficult for Azelis to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Azelis is exposed to interest rate risks with respect to its debt financing. The New Debt Facilities carry, and future borrowings may carry, floating interest rates. The Group's interest costs are therefore subject to fluctuations in market interest rates. Azelis seeks to hedge (and may consider also doing so for the New Debt Facilities), at least partially, against interest rate fluctuations through derivative financial instruments. Derivative financial instruments may prove ineffective and may expose the Group to additional costs or other risks. In relation to its current debt facilities, Azelis has entered into an interest rate cap derivative instrument that expires in early 2022, but it has not utilized such cap as market interest rates have remained below the agreed interest rate cap. Adverse fluctuations and increases in interest rates, to the extent that they are not hedged, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. For an overview of the Group's interest profile on its variable rate financial assets and liabilities and a cash flow sensitivity analysis for a 100 basis points change in interest rates, see note 4.4 (*Market risk*) to the 2020 Azelis Holding S.à r.l. Financial Statements included elsewhere in this Prospectus.

1.2.4 *Azelis' statement of financial position includes very significant goodwill and intangible assets, collectively representing 73.6% of total assets and amounting to 199.8% of total equity (before the Offering) as at June 30, 2021, which could become impaired.*

Azelis carries very significant goodwill and intangible assets on its statement of financial position, which is due to the asset-light nature of Azelis' business model resulting in allocation of a large part of the purchase price to goodwill and intangible assets. As at June 30, 2021, Azelis' goodwill and intangible assets totaled €1,812.8 million (50.3% of total assets) and €840.5 million (23.3% of total assets), respectively, having totaled €1,345.9 million (45.6% of total assets) and €821.4 million (27.8% of total assets), respectively, as at December 31, 2020. The majority of goodwill as at December 31, 2020 related to the EQT/PSP Acquisition, with the increase in goodwill in the first half of 2021 resulting from the acquisitions during the period, of which Vigon was the major acquisition. As at June 30, 2021, Azelis' total equity was €1,328.2 million, having totaled €1,217.9 million as at December 31, 2020. Going forward, Azelis may also recognize additional goodwill and intangible assets in connection with future business acquisitions as it implements the pillar of its strategy that is focused on continuing to grow through acquisitions. See section 11.3.1.3 (*Business—Strategy—Azelis' Strategic Growth Pillars—Growth through Acquisitions*).

Goodwill is not amortized for book purposes and is tested for impairment using a fair value-based approach annually, or between annual tests if an event occurs or circumstances change that indicate that the fair value of a reporting unit has more likely than not declined below its carrying value. The identification and measurement of impairment involves the estimation of the fair value of reporting units, which requires judgment and involves the use of significant estimates and assumptions by management. The estimates of fair value of reporting units are based on the best information available on the date of the assessment and incorporate management assumptions about expected future cash flows and contemplate other valuation techniques. The Group's estimates of future cash flows may differ from actual cash flows that are subsequently realized due to many factors, including future worldwide economic conditions and the expected benefits of the Group's initiatives, among other things. Intangible assets are amortized for book purposes over their respective useful lives. For the Azelis trademark, which was carried at a book value of €317.4 million as at June 30, 2021, this is determined as indefinite, meaning that it is effectively not amortized. All intangible assets are tested on a yearly basis for impairment, or if any event occurs or circumstances change that indicates that carrying value may not be recoverable.

Since January 1, 2013, Azelis has not taken any impairment charges relating to its goodwill or intangible assets, apart from regular amortization expenses (see note 2.5 (*Intangible assets*) to the 2020 Azelis Holding S.à r.l. Financial Statements included elsewhere in this Prospectus); however, any future impairment, particularly in the event of a substantial deterioration in Azelis' future prospects either in total or in a particular reporting unit, could have a material adverse effect on Azelis' financial condition, with an indirect effect on its business, results of operations and prospects. See note 15 (*Intangible assets*) to the 2020 Azelis Holding S.à r.l. Financial Statements included elsewhere in this Prospectus for a discussion of the Group's 2020 impairment review.

The International Accounting Standards Board (IASB) is discussing feedback on the discussion paper *Business Combinations—Disclosures, Goodwill and Impairment*, which was published in March 2020. The discussion paper sets out the IASB's preliminary views on how companies can provide better information so that investors can hold companies to account for acquisitions of other companies. The preliminary views focus on disclosure of information and on accounting for goodwill. The IASB met on July 20, 2021 to redeliberate its preliminary views on the subsequent accounting for goodwill, and in particular whether to reintroduce amortization of goodwill. As part of its redeliberation on whether to reintroduce amortization of goodwill, the IASB discussed disclosures about business combinations and improving the effectiveness of the impairment test in IAS 36 (*Impairment of Assets*). The IASB was not asked to make any decisions. As at the date of this Prospectus, no minutes of the IASB's July 20, 2021 meeting are publicly available.

In accordance with IFRS, the Group currently does not recognize amortization charges on its goodwill (€1,812.8 million as at June 30, 2021) and its trademark (€317.4 million as at June 30, 2021). If the IASB were to reintroduce the obligation to amortize goodwill, this could have an important recurring negative (non-cash) effect on the consolidated results and on the financial position of the Group and, depending on the amortization period, the Group's results could be structurally negative during such amortization period.

1.2.5 *The Group is subject to leverage and debt-service obligations and restrictions on its ability to repatriate its cash and undistributed earnings held in foreign jurisdictions.*

The Group's ability to use cash generated by its business for acquisition financing, financing organic growth, dividend payments or for other business uses, may be limited by its leverage and debt-service obligations and by restrictions on its ability to repatriate its cash and undistributed earnings held in foreign jurisdictions without incurring additional tax liabilities.

The Group has incurred substantial indebtedness. As at June 30, 2021, the Group had Net Indebtedness of €1,531.7 million. See section 6.2 (*Capitalization and Indebtedness—Indebtedness*) and section 9.11.5.1 (*Operating and Financial Review—Alternative Performance Measures—Net Indebtedness, Financing EBITDA and Net Leverage—Net Indebtedness*). As at the completion of the Offering, it is expected that the Group will have total Net Indebtedness of approximately €840.0 million. Only a portion of the proceeds of the Offering will flow to the Group, with the remainder flowing to the Selling Shareholders. See section 3.2 (*Reasons for the Offering and the Listing and Use of Proceeds—Use of Proceeds*). As a result, the Group's Net Leverage after the Offering is expected to be 2.5x to 3.0x, which the Group will maintain as its target Net Leverage. A substantial portion of the Group's cash flow from operations is dedicated to the payment of principal and interest on its indebtedness, thereby reducing the amount of cash the Group has available for other purposes, including the exploitation of business opportunities and growth, future acquisitions and other general corporate needs, as well as dividends.

The Group's substantial level of indebtedness presents the risk that its leveraged capital structure and the financial covenants associated with it under the relevant financing agreements could limit its ability to finance further acquisitions and develop additional businesses, thereby limiting its ability to grow and successfully execute its strategy. See section 11.17.2 (*Business—Material Contracts—Financing Agreements*). In addition, a significant increase in the Group's indebtedness could also result in changes to the terms on which banks and principals are willing to extend credit to the Group. Any of these events could increase the Group's cost of financing or cause the Group to become obligated to make early repayment on some or all of its indebtedness, either of which could have a material adverse effect on the Group's reputation, business, results of operations, financial condition and prospects.

Furthermore, Azelis may not be able to repatriate cash and cash equivalents or undistributed earnings generated by its local operating subsidiaries and held in foreign jurisdictions without incurring additional tax liabilities. As at June 30, 2021, Azelis had €116.4 million of cash and cash equivalents on its statement of financial position, €99.3 million of which was cash and cash equivalents held in jurisdictions other than Luxembourg, where Azelis' central cash-pooling operations have historically taken place and where such operations will take place until after the completion of the Offering, when cash-pooling operations are migrated to Belgium. Azelis' cash and cash equivalents or undistributed earnings held in foreign jurisdictions may effectively be trapped in such foreign jurisdictions unless Azelis is willing to incur additional tax liabilities, restricting Azelis' ability to use such cash for acquisition financing, dividend payments or other business uses.

1.3 Risks Related to Regulation

1.3.1 *Compliance with and changes to environmental, health and safety laws, including laws relating to the investigation and remediation of contamination, could have a material effect on Azelis' cost of doing business.*

Azelis is subject to increasingly complex and stringent environmental, health and safety laws and regulations, which vary from jurisdiction to jurisdiction. Compliance with this complex array of laws and regulations is difficult and requires significant resources and results in material costs. In certain jurisdictions, the management, storage and transportation of specialty chemicals and the contamination of air, water and soil is regulated. These rules may force Azelis to bear the cost of cleaning up contaminated sites, including any spills that may result from transportation of specialty chemicals.

Azelis seeks to monitor and adapt to changes in the legal systems, regulatory controls and customs and practices in the jurisdictions where it operates; however, Azelis cannot ensure that applicable laws and regulations will not be further revised or that new laws and regulations will not be adopted or become applicable to Azelis. New laws and regulations, amendments to existing laws and regulations, increased government enforcement or other developments could require Azelis to make additional unforeseen expenditures. Existing laws and regulations (including, in the European Union, Regulation (EC) 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals ("**REACH**"); in the United States, the Toxic Substances Control Act of 1976 ("**TSCA**"); and in China, the Inventory of Existing Chemical Substances in China of 2000 ("**IECSC**")), among other things, require the registration of chemical substances with government agencies and impose requirements for end user documentation and authorizations for certain chemicals. Other regional and national laws and regulations, for instance in the fields of food, pharmaceuticals and cosmetics, also apply to certain activities of the Group.

In the future, Azelis may be exposed to civil, criminal and administrative fees, fines, penalties, interruptions in its operations, revocation of permits and licenses or loss of principal or customer contracts due to non-compliance with the laws and regulations imposed by local, regional, national and international authorities. The amount and timing of future expenditures to comply with laws or regulations may be different from the amounts Azelis currently anticipates. Moreover, the increasing complexity and number of regulations may require greater expenditures or significant adjustments to operations. In addition to increasing Azelis' costs and liabilities, legal or regulatory changes could also impact Azelis' ability to maintain its current operations or develop new businesses. Any of these events materializing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

1.3.2 ***Azelis' business is subject to various legal and regulatory compliance risks, including those involving antitrust, anti-money laundering, anti-bribery or anti-corruption laws and regulations and sanctions.***

Azelis is subject to various legal and regulatory requirements and risks in the countries in which the Group is commercially active or it has local operations, involving compliance with antitrust, anti-money laundering, anti-bribery and anti-corruption laws and regulations, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act. In addition, sanctions imposed by international organizations or individual nations restrict or prohibit transactions with certain countries, and with certain companies and individuals identified on lists maintained by the United Nations, the U.S. federal government, the European Union, various EU member states and other local governments. Azelis may be unaware of, or unable to timely anticipate and prepare for, developments in such laws, regulations and sanctions, and any of Azelis' employees, agents, third-party providers or any other representatives involved in Azelis' business may take actions in violation of such laws and regulations, any of which may subject Azelis to legal or regulatory action by governments or regulators.

Despite the fact that Azelis operates a global compliance program, the Group's existing policies, procedures, training, whistleblower hotline, IT tools, internal controls and risk management in relation to antitrust, anti-money laundering, anti-bribery or anti-corruption laws and regulations and sanctions, may not be sufficient in order to prevent or detect inadequate practices, fraud and violations of law by Azelis' employees, agents, third-party providers or any other representatives. See also risk factor 1.1.13 (—*Any failure of management information and internal control systems may materially adversely affect the ability of Azelis to implement its business strategy throughout the organization, and adequately respond to unfavorable developments within Azelis*). For example, in the case that any employees, agents, third-party providers or any other representatives with whom Azelis cooperates receive or grant inappropriate benefits or use corrupt, fraudulent or other unfair business practices, Azelis could be confronted with legal sanctions, penalties, loss of orders, termination of supply relations or distribution and agency agreements as well as harm to its reputation. Due to the increasing complexity, size and geographical spread of Azelis' operations and the extent of its reliance on employees, agents, third-party providers or any other representatives, it may become more difficult to effectively monitor and control all of Azelis' global activities, especially with respect to sales made through third-party agents or resellers whom Azelis does not directly control, and in certain emerging markets which are known to be more prone to bribery, corruption and other compliance risks. As a result, Azelis' policies, procedures, internal controls and risk management may not be adequate.

For instance, a number of employees of one the Group's operating subsidiaries in Egypt, which was acquired in 2020 as part of the acquisition of Orkila (Holding) S.A.L. and its subsidiaries ("**Orkila**"), were involved in small facilitation payments to customs officials in order to ensure timely product import clearance in connection with the sale of products distributed by the Group. Azelis' management became aware of the incident via its internal controls and whistleblowing scheme. No formal charges were brought against the employees involved, but the Group has conducted an internal investigation and subsequently implemented a compliance improvement program for the Middle East and Africa region. Although the incident had no impact on Azelis' business or operations, similar incidents may occur in the future and such incidents could have a material impact on the Group.

Failure to comply with antitrust, anti-money laundering, anti-bribery or anti-corruption laws and regulations, sanctions laws and regulations could expose Azelis and its officers, directors and employees to civil and criminal prosecution and penalties, enforcement actions, the imposition of fines or export or economic sanctions, loss of business or reputational damage, any of which could materially and adversely affect Azelis' business, results of operations, financial condition and prospects.

1.3.3 ***The implementation by governments or the interpretation by tax authorities of changes in tax rates, tax liabilities or tax accounting rules could affect future results.***

As a multinational group, Azelis is subject to taxation in various jurisdictions. Azelis' effective tax rate and tax liability are based on the application of current income tax laws, regulations and tax treaties. Significant judgment is required to determine worldwide tax liabilities, including, among other reasons, because tax laws and regulations in effect in the various countries in which Azelis operates do not always provide clear and definitive guidelines. Azelis' effective tax rates and tax exposure could be affected by changes in the composition of its earnings in countries or jurisdictions with higher or lower tax rates, changes in applicable tax rates, changes to transfer pricing rules, changes in the valuation of Azelis' deferred tax assets and liabilities, Azelis' ability to utilize tax losses and tax credits, changes to interest deductibility or other changes in the tax laws and the way such tax laws are applied by tax administrations (possibly with retroactive effect), including through tax arrangements issued by the relevant competent tax authorities and corresponding challenges by tax authorities to Azelis' judgment or interpretation in tax matters.

More specifically:

- Tax laws, regulations or tax treaties enacted in the future may cause Azelis to revalue the Group's deferred tax assets and result in a material increase to Azelis' effective tax rate. A change in relevant income tax laws, regulations or tax treaties or an adverse interpretation of these items by tax authorities could result in an audit adjustment or revaluation of Azelis' deferred tax assets that may cause its effective tax rate and tax liability to be higher than what is currently presented in the consolidated financial statements.

- Non-recoverable value-added tax ("VAT") rates could increase in the future in countries in which Azelis operates. If Azelis does not increase the prices of its products to match the increase in VAT, its profitability will be negatively impacted. If Azelis passes the increase in VAT on to its customers by raising the prices of the Group's products, the demand for its products may decline, potentially materially and adversely affecting Azelis' business, results of operations, financial condition and prospects. Furthermore, Azelis has VAT risks arising out of the operating activities in the normal course of business and typical acquisition-related VAT risks related to prior acquisitions and reorganizations.

- Certain markets in which Azelis operates have transfer pricing mechanisms that require transactions involving associated companies to be at arm's length. Arrangements between members of the Group, such as intra-group transactions involving management services, royalties, information technology service fees, cash-pooling arrangements, intra-group current accounts and term loans and consultancy fees, are typically carried out on an arm's-length basis. However, if the tax authorities in any relevant jurisdiction do not regard such arrangements as being made on an arm's-length basis and successfully challenge those arrangements, the amount of tax payable by the relevant member or members of the Group, in respect of both current and previous years, may increase materially and penalties or interest may be payable. Furthermore, any failure to file transfer pricing documentation evidencing the outcome of applied pricing principles, should they be requested by the relevant tax authorities, may result in penalties.

In addition, Azelis is regularly subject to audits of its income tax returns and VAT declarations by the tax authorities in the various countries in which Azelis operates. From time to time various governments, including those of the United States and countries within the European Union together with the Organisation for Economic Co-operation and Development, make substantive changes to tax rules and the application of rules to companies, including changes potentially impacting the Group's ability to defer taxes on international earnings. Although Azelis believes its tax estimates are reasonable, any final determination could be materially different from the treatment reflected in Azelis' historical income tax provisions and accruals.

Any of the foregoing could result in a material increase to Azelis' effective tax rate and have an ensuing material adverse effect on Azelis' business, results of operations, financial condition and prospects.

1.3.4 *Azelis may fail to obtain or renew or may experience material delays in obtaining requisite governmental or other relevant approvals, licenses, permits or certificates for the conduct of its business, which could have a material adverse effect on the Group's business, financial condition and results of operations.*

The Group requires various approvals, licenses, permits and certificates (collectively, "governmental approvals") in the conduct of its business. These mainly consist of operational permits in connection with processing, handling, distributing and selling certain products in the food and life sciences markets and regulatory permits under environmental, health and safety laws in connection with the treatment of chemicals (such as registrations under the REACH regulation in the European Union and permits under the TSCA and declarations to the Environmental Protection Agency in the United States).

The Group may encounter problems in obtaining new or renewing existing governmental approvals required, the requirements to obtain or renew such governmental approvals may become stricter in the future or the Group may not continue to satisfy the conditions under which such governmental approvals are granted. Although the Group seeks to monitor the status of governmental approvals in all locations where it operates and proactively files applications, all such governmental approvals may not be granted or granted in a timely manner due to delays on the part of the regulatory, administrative or other relevant bodies in reviewing the Group's applications and granting governmental approvals or otherwise. In certain countries, the procedures for acquiring or renewing governmental approvals have become increasingly complicated.

If the Group fails to obtain or maintain the necessary governmental approvals required for the conduct of its business, it may lose principal contracts, or be required to incur substantial costs, make investments and/or suspend or cease the operation of one or more of its facilities.

1.3.5 *Azelis may be subject to privacy or data protection failures, cybercrime and fraudulent activity in relation to personal data, which could result in investigations by regulators, liability to employees, principals and customers, administrative fines, penalties and/or reputational damage.*

Azelis processes or has its third-party service providers process significant volumes of personal data relating to principals and customers (including name, contact and bank details) as part of its business, some of which may also be classified under legislation as sensitive personal data. In addition, Azelis processes or has its third-party service provider process personal data of its employees.

Azelis is subject to various laws and regulations related to the protection of privacy and data protection in the jurisdictions where it operates. This includes Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, which is the primary legislation governing Azelis' use of personal data, as well as similar legislation in other jurisdictions where the Group operates (such as the United States, India and Japan). Moreover, there remains significant legal uncertainty over the means by which personal data can be lawfully transferred between certain jurisdictions, with continuing doubt, for instance, about the rules and regulations covering EU-U.S. interactions in that respect. These uncertainties, and any potential restriction of data flows outside of the European Union, may adversely affect Azelis' ability to leverage technological and digital solutions such as cloud computing.

Notwithstanding Azelis' endeavors to ensure compliance with relevant data protection regulations, Azelis is exposed to the risk that personal data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection and privacy laws and regulations, including as a result of human error. If Azelis or any of the third-party service providers on which it relies fails to store or transmit personal data in a secure manner, or if any loss of personal data were otherwise to occur, Azelis could be subject to investigative or enforcement action by relevant regulatory authorities and could face liability under data protection and privacy laws and regulations and/or reputational damage. Any of these events could also result in regulatory action, legal liability, damage to Azelis' reputation and relationships with customers, principals and employees and may deter new customers, any of which could have a material adverse effect on Azelis' business, results of operations, financial condition and prospects.

1.4 Risks Related to the Shares to be Admitted to Trading

1.4.1 *Azelis may not be able to pay dividends in accordance with its stated dividend policy.*

Subject to the availability of distributable reserves, computed on the basis of the Company's stand-alone financial statements, and any material external growth opportunities, Azelis currently intends to declare and distribute an annual dividend of between 25-35% of the Group's reported net profit for the year based on the consolidated IFRS financial statements. For the year ending December 31, 2021, the amount of any dividends would be calculated *pro rata* such that the Company would pay dividends only in respect of the portion of the financial year for which the Shares were listed on Euronext Brussels (based on the application of the dividend policy described in the preceding sentence). The payment of dividends will depend on factors such as the Group's business prospects, cash requirements, including related to any material external growth opportunities, and financial performance, financial covenants included in the credit agreements or other financing agreements entered into by the Company, the condition of the market and the general economic climate and other factors, including tax and other regulatory considerations. Furthermore, as the Company itself is a holding company and does not perform any operating activities, its ability to pay dividends and the level of any dividends are subject to the extent to which it receives funds, directly or indirectly, from its subsidiaries. Azelis has not historically paid any dividends to its shareholders.

In addition, under Belgian law and the Articles of Association, before it can pay dividends, the Company must allocate an amount of 5% of its Belgian GAAP annual net profit (*nettowinst* / *bénéfices nets*) to a legal reserve in its standalone statutory accounts until the reserve equals 10% of the Company's share capital. As the Company is a newly incorporated entity, there will be no legal reserve as at the completion of the Offering. Accordingly, 5% of the Company's Belgian GAAP annual net profit will need to be allocated to the legal reserve until it equals 10% of the Company's share capital, limiting the amount available for distribution. Subject to closing of the Offering, the Company intends to reduce its share capital to create distributable reserves, thereby also facilitating satisfaction of the legal reserve requirement.

As a consequence of these factors, the payment, or, if they are paid, the amount, of dividends or similar payments in the future is not certain. For additional information, see section 4 (*Dividends and Dividend Policy*) and section 17.5 (*Description of Share Capital and Articles of Association—Dividend Rights*).

1.4.2 *The Principal Selling Shareholders' interests may diverge from the interests of other shareholders, and they may exercise significant control over Azelis' operations (in particular, considering the nomination rights of one of the Principal Selling Shareholders).*

As at the date of this Prospectus, the Principal Selling Shareholders hold 96.4% of the Company's issued share capital. Immediately following the closing of the Offering, assuming a full placement of the Offer Shares (including full exercise of the Over-Allotment Option) and that the Offer Price is at the midpoint of the Price Range, the Principal Selling Shareholders will hold 62.4% of the Shares. See section 5 (*Dilution*). Accordingly, the Principal Selling Shareholders will continue to exercise significant control over Azelis' management and affairs and over matters submitted to a vote of shareholders, including in relation to dividend policy, mergers and other extraordinary transactions and the election of members of the Board of Directors. The interests of the Principal Selling Shareholders, or their ultimate owners, may not always coincide with the interests of subscribers or purchasers of the Shares.

In addition, one of the Principal Selling Shareholders, Akita, has the power to nominate a certain number of members of the Board of Directors and may therefore also exercise significant influence at the level of the Board of Directors. See section 13.2.2 (*Management and Corporate Governance—Board of Directors—Composition of the Board of Directors*). As the Board of Directors must comprise a minimum of five and a maximum of eleven Directors, it is possible for Akita to nominate a majority of Directors without holding the majority of the Shares. Two members of the current Board of Directors have been appointed upon presentation of Akita. Generally, the interests of the Principal Selling Shareholders and the factors that they consider in exercising their vote could differ from those of the Company's other shareholders.

Furthermore, this concentration of ownership in the Principal Selling Shareholders may have a material adverse effect on the market price of the Shares by, among other things, delaying or deterring a change of control (including deterring a third party from making a takeover offer), depriving shareholders of an opportunity to receive a premium for their Shares in such circumstances and affecting the liquidity of the Shares.

1.4.3 *The fact that no minimum amount is set for the Offering may affect the Company's investment plan and the liquidity of the Shares.*

The Group expects to receive net proceeds of €823.0 million from the issuance of the Offer Shares in the Primary Tranche as part of the Offering. However, since there is no minimum amount for the Offering, the Company has the right to proceed with a capital increase in a reduced amount, corresponding to a number of New Offer Shares that is lower than the maximum number of 40,000,000 New Offer Shares initially offered in the Offering. As a result, a number of Shares that is lower than the maximum number of Offer Shares in the Offering could be available for trading on the market, which could limit the liquidity of the Shares. Furthermore, the Company's financial means in view of the uses of proceeds would in such case also be reduced. For additional information on the use of proceeds, see section 3.2 (*Reasons for the Offering and the Listing and Use of Proceeds—Use of Proceeds*). If the Company determines that the expected proceeds will not be sufficient to complete the Refinancing, the Company has the right to cancel the Offering. See section 18.5 (*The Offering—Cancellation, Suspension and Modification of the Offering*).

1.4.4 *Future sales of substantial amounts of Shares, or the perception that such sales could occur, could adversely affect the market value of the Shares.*

Immediately following the closing of the Offering, assuming a full placement of the Offer Shares (including full exercise of the Over-Allotment Option) and that the Offer Price is at the midpoint of the Price Range, the Selling Shareholders will hold 69.8% of the Shares. In connection with the Offering, the Selling Shareholders and the Company are expected to agree pursuant to the Underwriting Agreement (as defined herein) that, subject to certain exceptions, including the right to grant security over Shares in connection with a potential margin loan facility, they will not, without the prior written consent of the Joint Global Coordinators, issue, offer or sell any Shares or securities convertible or exchangeable into Shares for a period of 360 days (with respect to the Individual Selling Shareholders) or 180 days (with respect to the Company and to the Principal Selling Shareholders) following the Listing Date, as described in section 19.2 (*Plan of Distribution—Lock-Up Arrangements*).

Following the expiration of these lock-up provisions or the waiver of the lock-up restrictions by the Joint Global Coordinators, each of the Selling Shareholders may sell the Shares it holds in the open market or otherwise, subject to applicable securities laws restrictions and any other contractual restrictions, as described under the heading "Investment Opportunities" in section 16 (*Related Party Transactions*). Also, the Selling Shareholders may dispose of their shares in the Company under an exemption from the lock-up provisions expected to be agreed in the Underwriting Agreement, as a result of an enforcement of any such security that may be granted in connection with any margin loan facility. Azelis is not aware of whether any of the Selling Shareholders currently intend to dispose of any Shares upon the expiry of the applicable lock-up period. The Selling Shareholders may sell Shares or effect other transactions upon the expiry of the applicable lock-up period, an exemption from or the waiver of the lock-up restrictions and the Company cannot predict the effect, if any, that future sales of Shares, or the availability of the Shares for future sales or any rumors relating thereto, will have on the market price of the Shares. During the periods immediately prior to and following the end of the periods of sales restriction provided for by these lock-up arrangements, the market price of the Shares may fall in anticipation of a sale of Shares. Any sales of substantial amounts of Shares in the public market, or the perception or any announcement that such sales might occur, could result in a material adverse effect on the market price of the Shares, making it more difficult for holders to sell their Shares at a time and price that they deem appropriate and impairing the Company's ability to raise capital through the sale of additional equity securities.

1.4.5 *There has been no prior public market for the Shares and such public market may not develop.*

Prior to the Offering, there has been no public trading market for the Shares. An active trading market for the Shares may not develop or, if it does develop, may not be sustained or be liquid following the closing of the Offering. Taking into account the lock-up arrangements described in section 19.2 (*Plan of Distribution—Lock-Up Arrangements*) and other contractual restrictions described under the heading "Investment Opportunities" in section 16 (*Related Party Transactions*), it is expected that after the Offering, approximately 31.3% of the Shares will be freely tradeable in case of a placement of the maximum number of Offer Shares in the Offering (including the exercise in full of the Over-Allotment Option). However, the Company reserves the right to reduce the maximum number of Offer Shares at any time prior to the Pricing Date, in which case fewer Shares will be freely tradable. See also risk factor 1.4.3 (*—The fact that no minimum amount is set for the Offering may affect the Company's investment plan and the liquidity of the Shares*). The failure of an active trading market to develop may affect the liquidity and trading of the Shares. The Shares may therefore be difficult to sell compared with the shares of companies with more liquid trading markets, and the share price may be subject to greater fluctuation than might otherwise be the case. Following the Offering, the value of the Shares could fluctuate significantly and may result in investors being unable to sell Shares at or above the Offer Price or at all. If an active trading market does not develop or is not maintained, the liquidity and trading price of the Shares could be adversely affected. This risk could be exacerbated due to participation that will still be held by the Principal Selling Shareholders. The degree of liquidity of the Shares may negatively impact the price at which an investor can dispose of the Shares where the investor is seeking to achieve a sale within a short timeframe. For additional information, see risk factor 1.4.2 (*—The Principal Selling Shareholders' interests may diverge from the interests of other shareholders, and they may exercise significant control over Azelis' operations (in particular, considering the nomination rights of one of the Principal Selling Shareholders)*) and section 5 (*Dilution*).

1.4.6 ***Investors may not be able to recover in civil proceedings for U.S. securities law violations.***

The ability of an overseas shareholder, including an investor in the United States subscribing to or purchasing Shares in the Offering as a "qualified institutional buyer" under Rule 144A, to bring an action against the Company or its Directors may be limited under law. The Company is a limited liability company incorporated in Belgium. The rights of holders of Shares are governed by Belgian law and by the Company's Articles of Association. These rights differ in certain respects from the rights of shareholders in comparable U.S. companies. The majority of the Company's Directors and of the members of the Group's Executive Committee reside outside of the United States. A substantial amount of the Group's assets and of the assets of the Company's Directors and of the members of the Group's Executive Committee are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon these individuals or the Company or to enforce against them judgments obtained in the United States based on the civil liability provisions of the U.S. securities laws. In addition, there is uncertainty as to the enforceability in Belgium of original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

1.4.7 ***Investors resident in countries other than Belgium may suffer dilution if they are unable to participate in future preferential subscription rights offerings.***

Under Belgian law, shareholders have a waivable and (by the issuing company) cancelable preferential subscription right to subscribe *pro rata* to their existing shareholdings to the issuance, against a contribution in cash, of new shares or other securities entitling the holder thereof to new shares. The exercise of preferential subscription rights by certain shareholders not residing in Belgium may be restricted by applicable law, practice or other considerations, and such shareholders may not be entitled to exercise such rights. In particular, the Offering is being made to overseas shareholders, including investors in the United States subscribing to or purchasing Shares in the Offering as a "qualified institutional buyer" under Rule 144A. In the future, the Company may be unable to establish an exemption from registration under the U.S. Securities Act for offerings of new shares or other securities entitling the holder thereof to new shares, and it is under no obligation to file a registration statement with respect to any such preferential subscription rights or underlying securities or to endeavor to have a registration statement declared effective under the U.S. Securities Act. Shareholders in jurisdictions outside of Belgium who are not able or not permitted to exercise their preferential subscription rights in the event of a future preferential subscription rights offering may suffer dilution of their shareholdings.

1.4.8 ***Investors with a reference currency other than euros will become subject to foreign exchange rate risk when investing in the Shares.***

The Shares are, and any future dividends to be announced in respect of the Shares will be, denominated in euros. U.S. dollar or other currency equivalents of any dividends paid on the Shares or any distributions made would be adversely affected by the depreciation of euros against U.S. dollars or such other currencies. Accordingly, an investment in the Shares by an investor whose principal currency is not euros exposes the investor to currency exchange rate risk that may impact the value of the investment in the Shares or any dividends or any potential subscription rights. Also see risk factor 1.2.2 (*—Risks Related to Azelis' Financial Situation—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*).

1.4.9 ***The Shares will be listed and traded on Euronext Brussels on an "if-and-when-issued and/or delivered" basis from the Listing Date until the Closing Date. Euronext Brussels may annul all transactions effected in the Offer Shares if they are not sold and delivered on the Closing Date.***

From the Listing Date until the Closing Date, the Shares will be listed and traded on the regulated market of Euronext Brussels on an "if-and-when-issued and/or delivered" basis, meaning that trading of the Shares will begin prior to the closing of the Offering. The Closing Date is expected to occur on the second Euronext Brussels trading day following the Listing Date.

Investors that wish to enter into transactions in the Offer Shares prior to the Closing Date, whether such transactions are effected on the regulated market of Euronext Brussels or otherwise, should be aware that the closing may not take place on the expected date, or at all, if the Underwriting Agreement is not entered into or if certain conditions or events referred to in the Underwriting Agreement (as defined herein) are not satisfied or waived or do not occur on or prior to such date. Euronext Brussels may annul all transactions effected in the Shares if they are not sold and delivered on the Closing Date.

Upon the occurrence of certain customary events including, but not limited to, if the Company does not comply with its obligations, covenants and undertakings under the Underwriting Agreement, or if admission to listing of the Shares on the regulated market of Euronext Brussels is withdrawn, closing of the Offering would not take place. Under normal market circumstances, it should be expected that the Offer Shares will be delivered on the second Euronext Brussels trading day following the Listing Date, but the negative impact of any failure to close the Offering and the resulting annulment of all trading following the Listing Date could be significant. For additional information, see section 18.5 (*The Offering—Cancellation, Suspension and Modification of the Offering*) and section 19 (*Plan of Distribution*).

2. IMPORTANT INFORMATION

2.1 Approval of this Prospectus

This Prospectus has been approved by the FSMA as competent authority under the Prospectus Regulation. The FSMA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. The FSMA's approval should not be considered as an endorsement of the Company or the quality of the Shares that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Shares.

This Prospectus has been prepared in English. The Summary of the Prospectus has also been translated into Dutch and French. The Company is responsible for the consistency between the English, Dutch and French versions of the Summary. The FSMA approved this Prospectus on September 13, 2021 in accordance with Article 20 of the Prospectus Regulation. Without prejudice to the responsibility of the Company for inconsistencies between the different language versions of the Summary of the Prospectus, the English version approved by the FSMA will prevail in the case of discrepancies between the different versions of the Summary. However, the translations may be referred to by investors in transactions with the Company.

No public offering is made outside of Belgium and the Prospectus has not been submitted for approval to any supervisory body or governmental authority outside of Belgium.

2.2 Persons Responsible for this Prospectus

The Company, represented by its Board of Directors, accepts responsibility for the information in this Prospectus in accordance with Article 26 of the Prospectus Law and for the content of the Summary, in accordance with Article 26, §3 of the Prospectus Law. Certain sections of this Prospectus relating to: (i) the description of the Selling Shareholders and their shareholding in the Company; and (ii) the description of the Over-Allotment Option granted by the Principal Selling Shareholders have been drafted on the basis of the information provided by the Selling Shareholders. The Selling Shareholders also assume responsibility for these (and only these) sections of this Prospectus.

Both the Company (for the entirety of this Prospectus) and the Selling Shareholders (only with respect to the sections referred to in the previous paragraph for which they assume responsibility) attest that the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and makes no omission likely to affect its import.

The Underwriters make no representation or warranty, express or implied, as to, and do not assume any responsibility for, the accuracy or completeness or verification of the information in this Prospectus, and nothing in this Prospectus is, or shall be relied upon as, a statement or representation by the Underwriters or any of their affiliates, whether as to the past or the future. Accordingly, the Underwriters or any of their affiliates disclaim, to the fullest extent permitted by applicable law, any and all liability, whether arising in tort, contract or otherwise, in respect of this Prospectus or any such statement or representation.

2.3 Prospectus Supplement

The information in this Prospectus is as at the date printed on the front cover, unless expressly stated otherwise. The delivery of this Prospectus at any time does not imply that there has been no change in Azelis' business or affairs since the date hereof or that the information contained herein is correct as at any time subsequent to the date hereof. In accordance with Article 23 of the Prospectus Regulation, in the event of a significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus that is capable of affecting the assessment of the Offer Shares between the date of approval of this Prospectus and the time of closing of the Offering Period or the Listing Date, whichever occurs later, a Prospectus Supplement shall be published. Any Prospectus Supplement is subject to approval by the FSMA in the same manner as this Prospectus and must be made public in the same manner as this Prospectus. See section 18.7 (*The Offering—Supplements to this Prospectus*).

2.4 Stabilization

In connection with the Offering, Goldman Sachs Bank Europe SE or its affiliates will act as Stabilization Manager on behalf of itself and the Underwriters and may engage in transactions that stabilize, maintain or otherwise affect the price of the Shares or any options, subscription rights or rights with respect to or other interest in, the Shares or other securities of the Company for up to 30 calendar days from the Listing Date (the "**Stabilization Period**"). These activities may support the market price of the Shares at a level higher than that which might otherwise prevail. Stabilization will not be executed above the Offer Price. Such transactions may be effected on Euronext Brussels, in the over-the-counter markets or otherwise. The Stabilization Manager and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken; if undertaken, the Stabilization Manager or its agents may discontinue any of these activities at any time and they must terminate at the end of the Stabilization Period.

Within five business days of the end of the Stabilization Period, the following information will be made public in accordance with Article 5 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on Market Abuse and Article 6.3 of the Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programs and stabilization measures: (i) whether or not stabilization was undertaken; (ii) the date at which stabilization started;

(iii) the date on which stabilization last occurred; (iv) the price range within which stabilization was carried out, for each of the dates on which stabilization transactions were carried out; (v) the final size of the Offering, including the result of the stabilization and the exercise of the Over-Allotment Option, if any; and (vi) the trading venue on which the stabilization transactions were carried out, where applicable. See section 19.3 (*Plan of Distribution—Over-Allotment Option and Price Stabilization*).

2.5 Availability of the Prospectus

Subject to selling and transfer restrictions, this Prospectus is available in English and the Summary is available in English, Dutch and French.

Subject to the restrictions in this Prospectus, this Prospectus will be made available to investors free of charge, as from September 14, 2021, in Belgium, at the registered office of the Company, Posthofbrug 12, box 6, B-2600 Antwerp, Belgium and will also be made available to investors free of charge upon request by the Underwriters. In addition, and subject to the same restrictions, the Prospectus and Summary are available on the Company website at www.azelis.com/investor-relations.

The posting of the Prospectus on the internet does not constitute an offer to sell or a solicitation of an offer to buy any of the Shares to or from any person in any jurisdiction in which it is unlawful to make such offer or solicitation to such person.

No consent has been given by the Company or the Selling Shareholders to the use of the Prospectus for the purpose of subsequent resale of the Shares or their final placement by financial intermediaries, other than offers made by the Underwriters which constitute the final placement of Shares contemplated in this Prospectus.

2.6 Other Company Information and Documentation

The Company's deed of incorporation is filed, and the Company must file its coordinated Articles of Association and all other deeds that are to be published in the annexes to the Belgian State Gazette with the clerk's office of the enterprise court of Antwerp, division Antwerp, where they are available to the public. The Company is registered with the Register of Legal Entities (Antwerp, division Antwerp) under number 0769.555.240. A copy of the Company's most recent Articles of Association, as adopted by the Shareholders' Meeting on September 10, 2021 and which will only enter into force subject to closing of the Offering, is available on its website at www.azelis.com/investor-relations.

In accordance with Belgian law, the Company will also prepare stand-alone statutory financial statements and consolidated financial statements. The annual statutory financial statements, together with the report of the Board of Directors and the audit report of the statutory auditor, as well as the consolidated financial statements, together with the report of the Board of Directors and the audit report of the statutory auditor thereon, will be filed with the National Bank of Belgium, where they will be available to the public. Furthermore, as a listed company, the Company must publish an annual financial report (comprising the financial information to be filed with the National Bank of Belgium and a responsibility statement) and a semi-annual financial report (comprising condensed financial statements, the report of the statutory auditor, if audited or reviewed, and a responsibility statement). These reports will be made publicly available on the Company's website.

As a listed company, the Company must also disclose "inside information," information about its shareholder structure and certain other information to the public. All information considered to be inside information by the Company will be labeled as "inside information." When regulated information is at the same time considered inside information it will be labelled both as "regulated information" as well as "inside information" by the Company. In both cases it will be made available on STORI, the Belgian central storage mechanism, which is operated by the FSMA and can be accessed via stori.fsma.be or www.fsma.be. In accordance with the Belgian Royal Decree of 14 November 2007 relating to the obligations of issuers of financial instruments admitted to trading on a Belgian regulated market (*Koninklijk besluit betreffende de verplichtingen van emittenten van financiële instrumenten die zijn toegelaten tot de verhandeling op een gereglementeerde markt* / *Arrêté royal relatif aux obligations des émetteurs d'instruments financiers admis aux négociations sur un marché réglementé*), Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on Market Abuse and the Commission Implementing Regulation (EU) 2016/1055 of 29 June 2016 laying down implementing technical standards with regard to the technical means for appropriate public disclosure of inside information and for delaying the public disclosure of inside information, such information and documentation will be made available through the Company's website, press releases, the communication channels of Euronext Brussels, on STORI or a combination of these means. All press releases published by the Company will be made available on its website.

The Company has agreed that, for so long as any of the Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Company will, during any period in which the Company is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, on the request of such holder, beneficial owner or prospective purchaser, the information required to be provided to such persons pursuant to Rule 144A(d)(4) under the U.S. Securities Act. The Company is not currently subject to the periodic reporting requirements of the U.S. Exchange Act.

2.7 Documents Incorporated by Reference

The Articles of Association are incorporated in this Prospectus by reference and, as such, form part of this Prospectus. The Articles of Association (or copies thereof) may be obtained in electronic form free of charge from the Company's website at www.azelis.com/investor-relations.

2.8 No Incorporation of Website Information

The other contents of the Company's website, including any websites accessible from hyperlinks on the Company's website, do not form part of and are not incorporated by reference into this Prospectus.

2.9 Sources of Market Data and Information from Third Parties

This Prospectus refers to statistical and other information regarding the markets in which Azelis operates and competes. This Prospectus includes market, economic and industry data as well as certain statistics, information relating to Azelis' business and markets and other industry data, that Azelis derived or extrapolated from multiple sources, such as industry publications, generated through internal estimates, its review and analysis of market conditions and/or its review and analysis of services and materials as well as surveys, industry publications, customer feedback and reports provided by various statistics providers and market research organizations and others, including Boston Consulting Group, Independent Commodity Intelligence Services and the European Chemical Industry Council (collectively, the "**Azelis Data Analysis**"). Such information has been obtained from sources Azelis believes to be reliable, but the accuracy and completeness of such information is not guaranteed. Azelis has accurately reproduced the industry and market data from such information, and, as far as it is aware and able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. Neither Azelis nor the other parties listed have independently verified such data and cannot guarantee the accuracy or completeness thereof. Additionally, Azelis and/or the other parties listed cannot assure investors that any of the assumptions underlying these statements are accurate or correctly reflect its position in the industry, and none of Azelis' internal estimates have been verified by any independent sources, including its management or the other parties listed. Accordingly, neither Azelis nor the Selling Shareholders or any of its management or the other parties listed make any representations or warranties or assure investors of the accuracy or completeness of, and take no responsibility for, such data. Furthermore, such data has not been verified by any independent sources and Azelis cannot assure investors that a third party using different methods to assemble, analyze or compute market data would obtain the same result. Azelis and/or the other parties listed do not intend, and do not assume any obligations, to update industry or market data set forth in this Prospectus. Finally, behavior, preferences and trends in the marketplace tend to change. As a result, investors and prospective investors should be aware that data in this Prospectus and estimates based on such data may not be reliable indicators of future results.

2.10 Presentation of Financial Information

Unless otherwise stated, the financial information in this Prospectus has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). The significant IFRS accounting policies applied in the financial information of the Group are applied consistently in the financial information in this Prospectus.

Unless otherwise stated, the financial information presented in this Prospectus was not prepared in accordance with U.S. Generally Accepted Accounting Principles ("**U.S. GAAP**") or audited in accordance with U.S. Generally Accepted Auditing Standards or the auditing standards of the Public Company Accounting Oversight Board. Unless otherwise stated, no opinion or any other assurance with regard to any financial information was expressed under U.S. GAAP, U.S. Generally Accepted Auditing Standards or the auditing standards of the Public Company Accounting Oversight Board and the financial information is not intended to comply with the SEC reporting requirements. Compliance with such requirements would require modification, reformulation or exclusion of certain financial measures. In addition, changes would be required in the presentation of certain other information. In particular, no reconciliation to U.S. GAAP is provided unless otherwise stated.

2.10.1 *Historical Financial Information*

2.10.1.1 Formation of the Group

On November 8, 2018, Akita Midco S.à r.l., a company indirectly controlled by the EQT VIII Fund and PSP Europe, indirectly acquired 100% of the outstanding shares of Azelis Holding S.A. (the "**EQT/PSP Acquisition**"). Akita Midco S.à r.l. was incorporated on July 25, 2018 and had no operations prior to the EQT/PSP Acquisition. Akita Midco S.à r.l. was renamed Azelis Holding S.à r.l. in 2019.

2.10.1.2 Annual Financial Statements of Azelis Holding S.à r.l. (formerly Akita Midco S.à r.l.)

This Prospectus includes consolidated financial information of Azelis Holding S.à r.l. (formerly Akita Midco S.à r.l.) and its subsidiaries that has been derived from the consolidated financial statements of Azelis Holding S.à r.l. and its subsidiaries as at and for the year ended December 31, 2020 (the "**2020 Azelis Holding S.à r.l. Financial Statements**"), as at and for the year ended December 31, 2019 (the "**2019 Azelis Holding S.à r.l. Financial Statements**") and as at December 31, 2018 and for the period from its incorporation on July 25, 2018 to December 31, 2018 (the "**2018 Azelis Holding S.à r.l. Financial Statements**" and, together with the 2019 Azelis Holding S.à r.l. Financial Statements and the 2020 Azelis

Holding S.à r.l. Financial Statements, the "**Azelis Holding S.à r.l. Financial Statements**"), prepared in accordance with IFRS as adopted by the European Union and included elsewhere in this Prospectus. PricewaterhouseCoopers, *Société coopérative* has audited the Azelis Holding S.à r.l. Financial Statements included herein.

The Azelis Holding S.à r.l. Financial Statements will be comparable to the IFRS consolidated financial statements of the Company going forward, as the Reorganization and the related contributions in kind (see section 14.3 (*—Reorganization*)) constitute a capital reorganization under common control, and the Company will account for this transaction using the predecessor value method. Consequently:

- the assets and liabilities of the Company will be recognized at book value in its IFRS consolidated financial statements. No items will be revalued to their fair value and no goodwill will be realized;
- the other comprehensive income and other reserves will be those coming forth from Azelis Holding S.à r.l.;
- the income statement and statement of cash flows of the Company for the year ending December 31, 2021 will span twelve months, notwithstanding the fact that the legal existence of the Company will be shorter;
- the comparative financial information in the Company's IFRS consolidated financial statements will be the information of Azelis Holding S.à r.l., ensuring continuity of financial information; and
- the number of shares of the Company will differ from the number of shares of Azelis Holding S.à r.l. and, as a result, earnings per share will also differ.

2.10.1.3 Annual Financial Statements of Azelis Holding S.A.

To facilitate the full-year comparison of the Group's financial information on an ongoing operations basis (as described in section 2.10.1.5 (*—Presentation of Financial Information as at and for the year ended December 31, 2018*)), this Prospectus also includes certain consolidated financial information of Azelis Holding S.A. and its subsidiaries that has been derived from the consolidated financial statements of Azelis Holding S.A. and its subsidiaries as at and for the year ended December 31, 2018 (the "**2018 Azelis Holding S.A. Financial Statements**" and, together with the Azelis Holding S.à r.l. Financial Statements, the "**Azelis Annual Financial Statements**"), prepared in accordance with IFRS as adopted by the European Union and included elsewhere in this Prospectus. PricewaterhouseCoopers, *Société coopérative* has audited the 2018 Azelis Holding S.A. Financial Statements included herein.

2.10.1.4 Interim Financial Statements of Azelis Holding S.à r.l.

This Prospectus also includes the unaudited consolidated financial information of Azelis Holding S.à r.l. and its subsidiaries as at and for the six-month periods ended June 30, 2021 and 2020, which have been derived from the unaudited interim condensed consolidated financial statements of Azelis Holding S.à r.l. and its subsidiaries as at and for the six-month periods ended June 30, 2021 and 2020, prepared in accordance with IAS 34, "Interim Financial Reporting," the standard of IFRS applicable to the preparation of interim financial statements (the "**Azelis Holding S.à r.l. Interim Financial Statements**" and, together with the Azelis Annual Financial Statements, the "**Azelis Financial Statements**"), and included elsewhere in this Prospectus. PricewaterhouseCoopers, *Société coopérative* has reviewed the Azelis Holding S.à r.l. Interim Financial Statements included herein.

2.10.1.5 Presentation of Financial Information as at and for the Year Ended December 31, 2018

As a result of the impact of the EQT/PSP Acquisition on the financial statements of the Group, information derived from each of the 2018 Azelis Holding S.à r.l. Financial Statements and the 2018 Azelis Holding S.A. Financial Statements is presented in this Prospectus, as summarized and further set out below.

(i) *Statement of Financial Position Information as at December 31, 2018*

The 2018 Azelis Holding S.à r.l. Financial Statements included in this Prospectus include the consolidated statement of financial position as at December 31, 2018 of Akita Midco S.à r.l. (now Azelis Holding S.à r.l.) and its subsidiaries and therefore reflect the impact of the EQT/PSP Acquisition on the equity and debt structure of the Group; however, the consolidated income statement and the consolidated statement of cash flows included in the 2018 Azelis Holding S.à r.l. Financial Statements only cover the Group's results of operations for the period beginning on the date of the EQT/PSP Acquisition and accordingly reflect less than two months of operating results.

The consolidated statement of financial position as derived from the 2018 Azelis Holding S.à r.l. Financial Statements is therefore presented in this Prospectus when discussing the Group's financial position as at December 31, 2018. Azelis' consolidated statement of financial position in the 2018 Azelis Holding S.à r.l. Financial Statements is comparable to Azelis' consolidated statement of financial position as shown in the 2019 Azelis Holding S.à r.l. Financial Statements, the 2020 Azelis Holding S.à r.l. Financial Statements and the Azelis Holding S.à r.l. Interim Financial Statements, and accordingly provide reliably comparable information to prospective investors on Azelis' financial position as at the dates presented in this Prospectus.

(ii) *Income Statement and Cash Flow Information for the year ended December 31, 2018*

The 2018 Azelis Holding S.A. Financial Statements included in this Prospectus include the full-year performance of Azelis Holding S.A. and its subsidiaries, as shown in the consolidated income statement and the consolidated statement of cash flows for the year ended December 31, 2018; however, the consolidated statement of financial position from the 2018 Azelis Holding S.A. Financial Statements does not reflect the equity and debt structure of the Group that was put in place in connection with the EQT/PSP Acquisition.

The consolidated income statement and consolidated statement of cash flows, as derived from the 2018 Azelis Holding S.A. Financial Statements, are therefore presented in this Prospectus when discussing the Group's results for the year ended December 31, 2018. Azelis' consolidated income statement and consolidated statement of cash flows as shown in the 2018 Azelis Holding S.A. Financial Statements are comparable with Azelis' consolidated income statement and consolidated statement of cash flows as shown in the 2019 Azelis Holding S.à r.l. Financial Statements, the 2020 Azelis Holding S.à r.l. Financial Statements and the Azelis Holding S.à r.l. Interim Financial Statements, and accordingly provide reliably comparable information to prospective investors on Azelis' financial performance over the periods presented in this Prospectus, except as follows.

(iii) *Impact of the EQT/PSP Acquisition on the Azelis Financial Statements*

The EQT/PSP Acquisition did not impact revenue, gross profit, Adjusted EBITA or cash flow from operating activities. However, if compared with the periods from the year ended December 31, 2019 and thereafter, the following main items in the income statement and cash flow information during 2018 were one-off in nature and have changed since the EQT/PSP Acquisition.

- One-off costs with regard to the EQT/PSP Acquisition, as disclosed separately in the Adjustments in EBITA of Azelis Holding S.A., totaling €22.9 million, can be considered as the sellers' costs. See note 6 (*Operating segments*) to the 2018 Azelis Holding S.A. Financial Statements. Additionally, the 2018 income statement of Azelis Holding S.à r.l. includes €20.9 million of one-off costs regarding the EQT/PSP Acquisition that can be considered as the bidders' costs. See note 6 (*Operating segments*) to the 2018 Azelis Holding S.à r.l. Financial Statements.

- Non-cash amortization expenses in 2018 of €20.4 million were included in the 2018 income statement of Azelis Holding S.A. on the basis of intangible assets under previous ownership. As from November 2018, amortization in the Azelis Holding S.à r.l. Financial Statements is included on the basis of the newly calculated intangible assets following the EQT/PSP Acquisition. The 2019 income statement of Azelis Holding S.à r.l. included the full-year impact of non-cash amortization expenses of €30.6 million.

- Debt instruments (specifically, preferred equity certificates) under previous ownership (i.e., until the EQT/PSP Acquisition) were valued at fair value on the statement of financial position of Azelis Holding S.A. Upon the EQT/PSP Acquisition, those preferred equity certificates had to be repaid, and the difference between fair value (until end of 2017) and nominal value (upon repayment in November 2018) was required to be expensed through the income statement of Azelis Holding S.A. in an amount of €103.9 million. See note 13 (*Net financial expenses*) to the 2018 Azelis Holding S.A. Financial Statements. The total repayment of debt was included as part of net cash flow from financing activities in the 2018 Azelis Holding S.A. Financial Statements.

- Interest expenses on bank loans and overdrafts were €34.6 million in 2018 and €47.3 million in 2017 (see note 13 (*Net financial expenses*) to the 2018 Azelis Holding S.A. Financial Statements), and increased to €57.2 million (see note 13 (*Net financial expenses*) to the 2019 Azelis Holding S.à r.l. Financial Statements) on the basis of the new debt structure following the EQT/PSP Acquisition, with a related impact on the cash flow statement.

2.10.1.6 Financial Statements of Vigon International, Inc.

This Prospectus includes consolidated financial information of Vigon International, Inc. and its subsidiaries and affiliates that has been derived from the consolidated financial statements of Vigon International, Inc. and its subsidiaries and affiliates as at and for the year ended December 31, 2020 (the "**2020 Vigon Financial Statements**") and as at and for the year ended December 31, 2019 (the "**2019 Vigon Financial Statements**" and, together with the 2020 Vigon Financial Statements, the "**Vigon Financial Statements**"), prepared in accordance with U.S. GAAP and included elsewhere in this Prospectus. RSM US LLP has audited the Vigon Financial Statements included herein.

2.10.1.7 Other Financial Information

This Prospectus includes certain financial information relating to the Group, including financial information for periods predating the Azelis Financial Statements that are included elsewhere in this Prospectus. Such information has been derived from the accounting records of the Group.

2.10.2 ***Unaudited Pro Forma Financial Information***

The unaudited *pro forma* consolidated income statement of the Group for the year ended December 31, 2020 and for the six-month period ended June 30, 2021 included in this Prospectus have been derived from the unaudited *pro forma* consolidated financial information (the "**Unaudited *Pro Forma* Financial Information**") included elsewhere in this Prospectus. The Unaudited *Pro Forma* Financial Information should be read in conjunction with the notes to the Unaudited *Pro Forma* Financial Information, the Azelis Holding S.à r.l. Interim Financial Statements, the 2020 Azelis Holding S.à r.l. Financial Statements and the 2020 Vigon Financial Statements on a consolidated basis, including the notes thereto, all of which are presented in section 24 (*Financial Information*). The information contained in the Unaudited *Pro Forma* Financial Information represents a simulation of the possible effects that the acquisition of Vigon on June 1, 2021 might have had, had it taken place on January 1, 2020 and had IFRS applied to Vigon's financial information instead of U.S. GAAP for the relevant periods. The Unaudited *Pro Forma* Financial Information is provided herein for information purposes only and is not necessarily indicative of either the financial position or results of operations of the Group had the acquisition referred to therein and as described below occurred on January 1, 2020, or of the future financial position or future results of operations of the Group.

The Unaudited *Pro Forma* Financial Information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and does not, therefore, represent the Group's actual or future financial position or results of operations. Such information may not, therefore, give a true picture of the Group's financial position or results of operations nor is it indicative of its results. Neither the assumptions underlying the preparation of the Unaudited *Pro Forma* Financial Information nor the resulting Unaudited *Pro Forma* Financial Information have been audited or reviewed in accordance with any generally accepted auditing standards. The Unaudited *Pro Forma* Financial Information does not constitute financial statements within the meaning of the Luxembourg Law of 19 December 2002 (as amended).

2.10.3 ***Last Twelve Months Financial Information***

In this Prospectus, the Company presents certain unaudited historical financial information for the Group for the twelve months ended June 30, 2021 (the "**LTM Period**"). The financial information for the LTM Period reflects an arithmetic calculation generated by adding the unaudited interim consolidated financial information of the Group for the six-month period ended June 30, 2021 extracted from the Azelis Holding S.à r.l. Interim Financial Statements to the consolidated financial information of the Group for the year ended December 31, 2020 extracted from the 2020 Azelis Holding S.à r.l. Financial Statements and subtracting the unaudited interim consolidated financial information of the Group for the six-month period ended June 30, 2020 extracted from the Azelis Holding S.à r.l. Interim Financial Statements. Although the components of the calculation of the financial information for the LTM Period have been either audited or reviewed, the LTM Period itself is not an accounting period that has been subject to audit or review by the Group's independent statutory auditor, PricewaterhouseCoopers, *Société coopérative*. The Company has provided historical financial information for the LTM Period for the convenience of investors.

Operational data for the LTM Period has been derived by adding the amounts for the six-month period ended June 30, 2021 to the amounts for the year ended December 31, 2020 and subtracting the amounts for the six-month period ended June 30, 2020.

2.10.4 ***Financial Year***

The Group's financial year begins on January 1 of a given calendar year and ends on December 31 of that calendar year (except for the first financial year of Akita Midco S.à r.l. that started on its incorporation date of July 25, 2018 and ended on December 31, 2018).

2.10.5 *Rounding, Foreign Currency Translation and Presentation Conventions*

Certain financial information (including percentages) presented in this Prospectus has been rounded according to established commercial standards. As a result, figures shown as totals in this Prospectus may not be exact arithmetic aggregations of the figures that precede them. Percentages and amounts reflecting changes over time periods relating to financial data are calculated using the numerical data in the Azelis Financial Statements included in this Prospectus, as applicable, and do not use the numerical data in the narrative description thereof.

When discussing the Group's financial performance in this Prospectus, the impact of foreign currency translation is determined by translating amounts for the earlier period at the foreign currency exchange rate for the later period.

Unless indicated otherwise, all financial information presented in the text and tables in this Prospectus is shown in millions of euros (*€ millions*).

Financial information presented in parentheses denotes the negative of such number presented. A dash ("–") signifies that the relevant item is not applicable, while a zero signifies that the relevant figure is available but has been rounded to zero and the designation "n.m." indicates that the figure is not meaningful.

2.11 Alternative Performance Measures

Throughout this Prospectus, certain financial measures and adjustments are not presented 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. These alternative performance measures include Adjusted EBITA, Adjusted EBITA Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Adjustments, Conversion Margin, EBITA, Financing EBITDA, Free Cash Flow, Free Cash Flow Conversion, growth from acquisitions, Gross Profit Margin, Net Indebtedness, Net Leverage, Net Working Capital, Net Working Capital/Revenue, organic growth and ROTIC (collectively, the "**Alternative Performance Measures**" or "**APMs**").

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.

- "**Gross Profit Margin**" represents 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**" represents operating profit before amortization and impairment of intangible assets.
- "**Adjusted EBITA**" represents operating profit or loss before amortization and impairment of intangible assets and excluding Adjustments. The Group historically referred to "Adjusted EBITA" as "Operating EBITA," which is the term used for such metric in the Azelis Financial Statements included in section 24 (*Financial Information*).
- "**Adjustments**" are 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," which is the term used for such metric in the Azelis Financial Statements included in section 24 (*Financial Information*).
- "**Adjusted EBITA Margin**" represents Adjusted EBITA divided by revenue. The Group historically referred to "Adjusted EBITA Margin" as "Operating EBITA Margin," which is the term used for such metric in the Azelis Financial Statements included in section 24 (*Financial Information*).
- "**Adjusted EBITDA**" represents Adjusted EBITA before depreciation of property, plant and equipment. The Group historically referred to "Adjusted EBITDA" as "Operating EBITDA," which is the term used for such metric in the Azelis Financial Statements included in section 24 (*Financial Information*).
- "**Adjusted EBITDA Margin**" represents Adjusted EBITDA divided by revenue.
- "**Conversion Margin**" represents Adjusted EBITA as a percentage of gross profit.

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.

- "**Organic growth**" represents the 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.

- "**Growth from acquisitions**" represents the 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.

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.

- "**Free Cash Flow**" represents Adjusted EBITDA less lease payments, plus changes in Net Working Capital, plus changes in other assets, liabilities and provisions, less net capital expenditures. Free Cash Flow as presented in section 9.11 (*Operating and Financial Review—Alternative Performance Measures*) and elsewhere in this Prospectus differs from the presentation of free cash flow in the Azelis Financial Statements included in section 24 (*Financial Information*), with the definition used throughout this Prospectus being updated to align with the presentation of this metric as used by certain peer companies of the Group. The Group intends to present Free Cash Flow as defined in this Prospectus for purposes of its ongoing financial reporting following the Offering. For a reconciliation between these homonymous metrics, see section 9.11.2.1 (*Operating and Financial Review—Alternative Performance Measures—Free Cash Flow and Free Cash Flow Conversion—Free Cash Flow*).

- "**Free Cash Flow Conversion**" represents (i) Free Cash Flow divided by (ii) Adjusted EBITDA less lease payments.

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.

- "**Net Working Capital**" represents inventories plus trade receivables (as adjusted for advances to suppliers), less trade payables (as adjusted for advances from customers).

- "**Net Working Capital/Revenue**" represents (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).

The Group monitors and presents its Net Working Capital and Net Working Capital as a percentage of revenue to evaluate how efficient it is at managing its cash provided by operating activities.

- "**Net Indebtedness**" represents 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.

- "**Financing EBITDA**" represents 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.

- "**Net Leverage**" represents Net Indebtedness divided by Financing EBITDA for the preceding twelve months.

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.

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.

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. See section 11.17.2.1 (*Business—Material Contracts—Financing Agreements—New Debt Facilities*).

- "**ROTIC**" or "**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).

These APMs are not measures or adjustments determined based on IFRS or any other internationally accepted accounting principles, and investors should not consider such items as an alternative to the historical financial results or other indicators of the Group's performance based on IFRS measures. The APMs, as defined by the Group, may not be comparable to similarly titled measures as presented by other companies due to differences in the way the Group's APMs are calculated. Although the APMs are used by management to assess ongoing operating performance and liquidity and these types of measures are commonly used by investors, they have important limitations as analytical tools, and investors should not consider them in isolation or as substitutes for analysis of the Group's results as reported under IFRS. For example, some of the limitations for the APMs include the following:

- they exclude certain tax payments that may represent a reduction in cash available to the Group;

- they do not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;

- they do not reflect changes in, or cash requirements for, the Group's working capital needs;

- they do not reflect the significant interest expense, or the cash requirements necessary to service interest payments on the Group's debts; and

- the adjustments made in calculating Adjusted EBITA and Adjusted EBITDA are those that management consider are not representative of the Group's underlying operations and therefore are, by definition, subjective in nature.

For explanations and reconciliations of the APMs to the Azelis Financial Statements, see section 9.11 (*Operating and Financial Review—Alternative Performance Measures*).

2.12 Currency Information

In this Prospectus, unless otherwise indicated: "**euros**," "**€**" and "**EUR**" refer to the single European currency adopted by certain participating member states of the European Union, all references to "**U.S. dollars**," "**U.S.$**" and "**USD**" are to the lawful currency of the United States, all references to "**Canadian dollars**," "**C$**" and "**CAD**" are to the lawful currency of Canada and all references to "**British pounds sterling**," "**pounds sterling**," "**£**" and "**GBP**" are to the lawful currency of the United Kingdom.

2.13 Forward-Looking Statements

This Prospectus includes forward-looking statements, which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words "targets," "believes," "expects," "aims," "intends," "will," "may," "anticipates," "projects," "predicts," "estimates," "plans," "risk," "would," "could" or similar expressions or the negative thereof. They appear in a number of places throughout this Prospectus and include statements that reflect the Company's intentions, beliefs or current expectations and projections about the Group's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which the Group operates. In particular, the statements in the summary to this prospectus and in section 1 (*Risk Factors*), section 4 (*Dividends and Dividend Policy*), section 9 (*Operating and Financial Review*), section 10 (*Industry Overview*) and section 11 (*Business*) regarding the Group's strategy, targets, expectations, objectives, future plans and other future events or prospects are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond Azelis' control that could cause its actual results, its financial situation and results of operations or prospects to materially differ from any of those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Azelis' present and future business strategies and the environment in which Azelis currently operates and will operate in the future. Investors should be aware that several important factors and risks may cause Azelis' actual results, financial condition, results of operations or prospects to differ materially from those expressed in such forward-looking statements, including those factors discussed in section 1 (*Risk Factors*) and section 9 (*Operating and Financial Review*) and elsewhere in this Prospectus and include, but are not limited to:

- the regulatory and legal environment in which Azelis operates;

- malfunctions, interruptions or security breaches of IT systems and networks, and failure of the physical infrastructure of the IT systems and networks;

- continued demand for specialty chemicals and food ingredients;
- risks associated with acquisitions, strategic partnerships and investments;
- successful execution of Azelis' strategy;
- actions of Azelis' current or potential competitors in bidding for new contracts;
- availability of third-party service providers for Azelis to enter into agreements with;
- violations of environmental laws and regulations or future liabilities;
- insufficient insurance and insurable losses;
- the need for additional capital in the future, and its availability on terms favorable to Azelis;
- difficulties in attracting or retaining key executives, officers, managers and technical personnel; and
- actual or threatened legal, administrative and arbitration proceedings and investigations.

These forward-looking statements speak only as at the date of this Prospectus. Except as required by applicable laws and regulations, the Group expressly disclaims any obligation or undertaking to update or revise the forward-looking statements contained in this Prospectus to reflect any change in its expectations or any change in events, conditions or circumstances on which such statements are based.

Investors should be aware that several important factors and risks may cause the actual results of the Group to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

The Company makes no representation, warranty or prediction that the factors anticipated in such forward-looking statements will be present, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or typical scenario.

The Company has not published and does not intend to publish any profit estimates or forecasts within the meaning of the Prospectus Regulation.

3. REASONS FOR THE OFFERING AND THE LISTING AND USE OF PROCEEDS

3.1 Reasons for the Offering

Azelis believes that the Offering will significantly strengthen its financial position. The Primary Tranche will enable Azelis to repay current outstanding debt and provide it with increased financial flexibility that is more consistent with its current profile and maturity. The Offering will also support Azelis' growth strategy and future acquisitions, by providing funding through the Primary Tranche and by giving it access to capital markets. In addition, Azelis expects that the Offering will support its ability to incentivize the current and future members of the Executive Committee and senior management, and to continue to attract high-caliber individuals to join its Executive Committee and senior management team in the future. Such incentivization could occur by way of awards of listed Shares in the Company, aligning the interests of the members of the Executive Committee and senior management team with those of Azelis' shareholders.

3.2 Use of Proceeds

The Group expects to raise gross proceeds from the Primary Tranche in an amount of €880.0 million. On this basis, the Company estimates that it will receive net proceeds from the Offering of approximately €823.0 million after deduction of underwriting commissions (including discretionary fees payable to the Underwriters at the full discretion of the Company) relating to the Primary Tranche, the Secondary Tranche and the Over-Allotment Option in the amount of approximately €39.9 million, and other fees and expenses (including administrative, legal, tax and audit expenses), which are estimated at approximately €17.1 million.

The Group intends to apply the entire approximately €823.0 million of expected net proceeds of the Primary Tranche to the repayment of the Existing Indebtedness. The Group will also draw the full amount of borrowings under the New Term Loan (being approximately €790.0 million) and apply such borrowings to the repayment of the Existing Indebtedness. All outstanding amounts under the Existing Indebtedness (being (i) the €1,490.9 million principal amount of the Existing Senior Facilities and the Existing Second Lien Notes that was outstanding as at June 30, 2021, (ii) €24.4 million of accrued and unpaid interest on the Existing Senior Facilities and the Existing Second Lien Notes as at June 30, 2021 and (iii) €100.0 million that was drawn under the Existing RCF after June 30, 2021) will be repaid, thereby reducing the Group's Net Leverage, which Azelis believes will provide it with greater financial flexibility. If any amounts remain following the full repayment of the Existing Indebtedness using the net proceeds of the Primary Tranche and borrowings under the New Term Loan, such amounts will be available for the general corporate purposes of the Group. If any additional amounts are required for the full repayment of the Existing Indebtedness after the application of the net proceeds of the Primary Tranche and borrowings under the New Term Loan to such repayment, such amounts will be taken from cash on the Group's balance sheet and applied to the repayment of the Existing Indebtedness. For additional information on the New Term Loan and the Existing Indebtedness, see section 11.17.2 (*Business—Material Contracts—Financing Agreements*).

Assuming a full placement of the Offer Shares in the Secondary Tranche, that the Offer Price is at the midpoint of the Price Range and that the Over-Allotment Option is exercised in full, the Selling Shareholders will receive aggregate gross proceeds and equivalent net proceeds from the Offering of approximately €831.5 million. The Company will not receive any of the proceeds from the Secondary Tranche or from the Over-Allotment Option, all of which will be paid to the Selling Shareholders. All fees and expenses relating to the Offering (including those related to the exercise of the Over-Allotment Option) will be borne by the Company.

4. DIVIDENDS AND DIVIDEND POLICY

4.1 Dividends

The Offer Shares carry the right to receive dividends declared after the Closing Date, in respect of the financial year ending December 31, 2021 and future years. All Shares participate equally in the Company's profits, if any. In general, the Company may only pay dividends with the approval of its shareholders at a shareholders' meeting ("**Shareholders' Meeting**"), although, pursuant to its Articles of Association, the Board of Directors may declare interim dividends without shareholder approval. The right to pay such interim dividends is, however, subject to certain legal restrictions. See section 17.5 (*Description of Share Capital and Articles of Association—Dividend Rights*).

The maximum amount of the dividend that can be paid is determined by reference to the Company's stand-alone statutory accounts prepared in accordance with Belgian GAAP.

Under Article 7:211 of the Belgian Code of Companies and Associations (the "**BCCA**") and article 46 of the Company's Articles of Association, the Company must allocate an amount of 5% of the Company's Belgian GAAP annual net profit (*nettowinst* / *bénéfices nets*) to a legal reserve in its stand-alone statutory accounts until the reserve equals 10% of the Company's share capital. The Company currently has no legal reserve. Accordingly, 5% of the Company's Belgian GAAP annual net profit will need to be allocated to the legal reserve until it reaches 10% of the Company's share capital, limiting the amount available for distribution. Subject to closing of the Offering, the Company intends to reduce its share capital to create distributable reserves, thereby also facilitating satisfaction of the legal reserve requirement.

Upon completion of the Offering and the Refinancing, the Company will not be subject to any contractual restrictions on the payment of dividends.

4.2 Dividend History

No dividends have been paid by the Company or by Azelis Holding S.à r.l. prior to the Offering.

4.3 Dividend Policy

Subject to the availability of distributable reserves and approval by the Shareholders' Meeting and barring exceptional circumstances, the Company currently 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. With respect to the year ending December 31, 2021, the amount of any dividends would be calculated *pro rata* such that the Company would pay dividends only in respect of the portion of the financial year for which the Shares are listed on Euronext Brussels (based on the application of the dividend policy described above).

The amount of any interim or final dividends and the determination of whether to pay dividends in any year may be affected by a number of factors, including Azelis' earnings, business prospects, capital requirements and financial performance, the condition of the market, the general economic climate, regulatory considerations and other factors considered important by the Board of Directors. In particular, the Company's ability to pay dividends may be impaired if any of the risks described in this Prospectus were to occur. Furthermore, the Company's dividend policy is subject to change as the Board of Directors will revisit the Company's dividend policy from time to time.

See section 1.4.1 (*Risk Factors—Risks Related to the Shares to be Admitted to Trading—Azelis may not be able to pay dividends in accordance with its stated dividend policy*).

5. DILUTION

As a result of the issuance of Offer Shares to be issued by the Company in the Primary Tranche, the economic interest and the voting interest of the Selling Shareholders will be diluted. The maximum dilution for the Selling Shareholders would be 15.49%, based on expected gross proceeds from the Primary Tranche of €880.0 million and assuming that the Offer Price is at the midpoint of the Price Range.

An existing Shareholder who holds 1.00% of the Company's share capital prior to the issue and who does not subscribe to the Offering will hold 0.85% of the Company's share capital after the issue of the New Offer Shares, assuming full placement of the New Offer Shares.

The following table presents the ownership of the Shares, both as a total number of Shares and as a percentage of the total Shares: (1) immediately prior to the closing of the Offering, assuming that the Offer Price is at the midpoint of the Price Range; (2) giving effect to the Reorganization and the Offering, assuming (i) a full placement of the Offer Shares in the Primary and Secondary Tranches and (ii) that the Offer Price is at the midpoint of the Price Range; and (3) giving effect to the Reorganization and the Offering, assuming (i) a full placement of the Offer Shares in the Primary and Secondary Tranches, (ii) that the Offer Price is at the midpoint of the Price Range and (iii) full exercise of the Over-Allotment Option. The numbers in the following table are based on the assumption that closing of the Offering will take place on September 24, 2021. Because the precise valuation ascribed to the contributions in kind of preference shares in connection with the Reorganization is dependent upon the date of the contribution in kind, such share numbers may vary by an immaterial amount if closing of the Offering should take place on an earlier date. See section 14.3 (*Group Structure—Reorganization*).

	Shares Owned after the Reorganization and immediately before the Closing of the Offering		Shares Owned after the Reorganization and after the Closing of the Offering, assuming			
			No Exercise of Over-Allotment Option		Full Exercise of Over-Allotment Option	
Shareholder	**Number**	**%**	**Number**	**%**	**Number**	**%**
Akita [(1)]	142,027,020	71.0	126,830,130	53.6	119,317,732	50.4
PSP Europe [(2)]	35,494,529	17.7	30,205,845	12.8	28,416,693	12.0
Individual Selling Shareholders [(3)]	22,434,798	11.2	17,576,702	7.4	17,576,702	7.4
New Managers [(3)]	43,653	0.0	43,653	0.0	43,653	0.0
Public [(3)]	–	–	62,010,336	26.2	71,311,886	30.1
Total	**200,000,000**	**100.0**	**236,666,666**	**100.0**	**236,666,666**	**100.0**

(1) Akita is ultimately controlled by the EQT VIII Fund.

(2) PSP Europe is indirectly controlled by PSP Investments.

(3) The Individual Selling Shareholders, the New Managers and the public shareholders have no controlling shareholder.

6. CAPITALIZATION AND INDEBTEDNESS

The following tables show the Company's capitalization and the indebtedness based on the historical figures as at June 30, 2021 (i) on an actual basis, (ii) as adjusted to give effect to the Reorganization described in section 14.3 (Group Structure—Reorganization) and (iii) as further adjusted to give effect to the Offering, assuming a full placement of the Offer Shares, and the Refinancing, including that all proceeds from the Primary Tranche are applied as described in section 3.2 (Reasons for the Offering and the Listing and Use of Proceeds—Use of Proceeds).

The Group expects to raise gross proceeds from the Primary Tranche in an amount of €880.0 million. On this basis, the Company estimates that it will receive net proceeds from the Offering of approximately €823.0 million after deduction of underwriting commissions (including discretionary fees payable to the Underwriters at the full discretion of the Company) relating to the Primary Tranche, the Secondary Tranche and the Over-Allotment Option in the amount of approximately €39.9 million, and other fees and expenses (including administrative, legal, tax and audit expenses), which are estimated at approximately €17.1 million.

This table should be read in conjunction with section 3 (Reasons for the Offering and the Listing and Use of Proceeds), section 8 (Selected Consolidated Financial Information) and section 9 (Operating and Financial Review) and the Group's consolidated financial statements and related notes included elsewhere in this Prospectus.

6.1 Capitalization

	As at June 30, 2021			
	Actual	**Adjustments for the Reorganization** [3]	**Adjustments for the Offering and the Refinancing**	**As adjusted to reflect the Reorganization, the Offering and the Refinancing** [4]
		(€ millions) *(unaudited)*		
Total current debt	**560.6**	**–**	**(24.4)**	**536.2**
Guaranteed [1]	–	–	–	–
Secured [1]	24.4	–	(24.4)	–
Unguaranteed / Unsecured	536.2	–	–	536.2
Total non-current debt	**1,714.7**	**–**	**(700.9)**	**1,013.8**
Guaranteed [1]	–	–	790.0	790.0
Secured [1]	1,490.9	–	(1,490.9)	–
Unguaranteed / Unsecured	223.8	–	–	223.8
Shareholder's equity	**1,308.1**	**–**	**823.0**	**2,131.1**
Share capital and share premium	1,251.2	(400.0)	823.0	1,674.2
Legal reserve	–	–	–	–
Other reserves [2]	56.9	400.0	–	456.9
Total	**3,583.4**	**–**	**97.7**	**3,681.1**

(1) The Existing Senior Facilities, the Existing Second Lien Notes and other bank loans borrowed as at June 30, 2021 include corporate guarantees and are secured by certain assets of the Group, including intercompany receivables and share pledges. The New Debt Facilities will be unsecured but will be guaranteed by the Company.

(2) Other reserves includes unappropriated result amounting to €46.2 million, negative translation reserve amounting to €55.2 million and other reserves amounting to €66.0 million, and excludes non-controlling interests amounting to €20.1 million.

(3) Subject to closing of the Offering, the Company intends to reduce its share capital by €400.0 million to create additional distributable reserves, which increase by €400.0 million. See section 14.3 (*Group Structure—Reorganization*).

(4) "As adjusted" debt amounts reflect repayment in full of the Existing Indebtedness using the entire approximately €823.0 million of expected net proceeds of the Primary Tranche, together with borrowings under the New Term Loan. See section 3.2 (*Reasons for the Offering and the Listing and Use of Proceeds—Use of Proceeds*).

Between June 30, 2021 and the date of this Prospectus, the Existing RCF was drawn in full (€100.0 million) to fund bolt-on acquisitions that were completed between July 1, 2021 and the date of this Prospectus. See section 9.6 (*Operating and Financial Review—Recent Developments*). The Existing RCF will be repaid in connection with the Refinancing. Other than as set out herein, there have been no material changes to Azelis' capitalization between June 30, 2021 and the date of this Prospectus.

6.2 Indebtedness

	As at June 30, 2021		
	Actual	**Adjustments**	**As adjusted to reflect the Offering and the Refinancing** [5]
		(€ millions) *(unaudited)*	
A. Cash [1] [2]	116.4	(2.3)	114.1
B. Cash equivalents	–	–	–
C. Other current financial assets	–	–	–
D. Liquidity (A)+(B)+(C)	**116.4**	**(2.3)**	**114.1**
E. Current financial debt [3]	43.3	–	43.3
F. Current portion of non-current financial debt [4]	66.0	(24.4)	41.6
G. Current financial indebtedness (E)+(F)	**109.3**	**(24.4)**	**84.9**
H. Net current financial indebtedness (G)-(D)	**(7.1)**	**(22.1)**	**(29.2)**
I. Non-current financial debt [5] [6]	1,542.8	(700.9)	841.9
J. Debt instruments	–	–	–
K. Non-current trade and other payables [7]	29.9	–	29.9
L. Non-current financial indebtedness (I)+(J)+(K)	**1,572.7**	**(700.9)**	**871.8**
M. Total financial indebtedness (H)+(L)	**1,565.6**	**(723.0)**	**842.6**

(1) Cash comprises cash on hand, bank current accounts and other bank deposits. There are no restrictions on the availability of cash.

(2) The adjustment includes the repayment of the Existing RCF of €100.0 million that was drawn between July 1, 2021 and the date of this Prospectus.

(3) Current financial debt includes €14.0 million lease obligations and €29.2 million of bank overdrafts.

(4) Current portion of non-current financial debt includes other bank loans as well as accrued interest relating to non-current loans and borrowings of €66.0 million.

(5) Non-current financial debt includes €1,496.1 million of loans and borrowings and €46.7 million of lease obligations.

(6) Amortized debt issuance costs of €20.6 million are deducted from the notional amount of non-current financial debt in order to arrive at the carrying amount of such debt presented above.

(7) Non-current trade and other payables include the put options for the remaining (49%) non-controlling interests, totaling €29.9 million and corresponding to the present value of the estimated exercise price as at June 30, 2021.

6.3 Working Capital Statement

In Azelis' opinion, its working capital is sufficient to meet its present requirements over at least the next twelve months from the date of this Prospectus. Azelis has not included the proceeds of the Offering in its calculation of its working capital for purposes of the foregoing working capital statement.

7. UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

The unaudited pro forma financial information comprising the unaudited pro forma consolidated income statement for the year ended December 31, 2020 and for the six-month period ended June 30, 2021 of Azelis Holding S.à r.l. has been prepared on the basis of the notes set out below to illustrate the effects of the acquisition of Vigon on June 1, 2021 as if it had taken place on January 1, 2020.

The unaudited pro forma financial information reflects the adjustments to give effect to the acquisition of Vigon and related financing, as well as alignment to IFRS, the financial presentation and accounting policies applied by Azelis Holding S.à r.l., and is prepared in accordance with the basis of preparation as described in the notes set out below. The report of PricewaterhouseCoopers, Société Coopérative on the unaudited pro forma financial information as required by the Prospectus Regulation is set out on the following pages of this Prospectus.

The unaudited pro forma financial information is for illustrative purposes only and should not be considered indicative of actual results that would have been achieved had the acquisition of Vigon been completed on January 1, 2020. The unaudited pro forma adjustments are based on available information and certain assumptions that management believes are reasonable and give effect to events that are directly attributable to the acquisition and related transactions and which are factually supportable. By its nature, the unaudited pro forma financial information addresses a hypothetical situation and does not, therefore, represent the Azelis Holding S.à r.l. actual or future financial position or results of operations. The actual results and any future results may differ significantly from those reflected in the unaudited pro forma financial information for a number of reasons, including, but not limited to, differences in assumptions used to prepare the unaudited pro forma financial information.

The unaudited pro forma financial information has been prepared for inclusion in this Prospectus to comply with the Prospectus Regulation and the Commission Delegated Regulation (EU) 2019/980 and for no other purposes. The unaudited pro forma financial information has been prepared in accordance with the principles described in the Commission Delegated Regulation (EU) 2019/980 and the related ESMA guidance. The unaudited pro forma financial information presented in this Prospectus has not been prepared in accordance with the requirements of Regulation S-X issued by the U.S. Securities and Exchange Commission or practices generally accepted in the United States.

Neither the assumptions underlying the preparation of the unaudited pro forma financial information nor the resulting unaudited pro forma financial information have been audited or reviewed in accordance with any generally accepted auditing standards; however, the unaudited pro forma financial information has been reported on in accordance with ISAE 3420 (Assurance Engagements to Report on the compilation of Pro Forma Financial Information included in a Prospectus) by PricewaterhouseCoopers, Société coopérative, as indicated in its report included herein. The unaudited pro forma financial information does not constitute financial statements within the meaning of the Luxembourg law of 19 December 2002, as amended.

The unaudited pro forma financial information should be read in conjunction with section 2.10 (Important Information—Presentation of Financial Information), section 3.2 (Reasons for the Offering and the Listing and Use of Proceeds—Use of Proceeds), section 8 (Selected Consolidated Financial Information), section 9 (Operating and Financial Review), section 14.3 (Group Structure—Reorganization) and the Financial Statements included in this Prospectus.

Readers should note that the adjustments made to adjust U.S. GAAP to IFRS are based upon the limited information available to date, are preliminary and are subject to change once more detailed information is obtained. However, some material differences may exist between U.S. GAAP and IFRS that have not been disclosed because the effect would have been reversed through pro forma adjustments and would not have an effect on the final figures. In addition, some differences have not been addressed as part of the conversion exercise when they related to items that will be re-measured at fair value as part of the forthcoming purchase price allocation exercise, as detailed below.

Rounding adjustments to the nearest one decimal place have been made, therefore, figures shown as total may not be the exact arithmetic aggregation of the figures that preceded them.

Investors should read the Prospectus as whole and not rely solely on the financial information contained in this Unaudited Pro Forma Financial Information section.

Independent assurance report from the *Réviseur d'entreprises agréé* on the compilation of unaudited pro forma financial information included in a prospectus

To the Board of Managers of
Azelis Holding S.à r.l.

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of Azelis Holding S.à r.l. (the "Company") and its consolidated subsidiaries (together, the "Group") by the Company's Board of Managers. The unaudited pro forma financial information consists of the unaudited pro forma consolidated income statement for the year ended 31 December 2020 and for the six-month period ended 30 June 2021 of the Group and related notes as set out in Section 7 of the prospectus issued in relation to the offering of all existing shares and a number of newly issued shares of Azelis Group NV to be listed and admitted to trading to the regulated market operated by Euronext Brussels (the "Prospectus"). The applicable criteria on the basis of which the Company's Board of Managers has compiled the unaudited pro forma financial information are specified in Item 18.4 of Annex 1 and Item 1.1 to item 2.3 of Annex 20 of Commission Delegated Regulation (EU) 2019/980, relating to information contained in prospectuses (the "Regulation"), and described in the notes to the unaudited pro forma financial information (the "Applicable Criteria").

The unaudited pro forma financial information has been compiled by the Company's Board of Managers to illustrate the impacts of the acquisition of Vigon International, Inc. and the related financing (together, the "Transactions"), as if the Transactions had taken place on 1 January 2020. As part of this process, information about the Group's consolidated income statement has been extracted by the Company's Board of Managers from the Group's consolidated financial statements as of and for the year ended 31 December 2020 and from the Group's condensed consolidated interim financial statements as of and for the periods ended 30 June 2021 and 30 June 2020, on which an audit report and a limited review report, respectively, have been published.

Responsibility of the Company's Board of Managers for the unaudited pro forma financial information

The Board of Managers is responsible for compiling the unaudited pro forma financial information on the basis of the Applicable Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier* (CSSF), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply International Standard on Quality Control 1, as adopted for Luxembourg by the CSSF, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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R.C.S. Luxembourg B 65 477 - TVA LU25482518

Responsibilities of the Réviseur d'entreprises agréé

Our responsibility is to express an opinion, as required by Item 18.4 of Annex 1 of the Regulation, about whether the unaudited pro forma financial information has been compiled, in all material respects, by the Board of Managers on the basis of the Applicable Criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the *Institut des Réviseurs d'Entreprises*. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Company's Board of Managers has compiled, in all material respects, the unaudited pro forma financial information on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions as of 31 December 2020 and/or 30 June 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Board of Managers in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those Applicable Criteria;
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information; and

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the events or transactions in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- the unaudited pro forma financial information has been properly compiled on the basis stated by the Board of Managers; and
- such basis is consistent with the accounting policies of the Group.

Restriction of use of the report

This report is required by the Regulation and is provided solely for the purpose of being included in the Prospectus to comply with the requirements of the Regulation and for no other purpose.

The unaudited pro forma financial information of the Group has not been prepared in accordance with the requirements of Regulation S-X of the United States of America (the "US") Securities and Exchange Commission or practices generally accepted in the US. Our procedures on the unaudited pro forma financial information have not been carried out in accordance with auditing standards or other standards and practices generally accepted in the US. Accordingly, our report should not be relied upon as if our procedures had been carried out in accordance with those standards and practices.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 10 September 2021

Electronically signed by:
Véronique Lefebvre

Véronique Lefebvre

7.1 Description of the Unaudited *Pro Forma* Financial Information

7.1.1 *Introduction*

Azelis Holding S.à r.l.'s indirect subsidiary, Azelis Americas LLC, acquired 100% of the shares of Vigon International, Inc. (excluding its affiliates RR2 Airport Road LLC and Yipppeee1 LLC) on June 1, 2021, thereby obtaining control over Vigon from such date.

The acquisition of Vigon was partially financed by an incremental facility of €330.0 million under the Existing EUR Term Loan Facility, and by a €50.0 million capital contribution by Akita and PSP Europe in Azelis Holding S.à r.l. (via share premium with no issuance of new shares).

Given those transactions occurred during the six-month period ended June 30, 2021, the preliminary impact of the acquisition, excluding any impact arising from purchase price allocation, and the impact of the related financing transactions are reflected in Azelis Holding S.à r.l.'s consolidated statement of financial position as at June 30, 2021. The unaudited *pro forma* financial information includes the unaudited *pro forma* consolidated income statements for the year ended December 31, 2020 and for the six-month period ended June 30, 2021 and has been presented as if those transactions occurred as at January 1, 2020.

7.1.2 *Basis of Preparation*

The unaudited *pro forma* financial information is presented in millions of euros in this Prospectus.

The consolidated income statement and consolidated interim income statement of Vigon have been converted into euros using the average EUR/USD exchange rate as used by Azelis Holding S.à r.l. for the corresponding periods, being €1.0000:U.S.$1.1421 (for the year ended December 31, 2020) and €1.0000:U.S.$1.2053 (for the six-month period ended June 30, 2021). The same EUR/USD exchange rates have been applied to convert the accounting policy adjustments and *pro forma* adjustments expressed in U.S. dollars.

The unaudited *pro forma* financial information reflects the *pro forma* tax effect of the adjustments described in notes 3 and 4 below.

- As Vigon historically had an S Corporation legal form, it was exempt from income tax obligations as taxation occurred at the level of the shareholders of Vigon. After its acquisition by the Group, Vigon was converted into a limited liability company in June 2021, and will be taxable as part of the tax consolidation established for the Azelis Holding S.à r.l. U.S.-based companies (consolidated taxation at the level of the subsidiary, Azelis US Holding, Inc.). For adjustments related to U.S. companies, Azelis Holding S.à r.l. has assessed the impact of the Vigon acquisition on the U.S. consolidated income tax income/expenses and deferred tax income/expenses for the year ended December 31, 2020 and for the six-month period ended June 30, 2021.
- For adjustments related to the financing-related costs (third-party interest expenses and other) of the Vigon acquisition, a tax rate of 19% was applied, which is the corporate tax rate in the United Kingdom, as the incremental facility was drawn by a UK subsidiary of Azelis Holding S.à r.l.
- For the tax-only adjustment related to the intercompany royalty income on the level of Azelis Corporate Services NV, the Belgian corporate income tax rate of 25% was applied.

The unaudited *pro forma* financial information reflects the application of *pro forma* adjustments that are directly attributable and factually supportable and are based upon available information, and certain assumptions described in the accompanying notes hereto, that management believes are reasonable under the given circumstances. Therefore, the unaudited *pro forma* financial information does not reflect any integration expenses that may be incurred in connection with the acquisition of Vigon and does not reflect any cost savings potentially realizable from the elimination of certain expenses or from synergies that may have been achieved since the completion date of June 1, 2021.

The purchase price allocation required under IFRS 3 (Business Combinations) has not yet been performed because the acquisition of Vigon was only closed on June 1, 2021 and therefore management of Azelis Holding S.à r.l. has only recently received full access to all information of Vigon and has not yet been able to complete a fair value analysis of the identifiable assets and liabilities acquired. As such, the values of the identifiable assets, liabilities and contingent liabilities acquired are their historical book values and are provisionally considered to be their fair values. Additionally, the purchase price paid remains subject to post-closing adjustments (including adjustments for closing working capital, closing cash and closing indebtedness). On a provisional basis, the excess price paid over net assets acquired is allocated entirely to goodwill. The purchase price allocation exercise will be performed at a later stage and may result in adjustments to provisional values as a result of completing the initial accounting from the acquisition date. Differences may occur primarily in the valuation of intangible assets (i.e., distribution rights).

7.1.3 *Historical Financial Information*

The unaudited *pro forma* financial information has been derived from and should be read in conjunction with the following documents:

- the 2020 Azelis Holding S.à r.l. Financial Statements, prepared in accordance with IFRS as adopted by the European Union and included elsewhere in this Prospectus;
- the 2020 Vigon Financial Statements, prepared in accordance with U.S. GAAP and included elsewhere in this Prospectus; and
- the Azelis Holding S.à r.l. Interim Financial Statements, prepared in accordance with IFRS as adopted by the European Union and included elsewhere in this Prospectus.

The following information included in the unaudited *pro forma* information has been derived from financial information not included in, or incorporated by reference to, the Prospectus as described below:

- the unaudited consolidated income statement information of Vigon for the six-month period ended June 30, 2021, derived from its U.S. GAAP accounting records; and
- the unaudited consolidated income statement information of Vigon for the one-month period ended June 30, 2021, derived from its monthly IFRS reporting towards its parent company, being Azelis Holding S.à r.l., for purposes of the IFRS consolidation of Azelis Holding S.à r.l., and used for preparation of the Azelis Holding S.à r.l. Interim Financial Statements.

See section 2.10 (*Important Information—Presentation of Financial Information*).

7.2 Unaudited *Pro Forma* Financial Information for the Six-Month Period Ended June 30, 2021

7.2.1 *Unaudited Pro Forma Consolidated Income Statement for the Six-Month Period Ended June 30, 2021*

	For the six-month period ended June 30, 2021						
	Azelis Holding S.à r.l.	**Vigon International Inc. Reversal June 2021 IFRS**	**Vigon International Inc. U.S. GAAP [1]**	**Vigon International Inc. U.S. GAAP [2]**	**U.S. GAAP to IFRS Adjustments**	***Pro Forma* Adjustments**	***Pro Forma* Consolidated Income Statement**
	(€ millions) *(unaudited)* **Note 1**	*(€ millions)* *(unaudited)* **Note 1**	*(U.S.$ millions)* *(unaudited)* **Note 2**	*(€ millions)* *(unaudited)*	*(€ millions)* *(unaudited)* **Note 3**	*(€ millions)* *(unaudited)* **Note 4**	*(€ millions)* *(unaudited)*
Revenue	1,309.5	(10.3)	78.9	65.4	–	–	1,364.6
Other operating income	4.4	–	0.6	0.5	–	–	4.9
Total income	**1,313.8**	**(10.3)**	**79.5**	**65.9**	**–**	**–**	**1,369.5**
Costs for goods and consumables	(1,019.5)	7.1	(46.0)	(38.2)	0.7	–	(1,049.9)
Gross profit	**294.3**	**(3.2)**	**33.5**	**27.8**	**0.7**	**–**	**319.6**
Employee benefits expenses	(105.0)	0.5	(8.7)	(7.2)	–	–	(111.6)
External services and other expenses	(58.2)	0.1	(6.6)	(5.5)	0.5	5.1	(58.0)
Depreciation of property, plant and equipment	(9.2)	0.1	(1.1)	(0.9)	(0.3)	–	(10.4)
Amortization and impairment of intangible assets	(17.2)	–	–	–	–	–	(17.2)
Operating profit/(loss)	**104.7**	**(2.5)**	**17.1**	**14.2**	**0.9**	**5.1**	**122.3**
Financial income	2.7	–	0.3	0.2	–	(0.2)	2.8
Financial expenses	(32.5)	–	(0.4)	(0.3)	(0.1)	(4.5)	(37.4)
Net financial expense	**(29.8)**	–	**(0.1)**	**(0.1)**	**(0.1)**	**(4.7)**	**(34.7)**
Share of result of associates	0.0	–	–	–	–	–	0.0
Profit/(loss) before tax	**74.9**	**(2.5)**	**17.0**	**14.1**	**0.8**	**0.4**	**87.7**
Income tax income/(expense)	(27.3)	0.4	–	–	–	(2.2)	(29.1)
Net profit/(loss) for the period from continuing operations	**47.5**	**(2.1)**	**17.0**	**14.1**	**0.8**	**(1.8)**	**58.5**
Attributable to:							
Equity holders of the parent	46.2	(2.1)	17.0	14.1	0.8	(1.8)	57.1
Non-controlling interests	1.4	–	–	–	–	–	1.4
Net profit/(loss) for the period	**47.5**	**(2.1)**	**17.0**	**14.1**	**0.8**	**(1.8)**	**58.5**
Basic earnings per share (€)	0.04						0.05
Diluted earnings per share (€)	0.04						0.05

(1) Under the same presentation as Azelis Holding S.à r.l. See Note 2 in section 7.2.3 (*—Notes to the Unaudited Pro Forma Consolidated Financial Information for the Six-Month Period Ended June 30, 2021*).

(2) Converted at €1.0000:U.S.$1.2053.

7.2.2 *Unaudited Pro Forma Consolidated Statement of Other Comprehensive Income for the Six-Month Period Ended June 30, 2021*

	For the six-month period ended June 30, 2021						
	Azelis Holding S.à r.l.	**Vigon International Inc. Reversal June 2021 IFRS**	**Vigon International Inc. U.S. GAAP** [(1)]	**Vigon International Inc. U.S. GAAP** [(2)]	**U.S. GAAP to IFRS Adjustments**	***Pro Forma* Adjustments**	***Pro Forma* Consolidated Statement of Other Comprehensive Income** [(3)]
	(€ millions) *(unaudited)* **Note 1**	*(€ millions)* *(unaudited)* **Note 1**	*(U.S.$ millions)* *(unaudited)* **Note 2**	*(€ millions)* *(unaudited)*	*(€ millions)* *(unaudited)* **Note 3**	*(€ millions)* *(unaudited)* **Note 4**	*(€ millions)* *(unaudited)*
Net profit/(loss) for the period	**47.5**	**(2.1)**	**17.0**	**14.1**	**0.8**	**(1.8)**	**58.5**
Items that may be reclassified subsequently to profit or loss							
Exchange differences on translation of foreign operations	25.7	–	–	–	–	–	25.7
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains / losses (-) on employee benefits	0.0	–	–	–	–	–	0.0
Income tax relating to these items	0.0	–	–	–	–	–	0.0
Total other comprehensive income	**25.7**	**–**	**–**	**–**	**–**	**–**	**25.7**
Total comprehensive income for the period	**73.3**	**(2.1)**	**17.0**	**14.1**	**0.8**	**(1.8)**	**84.3**
Attributable to:							
Equity holders of the parent	71.9	(2.1)	17.0	14.1	0.8	(1.8)	82.9
Non-controlling interests	1.4	–	–	–	–	–	1.4
Total comprehensive income for the period	**73.3**	**(2.1)**	**17.0**	**14.1**	**0.8**	**(1.8)**	**84.3**

(1) Under the same presentation as Azelis Holding S.à r.l. See Note 2 in section 7.2.3 (*—Notes to the Unaudited Pro Forma Consolidated Financial Information for the Six-Month Period Ended June 30, 2021*).

(2) Converted at €1.0000:U.S.$1.2053.

(3) No translation adjustment computed as no *pro forma* statement of financial position has been presented. Additionally, the hypothetical acquisition date for the *pro forma* statement of financial position would be June 30, 2021 and the hypothetical acquisition date for the income statement is January 1, 2020.

7.2.3 *Notes to the Unaudited Pro Forma Consolidated Financial Information for the Six-Month Period Ended June 30, 2021*

Note 1 – Azelis Holding S.à r.l. Consolidated IFRS Financial Information for the Six-Month Period Ended June 30, 2021

This information has been extracted directly from the Azelis Holding S.à r.l. Interim Financial Statements included elsewhere in this Prospectus. The results of Vigon for the month of June 2021 have been deducted based on its monthly IFRS reporting towards its parent company, being Azelis Holding S.à r.l., for purposes of the IFRS consolidation of Azelis Holding S.à r.l., and used for preparation of the Azelis Holding S.à r.l. Interim Financial Statements.

Note 2 – Vigon Consolidated U.S. GAAP Financial Information for the Six-Month Period Ended June 30, 2021

Vigon was acquired by Azelis Holding S.à r.l. on June 1, 2021. For purposes of the unaudited *pro forma* financial information for the six-month period ended June 30, 2021, Vigon should be included based on a hypothetical acquisition date of January 1, 2020; therefore, Vigon's income statement for the six-month period ended June 30, 2021 was added. This information is extracted from the unaudited consolidated income statement information of Vigon for the six-month period ended June 30, 2021, derived from its U.S. GAAP accounting records. As the Azelis Holding S.à r.l. consolidated IFRS financial statements have a different presentation of the income statement compared with Vigon's U.S. GAAP accounting records, reclassifications were performed in order to align Vigon's presentation to the Azelis Holding S.à r.l. presentation. The reclassifications performed are listed below.

- U.S.$0.4 million from Vigon sales to Azelis Holding S.à r.l. other operating income;
- U.S.$3.4 million from Vigon cost of sales to Azelis Holding S.à r.l. employee benefits expenses as Azelis Holding S.à r.l. presents production-related employee expenses as part of total employee expenses;
- U.S.$2.0 million from Vigon cost of sales to Azelis Holding S.à r.l. external services and other expenses as Azelis Holding S.à r.l. does not present rent, repair and maintenance, utilities and other costs relating to the production facilities as part of its cost for goods and consumables;
- U.S.$0.3 million from Vigon cost of sales to Azelis Holding S.à r.l. depreciation of property, plant and equipment as Azelis Holding S.à r.l. presents depreciation expenses relating to the production facilities as part of total depreciation expenses;
- U.S.$2.6 million from Vigon selling, general and administrative expenses to Azelis Holding S.à r.l. employee benefits expenses as Azelis Holding S.à r.l. presents sales and administrative personnel expenses as part of total employee expenses;
- U.S.$1.4 million from Vigon selling, general and administrative expenses to Azelis Holding S.à r.l. external services and other expenses;
- U.S.$0.2 million from Vigon other income/expenses to Azelis Holding S.à r.l. other operating income;
- U.S.$1.7 million from Vigon other income/expenses to Azelis Holding S.à r.l. cost of goods and consumables relating to the "last in, first out" (LIFO) reserve adjustment (see also Note 3.2 (*Inventories*));
- U.S.$2.6 million from Vigon other income/expenses to Azelis Holding S.à r.l. employee benefits expenses;
- U.S.$3.2 million from Vigon other income/expenses to Azelis Holding S.à r.l. external services and other expenses relating to transaction expenses incurred by Vigon (see also Note 4.3 (*Transaction expenses*));
- U.S.$0.8 million from Vigon other income/expenses to Azelis Holding S.à r.l. depreciation of property plant and equipment; and
- U.S.$0.3 million from Vigon other income/expenses to Azelis Holding S.à r.l. financial income.

Note 3 – Conversion from U.S. GAAP to IFRS and Accounting Policies Alignment

The unaudited consolidated income statement information of Vigon for the six-month period ended June 30, 2021, derived from its accounting records, have been prepared in accordance with U.S. GAAP. For the purposes of preparing the unaudited *pro forma* financial information, Vigon's income statement has been adjusted for known material differences between U.S. GAAP and IFRS:

- Note 3.1 (*Leasing*)

In its U.S. GAAP accounting records, Vigon accounts for all of its leased assets as operating leases. However, under IFRS, these leases should be capitalized as right-of-use assets which are depreciated over the lease term, with a related financial liability (and accruing interest expenses). Accordingly, in the unaudited *pro forma* consolidated financial information for the six-month period June 30, 2021, operational lease expenses were reversed in an amount of U.S.$0.5 million (€0.4 million), and depreciation and interest expenses were recognized for amounts of U.S.$0.4 million (€0.3 million) and U.S.$0.1 million (€0.1 million), respectively.

- Note 3.2 (*Inventories*)

In its U.S. GAAP accounting records, Vigon uses "last in, first out" (LIFO) inventory costing. Under IFRS, the LIFO costing method is not allowed. In Vigon's inventory accounts, the impact of the LIFO costing method compared with the "first in, first out" (FIFO) costing method is reflected in the LIFO reserve. Upon acquisition by Azelis Holding S.à r.l., Vigon has discontinued the LIFO costing method resulting in a one-time income of U.S.$1.7 million (€1.4 million) in its cost of sales for the six-month period ended June 30, 2021, to reduce the LIFO reserve to zero. Under IFRS this income would not have been accounted for given the absence of a LIFO reserve. Consequently, in the six-month period ended June 30, 2021, in order to align with IFRS, this one-time income of U.S.$1.7 million (€1.4 million) was reversed.

- Note 3.3 (*Inventory and accounts receivable impairment provisions*)

In order to align with the Azelis Holding S.à r.l. accounting policies for impairment of inventories and accounts receivable, a reduction of inventory impairment of U.S.$0.5 million (€0.4 million) and an increase of accounts receivable impairment of U.S.$0.1 million (€0.1 million) were recorded.

Upon acquisition by Azelis Holding S.à r.l., Vigon has implemented the Azelis accounting policies for impairment provisions resulting in an additional total impairment expense of U.S.$2.2 million (€1.8 million), included in Vigon's income statement for the six-month period ended June 30, 2021. Under the hypothetical assumption of acquisition on January 1, 2020, Vigon would have incurred such additional impairment expense in 2020. Consequently, the expense is reversed for the six-month period ended June 30, 2021.

Regarding property, plant and equipment, accounting policy differences have not been addressed as these assets will be re-measured as part of the forthcoming purchase price allocation exercise, as described in section 7.1.2 (*—Basis of Preparation*).

Note 4 – Pro Forma Adjustments

Pro forma adjustments are based upon available information and certain preliminary estimates and assumptions, as well as certain *pro forma* assumptions, which Azelis Holding S.à r.l. management believes are reasonable. In particular it is assumed that the financing associated with the acquisition of Vigon took place on January 1, 2020.

***Pro Forma* Adjustments for the six-month period ended June 30, 2021**	**Reverse: interest expenses related to old financing repaid upon acquisition**	**Add in: Interest expense related to new financing**	**Add in: Income taxes**	**Reverse: Transaction costs**	**Total**
			(€ millions)		
	Note 4.1	**Note 4.1**	**Note 4.2**	**Note 4.3**	
Revenue	–	–	–	–	–
Other operating income	–	–	–	–	–
Total income	–	–	–	–	–
Costs for goods and consumables	–	–	–	–	–
Gross profit	–	–	–	–	–
Employee benefits expenses	–	–	–	–	–
External services and other expenses	–	–	–	5.1	5.1
Depreciation of property, plant and equipment	–	–	–	–	–
Amortization and impairment of intangible assets	–	–	–	–	–
Operating profit/(loss)	**–**	**–**	**–**	**5.1**	**5.1**
Financial income	(0.2)	–	–	–	(0.2)
Financial expenses	0.3	(5.2)	–	0.4	(4.5)
Net financial expense	**0.1**	**(5.2)**	**–**	**0.4**	**(4.7)**
Share of result of associates	–	–	–	–	–
Profit/(loss) before tax	**0.1**	**(5.2)**	**–**	**5.5**	**0.4**
Income tax income/(expense)	–	–	(2.2)	–	(2.2)
Net profit/(loss) for the period from continuing operations	**0.1**	**(5.2)**	**(2.2)**	**5.5**	**(1.8)**
Attributable to:					
Equity holders of the parent	0.1	(5.2)	(2.2)	5.5	(1.8)
Non-controlling interests	–	–	–	–	–
Net profit/(loss) for the period	**0.1**	**(5.2)**	**(2.2)**	**5.5**	**(1.8)**

- Note 4.1 (*Financing*)

In connection with the acquisition of Vigon, Azelis Holding S.à r.l. repaid Vigon's existing financial debt of U.S.$42.8 million (or the equivalent of €35.5 million applying the €1.0000:U.S.$1.2044 exchange rate as at the acquisition date) to its third-party lenders. During the six-month period ended June 30, 2021, Vigon incurred financial expenses of

U.S.$0.4 million (€0.3 million) and financial income of U.S.$0.2 million (€0.2 million) with regard to this financial debt, relating respectively to interest expenses and income on a related interest rate swap. As a *pro forma* adjustment, these were reversed.

For the acquisition of Vigon, Azelis Holding S.à r.l. drew an incremental facility under the Existing EUR Term Loan Facility. Assuming Vigon was acquired on January 1, 2020, an interest expense (including amortization of transaction expenses) of €5.2 million would have been incurred during the six-month period ended June 30, 2021.

This *pro forma* adjustment is expected to have a recurring impact on the Azelis Holding S.à r.l. financial statements going forward.

- Note 4.2 (*Income tax*)

As described in section 7.1.2 (—*Basis of Preparation*), Vigon historically had an S Corporation legal form, and was consequently exempt from income tax obligations. In June 2021, Vigon was converted into a limited liability company. If Vigon had been acquired on January 1, 2020, it would have been taxable as part of the tax consolidation established for the Azelis Holding S.à r.l.'s U.S.-based companies (consolidated taxation on the level of the subsidiary Azelis US Holding, Inc.) and the estimated additional tax expense (current income tax and deferred tax) for Azelis Holding S.à r.l. would have been U.S.$2.6 million (€2.2 million). For reference, the tax expense for the six-month period ended June 30, 2021, incurred by Azelis Holding S.à r.l.'s U.S.-based companies, without including the Vigon acquisition, was U.S.$8.7 million (€7.2 million). The *pro forma* additional tax expense is impacted most significantly by the following items:

- Income tax: Full tax deductibility of the interest expenses related to the USD intercompany financing from subsidiary Azelis UK Finance Ltd. to Azelis US Holding, Inc. The notional amount of this loan is U.S.$454.7 million and the interest rate is 4.85%.
- Income tax: Intercompany set-up of royalty agreement with the Azelis Holding S.à r.l. subsidiary Azelis Corporate Services NV, resulting in a tax-deductible expense.
- Income tax: No bonus depreciation for property, plant and equipment, as this depreciation is already assumed for the unaudited *pro forma* consolidated financial information for the year ended December 31, 2020.
- Deferred tax: Any amortization of goodwill / provisional intangible is amortized over 15 years for tax purposes.

As the financing of the Vigon acquisition is largely sourced from the United Kingdom, Azelis Holding S.à r.l.'s income tax expenses are also impacted on the level of its UK tax consolidation. The interest expenses on the external incremental facility may be used to offset the interest income received from the U.S.$454.7 million intercompany financing to Azelis US Holding, Inc. On the level of the UK tax consolidation, this generates an estimated additional net tax expense of U.S.$0.6 million (€0.5 million).

With regard to the royalty agreement set up between Vigon and Azelis Corporate Services NV, the royalty income received by Azelis Corporate Services NV is taxable and generates an additional tax expense of U.S.$0.2 million (€0.1 million) in Belgium.

This *pro forma* adjustment is expected to have a recurring impact on the Azelis Holding S.à r.l. financial statements going forward.

- Note 4.3 (*Transaction expenses*)

The acquisition of Vigon and the related financing resulted in transaction-related expenses (legal and financial advisors, insurance, etc.) in an amount of U.S.$8.1 million (€6.7 million), of which U.S.$4.7 million (€3.9 million) was acquisition-related and incurred in Azelis Americas LLC. U.S.$1.7 million (€1.4 million) of these expenses are related to insurance and capitalized and amortized over the insurance period. U.S.$3.5 million (€2.9 million) of the total transaction costs was financing-related and incurred in a UK subsidiary. U.S.$3.0 million (€2.5 million) of these expenses are capitalized and amortized over the remaining term of the Existing EUR Term Loan Facility. The amounts disclosed in this paragraph differ from those in Note 4.2 of section 7.3.3 (—*Notes to the Unaudited Pro Forma Consolidated Financial Information for the Year Ended December 31, 2020*) due to different exchange rates used.

In addition, in 2021 and prior to the acquisition taking place, Vigon had incurred transaction-related expenses for an amount of U.S.$3.2 million (€2.7 million). These expenses are reversed for the amount of U.S.$3.2 million (€2.7 million).

The transaction expenses (excluding those incurred by Vigon) were accounted for in 2021 in the Azelis Holding S.à r.l. Interim Financial Statements. Under the assumption that Vigon would have been acquired on January 1, 2020, those transaction-related expenses and financing-related expenses are reflected in 2020 as a *pro forma* adjustment as described in section 7.3.3 (—*Notes to the Unaudited Pro Forma Consolidated Financial Information for the Year Ended December 31, 2020*). They are reversed for the unaudited *pro forma* consolidated financial information for the six-month period June 30, 2021, for amounts of U.S.$3.0 million (€2.5 million) (i.e., transaction-related costs excluding capitalized insurance costs) and U.S.$0.5 million (€0.4 million) (i.e., financing-related costs excluding capitalized costs). For the capitalized financing-related costs, additional amortization was recognized as part of the net interest expenses in Note 4 above, and for the transaction-related capitalized insurance expenses, additional amortization was recognized for an amount of U.S.$0.1 million (€0.1 million) to reflect amortization for the full six-month period ended June 30, 2021.

By their nature, these expenses are not expected to have a recurring impact on the financial performance going forward (except for yearly amortization of capitalized insurance and finance-related expenses over the remaining terms).

The amortization of capitalized insurance expenses is tax deductible. The tax effect of the latter is included in the estimated additional tax expense at the level of the U.S. tax consolidation in Note 4.2. The financing-related expenses incurred in the United Kingdom are tax deductible, hence the reversal of those expenses generates an increase of the UK tax expenses by U.S.$0.1 million (€0.1 million), which is partly offset by the tax effect of the amortization of the capitalized financing costs for the full six-month period ended June 30, 2021.

7.3 Unaudited *Pro Forma* Consolidated Financial Information for the Year Ended December 31, 2020

7.3.1 *Unaudited Pro Forma Consolidated Income Statement for the Year Ended December 31, 2020*

	For the year ended December 31, 2020					
	Azelis Holding S.à r.l.	**Vigon International Inc. U.S. GAAP (1)**	**Vigon International Inc. U.S. GAAP (2)**	**U.S. GAAP to IFRS Adjustments**	***Pro Forma* Adjustments**	***Pro Forma* Consolidated Income Statement**
	(€ millions) *(audited)* **Note 1**	*(U.S.$ millions)* *(audited)* **Note 2**	*(€ millions)* *(unaudited)*	*(€ millions)* *(unaudited)* **Note 3**	*(€ millions)* *(unaudited)* **Note 4**	*(€ millions)* *(unaudited)*
Revenue	2,222.9	132.6	116.1	–	–	2,339.0
Other operating income	10.5	0.6	0.5	–	–	11.0
Total income	**2,233.4**	**133.2**	**116.6**	**–**	**–**	**2,350.0**
Costs for goods and consumables	(1,747.3)	(76.6)	(67.1)	(0.9)	–	(1,815.3)
Gross profit	**486.1**	**56.6**	**49.5**	**(0.9)**	–	**534.7**
Employee benefits expenses	(181.2)	(14.6)	(12.8)	–	–	(194.0)
External services and other expenses	(106.8)	(5.7)	(5.0)	0.7	(2.9)	(113.9)
Depreciation of property, plant and equipment	(17.6)	(0.6)	(0.6)	(0.7)	–	(18.9)
Amortization and impairment of intangible assets	(33.3)	(1.2)	(1.1)	–	–	(34.4)
Operating profit/(loss)	**147.2**	**34.3**	**30.1**	**(0.9)**	**(2.9)**	**173.5**
Financial income	4.9	0.0	0.0	–	–	4.9
Financial expenses	(73.0)	(1.8)	(1.6)	(0.2)	(11.7)	(86.5)
Net financial expense	**(68.1)**	**(1.8)**	**(1.6)**	**(0.2)**	**(11.7)**	**(81.6)**
Share of result of associates	0.0	–	–	–	–	0.0
Profit/(loss) before tax	**79.1**	**32.5**	**28.5**	**(1.0)**	**(14.6)**	**91.9**
Income tax income/(expense)	(8.1)	0.0	0.0	–	(1.8)	(9.9)
Net profit/(loss) for the period from continuing operations	**71.0**	**32.5**	**28.4**	**(1.0)**	**(16.4)**	**82.0**
Attributable to:						
Equity holders of the parent	71.0	32.5	28.4	(1.0)	(16.4)	81.9
Non-controlling interests	0.1	–	–	–	–	0.1
Net profit/(loss) for the period	**71.0**	**32.5**	**28.4**	**(1.0)**	**(16.4)**	**82.0**
Basic earnings per share (€)	0.06					0.07
Diluted earnings per share (€)	0.06					0.07

(1) Under the same presentation as Azelis Holding S.à r.l. See Note 2 in section 7.3.3 (—*Notes to the Unaudited Pro Forma Consolidated Financial Information for the Year Ended December 31, 2020*).

(2) Converted at €1.0000:U.S.$1.1421.

7.3.2 *Unaudited Pro Forma Consolidated Statement of Other Comprehensive Income for the Year Ended December 31, 2020*

	For the year ended December 31, 2020					
	Azelis Holding S.à r.l.	**Vigon International Inc. U.S. GAAP** [1]	**Vigon International Inc. U.S. GAAP** [2]	**U.S. GAAP to IFRS Adjustments**	***Pro Forma* Adjustments**	***Pro Forma* Consolidated Statement of Other Comprehensive Income** [3]
	(€ millions) *(audited)* **Note 1**	*(U.S.$ millions)* *(audited)* **Note 2**	*(€ millions)* *(unaudited)*	*(€ millions)* *(unaudited)* **Note 3**	*(€ millions)* *(unaudited)* **Note 4**	*(€ millions)* *(unaudited)*
Net profit/(loss) for the period	**71.0**	**32.5**	**28.4**	**(1.0)**	**(16.4)**	**82.0**
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translation of foreign operations	(92.7)	–	–	–	–	(92.7)
Items that will not be reclassified subsequently to profit or loss						
Actuarial gains / losses (-) on employee benefits	(0.8)	–	–	–	–	(0.8)
Income tax relating to these items	0.2	–	–	–	–	0.2
Total other comprehensive income	**(93.3)**	–	–	–	–	**(93.3)**
Total comprehensive income for the period	**(22.3)**	**32.5**	**28.4**	**(1.0)**	**(16.4)**	**(11.4)**
Attributable to:						
Equity holders of the parent	(22.4)	32.5	28.4	(1.0)	(16.4)	(11.4)
Non-controlling interests	0.0	–	–	–	–	0.0
Total comprehensive income for the period	**(22.3)**	**32.5**	**28.4**	**(1.0)**	**(16.4)**	**(11.4)**

(1) Under the same presentation as Azelis Holding S.à r.l. See Note 2 in section 7.3.3 (—*Notes to the Unaudited Pro Forma Consolidated Financial Information for the Year Ended December 31, 2020*).

(2) Converted at €1.0000:U.S.$1.1421.

(3) No translation adjustment computed as no *pro forma* statement of financial position has been presented. Additionally, the hypothetical acquisition date for the *pro forma* statement of financial position would be December 31, 2020 and the hypothetical acquisition date for the income statement is January 1, 2020.

7.3.3 *Notes to the Unaudited Pro Forma Consolidated Financial Information for the Year Ended December 31, 2020*

Note 1 – Azelis Holding S.à r.l. Consolidated IFRS Financial Information for 2020

This information has been extracted directly from the 2020 Azelis Holding S.à r.l. Financial Statements included elsewhere in this Prospectus.

Note 2 – Vigon Consolidated U.S. GAAP Financial Information for 2020

Vigon was acquired by Azelis Holding S.à r.l. on June 1, 2021. For purposes of the 2020 unaudited *pro forma* financial information, Vigon should be included based on a hypothetical acquisition date of January 1, 2020; therefore, Vigon's income statement for the year ending December 31, 2020 was added. This information is extracted from the 2020 Vigon Financial Statements included elsewhere in this Prospectus. As the Azelis Holding S.à r.l. consolidated IFRS financial statements have a different presentation of the income statement compared with Vigon's consolidated U.S. GAAP financial statements, reclassifications were performed in order to align Vigon's presentation to the Azelis Holding S.à r.l. presentation. The reclassifications performed are listed below.

- U.S.$0.6 million from Vigon sales to Azelis Holding S.à r.l. other operating income;
- U.S.$6.6 million from Vigon cost of sales to Azelis Holding S.à r.l. employee benefits expenses as Azelis Holding S.à r.l. presents production-related employee expenses as part of total employee expenses;
- U.S.$3.6 million from Vigon cost of sales to Azelis Holding S.à r.l. external services and other expenses as Azelis Holding S.à r.l. does not present rent, repair and maintenance, utilities and other costs relating to the production facilities as part of its cost for goods and consumables;
- U.S.$0.6 million from Vigon cost of sales to Azelis Holding S.à r.l. depreciation of property, plant and equipment as Azelis Holding S.à r.l. presents depreciation expenses relating to the production facilities as part of total depreciation expenses;
- U.S.$8.3 million from Vigon selling, general and administrative expenses to Azelis Holding S.à r.l. employee benefits expenses as Azelis Holding S.à r.l. presents sales and administrative personnel expenses as part of total employee expenses;
- U.S.$1.2 million from Vigon selling, general and administrative expenses to Azelis Holding S.à r.l. amortization and impairment of intangible assets as Azelis Holding S.à r.l. presents these expenses separately; and
- U.S.$2.1 million from Vigon selling, general and administrative expenses to Azelis Holding S.à r.l. external services and other expenses.

Additionally, the results of two affiliates of Vigon, namely RR2 Airport Road LLC and Yipppeee1 LLC, were excluded as these companies were not acquired by Azelis Holding S.à r.l. For additional information, see the consolidating statement of income for the year ended December 31, 2020 in the 2020 Vigon Financial Statements included elsewhere in this Prospectus. Vigon leases real estate from these companies, for which a cost of U.S.$0.5 million is included in Vigon's expenses. See also the U.S. GAAP to IFRS adjustment regarding leasing in Note 3 below.

Note 3 – Conversion from U.S. GAAP to IFRS and Accounting Policies Alignment

The 2020 Vigon Financial Statements have been prepared in accordance with U.S. GAAP. For the purposes of preparing the unaudited *pro forma* financial information, Vigon's income statement has been adjusted for known material differences between U.S. GAAP and IFRS:

- Note 3.1 (*Leasing*)

In its U.S. GAAP financial statements, Vigon accounts for all of its leased assets as operating leases. However, under IFRS, these leases should be capitalized as right-of-use assets which are depreciated over the lease term, with a related financial liability (and accruing interest expenses). Accordingly, in the 2020 unaudited *pro forma* financial information, operational lease expenses were reversed in an amount of U.S.$0.9 million (€0.8 million), and depreciation and interest expenses were recognized for amounts of U.S.$0.8 million (€0.7 million) and U.S.$0.2 million (€0.2 million), respectively.

- Note 3.2 (*Inventories*)

In its U.S. GAAP financial statements, Vigon uses "last in, first out" (LIFO) inventory costing. Under IFRS, the LIFO costing method is not allowed. In Vigon's inventory accounts, the impact of the LIFO costing method compared with the "first in, first out" (FIFO) costing method is reflected in the LIFO reserve. In the year ended December 31, 2020, Vigon's LIFO reserve decreased by U.S.$0.6 million (€0.5 million) (see note 2 (*Inventories*) to the 2020 Vigon Financial

Statements), which was reflected as a credit entry in "cost of sales." In order to align with IFRS, this credit entry in "cost of sales" was reversed.

- Note 3.3 (*Inventory and accounts receivable impairment provisions*)

In order to align with the Azelis Holding S.à r.l. accounting policies for impairment of inventories and accounts receivable, additional impairments of U.S.$0.5 million (€0.4 million) were recorded.

Regarding property, plant and equipment, accounting policy differences have not been addressed as these assets will be re-measured as part of the forthcoming purchase price allocation exercise, as described in section 7.1.2 (*—Basis of Preparation*).

Note 4 – Pro Forma Adjustments

The *pro forma* adjustments set out below are based upon available information and certain preliminary estimates and assumptions, as well as certain *pro forma* assumptions, which Azelis Holding S.à r.l. management believes are reasonable. In particular it is assumed that the financing associated with the acquisition of Vigon took place on January 1, 2020.

***Pro Forma* Adjustments for the year ended December 31, 2020**	**Reverse: interest expenses related to old financing repaid upon acquisition**	**Add in: Interest expense related to new financing**	**Add in: Income taxes**	**Add in: Transaction costs**	**Total**
			(€ millions)		
	Note 4.1	**Note 4.1**	**Note 4.2**	**Note 4.3**	
Revenue	–	–	–	–	–
Other operating income	–	–	–	–	–
Total income	–	–	–	–	–
Costs for goods and consumables	–	–	–	–	–
Gross profit	–	–	–	–	–
Employee benefits expenses	–	–	–	–	–
External services and other expenses	–	–	–	(2.9)	(2.9)
Depreciation of property, plant and equipment	–	–	–	–	–
Amortization and impairment of intangible assets	–	–	–	–	–
Operating profit/(loss)	**–**	**–**	**–**	**(2.9)**	**(2.9)**
Financial income	–	–	–	–	–
Financial expenses	1.6	(12.9)	–	(0.4)	(11.7)
Net financial expense	**1.6**	**(12.9)**	**–**	**(0.4)**	**(11.7)**
Share of result of associates	–	–	–	–	–
Profit/(loss) before tax	**1.6**	**(12.9)**	**–**	**(3.3)**	**(14.6)**
Income tax income/(expense)	–	–	(1.8)	–	(1.8)
Net profit/(loss) for the period from continuing operations	**1.6**	**(12.9)**	**(1.8)**	**(3.3)**	**(16.4)**
Attributable to:	–	–	–	–	–
Equity holders of the parent	1.6	(12.9)	(1.8)	**(3.3)**	**(16.4)**
Non-controlling interests	–	–	–	–	–
Net profit/(loss) for the period	**1.6**	**(12.9)**	**(1.8)**	**(3.3)**	**(16.4)**

- Note 4.1 (*Financing*)

In connection with the acquisition of Vigon, Azelis Holding S.à r.l. repaid Vigon's existing financial debt of U.S.$42.8 million (or the equivalent of €35.5 million applying the €1.0000:U.S.$1.2044 exchange rate as at the acquisition date) to its third-party lenders. During the year ended December 31, 2020, Vigon incurred financial expenses of U.S.$1.8 million (€1.6 million) with regard to this financial debt, relating to both interest expenses and the loss on a related interest rate swap. As a *pro forma* adjustment, these expenses were reversed.

For the acquisition of Vigon, Azelis Holding S.à r.l. drew an incremental facility under the Existing EUR Term Loan Facility. Assuming Vigon was acquired on January 1, 2020, an interest expense (including amortization of transaction expenses) of €12.9 million would have been incurred during the full year 2020.

This *pro forma* adjustment is expected to have a recurring impact on the Azelis Holding S.à r.l. financial statements going forward.

- Note 4.2 (*Income tax*)

  As described in section 7.1.2 (—*Basis of Preparation*), Vigon historically had an S Corporation legal form, and was consequently exempt from income tax obligations. In June 2021, Vigon was converted into a limited liability company. If Vigon had been acquired on January 1, 2020, it would have been taxable as part of the tax consolidation established for the Azelis Holding S.à r.l.'s U.S.-based companies (consolidated taxation on the level of the subsidiary Azelis US Holding, Inc.) and the estimated additional tax expense (current income tax and deferred tax) for Azelis Holding S.à r.l. would have been U.S.$0.5 million (€0.4 million). For reference, the 2020 tax expense incurred by Azelis Holding S.à r.l.'s U.S.-based companies, without including the Vigon acquisition, was U.S.$6.6 million (€5.8 million). The *pro forma* additional tax expense is impacted most significantly by the following items:

  - Income tax: Full tax deductibility of the interest expenses related to the USD intercompany financing from subsidiary Azelis UK Finance Ltd. to Azelis US Holding, Inc. The notional amount of this loan is U.S.$454.7 million and the interest rate is 4.85%.
  - Income tax: No tax deductibility of the transaction expenses of U.S.$3.0 million incurred by Azelis Americas LLC (see Note 4.3 below).
  - Income tax: Intercompany set-up of royalty agreement with the Azelis Holding S.à r.l. subsidiary Azelis Corporate Services NV, resulting in a tax-deductible expense.
  - Income tax: Bonus depreciation for property, plant and equipment.
  - Deferred tax: Any amortization of goodwill / provisional intangible is amortized over 15 years for tax purposes.

  As the financing of the Vigon acquisition is largely sourced from the United Kingdom, Azelis Holding S.à r.l.'s income tax expenses are also impacted on the level of its UK tax consolidation. The interest expenses on the external incremental facility may be used to offset the interest income received from the U.S.$454.7 million intercompany financing to Azelis US Holding, Inc. On the level of the UK tax consolidation, this generates an estimated additional net tax expense of U.S.$1.4 million (€1.2 million).

  For further clarification on the tax effects of transaction-related expenses, see Note 4.3 below.

  With regard to the royalty agreement set up between Vigon and Azelis Corporate Services NV, the royalty income received by Azelis Corporate Services NV is taxable and generates an additional tax expense of U.S.$0.3 million (€0.3 million) in Belgium.

  This *pro forma* adjustment is expected to have a recurring impact on the Azelis Holding S.à r.l. financial statements going forward.

- Note 4.3 (*Transaction expenses*)

  The acquisition of Vigon and the related financing resulted in transaction-related expenses (legal and financial advisors, insurance, etc.) in an amount of U.S.$8.0 million (€7.0 million), of which U.S.$4.7 million (€4.1 million) was acquisition-related and incurred in Azelis Americas LLC. U.S.$1.7 million (€1.5 million) of these expenses are related to insurance and capitalized and amortized over the insurance period. U.S.$3.3 million (€2.9 million) of the total transaction costs was financing-related and incurred in a UK subsidiary. U.S.$2.8 million (€2.5 million) of these expenses are capitalized and amortized over the remaining term of the Existing EUR Term Loan Facility.

  The acquisition-related expenses incurred by Azelis Americas LLC are not tax-deductible expenses for the amount of U.S.$3.0 million (€2.6 million) (see also Note 4.2 above), while the amortization of capitalized insurance expenses is tax deductible. The tax effect of the latter is included in the estimated additional tax expense on the level of the U.S. tax consolidation in Note 4.2 above. The financing-related expenses (including amortization of capitalized expenses) incurred in the UK are tax deductible and generate a reduction of the UK tax expenses by U.S.$0.2 million (€0.2 million).

  The transaction expenses were accounted for in 2021 in the Azelis Holding S.à r.l. Interim Financial Statements. Under the assumption that Vigon would have been acquired on January 1, 2020, transaction-related expenses and amortization of capitalized insurance expenses are reflected in 2020 as *pro forma* adjustments for their respective amounts of U.S.$3.5 million (€3.0 million) and U.S.$0.3 million (€0.3 million). By their nature, these expenses are not expected to have a recurring impact on the financial performance going forward (except for yearly amortization of capitalized insurance and finance-related expenses over the remaining terms).

8. SELECTED CONSOLIDATED FINANCIAL INFORMATION

The Group's selected financial information and other data presented below should be read in conjunction with the information contained in section 2.10 (Important Information—Presentation of Financial Information), in section 2.11 (Important Information—Alternative Performance Measures), section 3 (Reasons for the Offering and the Listing and Use of Proceeds), section 6 (Capitalization and Indebtedness), section 9 (Operating and Financial Review) and section 24 (Financial Information) of this Prospectus.

The following selected financial information from the consolidated income statement and the consolidated statement of cash flows for the years ended December 31, 2020 and 2019 and from the consolidated statement of financial position as at December 31, 2020 and 2019 has been derived from the 2020 Azelis Holding S.à r.l. Financial Statements and the 2019 Azelis Holding S.à r.l. Financial Statements included in section 24 (Financial Information). The following selected financial information from the consolidated income statement and the consolidated statement of cash flows for the year ended December 31, 2018 has been derived from the 2018 Azelis Holding S.A. Financial Statements included in section 24 (Financial Information). The following selected financial information from the consolidated statement of financial position as at December 31, 2018 has been derived from the 2018 Azelis Holding S.à r.l. Financial Statements included in section 24 (Financial Information). For additional information relating to the presentation of financial information as at and for the year ended December 31, 2018, see section 2.10.1.5 (Important Information—Presentation of Financial Information—Historical Financial Information—Presentation of Financial Information as at and for the Year Ended December 31, 2018). PricewaterhouseCoopers, Société coopérative has audited the Azelis Annual Financial Statements included herein.

The following selected interim financial information as at June 30, 2021, and for the six-month periods ended June 30, 2021 and 2020, has been derived from the Azelis Holding S.à r.l. Interim Financial Statements included in section 24 (Financial Information). PricewaterhouseCoopers, Société coopérative has reviewed the Azelis Holding S.à r.l. Interim Financial Statements.

8.1 Consolidated Income Statement

	For the six-month period ended June 30,		**For the year ended December 31,**		
	2021*	**2020***	**2020***	**2019***	**2018†**
			(€ millions)		
	(unaudited)		*(audited)*		
Revenue	1,309.5	1,134.6	2,222.9	2,095.0	1,898.2
Other operating income	4.4	6.2	10.5	10.3	6.8
Total income	**1,313.8**	**1,140.8**	**2,233.4**	**2,105.4**	**1,905.0**
Costs for goods and consumables	(1,019.5)	(893.6)	(1,747.3)	(1,660.6)	(1,509.0)
Gross profit	**294.3**	**247.2**	**486.1**	**444.7**	**396.0**
Employee benefits expenses	(105.0)	(89.8)	(181.2)	(161.0)	(150.3)
External services and other expenses	(58.2)	(55.3)	(106.8)	(109.1)	(134.4)
Depreciation of property, plant and equipment (1)	(9.2)	(8.2)	(17.6)	(15.1)	(3.8)
Amortization and impairment of intangible assets (1)	(17.2)	(16.4)	(33.3)	(30.6)	(20.4)
Operating profit	**104.7**	**77.4**	**147.2**	**128.9**	**87.1**
Financial income	2.7	4.7	4.9	0.7	0.8
Financial expenses	(32.5)	(39.9)	(73.0)	(71.4)	(154.2)
Net financial expense	**(29.8)**	**(35.3)**	**(68.1)**	**(70.7)**	**(153.4)**
Share of result of associates	0.0	0.0	0.0	0.0	0.0
Profit/(loss) before tax	**74.9**	**42.1**	**79.1**	**58.2**	**(66.2)**
Income tax income/(expense)	(27.3)	(14.3)	(8.1)	(10.3)	16.1
Net profit/(loss) for the period from continuing operations	**47.5**	**27.8**	**71.0**	**48.0**	**(50.1)**
Attributable to:					
Equity holders of the parent	46.2	27.6	71.0	48.0	(49.9)
Non-controlling interests	1.4	0.2	0.0	0.0	(0.2)
Net profit/(loss) for the period	**47.5**	**27.8**	**71.0**	**48.0**	**(50.1)**
Basic earnings per share (2) (€)	0.04	0.02	0.06	0.04	(11.82)
Diluted earnings per share (2) (€)	0.04	0.02	0.06	0.04	(11.82)
Restated basic earnings per share (3) (€)	0.23	0.14	0.35	0.24	(0.25)
Restated diluted earnings per share (3) (€)	0.23	0.14	0.35	0.24	(0.25)

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

† Denotes that the column presents amounts from the 2018 Azelis Holding S.A. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

(1) In the 2018 Azelis Holding S.A. Financial Statements, depreciation of property, plant and equipment and amortization and impairment of intangible assets are shown collectively as "Depreciation, amortization and impairment expenses" amounting to €24.3 million.

(2) Basic earnings per share and diluted earnings per share presented in this Prospectus are historical amounts calculated based on the share structure of Azelis Holding S.à r.l. and Azelis Holding S.A. up to and including the date of this Prospectus and not based on the share structure of Azelis Group NV. The share

structure will change in connection with the Offering and, as a result, historical earnings per share information may not be indicative of, or directly comparable with, future earnings per share of the Company. See section 14.3 (*Group Structure—Reorganization*).

Basic earnings per share and diluted earnings per share for the year ended December 31, 2018 are presented according to the 2018 Azelis Holding S.A. Financial Statements and are therefore not directly comparable with the corresponding basic earnings per share and diluted earnings per share amounts for the years ended December 31, 2020 or 2019 or the six-month periods ended June 30, 2021 or 2021, which are presented according to the applicable Azelis Holding S.à r.l. Financial Statements. For additional information on the calculation of earnings per share, see note 21 (*Capital and reserves and liability to shareholders*) to the Azelis Annual Financial Statements for each year.

(3) Restated basic earnings per share and restated diluted earnings per share are the historical amounts of the basic earnings per share and the diluted earnings per share, recalculated on the basis of the number of Shares of Azelis Group NV that will be in existence after the completion of the Reorganization (but before closing of the Offering) as set out in the column "Shares Owned after the Reorganization and immediately before the Closing of the Offering" in the table in section 5 (*Dilution*).

8.2 Consolidated Statement of Financial Position

	As at June 30,	As at December 31,		
	2021*	2020*	2019*	2018*
		(€ millions)		
	(unaudited)		(audited)	
Assets				
Goodwill	1,812.8	1,345.9	1,357.2	1,263.7
Intangible assets	840.5	821.4	840.1	796.4
Property, plant and equipment	37.9	32.3	30.2	27.8
Right-of-use assets	57.2	55.7	44.3	–
Investments in associates	0.2	0.2	0.1	0.1
Other financial assets	0.8	0.8	2.6	0.6
Deferred tax assets	7.5	6.4	5.3	4.5
Total non-current assets	**2,757.0**	**2,262.7**	**2,280.0**	**2,093.0**
Inventories	336.0	267.8	262.4	256.0
Trade and other receivables	389.1	258.6	228.9	199.5
Income tax receivables	5.1	2.0	5.1	3.8
Other financial assets	0.1	0.2	1.4	2.2
Cash and cash equivalents	116.4	163.3	102.6	79.4
Total current assets	**846.6**	**691.9**	**600.4**	**540.9**
Total assets	**3,603.5**	**2,954.6**	**2,880.3**	**2,633.9**
Equity				
Share capital	11.8	11.8	11.8	11.8
Share premium	1,239.4	1,189.4	1,183.8	1,183.8
Other reserves	66.0	24.7	(22.7)	–
Translation reserve	(55.2)	(81.0)	12.9	5.4
Unappropriated result	46.2	71.0	48.0	(21.5)
Total equity attributable to equity holders of the parent	**1,308.1**	**1,215.8**	**1,233.8**	**1,179.5**
Non-controlling interests	**20.1**	**2.1**	**0.8**	**0.9**
Total equity	**1,328.2**	**1,217.9**	**1,234.6**	**1,180.4**
Loans and borrowings	1,496.1	1,145.1	1,086.8	974.1
Lease obligations	46.7	45.7	35.0	–
Employee benefits obligations	8.5	7.7	6.8	5.7
Provisions	3.6	3.2	2.8	3.1
Other non-current liabilities	39.6	7.9	8.4	3.2
Deferred tax liabilities	120.2	110.0	135.2	137.2
Total non-current liabilities	**1,714.7**	**1,319.6**	**1,275.0**	**1,123.4**
Bank overdrafts	29.2	23.6	16.0	1.1
Loans and borrowings	66.0	65.7	64.1	24.7
Lease obligations	14.0	12.4	10.5	–
Provisions	1.6	1.6	0.2	0.1
Income tax payables	11.7	5.3	3.6	4.8
Trade and other payables	438.1	308.5	276.4	299.4
Total current liabilities	**560.6**	**417.1**	**370.7**	**330.1**
Total liabilities	**2,275.3**	**1,736.7**	**1,645.7**	**1,453.5**
Total equity and liabilities	**3,603.5**	**2,954.6**	**2,880.3**	**2,633.9**

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

8.3 Consolidated Statement of Cash Flows

	For the six-month period ended June 30,		For the year ended December 31,		
	2021*	2020*	2020*	2019*	2018†
			(€ millions)		
	(unaudited)			*(audited)*	
Cash flows from operating activities					
Net profit/(loss) for the period	47.5	27.8	71.0	48.0	(50.1)
Adjustments for:					
Depreciation, amortization and impairment expenses	26.4	24.7	50.9	45.7	24.3
Net financial expense	29.8	35.3	68.1	70.7	153.4
Transaction costs related to acquisitions	–	–	–	–	23.0
Income tax income/(expense)	27.3	14.3	8.1	10.3	(16.1)
Change in inventories	(27.2)	(12.1)	1.2	13.3	(37.7)
Change in trade and other receivables and other investments	(74.9)	(39.4)	4.2	1.3	24.4
Change in trade and other payables	60.4	16.3	(0.4)	(39.3)	18.5
Change in provisions	0.6	0.6	2.2	0.6	(1.4)
Cash flow from operating activities	**90.2**	**67.4**	**205.3**	**150.6**	**138.2**
Income tax paid	(21.3)	(12.0)	(30.7)	(32.5)	(23.6)
Interest paid	(29.1)	(46.2)	(57.6)	(42.2)	(44.9)
Net cash flow from operating activities	**39.7**	**9.2**	**117.0**	**75.9**	**69.8**
Cash flow from investing activities					
Acquisition of property, plant and equipment and intangible assets	(6.3)	(4.3)	(12.1)	(12.3)	(17.9)
Acquisition of subsidiaries, net of cash acquired	(460.4)	(89.8)	(103.3)	(147.0)	(23.0)
Transaction costs related to acquisitions and change of ownership	–	–	–	–	(23.0)
Net cash flow from investing activities	**(466.7)**	**(94.1)**	**(115.4)**	**(159.3)**	**(63.9)**
Cash flows from financing activities					
Payments of lease obligation	(8.2)	(7.5)	(15.9)	(12.8)	–
Proceeds from shareholders for issue of equity	50.0	–	–	–	–
Proceeds from loans and borrowings	335.9	162.0	78.3	118.7	754.6
Repayments from loans and borrowings	–	–	–	(9.0)	(759.1)
Transaction costs related to financing	(2.5)	–	–	–	(1.2)
Net cash flow from financing activities	**375.2**	**154.5**	**62.5**	**96.8**	**(5.7)**
Net (decrease)/increase in cash and cash equivalents	**(51.7)**	**69.6**	**64.1**	**13.4**	**0.2**
Effect of exchange rate fluctuations on cash held	(0.8)	(7.0)	(11.0)	(5.0)	6.9
Cash and cash equivalents net at beginning of the period	139.7	86.6	86.6	78.3 (1)	52.7
Cash and cash equivalents net at end of period	**87.2**	**149.1**	**139.7**	**86.6**	**59.7** (1)

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

† Denotes that the column presents amounts from the 2018 Azelis Holding S.A. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

(1) As a result of the EQT/PSP Acquisition, there was a €18.5 million difference in cash and cash equivalents between the €59.7 million as at December 31, 2018, which is derived from the consolidated statement of cash flows included in the 2018 Azelis Holding S.A. Financial Statements, and €78.3 million as at January 1, 2019, which is derived from the consolidated statement of cash flows included in the 2019 Azelis Holding S.à r.l. Financial Statements, which is net of bank overdrafts.

8.4 Other Financial and Operating Data

The following APMs are used by the Group's management to monitor and manage operational risk and financial performance. These measures are not calculated in accordance with IFRS. For more information regarding the APMs, see section 2.11 (*Important Information—Alternative Performance Measures*) and section 9.11 (*Operating and Financial Review—Alternative Performance Measures*).

	As at and for the twelve months ended June 30,	As at and for the six-month period ended June 30,		As at and for the year ended December 31,		
	2021	2021	2020	2020	2019	2018
	(€ millions unless otherwise indicated)					
	(unaudited)					
EBITA	208.7	122.0	93.8	180.5	159.5	107.6
Adjusted EBITA	219.8	127.2	96.9	189.6	163.3	133.5
Adjusted EBITA Margin	9.2%	9.7%	8.5%	8.5%	7.8%	7.0%
Adjusted EBITDA	238.4	136.4	105.1	207.2	178.5	137.3
Adjusted EBITDA Margin	9.9%	10.4%	9.3%	9.3%	8.5%	7.2%
Conversion Margin	41.2%	43.2%	39.2%	39.0%	36.7%	33.7%
Free Cash Flow	210.3	79.9	57.9	188.3	137.2	127.8
Free Cash Flow Conversion	94.8%	62.3%	59.3%	98.4%	82.8%	93.1%
Net Working Capital	340.4	340.4	272.3	250.4	235.4	176.0
Net Working Capital/Revenue	14.2%	13.0%	12.0%	11.3%	11.2%	9.3%
ROTIC	58.1%	67.2%	–	67.1%	61.5%	65.5%
Net Indebtedness	1,531.7	1,531.7	–	1,124.5	1,106.1	939.3
Financing EBITDA	282.0	–	–	210.5	184.9	142.5
Net Leverage	5.4x	–	–	5.3x	6.0x	6.6x

9. OPERATING AND FINANCIAL REVIEW

The following is a discussion and analysis of Azelis' financial condition and results of operations for the periods described below. Investors should read this discussion in conjunction with the Financial Statements included elsewhere in this Prospectus as well as the information set forth under section 2.10 (Important Information—Presentation of Financial Information), section 7 (Unaudited Pro Forma Financial Information), section 8 (Selected Consolidated Financial Information) and the financial statements of Vigon International, Inc. included in section 24 (Financial Information). The following discussion includes forward-looking statements based on assumptions about Azelis' future performance. Azelis' actual results could differ materially from those contained in these forward-looking statements as a result of many factors, including but not limited to those described under section 1 (Risk Factors) and section 2.13 (Important Information—Forward-Looking Statements) and elsewhere in this Prospectus. Neither the Company's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the forward-looking statements contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the forward-looking statements.

The following financial information from the consolidated income statement and the consolidated statement of cash flows for the years ended December 31, 2020 and 2019 and from the consolidated statement of financial position as at December 31, 2020 and 2019 has been derived from the 2020 Azelis Holding S.à r.l. Financial Statements and the 2019 Azelis Holding S.à r.l. Financial Statements included in section 24 (Financial Information). The following financial information from the consolidated income statement and the consolidated statement of cash flows for the year ended December 31, 2018 has been derived from the 2018 Azelis Holding S.A. Financial Statements included in section 24 (Financial Information). The following financial information from the consolidated statement of financial position as at December 31, 2018 has been derived from the 2018 Azelis Holding S.à r.l. Financial Statements included in section 24 (Financial Information). For additional information relating to the presentation of financial information as at and for the year ended December 31, 2018, see section 2.10.1.5 (Important Information—Presentation of Financial Information—Historical Financial Information—Presentation of Financial Information as at and for the year ended December 31, 2018). PricewaterhouseCoopers, Société coopérative has audited the Azelis Annual Financial Statements included herein.

The following interim financial information as at June 30, 2021 and for the six-month periods ended June 30, 2021 and 2020, has been derived from the Azelis Holding S.à r.l. Interim Financial Statements included in section 24 (Financial Information). PricewaterhouseCoopers, Société coopérative has reviewed the Azelis Holding S.à r.l. Interim Financial Statements.

9.1 Overview

Azelis is a leading global innovation service provider for the specialty chemicals and food ingredients industry. The Group is the conduit between over 2,200 specialty chemicals and food ingredients suppliers (which the Group refers to as its "principals") that have granted Azelis one or more mandates to distribute their products, and over 45,000 customers, which are typically small- and medium-sized players that cater to diversified life sciences and industrial chemicals end markets.

Azelis represents its principals, predominantly on an exclusive basis, with sales, marketing, distribution and formulation expertise while providing customers with a "one-stop shop" for a broad range of products and value-added services. Principals rely on Azelis to gain market insights and to serve a localized market while minimizing the complexity of their own operations, and Azelis' customers rely on the Group to supply numerous ingredients (including bundling products from various principals) and act as their outsourced formulation function with a focus on developing the innovative products that customers use to differentiate themselves, while providing technical expertise along with services relating to adequate packaging and labeling, handling of customs and regulatory compliance.

For the twelve-month period ended June 30, 2021, the Group recorded revenue of €2,397.8 million, gross profit of €533.2 million and Adjusted EBITA of €219.8 million.

9.2 Segmental Reporting and End Markets

9.2.1 *Segmental Reporting*

The segmentation used by the Group and discussed throughout this section 9 (*Operating and Financial Review*) is based on geography, organization and management structure, and commercial interdependencies. Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items consist mainly of head office expenses and income tax assets and liabilities that are represented in a separate reporting unit "Group Holding and Other."

The Group's three revenue-generating reporting segments are as follows:

- EMEA, which includes all operating companies in Europe, the Middle East and Africa;
- Americas, which includes all operating companies in the United States, Canada and Mexico; and

- Asia-Pacific, which includes all operating companies in Asia, Southeast Asia and the Pacific region.

Azelis' revenue and gross profit for each of EMEA, the Americas and Asia-Pacific are discussed in section 9.9 (*—Results of Operations*), while its Adjusted EBITA and Net Working Capital by segment are discussed in section 9.11 (*—Alternative Performance Measures*) below.

The Group's fourth segment is Group Holding and Other. "Group Holding" consists of all non-operating companies including the Group's corporate service center and headquarters. "Other" may include income from non-core business activities (such as agency commission, services and termination fees), while some other operating income relating to trade, related recharges of operating expenses (such as freight) is reported in the operating segment's revenue.

9.2.2 *End Markets*

In addition to the Group's segmental reporting based on the regions in which it operates, Azelis also measures the respective revenue and gross profit contributions from life sciences end markets as compared with the contributions from industrial chemicals end markets.

End markets within the life sciences segment primarily include: (i) food and health; (ii) personal care; (iii) specialty agrochemicals and horticulture; (iv) pharmaceuticals; (v) homecare and industrial cleaning; and (vi) animal nutrition.

End markets within the industrial chemicals segment primarily include: (i) CASE (coatings, adhesives, sealants and elastomers and construction materials); (ii) essential and fine chemicals; (iii) rubber and plastic additives; and (iv) lubricants and metal working fluids.

Azelis' revenue and gross profit contributions from life sciences and industrial chemicals end markets are discussed in section 9.9 (*—Results of Operations*) below.

9.3 Key Performance Indicators

The following KPIs are measures used by the Group's management to monitor and manage operational risk and financial performance. For information regarding the calculation of the KPIs, some of which are APMs, see section 2.11 (*Important Information—Alternative Performance Measures*) and section 9.11 (*—Alternative Performance Measures*).

	As at and for the twelve months ended June 30,	As at and for the six-month period ended June 30,		As at and for the year ended December 31,		
	2021	2021	2020	2020	2019	2018
	(€ millions unless otherwise indicated) *(unaudited unless otherwise indicated)*					
Revenue	2,397.8	1,309.5	1,134.6	2,222.9*	2,095.0*	1,898.2*
Gross profit	533.2	294.3	247.2	486.1*	444.7*	396.0*
Gross Profit Margin†	22.2%	22.5%	21.8%	21.9%	21.2%	20.9%
EBITA†	208.7	122.0	93.8	180.5	159.5	107.6
Adjusted EBITA†	219.8	127.2	96.9	189.6	163.3	133.5
Adjusted EBITA Margin†	9.2%	9.7%	8.5%	8.5%	7.8%	7.0%
Adjusted EBITDA†	238.4	136.4	105.1	207.2	178.5	137.3
Adjusted EBITDA Margin†	9.9%	10.4%	9.3%	9.3%	8.5%	7.2%
Conversion Margin†	41.2%	43.2%	39.2%	39.0%	36.7%	33.7%
Free Cash Flow†	210.3	79.9	57.9	188.3	137.2	127.8
Free Cash Flow Conversion†	94.8%	62.3%	59.3%	98.4%	82.8%	93.1%
Net Working Capital†	340.4	340.4	272.3	250.4	235.4	176.0
Net Working Capital/Revenue†	14.2%	13.0%	12.0%	11.3%	11.2%	9.3%
ROTIC†	58.1%	67.2%	–	67.1%	61.5%	65.5%
Net Indebtedness†	1,531.7	1,531.7	–	1,124.5	1,106.1	939.3
Financing EBITDA†	282.0	–	–	210.5	184.9	142.5
Net Leverage†	5.4x	–	–	5.3x	6.0x	6.6x

* Denotes number is audited.

† Denotes an APM.

In the future, the Group expects to report on additional non-financial KPIs that measure its progress against the sustainability targets it has established. See section 11.12 (*Business—Sustainability*) for a description of such targets.

The table below presents the longer-term track record of certain of the Group's KPIs for the period from the year ended December 31, 2016 through the year ended December 31, 2020.

	For the year ended December 31,				
	2020	2019	2018	2017	2016
Revenue	2,222.9	2,095.0	1,898.2	1,730.5	1,505.3
Gross profit [(1)]	486.1	444.7	396.0	353.2	302.3
Gross Profit Margin [(2)]	21.9%	21.2%	20.9%	20.4%	20.1%
Adjusted EBITA [(3)]	189.6	163.3	133.5	112.6	89.6
Adjusted EBITA Margin	8.5%	7.8%	7.0%	6.5%	5.9%

(1) The Group's gross profit growth split among organic growth, growth from acquisitions and the impact of foreign currency translation for each of the years 2017 through 2020 is presented below.

	For the year ended December 31,			
	2020	2019	2018	2017
Organic growth	3.0%	4.8%	7.7%	9.3%
Growth from acquisitions	7.9%	5.2%	5.5%	9.4%
Foreign currency translation impact	(1.6)%	2.3%	(1.0)%	(1.9)%
Total	**9.3%**	**12.3%**	**12.1%**	**16.8%**

(2) The Group's Gross Profit Margin for life sciences and industrial chemicals end markets are presented in the table below.

	For the year ended December 31,				
	2020	2019	2018	2017	2016
Life sciences	22.8%	22.3%	22.3%	21.6%	21.0%
Industrial chemicals	20.3%	19.9%	19.1%	19.0%	19.1%

(3) The Group's Adjusted EBITA growth split among organic growth, growth from acquisitions and the impact of foreign currency translation for each of the years 2017 through 2020 is presented below.

	For the year ended December 31,			
	2020	2019	2018	2017
Organic growth	9.8%	10.2%	13.5%	9.0%
Growth from acquisitions	7.9%	9.7%	6.0%	19.0%
Foreign currency translation impact	(1.7)%	2.4%	(0.9)%	(2.2)%
Total	**16.0%**	**22.4%**	**18.5%**	**25.8%**

Azelis' 10.2% revenue CAGR from 2016 through 2020 was made up of an average organic growth rate of 4.0% and an average 6.6% growth from acquisitions, which was partially offset by 0.3% from the impact of foreign currency translation. The Group's 12.6% gross profit CAGR over the period represented average organic growth of 6.2%, average growth from acquisitions of 7.0% and a 0.6% offsetting effect from the impact of foreign currency translation. Azelis' total Adjusted EBITA CAGR for the period from 2016 through 2020 was 20.6% and included 10.6% of average organic growth, 10.7% average growth from acquisitions and 0.6% average decline from the impact of foreign currency translation.

9.4 Key Factors Affecting Azelis' Results of Operations

The Group believes that the following factors have contributed significantly to the development of its business and results of operations and will continue to have a significant effect in the future.

9.4.1 *Global and Regional Economic Conditions*

The Group's business depends on its customers' demand for specialty chemicals and food ingredients used in the production of a wide array of products, which in turn is driven by the demand of consumers and other end users for the products made by those customers. To a large extent, demand levels depend on macroeconomic conditions on a global level and in those regional economies supplied by its customers. Certain customer sectors such as the food, personal care and pharmaceutical industries tend to experience more stable levels of demand for specialty chemicals and food ingredients through macroeconomic cycles. Other industrial sectors in which the Group's customers operate are characterized by relative cyclicity in the demand for specialty chemicals such as those that supply the construction and transportation markets.

The Group believes that the broad diversity of its business in terms of product portfolio, geographies, principals, end market sectors and customers can lessen the impact of local and regional economic changes. For more information on risks related to economic conditions, see section 1.1.1 (*Risk Factors—Risks Related to Azelis' Business and Industry—Azelis' business and growth opportunities may be materially adversely affected by any deterioration in global or regional economic conditions*).

9.4.2 *Acquisitions*

9.4.2.1 Overview

Acquisitions have played an important part in the growth of the Group and are a key component of if its future growth strategy. See section 11.3.1.3 (*Business—Strategy—Azelis' Strategic Growth Pillars—Growth through Acquisitions*). The Group completed 21 acquisitions between January 1, 2018 and June 30, 2021—ten acquisitions in the Asia-Pacific segment, eight in the EMEA segment and three in the Americas segment. Acquisitions may provide Azelis with opportunities to broaden its existing portfolio, enter new segments or expand into new geographies, which further drive growth in line with the Group's strategy. Recently, there has been a trend towards Asia-Pacific-focused acquisitions, and the trend is expected to continue in the future as principals aim to access growth markets.

Azelis has a structured, multi-layered project governance approach in place for the post-merger integration process of acquisitions. This process is always led by a member of the Executive Committee along with Azelis' group-wide dedicated integration team of five professionals. The process includes clear responsibilities for all required aspects (including, but not limited to, functions such as sales; supply chain; safety, health, environment and quality ("**SHEQ**"); branding; legal and compliance; finance; and information communication technology ("**ICT**")). This strict approach assures a rapid onboarding and integration of Azelis' acquisitions in its corporate governance framework, and reduces possible future impairment risks.

Nearly all of these transactions are strategic "bolt-on" acquisitions of companies that are significantly smaller than the Group, but provide complementary services, technology or geographic footprint diversification and can be quickly integrated into the existing management infrastructure. For the six-month period ended June 30, 2021 and the years ended December 31, 2020, 2019 and 2018, acquired companies contributed 4.7%, 6.0%, 4.5% and 1.0%, respectively, to the Group's total revenue for the period in which they were acquired. Acquisitions are conducted in line with Azelis' positioning in the market as one of the market leaders in the highly fragmented specialty chemicals and food ingredients distribution market and further solidify the Group's position and offering to its principals and customers. These transactions individually, or cumulatively, generally do not have a significant effect on the Group's financial statements for a given financial year. The Group typically pays single-digit multiples for bolt-on acquisitions. For the 13 acquisitions that took place from January 1, 2017 through June 30, 2020 (which excludes two asset acquisition transactions and one acquired company that was merged into another Group entity), on average and in the local currency, the revenue of the acquired business grew by 5% and the Adjusted EBITDA grew by more than 20% in the year following the business's acquisition by the Group.

Acquisitions affect the Group's results of operations for the period during which an acquisition takes place by the inclusion of the results of the acquired business in the Group's consolidated results. As acquired businesses are consolidated from the date of their acquisition, the full-period impact of an acquisition is only reflected in the Group's financial statements in the subsequent period.

9.4.2.2 *Acquisition of Vigon*

On June 1, 2021, the Group completed the acquisition of Vigon, a leading specialty ingredient distributor to the flavor and fragrance market that operates primarily in the United States, with additional sales in Canada, Mexico and certain other countries. Given that the Vigon acquisition is more significant than acquisitions that are typically completed by Azelis, its impact is reflected on a *pro forma* basis in section 7 (*Unaudited Pro Forma Financial Information*) for the six-month period ended June 30, 2021 and the year ended December 31, 2020 as if such acquisition had occurred on January 1, 2020.

9.4.2.3 *Acquisitions Completed in the Six-Month Period Ended June 30, 2021*

In addition to the acquisition of Vigon discussed in section 9.4.2.2 (*—Acquisition of Vigon*) above, the Group completed five other acquisitions in the six-month period ended June 30, 2021: one acquisition in EMEA and four acquisitions in Asia-Pacific. Including Vigon, the Group's cash spending on the acquisition of subsidiaries, net of cash acquired was €460.4 million in the six-month period ended June 30, 2021.

During this period, Azelis acquired 51% of the shares of acquisitions in Vietnam and in Philippines. Azelis has obtained call options and has granted put options for the remaining non-controlling interests in these companies (49%). The options give the holders the right to buy or sell their investment in these subsidiaries, with an exercise price on the basis of an EBITDA multiple, and taking into account certain cash and debt items. In accordance with IAS 32, a liability has been recognized for the put option only, corresponding to the present value of the estimated exercise price. This liability is included in other non-current liabilities, and the counterpart is reduced from Azelis' equity. As at June 30, 2021, Azelis recognized a total related liability of €29.9 million.

Between the applicable dates of consolidation into the Group's financial statements for the relevant acquisitions and June 30, 2021, acquired entities cumulatively contributed €61.0 million to Azelis' consolidated revenue (of which €10.3 million was contributed by Vigon), €13.5 million to the Group's consolidated gross profit (of which €3.3 million was contributed by Vigon), €8.1 million to the Group's consolidated Adjusted EBITA (of which €2.6 million was contributed by Vigon) and €6.0 million to the Group's consolidated net result for the period (of which €2.1 million was contributed by Vigon).

Had all entities acquired in the first half of 2021 been fully consolidated for the six-month period ended June 30, 2021, such entities would have contributed a total of €134.5 million to the Group's consolidated revenue, a total of €38.1 million to the Group's consolidated gross profit, a total of €27.4 million to the Group's consolidated Adjusted EBITA for the period. Without considering the *pro forma* accounting adjustments resulting from the funding of such acquisitions (which may have had an impact on net financial expenses or income tax income/expense), such entities would have contributed a total of €21.5 million to the Group's consolidated net result for the period.

9.4.2.4 Acquisitions Completed in the Year Ended December 31, 2020

In 2020, the Group completed seven acquisitions: two acquisitions in EMEA, one acquisition in the Americas and four acquisitions in Asia-Pacific. The Group's cash spending on the acquisition of subsidiaries, net of cash acquired was €103.3 million in the year ended December 31, 2020. As part of the funding of one of the acquisitions during the first six months of 2020, promissory notes with a value of €5.6 million were contributed to the share premium reserve by the sole shareholder of Azelis Holding S.à r.l.

Between the applicable dates of consolidation into the Group's financial statements for the relevant acquisitions and December 31, 2020, acquired entities cumulatively contributed €132.3 million to Azelis' consolidated revenue, €28.1 million to the Group's consolidated gross profit, €8.6 million to the Group's consolidated Adjusted EBITA and €7.0 million to the Group's consolidated net result for the year.

9.4.2.5 Acquisitions Completed in the Year Ended December 31, 2019

In 2019, the Group completed five acquisitions: three acquisitions in EMEA, one acquisition in the Americas and one acquisition in Asia-Pacific. The Group's cash spending on the acquisition of subsidiaries, net of cash acquired was €147.0 million in the year ended December 31, 2019.

Between the applicable dates of consolidation into the Group's financial statements for the relevant acquisitions and December 31, 2019, acquired entities cumulatively contributed €93.6 million to Azelis' consolidated revenue, €18.4 million to the Group's consolidated gross profit, €11.3 million to the Group's consolidated Adjusted EBITA and €6.5 million to the Group's consolidated net result for the year.

9.4.2.6 Acquisitions Completed in the Year Ended December 31, 2018

In 2018, the Group completed three acquisitions: two acquisitions in EMEA and one acquisition in Asia-Pacific. The Group's cash spending on the acquisition of subsidiaries, net of cash acquired was €23.0 million in the year ended December 31, 2018.

Between the applicable dates of consolidation into the Group's financial statements for the relevant acquisitions and December 31, 2018, acquired entities cumulatively contributed €19.3 million to Azelis' consolidated revenue, €4.3 million to the Group's consolidated gross profit, €2.7 million to the Group's consolidated Adjusted EBITA and €1.5 million to the Group's consolidated net result for the year.

9.4.3 *Principal Mandates*

The Group has strong, long-term partnerships with approximately 2,200 suppliers globally that it refers to as its "principals." Azelis believes that in aggregate at least 85% of its sales generated from mandates with its top ten principals are exclusive to Azelis, either by contractual arrangement or by virtue of the nature of the relationship where Azelis is the principal's sole distributor in the relevant territory for a particular product or multiple products (and certain end market application(s)). The Group generally enters into multiple exclusive distribution agreements with its principals, each relating to a different product or portfolio of products and/or geography. With some principals, Azelis works through master distribution agreements (on a regional basis), with specific mandates per product and/or geography included as separate annexes. Therefore, Azelis' relationships with the vast majority of its principals, including with all of its top ten principals, are made up of multiple mandates. On the basis of its mandates, the Group usually serves low-volume customers and offers technical services around its diversified product portfolio. Broadening its portfolio across multiple dimensions, including different segments, geographies, products and technical expertise, is an important driver for improving the Company's revenue basis and makes Azelis more attractive for its principals. As a result, Azelis has opportunities to gain additional mandates with its principals on the basis of its improved customer reach, increased sales volumes and value-added services, and may have opportunities for entering new segments and expanding into new geographies, which further drives revenue growth.

9.4.4 *Movements in Prices of Specialty Chemicals and Food Ingredients*

Price movements for specialty chemicals and food ingredients are largely driven by customer demand, material prices and by the supply of specialty chemicals producers. Customers typically have limited purchasing power because purchases of specialty chemicals and food ingredients tend to represent a limited part of a customer's total purchased volumes and costs, and customers are inclined to be more focused on product quality and the reliability of delivery than on pricing. Additionally, specialty chemicals and food ingredients usually are not actively traded and do not have listed or quoted prices, unlike many commodity chemicals; therefore, prices of specialty chemicals and food ingredients tend to have lower volatility than commodity chemicals. For these reasons, price elasticity in the market for specialty chemicals and food ingredients tends to be low and because of this the Group has generally been successful in passing on price increases to its customers. As a result, an increase or decrease in the Group's revenue attributable to price fluctuations is not indicative of a corresponding increase or decrease in the Group's net profit, as demonstrated by the constant development of its Gross Profit Margin.

9.4.5 *Foreign Currency Translation*

The Group operates internationally, having a presence in 56 countries around the world and continually assessing opportunities to expand its geographical footprint, and consequently conducts much of its business in major international currencies other than euros. The Group's reporting currency is euros but a significant part of the Group's revenue and costs, as well as certain of its assets and liabilities are recorded in other currencies. As a result, the Group's results of operations are affected by translational foreign exchange risk and currency translation can affect comparability of the Group's consolidated assets, equity and liabilities, as well as its financial results. The Group is primarily exposed to foreign exchange effects with respect to movements in U.S. dollars, British pounds sterling and Canadian dollars against euros. In 2020, 46.5% of the Group's consolidated revenue was generated from its EMEA segment, where the majority of its sales are denominated in euros, while 53.5% of revenue was generated collectively from the Americas and Asia-Pacific segments, with sales denominated in a number of currencies, including primarily U.S. dollars. Fluctuations in exchange rates between euros and other currencies affect the translation of the Group's consolidated financial results into euros. Exchange rate changes also affect the Group's consolidated statement of financial position. Changes in the euro values of the Group's consolidated assets and liabilities resulting from exchange rate movements may cause the Group to record foreign currency gains and losses through profit or loss, or through its foreign currency translation reserve recognized in other comprehensive income and accumulated in equity. When discussing the Group's financial performance in this Prospectus, the impact of foreign currency translation is determined by translating amounts for the earlier period at the foreign currency exchange rate for the later period.

A 10% strengthening of euros against U.S. dollars, Canadian dollars and British pounds sterling at the applicable period end would have increased or decreased equity and the income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10% weakening of euros against U.S. dollars, Canadian dollars and British pounds sterling at the applicable period end would have had the equal, but opposite effect in euros to the amounts shown below on the basis that all other variables remained constant.

	As at and for the six-month period ended June 30,	**As at and for the year ended December 31,**		
	2021	**2020**	**2019**	**2018**
		(€ millions)		
USD	(8.7)	(3.7)	(1.4)	(1.5)
CAD	(2.4)	(2.0)	(0.6)	(1.6)
GBP	0.0	(0.0)	(0.1)	0.2

Although currency translation may have a considerable impact on the Group's consolidated financials, the Group has limited exposure to transaction currency risk as a result of its operations around the world being managed on a sufficiently local basis allowing for currencies of purchases and sales to be matched. For more information on exchange rate risks, including transactional currency risks, see section 1.2.2 (*Risk Factors—Risks Related to Azelis' Financial Situation—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*).

9.4.6 *Impact of the EQT/PSP Acquisition*

As discussed in section 2.10.1.5 (*Important Information—Presentation of Financial Information—Historical Financial Information—Presentation of Financial Information as at and for the Year Ended December 31, 2018*), on November 8, 2018, EQT and PSP Investments indirectly acquired 100% of the outstanding shares of Azelis Holding S.A. through Akita Midco S.à r.l. Akita Midco S.à r.l. was incorporated on July 25, 2018 and had no operations prior to the EQT/PSP Acquisition. Akita Midco S.à r.l. was renamed Azelis Holding S.à r.l. in 2019.

The total consideration transferred on November 8, 2018 amounted to €1,393.3 million. The total fair value of the identified assets acquired and liabilities assumed was €129.7 million, resulting in goodwill of €1,263.7 million. The fair value of the identified assets included non-current assets acquired, primarily relating to Azelis' trademark (€317.4 million) and to distribution rights (€472.9 million). See note 7 (*Business combinations*) to the 2018 Azelis Holding S.à r.l. Financial Statements.

The main impacts of the EQT/PSP Acquisition on the financial results of the Group were as set out below.

- Azelis Holding S.à r.l. incurred €20.9 million of transaction costs (considered the bidders' costs) relating to the EQT/PSP Acquisition in the year ended December 31, 2018. These one-off costs were primarily recognized in the consolidated income statement of Azelis Holding S.à r.l. for the year ended December 31, 2018 as "external services and other expenses."

- Azelis Holding S.A. incurred €22.9 million of transaction costs (considered the sellers' costs) relating to the EQT/PSP Acquisition in the year ended December 31, 2018. These one-off costs were primarily recognized in the consolidated income statement of Azelis Holding S.A. as "external services and other expenses" and were excluded as Adjustments from Adjusted EBITDA for the year ended December 31, 2018.

- At the time of the EQT/PSP Acquisition, the Group borrowed €995.0 million to partially fund the transaction, representing Net Leverage of 7.0x (based on June 2018 Financing EBITDA). The Group incurred €34.6 million in interest expense on bank loans and overdrafts for the year ended December 31, 2018 (under the debt structure that was in place prior to the EQT/PSP Acquisition), €57.2 million for the year ended December 31, 2019 and €55.7 million for the year ended December 31, 2020. The Group incurred €26.3 million in interest expense on bank loans and overdrafts for the six-month period ended June 30, 2021 and reduced its leverage to 5.4x Net Leverage at June 30, 2021 while investing €710.7 million in acquisitions since the EQT/PSP Acquisition.

- Non-cash amortization expenses in 2018 of €20.4 million were included on the basis of intangible assets under previous ownership. As from November 2018, amortization in the Azelis Holding S.à r.l. Financial Statements is included on the basis of the newly calculated intangible assets following the EQT/PSP Acquisition.

- Debt instruments (specifically, preferred equity certificates) under previous ownership (i.e., until the EQT/PSP Acquisition) were valued at fair value on the statement of financial position of Azelis Holding S.A. Upon the EQT/PSP Acquisition, those preferred equity certificates had to be repaid, and the difference between fair value (until end of 2017) and nominal value (upon repayment in November 2018) was required to be expensed through the income statement of Azelis Holding S.A. in an amount of €103.9 million. See note 13 (*Net financial expenses*) to the 2018 Azelis Holding S.A. Financial Statements. The total repayment of debt was included as part of net cash flow from financing activities in the 2018 Azelis Holding S.A. Financial Statements.

See paragraph (iii) (*Impact of the EQT/PSP Acquisition on the Azelis Financial Statements*) of section 2.10.1.5 (*Important Information—Presentation of Financial Information—Historical Financial Information—Presentation of Financial Information as at and for the Year Ended December 31, 2018*).

9.4.7 *Impact of the Offering and the Refinancing*

The Offering is expected to result in a number of changes to the financial performance and financial position of the Group, which are set out below.

- The Group expects to receive net proceeds of €823.0 million from the issuance of the Offer Shares in the Primary Tranche as part of the Offering.

- The Group intends to refinance its Existing Indebtedness using the net proceeds from the issuance of the Offer Shares in the Primary Tranche and borrowings under the New Debt Facilities. See section 3.2 (*Reasons for the Offering and the Listing and Use of Proceeds—Use of Proceeds*). The Group believes that the Refinancing will enable it to reduce Net Leverage to between 2.5x and 3.0x, thereby enabling the Group to update the terms of its financial indebtedness to increase its operational flexibility and to substantially reduce the interest rate that it pays on its debt. See section 11.17.2.1 (*Business—Material Contracts—Financing Agreements—New Debt Facilities*).

- The Group expects to incur expenses directly related to the Offering up to approximately €57.0 million. These costs will be treated as an adjustment in calculating Adjusted EBITA for the year ending December 31, 2021. Pursuant to IAS 32 (Financial Instruments), a portion of the costs will be accounted for as a deduction from equity.

- Following the Offering, the Group expects to incur certain additional costs of operating as a public company and to bear the accounting cost of stock-based compensation expected to be authorized and provided to a proportion of the Group's employees going forward. These cost items have been included in the Group's targeted outlook for the year ending December 31, 2021 and beyond.

9.4.8 *COVID-19 Pandemic Impact*

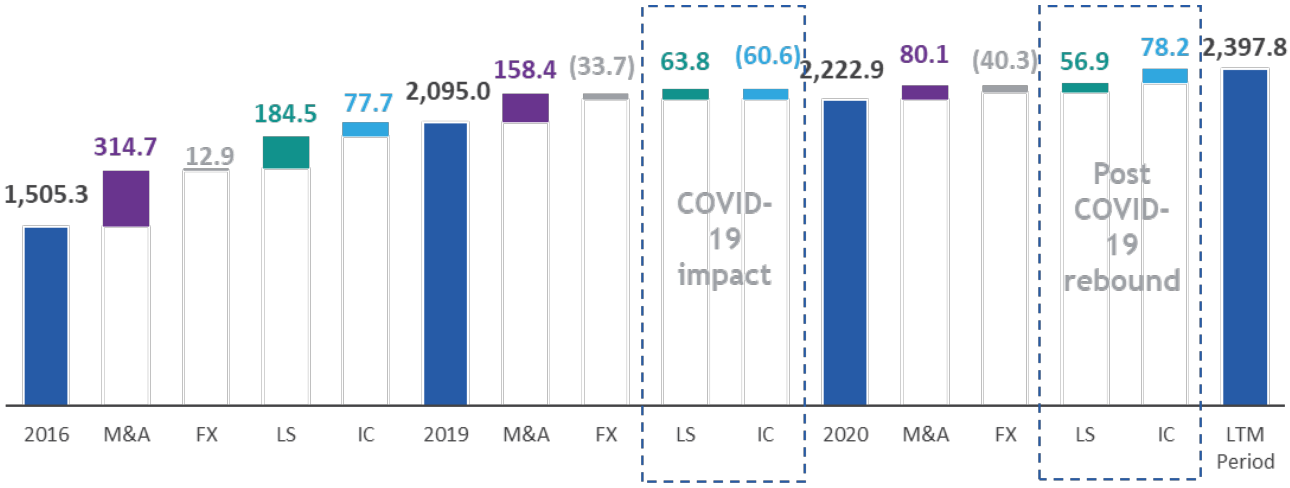
The COVID-19 pandemic had a notable impact on Azelis' operations and financial results during the initial months following the implementation of lockdown measures across most of the Group's countries of operations, which mostly began in March 2020. In particular, demand for specialty chemicals used in the industrial chemicals end market declined in the second quarter of 2020. In contrast, demand for specialty chemicals used in the life sciences end market proved more resilient. Despite the initial shift in end markets, the COVID-19 pandemic's overall impact on the Group's business operations and financial performance was limited, as demonstrated by Azelis' 16.0% Adjusted EBITA growth in 2020 (including 9.8% organic growth and 7.9% growth through acquisitions, partially offset by a 1.7% decline resulting from foreign currency translation), primarily because the specialty chemicals and food ingredients distribution sector in which the Group operates was recognized as essential critical infrastructure and allowed to continue operating throughout the pandemic. In addition, the Group's 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. For example, in connection with the COVID-19 pandemic, travel and entertainment costs were significantly reduced in 2020 from the corresponding costs in 2019, while accrued bonuses for employees increased following the improved actual performance versus the targeted performance for 2020.

At the outset of the COVID-19 pandemic, Azelis moved to secure the continuity of its supply chain across its diversified regional spread, including warehousing and logistics that could be continued as a result of the Group's close collaboration with its partners and through digital connections with its service providers. With its robust IT infrastructure, employees were able to continue Azelis' business processes while working remotely. Expenses were tightly managed and consistent with the contingency plans that were already in place as a result of the annual internal review cycle. Azelis was able to manage the impact of the pandemic given its diversified specialty chemicals portfolio, particularly in life sciences. Through its laboratories, Azelis was able to support its customers with many new formulations that were necessitated as a result of the changing conditions beginning in 2020.

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. See section 1.1.1 (*Risk Factors—Risks Related to Azelis' Business and Industry—Azelis' business and growth opportunities may be materially adversely affected by any deterioration in global or regional economic conditions*).

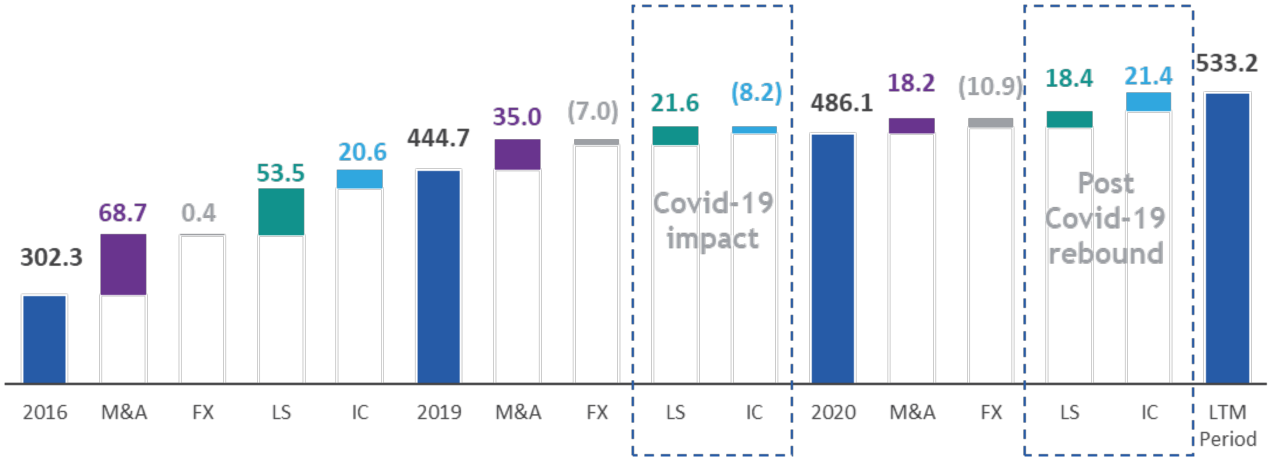
The graphics below illustrate the Group's position in life sciences and industrial chemicals markets that offer both growth and resilience. Azelis has experienced a strategic shift towards life sciences end markets since 2018. The COVID-19 pandemic further accelerated the differentiation between the two end markets as the Group's organic revenue growth from life sciences increased by 3%, driven by pharmaceuticals, personal care and home care and industrial cleaning, while organic revenue decline from industrial chemicals end markets was 3% in the year ended December 31, 2020.

The Group's revenue evolution, including the contributions of organic growth split between life sciences and industrial chemicals and growth from acquisitions, along with the impact of foreign currency translation, from 2016 through the LTM Period is presented below.



Notes: M&A = growth from acquisitions; FX = impact of foreign currency translation; LS = organic growth from life sciences end markets; and IC = organic growth from industrial chemicals end markets.

The Group's gross profit evolution, including the contributions of organic growth split between life sciences and industrial chemicals and growth from acquisitions, along with the impact of foreign currency translation, from 2016 through the LTM Period is presented below.



Notes: M&A = growth from acquisitions; FX = impact of foreign currency translation; LS = organic growth from life sciences end markets; and IC = organic growth from industrial chemicals end markets.

9.5 Factors Affecting Comparability of Results

9.5.1 *IFRS 16 (Leases)*

IFRS 16 (*Leases*) is effective for accounting periods beginning on or after January 1, 2019 and was adopted by the Group on January 1, 2019. The Group has recognized assets and liabilities for its operating leases of offices, certain warehouse facilities and company cars as per that date. In addition, the accounting for expenses related to those leases changed, as IFRS 16 (*Leases*) replaced the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group applied IFRS 16 (*Leases*) using a modified retrospective approach with optional practical expedients. The Group elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations were recorded as at January 1, 2019 in an amount of €44.5 million. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate. The initial rate applied in 2019 was 5%. During 2020, the incremental borrowing rate lowered to 4.4% for new contracts, mainly due to lower funding costs that Azelis has as a result of its decreased Net Leverage.

The Group elected to apply the optional exemption for low-value assets on a lease-by-lease basis and elected not to apply the optional recognition exemptions for short-term leases.

Implementing IFRS 16 (*Leases*) had a material impact on the Group's financial statements for 2019, in particular:

- Lease agreements gave rise to the recognition of an asset representing the right-of-use for the leased item and a liability for future lease payments (right-of-use assets amounting to €44.5 million as at January 1, 2019). The liability recorded for future lease payments related to amounts payable for the "reasonably certain" period of the lease, which may include future lease periods for which the Group has extension options.

- Excluding the impact on profit before tax, lease costs (€12.8 million) were recognized as depreciation of the right-of-use of the asset (€11.5 million) and interest on the lease liability (€2.2 million) which will generally be discounted at the incremental borrowing rate of the Group. Interest charges will typically be higher in the early stages of a lease and will reduce over the term.

- Net cash inflows from operating activities and payments classified within cash flow from financing activities both increased. Net cash flows were not impacted by IFRS 16 (*Leases*). Depreciation charges (€11.5 million) and net financial expenses (€2.2 million) increased cash inflow from operating activities by €12.8 million following the implementation of IFRS 16 (*Leases*) beginning on January 1, 2019, while payments of lease obligations (i.e., cash outflow) increased by a corresponding amount, thereby reducing net cash flow from financing activities. See the cash flow statement in note 2 (*Basis of Preparation*) to the 2020 Azelis Holding S.à r.l. Financial Statements.

- Due to the recognition of "lease costs" (which are included in the calculation of EBITDA) instead as "depreciation" (which is excluded in the calculation of EBITDA) beginning on January 1, 2019, the Group's Adjusted EBITDA increased by €12.8 million for the year ended December 31, 2019 as compared with what Adjusted EBITDA would have been for the year ended December 31, 2019 if pre-IFRS 16 (*Leases*) accounting principles had applied, while the corresponding increase in Adjusted EBITA resulting from the implementation of IFRS 16 (*Leases*) in the year ended December 31, 2018 was €1.4 million (i.e., depreciation of right-of-use assets had an impact amounting to €11.5 million).

For additional information on the impact of the application of IFRS 16 (*Leases*), see note 2 (*Basis of Preparation*) to the 2020 Azelis Holding S.à r.l. Financial Statements.

9.5.2 *Impact of the EQT/PSP Acquisition*

For additional information on the impact of the EQT/PSP Acquisition on the comparability of the Group's financial results, see paragraph (iii) (*Impact of the EQT/PSP Acquisition on the Azelis Financial Statements*) of section 2.10.1.5 (*Important Information—Presentation of Financial Information—Historical Financial Information—Presentation of Financial Information as at and for the Year Ended December 31, 2018*) and section 9.4.6 (*—Key Factors Affecting Azelis' Results of Operations—Impact of the EQT/PSP Acquisition*) above.

9.5.3 *Earnings per Share Information*

Basic earnings per share and diluted earnings per share presented in this Prospectus are historical amounts calculated based on the share structure of Azelis Holding S.à r.l. and Azelis Holding S.A. up to and including the date of this Prospectus and not based on the share structure of Azelis Group NV. The share structure will change in connection with the Offering and as a result historical earnings per share information may not be indicative of, or directly comparable with, future earnings per share of the Company. See section 14.3 (*Group Structure—Reorganization*).

Basic earnings per share and diluted earnings per share for the year ended December 31, 2018 are presented according to the 2018 Azelis Holding S.A. Financial Statements and are therefore not directly comparable with the corresponding basic earnings per share and diluted earnings per share amounts for the years ended December 31, 2020 or 2019 or the six-month periods ended June 30, 2021 or 2021, which are presented according to the applicable Azelis Holding S.à r.l. Financial Statements. For additional information on the calculation of earnings per share, see note 21 (*Capital and reserves and liability to shareholders*) to the Azelis Annual Financial Statements for each year.

Restated basic earnings per share and restated diluted earnings per share are the historical amounts of the basic earnings per share and the diluted earnings per share, recalculated on the basis of the number of Shares of Azelis Group NV that will be in existence after the completion of the Reorganization (but before closing of the Offering) as set out in the column "Shares Owned after the Reorganization and immediately before the Closing of the Offering" in the table in section 5 (*Dilution*).

9.6 Recent Developments

From July 1, 2021 through to the date of this Prospectus, Azelis completed four bolt-on acquisitions, including: (i) the July 20, 2021 acquisition of 100% of the shares of Coseal Co., Ltd. ("**Coseal**"), a specialty chemicals distributor to industrial chemicals end markets in South Korea (Asia-Pacific); (ii) the August 2, 2021 acquisition of 100% of the distribution assets of MH Co., Ltd. ("**MH**"), a food ingredients distributor in South Korea (Asia-Pacific); (iii) the August 31, 2021 acquisition of 100% of the shares of Quimdis S.A.S. ("**Quimdis**"), a specialty chemicals distributor to life sciences end markets in France (EMEA); and (iv) the August 31, 2021 acquisition of 100% of the shares of Ingredients Plus (Hong Kong) Limited ("**Ingredients Plus China**"), a specialty chemicals distributor to the personal care end market in China (Asia-Pacific). The Group's cash spending on the acquisition of subsidiaries, net of cash acquired was approximately €106 million (subject to post-closing adjustments) in the period from July 1, 2021 through to the date of this Prospectus. For additional information on Quimdis, see section 11.6.1.4 (*Business—Operating Segments—EMEA—Strategic Priorities*) and, for additional information on Ingredients Plus China, see section 11.6.3.4 (*Business—Operating Segments—Asia-Pacific—Strategic Priorities*).

As at the date of this Prospectus, Azelis has entered into two binding agreements in relation to additional bolt-on acquisitions that are expected to close before the end of 2021, namely, the acquisitions of: (i) a specialty chemicals distributor that is active across industrial chemicals and life sciences end markets in China (Asia-Pacific), and (ii) a specialty chemicals distributor to food and health end markets in Austria (EMEA).

Because Coseal, MH, Ingredients Plus China and Quimdis were each acquired after June 30, 2021 and the two additional signed acquisitions noted above will also be completed after June 30, 2021, no contributions of these acquired businesses to the consolidated results of the Group are included in the Azelis Holding S.à r.l. Interim Financial Statements. Had Coseal, MH, Ingredients Plus China, Quimdis and the two additional signed acquisitions noted above all been fully consolidated from January 1, 2021, such entities collectively would have contributed an additional approximately €176 million to the Group's consolidated revenue for the year ending December 31, 2021. Collectively, in the year before their respective acquisitions, these six entities had estimated revenue of €250 million, gross profit of approximately €43 million and earnings (before interest, taxation, depreciation and amortization) of approximately €17 million.

9.7 Outlook

As set out below, the Group has established certain financial targets as measures of its performance that are based on the Group's business plan and a number of assumptions that the Group's management believes are appropriate, but which may turn out to be incorrect or different than expected. The targets are forward-looking statements and the Group's ability to achieve them will depend on a number of factors, many of which are outside of its control, including significant business, economic and competitive uncertainties and contingencies and risks including those described in section 1 (Risk Factors) and section 2.13 (Important Information—Forward-Looking Statements). As a result, the Group's actual results may vary significantly from its targets and those variations may be material. The Group uses the term "medium term" to generally refer to the financial years from 2022 through 2024, but except as specifically set out below, the financial targets are not intended to be in respect of any particular financial year. Such targets have not been reviewed or audited by the Group's independent statutory auditor, PricewaterhouseCoopers, Société coopérative.

The Group has set out the following targets, which it aims to achieve by executing its strategy.

9.7.1 *Revenue*

For the twelve-month period ended June 30, 2021, the Group's revenue was €2,397.8 million, as compared with revenue of €2,222.9 million for the year ended December 31, 2020. For the year ending December 31, 2021, Azelis expects to report revenue of between €2,650 million and €2,750 million, which amount excludes approximately €250.0 million of revenue of subsidiaries acquired by Azelis during 2021 for the part of the year prior to their consolidation into the Group. If such amount were included, the estimated expected revenue would be between €2,900 million and €3,000 million, which amount is reflective of a base to project the Group's medium-term outlook. See section 9.4.2.3 (*—Key Factors Affecting Azelis' Results of Operations—Acquisitions—Acquisitions Completed in the Six-Month Period Ended June 30, 2021*) and section 9.6 (*—Recent Developments*). The Group aims to deliver an 8-10% revenue CAGR in the medium term (excluding foreign currency exchange impacts), roughly evenly split between organic growth and growth from acquisitions.

9.7.2 *Adjusted EBITA Margin*

For the twelve-month period ended June 30, 2021, the Group's Adjusted EBITA Margin was 9.2%, as compared with its Adjusted EBITA Margin of 8.5% for the year ended December 31, 2020. In the medium term, the Group is aiming to continually and systematically increase its Adjusted EBITA Margin by 10-15 basis points per year.

9.7.3 *Additional Growth from Acquisitions*

In addition to the organic growth that the Group anticipates for the year ending December 31, 2021 and in the medium term, Azelis expects to continue to execute its strategy of growth through acquisitions. See section 11.3.1.3 (*Business—Strategy—Azelis' Strategic Growth Pillars—Growth through Acquisitions*). As at the date of this Prospectus, Azelis has identified several additional potential near-term bolt-on acquisition opportunities.

9.7.4 *Additional Metrics*

The Group is also aiming for the targets set out below following completion of the Offering.

9.7.4.1 Acquisition-Related Costs

The Group is targeting approximately €5.0 million of costs per year associated with bolt-on acquisition activity. This reflects an anticipated decline from acquisition-related costs in the year ended December 31, 2020 and the year ending December 31, 2021, which has been a period with elevated levels as a result of contemplated or completed platform acquisitions, including Orkila and Vigon.

9.7.4.2 Capital Expenditures

Azelis is anticipating its capital expenditure and payments of lease obligations in the near term and the medium term to remain in line with historical levels. See section 9.13 (*—Capital Expenditures*) below.

9.7.4.3 Net Working Capital/Revenue

The Group is anticipating a Net Working Capital outflow of approximately €25.0 million in the year ending December 31, 2021 as compared with the year ended December 31, 2020. In the medium term, the Group expects its Net Working Capital/Revenue to be in line with historical levels at between 11% and 13% of revenue. See section 9.11.3 (*—Alternative Performance Measures—Net Working Capital*) below.

9.7.4.4 Free Cash Flow Conversion

Azelis' target is to achieve an annual Free Cash Flow Conversion of approximately 85% to 95%.

9.7.4.5 Net Leverage

The Group's target is to have Net Leverage of 2.5x to 3.0x. Azelis will maintain a financial policy that allows it flexibility to pursue acquisitions and take advantage of strategic opportunities, while paying dividends and maintaining a solid financial position.

9.7.4.6 Offering Transaction Costs

Azelis anticipates that transaction costs for the Offering will amount to approximately €57.0 million, which is in line with current benchmarks for initial public offerings of similar size.

9.7.4.7 Interest Expenses

Based on its anticipated capital structure following the Offering, the Group expects the interest rate payable on its indebtedness to be between 2.0% and 2.5%. The Group anticipates approximately €15.0 million of other financial expenses per year, the majority of which relate to amortization of one-off post-Offering financing fees (non-cash), interest lease commitments (cash), other bank fees (cash), interest on local loans (cash) and factoring fees (cash).

9.7.4.8 Tax Rate

Azelis anticipates that its future tax rate will be in the range of 20% to 22% of reported profit before taxes.

9.7.4.9 Minority Interests

The Group expects approximately €2 million to €3 million of annual net results that reflect the proportionate share of the results of the minority shareholders of Group subsidiaries.

9.7.4.10 Earn-Outs

Azelis expects total earn outs, deferred payments and retention payments associated with historical acquisitions to result in a cash outflow of approximately €35 million payable over the medium term. The earn out payments are 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. Such estimated accruals as well as the deferred payments have been recognized as liabilities assumed. See note 7 (*Business combinations*) to the Azelis Annual Financial Statements for each year.

9.8 Explanation of Key Items from the Consolidated Income Statement

Set forth below is a summary description of the key elements of the line items of Azelis' consolidated income statement.

9.8.1 *Revenue*

Revenue consists of goods sold (i.e., sales) and commissions. Revenue from product sales is recognized at the point in time when the performance obligation is satisfied, which 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.

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 the commission earned by the Group. Commissions make up less than 0.5% of revenue.

9.8.2 *Other Operating Income*

Other operating income primarily consists of expenses that are not directly related to the delivery of goods that are charged to third parties, which are mainly warehouse services delivered to third-party customers of the Group, primarily in France.

9.8.3 *Costs for Goods and Consumables*

Costs for goods and consumables consists of spending for the purchase of goods including movement in inventory and freight and additional charges on purchases.

9.8.4 *Employee Benefits Expenses*

Employee benefit expenses include wages and salaries (including managers' fees and current service costs from employee benefits) and other personnel-related expenses (including defined benefit pension plan payments and other post-employment and termination benefits) as well as social security tax payments.

9.8.5 *External Services and Other Expenses*

External services and other expenses consist of distribution costs, utilities, communication, insurance and administrative expenses, commercial expenses, professional service fees, lease expenses and other expenses, which include one-off expenses relating to the Group's acquisition activities.

9.8.6 *Depreciation of Property, Plant and Equipment*

Depreciation of property, plant and equipment 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. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

9.8.7 *Amortization and Impairment of Intangible Assets*

Amortization and impairment expenses mainly relate to the amortization of intangible assets. 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 to use. The estimated useful lives of intangible assets and their residual values (if applicable) are reviewed every year. Since January 1, 2013, Azelis has not taken any impairment charges relating to its goodwill or intangible assets, apart from regular amortization expenses.

9.8.8 *Net Financial Expenses*

Net financial expenses consist of financial income minus financial expenses. Financial income includes interest income and other financial income. Financial expenses consist of interest expense on bank loans and overdrafts, interest lease commitments, transaction costs for bank loans, gains/(losses) on changes in fair value of derivatives, foreign exchange losses and other financial expenses relating to other bank fees and factoring fees. Factoring fees are incurred when the factor (a financial services company) pays Azelis for transfer of the receivable, upon which Azelis derecognizes the receivable, and represents a fee for the credit risk assumed by the factor. Azelis uses non-recourse factoring only.

9.8.9 *Share of Result of Associates*

Associates are entities over which the Group has significant influence, but not control. Significant influence is the power to participate in the financial and operational policy decisions of the investee. The consolidated income statement includes the Group's share of the income and expense of associates, after the alignment of accounting policies to those of the Group, from the day significant influence commences until the day significant influence ceases.

9.8.10 *Income Tax Income/(Expense)*

Income tax expense consists of 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 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.

9.9 Results of Operations

9.9.1 *Overview*

The following table sets forth Azelis' consolidated results of operations for each of the periods indicated.

	For the six-month period ended June 30,		For the year ended December 31,		
	2021*	**2020***	**2020***	**2019***	**2018†**
			(€ millions)		
	(unaudited)			*(audited)*	
Revenue	1,309.5	1,134.6	2,222.9	2,095.0	1,898.2
Other operating income	4.4	6.2	10.5	10.3	6.8
Total income	**1,313.8**	**1,140.8**	**2,233.4**	**2,105.4**	**1,905.0**
Costs for goods and consumables	(1,019.5)	(893.6)	(1,747.3)	(1,660.6)	(1,509.0)
Gross profit	**294.3**	**247.2**	**486.1**	**444.7**	**396.0**
Employee benefits expenses	(105.0)	(89.8)	(181.2)	(161.0)	(150.3)
External services and other expenses	(58.2)	(55.3)	(106.8)	(109.1)	(134.4)
Depreciation of property, plant and equipment (1)	(9.2)	(8.2)	(17.6)	(15.1)	(3.8)
Amortization and impairment of intangible assets (1)	(17.2)	(16.4)	(33.3)	(30.6)	(20.4)
Operating profit	**104.7**	**77.4**	**147.2**	**128.9**	**87.1**
Financial income	2.7	4.7	4.9	0.7	0.8
Financial expenses	(32.5)	(39.9)	(73.0)	(71.4)	(154.2)
Net financial expense	**(29.8)**	**(35.3)**	**(68.1)**	**(70.7)**	**(153.4)**
Share of result of associates	0.0	0.0	0.0	0.0	0.0
Profit/(loss) before tax	**74.9**	**42.1**	**79.1**	**58.2**	**(66.2)**
Income tax income/(expense)	(27.3)	(14.3)	(8.1)	(10.3)	16.1
Net profit/(loss) for the period from continuing operations	**47.5**	**27.8**	**71.0**	**48.0**	**(50.1)**
Attributable to:					
Equity holders of the parent	46.2	27.6	71.0	48.0	(49.9)
Non-controlling interests	1.4	0.2	0.0	0.0	(0.2)
Net profit/(loss) for the period	**47.5**	**27.8**	**71.0**	**48.0**	**(50.1)**
Basic earnings per share (2) (€)	0.04	0.02	0.06	0.04	(11.82)
Diluted earnings per share (2) (€)	0.04	0.02	0.06	0.04	(11.82)
Restated basic earnings per share (3) (€)	0.23	0.14	0.35	0.24	(0.25)
Restated diluted earnings per share (3) (€)	0.23	0.14	0.35	0.24	(0.25)

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

† Denotes that the column presents amounts from the 2018 Azelis Holding S.A. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

(1) In the 2018 Azelis Holding S.A. Financial Statements, depreciation of property, plant and equipment and amortization and impairment of intangible assets are shown collectively as "Depreciation, amortization and impairment expenses" amounting to €24.3 million.

(2) Basic earnings per share and diluted earnings per share presented in this Prospectus are historical amounts calculated based on the share structure of Azelis Holding S.à r.l. and Azelis Holding S.A. up to and including the date of this Prospectus and not based on the share structure of Azelis Group NV. The share structure will change in connection with the Offering and as a result historical earnings per share information may not be indicative of, or directly comparable with, future earnings per share of the Company. See section 14.3 (*Group Structure—Reorganization*).

Basic earnings per share and diluted earnings per share for the year ended December 31, 2018 are presented according to the 2018 Azelis Holding S.A. Financial Statements and are therefore not directly comparable with the corresponding basic earnings per share and diluted earnings per share amounts for the years ended December 31, 2020 or 2019 or the six-month periods ended June 30, 2021 or 2021, which are presented according to the applicable Azelis Holding S.à r.l. Financial Statements. For additional information on the calculation of earnings per share, see note 21 (*Capital and reserves and liability to shareholders*) to the Azelis Annual Financial Statements for each year.

(3) Restated basic earnings per share and restated diluted earnings per share are the historical amounts of the basic earnings per share and the diluted earnings per share, recalculated on the basis of the number of Shares of Azelis Group NV that will be in existence after the completion of the Reorganization (but before closing of the Offering) as set out in the column "Shares Owned after the Reorganization and immediately before the Closing of the Offering" in the table in section 5 (*Dilution*).

9.9.2 *Comparison of the Six-Month Periods Ended June 30, 2021 and 2020*

Set forth below are the Group's results of operations for the six-month periods ended June 30, 2021 and 2020.

	For the six-month period ended June 30,		
	2021*	**2020***	**Change**
	(€ millions) *(unaudited)*		*(%)*
Revenue	1,309.5	1,134.6	15.4
Other operating income	4.4	6.2	(29.6)
Total income	**1,313.8**	**1,140.8**	15.2
Costs for goods and consumables	(1,019.5)	(893.6)	14.1
Gross profit	**294.3**	**247.2**	19.1
Employee benefits expenses	(105.0)	(89.8)	16.8
External services and other expenses	(58.2)	(55.3)	5.2
Depreciation of property, plant and equipment	(9.2)	(8.2)	11.9
Amortization and impairment of intangible assets	(17.2)	(16.4)	4.8
Operating profit	**104.7**	**77.4**	35.4
Financial income	2.7	4.7	(42.1)
Financial expenses	(32.5)	(39.9)	(18.5)
Net financial expense	**(29.8)**	**(35.3)**	(15.4)
Share of result of associates	0.0	0.0	n.m.
Profit before tax	**74.9**	**42.1**	77.9
Income tax expense	(27.3)	(14.3)	91.3
Net profit for the period from continuing operations	**47.5**	**27.8**	71.0
Attributable to:			
Equity holders of the parent	46.2	27.6	67.2
Non-controlling interests	1.4	0.2	593.7
Net profit for the period	**47.5**	**27.8**	71.0

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

9.9.2.1 Revenue

The Group's revenue increased by €174.9 million, or 15.4%, to €1,309.5 million for the six-month period ended June 30, 2021, from €1,134.6 million for the six-month period ended June 30, 2020. The increase was primarily due to organic growth of €135.1 million, or 11.9%, across Azelis' end markets and across its segments, reflecting improved market conditions as the COVID-19 pandemic had a lesser impact on confidence levels of market participants than it did in 2020. Organic growth was particularly strong in industrial chemicals end markets in EMEA, both industrial chemicals and life sciences end markets in the Americas and life sciences end markets in Asia-Pacific. The Group's revenue increase also included the contribution of acquisitions that provided €80.1 million, or 7.1%, of growth during the six-month period ended June 30, 2021. Growth from acquisitions in the first half of 2021 included the full-period impact of the contributions from a platform acquisition covering the Middle East and Africa region and acquisitions in Israel (EMEA), Mexico (Americas) and China, India and Indonesia (Asia-Pacific) that took place in 2020 as well as the partial-period impact of the contributions from businesses acquired in Italy (EMEA), the United States (Americas) and Australia, India, the Philippines and Vietnam (Asia-Pacific) that were completed during the first half of 2021. For additional information on the acquisitions, see section 9.4.2 (*—Key Factors Affecting Azelis' Results of Operations—Acquisitions*) above. Foreign currency translation had a negative €40.3 million, or 3.6%, impact on growth in the period.

(i) *Revenue by End Market*

The following table presents the Group's revenue from life sciences and industrial chemicals end markets for the six-month periods ended June 30, 2021 and 2020.

	For the six-month period ended June 30,		
	2021*	**2020***	**Change**
	(€ millions) *(unaudited)*		*(%)*
Life sciences	802.6	703.9	14.0
Industrial chemicals	506.8	430.7	17.7
Total revenue	**1,309.5**	**1,134.6**	15.4

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

The Group's revenue from life sciences end markets, which represented 61.3% of Azelis' revenue for the first half of 2021, increased by €98.7 million, or 14.0%, to €802.6 million for the six-month period ended June 30, 2021, from €703.9 million for the six-month period ended June 30, 2020. The Group's revenue from industrial chemicals end markets, which represented 38.7% of Azelis' revenue for the first half of 2021, increased by €76.2 million, or 17.7%, to €506.8 million for the six-month period ended June 30, 2021, from €430.7 million for the six-month period ended June 30, 2020.

(ii) *Revenue by Segment*

The following table presents the Group's revenue from EMEA, the Americas and Asia-Pacific for the six-month periods ended June 30, 2021 and 2020. Azelis does not have material intercompany revenue across its segments.

	For the six-month period ended June 30,		
	2021*	**2020***	**Change**
	(€ millions) *(unaudited)*		*(%)*
EMEA	597.6	546.9	9.3
Americas	528.6	473.0	11.7
Asia-Pacific	182.4	115.9	57.4
Group Holding and Other	0.8	(1.2)	n.m.
Total revenue	**1,309.5**	**1,134.6**	15.4

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

(A) *EMEA Revenue*

The Group's revenue in EMEA increased by €50.8 million, or 9.3%, to €597.6 million for the six-month period ended June 30, 2021, from €546.9 million for the six-month period ended June 30, 2020. The increase was primarily due to organic growth of 7.7%, or €42.0 million, in the first half of 2021, with particularly strong results in CASE across EMEA, and reflecting growth in industrial chemicals end markets in France and Italy, as well as in food and health end markets across the region. EMEA accounted for 45.6% of Azelis' total revenue in the first half of 2021 (H1 2020: 48.2%).

(B) *Americas Revenue*

The Group's revenue in the Americas increased by €55.6 million, or 11.7%, to €528.6 million for the six-month period ended June 30, 2021, from €473.0 million for the six-month period ended June 30, 2020. Excluding the 6.5% negative impact from translation of foreign exchange, revenue in the Americas increased by €86.3 million, or 18.3%. The increase was primarily due to organic growth of 16.1%, or €76.0 million, in the first half of 2021, driven by expansion in the North American economy, with new principal mandates driving strong growth in both industrial chemicals and life sciences, which had been negatively impacted by the COVID-19 pandemic-related economic contraction in the second quarter of 2020. The Americas accounted for 40.4% of Azelis' total revenue in the first half of 2021 (H1 2020: 41.7%).

(C) *Asia-Pacific Revenue*

The Group's revenue in Asia-Pacific increased by €66.5 million, or 57.4%, to €182.4 million for the six-month period ended June 30, 2021, from €115.9 million for the six-month period ended June 30, 2020. The increase was primarily due to growth through acquisitions that increased revenue by 43.9%, or €50.9 million, with an improved footprint in Southeast Asia, particularly in the Philippines and Vietnam, but also via further expansion in food and health end markets in Australia and personal care end markets in China. Organic growth of 14.0%, or €16.3 million, was mainly driven by life sciences end markets with an important contribution from CASE across the entire region. Asia-Pacific accounted for 13.9% of Azelis' total revenue in the first half of 2021 (H1 2020: 10.2%).

9.9.2.2 Other Operating Income

Other operating income decreased by €1.8 million, or 29.6%, to €4.4 million for the six-month period ended June 30, 2021, from €6.2 million for the six-month period ended June 30, 2020. The decrease was primarily due to lower charged warehouse services.

9.9.2.3 Costs for Goods and Consumables

Costs for goods and consumables increased by €125.9 million, or 14.1%, to €1,019.5 million for the six-month period ended June 30, 2021, from €893.6 million for the six-month period ended June 30, 2020. The increase illustrates the close correlation between costs for goods and consumables and movements in revenue that results from the Group's distribution model whereby it passes price changes through to its customers.

9.9.2.4 *Gross Profit*

As a result of the factors described above, gross profit increased by €47.1 million, or 19.1%, to €294.3 million for the six-month period ended June 30, 2021, from €247.2 million for the six-month period ended June 30, 2020. The Group's Gross Profit Margin for the six-month period ended June 30, 2021 improved to 22.5%, compared with 21.8% for the six-month period ended June 30, 2020.

(i) *Gross Profit by End Market*

The following table presents the Group's gross profit from life sciences and industrial chemicals end markets for the six-month periods ended June 30, 2021 and 2020.

	For the six-month period ended June 30,		
	2021*	**2020***	**Change**
	(€ millions) *(unaudited)*		*(%)*
Life sciences	185.8	161.4	15.1
Industrial chemicals	108.5	85.8	26.5
Total gross profit	**294.3**	**247.2**	19.1

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

Azelis' 19.1% total gross profit growth from the six-month period ended June 30, 2020 to the six-month period ended June 30, 2021, was made up of 16.1% organic growth and 7.4% growth from acquisitions, which was partially offset by a 4.4% decline as a result of the impact of foreign currency translation.

The Group's gross profit from life sciences end markets increased by €24.4 million, or 15.1%, to €185.8 million for the six-month period ended June 30, 2021, from €161.4 million for the six-month period ended June 30, 2020. Azelis' Gross Profit Margin for life sciences end markets increased to 23.2% in the first half of 2021 from 22.9% in the first half of 2020. The Group's gross profit from life sciences end markets represented 63.1% of Azelis' gross profit for the first half of 2021 (H1 2020: 65.3%).

The Group's gross profit from industrial chemicals end markets increased by €22.7 million, or 26.5%, to €108.5 million for the six-month period ended June 30, 2021, from €85.8 million for the six-month period ended June 30, 2020. Azelis' Gross Profit Margin for industrial chemicals end markets increased to 21.4% in the first half of 2021 from 19.9% in the first half of 2020. The Group's gross profit from industrial chemicals end markets represented 36.9% of Azelis' gross profit for the first half of 2021 (H1 2020: 34.7%).

(ii) *Gross Profit by Segment*

The following table presents the Group's gross profit from each of its operating segments for the six-month periods ended June 30, 2021 and 2020.

	For the six-month period ended June 30,		
	2021*	**2020***	**Change**
	(€ millions) *(unaudited)*		*(%)*
EMEA	142.0	125.3	13.4
Americas	114.5	98.1	16.7
Asia-Pacific	35.9	21.3	68.6
Group Holding and Other	1.9	2.5	(22.5)
Total gross profit	**294.3**	**247.2**	19.1

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

(A) *EMEA Gross Profit*

The Group's gross profit in EMEA increased by €16.8 million, or 13.4%, to €142.0 million for the six-month period ended June 30, 2021, from €125.3 million for the six-month period ended June 30, 2020. The Group's Gross Profit Margin in EMEA for the six-month period ended June 30, 2021 was 23.8%, compared with 22.9% for the six-month period ended June 30, 2020. The Group's gross profit from EMEA represented 48.3% of Azelis' total gross profit for the first half of 2021 (H1 2020: 50.7%).

(B) *Americas Gross Profit*

The Group's gross profit in the Americas increased by €16.3 million, or 16.7%, to €114.5 million for the six-month period ended June 30, 2021, from €98.1 million for the six-month period ended June 30, 2020. Excluding the 6.3% negative impact from translation of foreign exchange, gross profit in the Americas increased by €22.5 million, or 23.0%. The Group's Gross Profit Margin in the Americas for the six-month period ended June 30, 2021 was 21.7%, compared with 20.8% for the six-month period ended June 30, 2020. The Group's gross profit from the Americas represented 38.9% of Azelis' total gross profit for the first half of 2021 (H1 2020: 39.7%).

(C) *Asia-Pacific Gross Profit*

The Group's gross profit in Asia-Pacific increased by €14.6 million, or 68.6%, to €35.9 million for the six-month period ended June 30, 2021, from €28.1 million for the six-month period ended June 30, 2020. The Group's Gross Profit Margin in Asia-Pacific for the six-month period ended June 30, 2021 was 19.7%, compared with 18.4% for the six-month period ended June 30, 2020. The lower Gross Profit Margin in Asia-Pacific compared with EMEA and the Americas is reflective of Azelis' entry into new markets in the region, with margins expected to gradually increase over time. The Group's gross profit from Asia-Pacific represented 12.2% of Azelis' total gross profit for the first half of 2021 (H1 2020: 8.6%).

9.9.2.5 Employee Benefits Expenses

Employee benefits expenses increased by €15.1 million, or 16.8%, to €105.0 million for the six-month period ended June 30, 2021, from €89.8 million for the six-month period ended June 30, 2020. The increase was due to higher accruals for variable compensation following the strong performance in 2021 versus budgeted target settings, as well as due to headcount increases due to the acquisitions since July 2020.

9.9.2.6 External Services and Other Expenses

External services and other expenses increased by €2.9 million, or 5.2%, to €58.2 million for the six-month period ended June 30, 2021, from €55.3 million for the six-month period ended June 30, 2020. The increase was due to the increase in revenue. External services and other expenses improved from 4.9% of revenue during the first half of 2020 to 4.4% of revenue during the first half of 2021.

9.9.2.7 Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment increased by €1.0 million, or 11.9%, to €9.2 million for the six-month period ended June 30, 2021, from €8.2 million for the six-month period ended June 30, 2020. The increase was primarily due to depreciation on right-of-use assets that are related to revenue growth, and which have been increasing due to organic growth and growth from acquisitions.

9.9.2.8 Amortization and Impairment of Intangible Assets

Amortization expenses increased by €0.8 million, or 4.8%, to €17.2 million for the six-month period ended June 30, 2021, from €16.4 million for the six-month period ended June 30, 2020. The increase was primarily due to an increased suppliers list as acquired via business combinations and corresponding increases in amortization. There were no impairment charges relating to intangible assets apart from regular amortization expenses.

9.9.2.9 Net Financial Expenses

Net financial expenses decreased by €5.4 million, or 15.4%, to €29.8 million for the six-month period ended June 30, 2021, from €35.3 million for the six-month period ended June 30, 2020. The decrease was primarily due to a one-off settlement of €3.8 million relating to remaining local financial debt in one of the Group's jurisdictions included in other financial income in 2020, as well as lower interest rates applicable to the Group's loans and borrowings that resulted from improvements to its Net Leverage.

9.9.2.10 Income Tax Income/(Expense)

Income tax expense increased by €13.1 million, or 91.3%, to €27.3 million for the six-month period ended June 30, 2021, from €14.3 million for the six-month period ended June 30, 2020. The increase was due to the increase of profit before tax, from €42.1 million for first half of 2020 to €74.9 million for the first half of 2021. Income tax expenses in 2020 included a one-off positive impact of €4.0 million resulting from passage of an economic stimulus bill in one of Azelis' jurisdictions.

9.9.2.11 Net Profit for the Period from Continuing Operations

As a result of the factors described above, net profit for the period from continuing operations increased by €19.7 million, or 71.0%, to €47.5 million for the six-month period ended June 30, 2021, from €27.8 million for the six-month period ended June 30, 2020.

9.9.3 *Comparison of the Years Ended December 31, 2020 and 2019*

Set forth below are the Group's results of operations for the years ended December 31, 2020 and 2019.

	For the year ended December 31,		
	2020*	**2019***	**Change**
	(€ millions) *(audited)*		*(%)*
Revenue	2,222.9	2,095.0	6.1
Other operating income	10.5	10.3	1.2
Total income	**2,233.4**	**2,105.4**	6.1
Costs for goods and consumables	(1,747.3)	(1,660.6)	5.2
Gross profit	**486.1**	**444.7**	9.3
Employee benefits expenses	(181.2)	(161.0)	12.5
External services and other expenses	(106.8)	(109.1)	(2.1)
Depreciation of property, plant and equipment	(17.6)	(15.1)	16.4
Amortization and impairment of intangible assets	(33.3)	(30.6)	8.8
Operating profit	**147.2**	**128.9**	14.2
Financial income	4.9	0.7	617.3
Financial expenses	(73.0)	(71.4)	2.3
Net financial expense	**(68.1)**	**(70.7)**	(3.7)
Share of result of associates	0.0	0.0	n.m.
Profit before tax	**79.1**	**58.2**	35.8
Income tax expense	(8.1)	(10.3)	(21.2)
Net profit for the period from continuing operations	**71.0**	**48.0**	48.0
Attributable to:			
Equity holders of the parent	71.0	48.0	47.9
Non-controlling interests	0.0	0.0	n.m.
Net profit for the period	**71.0**	**48.0**	48.0

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

9.9.3.1 Revenue

The Group's revenue increased by €127.9 million, or 6.1%, to €2,222.9 million for the year ended December 31, 2020, from €2,095.0 million for the year ended December 31, 2019. The increase was primarily due to the 7.6% growth contribution of businesses that were acquired by the Group in 2019 and 2020, which was partially offset by 1.6% of decline attributable to the translation impact of foreign currency exchange rates. Organic revenue grew by 0.2%, impacted by the COVID-19 pandemic in certain of the Group's end markets in industrial chemicals. Growth from acquisitions in 2020 included the full-year impact of the contributions from businesses acquired in Italy, Poland and Turkey (EMEA), Canada (Americas) and India (Asia-Pacific) that took place in 2019, as well as the partial-year impact of a platform acquisition covering the Middle East and Africa region and acquisitions in Israel (EMEA), Mexico (Americas) and China, India and Indonesia (Asia-Pacific) that were completed during 2020. For additional information on the acquisitions, see section 9.4.2 (*—Key Factors Affecting Azelis' Results of Operations—Acquisitions*) above.

(i) *Revenue by End Market*

The following table presents the Group's revenue from life sciences and industrial chemicals end markets for the years ended December 31, 2020 and 2019.

	For the year ended December 31,		
	2020*	**2019***	**Change**
	(€ millions) *(unaudited)*		*(%)*
Life sciences	1,383.2	1,192.8	16.0
Industrial chemicals	839.7	902.2	(6.9)
Total revenue	**2,222.9**	**2,095.0**	6.1

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

The Group's revenue from life sciences end markets increased by €190.4 million, or 16.0%, to €1,383.2 million for the year ended December 31, 2020, from €1,192.8 million for the year ended December 31, 2019. Organic revenue growth in life sciences end markets resulted from the expansion of key principal relationships in new geographies and growth in the

Group's customer base. Revenue from life sciences end markets accounted for 62.2% of Azelis' total revenue in 2020 (2019: 56.9%).

The Group's revenue from industrial chemicals end markets, which represented 37.8% of Azelis' revenue for 2020, decreased by €62.5 million, or 6.9%, to €839.7 million for the year ended December 31, 2020, from €902.2 million for the year ended December 31, 2019. Revenue from industrial chemicals end markets accounted for 37.8% of Azelis' total revenue in 2020 (2019: 43.1%).

(ii) *Revenue by Segment*

The following table presents the Group's revenue from EMEA, the Americas and Asia-Pacific for the years ended December 31, 2020 and 2019. Azelis does not have material intercompany revenue across its segments.

	For the year ended December 31,		
	2020*	**2019***	**Change**
	(€ millions) *(audited)*		*(%)*
EMEA	1,034.2	942.9	9.7
Americas	952.6	915.8	4.0
Asia-Pacific	237.7	237.0	0.3
Group Holding and Other	(1.7)	(0.7)	(121.6)
Total revenue	**2,222.9**	**2,095.0**	6.1

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

(A) *EMEA Revenue*

The Group's revenue in EMEA increased by €91.3 million, or 9.7%, to €1,034.2 million for the year ended December 31, 2020, from €942.9 million for the year ended December 31, 2019. The increase was primarily due to strong performance in life sciences, in particular in the food and health and pharmaceuticals end markets. Revenue growth in EMEA was a result of organic revenue growth combined with revenue growth from acquisitions, primarily including the February 2020 acquisition of Orkila, a distributor covering the Middle East and Africa region, and the July 2020 acquisition of Orokia Israel Ltd in Israel. EMEA accounted for 46.5% of Azelis' total revenue in 2020 (2019: 45.0%).

(B) *Americas Revenue*

The Group's revenue in the Americas increased by €36.8 million, or 4.0%, to €952.6 million for the year ended December 31, 2020, from €915.8 million for the year ended December 31, 2019. Excluding the 2.2% negative impact from translation of foreign exchange, revenue in the Americas increased by €56.5 million, or 6.2%. The increase was primarily due to strong performance in life sciences driven by organic growth and mandate gains with key principals in the United States and Canada, combined with the Megafarma S.A. de C.V. ("**Megafarma**") acquisition in Mexico. The Americas accounted for 42.9% of Azelis' total revenue in 2020 (2019: 43.7%).

(C) *Asia-Pacific Revenue*

The Group's revenue in Asia-Pacific increased by €0.7 million, or 0.3%, to €237.7 million for the year ended December 31, 2020, from €237.0 million for the year ended December 31, 2019. The increase was due to additional revenue from the acquisitions of: (i) S. Zhaveri Pharmakem Pvt. Ltd. In India; (ii) Cosbond China Limited, Beijing Cosbond Trading Co, Ltd and Cosbond International Trading in China; (iii) PT Primaditha Jaya Mandiri in Indonesia; and (iv) Bronson & Jacobs Limited and Bronson & Jacobs International Trading in China, combined with strong organic growth in specialty agrochemicals and horticulture across the region, which was partially offset by negative foreign currency translation impacts. Asia-Pacific accounted for 10.7% of Azelis' total revenue in 2020 (2019: 11.3%).

9.9.3.2 Other Operating Income

Other operating income increased by €0.1 million, or 1.2%, to €10.5 million for the year ended December 31, 2020, from €10.3 million for the year ended December 31, 2019. The increase was primarily due to an increase in warehouse services delivered to third parties. In addition, the Group's other operating income for the year ended December 31, 2019 included the receipt of a one-off insurance payment relating to the loss of property, plant and equipment as well as margin loss sustained and increased costs incurred as a result of a fire at the Group's former smoke production facility in Denmark in April 2018.

9.9.3.3 Costs for Goods and Consumables

Costs for goods and consumables increased by €86.6 million, or 5.2%, to €1,747.3 million for the year ended December 31, 2020, from €1,660.6 million for the year ended December 31, 2019. The increase illustrates the close correlation between costs for goods and consumables and movements in revenue that results from the Group's distribution model whereby it passes price changes through to its customers.

9.9.3.4 *Gross Profit*

As a result of the factors described above, gross profit increased by €41.4 million, or 9.3%, to €486.1 million for the year ended December 31, 2020, from €444.7 million for the year ended December 31, 2019. Gross Profit Margin increased to 21.9% in 2020 from 21.2% in 2019, driven by price and margin initiatives, primarily in EMEA and the Americas.

(i) *Gross Profit by End Market*

The following table presents the Group's gross profit from life sciences and industrial chemicals end markets for the years ended December 31, 2020 and 2019.

	For the year ended December 31,		
	2020*	**2019***	**Change**
	(€ millions) *(unaudited)*		*(%)*
Life sciences	315.9	265.6	18.9
Industrial chemicals	170.2	179.1	(5.0)
Total gross profit	**486.1**	**444.7**	9.3

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

The Group's gross profit from life sciences end markets increased by €50.3 million, or 18.9%, to €315.9 million for the year ended December 31, 2020, from €265.6 million for the year ended December 31, 2019. Life sciences end markets showed resilience during 2020 driven by underlying organic growth, some of which was driven by demand resulting from the COVID-19 pandemic and by the impact of growth from acquisitions. Azelis' Gross Profit Margin for life sciences end markets increased to 22.8% in 2020 from 22.3% in 2019, benefiting from the Group's margin improvement initiatives and the impact of mandate gains with key strategic principals, as well as strong demand for safe and sanitary products in the marketplace due to the COVID-19 pandemic. The Group's gross profit from life sciences end markets represented 65.0% of Azelis' total gross profit for 2020 (2019: 59.7%).

The Group's gross profit from industrial chemicals end markets decreased by €8.9 million, or 5.0%, to €170.2 million for the year ended December 31, 2020, from €179.1 million for the year ended December 31, 2019. Certain end markets were negatively impacted as a result of the COVID-19 pandemic, particularly in the second quarter of 2020, but the trend improved in the second half of 2020. Gross profit was also negatively impacted by adverse foreign currency exchange translation. Azelis' Gross Profit Margin for industrial chemicals end markets increased to 20.3% in 2020 from 19.9% in 2019 as a result of positive mix shifts within the various markets. The Group's gross profit from life sciences end markets represented 35.0% of Azelis' total gross profit for 2020 (2019: 40.3%).

(ii) *Gross Profit by Segment*

The following table presents the Group's gross profit from each of its operating segments for the years ended December 31, 2020 and 2019.

	For the year ended December 31,		
	2020*	**2019***	**Change**
	(€ millions) *(audited)*		*(%)*
EMEA	238.6	209.6	13.8
Americas	199.4	185.3	7.6
Asia-Pacific	45.3	43.5	4.1
Group Holding and Other	2.8	6.3	(55.0)
Total gross profit	**486.1**	**444.7**	9.3

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

(A) *EMEA Gross Profit*

The Group's gross profit in EMEA increased by €29.0 million, or 13.8%, to €238.6 million for the year ended December 31, 2020, from €209.6 million for the year ended December 31, 2019. The increase was driven by the combination of revenue growth and continued implementation of margin enhancement programs. The Group's Gross Profit Margin in EMEA for the year ended December 31, 2020 was 23.1%, compared with 22.2% for the year ended December 31, 2019. The Group's gross profit from EMEA represented 49.1% of Azelis' total gross profit for 2020 (2019: 47.1%).

(B) *Americas Gross Profit*

The Group's gross profit in the Americas increased by €14.1 million, or 7.6%, to €199.4 million for the year ended December 31, 2020, from €185.3 million for the year ended December 31, 2019. Excluding the 2.0% negative impact from translation of foreign exchange, gross profit in the Americas increased by €17.7 million, or 9.6%. The increase was primarily due to organic revenue growth and expansion in the higher margin life sciences end markets, as well as by continued margin initiatives. The Group's Gross Profit Margin in the Americas for the year ended December 31, 2020 was 20.9%, compared with 20.2% for the year ended December 31, 2019. The Group's gross profit from the Americas represented 41.0% of Azelis' total gross profit for 2020 (2019: 41.7%).

(C) *Asia-Pacific Gross Profit*

The Group's gross profit in Asia-Pacific increased by €1.8 million, or 4.1%, to €45.3 million for the year ended December 31, 2020, from €43.5 million for the year ended December 31, 2019. The increase was primarily due to revenue growth in life sciences, both organic growth and growth from acquisitions, combined with a margin expansion across the segment, and partially offset by foreign currency translation impacts. The Group's Gross Profit Margin in Asia-Pacific for the year ended December 31, 2020 was 19.0%, compared with 18.3% for the year ended December 31, 2019. The Group's gross profit from Asia-Pacific represented 9.3% of Azelis' total gross profit for 2020 (2019: 9.8%).

9.9.3.5 Employee Benefits Expenses

Employee benefits expenses increased by €20.2 million, or 12.5%, to €181.2 million for the year ended December 31, 2020, from €161.0 million for the year ended December 31, 2019. The increase was primarily due to the Group increasing its average number of employees in 2020 in each of its operating segments as compared with the average employee numbers in 2019, which was a result of the Group's increased size and included the related impact of acquisitions made in 2019 and 2020. In addition, the Group increased its accruals for variable compensation in 2020 given its overperformance versus budgeted target settings.

9.9.3.6 External Services and Other Expenses

External services and other expenses decreased by €2.3 million, or 2.1%, to €106.8 million for the year ended December 31, 2020, from €109.1 million for the year ended December 31, 2019. The decrease was primarily due to lower travel expenses following the implementation of lockdown measures during the COVID-19 pandemic, which were partially offset by higher professional services fees, which primarily related to the Group's increased M&A activity as well as to continued investments in the Group's digitalization strategy. One-off expenses, which primarily related to acquisition activity totaled €7.7 million in 2020, as compared with to €3.4 million in 2019. Distribution costs, including warehouse costs, amounted to €50.5 million, or 2.3%, of the Group's revenue in 2020.

9.9.3.7 Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment increased by €2.5 million, or 16.4%, to €17.6 million for the year ended December 31, 2020, from €15.1 million for the year ended December 31, 2019. The increase was primarily due to an increase in depreciation on the Group's right-of-use assets, primarily with respect to rental agreements for offices and warehouses.

9.9.3.8 Amortization and Impairment of Intangible Assets

Amortization expenses increased by €2.7 million, or 8.8%, to €33.3 million for the year ended December 31, 2020, from €30.6 million for the year ended December 31, 2019. The increase was primarily due to an increase in the amortization of acquired distribution rights relating to acquisitions that were completed in 2019 and 2020. There were no impairment charges relating to intangible assets apart from regular amortization expenses.

9.9.3.9 Net Financial Expenses

Net financial expenses decreased by €2.6 million, or 3.7%, to €68.1 million for the year ended December 31, 2020, from €70.7 million for the year ended December 31, 2019. The decrease was primarily due to a one-off settlement of €3.8 million relating to remaining local financial debt in one of the Group's jurisdictions included in other financial income in 2020 as well as lower interest rates applicable to the Group's loans and borrowings that resulted from improvements to its Net Leverage.

9.9.3.10 Income Tax Expense

Income tax expense decreased by €2.2 million, or 21.2%, to €8.1 million for the year ended December 31, 2020, from €10.3 million for the year ended December 31, 2019. The decrease was primarily due to a release of a deferred tax liability of €75.0 million relating to the Group's intellectual property resulting from the transfer of intellectual property from Luxembourg to Belgium as part of the alignment with Azelis' corporate structure. Before the intellectual property was transferred, Azelis anticipated that royalty gains in Luxembourg would realize such carry-forward losses going forward.

However, following the transfer of the intellectual property, the uncertainty on the recoverability of the remaining carry-forward 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 accordingly revalued to nil.

9.9.3.11 Net Profit for the Period from Continuing Operations

As a result of the factors described above, net profit for the period from continuing operations increased by €23.0 million, or 48.0%, to €71.0 million for the year ended December 31, 2020, from €48.0 million for the year ended December 31, 2019.

9.9.4 *Comparison of the Years Ended December 31, 2019 and 2018*

Set forth below are the Group's results of operations for the years ended December 31, 2019 and 2018. The Group's results of operations for the year ended December 31, 2018 are derived from the 2018 Azelis Holding S.A. Financial Statements. See section 2.10.1.5 (*Important Information—Presentation of Financial Information—Historical Financial Information—Presentation of Financial Information as at and for the Year Ended December 31, 2018*). For additional information on the impact of the EQT/PSP Acquisition on the comparability of the Group's financial results, see paragraph (iii) (*Impact of the EQT/PSP Acquisition on the Azelis Financial Statements*) of section 2.10.1.5 (*Important Information—Presentation of Financial Information—Historical Financial Information—Presentation of Financial Information as at and for the Year Ended December 31, 2018*) and section 9.4.6 (*—Key Factors Affecting Azelis' Results of Operations—Impact of the EQT/PSP Acquisition*) above.

	For the year ended December 31,		
	2019*	**2018†**	**Change**
	(€ millions) *(audited)*		*(%)*
Revenue	2,095.0	1,898.2	10.4
Other operating income	10.3	6.8	52.1
Total income	**2,105.4**	**1,905.0**	10.5
Costs for goods and consumables	(1,660.6)	(1,509.0)	10.1
Gross profit	**444.7**	**396.0**	12.3
Employee benefits expenses	(161.0)	(150.3)	7.2
External services and other expenses	(109.1)	(134.4)	(18.8)
Depreciation of property, plant and equipment (1)	(15.1)	(3.8)	294.8
Amortization and impairment of intangible assets (1)	(30.6)	(20.4)	49.9
Operating profit	**128.9**	**87.1**	47.9
Financial income	0.7	0.8	(14.0)
Financial expenses	(71.4)	(154.2)	(53.7)
Net financial expense	**(70.7)**	**(153.4)**	(53.9)
Share of result of associates	0.0	0.0	n.m.
Profit/(loss) before tax	**58.2**	**(66.2)**	n.m.
Income tax income/(expense)	(10.3)	16.1	n.m.
Net profit/(loss) for the period from continuing operations	**48.0**	**(50.1)**	n.m.
Attributable to:			
Equity holders of the parent	48.0	(49.9)	n.m.
Non-controlling interests	0.0	(0.2)	n.m.
Net profit/(loss) for the period	**48.0**	**(50.1)**	n.m.

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

† Denotes that the column presents amounts from the 2018 Azelis Holding S.A. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

(1) In the 2018 Azelis Holding S.A. Financial Statements, depreciation of property, plant and equipment and amortization and impairment of intangible assets are shown collectively as "Depreciation, amortization and impairment expenses" amounting to €24.3 million.

9.9.4.1 Revenue

The Group's revenue increased by €196.8 million, or 10.4%, to €2,095.0 million for the year ended December 31, 2019, from €1,898.2 million for the year ended December 31, 2018. The increase was primarily due to organic revenue growth of 4.6% (including 2.6% of growth attributable to the translation impact of foreign currency exchange rates) and the 5.8% growth contribution of businesses that were acquired by the Group in 2018 and 2019. Organic revenue growth was primarily driven by volume increases resulting from the expansion of key principal relations in new geographies and further growth in the Group's customer base. Growth from acquisitions in 2019 included the full-year impact of the contributions from businesses acquired in Ireland and Morocco (EMEA) and South Korea (Asia-Pacific) that took place in 2018, as well as the partial-year impact of acquisitions in Italy, Poland and Turkey (EMEA), Canada (Americas) and India (Asia-Pacific) completed during 2019. For additional information on the acquisitions, see section 9.4.2 (*—Key Factors Affecting Azelis' Results of Operations—Acquisitions*) above.

(i) *Revenue by End Market*

The following table presents the Group's revenue from life sciences and industrial chemicals end markets for the years ended December 31, 2019 and 2018.

	For the year ended December 31,		
	2019*	**2018†**	**Change**
	(€ millions) *(unaudited)*		*(%)*
Life sciences	1,192.8	1,061.1	12.4
Industrial chemicals	902.2	837.0	7.8
Total revenue	**2,095.0**	**1,898.2**	10.4

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

† Denotes that the column presents amounts from the 2018 Azelis Holding S.A. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

The Group's revenue from life sciences end markets increased by €131.7 million, or 12.4%, to €1,192.8 million for the year ended December 31, 2019, from €1,061.2 million for the year ended December 31, 2018. Revenue from life sciences end markets accounted for 56.9% of Azelis' total revenue in 2019 (2018: 55.9%).

The Group's revenue from industrial chemicals end markets increased by €65.2 million, or 7.8%, to €902.2 million for the year ended December 31, 2019, from €837.0 million for the year ended December 31, 2018. Revenue from industrial chemicals end markets accounted for 43.1% of Azelis' total revenue in 2019 (2018: 44.1%).

(ii) *Revenue by Segment*

The following table presents the Group's revenue from each of its operating segments for the years ended December 31, 2019 and 2018. Azelis does not have material intercompany revenue across its segments.

	For the year ended December 31,		
	2019*	**2018†**	**Change**
	(€ millions) *(audited)*		*(%)*
EMEA	942.9	920.8	2.4
Americas	915.8	770.3	18.9
Asia-Pacific	237.0	206.7	14.7
Group Holding and Other	(0.7)	0.4	n.m.
Total revenue	**2,095.0**	**1,898.2**	10.4

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

† Denotes that the column presents amounts from the 2018 Azelis Holding S.A. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

(A) *EMEA Revenue*

The Group's revenue in EMEA increased by €22.1 million, or 2.4%, to €942.9 million for the year ended December 31, 2019, from €920.8 million for the year ended December 31, 2018. The increase was primarily due to organic revenue growth combined with the increase in revenue from the acquisitions of P-K Chemicals Ltd in Ireland, Distralim S.A.R.L. in Morocco, Deafarma S.r.l. in Italy and Euroconsultant S.C. in Poland, as well as mandate gains with key strategic principals. EMEA accounted for 45.0% of Azelis' total revenue in 2019 (2018: 48.5%).

(B) *Americas Revenue*

The Group's revenue in the Americas increased by €145.6 million, or 18.9%, to €915.8 million for the year ended December 31, 2019, from €770.3 million for the year ended December 31, 2018. The increase was primarily due to the acquisition of Chemroy Canada Holdings Inc. ("**Chemroy**") in Canada during the first quarter of 2019 and due to strong organic revenue growth from product line expansion with key strategic principals and favorable foreign currency exchange movements during the period. The Americas accounted for 43.7% of Azelis' total revenue in 2019 (2018: 40.6%).

(C) *Asia-Pacific Revenue*

The Group's revenue in Asia-Pacific increased by €30.3 million, or 14.6%, to €237.0 million for the year ended December 31, 2019, from €206.7 million for the year ended December 31, 2018. The increase was primarily due to strong organic growth in the specialty agrochemicals and horticulture and food and health market segments combined with the successful execution and development of new mandates and growth in personal care resulting from the SammiChem Co. acquisition in South Korea in June 2018. Asia-Pacific accounted for 11.3% of Azelis' total revenue in 2019 (2018: 10.9%).

9.9.4.2 Other Operating Income

Other operating income increased by €3.5 million, or 52.1%, to €10.3 million for the year ended December 31, 2019, from €6.8 million for the year ended December 31, 2018. The increase was primarily due to the receipt in 2019 of a one-off insurance payment amounting to €2.5 million relating to the loss of property, plant and equipment as well as margin loss sustained and increased costs incurred as a result of a fire at the Group's former smoke production facility in Denmark in April 2018.

9.9.4.3 Costs for Goods and Consumables

Costs for goods and consumables increased by €151.7 million, or 10.1%, to €1,660.6 million for the year ended December 31, 2019, from €1,509.0 million for the year ended December 31, 2018. The increase illustrates the close correlation between costs for goods and consumables and movements in revenue that results from the Group's distribution model whereby it passes price changes through to its customers.

9.9.4.4 Gross Profit

As a result of the factors described above, gross profit increased by €48.7 million, or 12.3%, to €444.7 million for the year ended December 31, 2019, from €396.0 million for the year ended December 31, 2018. Gross Profit Margin increased from 20.9% in 2018 to 21.2% in 2019, driven by price and margin initiatives, primarily in EMEA and the Americas.

(i) *Gross Profit by End Market*

The following table presents the Group's gross profit from life sciences and industrial chemicals end markets for the years ended December 31, 2019 and 2018.

	For the year ended December 31,		
	2019*	**2018†**	**Change**
	(€ millions) *(unaudited)*		*(%)*
Life sciences	265.6	236.2	12.4
Industrial chemicals	179.1	159.8	12.1
Total gross profit	**444.7**	**396.0**	12.3

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

† Denotes that the column presents amounts from the 2018 Azelis Holding S.A. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

The Group's gross profit from life sciences end markets increased by €29.4 million, or 12.4%, to €265.6 million for the year ended December 31, 2019, from €236.2 million for the year ended December 31, 2018. Life sciences growth during 2019 was driven by successful expansion with some of the Group's key strategic principals in EMEA and the Americas. Gross Profit Margin in life sciences end markets remained consistent at 22.3% in 2019 and 2018, affected by mix effects from high revenue growth in food and health and in specialty agrochemicals and horticulture end markets that lowered the weighted average Gross Profit Margin, but also included the positive impact from additional margin enhancement measures embedded in the Group's sales programs, expense management, logistics and procurement functions. The Group's gross profit from life sciences end markets represented 59.7% of Azelis' total gross profit for 2019 (2018: 59.6%).

The Group's gross profit from industrial chemicals end markets increased by €19.3 million, or 12.1%, to €179.1 million for the year ended December 31, 2019, from €159.8 million for the year ended December 31, 2018. Industrial chemicals Gross Profit Margin increased to 19.9% in 2019 from 19.1% in 2018. The Group exited some lower margin activities, which had a limited impact on gross profit, but which had a positive impact on Gross Profit Margin. The Group's gross profit from industrial chemicals end markets represented 40.3% of Azelis' total gross profit for 2019 (2018: 40.4%).

(ii) *Gross Profit by Segment*

The following table presents the Group's gross profit from each of its operating segments for the years ended December 31, 2019 and 2018.

	For the year ended December 31,		
	2019*	**2018†**	**Change**
	(€ millions) *(audited)*		*(%)*
EMEA	209.6	199.8	4.9
Americas	185.3	155.4	19.3
Asia-Pacific	43.5	37.5	16.0
Group Holding and Other	6.3	3.4	86.7
Total gross profit	**444.7**	**396.0**	12.3

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

† Denotes that the column presents amounts from the 2018 Azelis Holding S.A. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

(A) *EMEA Gross Profit*

The Group's gross profit in EMEA increased by €9.8 million, or 4.9%, to €209.6 million for the year ended December 31, 2019, from €199.8 million for the year ended December 31, 2018. The increase was due to revenue growth and margin and operational efficiency initiatives, including those related to inbound logistics and warehousing costs. The Group's Gross Profit Margin in EMEA for the year ended December 31, 2019 was 22.2%, compared with 21.7% for the year ended December 31, 2018. The Group's gross profit from EMEA represented 47.1% of Azelis' total gross profit for 2019 (2018: 50.5%).

(B) *Americas Gross Profit*

The Group's gross profit in the Americas increased by €29.9 million, or 19.3%, to €185.3 million for the year ended December 31, 2019, from €155.4 million for the year ended December 31, 2018. The increase was primarily due to organic revenue growth, the Chemroy acquisition and key strategic initiatives in the areas of margin programs, offset by sales mix effect among key end segments. The Group's Gross Profit Margin in the Americas for the year ended December 31, 2019 was 20.2%, compared with 20.2% for the year ended December 31, 2018. The Group's gross profit from the Americas represented 41.7% of Azelis' total gross profit for 2019 (2018: 39.2%).

(C) *Asia-Pacific Gross Profit*

The Group's gross profit in Asia-Pacific increased by €6.0 million, or 16.0%, to €43.5 million for the year ended December 31, 2019, from €37.5 million for the year ended December 31, 2018. The increase was primarily due to an increase in revenue in life sciences end markets as a result of organic growth and growth from acquisitions. The Group's Gross Profit Margin in Asia-Pacific for the year ended December 31, 2019 was 18.3%, compared with 18.1% for the year ended December 31, 2018. The Group's gross profit from Asia-Pacific represented 9.8% of Azelis' total gross profit for 2019 (2018: 9.5%).

9.9.4.5 Employee Benefits Expenses

Employee benefits expenses increased by €10.7 million, or 7.2%, to €161.0 million for the year ended December 31, 2019, from €150.3 million for the year ended December 31, 2018. The increase was primarily due to higher amounts of wages and salaries and other personnel-related expenses, which was in turn due to an increase in average employee numbers in 2019 compared with 2018.

9.9.4.6 External Services and Other Expenses

External services and other expenses decreased by €25.3 million, or 18.8%, to €109.1 million for the year ended December 31, 2019, from €134.4 million for the year ended December 31, 2018. The decrease was primarily due to lower professional services fees in 2019. In 2018, the Group incurred €22.0 million of one-off costs related to the EQT/PSP Acquisition. Furthermore, lease expenses decreased from €13.8 million in 2018 to €2.3 million in 2019 as a result of the implementation of IFRS 16 (*Leases*) beginning on January 1, 2019. IFRS 16 (*Leases*) replaced the straight-line operating lease expenses with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

9.9.4.7 Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment increased by €11.3 million, or 294.8%, to €15.1 million for the year ended December 31, 2019, from €3.8 million for the year ended December 31, 2018. The increase was primarily due to the implementation of IFRS 16 (*Leases*) in 2019, which added depreciation charges for right-of-use assets that were first recognized from January 1, 2019.

9.9.4.8 Amortization and Impairment of Intangible Assets

Amortization expenses intangible assets increased by €10.2 million, or 49.9%, to €30.6 million for the year ended December 31, 2019, from €20.4 million for the year ended December 31, 2018. The increase was primarily due to the increased value of distribution rights on the basis of the purchase price allocation following the EQT/PSP Acquisition in November 2018. The increased full-year impact of the amortization of such intangible assets was reflected for the first time in the income statement for the year ended December 31, 2019. There were no impairment charges relating to intangible assets apart from regular amortization expenses.

9.9.4.9 Net Financial Expenses

Net financial expenses decreased by €82.7 million, or 53.9%, to €70.7 million for the year ended December 31, 2019, from €153.4 million for the year ended December 31, 2018. The decrease was primarily due to a one-off loss in 2018 on non-cash changes in the fair value of preferred equity certificates, which related to the debt and equity structure of the Group under its prior ownership and which were fully repaid in connection with the EQT/PSP Acquisition in November 2018, partially offset by an increase in interest expenses on bank loans and overdrafts as a result of the increased external debt that was put in place in connection with the EQT/PSP Acquisition. For additional information on the preferred equity certificates noted above, see note 21.4 (*Liability to shareholders (current and non-current)*) to the 2018 Azelis Holding S.A. Financial Statements.

9.9.4.10 Profit/(Loss) Before Tax

As a result of the factors described above, profit before tax was €58.2 million for the year ended December 31, 2019 and loss before tax was €66.2 million for the year ended December 31, 2018.

9.9.4.11 Income Tax Income/Expense

Income tax expense was €10.3 million for the year ended December 31, 2019. Income tax income was €16.1 million for the year ended December 31, 2018. In each year the income tax income or expense was the result of the application of the corporation tax rate on the Group's profit or loss before tax, which implicitly includes both current and deferred taxes for the year. The income tax expense in 2019 included a deferred tax income of €19.3 million that was mainly related to amortization of intangible assets. The income tax income in 2018 included a deferred tax income of €38.4 million that primarily related to the one-off non-cash changes in the fair value of preferred equity certificates, which were repaid in connection with the EQT/PSP Acquisition in November 2018.

9.9.4.12 Net Profit/(Loss) for the Period from Continuing Operations

As a result of the factors described above, net profit for the period from continuing operations was €48.0 million for the year ended December 31, 2019 and net loss for the period from continuing operations was €50.1 million for the year ended December 31, 2018.

9.10 Discussion of the Statement of Financial Position

The table below sets forth certain line items from Azelis' statement of financial position as at the dates indicated. The Group's financial position as at December 31, 2018 is derived from the 2018 Azelis Holding S.à r.l. Financial Statements. See section 2.10.1.5 (*Important Information—Presentation of Financial Information—Historical Financial Information—Presentation of Financial Information as at and for the Year Ended December 31, 2018*).

	As at June 30,	As at December 31,		
	2021*	2020*	2019*	2018*
		(€ millions)		
	(unaudited)		(audited)	
Total non-current assets	2,757.0	2,262.7	2,280.0	2,093.0
Total current assets	846.6	691.9	600.4	540.9
Total assets	**3,603.5**	**2,954.6**	**2,880.3**	**2,633.9**
Total non-current liabilities	1,714.7	1,319.6	1,275.0	1,123.4
Total current liabilities	560.6	417.1	370.7	330.1
Total liabilities	**2,275.3**	**1,736.7**	**1,645.7**	**1,453.5**
Total equity	**1,328.2**	**1,217.9**	**1,234.6**	**1,180.4**

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

9.10.1 *Non-Current Assets*

Azelis' largest non-current asset is goodwill, resulting from the asset-light nature of Azelis' business model. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill acquired in a business combination is recognized as an asset and is not amortized. Instead, goodwill is subject to annual impairment tests, or more frequently, if there is an indication of impairment, based on the guidance in IAS 36 (*Impairment of Assets*), considering the allocation of the recoverable amount that is based on the expected performance of the cash generating units, and compared with the remaining book value of the assets and liabilities as at the relevant reporting date. Impairment tests are determined by discounting future cash flows from a five-year detailed business plan that is approved by senior management and serves as a basis to determine the revenue, gross profit, Adjusted EBITA and future free cash flows. The business plan is based on past experiences and is consistent with external sources and assumptions of market growth and general economic indicators, such as inflation and GDP. Pursuant to IFRS, Azelis performs purchase price allocation with respect to its acquisitions, allocating as much as possible value to the acquired assets and liabilities. The remaining amount (i.e., the delta between consideration paid and the fair value of acquired assets/liabilities) can be significant due to the asset-light nature of Azelis' business model, and is included in goodwill. The majority of Azelis' goodwill originated from the EQT/PSP Acquisition (€1,263.7 million) and the acquisition of Vigon (€411.6 million). For additional information, see note 7 (*Business combinations*) to the Azelis Annual Financial Statements for each year and note 3 (*Business combinations*) to the Azelis Holding S.à r.l. Interim Financial Statements. As disclosed in note 15.2 (*Impairment assessment*) to the 2020 Azelis Holding S.à r.l. Financial Statements, a post-tax weighted average cost of capital of 6.46%, 7.16% and 9.49% has been used for the impairment tests for EMEA, Americas and Asia-Pacific, respectively. The related pre-tax weighted average cost of capital amounted to 7.99%, 8.96% and 10.81%, respectively. The recognized goodwill constitutes the fact that newly acquired companies contribute to elevated sales and EBITA in the relevant region, but more importantly they also bring in new principals and customers with which the Group can increase the relationship throughout the region (or beyond). The latter effect is larger if an acquired company has a strong position in a market segment where the Group was not active yet. Synergies are also realized from an opposite effect: by acquiring a company active in a specific country (or countries), the Group can expand the relationship with its already existing principals and customers in other countries, to the countries where the acquired company is active.

Intangible assets are the other material items included in non-current assets on the Group's statement of financial position. The majority of the value lies in acquired distribution rights. Azelis' core business is to distribute specialty chemical and food ingredient products to customers. It possesses rights to distribute certain products from its principals under the terms of specific distribution agreements. Therefore, distribution rights are considered as a key composite asset covering all the contractual agreements with suppliers within the different regions. Upon the EQT/PSP Acquisition, the value of distribution rights was determined to be €472.9 million, which increased to €503.7 million as at June 30, 2021. The valuation is determined on the basis of the (expected) gross profit of the main strategic principals of the acquired entity. Distribution rights are recognized only for the strategic principals of acquired entities, being their main principals with whom they have longstanding relationships. An impairment would be caused if the Group would lose the relationship, which would be an indicator of impairment. The Group leverages on the relationships with those principals to expand sales of their products in other countries as well, benefiting both the principal and Azelis. Although Azelis has a long history of relationships with its strategic principals (10+ to 30+ years), Azelis considers an average churn rate of 5% for the purpose of amortization, hence the useful economic life of distribution rights would be approximately 20 years, which is applied consistently over the years.

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 Azelis trademark is tested yearly for impairment as part of the impairment test on goodwill. The trademark is considered to be a corporate asset as it does not generate cash inflows independently. In addition, the corporate asset cannot be allocated to the (groups of) cash generating units (as defined in IFRS) on a reasonable and consistent basis. Therefore, a two-stage impairment test is performed: first on the level of the regional cash generating units, testing impairment on the goodwill allocated to them. And secondly on the level of Azelis as a whole, testing impairment on the corporate asset. The total value of €317.4 million as at June 30, 2021 originated entirely from the EQT/PSP Acquisition in November 2018 and remains unchanged since that date. The trade names of Azelis' acquisitions usually stop existing after onboarding the Azelis trade name is being used; therefore, usually no value is allocated to trade names in the purchase price allocation of Azelis' acquisitions.

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. During 2020, the (negative) translation difference on intangible assets amounted to €86.8 million, whereas the related and opposite (negative) adjustment through comprehensive income amounted to €93.9 million, the majority of which was driven by U.S. dollar exchange rates at the end of 2020 as compared with the rates at the end of 2019.

The Group's non-current assets as at the dates shown are presented below.

	As at June 30,	**As at December 31,**		
	2021*	**2020***	**2019***	**2018***
		(€ millions)		
	(unaudited)		*(audited)*	
Goodwill	1,812.8	1,345.9	1,357.2	1,263.7
Intangible assets	840.5	821.4	840.1	796.4
Property, plant and equipment	37.9	32.3	30.2	27.8
Right-of-use assets	57.2	55.7	44.3	–
Investments in associates	0.2	0.2	0.1	0.1
Other financial assets	0.8	0.8	2.6	0.6
Deferred tax assets	7.5	6.4	5.3	4.5
Total non-current assets	**2,757.0**	**2,262.7**	**2,280.0**	**2,093.0**

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

Non-current assets increased by €494.3 million, or 21.8%, to €2,757.0 million as at June 30, 2021, from €2,262.7 million as at December 31, 2020. The increase was primarily attributable to the increase in goodwill resulting from the acquisitions during the first half of 2021, of which Vigon was the major acquisition.

Non-current assets decreased by €17.3 million, or 0.8%, to €2,262.7 million as at December 31, 2020, from €2,280.0 million as at December 31, 2019. The decrease was primarily attributable to a decrease in goodwill and intangible assets. Although there was an increase in goodwill and distribution rights following the purchase price allocation of new acquisitions during 2020, this increase was offset by the translation differences on the total amount of goodwill and distribution rights as allocated to the respective jurisdictions and nominated in the relevant foreign exchange currencies. The latter translation difference was deducted from equity through other comprehensive income. The decrease in goodwill and intangible assets was partially offset by an increase in the right-of-use assets of €11.3 million mainly due to new rental agreements for offices and warehouses recognized under IFRS 16 (*Leases*) and remeasurements relating to the prolongation of the lease period of existing contracts.

Non-current assets increased by €186.9 million, or 8.9%, to €2,280.0 million as at December 31, 2019, from €2,093.0 million as at December 31, 2018. The increase was primarily attributable to an increase in goodwill and intangible assets of €137.2 million due to business combinations that were completed during 2019. Right-of-use assets were recognized for the first time in an amount of €44.5 million as at December 31, 2019, due to the implementation of IFRS 16 (*Leases*) starting January 1, 2019.

9.10.2 *Current Assets*

Current assets increased by €154.7 million, or 22.4%, to €846.6 million as at June 30, 2021, from €691.9 million as at December 31, 2020. The increase was primarily attributable to higher inventories and to higher trade and other receivables, both following the increased revenue, due to both organic growth and growth from acquisitions. This was partly offset by a decrease of €46.9 million in cash and cash equivalents, as part of the acquisitions were funded via operational cash flow generation, resulting in a decrease of cash and cash equivalents.

Current assets increased by €91.5 million, or 15.2%, to €691.9 million as at December 31, 2020, from €600.4 million as at December 31, 2019. The increase was primarily attributable to an increase in trade and other receivables due to the increase of revenue during 2020 and correlated with the increase of trade payables (as part of current liabilities) and an increase in cash and cash equivalents, which follows the positive cash flow generation during 2020. Provisions for loss allowances were increased in the year as a result of the increase in trade and other receivables, as well as due to the expectation that the number of bankruptcies in 2021 may exceed those in 2020 as temporary governmental support related to the COVID-19 pandemic ends for many of Azelis' customers.

Current assets increased by €59.5 million, or 11.0%, to €600.4 million as at December 31, 2019, from €540.9 million as at December 31, 2018. The increase was primarily attributable to an increase in inventory, in trade and other receivables and in cash and cash equivalents, driven by the growth of gross profit during 2019.

9.10.3 *Non-Current Liabilities*

Non-current liabilities increased by €395.1 million, or 29.9%, to €1,714.7 million as at June 30, 2021, from €1,319.6 million as at December 31, 2020. The increase was primarily attributable to higher loans and borrowings to fund the acquisitions during the first half of 2021, of which Vigon was the largest acquisition.

Non-current liabilities increased by €44.6 million, or 3.5%, to €1,319.6 million as at December 31, 2020, from €1,275.0 million as at December 31, 2019. The increase was primarily attributable to an increase in loans and borrowings primarily due to the increase in external debt to support growth from acquisitions by the Group during 2020, an increase in lease obligations due to new rental agreements for offices and warehouses recognized under IFRS 16 (*Leases*) and remeasurements relating to the prolongation of the lease period of existing contracts. The incremental borrowing rate changed from 5% in 2019 to 4.4% in 2020 for new contracts on the basis of lowered interest rates on the Group's debt following improvements to its Net Leverage. The increase in non-current liabilities was partially offset by a €25.2 million decrease in deferred tax liabilities primarily relating to the Group's intellectual property that moved from Luxembourg to Belgium during 2020, as part of the alignment with Azelis' corporate structure.

Non-current liabilities increased by €151.6 million, or 13.5%, to €1,275.0 million as at December 31, 2019, from €1,123.4 million as at December 31, 2018. The increase was primarily attributable to an increase in loans and borrowings primarily due to additional funding to support the Group's growth from acquisitions during 2019 and the impact of non-current lease obligations, which were recognized for the first time as at December 31, 2019, due to the implementation of IFRS 16 (*Leases*) starting January 1, 2019.

9.10.4 *Current Liabilities*

Current liabilities increased by €143.6 million, or 34.4%, to €560.6 million as at June 30, 2021, from €417.1 million as at December 31, 2020. The increase was primarily attributable to higher trade and other payables, following the increased revenue, due to both organic growth and growth from acquisitions.

Current liabilities increased by €46.4 million, or 12.5%, to €417.1 million as at December 31, 2020, from €370.7 million as at December 31, 2019. The increase was primarily attributable to an increase in trade and other payables relating to increased activity levels and corresponding to movements in inventories and in trade receivables.

Current liabilities increased by €40.6 million, or 12.3%, to €370.7 million as at December 31, 2019, from €330.1 million as at December 31, 2018. The increase was primarily attributable to an increase in loans and borrowings, reflecting an improved utilization of uncommitted local credit facilities, and the impact of the first-time implementation IFRS 16 (*Leases*) starting January 1, 2019, as well as the increase of the interest accruals regarding its loans and borrowings. Interest accruals as at December 31, 2019 related to a period of almost six months, while as at December 31, 2018 interest accruals related only to a period of less than two months after the EQT/PSP Acquisition in November 2018. The increase in current liabilities was partially offset by a decrease in trade and other payables, primarily due to one-off payables included in trade payables as at December 31, 2018 that related to the EQT/PSP Acquisition that were paid in early 2019, leading to a decrease in trade payables from December 31, 2018 to December 31, 2019.

9.11 Alternative Performance Measures

9.11.1 *EBITA, Adjusted EBITA and Adjusted EBITDA*

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.

EBITA represents operating profit before amortization and impairment of intangible assets; Adjusted EBITA represents EBITA less Adjustments; and Adjusted EBITDA represents Adjusted EBITA before depreciation of property, plant and equipment.

EBITA, Adjusted EBITA and Adjusted EBITDA are not calculated or presented in accordance with IFRS, and other companies in the Group's industry may calculate EBITA, Adjusted EBITA and Adjusted EBITDA differently than the Group does. As a result, these financial measures have limitations as analytical and comparative tools and should not be considered in isolation, or as a substitute for analysis of the Group's results as reported under IFRS. EBITA, Adjusted EBITA and Adjusted EBITDA should not be considered measures of discretionary cash available to the Group to invest in the growth of its business. In calculating these financial measures, the Group makes certain adjustments that are based on assumptions and estimates that may prove to be inaccurate. In addition, in evaluating these financial measures, it should be noted that in the future the Group may incur income or expenses similar to those eliminated in this presentation. The Group's presentation of EBITA, Adjusted EBITA and Adjusted EBITDA should not be construed as an inference that the Group's results will be unaffected by unusual or non-recurring measures and the related risks. In addition, following the completion of the Offering and the Refinancing, the New Facilities Agreement may permit the Group to exclude other charges and expenses and make other or different adjustments in calculating its Adjusted EBITDA under the New Facilities Agreement in future periods. See section 11.17.2.1 (*Business—Material Contracts—Financing Agreements—New Debt Facilities*).

9.11.1.1 *Reconciliation of Profit or Loss for the Period to EBITA, Adjusted EBITA and Adjusted EBITDA*

The following table provides a reconciliation from net profit/(loss) for the period to EBITA, Adjusted EBITA and Adjusted EBITDA for the periods indicated.

	For the twelve months ended June 30,	For the six-month period ended June 30,		For the year ended December 31,		
	2021*	2021*	2020*	2020*	2019*	2018†
			(€ millions) (unaudited)			
Net profit/(loss) for the period	**90.8**	**47.5**	**27.8**	**71.0**	**48.0**	**(50.1)**
Income tax (income)/expense	21.1	27.3	14.3	8.1	10.3	(16.1)
Share of result of associates	0.0	(0.0)	(0.0)	0.0	(0.0)	0.0
Financial income	(2.9)	(2.7)	(4.7)	(4.9)	(0.7)	(0.8)
Financial expenses	65.6	32.5	39.9	73.0	71.4	154.2
Operating profit	**174.6**	**104.7**	**77.4**	**147.2**	**128.9**	**87.1**
Amortization and impairment of intangible assets (1)	34.1	17.2	16.4	33.3	30.6	20.4
EBITA	**208.7**	**122.0**	**93.8**	**180.5**	**159.5**	**107.6**
Adjustments (2)	11.1	5.2	3.1	9.1	3.8	25.9
Adjusted EBITA	**219.8**	**127.2**	**96.9**	**189.6**	**163.3**	**133.5**
Depreciation of property, plant and equipment	18.6	9.2	8.2	17.6	15.1	3.8
Adjusted EBITDA	**238.4**	**136.4**	**105.1**	**207.2**	**178.5**	**137.3**

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

† Denotes that the column presents amounts from the 2018 Azelis Holding S.A. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

(1) In the 2018 Azelis Holding S.A. Financial Statements, depreciation of property, plant and equipment and amortization and impairment of intangible assets are shown collectively as "Depreciation, amortization and impairment expenses" amounting to €24.3 million.

(2) Adjustments represent items that are not directly related to the daily performance of the Group and/or its segments, such as costs relating to acquisitions and mergers (including the EQT/PSP Acquisition in the year ended December 31, 2018), expenses relating to the Group's employees, and gains or losses on sale of property, plant and equipment and other specified adjustments, as shown in the following table.

	For the twelve months ended June 30,	For the six-month period ended June 30,		For the year ended December 31,		
	2021	2021	2020	2020	2019	2018
			(€ millions) (unaudited)			
Transactions (i)	8.4	4.1	1.3	5.6	2.5	21.2
Employees (ii)	1.8	0.4	0.8	2.2	1.5	1.6
Property, plant and equipment	0.4	0.2	(0.2)	–	(1.9)	–
Other	0.6	0.5	1.2	1.3	1.7	3.1
Adjustments	**11.1**	**5.2**	**3.1**	**9.1**	**3.8**	**25.9**

(i) Transaction-related adjustments primarily relate to one-off costs associated with bolt-on acquisition activity and include part of the one-off costs relating to the Offering for the six-month period ended June 30, 2021.

(ii) Adjustments for expenses relating to the Group's employees include redundancy payments resulting from employment contract terminations following reorganizations within the local organization of Azelis' operating companies.

9.11.1.2 *Adjusted EBITA*

Azelis uses Adjusted EBITA to measure the performance of its operating segments. For the twelve months ended June 30, 2021, the Group's Adjusted EBITA was €219.8 million, representing an Adjusted EBITA Margin of 9.2%. In recent years, Azelis' Adjusted EBITA has benefited from operational leverage due to improved scale. The Group's Adjusted EBITA Margin has steadily increased from 5.9% in 2016, 6.5% in 2017, 7.0% in 2018 and 7.8% in 2019 to 8.5% for the year ended December 31, 2020. This improvement has been driven by improvements in Gross Profit Margin and Conversion Margin throughout the same period, primarily resulting from margin initiatives in EMEA and the Americas. The Group's Conversion Margin has increased from 29.6% in 2016, 31.9% in 2017, 33.7% in 2018 and 36.7% in 2019 to 39.0% for the year ended December 31, 2020. Furthermore, Azelis' existing platform (including its ICT and SHEQ management practices) offers ample opportunities to utilize scale opportunities while continuing to grow both organically and through acquisitions, and at the same time investing to improve its backbone via digitalization initiatives.

The following table presents the Group's Adjusted EBITA by segment for the periods indicated.

	For the twelve months ended June 30,	For the six-month period ended June 30,		For the year ended December 31,		
	2021*	2021*	2020*	2020*	2019*	2018†
			(€ millions) (unaudited)			
EMEA	110.8	67.1	54.7	98.4	84.3	75.3
Americas	107.8	57.5	44.9	95.2	82.5	63.8
Asia-Pacific	22.0	13.9	6.9	15.0	12.9	9.9
Group Holding and Other	(20.8)	(11.3)	(9.6)	(19.1)	(16.4)	(15.5)
Total	**219.8**	**127.2**	**96.9**	**189.6**	**163.3**	**133.5**

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

† Denotes that the column presents amounts from the 2018 Azelis Holding S.A. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

Azelis' 31.3% total Adjusted EBITA growth from the six-month period ended June 30, 2020 to the six-month period ended June 30, 2021, was made up of 25.8% organic growth and 9.7% growth from acquisitions, which was partially offset by a 4.2% decline as a result of the impact of foreign currency translation.

(i) EMEA Adjusted EBITA

The Group's Adjusted EBITA in EMEA increased by €12.4 million, or 22.7%, to €67.1 million for the six-month period ended June 30, 2021, from €54.7 million for the six-month period ended June 30, 2020. The increase was primarily due to organic growth driven by strong revenue development during the first half of 2021. Azelis' Adjusted EBITA Margin in EMEA increased to 11.2% for the six-month period ended June 30, 2021 (H1 2020: 10.0%) and Conversion Margin increased to 47.2% (H1 2020: 43.7%).

The Group's Adjusted EBITA in EMEA increased by €14.1 million, or 16.8%, to €98.4 million for the year ended December 31, 2020, from €84.3 million for the year ended December 31, 2019. The increase was primarily due to revenue growth, improved Gross Profit Margin, scale and strict cost control during the COVID-19 pandemic. Azelis' Adjusted EBITA Margin in EMEA increased to 9.5% (2019: 8.9%) and Conversion Margin increased to 41.2% (2019: 40.2%).

The Group's Adjusted EBITA in EMEA increased by €9.1 million, or 12.0%, to €84.3 million for the year ended December 31, 2019, from €75.3 million for the year ended December 31, 2018. The increase was primarily due to strategic drivers, including growth from acquisitions, that improved growth, scale and efficiencies. Azelis' Adjusted EBITA Margin in EMEA increased to 8.9% (2018: 8.2%) and Conversion Margin increased to 40.2% (2018: 37.6%).

(ii) Americas Adjusted EBITA

The Group's Adjusted EBITA in the Americas increased by €12.6 million, or 28.0%, to €57.5 million for the six-month period ended June 30, 2021, from €44.9 million for the six-month period ended June 30, 2020. The increase was primarily due to organic growth of 28.1% in the first half of 2021 that was due to strong revenue performance in both life sciences and industrial chemicals end markets. Azelis' Adjusted EBITA Margin in Americas increased to 10.9% for the six-month period ended June 30, 2021 (H1 2020: 9.5%) driven by gross margin expansion and operational excellence initiatives, and Conversion Margin increased accordingly to 50.2% (H1 2020: 45.8%).

The Group's Adjusted EBITA in the Americas increased by €12.7 million, or 15.4%, to €95.2 million for the year ended December 31, 2020, from €82.5 million for the year ended December 31, 2019. The increase was driven by revenue growth, margin expansion and the strict cost controls implemented during the COVID-19 pandemic, as well as realized efficiency gains from key strategic initiatives related to operations, supply chain and business process optimization. Azelis' Adjusted EBITA Margin in the Americas increased to 10.0% (2019: 9.0%) and Conversion Margin increased to 47.8% (2019: 44.5%).

The Group's Adjusted EBITA in the Americas increased by €18.7 million, or 29.3%, to €82.5 million for the year ended December 31, 2019, from €63.8 million for the year ended December 31, 2018. The increase was primarily due to efficiency gains from the integration of Chemroy and key strategic initiatives related to operations, supply chain and business process optimization. Azelis' Adjusted EBITA Margin in the Americas increased to 9.0% (2018: 8.3%) and Conversion Margin increased to 44.5% (2018: 41.1%).

(iii) Asia-Pacific Adjusted EBITA

The Group's Adjusted EBITA in Asia-Pacific increased by €7.0 million, or 101.0%, to €13.9 million for the six-month period ended June 30, 2021, from €6.9 million for the six-month period ended June 30, 2020. The increase was primarily due to 61.3% of growth from acquisitions and included organic growth of 41.0% resulting from a positive contribution across Asia-Pacific. Azelis' Adjusted EBITA Margin in Asia-Pacific increased to 7.6% for the six-month period ended June 30, 2021 (H1 2020: 6.0%) and Conversion Margin increased to 38.8% (H1 2020: 32.5%).

The Group's Adjusted EBITA in Asia-Pacific increased by €2.1 million, or 16.1%, to €15.0 million for the year ended December 31, 2020, from €12.9 million for the year ended December 31, 2019. The increase was primarily due to gross profit performance as well as implementation of tight cost measures and the increased ability to leverage on the scale that the Asia-Pacific region is offering when onboarding new acquisitions. Azelis' Adjusted EBITA Margin in Asia-Pacific increased to 6.3% for the year ended December 31, 2020 (2019: 5.4%) and Conversion Margin increased to 33.1% (2019: 29.7%).

The Group's Adjusted EBITA in Asia-Pacific increased by €3.0 million, or 30.5%, to €12.9 million for the year ended December 31, 2019, from €9.9 million for the year ended December 31, 2018. The increase was primarily due to the increased size and scale of the Group's activities in the Asia-Pacific. Azelis' Adjusted EBITA Margin in Asia-Pacific increased to 5.4% for the year ended December 31, 2019 (2018: 4.8%) and Conversion Margin increased to 29.7% (2018: 26.4%).

9.11.2 *Free Cash Flow and Free Cash Flow Conversion*

9.11.2.1 Free Cash Flow

The Group presents Free Cash Flow because it believes that this metric is 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. The Group's Free Cash Flow has increased from €103.6 million in 2016 and €94.3 million in 2017 to €210.3 million for the twelve-month period ended June 30, 2021.

Free Cash Flow represents Adjusted EBITDA less lease payments, plus or minus changes in Net Working Capital, other assets, liabilities and provisions, less net capital expenditures, as set out in the table below.

	For the twelve months ended June 30,	**For the six-month period ended June 30,**		**For the year ended December 31,**		
	2021*	**2021***	**2020***	**2020***	**2019***	**2018†**
			(€ millions) *(unaudited)*			
Adjusted EBITDA	**238.4**	**136.4**	**105.1**	**207.2**	**178.5**	**137.3**
Payments of lease obligations	(16.5)	(8.2)	(7.5)	(15.9)	(12.8)	–
Change in Net Working Capital, other assets, liabilities and provisions [(1)]	2.5	(41.9)	(35.4)	9.0	(16.1)	8.4
Net capital expenditures [(2)]	(14.1)	(6.3)	(4.3)	(12.1)	(12.3)	(17.9)
Free Cash Flow	**210.3**	**79.9**	**57.9**	**188.3**	**137.2**	**127.8**

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

† Denotes that the column presents amounts from the 2018 Azelis Holding S.A. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

(1) "Change in Net Working Capital, other assets, liabilities and provisions" represents the sum of change in inventories, change in trade and other receivables and other investments, change in trade and other payables and change in provisions as shown in the Group's consolidated statement of cash flows (excluding the first-time inclusion of opening balance Net Working Capital from acquired businesses, which are part of cash flow from investing activities), as adjusted for a one-off payable relating to the EQT/PSP Acquisition, partly offset by deferred earn-outs for M&A with no cash-out in 2019 and therefore has been adjusted for cash flow purposes accordingly, as shown in the following table.

	For the twelve months ended June 30,	For the six-month period ended June 30,		For the year ended December 31,		
	2021	2021	2020	2020	2019	2018
			(€ millions) (unaudited)			
Change in inventories	(13.9)	(27.2)	(12.1)	1.2	13.3	(37.7)
Change in trade and other receivables and other investments	(31.3)	(74.9)	(39.4)	4.2	1.3	24.4
Change in trade and other payables	43.7	60.4	16.3	(0.4)	(39.3)	18.5
Change in provisions	2.2	0.6	0.6	2.2	0.6	(1.4)
Reclassifications	1.7	(0.9)	(0.8)	1.8	7.9	4.6
Change in Net Working Capital, other assets, liabilities and provisions	**2.5**	**(41.9)**	**(35.4)**	**9.0**	**(16.1)**	**8.4**

(2) "Net capital expenditures" represents the sum of capital expenditures on intangibles and tangibles, as shown in the following table.

	For the twelve months ended June 30,	For the six-month period ended June 30,		For the year ended December 31,		
	2021	2021	2020	2020	2019	2018
			(€ millions) (unaudited)			
Intangibles	(7.8)	(3.9)	(1.3)	(5.1)	(7.2)	(11.9)
Tangibles	(6.3)	(2.4)	(3.0)	(6.9)	(5.1)	(5.9)
Net capital expenditures	**(14.1)**	**(6.3)**	**(4.3)**	**(12.1)**	**(12.3)**	**(17.9)**

Free Cash Flow as presented above differs from the presentation of free cash flow in the Azelis Financial Statements included in section 24 (*Financial Information*), with the definition used above having been updated to align with the presentation of this metric as used by certain peer companies of the Group. Specifically, the updated definition uses Adjusted EBITDA rather than Adjusted EBITA as the basis for the calculation and excludes income taxes in accordance with industry standards. There are also minor rounding differences that impact the difference between the two metrics. The Group intends to present Free Cash Flow as defined in section 2.11 (*Important Information—Alternative Performance Measures*) and as presented in this section 9.11 for purposes of its ongoing financial reporting following the Offering.

A reconciliation from Free Cash Flow according to the updated definition and the homonymous metric that was presented in the Azelis Annual Financial Statements is set out in the table below.

	For the year ended December 31,		
	2020	2019	2018
		(€ millions) (audited)	
Free Cash Flow	**188.3**	**137.2**	**127.8**
Income tax paid	(30.7)	(32.5)	(23.6)
Delta from using Adjusted EBITDA pre-IFRS 16 (*Leases*) rather than Adjusted EBITA post-IFRS 16 (*Leases*)	(1.8)	(2.3)	–
Delta from rounding	(0.7)	(0.4)	(0.3)
Free cash flow (as historically presented)	**155.0**	**102.0**	**104.0**

9.11.2.2 *Free Cash Flow Conversion*

The Group presents Free Cash Flow Conversion because it believes that this metric is 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 represents (i) Free Cash Flow divided by (ii) Adjusted EBITDA less lease payments, as set out in the table below.

	For the twelve months ended June 30,	For the six-month period ended June 30,		For the year ended December 31,		
	2021*	**2021***	**2020***	**2020***	**2019***	**2018†**
		(€ millions unless otherwise noted) *(unaudited)*				
Free Cash Flow	**210.3**	**79.9**	**57.9**	**188.3**	**137.2**	**127.8**
Adjusted EBITDA	**238.4**	**136.4**	**105.1**	**207.2**	**178.5**	**137.3**
Payments of lease obligations	(16.5)	(8.2)	(7.5)	(15.9)	(12.8)	–
Adjusted EBITDA less payments of lease obligations	**221.9**	**128.2**	**97.6**	**191.3**	**165.7**	**137.3**
Free Cash Flow Conversion	**94.8%**	**62.3%**	**59.3%**	**98.4%**	**82.8%**	**93.1%**

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

† Denotes that the column presents amounts from the 2018 Azelis Holding S.A. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

9.11.3 *Net Working Capital*

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. The assets and liabilities that are included in Net Working Capital are set out in the table below.

	As at June 30,		As at December 31,		
	2021*	**2020***	**2020***	**2019***	**2018***
			(€ millions) *(unaudited)*		
Current assets:					
Inventories	336.0	274.3	267.8	262.4	256.0
Trade receivables	332.8	240.9	218.7	198.9	167.0
Of which: Advances to suppliers	(2.4)	(0.4)	(0.9)	0.6	(0.1)
Current liabilities:					
Trade payables	(328.6)	(244.3)	(237.0)	(227.6)	(248.6)
Of which: Advances from customers	2.6	1.8	1.7	1.0	1.7
Net Working Capital	**340.4**	**272.3**	**250.4**	**235.4**	**176.0** (1)

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

(1) Net Working Capital as shown in the 2018 Azelis Holding S.à r.l. Financial Statements amounted to €174.3 million as a result of the reported amount including receivables from creditors amounting to €1.7 million and payables to debtors amounting to €0.1 million.

The following table presents the Group's Net Working Capital/Revenue for the periods indicated.

	As at and for the twelve-month period ended June 30,	As at and for the six-month period ended June 30,		As at and for the year ended December 31,		
	2021*	**2021***	**2020***	**2020***	**2019***	**2018*†**
			(€ millions) *(unaudited)*			
Net Working Capital	340.4	340.4	272.3	250.4	235.4	176.0 (1)
Revenue	2,397.8	1,309.5	1,134.6	2,222.9	2,095.0	1,898.2
Net Working Capital/Revenue	**14.2%**	**13.0%** (2)	**12.0%** (2)	**11.3%**	**11.2%**	**9.3%**

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

† Denotes that the column presents amounts from the 2018 Azelis Holding S.A. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

(1) Net Working Capital as shown in the 2018 Azelis Holding S.à r.l. Financial Statements amounted to €174.3 million as a result of the reported amount including receivables from creditors amounting to €1.7 million and payables to debtors amounting to €0.1 million.

(2) Net Working Capital/Revenue for the six-month periods ended June 30, 2021 and 2020 is calculated after annualizing the applicable revenue amount and using such annualized amount as the denominator in the calculation.

The following table presents the Group's working capital days outstanding as at the dates indicated.

	As at December 31,		
	2020	**2019**	**2018**
Days sales outstanding (1)	36	35	32
Days inventory outstanding (2)	44	46	49
Days payables outstanding (3)	39	39	47

(1) Days sales outstanding is calculated by dividing trade receivables by revenue and multiplying by 365 days.

(2) Days inventory outstanding is calculated by dividing inventories by revenue and multiplying by 365 days.

(3) Days payables outstanding is calculated by dividing trade payables by revenue and multiplying by 365 days.

Azelis' activities are not exposed to notable seasonal changes throughout the year apart from a moderate decrease in revenue during holiday seasons in Azelis' different jurisdictions. The Group's Net Working Capital remains relatively stable throughout the year with a moderate build-up towards the second quarter of each year and lower levels of Net Working Capital in the fourth quarter of each year, with related cash released accordingly. Variations between highs and lows in Net Working Capital are typically less than approximately 20%.

The Group has historically kept Net Working Capital relatively constant over time. Following its role as a distributor in the value chain, the Group holds sufficient levels of inventories that drives and enables the realization of sales to its customers. In addition to inventories, Net Working Capital also includes the Group's accounts receivable from customers and accounts payable to principals.

The Group's relative high Net Working Capital/Revenue as at and for the twelve-month period ended June 30, 2021 of 14.2% was primarily due to the first-time inclusion of Vigon as part of Net Working Capital in the Americas, with only one month of revenue being part of the consolidated financial statements since it was acquired on June 1, 2021, but with full Net Working Capital reflected on the consolidated statement of financial position as at June 30, 2021.

The Group's lower Net Working Capital as a percentage of revenue as at December 31, 2018 of 9.3% was primarily due to one-off payables relating to the change of ownership that occurred at the end of 2018, of which the cash-out to a large extent happened in 2019.

The following table presents the Group's Net Working Capital by segment for the periods indicated.

	As at June 30,	As at December 31,		
	2021*	**2020***	**2019***	**2018***
		(€ millions)		
	(unaudited)	*(audited)*		
EMEA	83.6	84.5	56.4	47.4
Americas	172.2	114.8	123.0	97.4
Asia-Pacific	91.2	56.5	57.8	53.6
Group Holding and Other	(6.6)	(5.4)	(1.8)	(22.3)
Net Working Capital	**340.4**	**250.4**	**235.4**	**176.0** (1)

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

(1) Net Working Capital as shown in the 2018 Azelis Holding S.à r.l. Financial Statements amounted to €174.3 million as a result of the reported amount including receivables from creditors amounting to €1.7 million and payables to debtors amounting to €0.1 million.

(i) EMEA Net Working Capital

The Group's Net Working Capital in EMEA decreased by €0.9 million, or 1.0%, to €83.6 million as at June 30, 2021, from €84.5 million as at December 31, 2020. The decrease was primarily due to the increase in revenue, but offset by lower inventories versus revenue, as well as higher trade payables versus revenue. Azelis' Net Working Capital as a percentage of revenue in EMEA improved accordingly to 7.0% in the first half of 2021 (2020: 8.2%).

The Group's Net Working Capital in EMEA increased by €28.0 million, or 49.7%, to €84.5 million as at December 31, 2020, from €56.4 million as at December 31, 2019. The increase was primarily due to strategic investments to support expansion in EMEA. Azelis' Net Working Capital as a percentage of revenue in EMEA increased to 8.2% in 2020 (2019: 6.0%).

The Group's Net Working Capital in EMEA increased by €9.1 million, or 19.1%, to €56.4 million as at December 31, 2019, from €47.4 million as at December 31, 2018. The increase was primarily due to increased activity with certain key strategic principals. Azelis' Net Working Capital as a percentage of revenue in EMEA increased to 6.0% in 2019 (2018: 5.1%).

(ii) Americas Net Working Capital

The Group's Net Working Capital in the Americas increased by €57.3 million, or 49.9%, to €172.2 million as at June 30, 2021, from €114.8 million as at December 31, 2020. The increase was primarily due to the first-time inclusion of Vigon's full net working capital as at June 30, 2021, while only one month of revenue since the June 1, 2021 acquisition date was reflected in the consolidated income statement. Azelis' Net Working Capital as a percentage of revenue in the Americas increased therefore to 16.3% in the first half of 2021 (2020: 12.1%).

The Group's Net Working Capital in the Americas decreased by €8.2 million, or 6.7%, to €114.8 million as at December 31, 2020, from €123.0 million as at December 31, 2019. The decrease was primarily due to the reversal of investments made in late 2019 to support geographic expansion with certain key strategic principals. Azelis' Net Working Capital as a percentage of revenue in the Americas decreased to 12.1% in 2020 (2019: 13.4%).

The Group's Net Working Capital in the Americas increased by €25.7 million, or 26.4%, to €123.0 million as at December 31, 2019, from €97.4 million as at December 31, 2018. The increase was primarily due to expansion with certain key strategic principals late in 2019. Azelis' Net Working Capital as a percentage of revenue in the Americas increased to 13.4% in 2019 (2018: 12.6%).

(iii) Asia-Pacific Net Working Capital

The Group's Net Working Capital in Asia-Pacific increased by €34.7 million, or 61.4%, to €91.2 million as at June 30, 2021, from €56.5 million as at December 31, 2020. The increase was driven by an increase in trade receivables, due to organic revenue growth and due to growth from acquisitions during the first half of 2021. Azelis' Net Working Capital as a percentage of revenue in Asia-Pacific increased to 25.0% in the first half of 2021 (2020: 23.8%), mainly as a result of the first-time inclusion of the net working capital of acquisitions, without the full impact of revenue yet being included in the consolidated income statement.

The Group's Net Working Capital in Asia-Pacific decreased by €1.3 million, or 2.2%, to €56.5 million as at December 31, 2020, from €57.8 million as at December 31, 2019. The investment in Net Working Capital remained stable. Azelis' Net Working Capital as a percentage of revenue in Asia-Pacific decreased to 23.8% in 2020 (2019: 24.4%).

The Group's Net Working Capital in Asia-Pacific increased by €4.2 million, or 7.8%, to €57.8 million as at December 31, 2019, from €53.6 million as at December 31, 2018. The increase was primarily driven by revenue growth of 14.7%

(including organic growth and growth from acquisitions) that required investments in Net Working Capital. Azelis' Net Working Capital as a percentage of revenue in Asia-Pacific decreased to 24.4% in 2019 (2018: 25.9%).

9.11.4 *Return on Tangible Invested Capital*

Azelis' return on tangible invested capital is a measure of how efficiently the Group generates Adjusted EBITA from its main operational invested capital on an annual basis (i.e., Net Working Capital and, to a lesser extent, also property, plant and equipment). The Group's ROTIC has increased from 46.1% in 2016 and 51.1% in 2017 to 67.1% in 2020, averaging 58.2% over the period from 2016 through 2020.

ROTIC represents (i) Adjusted EBITA for a period (with Adjusted EBITA amounts for periods of less than one year being annualized) as a percentage of (ii) the Group's property, plant and equipment as shown on its statement of financial position (excluding right-of-use assets) as at the end of such period plus Net Working Capital as at the end of such period, as shown in the following table. The calculation of ROTIC excludes goodwill and intangible assets.

	As at and for the twelve-month period ended June 30,	As at and for the six-month period ended June 30,	As at and for the year ended December 31,		
	2021*	2021*	2020*	2019*	2018*†
	(€ millions unless otherwise indicated) (unaudited)				
Adjusted EBITA	**219.8**	**127.2**	**189.6**	**163.3**	**133.5**
Property, plant and equipment	37.9	37.9	32.3	30.2	27.8
Net Working Capital	340.4	340.4	250.4	235.4	176.0 (1)
Property, plant and equipment plus Net Working Capital	**378.3**	**378.3**	**282.7**	**265.6**	**203.8**
ROTIC	**58.1%**	**67.2%**	**67.1%**	**61.5%**	**65.5%**

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

† Denotes that the column presents amounts from the 2018 Azelis Holding S.A. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

(1) Net Working Capital as shown in the 2018 Azelis Holding S.à r.l. Financial Statements amounted to €174.3 million as a result of the reported amount including receivables from creditors amounting to €1.7 million and payables to debtors amounting to €0.1 million.

9.11.5 *Net Indebtedness, Financing EBITDA and Net Leverage*

9.11.5.1 Net Indebtedness

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. As at June 30, 2021, the Group had the material debt facilities described in section 11.17.2.2 (*Business—Material Contracts—Financing Agreements—Existing Senior Facilities and Existing Second Lien Notes*). The table below sets forth the notional amounts outstanding under the Group's debt financing instruments as at the dates indicated, which amounts are offset by the cash and cash equivalents (less bank overdrafts) to determine the Group's Net Indebtedness.

	As at June 30,	As at December 31,		
	2021	2020	2019	2018
		(€ millions)		
Non-current borrowings and loans	**1,563.4**	**1,210.8**	**1,145.2**	**1,000.5**
Existing EUR Term Loan Facility (1)	1,040.0	710.0	635.0	535.0
Existing GBP Term Loan Facility (1)	237.9	227.1	239.9	228.2
Existing EUR Second Lien Notes (1)	135.0	135.0	135.0	135.0
Existing CAD Second Lien Notes (1)	98.5	92.8	99.4	93.0
Revolving Credit Facility (1)	–	–	–	9.0
Other bank loans	5.3	0.2	0.8	0.3
Non-current lease obligations	46.7	45.7	35.0	–
Current borrowings and loans	**55.4**	**53.3**	**47.6**	**17.1**
Other bank loans	41.4	41.0	37.1	17.1
Current lease obligations	14.0	12.4	10.5	–
Total gross debt	**1,618.8**	**1,264.1**	**1,192.7**	**1,017.6**
Cash and cash equivalents	(116.4)	(163.3)	(102.6)	(79.4)
Bank overdrafts	29.2	23.6	16.0	1.1
Net Indebtedness	**1,531.7**	**1,124.5**	**1,106.1**	**939.3**

(1) Represents the notional amount rather than the carrying amount of such debt. For the differences between the notional amount and the carrying amount of such debt as at December 31, 2020, 2019 and 2018, see note 22 (*Loans and borrowings*) to the Azelis Annual Financial Statements for each year. As at June 30, 2021, the carrying amount of the Existing EUR Term Loan Facility was €1,026.8 million, the Existing GBP Term Loan Facility was €234.8 million, the Existing EUR Second Lien Notes was €132.5 million and the Existing CAD Second Lien Notes was €96.8 million.

9.11.5.2 *Financing EBITDA*

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. The table below sets forth Azelis' Financing EBITDA as at the dates indicated.

	For the twelve months ended June 30,	For the year ended December 31,		
	2021	2020	2019	2018
		(€ millions) *(unaudited)*		
Adjusted EBITDA	**238.4**	**207.2**	**178.5**	**137.3**
Earnings (before interest, taxation, depreciation and amortization) of entities acquired (1)	41.4	2.3	5.6	2.7
Anticipated cost savings, expense reductions and synergies (2)	2.1	1.0	0.8	2.5
Financing EBITDA	**282.0**	**210.5**	**184.9**	**142.5**

(1) Earnings (before interest, taxation, depreciation and amortization) of entities acquired includes amounts from the first day of the relevant period to the applicable acquisition date of entities acquired during the relevant period.

(2) Anticipated cost savings, expense reductions and synergies includes amounts expected to be realized within 18 months of the calculation date (or within 24 months of the calculation date, in the case of the New Facilities Agreement), as determined in good faith by a responsible accounting or financial officer of Azelis Finco.

9.11.5.3 *Net Leverage*

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. See section 11.17.2.1 (*Business—Material Contracts—Financing Agreements—New Debt Facilities*). The table below sets forth Azelis' Net Leverage as at the dates indicated.

	As at June 30,	As at December 31,		
	2021	2020	2019	2018
		(€ millions unless otherwise indicated)		
Net Indebtedness	1,531.7	1,124.5	1,106.1	939.3
Financing EBITDA	282.0	210.5	184.9	142.5
Net Leverage *(multiple)*	**5.4x**	**5.3x**	**6.0x**	**6.6x**

9.12 Liquidity and Capital Resources

9.12.1 *Overview*

The Group's primary liquidity and capital resource needs are to finance working capital, capital expenditures and acquisitions as part of its strategy, as well as to service its debt. The Group's primary source of liquidity is cash generated from its operations. The Group allocates the net cash generated from its underlying business for maintenance and growth capital expenditures, value-accretive bolt-on acquisition and will also apply the cash to the payment of dividends following the Offering, while maintaining a strong balance sheet and targeting Net Leverage between 2.5x to 3.0x (see section 9.14.1 (*—Commercial Commitments—Indebtedness*) below). Excess cash flow beyond these uses will be retained for use in connection with investment opportunities, applied to further pay down debt or for additional returns to shareholders.

The Group's Net Working Capital, which, represented 13.0%, 11.3%, 11.2% and 9.3% of the Group's revenue for the six-month period ended June 30, 2021 and the years ended December 31, 2020, 2019 and 2018, respectively, is composed of inventories and trade and other receivables, less trade and other payables. As at June 30, 2021 and as at December 31, 2020, 2019 and 2018, the Group's Net Working Capital amounted to €340.4 million, €250.4 million, €235.4 million and €176.0 million, respectively.

9.12.2 *Summary Cash Flows for the Years Ended December 31, 2020, 2019 and 2018 and the Six-month period Ended June 30, 2021 and 2020*

The table below sets forth certain line items from Azelis' statement of cash flows for the periods indicated. The summary of cash flows for the year ended December 31, 2018 relates to the full-year cash flows of Azelis Holding S.A. and its subsidiaries.

	For the six-month period ended June 30,		For the year ended December 31,		
	2021*	2020*	2020*	2019*	2018†
			(€ millions)		
	(unaudited)			*(audited)*	
Cash and cash equivalents net at the beginning of the period	**139.7**	**86.6**	**86.6**	**78.3** (1)	**52.7**
Net cash flow from/(used in) operating activities	39.7	9.2	117.0	75.9	69.8
Net cash flow from/(used in) investing activities	(466.7)	(94.1)	(115.4)	(159.3)	(63.9)
Net cash flow from/(used in) financing activities	375.2	154.5	62.5	96.8	(5.7)
Net increase/(decrease) in cash and cash equivalents	**(51.7)**	**69.6**	**64.1**	**13.4**	**0.2**
Effect of exchange rate fluctuations on cash held	(0.8)	(7.0)	(11.0)	(5.0)	6.9
Cash and cash equivalents net at end of the period	**87.2**	**149.1**	**139.7**	**86.6**	**59.7** (1)

* Denotes that the column presents amounts from the Azelis Holding S.à r.l. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

† Denotes that the column presents amounts from the 2018 Azelis Holding S.A. Financial Statements. See section 2.10 (*Important Information—Presentation of Financial Information*).

(1) As a result of the EQT/PSP Acquisition, there was a €18.5 million difference in cash and cash equivalents between the €59.7 million as at December 31, 2018, which is derived from the consolidated statement of cash flows included in the 2018 Azelis Holding S.A. Financial Statements, and €78.3 million as at January 1, 2019, which is derived from the consolidated statement of cash flows included in the 2019 Azelis Holding S.à r.l. Financial Statements, which is net of bank overdrafts.

9.12.3 *Comparison of the Six-Month Periods Ended June 30, 2021 and 2020*

9.12.3.1 Net Cash Flow from/(used in) Operating Activities

Net cash flow from operating activities increased by €30.6 million to €39.7 million for the six-month period ended June 30, 2021, from €9.2 million for the six-month period ended June 30, 2020. The increase was primarily attributable to the €30.3 million Adjusted EBITA increase.

9.12.3.2 Net Cash Flow from/(used in) Investing Activities

Net cash flow used in investing activities increased by €372.6 million to €466.7 million for the six-month period ended June 30, 2021, from €94.1 million for the six-month period ended June 30, 2020. The increase was primarily attributable to the acquisitions of subsidiaries (net of cash acquired) of €460.4 million for the six-month period ended June 30, 2021, of which €418.3 million related to Vigon.

9.12.3.3 Net Cash Flow from/(used in) Financing Activities

Net cash flow from financing activities increased by €220.7 million to €375.2 million for the six-month period ended June 30, 2021, from €154.5 million for the six-month period ended June 30, 2020. The increase was primarily attributable to funding of acquisitions that could not be funded by net cash flow from operating activities. During the first half of 2021, proceeds from loans and borrowings were €335.9 million and proceeds from shareholders for the issue of equity (no issuance of new shares) amounted to €50.0 million, which amounts were used for the acquisition of Vigon on June 1, 2021.

9.12.4 *Comparison of the Years Ended December 31, 2020 and 2019*

9.12.4.1 Net Cash Flow from/(used in) Operating Activities

Net cash flow from operating activities increased by €41.1 million, or 54.2%, to €117.0 million in the year ended December 31, 2020, from €75.9 million in the year ended December 31, 2019. The increase was primarily attributable to an increase in the Group's operating profit in 2020 and a combination of margin improvements, strict monitoring of costs and the continuation of Azelis' active acquisition trajectory during 2020. The increase was partially offset by an increase in interest paid as the Group's semi-annual interest payments on its indebtedness in 2020 were each for full six-month periods while in 2019 the first semi-annual interest payment was only for an approximately two-month period from November 2018 when the debt was incurred in connection with the EQT/PSP Acquisition until the interest payment in January 2019.

9.12.4.2 Net Cash Flow from/(used in) Investing Activities

Net cash flow used in investing activities decreased by €44.0 million, or 27.6%, to €115.4 million in the year ended December 31, 2020, from €159.3 million in the year ended December 31, 2019. Although the number of acquisitions in 2020 increased compared with 2019, the average consideration transferred during 2019 was higher, mainly due to the expansion during March 2019 in Canada via the acquisition of Chemroy.

9.12.4.3 Net Cash Flow from/(used in) Financing Activities

Net cash flow from financing activities decreased by €34.4 million, or 35.5%, to €62.5 million in the year ended December 31, 2020, from €96.8 million in the year ended December 31, 2019. The decrease was directly related to the lower cash flow from investing activities, as a result of acquisitions being partly funded by loans and borrowings.

9.12.5 *Comparison of the Years Ended December 31, 2019 and 2018*

9.12.5.1 Net Cash Flow from/(used in) Operating Activities

Net cash flow from operating activities increased by €6.1 million, or 8.7%, to €75.9 million in the year ended December 31, 2019, from €69.8 million in the year ended December 31, 2018. The increase was primarily attributable to the increase of operating profit, driven by margins optimization programs, especially in the EMEA segment, as well as new mandates gained and by the full-year impact of acquisitions completed in 2018.

9.12.5.2 Net Cash Flow from/(used in) Investing Activities

Net cash flow used in investing activities increased by €95.4 million, or 149.4%, to €159.3 million in the year ended December 31, 2019, from €63.9 million in the year ended December 31, 2018. The increase was primarily attributable to the higher level of acquisitions, driven by the expansions in Canada in March 2019 and Turkey in December 2019.

9.12.5.3 Net Cash Flow from/(used in) Financing Activities

Net cash flow from financing activities was €96.8 million in the year ended December 31, 2019, primarily attributable to proceeds from loans and borrowings of €118.7 million that were fully utilized to fund acquisitions Azelis completed in

2019. Cash flow used in financing activities (by Azelis Holding S.A.) was €5.7 million in the year ended December 31, 2018, almost exclusively relating to the required settlement of loans and borrowings following the EQT/PSP Acquisition in November 2018.

9.13 Capital Expenditures

The Group defines capital expenditure unrelated to acquisitions as investments in intangible assets and investments in property, plant and equipment. The Group has low levels of capital expenditure unrelated to acquisitions as the Group's business is capital light which, in turn, results in limited related depreciation. For the six-month period ended June 30, 2021 and the years ended December 31, 2020, 2019 and 2018, the Group's capital expenditure unrelated to acquisitions amounted to €6.3 million, €12.1 million, €12.3 million, and €17.9 million, respectively, of which capital expenditures on property, plant and equipment were €2.4 million, €6.9 million, €5.1 million and €5.9 million, respectively, with the remainder primarily consisting of investments in intangible assets, which relate to entry fees paid to principals that may be due depending on the jurisdiction and/or compensation owed to former distributors, as well as to Azelis' continued investments in its IT systems. Historically, the Group's capital expenditures on property, plant and equipment have largely tracked its depreciation expense and the Group expects this trend to continue.

Azelis' spending relating to acquisitions is discussed in section 9.4.2 (*—Key Factors Affecting Azelis' Results of Operations—Acquisitions*) above.

9.14 Commercial Commitments

9.14.1 *Indebtedness*

Azelis' indebtedness as at June 30, 2021 and as at December 31, 2020, 2019 and 2018 is discussed in section 9.11.5.1 (*—Alternative Performance Measures—Net Indebtedness, Financing EBITDA and Net Leverage—Net Indebtedness*). On or around the completion of the Offering, the Group intends to refinance the indebtedness outstanding under the Existing Indebtedness using the net proceeds from the sale of the Offer Shares in the Primary Tranche and borrowings under the New Debt Facilities. See section 3.2 (*Reasons for the Offering and the Listing and Use of Proceeds—Use of Proceeds*). The Refinancing is conditional on the closing of the Offering and Admission. See section 11.17.2.1 (*Business—Material Contracts—Financing Agreements—New Debt Facilities*).

Azelis expects its indebtedness following the Offering and the Refinancing to comprise the €640.0 million New EUR Term Loan, the €150.0 million (equivalent) New GBP Term Loan, as well as indebtedness under local lines of credit (€62.0 million as at June 30, 2021), primarily including uncommitted lines and overdrafts to support the operational business; and IFRS 16 (*Leases*)-related liabilities (€60.1 million as at June 30, 2021). Such total gross debt of €912.1 million is expected to amount to 3.2x the Group's Financing EBITDA of €282.0 million as at June 30, 2021 (which amount excludes earnings before interest, taxation, depreciation and amortization of businesses acquired by the Group between July 1, 2021 and the date of this Prospectus).

Following the Offering and the Refinancing, the Group expects Net Leverage to be between 2.5x and 3.0x (Net Leverage as at June 30, 2021: 5.4x).

In the event that insufficient funds are raised in the Primary Tranche for the Refinancing to be completed as anticipated, the Company and the Principal Selling Shareholders may decide not to proceed with the Offering and with the Admission. For more details, please see section 18.5 (*—Cancellation, Suspension and Modification of the Offering*).

9.14.2 *Contingent Liabilities*

From time to time, the Group has contingent liabilities relating to legal and tax matters arising in the ordinary course of business. As at June 30, 2021, the Group had no tax or other contingencies (December 31, 2020: nil; December 31, 2019: €1.1 million).

9.14.3 *Off-Balance Sheet Arrangements*

The Group is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

9.15 Qualitative and Quantitative Disclosures on Financial Risk

9.15.1 *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.

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.

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.

For additional information relating to the Group's credit risk, see note 4.2 (*Credit risk*) to the 2020 Azelis Holding S.à r.l. Financial Statements.

9.15.2 *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 demand and unused credit facilities to meet expected operational expenses for the respective planning horizon, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

For additional information relating to the Group's liquidity risk, see note 4.3 (*Liquidity risk*) to the 2020 Azelis Holding S.à r.l. Financial Statements.

9.15.3 *Market Risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that 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 returns. The Group buys and sells derivatives in order to manage its market risks.

9.15.3.1 Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in various currencies. The main currencies are euros, U.S. dollars, Canadian dollars and British pounds sterling.

For an overview of the Group's statement of financial position exposure to U.S. dollars, Canadian dollars and British pounds sterling and a sensitivity analysis for a 10% strengthening or weakening of euros against these currencies, see note 4.4 (*Market risk*) to the 2020 Azelis Holding S.à r.l. Financial Statements.

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 in-flows generated by the underlying operations of the Group, primarily euros, British pounds sterling and Canadian dollars. 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.

9.15.3.2 Interest Rate Risk

The Group adopts a policy of carefully managing its interest rate risk. The Board of Directors assesses on a regular basis its interest rates versus external benchmarks, ensuring that management will affect financial transactions resulting in fixed borrowing interest rates in case limits are exceeded. The Group's external bank borrowings are on a floating basis. The interest rate risk of the Group's syndicated external debt is partly covered through a swap transaction in which the floating interest rate has been capped until February 2022.

For an overview of the Group's interest profile on its variable rate financial assets and liabilities and a cash flow sensitivity analysis for a 100 basis points change in interest rates, see note 4.4 (*Market risk*) to the 2020 Azelis Holding S.à r.l. Financial Statements.

9.16 Critical Accounting Policies and Estimates

The preparation of the Group's consolidated financial statements requires management to make 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. Actual amounts may differ from these estimates. See note 3 (*Estimates and judgements*) to the 2020 Azelis Holding S.à r.l. Financial Statements.

9.17 Operating and Financial Review of Vigon Financial Statements

9.17.1 *Consolidated Statements of Income*

The following table shows Vigon's annual results of operations from the Vigon Financial Statements. For additional information, see section 2.10.1.6 (*Important Information—Presentation of Financial Information—Historical Financial Information—Financial Statements of Vigon International, Inc.*) and section 7 (*Unaudited Pro Forma Financial Information*).

	For the year ended December 31,		
	2020	**2019**	**2018**
		(U.S.$ millions) *(audited)*	
Net sales	**133.3**	**120.1**	**119.4**
Cost of sales	87.0	80.7	78.6
Gross profit	**46.3**	**39.4**	**40.9**
Selling, general and administrative expenses	11.5	9.3	6.8
Operating income	**34.8**	**30.1**	**34.1**
Interest expense	0.8	1.2	1.0
Loss on swap agreements	1.0	–	–
Other	0.1	0.0	0.0
Other expenses	1.9	1.2	1.0
Net income	**32.9**	**28.9**	**33.1**

9.17.1.1 Net Sales

Vigon's net sales increased by U.S.$13.2 million, or 11.0%, to U.S.$133.3 million in the year ended December 31, 2020, from U.S.$120.1 million in the year ended December 31, 2019. The increase was primarily due to new product introductions and new customer wins, as well as an increased focus on pricing and margin expansion for certain key products.

Vigon's net sales increased by U.S.$0.7 million, or 0.7%, to U.S.$120.1 million in the year ended December 31, 2019, from U.S.$119.4 million in the year ended December 31, 2018. The increase, primarily due to growth in the food and beverage segments, was relatively flat compared with Vigon's historical organic revenue growth, which has averaged an approximately 6% CAGR since 2016.

9.17.1.2 Gross Profit

Vigon's gross profit increased by U.S.$6.9 million, or 17.4%, to U.S.$46.3 million in the year ended December 31, 2020, from U.S.$39.4 million in the year ended December 31, 2019. The increase was primarily due to growth in the food and beverage segments as well as an increase in Vigon's gross profit margin to 34.7% in 2020 from 32.8% in 2019. The gross profit margin, which is above Azelis' average Gross Profit Margin, is common for the flavors and fragrances specialty ingredients market where Vigon is active and is driven by the complexity of flavors and fragrances that typically require many ingredients. The increase in Vigon's gross profit margin was primarily attributable to sales mix to existing customers.

Vigon's gross profit decreased by U.S.$1.4 million, or 3.5%, to U.S.$39.4 million in the year ended December 31, 2019, from U.S.$40.9 million in the year ended December 31, 2018. The decrease was primarily due higher labor and overhead costs and sales mix and as Vigon's gross profit margin decreased to 32.8% in 2019 from 34.2% in 2018.

9.17.1.3 Selling, General and Administrative Expenses

Vigon's selling, general and administrative expenses increased by U.S.$2.1 million, or 22.9%, to U.S.$11.5 million in the year ended December 31, 2020, from U.S.$9.3 million in the year ended December 31, 2019. The increase was primarily due to ownership compensation expenses and loss on disposal of property, plant and equipment.

Vigon's selling, general and administrative expenses increased by U.S.$2.6 million, or 37.8%, to U.S.$9.3 million in the year ended December 31, 2019, from U.S.$6.8 million in the year ended December 31, 2018. The increase was primarily due to ownership compensation expenses.

9.17.1.4 Other Expenses

Vigon's other expenses increased by U.S.$0.8 million, or 66.8%, to U.S.$1.9 million in the year ended December 31, 2020, from U.S.$1.2 million in the year ended December 31, 2019. The increase was primarily due to loss on interest rate swap agreements, offset by lower interest expense on Vigon's debt.

Vigon's other expenses increased by U.S.$0.1 million, or 11.7%, to U.S.$1.2 million in the year ended December 31, 2019, from U.S.$1.0 million in the year ended December 31, 2018. The increase was primarily due to higher interest expense on Vigon's debt.

9.17.1.5 Net Income

As a result of the factors described above, Vigon's net income increased by U.S.$3.9 million, or 13.6%, to U.S.$32.9 million in the year ended December 31, 2020, from U.S.$28.9 million in the year ended December 31, 2019.

As a result of the factors described above, Vigon's net income decreased by U.S.$4.1 million, or 12.5%, to U.S.$28.9 million in the year ended December 31, 2019, from U.S.$33.1 million in the year ended December 31, 2018.

9.17.2 *Consolidated Balance Sheets*

The following table shows Vigon's year-end balance sheet information from the Vigon Financial Statements. For additional information, see section 2.10.1.6 (*Important Information—Presentation of Financial Information—Historical Financial Information—Financial Statements of Vigon International, Inc.*).

	As at December 31,		
	2020	**2019**	**2018**
		(U.S.$ millions) *(audited)*	
Current assets	43.4	41.4	37.6
Non-current assets	11.6	12.7	12.0
Total assets	**55.0**	**54.1**	**49.6**
Total current liabilities	26.2	39.7	25.2
Total non-current liabilities	25.3	3.9	19.8
Total liabilities	**51.5**	**43.6**	**45.0**
Total equity	**3.5**	**10.5**	**4.7**

9.17.2.1 Current Assets

Vigon's current assets increased by U.S.$1.9 million, or 4.6%, to U.S.$43.4 million as at December 31, 2020, from U.S.$41.4 million as at December 31, 2019. The increase was primarily attributable to cash and cash equivalents, trade accounts receivable, inventories and prepaid expenses.

Vigon's current assets increased by U.S.$3.8 million, or 10.1%, to U.S.$41.4 million as at December 31, 2019, from U.S.$37.6 million as at December 31, 2018. The increase was primarily attributable to trade accounts receivable, inventories and prepaid expenses.

9.17.2.2 Non-Current Assets

Vigon's non-current assets decreased by U.S.$1.0 million, or 8.0%, to U.S.$11.6 million as at December 31, 2020, from U.S.$12.7 million as at December 31, 2019. The decrease was primarily attributable to property, plant and equipment including an increase in accumulated depreciation and the disposal of property, plant and equipment no longer used in Vigon's operations.

Vigon's non-current assets increased by U.S.$0.6 million, or 5.4%, to U.S.$12.7 million as at December 31, 2019, from U.S.$12.0 million as at December 31, 2018. The increase was primarily attributable to investments in property, plant and equipment, offset by an increase in accumulated depreciation.

9.17.2.3 Current Liabilities

Vigon's current liabilities decreased by U.S.$13.4 million, or 33.9%, to U.S.$26.2 million as at December 31, 2020, from U.S.$39.7 million as at December 31, 2019. The decrease was primarily attributable to lower outstanding balances on Vigon's revolving line of credit and current portion of long-term debt, offset by increases in trade accounts payable, accrued expenses and other short-term liabilities.

Vigon's current liabilities increased by U.S.$14.5 million, or 57.8%, to U.S.$39.7 million as at December 31, 2019, from U.S.$25.2 million as at December 31, 2018. The increase was primarily attributable to higher outstanding balances on

Vigon's revolving line of credit and current portion of long-term debt as well as accrued expenses and other short-term liabilities, offset by an increase in trade accounts payable.

9.17.2.4 Non-Current Liabilities

Vigon's non-current liabilities increased by U.S.$21.4 million, or 551.2%, to U.S.$25.3 million as at December 31, 2020, from U.S.$3.9 million as at December 31, 2019. The increase was primarily attributable to higher outstanding balances on Vigon's long-term debt.

Vigon's non-current liabilities decreased by U.S.$16.0 million, or 80.4%, to U.S.$3.9 million as at December 31, 2019, from U.S.$19.8 million as at December 31, 2018. The decrease was primarily attributable to lower outstanding balances on Vigon's long-term debt.

9.17.3 *Consolidated Statements of Cash Flows*

The following table shows certain line items from Vigon's annual cash flows from the Vigon Financial Statements. For additional information, see section 2.10.1.6 (*Important Information—Presentation of Financial Information—Historical Financial Information—Financial Statements of Vigon International, Inc.*).

	For the year ended December 31,		
	2020	**2019**	**2018**
		(U.S.$ millions) *(audited)*	
Net cash provided by operating activities	37.6	24.6	25.4
Net cash used in investing activities	(1.0)	(1.4)	(3.8)
Net cash used in financing activities	(35.9)	(23.3)	(22.0)

9.17.3.1 Net Cash provided by Operating Activities

Vigon's net cash provided by operating activities increased by U.S.$12.9 million, or 52.4%, to U.S.$37.6 million in the year ended December 31, 2020, from U.S.$24.6 million in the year ended December 31, 2019. The increase was primarily attributable to higher income from operations as well as cash flow generated from net working capital.

Vigon's net cash provided by operating activities decreased by U.S.$0.8 million, or 3.0%, to U.S.$24.6 million in the year ended December 31, 2019, from U.S.$25.4 million in the year ended December 31, 2018. The decrease was primarily attributable to lower income from operations offset by improvement in cash flow used by net working capital.

9.17.3.2 Net Cash used in Investing Activities

Vigon's net cash used in investing activities decreased by U.S.$0.3 million, or 23.1%, to U.S.$1.0 million in the year ended December 31, 2020, from U.S.$1.4 million in the year ended December 31, 2019. The decrease was primarily attributable to investments in property, plant and equipment.

Vigon's net cash used in investing activities decreased by U.S.$2.5 million, or 64.5%, to U.S.$1.4 million in the year ended December 31, 2019, from U.S.$3.8 million in the year ended December 31, 2018. The decrease was primarily attributable to investments in property, plant and equipment.

9.17.3.3 Net Cash used in Financing Activities

Vigon's net cash used in financing activities increased by U.S.$12.6 million, or 54.1%, to U.S.$35.9 million in the year ended December 31, 2020, from U.S.$23.3 million in the year ended December 31, 2019. The increase was primarily attributable to distributions to stockholders and net borrowings on Vigon's revolving line of credit, offset by an increase in net proceeds from long-term debt.

Vigon's net cash used in financing activities increased by U.S.$1.3 million, or 5.7%, to U.S.$23.3 million in the year ended December 31, 2019, from U.S.$22.0 million in the year ended December 31, 2018. The decrease was primarily attributable to net borrowings on Vigon's revolving line of credit and long-term debt, offset by a decrease in distributions to stockholders.

10. INDUSTRY OVERVIEW

Historical and current market data used throughout this Prospectus were obtained from external sources. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of the information contained in the industry publications are not guaranteed. None of Azelis, the Underwriters or any of its or their respective advisors have independently verified this market data. While Azelis is not aware of any misstatements regarding any industry or similar data presented in this Prospectus, estimates, particularly as they relate to market share and its general expectations, involve risks and uncertainties and are subject to change based on various factors, including those discussed under section 1 (Risk Factors) in this Prospectus. Azelis does, however, accept responsibility for the correct reproduction of this information, and, as far as Azelis is aware and able to ascertain from information published, no facts have been omitted that would render the reproduced information inaccurate or misleading.

The projections and other forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. Therefore, any expectations and projections based upon such market data should not be unduly relied upon. See section 1 (Risk Factors) and section 2.13 (Important Information—Forward-Looking Statements).

Unless otherwise indicated, information in this section is derived from the Azelis Data Analysis. See section 2.9 (Important Information—Sources of Market Data and Information from Third Parties).

10.1 Overview

Azelis is one of only two global pure play distributors in the approximately €117 billion global specialty chemicals and food ingredients distribution market (2019), which is in part driven by the underlying addressable global specialty chemicals and food ingredients consumption market of approximately €669 billion (2019).

Specialty chemicals and food ingredients are typically sold in relatively small quantities and delivered in small loads (i.e., less than a full truckload) to customers who tend to buy small volumes. Specialty chemicals and food ingredients are usually applied in customer-specific formulations. Specialty chemicals and food ingredients producers (which in the context of distribution are referred to as "principals") utilize distributors to service their customers, often on an exclusive basis where the distributor is the principal's sole distributor in the relevant territory for a particular product or multiple products. Specialty chemicals and food ingredients distributors are able to differentiate themselves by building on formulation expertise and providing value-added services.

Principals typically maintain direct relationships with a small number of large-volume customers (i.e., approximately 15% of their customers contribute approximately 80% of their revenue) and provide exclusive mandates to distributors to cover the long tail of low-volume specialty chemicals and food ingredients customers (i.e., approximately 85% of their customers contribute approximately 20% of their revenue). The latter is the relevant market in which Azelis competes.

Historically, the global specialty chemicals and food ingredients distribution market has grown faster, at approximately 4.8% growth per year from 2014 through 2019, than the specialty chemicals and food ingredients consumption market, which grew at approximately 3.7% per year over the same period, which in turn has grown faster than global GDP, which grew approximately 3.3% per year over this period. This trend is expected to continue with the specialty chemicals and food ingredients distribution market expected to grow at approximately 4.4% growth per year from 2019 through 2026. This growth is expected to be higher than the underlying specialty chemicals and food ingredients consumption market, which is projected to grow at a rate of approximately 3.4% per year, as well as global GDP, which is forecast to grow approximately 2.9% per year over this period.

There are a number of factors driving growth in the specialty chemicals and food ingredients distribution market. Growth in distribution naturally correlates with growth in consumption. Industrial output is the main underlying driver of chemicals consumption growth. In addition to this, specialty chemicals and food ingredients consumption has historically grown higher than industrial output. Finally, increased outsourcing penetration in the specialty chemicals and food ingredients distribution market leads to increased overall market growth. Outsourcing is expected to contribute approximately 1% to market growth.

The global chemicals distribution market is extremely fragmented, with only approximately 21% of the market in 2019 having been captured by the top 25 distributors by revenue and the remainder of the market made up of over 20,000 mostly local or regional distributors. The same is true for specialty chemicals and food ingredients distribution, where the top four global players controlled only approximately 10% of the market by revenue in 2019. This leaves ample room for further consolidation. A number of trends in specialty chemicals and food ingredients distribution favor larger players over local and regional competitors. Primarily, size allows global players to offer their principals the option to consolidate their distributor landscape. In addition, size allows global players to leverage digital technology at scale, adhere to high ethical and governance standards, comply with the strictest health and safety demands, support customers in meeting their sustainability targets, have more value-added services and benefit from a wider reach across geographies, products and customers. The opportunity to consolidate distributor relationships aligns with the desire of principals to reduce complexity and risk. All of the above factors favor large global players, such as Azelis, to participate in the trend towards consolidation and to simplify principals' route to market.

10.1.1 *Market Size of Underlying Global Specialty Chemicals and Food Ingredients Consumption and Global Specialty Chemicals and Food Ingredients Distribution*

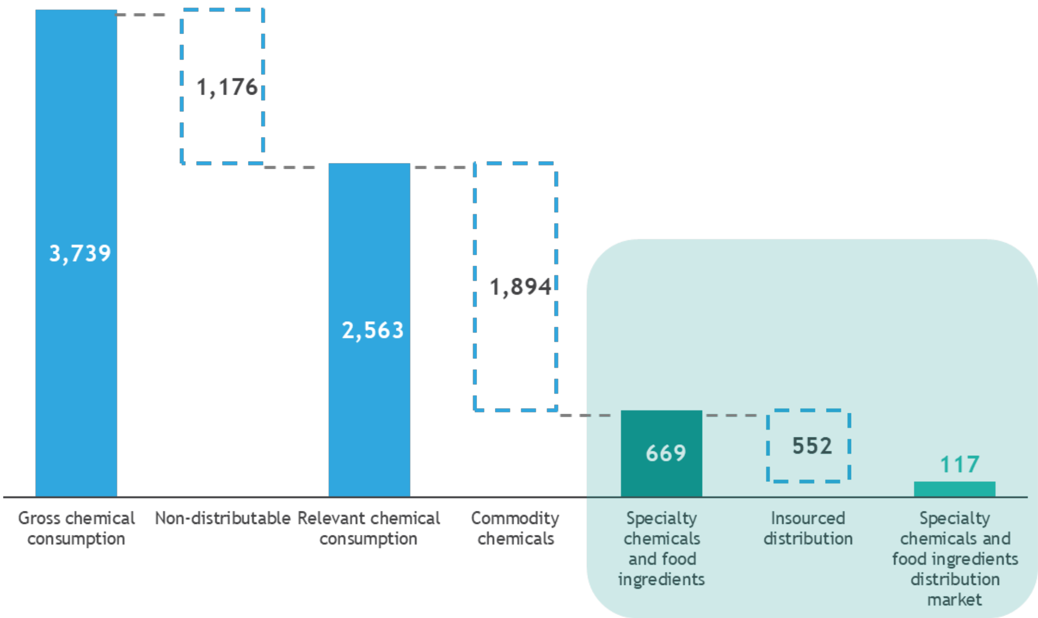
Based on the Azelis Data Analysis, the total market for chemicals in 2019 was €3,739 billion, of which €1,176 billion represented non-distributable products, which are those that are too hazardous for storage, cannot be transported easily or are used for captive consumption purposes.

From the remaining market for distributable chemicals of €2,563 billion, €1,894 billion was attributable to commodity chemicals and €669 billion related to specialty chemicals and food ingredients consumption.

Commodity chemicals are typically bulk chemicals that are standardized and have minimal variation per application. Commodity chemicals are often used as starting material to produce a wide variety of other chemicals. They tend to have a transparent price with producers typically selling large volumes to their customers. Examples of commodity chemicals include ethylene, propylene, phenol, methanol and formaldehyde.

Specialty chemicals, by contrast, are complex and tailored formulations that target specific application needs in certain end markets. Pricing is based on the value added by the product that is generally sold by a skilled and technical salesforce that is able to create customized formulations for their end customers. They are often sold in low volumes and tailored to a particular application. Examples of categories of specialty chemicals include construction chemicals, adhesives, food additives and surfactants.

As illustrated below, out of the total specialty chemicals and food ingredients market size of approximately €669 billion, the outsourced specialty chemicals and food ingredients distribution market accounted for approximately €117 billion, or approximately 17.5% of the total. The €117 billion specialty chemicals and food ingredients distribution market is where Azelis is active.



Source: Azelis Data Analysis.

Notes: Market sizes € billions as at 2019.

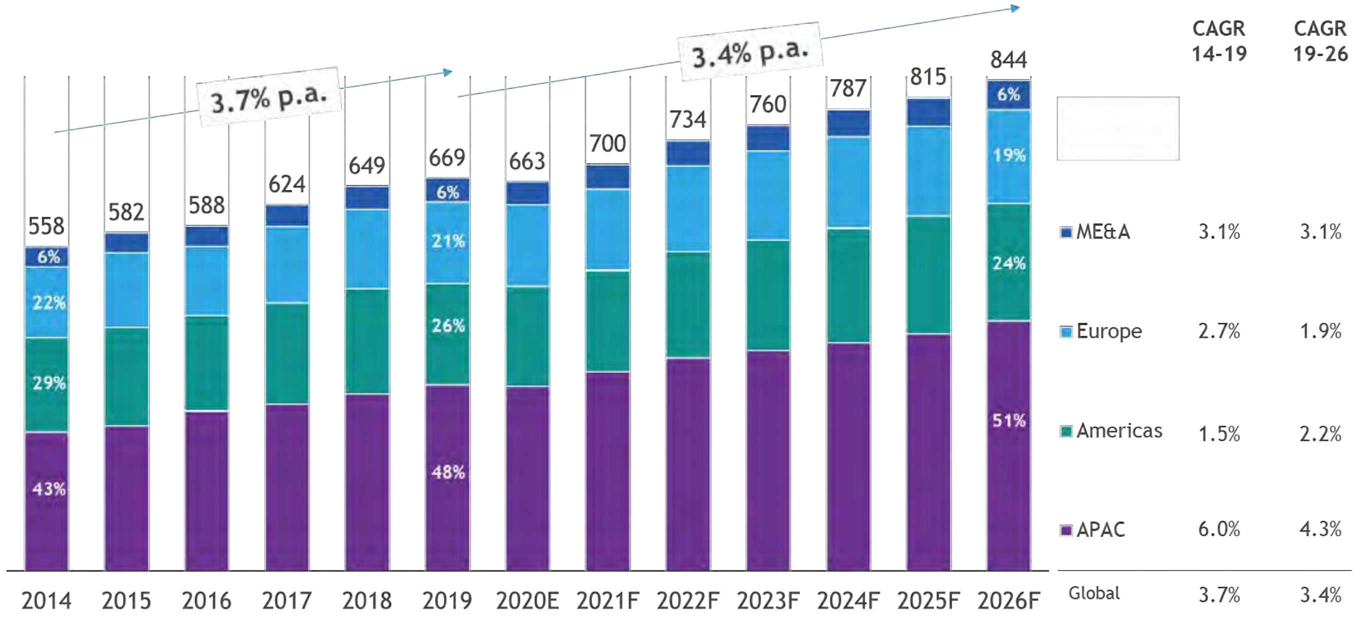
10.2 Global Specialty Chemicals and Food Ingredients Consumption Market

The value chain of specialty chemicals is highly complex. Commodity chemicals undergo various reactions to produce chemical intermediates. Therefore, by their nature, commodity chemicals act as fungible raw material. Intermediates are further refined into bespoke specialty chemicals via specific chemical or biological reactions. It typically takes several reactions and manufacturing processes to create bespoke specialty chemicals from chemical intermediates. Specialty chemicals are therefore downstream products that are very difficult to replace and are tailored to specific applications and end markets. They are sold by a technical salesforce to end customers, who tend to use these specialty chemicals as part of an overall formulation.

The global specialty chemicals and food ingredients consumption market was estimated at approximately €669 billion in 2019, and is expected to grow at approximately 3.4% per year from 2019 through 2026, mainly driven by growth in India and China.

Historically, the specialty chemicals and food ingredients consumption market has outgrown global GDP. From 2014 through 2019, the specialty chemicals and food ingredients consumption market grew at approximately 3.7% while global GDP grew at 3.3%. This trend is expected to continue in the future, with specialty chemicals and food ingredients consumption expected to grow at

3.4% from 2019 through 2026 while global GDP is expected to grow 2.9% per year over this period. COVID-19 reduced specialty chemicals and food ingredients consumption in 2020 by 1% as compared with 2019, but above average growth is expected in 2021 and 2022, which is expected to be driven by strong underlying and rebounding GDP growth. An overview of the underlying market growth by regions is shown below.



Source: Azelis Data Analysis.

Notes: Amounts in € billions. ME&A represents the Middle East and Africa. Europe includes Western Europe and Central and Eastern Europe.

The specialty chemicals and food ingredients consumption market is broadly divided into two key segments: life sciences and industrial chemicals.

10.2.1 *Life Sciences End Markets*

End markets where Azelis is active within the life sciences segment primarily include: (i) food and health; (ii) personal care; (iii) specialty agrochemicals and horticulture; (iv) pharmaceuticals; (v) homecare and industrial cleaning; and (vi) animal nutrition.

The life sciences specialty chemicals consumption market was estimated at approximately €225 billion in 2019 and is expected to grow at 3.8% per year from 2019 through 2026, which is approximately 0.5-1% per year higher than global industrial output, driven by higher growth segments like pharmaceuticals, personal care and cleaning, which proved highly resilient during the COVID-19 pandemic.

10.2.1.1 Food and Health

Azelis distributes high-quality food ingredients, flavors and flavor ingredients, effective auxiliary materials and a wide range of additives to help create the taste, texture, performance and appearance for food, health and nutritional products. The fast-growing food and health end market is characterized by local taste and local recipes that dictate formulations. This end market is subject to increasing regulation and is highly fragmented. Typical products in this end market that use specialty chemicals and food ingredients distributed by Azelis include, among others, cereals, drinks, dairy products, snacks, ready-to-eat meals and nutritional supplements. Typical Azelis customers in the food and health end market are small- and medium-sized manufacturers of such products.

10.2.1.2 Personal Care

Azelis distributes ingredients and application solutions in personal care (e.g., bath and body, oral, sun, hair and skin care). The personal care end market, which historically has been among the fastest growing end markets in life sciences, is characterized by a surge of natural products and small, independent brands that are driving growth and innovation. Typical products in this end market that use specialty chemicals distributed by Azelis include, among others, cosmetics, skin and hair care products and fragrances. Typical Azelis customers in the personal care end market are small- and medium-sized manufacturers of such products as well as larger multinational companies.

10.2.1.3 Specialty Agrochemicals and Horticulture

Azelis distributes a wide range of products for the agriculture, horticulture, amenity and farm care markets as well as solutions for vector control, forestry, industrial vegetation management, aquatic, range, pasture and weed control. The specialty agrochemicals and horticulture end market operates in a highly technical industry with a need for formulation work and a focus on performance along with health and environmental benefits. Typical products in this end market that use specialty chemicals distributed by Azelis include, among others, crop protection and weed control products, fertilizers and seed coatings. Typical Azelis customers in the specialty agrochemicals and horticulture end market are cooperative societies, agricultural societies made up of large farm owners and certain governmental bodies.

10.2.1.4 Pharmaceuticals

Azelis distributes a wide range of active pharmaceutical ingredients and excipients for the pharmaceutical, veterinary and health care industries. The pharmaceutical end market is highly regulated, with products that require multiple iterations of development, testing and approval. Typical products in this end market that use specialty chemicals distributed by Azelis include, among others, preservation systems, flavors, oral healthcare, suppository ingredients, medical devices and wound care products. Typical Azelis customers in the pharmaceuticals end market include both small and large pharmaceutical companies that manufacture such products.

10.2.1.5 Homecare and Industrial Cleaning

Azelis distributes specialty chemicals to the homecare and industrial cleaning end market, which is characterized by a strong focus on sustainability and convenience for the end user. This end market is subject to increasing regulation that triggers new developments and is fragmented. Typical products in this end market that use specialty chemicals distributed by Azelis include, among others, air fresheners, surface cleaning and laundry products. Typical Azelis customers in the homecare and industrial cleaning end market are small- and medium-sized manufacturers of such products.

10.2.1.6 Animal Nutrition

Azelis is a trusted feed ingredients supplier servicing the animal feed and related industries with a wide range of feed ingredients that support the health, potential and lifetime performance of all livestock species. The animal nutrition end market is characterized by a focus on sustainable food production and a reduction of reliance on antibiotics. This end market is driven by multinationals and local champions that are regulated, as are their products. Typical products in this end market that use specialty chemicals and food ingredients distributed by Azelis include, among others, grain processing and preservation ingredients. Typical Azelis customers in the animal nutrition end market are small- and medium-sized manufacturers of animal feed products as well as agricultural societies.

10.2.2 *Industrial Chemicals End Markets*

End markets where Azelis is active within the industrial chemicals segment primarily include: (i) CASE (coatings, adhesives, sealants and elastomers, and construction materials); (ii) rubber and plastic additives; (iii) lubricants and metal working fluids; and (iv) other end markets, such as (a) electronics, (b) essential and fine chemicals and (c) textiles, leather and paper.

The industrial specialty chemicals consumption market was estimated at approximately €265 billion in 2019 and is expected to grow by 2.8% per year from 2019 through 2026, which includes expected growth of 5.0% per year from 2020 through 2022 as consumption recovers from the 4.0% decline seen in industrial chemicals consumption from 2019 to 2020 as a result of the COVID-19 pandemic. Chemicals used in electronics applications, certain catalysts and chemicals used in CASE applications are among the fastest growing industrial chemicals end markets.

10.2.2.1 CASE

Azelis distributes specialty chemicals to be used in coatings, adhesives, sealants and elastomers, as well building and construction products. The CASE end market is characterized by products that are often either price-driven (such as decorating products) or technology-driven (such as industrial coatings). Typical products in this end market that use specialty chemicals distributed by Azelis include, among others, adhesives and sealants, inks and paints. The CASE end market is experiencing incremental changes to include more environmentally friendly products. Typical Azelis customers in the CASE end market are small- and medium-sized manufacturers of such products and the Group also makes select sales to large companies in certain geographies.

10.2.2.2 Rubber and Plastic Additives

Azelis caters to the rubber industry with specialty chemicals for elastomers, natural and synthetic rubber, chemicals additives and fillers, such as silica, carbon black and pigments. The rubber and plastic additives end market is governed by regulation, with a focus on innovation leading to more environmentally friendly products such as biodegradable plastics and is strongly impacted by trends in the automotive industry. Typical products in this end market that use specialty chemicals distributed by Azelis include, among others, rubber and plastic additives as well as flooring products and wire and cable components. Azelis has a diversified customer base in the rubber and plastic additives end market.

10.2.2.3 Lubricants and Metal Working Fluids

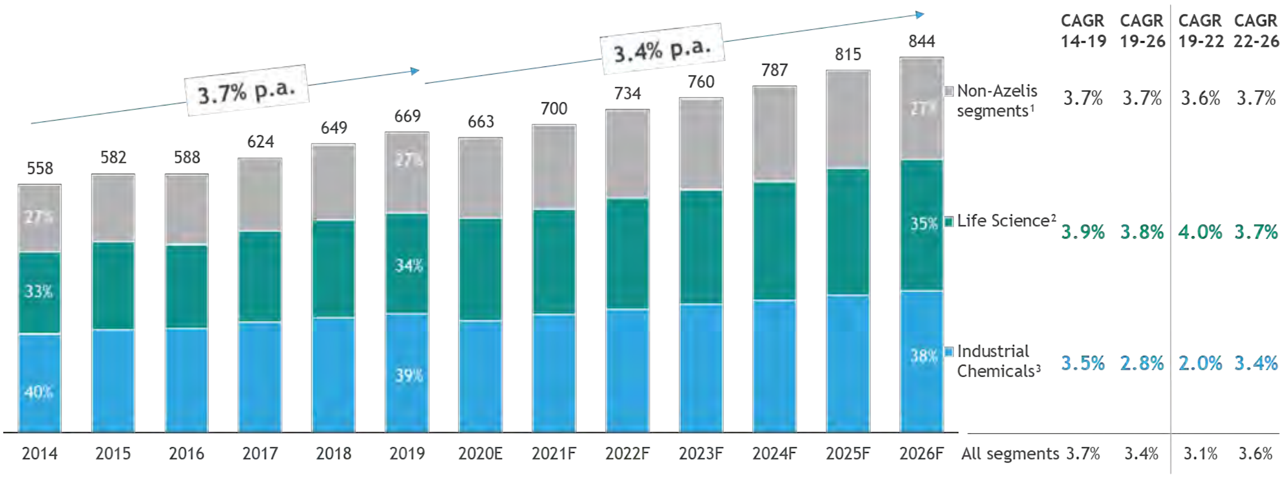
Azelis distributes high-quality specialty chemicals for the lubricants and metal working fluids sector around the world. The lubricants and metal working fluids end market is part of a highly technical industry, with a large exposure to the automotive industry and industrial manufacturing. Innovation in this end market is driven by regulations on carbon emissions and efficiency. Typical products in this end market that use specialty chemicals distributed by Azelis include, among others, base oils, thickeners, additives and amines. Typical Azelis customers in the lubricants and metal working fluids end market are manufacturers of lubricants as well as independent auto repair and select machinery works companies.

10.2.2.4 Other Industrial Chemicals End Markets

Other end markets in industrial chemicals to which Azelis distributes specialty chemicals include (i) electronics, (ii) essential and fine chemicals and (iii) textiles, leather and paper. Each of these end markets is highly technical and fragmented, and all are characterized by a focus on increasing performance. Typical products in these end markets that use specialty chemicals and food ingredients distributed by Azelis include, among others, high purity metals and substrates (electronics), equipment and tooling, precursors for deposition technology, biocides, preservatives and specialty additives (essential and fine chemicals) and bleaching, coating, whitening, pretreatment and finishing products (textiles, leather and paper). The end markets have a diverse customer base requiring essential chemicals.

10.2.3 *Expected Growth Profiles by Market Segments*

An overview of the growth profile between life sciences and industrial chemicals is shown below. Including non-Azelis segments, the addressable market split is approximately 40% life sciences and 60% industrial chemicals.



Source: Azelis Data Analysis.

Notes: Amounts in € billions.

(1) Non-Azelis end markets include specialty polymers, which is the largest segment; and other specialties (e.g., composites, plastics compounding and specialties used in imaging, etc.).

(2) Life science end markets include food and health; animal nutrition; homecare and industrial cleaning; personal care; pharmaceuticals; and agrochemicals and horticulture.

(3) Industrial chemicals end markets include CASE; electronics; catalysts; lubricants and metal working fluids; rubber and plastic additives; textiles; leather and paper; and other applications (e.g., mining, oil field and water treatment).

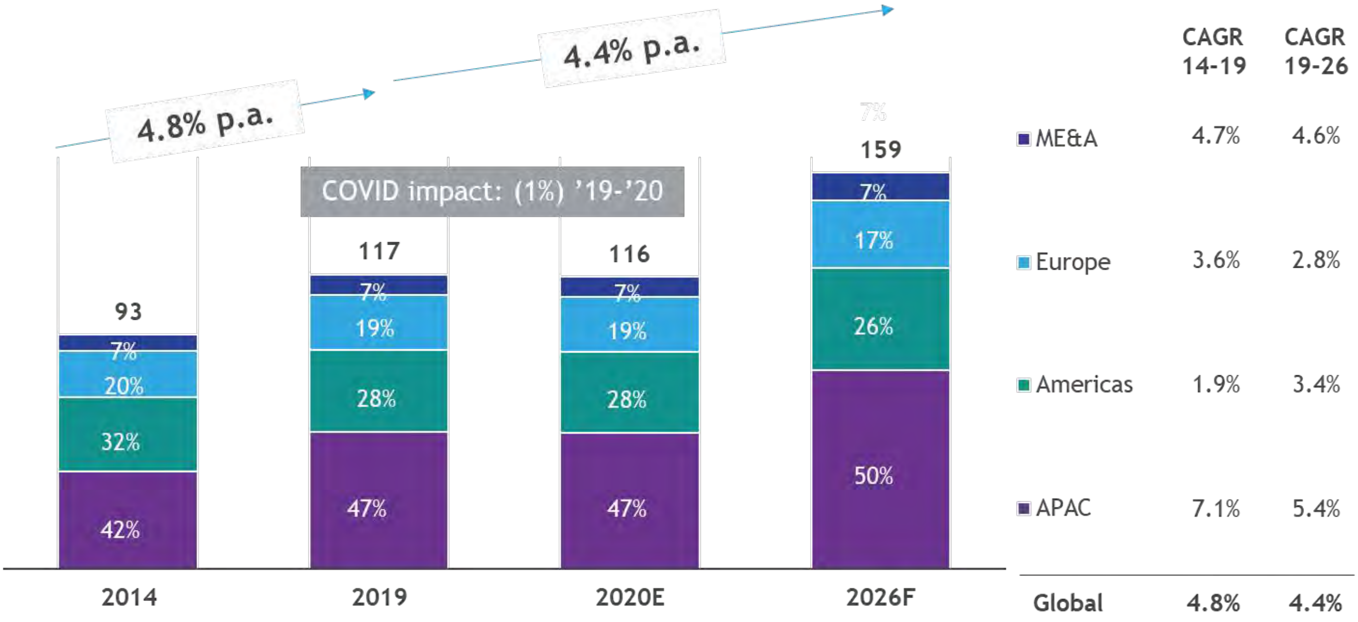
Life sciences segments typically have lower cyclicity and are more resilient compared with industrial chemicals because their underlying end markets (e.g., agrochemicals and horticulture, pharmaceuticals, personal care, homecare and industrial cleaning and animal nutrition) generally have stable demand and are not significantly impacted by economic cyclicity. For example, in 2020, life sciences segments are estimated to have continued growing at 2-3% compared with 2019, despite the impact of the COVID-19 pandemic, driven by increased demand in segments like pharmaceuticals, personal care and homecare and industrial cleaning. In general, it is observed that the margin profile of life sciences is also higher than industrial chemicals.

Industrial chemicals tend to grow in line with industrial output, with varying dynamics in underlying segments. However, the demand for industrial chemicals tends to be more cyclical. Growth is estimated to have declined approximately 3-4% from 2019 to 2020 due to the impact of the COVID-19 pandemic, while a forecast recovery of over 5% per year between 2020 and 2022 is expected as global GDP rebounds.

The ability of global distributors such as Azelis to serve multiple segments across both life sciences and industrial chemicals allows them to not only represent the portfolio of their principal partners across different market segments, but to also truly act as a "one-stop shop" with customers who require products across multiple market segments. This is a key source of advantage compared with local and regional distributors who typically cater to only select end markets. There is a strong complementarity between the certain specialty chemicals that are used across life sciences and industrial chemicals end markets. Many specialty chemicals serve broad end markets. For example, select solvents and additives go into CASE products and also go into making hand sanitizer or cleaning products.

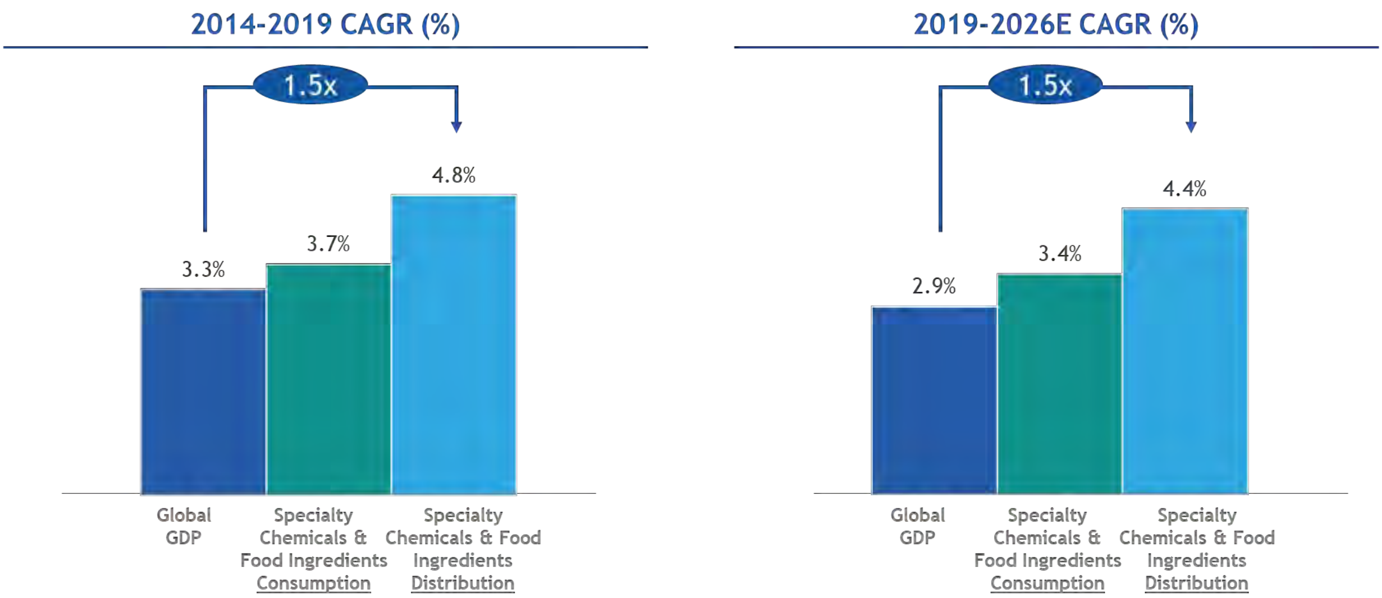
10.3 Global Specialty Chemicals and Food Ingredients Distribution Market

The global addressable specialty chemicals and food ingredients distribution market was approximately €117 billion in 2019 and is expected to grow at 4.4% per year between 2019 and 2026 (as compared with a 4.8% CAGR between 2014 and 2019) underpinned by industrial output growth and the continued outsourcing trend to distributors across regions. Market growth on a general regional basis is driven by China, India, the remainder of the Asia-Pacific region, Central and Eastern Europe and the Middle East and Africa, which collectively are expected to grow at approximately 4% per year, while North America and Western Europe are generally expected to grow at 2-3% per year between 2019 and 2026.



Source: Azelis Data Analysis.
Notes: Amounts in € billions. ME&A represents the Middle East and Africa. Europe includes Western Europe and Central and Eastern Europe.

As shown in the graphic below, specialty chemicals and food ingredients distribution outgrew the underlying consumption market by one percentage point and outgrew GDP by one and a half percentage points between 2014 and 2019. A similar trend is expected to continue as specialty chemicals and food ingredients distribution is expected to outgrow the underlying consumption market and GDP over the period from 2019 through 2026 as well.



Source: Azelis Data Analysis.

A key reason why specialty chemicals and food ingredients distribution grows faster than the underlying consumption market is due to the ongoing trend towards outsourcing by principals, many of which prefer to focus on their core competencies in manufacturing and research and development while allowing distributors to act as an extended sales force and manage complexity. Principals are increasingly handing over more geographies and customers to distributors to ensure their own operations are run efficiently. The share of sales through distributors is significantly lower for specialty chemicals and food ingredients at approximately 18% (and consistently below 20% across end markets), than for other industries (e.g., approximately 75% in building materials, approximately 65% in steel, approximately 45% in auto parts, approximately 40% in IT and approximately 25% in electronic components). A key reason for this is that the selling of specialty chemicals and food ingredients requires in-depth product and technical expertise as well as a knowledge of a wide portfolio of products, whereas products such as building materials, steel and auto parts are relatively more straightforward to sell.

This suggests considerable further runway for outsourcing penetration in the specialty chemicals and food ingredients distribution industry. An increase in third-party outsourcing drove specialty chemicals and food ingredients distribution market growth by approximately 1% per year from 2014 through 2019.

A number of market trends are expected to increase the degree of outsourcing to third-party distributors in specialty chemicals and food ingredients. These include:

- continued ambition from principals to reduce the complexity of their customer base and transfer non-strategic smaller customers to distributors;
- increasing customer differentiation, resulting in higher complexity within the smaller customer segments, increasing the pressure to turn this business over to a distributor;
- growing demand from customers for value-added services and formulation support, with digital technology capabilities playing a key role as an enabler and differentiator;
- continued ambition from principals to expand to growth markets (e.g., the Asia-Pacific region, Africa and Latin America) using distributors for local access; and
- rising regulatory requirements in developed markets as well as increased demands for compliance and professionalization in emerging markets, which add increased complexity to a principal's operations.

In line with historical trends, outsourcing rates by principals using distributors are expected to grow at approximately 1% per year between 2019 and 2026, with the highest shift seen in emerging markets (i.e., China, India, the Middle East and Africa and Latin America collectively at an approximately 1.5% CAGR) compared with developed markets (i.e., North America, Western Europe and the more developed areas of the Asia-Pacific region, such as Japan, South Korea and Taiwan).

10.4 Role of a Distributor and Distributor Archetypes

Specialty chemicals and food ingredients distributors are the conduit between principals and a large customer base, particularly of smaller customers. Often, distributors exclusively source complementary products from multiple principals, develop a formulation, and combine and bundle them into one shipment to the customer. In addition, distributors provide services such as refilling, repacking and blending, and provide certain critical value-added services, such as the development of new formulations to solve customer requirements, changing existing formulations into more effective solutions, using sustainable materials, providing regulatory support and guidance, and ensuring compliance with legislative requirements. Azelis primarily offers inventory management, regulatory expertise and value-added formulation services to its customers. Services such as packaging, filing, mixing and blending are provided directly in some limited cases, but usually are outsourced to third parties or handled by the customer directly.

10.4.1 *Benefits to Both Principals and Customers*

From the perspective of a principal, distributors have the capabilities and sufficient volumes to serve long-tail customers. Distributors are able to reduce the complexity and costs for principals to reach small- and medium-size customers through their aggregated volume, commercial capabilities and local sales representation. Therefore, principals view distributors as extensions of their own sales and marketing functions. In addition, distributors provide market insights and trends to principals, while cooperating on the development of new products that can be offered to a distributor's customer base.

From a customer point of view, distributors serve as a "one-stop shop" by offering a high diversity of products and services across multiple principals. For example, in Azelis' award-winning "Time Dilution" skin care product, twelve different ingredients from six principals were used in the formulation. See section 11.3.2.1 (*Business—Strategy—Azelis' Leadership Positions as Strategic Growth Enablers—Leadership in Innovation*). In addition, specialty chemicals and food ingredients distributors educate the customer through their strong technical salesforce and support customers in innovation (e.g., with new formulations tailored to a particular end market).

In developed markets (e.g., Europe, North America and Japan), there is high customer demand for value-added services provided by specialty chemicals and food ingredients distributors such as application know-how, technical laboratories to support with formulation, online customer portals and document libraries. In developing markets (e.g., the Asia-Pacific region and Africa) specialty chemicals and food ingredients distributors are expanding their offering with certain additional services, such as simple packaging, filling and mixing and blending services, inventory management and by offering regulatory expertise to their customers.

The ability to serve both life sciences and industrial chemicals end markets, as well as access to a large principal base, allows larger distributors to act as a "one-stop shop" with their customers who require products across both market segments. For example, the same solvents used in the manufacturing of certain coatings and resins, which fall within industrial chemicals, are used in the manufacturing of hand sanitizers and cleaning agents, which are classified as products for life sciences end markets.

The breadth and completeness of a distributor's portfolio gained by virtue of its mandates with diverse principals allow the distributor to service its customers across multiple geographies and end markets (this is referred to as the "lateral value chain"). The lateral value chain increases a distributor's attractiveness to both customers and principals. A formulation for a customer requires chemicals and ingredients from various principals. Therefore, expanding the lateral value chain through collaborating with more principals results in the ability to develop a wider range of innovative solutions and to serve more customers, increase sales volumes and eventually leading to better customer satisfaction. Additionally, the higher the number of products a distributor sells to a customer, the cheaper it is for a distributor to serve that customer. Consequently, it becomes more attractive for a customer to deal with a single distributor, resulting in customer stickiness. Given this impact on end customer demand, the completeness of a distributor's lateral value chain also serves as an important attraction to principals when they select a partner for new mandates. Through a more complete portfolio of products in different end markets and regions, global players are able to achieve a higher average number of products and value per order, which creates operating efficiencies and enhanced pricing power.

10.4.2 *Distributor Archetypes*

The different archetypes of distributors present in the chemicals distribution market are (i) specialty-focused and (ii) commodity-focused.

10.4.2.1 Specialty Chemicals-Focused Distributors

Specialty chemicals and food ingredients distribution is characterized by high-quality product baskets that are tailored to, or developed for, specific customers or end markets. Product and service quality tend to be more important to the end customer than pricing, as underlying specialty chemicals and food ingredients have a high impact on final end product characteristics. Given the need for a technical sales channel and joint development of products or formulations, specialty chemicals and food ingredients are often organized and managed by market segments. Specialty-focused distributors also typically have exclusive relationships with principals and tend to maintain long-standing relationships with them, which provides for an alignment of their strategic objectives. They also tend to have an asset-light business model and outsource capital-intensive aspects such as logistics and warehouse operations given lower delivery and drop sizes. The only pure-play specialty-focused distributors with global reach and scale currently are IMCD and Azelis.

10.4.2.2 Commodity Chemicals-Focused Distributors and Full-Liners

Commodity chemicals-focused distribution is characterized by larger volumes, bulk products with limited tailoring and a higher focus on trading (i.e., spot business). Products from various principals in commodity chemicals are easily interchangeable, and this results in high price transparency in the market. Commodity-focused distributors typically own assets for storage, bulk-breaking and logistics.

Some distributors, referred to as "full-liners," carry an offering of both specialty and commodity products. The combination of carrying both commodity and specialty products results in different operating models within the same firm, as selling specialty chemicals and food ingredients needs technical expertise while commodities require more industrialized and standardized processes. The leading global full-liners are Brenntag and Univar.

10.4.3 *Key differences Between Specialty Chemicals and Commodity Chemicals Distribution*

Specialty and commodity chemicals distribution dynamics are very different. Specialty and commodity chemicals distribution models primarily differ on the importance of price versus technical and application expertise, differentiation, branding and switching tendency.

Commodity chemicals distribution is characterized by large volumes that are typically sold in bulk. Applications and prices of commodity chemicals are well-known in the industry. Commodity chemicals distribution tends be more asset-intensive and prices of products are strongly driven by raw material prices. Therefore, management of risk and variable margin are key, as margins are more exposed to price pressure. Technical marketing is not as relevant, while managing risk and the low cost of switching for principals remains important. As a result, in commodity chemicals distribution, the relationship between a supplier and distributor is typically not exclusive. Commodity chemicals distributors typically have mid-single digit EBITA margins paired with an approximately 20-30% return on capital.

In contrast, specialty chemicals and food ingredients distribution is primarily focused on technical sales and application expertise, where the pricing of products is based on value-added. Specialty chemicals and food ingredients are highly customized to a particular formulation, and product properties are important drivers of a customer's purchasing decision. Moreover, specialty chemicals and food ingredients are not directly interchangeable in a formulation compared with commodity chemicals. This makes switching of products more complex and difficult. Specialty chemicals and food ingredients distributors are typically asset-light with operations characterized by low volumes of highly customized products and services. Therefore, they are able to outsource low-volume logistical and warehousing operations to third parties. For specialty chemicals and food ingredients distributors, products and services are more relevant than price differentials. Business development is crucial in specialty distribution as many potential clients first need to be educated about the application of specialty products and added value. This limits the impact of raw material prices on a specialty chemical's price. Technical marketing and joint development are key in the specialty model, and there is higher demand for customized products for customers of specialty chemicals and food ingredients than commodity chemicals. All of the above lead to a higher cost of switching distributors for principals. In specialty chemicals and food ingredients distribution, principal and distributor relationships are typically exclusive. Specialty chemicals and food ingredients distributors typically have mid- to high-single digit EBITA margins paired with a return on capital above 40%.

A side-by-side comparison of specialty chemicals and food ingredients distribution compared to commodity chemicals distribution is presented below.

Specialty Chemicals & Food Ingredients		Commodity Chemicals
Complex and proprietary formulations Targeting end markets' specific application needs Typically not hazardous	Product	Bulk materials Minimal variation per application Sometimes hazardous
Pricing based on value added Skilled and technical staff Customized formulations	Value Proposition	Transparent commoditized pricing Logistics and infrastructure support Limited R&D
Exclusive principal relationships Technical, consultative selling Low volume, tailored quantities	Operating Model	Broad, non-exclusive relationships Transactional selling Large volume orders
More resilient through economic shocks and cycles Mid to high single digit EBITA margins > 40% return on capital	Financial Profile	Commodity price & cyclical exposure Mid single digit margins ~20-30% return on capital
azelis IMCD	Leading Companies	Brenntag Univar

Source: Azelis Data Analysis.

10.4.4 *Exclusive Relationship with Principals is a Key Feature of Specialty Chemicals and Food Ingredients Distribution*

The cost of switching distributors is underpinned by exclusive relationships between principals and distributors of specialty chemicals and food ingredients. From a principal point of view, exclusivity increases the distributor's motivation to deliver strong growth results within exclusive mandates (i.e., driving the distributor's willingness to invest the time to understand the principal portfolio technically, as well as into sales and marketing efforts). In addition, exclusivity results in more effective innovative solutions developed by distributors to improve existing formulations and/or introduce new formulations, driven by the distributor's insights in market trends and shifts. From a distributor point of view, exclusivity drives long-term relationships with principals, which allows distributors to develop focused expertise and to engage in joint innovation. Exclusivity increases customer stickiness by making the distributor the go-to-provider for specific chemicals. For distributors, this serves as protection against new market entrants on a certain region-product combination, including digital disruptors who not only cannot gain access to the chemicals underlying the exclusivity contract, but also cannot develop a formulation as they are missing both access to the lateral value chain and the technical expertise. Given the market structure in specialty chemicals and food ingredients distribution, distributors do not experience (or expect to experience) direct competition from digital disruptors. In general, a digital-only footprint does not suit the specialty chemicals and food ingredients industry given the nature of products, the need for formulation expertise and regulatory expertise required by the customers.

The exclusivity contract also provides transparency between distributors and their key strategic principals on market trends and new formulations, thus making the distributor a true extension of the principals' direct sales and marketing efforts. Distributors and principals, while generally not obligated to do so, choose to share market insights and new formulations with each other to further their symbiotic relationships. The distributor acts as an extension of the principal's technical sales force and benefits from the sharing of market insights, which allows it to drive sales for the principal or serve additional customers itself if the principal chooses not to do so.

In line with trends in the specialty chemicals and food ingredients distribution market, most of Azelis' contracts with principals are on an exclusive basis. As an illustration of this, Azelis believes that in aggregate at least 85% of its sales generated from mandates with its top ten principals are exclusive to Azelis, either by contractual arrangement or by virtue of the nature of the relationship where Azelis is the principal's sole distributor in the relevant territory for a particular product or multiple products (and certain end market application(s)). Of the Group's revenue and gross profit for the year ended December 31, 2020, 39% and 37%, respectively, was derived from products acquired by the Group from such top ten principals. Exclusivity creates a "win-win" situation for both principal and distributor.

10.4.5 ***Market Trends for Specialty Chemicals and Food Ingredients Distribution***

Technical expertise and industry knowledge define capabilities in specialty chemicals and food ingredients distribution, with application laboratories and formulation services being key. Application laboratories are an important part of the value-added services offered by specialty distributors, both from a principal and customer point of view. According to the Azelis Data Analysis, 77% of specialty chemicals and food ingredients principals claim that a distributor is very important as a development partner in product formulation. From a customer point of view, distributors employ application laboratories proactively to drive innovation and to facilitate the customers' formulation needs. New formulations are developed using innovative products that are proposed to clients. Formulation innovation is driven by all participants in the specialty chemicals and food ingredients lateral value chain. Formulations are developed (i) on customer request to enhance or troubleshoot existing formulations, (ii) on the initiative of individual distributors where they see untapped market opportunities and (iii) in collaboration with principals. Until commercial launch, customers are supported via technical and application support. All of the above lead to enhanced customer retention and increased switching costs for principals or customers. Application expertise and innovative solutions result in higher customer retention by the distributor.

Customers of specialty chemicals and food ingredients often benefit from technical sales support to find the best products for their needs and to optimize usage of these products in their own end products. Customers are therefore looking to work with a "one-stop shop" distributor with relevant sector knowledge and value-added services, who can bundle products from multiple principals. As a result, leading distributors constantly build out their lateral value chain by expanding their portfolio across products, end markets and geographies. A key method of strengthening the lateral value chain is to collaborate with new principals, thereby increasing a distributor's ability to develop a wider range of innovative solutions. This helps distributors to serve more customers and to increase sales volumes, which eventually leads to better customer satisfaction. This impact on end customer demand attracts principals when selecting a partner for new mandates. Having a more complete portfolio of products in different end markets and regions allows global players to achieve a higher average number of products and value per order, which creates operating efficiencies and provides distributors with enhanced pricing power.

Digital technology serves as a new channel to engage with existing customers, to attract new customers and to support them through service platforms, including customer portals and via e-Labs. Customer portals enable customers to discover a distributor's full product catalog and formulation examples, access them via easy-to-use search functionality and order samples and products. For example, in the personal care end market, within life sciences, skin care formulations examples could contain items such as a waterless hand cleaner, a full body detox scrub, a natural aquagel tailored to individual fragrances, various types of skin tonics and lotions, sleep cream, exfoliators and similar. In CASE end markets, within industrial chemicals, Azelis provides readily available additives for solvent-borne and water-borne decorative paints, industrial coatings that offer corrosion inhibitors or scratch resistance, and more. All of these products are readily available and help clients to go to market faster.

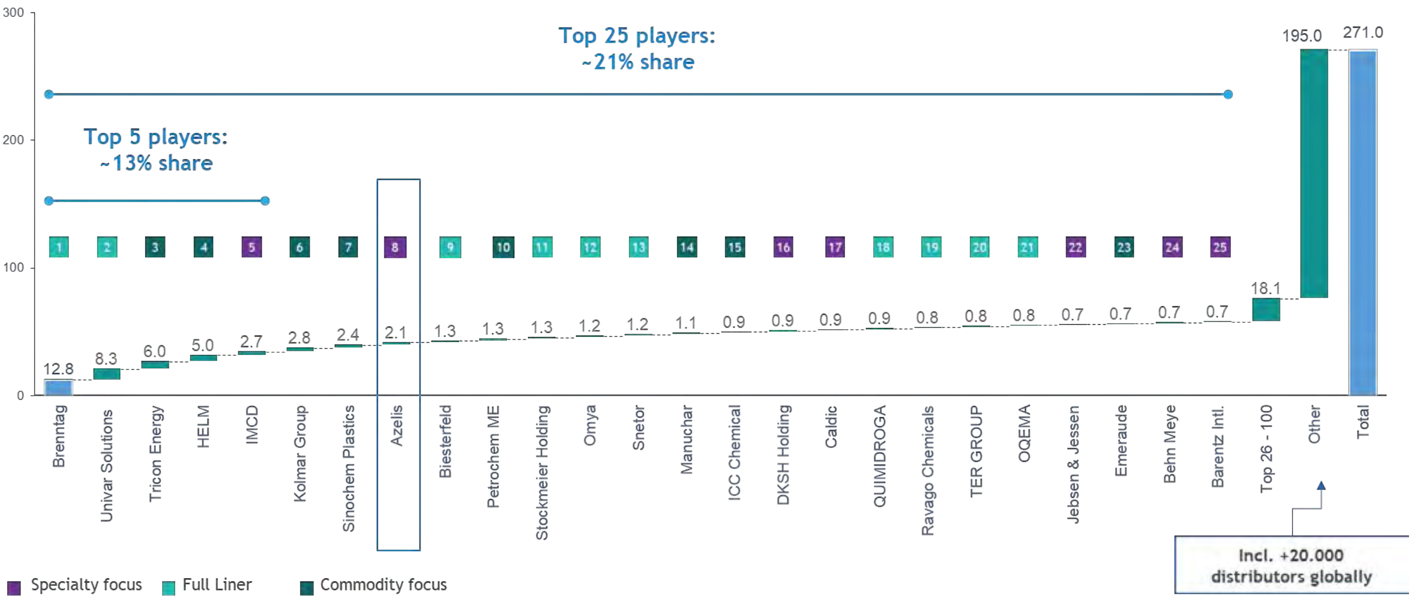
Customers can also ask questions on an almost real-time basis, and customer portals deliver value at every step of the customer's purchasing journey. E-Labs are online portals with convenient and fast access to information, formulation support and tools to develop new and to improve existing formulations. Through a combined online and offline model, Azelis' e-Lab platforms work in tandem with its physical application laboratories to support customers in their product development and planning cycle.

Distributors with advanced digital technology capabilities can also generate data and insights on customers' online behavior as well as their needs and preferences. This enables the distributors' digital technology initiatives to also support principals with market insights and strengthens the relationship between principals and distributors. As a result, the interest of principals in digital technology collaboration continues to rise, with a strong focus on connected customer relationship management systems. Internally, distributors use digital tools to optimize operations, harmonize reporting and in advanced functions, such as margin optimization and streamlining, and automating burdensome data entry activities.

Principals are increasingly interested in working with distributors who maintain high governance and ethical standards, are environmentally responsible partners and have demonstrated a strong health and safety track record. Principals in specialty chemicals and food ingredients view their reputation and brand at risk, given the distributor's role as an outsourced sales and marketing function and the exclusive nature of the relationship. Avoiding breaches of ethical behavior among employees and training of employees in topics such as anti-bribery, codes of conduct, regulatory guidelines and handling of hazardous chemicals is extremely critical from a principal's point of view. Global distributors, by virtue of their scale, standardization of operating procedures and governance standards, are at the forefront of this trend. It is also increasingly becoming important for specialty chemicals and food ingredients distributors to develop a strong reputation in sustainability by setting and communicating environmental sustainability goals and by obtaining specific third-party certifications (e.g., EcoVadis). Another way by which distributors differentiate themselves is in supporting customers in achieving their sustainability targets. A key means of achieving this is by identifying, creating and promoting sustainable and environmentally friendly formulations and sourcing sustainable materials. Furthermore, distributors are working to minimize the environmental impact of their own operations by reducing energy consumption, maximizing use of renewable energy resources, reducing waste and preventing environmental incidents.

10.5 Competitive Landscape

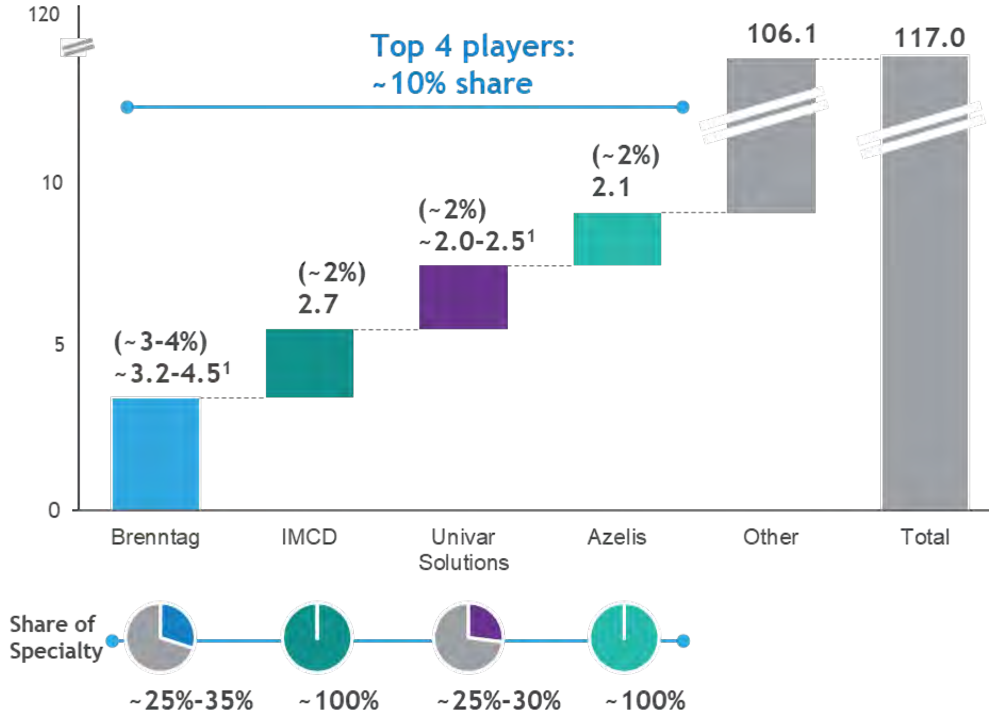
The overall chemicals distribution market, which was €271 billion in 2019 (including both commodity and specialty chemicals and food ingredients distribution), is highly fragmented with few large players and a long tail of over 20,000 mostly local or regional distributors. The top 25 companies represented only 21% of the market share by revenue in 2019. EMEA and Americas are slightly more consolidated with the top 25 distributors in 2019 representing approximately 36% and approximately 30% of the market in EMEA and the Americas, respectively, while the Asia-Pacific region remains highly fragmented with the top 25 distributors in 2019 representing approximately 9% of the market. The graphic below shows the revenue of the top 25 chemical distributors and the total market.



Source: Azelis Data Analysis.

Note: Amounts in € billions.

The specialty chemicals and food ingredients distribution market (approximately €117 billion market size in 2019) is similarly fragmented, in line with the overall chemicals distribution market. The top four distributors in the specialty chemicals and food ingredients distribution market are Brenntag, IMCD, Univar and Azelis, which together represent approximately 10% of the market in terms of 2019 revenue. Azelis is the second largest pure-play specialty chemicals and food ingredients distributor, and ranks joint third with Univar among large players serving the specialty chemicals and food ingredients distribution market, with an approximately 2% market share in 2019. The graphic below shows the revenue of the top four specialty chemical distributors and the total market.



Source: Azelis Data Analysis.

Note: Amounts in € billions.

10.5.1 *Market Consolidation and Drivers of M&A*

The fragmented market creates a clear growth avenue for large global players through consolidation. Distributors continue to face a push from principals and customers who aim to consolidate their chemical distributor base per product group, industry segment and/or region. Principals are trying to rationalize the number of distributors they work with, mainly to reduce costs, reduce the complexity of managing distributors and improve service to end customers. In emerging markets, principals are looking to partner more closely with distributors who have demonstrated a robust compliance track record and have the financial strength to weather downturns. Customers are primarily looking for a "one-stop shop" distributor with relevant knowledge and value-added services that can bundle products from multiple principals across multiple geographies while serving multiple end markets.

Key drivers for M&A are building scale, expanding geographical reach, segment expansion, expanding the lateral value chain, and increasing technical capabilities and value-added services. Building scale in existing geographies and segments allows distributors to increase principal relationships, capture a higher number of customers and expand margins through operational leverage. Geographic expansion allows distributors to strengthen their value proposition for principals and customers that seek distributors with a broad geographic reach. Segment expansion through principal relationships and key products strengthens the value proposition for customers that seek large distributors with a broad product portfolio (i.e., a "one-stop shop"). Finally, increasing capabilities and value-added services strengthens the distributor's value proposition for customers and principals that have increased needs for market and industry-specific value-added services (e.g., formulating, inventory management or application laboratories).

From 2011 through 2020, the top four players (Brenntag, Univar, IMCD and Azelis), made 139 acquisitions in total. On average, they together made approximately 14 acquisitions per year. The largest number of acquisitions took place in the Americas (51 acquisitions between 2011 and 2020) while acquisitions in EMEA and the Asia-Pacific region totaled 47 and 41, respectively. Recently, there has been a trend towards Asia-Pacific-focused acquisitions, and that trend is expected to continue in the future as principals aim to access growth markets.

Given the exclusive nature of principal relationships and contracts in specialty chemicals and food ingredients distribution, global players tend to acquire smaller local or regional distributors that service principals they already have strong relationships with in other geographies, thereby consolidating the industry along principal alliances via bolt-on acquisitions. This streamlining of principal relationships reduces principal conflicts that could arise for larger distributors and invariably results in bolt-on acquisitions being conducted largely on a bilateral basis. Bolt-on acquisitions are often principal-driven, as it strengthens the distributor's relationship with the principal and helps the principal reduce complexity. All major distributors made large acquisitions (i.e., acquisitions of companies with revenue above €200 million) in recent years (including Azelis' acquisition of KODA Distribution Group (now Azelis Americas) in 2015), but the majority of acquisitions were small- or medium-sized companies with revenue between €5 million and €50 million.

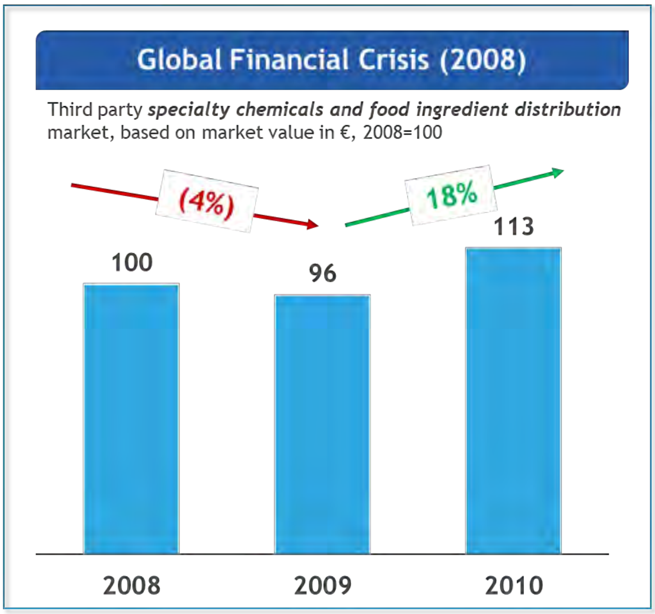
10.6 Resilience to Economic Crisis Shown by the Specialty Chemicals and Food Ingredients Distribution Market

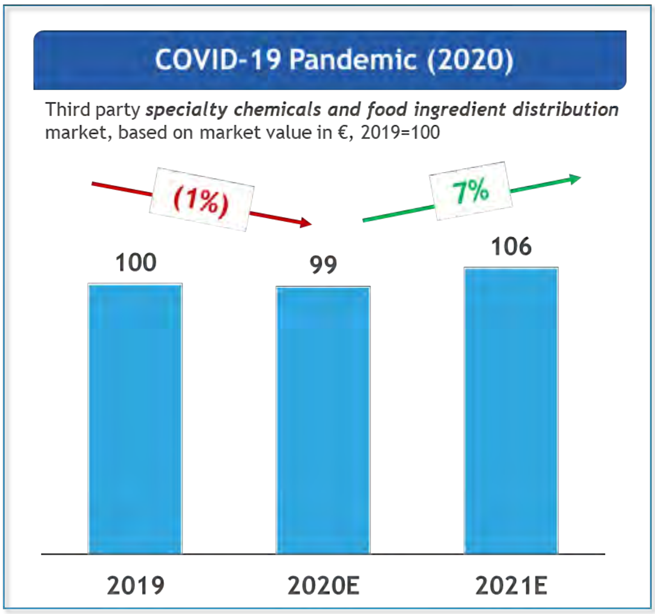
Resilience is mainly driven by geographical and end market diversification, the share of specialty and specific life science end market exposure (e.g., personal care, pharmaceuticals and food and health are more resilient) and a more flexible asset-light cost structure. Geographic diversification across regions enables global players to soften the impact of localized geopolitical events and allows them to manage their supply chains in the event of disruptions or lockdowns. Global players are also able to organize concerted actions across regions and markets, and provide continuous coverage to both principals and customers.

In times of crisis, three main drivers allow specialty chemicals and food ingredients distributors to limit the impact on profitability.

- ***Driver 1***: High exposure to specialty chemicals and food ingredients, particularly to the resilient life sciences end markets, reduces overall cyclicity of the business.
- ***Driver 2***: Specialty chemicals and food ingredients typically have limited price transparency and there are instances where distributors are able to capture increased pricing for their value-added products or formulations. Effective price management can have a positive impact on distributors' operating margins. As a result, commercial initiatives by distributors dampen the impact of volume decreases on gross profits.
- ***Driver 3***: A highly flexible cost structure combined with cost-cutting measures ensures operations are as efficient as possible to limit any negative bottom-line impact of an economic downturn. Companies with a higher share of variable costs have greater potential for temporary cost adjustments. Specialty chemicals and food ingredients distributors are asset-light, resulting in a highly variable cost structure that avoids large restructurings of the fixed cost base during a crisis. In addition, global specialty chemicals and food ingredients distributors tend to be highly cash-generative given their asset-light business model, resulting in lower funding requirements. Large distributors also benefit from the ability to release working capital (primarily inventory de-stocking) to protect and stabilize cash flows during periods of economic uncertainty.

The resilience of the specialty chemicals and food ingredients industry through periods of economic disruption is illustrated and further elaborated below.





Source: Azelis Data Analysis.

10.6.1 *2008–2009 Global Financial Crisis*

During the financial crisis in 2008 and 2009, the overall chemicals distribution market declined by 13%. The specialty chemicals and food ingredients distribution market is less cyclical than the overall market and, in contrast, declined by only 4% during that period. Within specialty chemicals and food ingredients distribution, life sciences end markets such as food and health and pharmaceuticals were notably resilient during the recession.

Most large specialty chemicals and food ingredients distributors experienced topline decreases in line with their respective markets during the financial crisis; however, the impact on profitability was reduced through various mitigants from the drivers noted above.

10.6.2 *Impact of the COVID-19 Pandemic in 2020*

The impact of the COVID-19 pandemic on the specialty chemicals and food ingredients consumption market in 2020 was an estimated 1% decrease compared with 2019, although the magnitude varied by end market. While industrial chemicals in general observed approximately 3% decline, life sciences remained flat or slightly increased due to volume increases driven by higher demand and price increases due to shortages in specific end markets (e.g., food retail increased while restaurants and food service declined). Global GDP declined in 2020 by approximately 3.5% compared with the previous year as a result of the COVID-19 pandemic. Specialty chemicals in life sciences are expected to grow by 3.8% per annum from 2019 through 2026. Industrial chemicals are expected to grow by 2.8% over the same period, with the decline in 2020 likely to be reversed by an acceleration in growth in 2021 and 2022 driven by a recovery in global industrial output.

In the specialty chemicals and food ingredients distribution market, the impact of the COVID-19 pandemic is expected to be in line with the impact on specialty chemicals and food ingredients consumption. The COVID-19 pandemic has had a limited short-term negative impact of about 1.0% in 2020 compared with 2019, with no impact expected on the longer-term growth outlook, which is projected to be 4.4% over 2019-2026. Similarly, no long-term impact on industry outsourcing trends is expected from the COVID-19 pandemic.

The COVID-19 pandemic has accelerated the need for specific value-added services such as the adoption of digital engagement platforms and self-service systems. The increased value added by distributors during the pandemic has included faster distribution through repackaging, improved order frequency and grown flexibility in order volumes as a result of increased warehouse space. The more integrated a distributor's individual business, which is the case among large players in specialty chemicals and food ingredients distribution, the easier it is to organize concerted actions globally to soften the impact of the COVID-19 pandemic. In many cases alternative formulations were requested due to supply chain constraints and distributors with local stock were favored over those with long lead times for imported products.

The impact of the COVID-19 pandemic may put additional financial pressure on smaller players in the short term, providing further opportunities for M&A for larger players. The focus on geographic expansion by distributors may have dipped temporarily as a result of the COVID-19 pandemic, driven by increased uncertainty, but in the long term, the continued focus on expanding geographically is expected to continue without any long-term impact of the COVID-19 pandemic expected.

All four key distributors (i.e., Brenntag, Univar, IMCD and Azelis) were impacted by the COVID-19 pandemic in terms of revenue, yet the impact on gross profit was varied. Pure-play specialty chemicals and food ingredients distributors such as IMCD and Azelis were more resilient than Brenntag and Univar, and recorded gross profit growth during the COVID-19 pandemic on an organic basis. This was partially due to a higher exposure to the more resilient life sciences segment.

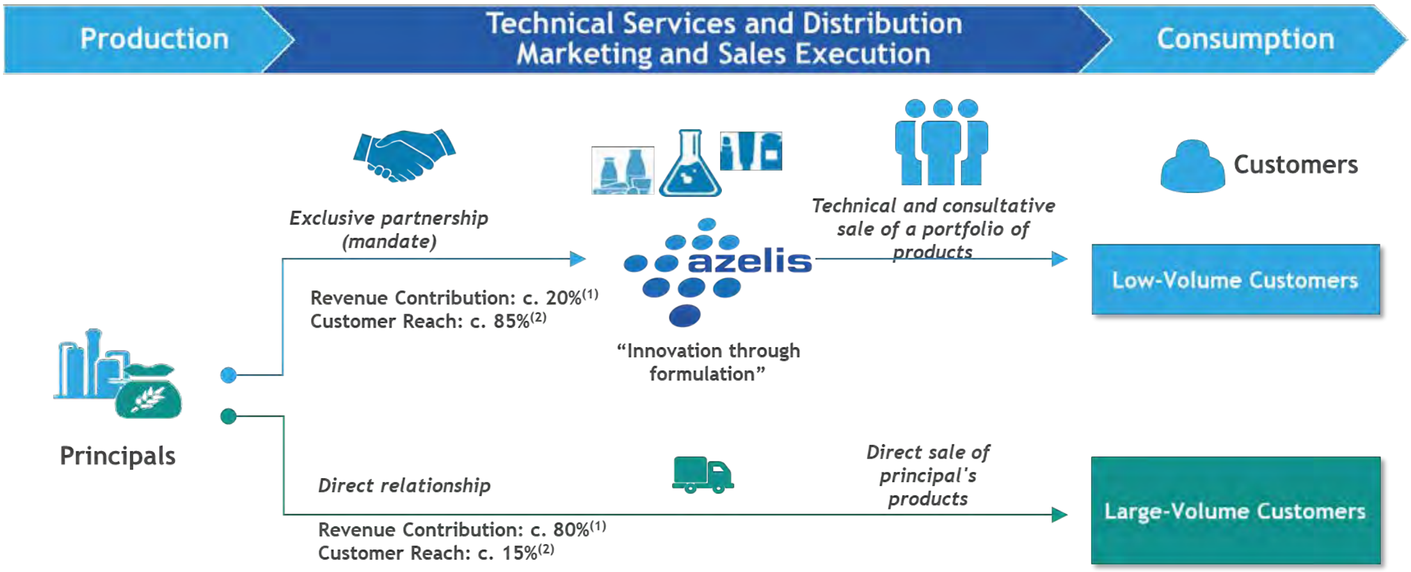
11. BUSINESS

11.1 Overview

Azelis is a leading global innovation service provider for the specialty chemicals and food ingredients industry. The Group is the conduit between over 2,200 specialty chemicals and food ingredients suppliers (which the Group refers to as its "principals") that have granted Azelis one or more mandates to distribute their products, and over 45,000 customers, which are typically small- and medium-sized players that cater to diversified life sciences and industrial chemicals end markets.

Azelis represents its principals, predominantly on an exclusive basis, with sales, marketing, distribution and formulation expertise while providing customers with a "one-stop shop" for a broad range of products and value-added services. Principals rely on Azelis to gain market insights and to serve a localized market while minimizing the complexity of their own operations, and Azelis' customers rely on the Group to supply numerous ingredients (including bundling products from various principals) and act as their outsourced formulation function with a focus on developing the innovative products that customers use to differentiate themselves, while providing technical expertise along with services relating to adequate packaging and labeling, handling of customs and regulatory compliance.

Azelis' role as a key participant in the specialty chemicals and food ingredients value chain is illustrated below.

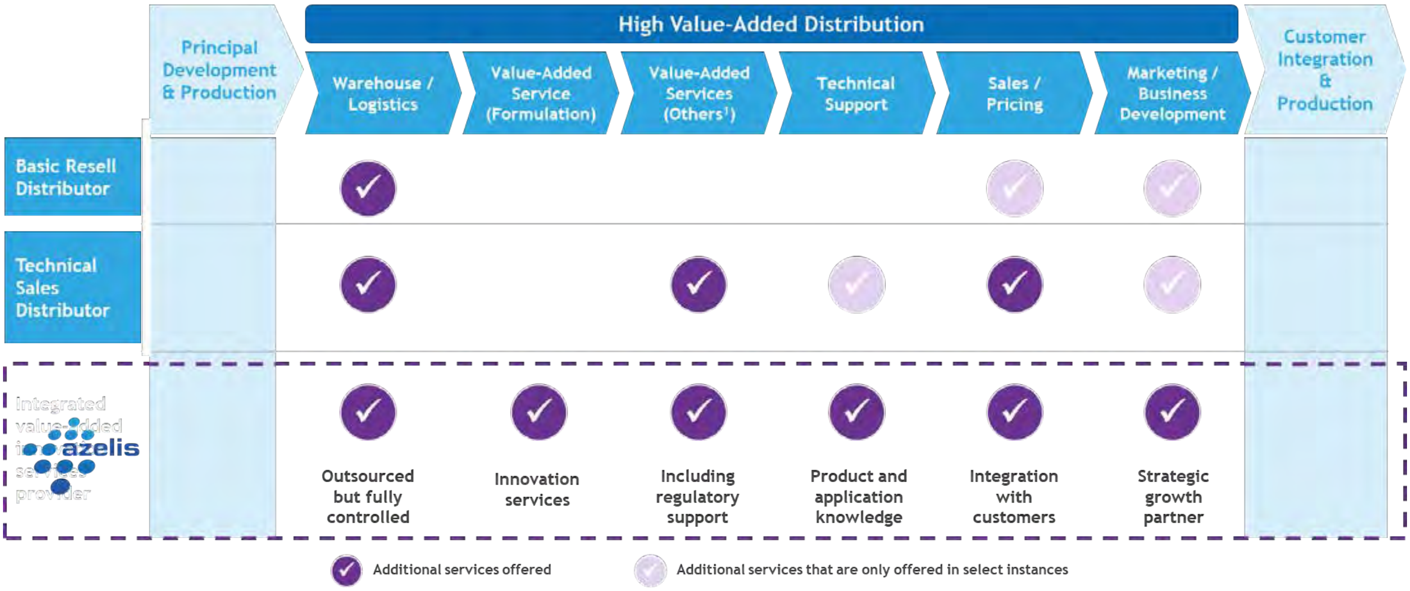


Source: Azelis Data Analysis.

(1) Approximately 80% of principal revenue is via direct sales to customers; 20% of revenue via distributors.

(2) Approximately 15% of a principal's customers are direct; 85% of a principal's customers are reached via distributor relationships.

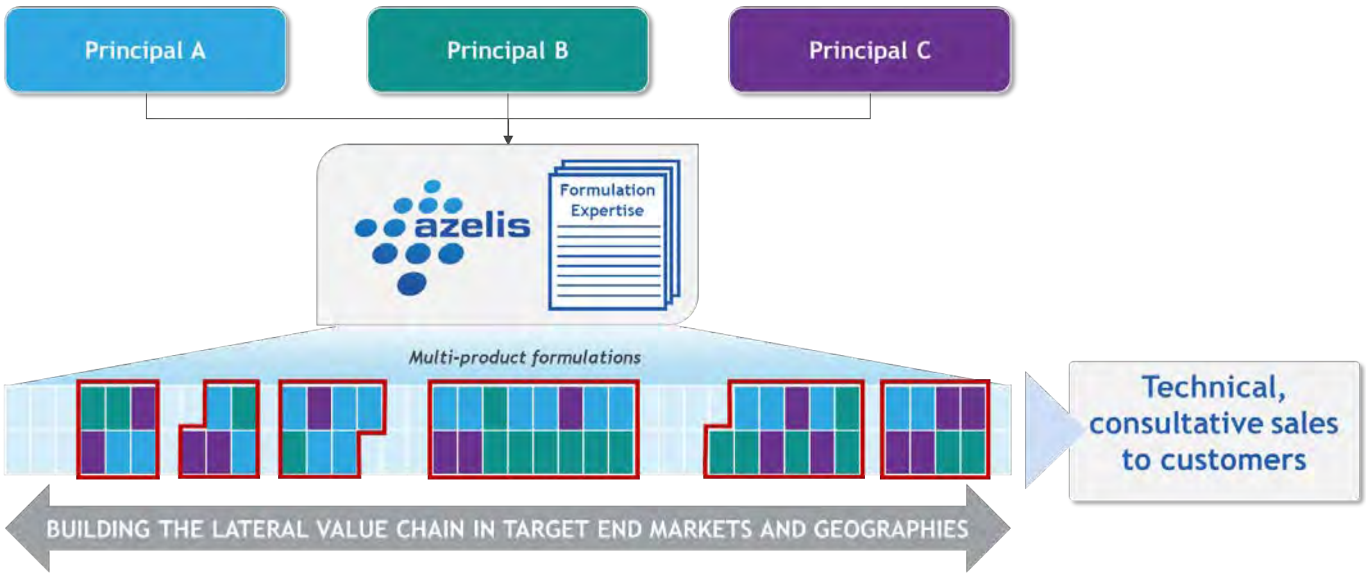
The Group primarily generates revenue via sales of specialty chemicals and food ingredients to its customers, but its distribution model includes incremental activities and value-added services such as formulation expertise, warehousing services, regulatory expertise and marketing efforts that allow it to improve its margins over time. Prices for the products that Azelis sells to its customers is partially based on the value added, but the Group's value-added services are generally not separately subject to a charge for customers. The Group's distribution model provides a sales, marketing and formulation development platform with a fully controlled warehousing and logistics network that is mainly outsourced, enabling an asset-light model. The Group has periodic audits and strict controls in place to ensure third-party warehouses and logistics service providers adhere to Azelis' standards and protocols. While Azelis considers all of the services provided central to its offering, it differentiates itself from "basic resellers" and "technical sales distributors" by offering a value-added model with innovation and technical services at its core. The illustration below shows key points of differentiation (from principal development and production through customer integration and production) for Azelis compared with (i) basic resell distributors that provide only warehousing and logistics activities across the value chain for basic products that require limited expertise or sophistication and (ii) more advanced technical sales distributors that also provide limited marketing and sales support as well as services such as refilling, repacking, blending and technical support. Given the technical nature of the specialty chemicals, the need for formulation expertise and regulatory support, Azelis does not experience competition from basic resell distributors and/or technical sales distributor.



(1) Such as compliance with legislative requirements, maintaining document libraries, inventory management, adoption of digital engagement platforms and self-service systems.

"*Innovation through formulation*" is at the heart of Azelis. Azelis provides formulation services to help its customers find the right combination of ingredients or chemicals from principals, which the customers then purchase and blend to prepare their products for sale to their end users, who can vary from individuals buying grocery items to larger companies purchasing electronics. The Group is widely recognized for technical expertise and innovation leadership, with more than 60 laboratories around the world and over 1,800 customer- or principal-facing employees. Azelis has received 24 prestigious international innovation awards since 2015, including the *Coup de Coeur* prize at the French Society of Cosmetology's Cosmet'Agora 2021. For additional information on the innovative products for which these awards were given, see section 11.3.2.1 (*—Strategy—Azelis' Leadership Positions as Strategic Growth Enablers—Leadership in Innovation*) below. The Group also offers technical consulting services to its customers to help them comply with regulations in EMEA, the Americas and the Asia-Pacific region. This is supported by Azelis' deep technical knowledge of products and applications, and by its in-house application laboratories.

A simple illustration of Azelis' ability to offer a "one-stop shop" to customers and complete the "lateral value chain" between principals and customers across end markets and geographies appears below.



Through having a more complete portfolio of products in different end markets and regions, the Group is able to achieve a higher average number of products and value per order, which creates operating efficiencies and provides it with enhanced pricing power. The margin that Azelis extracts is specific to a customer and the product or services Azelis offers to them. Azelis does not use a price list and uses value-based pricing based upon the customer needs. Azelis' sales team obtains insight on customer value drivers and value attributes before making a price proposal. Deep insights into both the customers' needs and the value proposition of the competition in the market are key to price setting. The expected volumes and the value-added services required are also considered in the customer pricing decisions. In the start of the lifetime of a particular product, there are fewer alternatives on the market and pricing focuses on the value elements. In the end of the lifecycle of a particular product, the principal often wants to promote new alternatives and customers have more alternatives from other suppliers, resulting in gradually lowered pricing of the product. In an example transaction, an Azelis customer would receive a quote from Azelis once the right formulation has been created. The pricing of products that comprise the formulation would already incorporate the costs borne by Azelis to create the formulation. Value-based pricing also takes into account the nature of value-added services offered by Azelis. In this way, Azelis ensures it is adequately compensated for complex formulation requests from its customers. The nature of the service depends on the lifetime of a particular product or a customer. Customers generally use only selected value-added services and not all of the value-added services.

For the year ended December 31, 2020, 62.2% of the Group's revenue was generated from resilient life sciences end markets, with the remainder of revenue being generated from industrial chemicals end markets. The Group's ability to serve both life sciences and industrial chemicals end markets allows it to provide the full spectrum of products for its customers who require products across both market segments. The breadth and completeness of the Group's lateral value chain offering increases its attractiveness to both principals and customers. A formulation for a customer requires chemicals and ingredients from various principals. Therefore, expanding the portfolio and lateral value chain through partnering with more principals results in the ability to develop a wider range of innovative solutions and to serve more customers, increase sales volumes and consequently leads to better customer satisfaction. Given this impact on end customer demand, the completeness of the Group's lateral value chain also serves to attract principals as they select a partner for a new mandate and as they consolidate the set of distributors with which they work.

Azelis has experienced consistent and robust organic growth, supplemented by growth from acquisitions. The tables below show the Group's annual gross profit and Adjusted EBITA organic growth and growth from acquisitions along with the impact of foreign currency translation for each of the years ended December 31, 2020, 2019, 2018 and 2017.

	For the year ended December 31,			
Gross Profit Growth	**2020**	**2019**	**2018**	**2017**
Organic growth	3.0%	4.8%	7.7%	9.3%
Growth from acquisitions	7.9%	5.2%	5.5%	9.4%
Foreign currency translation impact	(1.6%)	2.3%	(1.0%)	(1.9%)
Total growth	**9.3%**	**12.3%**	**12.1%**	**16.8%**
Adjusted EBITA Growth:				
Organic growth	9.8%	10.2%	13.5%	9.0%
Growth from acquisitions	7.9%	9.7%	6.0%	19.0%
Foreign currency translation impact	(1.7%)	2.4%	(0.9%)	(2.2%)
Total growth	**16.0%**	**22.4%**	**18.5%**	**25.8%**

Azelis continues to expand through M&A to complement its existing portfolio. The Group operates in a highly fragmented market where in 2019 the top four players represented only approximately 10% of the market by revenue. The remainder of the market is made up of over 20,000 mostly local or regional distributors. The Group continues to face a push from its principals and customers who aim to consolidate their specialty chemicals and food ingredients distributor relationships in order to reduce complexity in their own operations. The Group's acquisitions help it complete its lateral value chain, entering into new market segments, expanding into new geographies and broadening cooperation with the Group's strategic principals. As the Group completes acquisitions, it is able to generate higher levels of organic growth by improving and integrating the businesses into its global platform. The Group completed 21 acquisitions from the beginning of 2018 through June 30, 2021 and over 40 businesses have been acquired since the Group's formation in 2001. From January 1, 2017 through June 30, 2021, Azelis added more than €15 million on average in acquired Adjusted EBITDA annually over this period.

The Group's key financial performance metrics are summarized below. For information regarding the calculation of the KPIs, some of which are APMs, see section 2.11 (*Important Information—Alternative Performance Measures*), section 8 (*Selected Consolidated Financial Information*) and section 9.11 (*Operating and Financial Review—Alternative Performance Measures*).

	As at and for the twelve months ended June 30,	As at and for the six-month period ended June 30,		As at and for the year ended December 31,		
	2021	2021	2020	2020	2019	2018
		(€ millions unless otherwise indicated) *(unaudited unless otherwise indicated)*				
Revenue	2,397.8	1,309.5	1,134.6	2,222.9*	2,095.0*	1,898.2*
Gross profit	533.2	294.3	247.2	486.1*	444.7*	396.0*
Gross Profit Margin†	22.2%	22.5%	21.8%	21.9%	21.2%	20.9%
EBITA†	208.7	122.0	93.8	180.5	159.5	107.6
Adjusted EBITA†	219.8	127.2	96.9	189.6	163.3	133.5
Adjusted EBITA Margin†	9.2%	9.7%	8.5%	8.5%	7.8%	7.0%
Adjusted EBITDA†	238.4	136.4	105.1	207.2	178.5	137.3
Adjusted EBITDA Margin†	9.9%	10.4%	9.3%	9.3%	8.5%	7.2%
Conversion Margin†	41.2%	43.2%	39.2%	39.0%	36.7%	33.7%
Free Cash Flow†	210.3	79.9	57.9	188.3	137.2	127.8
Free Cash Flow Conversion†	94.8%	62.3%	59.3%	98.4%	82.8%	93.1%
Net Working Capital†	340.4	340.4	272.3	250.4	235.4	176.0
Net Working Capital/Revenue†	14.2%	13.0%	12.0%	11.3%	11.2%	9.3%
ROTIC†	58.1%	67.2%	–	67.1%	61.5%	65.5%
Net Indebtedness†	1,531.7	1,531.7	–	1,124.5	1,106.1	939.3
Financing EBITDA†	282.0	–	–	210.5	184.9	142.5
Net Leverage†	5.4x	–	–	5.3x	6.0x	6.6x

* Denotes number is audited.

† Denotes an APM.

11.2 Competitive Strengths

Azelis believes its success is attributable to the following key strengths.

11.2.1 *Azelis is a global leader in the attractive specialty chemicals and food ingredients distribution market.*

Azelis has a leading position in the highly fragmented specialty chemicals and food ingredients distribution market, having established a global market reach with a local footprint. Azelis is one of only two global, pure play specialty chemicals and food ingredients distributors and is the most global (Source: Azelis Data Analysis), having a presence in 56 countries around the world, with over 60 application laboratories and 90 offices globally. The Group is a market leader in EMEA (which accounted for 46.5% of the Group's revenue for the year ended December 31, 2020), where it is the second largest pure-play specialty chemicals and food ingredients distributor, and the Americas (which accounted for 42.9% of the Group's revenue for the year ended December 31, 2020), where it is the largest pure-play specialty chemicals and food ingredients distributor, and has a growing presence in Asia-Pacific (which accounted for 10.7% of the Group's revenue for the year ended December 31, 2020). The Azelis approach is to manage its businesses locally with dedicated local technical sales teams and local sales offices (local-for-local approach) for a faster time-to-market, while at the same time ensuring global coverage for both its principals and customers. Its global scale enables it to act as an outsourced sales and execution partner to leading producers of specialty chemicals and food ingredients across multiple geographies and market segments. Azelis combines its global coverage with a strong local presence of teams and laboratories that understand customers' needs. The Group has local laboratories, staffed with teams of technical and application experts, who work closely with customers in their respective regions.

As a market leader, Azelis believes that it is well-positioned to take advantage of a number of important market trends. These include the desire of principals to streamline their distributor relationships, increasing customer demand for value-added services, increasing regulatory requirements, increasing customer differentiation and the ambition of principals to expand into global growth markets. The Group believes that larger market participants have the scale to adapt to these trends and serve principals and customers more effectively than smaller local or regional distributors.

The Group's global leadership position stretches across a number of diversified and attractive end markets with favorable growth dynamics. Its portfolio is divided between life sciences and industrial chemicals, with life sciences end markets representing 62.2% of revenue in 2020. Growth in life sciences is expected to slightly outpace industrial chemicals in the future, driven by higher growth end markets such as pharmaceuticals, personal care and homecare and industrial cleaning.

Trends favoring larger participants, its favorable positioning, its track record of strong execution and its role as a consolidator within the industry are expected to enable Azelis to grow significantly faster than the overall market. From

2016 through 2019, which is the most recent full year where comprehensive data are available across the industry in which the Group operates, Azelis delivered revenue growth at a CAGR of 11.6%, which includes both organic growth and growth from acquisitions as well as the impact of foreign currency translation, compared with market revenue growth of 5.4% over the same period, resulting in gross profit growth at a CAGR of 13.7% (Source: Azelis Data Analysis). For additional information on the industry within which Azelis operates, see section 10 (*Industry Overview*).

11.2.2 ***Azelis' value-added services approach is built around innovation through formulation and a comprehensive lateral value chain.***

Specialty chemicals and food ingredients are sold on the basis of the suitability of a product for a certain application, rather than its chemical composition (as is the case for commodity chemicals). For this reason, selling specialty chemicals and food ingredients is highly technical and requires close collaboration and knowledge transfer between a distributor and its principals as well as between a distributor and its customers. Product properties and value-added services are therefore more important drivers of end customer purchasing behavior than price sensitivity. For example, a typical cosmetic sold in the personal care end market will contain several specialty chemicals, all of which are used for their unique properties. Cosmetics contain emulsifiers to give the right texture (substances that help keep items from separating), preservatives to extend shelf-life, thickeners to provide consistency, emollients to provide the right moisture and soften skin, pigments that give the right shade of color and select fragrances to provide scent. All of these ingredients are generally bespoke and selected on the basis of the performance characteristics that they offer.

Within this context, Azelis believes that it has developed a unique proposition. Azelis has established the industry's largest network of laboratories with more than 60 application laboratories worldwide. These application laboratories deliver a number of important services for customers including the development of new formulations, enhancement of existing formulations and benchmarking of product performance. To complement its leading physical laboratory network, Azelis has launched online formulation tools, e-Labs, that enable customers to explore new innovations in a virtual environment.

Formulation expertise is critical to success in specialty chemicals and food ingredients distribution. As Azelis mainly serves small- to medium-sized companies, its customers often have complex application requirements but lack the infrastructure required to identify the right formulation. Customers typically ask for new formulations that have better performance characteristics. An example of this is an instance where a customer in the CASE segment wanted a new coating property such as the improvement of open time for façade paints (which results in faster drying time of paints). Another example serving the pharmaceuticals end market could be finding a new, optimal flavor to cover a bitter nutraceutical active and enhance taste. In the personal care end market, new formulations are typically focused on improving skin-feel and achieving better aesthetic results for medical creams. The customer typically owns the formulation and the typical duration to create new formulations is between one and two weeks although certain complex formulation requests take much longer. There can be contractual restrictions on a case-by-case basis with respect to selling a specific formulation developed for one customer to a different, but Azelis can use the additional insight and expertise it gains in developing the formulation for the first customer to further enhance the formulations it develops for future customers.

Although formulation does not contribute to any direct revenue in general, Azelis becomes embedded in customers' product planning and research and development processes. This creates high levels of customer confidence and stickiness. Azelis' marketing professionals use customer insight and external market knowledge to understand key demand trends in the market and proactively develop new formulations to respond to those trends. Azelis initially bears the cost of finding the formulation, primarily through its employee costs, and in the extremely rare circumstance where no suitable formulation is developed, there would be no sale of products through which it would recoup such costs. Once a formulation is developed and the necessary products have been sold to the customer, the customer is under no formal obligation to continue buying products from the Group. However, customers do generally tend to continue buying from the distributor because, as each formulation is based on a list of specialty chemicals that the distributor exclusively distributes, the products that go into the formulation cannot be directly substituted by going to another distributor.

The Group's ability to offer valued-added innovation services also relies on the completeness of, and complementarity within, its product portfolio. A successful formulation for an end customer may require chemicals and ingredients from many different principals. Therefore, expanding Azelis' lateral value chain by partnering with more principals results in the ability to develop a wider range of formulations, serve more customers and engender strong customer loyalty. Given this positive impact on end customer demand, the completeness of the Group's lateral value chain is also attractive to principals as they select new partners and enhances the Group's ability to attract additional principal mandates. This in turn further expands the Group's lateral value chain, creating a virtuous cycle of growth. Azelis has a global team that is highly experienced and qualified in developing formulation and advising customers. The Group has nearly 2,800 employees globally, including more than 1,800 customer- or principal-facing team members. Full-time laboratory employees, who make up approximately 3% of the Group's workforce, have an average of more than 20 years' experience. Notably, many of Azelis' customer-facing employees routinely spend time in the application laboratories working alongside the full-time laboratory employees in order to provide clients with the right formulation expertise. The Group's workforce is highly technical, evidenced by the fact that over 80% of the Group's employees are estimated to hold a bachelor's degree or above, based on a voluntary employee self-survey.

Beyond formulation, the Group provides all partners with important technical and regulatory support services. It also has a dedicated SHEQ support group to comply with international, European and national legislation. Azelis aims to surpass the legislative requirements, while being responsive to the concerns of its principals, customers and the public. It ensures that all products used are packaged, labeled, dispatched and disposed of in accordance with the relevant local and governmental legislation.

A split of revenues between pure distribution of specialty chemicals compared with value-added formulation-based sales of specialty chemicals and food ingredients is difficult to estimate. This is due to the complexity associated with such tracking as most specialty chemicals and food ingredients being sold by the Group would have likely entered an Azelis laboratory at some point during the lifetime of the product or other value-added services, such as technical support or inventory management, would have been provided.

11.2.3 ***The Group's diversification across multiple dimensions creates a strong and resilient platform.***

Azelis serves approximately 2,200 principals and more than 45,000 customers across a number of specialty chemicals and food ingredients end markets. Over the most recent five complete calendar years, the Group sold more than 110,000 unique products and, in 2020, its top ten products accounted for 5.3% of its total revenue. The Group is present in 56 countries and serves customers in more than 100 countries. The Group is therefore well diversified, without any significant concentration either by principal, customer, end market, product or geography. The Group believes that this diversification provides it with a strong overall business model and resiliency, which was borne out during the COVID-19 pandemic as its organic revenue grew by 0.2% for the year ended December 31, 2020 despite the impact of the COVID-19 pandemic in certain of the Group's end markets in industrial chemicals.

The Group's relationships with principals are long-standing and broad on a geographic basis. It has held a relationship with four of its ten largest principals by revenue for more than 30 years and for at least ten years with the other six. Azelis represents each of its top ten principals in an average of more than 20 countries, demonstrating both the breadth of its relationships and the potential to expand further over time. Azelis believes that in aggregate at least 85% of its sales generated from mandates with its top ten principals are exclusive to Azelis, either by contractual arrangement or by virtue of the nature of the relationship where Azelis is the principal's sole distributor in the relevant territory for a particular product or multiple products (and certain end market application(s)). Azelis has not lost a strategic principal relationship in the past ten years. In 2020, its ten largest principals accounted for 39% of revenue and 37% of gross profit, with no single principal accounting for more than 13% of gross profit.

Azelis' strong principal relationships and unique focus on value-added services has enabled it to build a large and growing global base of more than 45,000 customers. In 2020, its top ten customers accounted for 4% of gross profit, with no single customer accounting for more than 1%.

The Group serves a diverse array of end markets. Its end markets are broadly categorized as either life sciences or industrial chemicals. In 2020, 62.2% of its revenue was generated by its life sciences segments. Azelis believes that its weighting towards life sciences is beneficial as most underlying life sciences end markets generally have stable demand that is not significantly impacted by overall economic activity.

Azelis is a global business, having a presence in 56 countries and benefiting from being a market leader in EMEA (46.5% of revenue for the year ended December 31, 2020) and the Americas (42.9%) and having a growing presence in Asia-Pacific (10.7%). It is continually assessing opportunities to expand its geographical footprint, as evidenced, for example, by its entry into Mexico in January 2020 and the Philippines in January 2021. It has also expanded into new life sciences segments, such as flavors and fragrances in 2021 through the acquisition of Vigon.

In addition to its primary function as a specialty chemicals and food ingredients distributor, the Group also has other capabilities that constitute a smaller part of its activities. For example, through Vigon, the Group assists its customers with custom manufacturing projects by offering liquid and powder blending services. In addition, Azelis operates one of the few units in the world producing highly concentrated smoke flavors. Smoke flavors production makes up a small part of the Group's business. In February 2021, Azelis opened a new fully automated extraction and distillation manufacturing facility near Copenhagen, Denmark for the production of smoke flavors. Smoke flavors are sold primarily for the meat and fish food industry and complement Azelis' portfolio in those industries. Azelis sells these flavors under the well-established *Scansmoke* brand.

The strength and resilience of its business model was demonstrated in 2020. Despite the profound impact of the COVID-19 pandemic on global trade, industrial output and consumer demand, for the year ended December 31, 2020, Azelis grew its Adjusted EBITA by 16.0% (or by 9.8% organically).

11.2.4 ***Azelis has a long-term business model with leadership in sustainability.***

Sustainability is at the heart of Azelis' business model and is a key tenet in everything it does. Sustainability themes are gaining prominence among principals and customers and are increasingly influencing their decisions as to who to partner with.

Azelis helps its principals and customers meet their sustainability objectives through creating sustainable products and formulations. Sustainable products and formulations refer to the design of products and processes that minimize or eliminate the use and generation of hazardous substances. Azelis' new formulations enable customers to replace traditional chemical ingredients with new sustainable alternatives (e.g., natural hydrocolloids), producing superior product qualities and delivering sustainable value (e.g., energy conservation and water reduction). For example, in Italy, Azelis' specialty agrochemicals laboratory has been experimenting with environmentally friendly solvents. When asked by a customer to develop a new formulation with only unclassified solvents, the team formulated a complete new set of solvents, surfactants and co-formulants that give the same performance at similar price levels, without having a "hazardous" classification, thereby negating any potential environmental consequences. Another example can be seen in the personal care market in the United States. In California in the United States, Proposition 65 requires businesses to provide warnings to residents about exposure to chemicals that cause cancer, birth defects or other reproductive harm. An Azelis Americas customer in the personal care market asked the Group for help in reformulating pet shampoos to be both sulfate free and free of chemicals on the Proposition 65 list. A new base formulation was created by the Group and subsequently used to create twelve unique products having various claims and ingredients. While there are no global standards defining a sustainable formulation today and their financial impact cannot be estimated, the Group expects sustainable formulations to gain in importance in the coming years.

The Group's sustainability program is based on the United Nations Global Compact (UNGC) initiative, ISO 26000 and the Global Reporting Initiative (GRI). The program consists of four pillars – each with goals and KPIs – and with every pillar Azelis also contributes to the selected United Nation's Sustainable Development Goals ("SDGs").

- *Products and innovation* – Azelis will be the leader in distribution of sustainable, innovative and safe chemicals (SDGs: 8 – Decent Work and Economic Growth; 9 – Industry, Innovation and Infrastructure; 12 – Responsible Consumption and Production; 15 – Life on Land; 17 – Partnerships for the Goal)

- *Environment* – Azelis will continually reduce the environmental impact of its operations (SDGs: 12 – Responsible Consumption and Production; 13 – Climate Action; 15 – Life on Land)

- *People* – Azelis will be recognized as a global employer of choice for its industry (SDGs: 3 – Good Health and Well-being; 4 – Quality Education; 5 – Gender Equality; 8 – Decent Work and Economic Growth)

- *Governance* – Azelis will be fair in business practices and compliant with laws and regulations, embedding trust and ethics in the foundation of its operations (SDGs: 9 – Industry, Innovation and Infrastructure; 11 – Sustainable Cities and Communities; 16 – Peace, Justice and Strong Institutions)

For additional information on the Group's KPIs relating to these pillars, see section 11.12 (—*Sustainability*) below.

The Group's leadership in sustainability has been consistently recognized by external bodies. For example, in April 2021, the Azelis personal care team in France won the prestigious *Coup de Coeur* award from the French Society of Cosmetology (*Société Française de Cosmétologie*) for development of *Time Dilution*, a waterless, 98% natural ingredient-based cream cube that offers a more sustainable formulation than was previously available, is easy to use and still offers the benefits consumers expect. In addition, as a result of consistently implementing its sustainability strategy, Azelis was awarded a platinum medal by EcoVadis in July 2021, having been awarded consecutive gold medals in the two preceding years. As such, Azelis is ranked in the top 1% of over 75,000 companies rated by EcoVadis and is the first global specialty chemicals and food ingredients service provider to be awarded the EcoVadis platinum rating. It has also been a member of the *Together for Sustainability* ("TfS") sector initiative since 2020, having been invited to join the initiative after being awarded an EcoVadis gold rating. TfS is a joint initiative and global network of 31 chemical companies, which delivers the *de facto* global standard for environmental, social and governance performance of chemical supply chains. TfS represents blue-chip suppliers with a combined purchasing power in excess of €440 billion. Azelis is the sole specialty chemicals and food ingredients distributor member of TfS. In addition, in March 2021, the Group embarked upon a new sustainability strategy, *Action 2025*, further crystalizing sustainability as a key driver of its growth strategy.

11.2.5 *Azelis benefits from consistent organic and acquisition-driven growth, margin expansion and cash conversion.*

Azelis has demonstrated its ability to deliver growth consistently over an extended period. In every year since 2016, the Group has delivered organic gross profit growth (including the impact from translation of foreign exchange) in the range of 6.6% to 7.4% with the exception of 2020, when its gross profit grew by 1% organically (including the impact from translation of foreign exchange).

The Group continues to build its platform through M&A, with 21 acquisitions from the beginning of 2018 through June 30, 2021 and over 40 businesses acquired since the formation of the Group in 2001. Between January 1, 2017 and June 30, 2021, Azelis made an average of five acquisitions per year, adding more than €15 million in acquired Adjusted EBITDA on average annually. Azelis' acquisitions aid it in completing its lateral value chain across end markets, in different regions and with successful principals. As the Group completes acquisitions, it has been able to generate higher levels of organic growth in turn through improving and integrating the businesses that it acquires into its global platform.

Furthermore, as Azelis grows it is able to significantly expand its Gross Profit Margin and Adjusted EBITA Margin. Since 2016 the Group has increased its Gross Profit Margin by 178 basis points to 21.9% and its Adjusted EBITA Margin by 258 basis points to 8.5% for the year ended December 31, 2020. The Group has achieved this margin expansion not only through capturing operating leverage and the benefits of scale, but also as a consequence of the Group's lateral value chain strategy. By having a more complete portfolio of products in different end markets and regions, Azelis is able to achieve higher average numbers of products and value per order, which creates operating efficiencies.

Azelis is a business with low tangible asset intensity and has structurally low capital expenditure and working capital requirements, resulting in strong cash flow generation. In each year since 2016, its Free Cash Flow Conversion has been in excess of 80%, ranging from 111.3% in 2016 to 81.1% in 2017 and averaging 93.6% over this period from 2016 through the first half of 2021. Azelis creates value through its formulation expertise, market knowledge and other value-added services. More capital-intensive components of the value chain such as warehousing and transportation are outsourced with high-quality third-party partners. Despite the outsourced capability network however, Azelis holds full control over performance of its logistics through rigorous and tech-enabled performance monitoring.

11.2.6 *Azelis has an experienced management team with a track record of high performance and consistent delivery along with ambition for the future.*

The Group's executive management team has extensive experience within the specialty chemicals and food ingredients industry and deep sector knowledge. Its Chief Executive Officer, Dr. Hans Joachim Müller, who has led Azelis since 2012, has more than 30 years of professional experience in the chemicals industry in addition to an academic background as a research fellow at the University of California, Los Angeles and the Ludwig-Maximilian-University in Munich. Under his leadership, Azelis has been transformed into a global business with pure play exposure to specialty chemicals and food ingredients distribution. He is also responsible for shaping Azelis' strategy and focus on innovation through formulation.

Azelis' Chief Financial Officer, Thijs Bakker, who joined Azelis in 2016, has over 20 years' international experience in finance and the chemicals industry, having worked in various finance roles in the Netherlands, the United States and across the Asia-Pacific region for a leading global supplier of coatings and specialty chemicals. He has been instrumental in establishing Azelis' strong M&A execution capabilities and developing the Group's digitalization strategy.

The executive leadership team is completed by the three regional CEOs of its Americas, EMEA and Asia-Pacific regions. Each of the Group's regional leaders has been in their role for more than five years, has many years of experience in the specialty chemicals and food ingredients industry, with a proven track record of delivering profitable growth and expansion. For additional information, including the biographical details of the regional CEOs, see section 13.3.1 (*Management and Corporate Governance—Executive Committee—Composition of the Executive Committee*).

Together, the five members of the executive management team have a total of more than 135 years of industry experience. Since 2016, the team has more than doubled Azelis' Adjusted EBITA through strong organic growth and growth from acquisitions.

11.3 Strategy

Azelis is the second largest pure-play specialty chemicals and food ingredients distributor and ranks joint third among large players serving the fragmented specialty chemicals and food ingredients distribution market, with a 2.1% market share (based on 2019 revenue). Azelis aspires to be the preeminent global innovation service provider for the specialty chemicals and food ingredients industry. There are three strategic pillars to Azelis' growth: (i) growth with principals; (ii) growth with customers; and (iii) growth through acquisitions. Furthermore, there are three strategic enablers and drivers that underpin Azelis' continued expansion: (i) leadership in innovation; (ii) leadership in sustainability; and (iii) leadership in digitalization.

11.3.1 *Azelis' Strategic Growth Pillars*

11.3.1.1 Growth with Principals

Azelis serves approximately 2,200 principals for whom it acts as an outsourced technical sales and solutions provider. It has a proven ability to help its principals enter new markets and grow in markets where they already have a presence, winning mandates for new product segments and geographies with existing principals. Mandates are typically awarded for a specific product or product portfolio on a country or regional basis and are not typically tied to an end market. Individual mandate contracts are often for between three- and five-years' duration and new mandates typically come with a book of business (i.e., existing relationships and contracts with customers that are transferred). The Group continues to see significant opportunities to add new mandates with its existing base of principals, and new mandates with new principals who extend their product portfolio, both in new geographies and in new product segments. The Group has had ongoing relationships of over 20 years on average with its top 20 principals by revenue and has not lost a strategic principal relationship in the past ten years, demonstrating the deep and trusted partnerships that have been established. The Group, as a market player with global scale, benefits from relationships with principals across geographies, products and end markets.

Azelis' strategic principal management program involves dedicated principal managers who ensure that Azelis maximizes the opportunities for driving growth with its largest principals. Their prime focus is on ensuring that the growth objectives agreed upon are delivered and on identifying new potential mandates, including expanding existing mandates to new geographies and building upon mandates by adding new products and new end markets. Azelis and the 18 global strategic principals currently in the strategic principal management program work together to identify new formulation opportunities and collaborate on marketing and digital initiatives. The program has delivered strong results, generating approximately 200 additional mandates from the principals in the strategic principal management program from 2016 through 2020, with revenue growth with these strategic principals growing at a CAGR of 16% over this period, as compared with a 6% revenue CAGR for other principals. Given its large number of principals, the Group does not track mandate growth on a Group-wide basis. The mandate growth from principals in the strategic principal management program noted above is based on limited subset of key principals constituting less than one percent of Azelis' principals and cannot meaningfully be extrapolated to provide a total number of Group mandates at any point in time.

Principal development for Group includes: (i) growing with its existing principals, (ii) winning new mandates and (iii) expanding end markets. An example of growth with existing principals is one particular principal with which Azelis had only limited coverage in a few Western European countries covering only selected life sciences end markets in the first year of the relationship in 2010, but subsequently developed the relationship with the principal to cover more than a dozen countries in EMEA and Asia-Pacific covering both life sciences and industrial chemicals end markets. As a result, the Group increased its revenue generated from that principal by more than twelve times 2010 levels and announced a new geographic extension to its distribution scope in 2021. Development through new mandate wins is illustrated through Azelis' relationship with a French multinational company that is a global leader in plant-based ingredients with approximately €3.5 billion of annual revenue. With this principal, Azelis operates as a distributor in eight end market categories and in countries covering EMEA, the Americas and Asia-Pacific, having been announced as the principal's preferred distributor for food and nutrition markets in EMEA, as preferred distributor for animal nutrition markets in Northern and Eastern Europe, and recently receiving new mandates in Asia-Pacific, including a new distribution agreement expanding the principal's and Azelis' presence in China's food and health market. Finally, through end market expansion, Azelis has demonstrated that even in a single region and with a single principal, there is significant runway for above-market growth. Having established its relationship with one of its principals in the Americas in 2015, the Group has used strategic acquisitions and gained new mandates to enhance the existing relationship and further expand its business into new end markets. With this particular principal, Azelis expanded from seven to nine end market categories from 2015 to 2020, which resulted in a 20% revenue CAGR with the principal from 2016 through 2020.

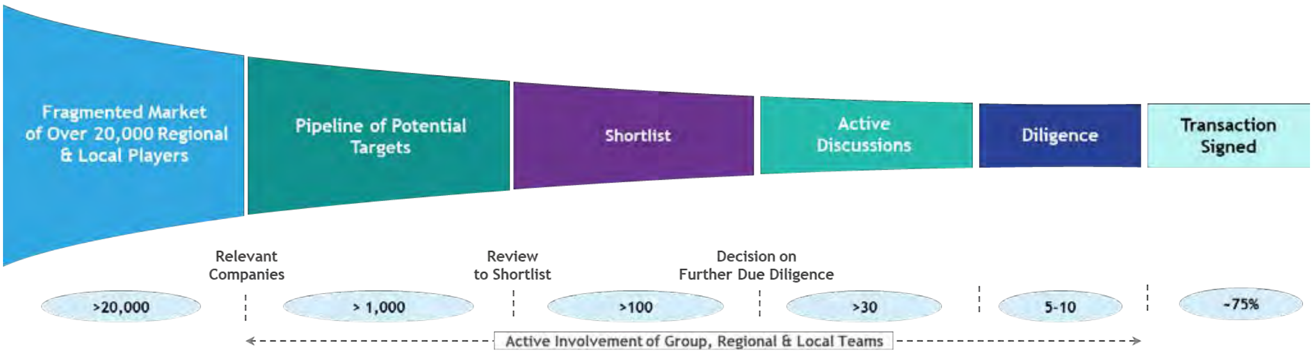
11.3.1.2 Growth with Customers

As Azelis expands its number of mandates with principals, it continuously creates new opportunities for growth with its global base of more than 45,000 customers. Broadening its product portfolio both adds customers for those specific products and unlocks new formulations that can serve existing and new customers. Through providing value-added services including formulation expertise and technical support, Azelis also helps its customers to develop their own new products, which in turn drives greater order volumes for Azelis. Prices for the products that Azelis sells to its customers are partially based on the value added. Since 2018, the Group has increased its customer base by more than 14%. The typical Azelis customer is a small- or medium-sized enterprise that makes eight orders per year. Across life sciences and industrial chemicals end markets, the average order size is approximately €7,000 consistently across the Group's regions. In life sciences end markets, the average order is made up of between three and five products with the orders often including ingredients from two or more principals; in industrial chemicals, the Group typically sells two to four unique products per order. Azelis provides critical services within a customer's value chain. Where the customer generally is fully capable of sourcing essential ingredients and developing, producing and selling its products, it typically turns to Azelis for the sourcing of specialty ingredients and for market insight and analysis, formulation expertise and regulatory advice. For the Group's customers who were buying from the Group in both 2016 and 2020, the percentage who ordered five or more products increased from 61% of customers in 2016 to 71% in 2020. For the same set of customers, the percentage ordering from five or more principals increased from 40% in 2016 to 45% in 2020. This expansion of the lateral value chain, where Azelis connected more principals with more customers to create a "one-stop shop," resulted in a margin expansion within the customer set that was tracked from 2016 to 2020.

11.3.1.3 Growth through Acquisitions

The global chemicals distribution market is extremely fragmented, with only approximately 21% of the market in 2019 having been captured by the top 25 distributors by revenue and the remainder of the market made up of over 20,000 mostly local or regional distributors. The same is true for specialty chemicals and food ingredients distribution, where the top four global players controlled only approximately 10% of the market by revenue in 2019 (Source: Azelis Data Analysis). The industry is expected to consolidate as principals and customers look to streamline their relationships. Acquisitions add scale to Azelis in addition to expanding its product portfolio and its geographic and product segment market coverage.

As noted above, Azelis has been playing a leading role in the consolidation of the market. The Group has a centrally managed M&A team that consists of five M&A professionals. In addition to the Group Chief Executive Officer, the regional CEOs and the respective local teams are also heavily involved from end to end in the acquisition process, including sourcing, due diligence and integration. Azelis' acquisition strategy is to identify specialty chemicals and food ingredients distributors that (i) expand the Group's geographic presence, (ii) deepen the Group's capabilities in target market segments, (iii) add new or enhance existing principal relationships and (iv) offer the opportunity to realize revenue and cost synergies. The Group has extensive experience in sourcing, negotiating and executing acquisitions from a fragmented market, as illustrated below.



Azelis has a deep pipeline of more than 1,000 potential acquisition targets, more than 100 of which are included on a shortlist pending a decision on further due diligence. Azelis estimates that more than 30 companies at any given time may be at the state of active discussion to gauge interest. Azelis typically acquires businesses following exclusive, bilateral negotiations rather than through a broad auction process. Azelis has a detailed approach to due diligence and a disciplined approach to negotiation and valuation. In recent years, the Group has typically been conducting due diligence on approximately five to ten potential acquisitions at any given point in time and more than 75% of potential acquisitions that enter the due diligence phase are ultimately executed.

Azelis has a rigorous and proven post-merger integration process that enables rapid onboarding of new acquisitions into its business and financial systems. Its group-wide dedicated integration team of five professionals and its highly experienced regional leadership teams work closely with newly acquired businesses to ensure integration is carried out in a low-risk manner within no more than six to twelve months following closing of the acquisition. Azelis' structured project governance for the post-merger integration process of acquisitions is always led by a member of the Executive Committee along with the integration team. The process includes clear responsibilities for all required aspects (including, but not limited to, functions such as sales; supply chain; SHEQ; branding; legal and compliance; finance; and ICT). This strict approach ensures a rapid onboarding and integration of Azelis' acquisitions in its corporate governance framework. Since the start of 2017, Azelis has successfully integrated 20 acquisitions, transferred operations from ten different ERP systems to Azelis' ERP system, onboarded more than 1,000 new employees from acquired companies and merged more than 20 entities to simplify its corporate structure related to acquisitions. For the 13 acquisitions that took place from January 1, 2017 through June 30, 2020 (which excludes two asset acquisition transactions and one acquired company that was merged into another Group entity), on average and in the local currency, the revenue of the acquired business grew by 5% and the Adjusted EBITDA grew by more than 20% in the year following the business's acquisition by the Group.

The Group completed 21 acquisitions between January 1, 2018 and June 30, 2021, including ten acquisitions in Asia-Pacific, eight in EMEA and three in the Americas, acquiring businesses with estimated earnings (before interest, taxation, depreciation and amortization) (in each case, in the twelve months prior to the acquisitions) of approximately €42 million in the six-month period ended June 30, 2021, €12 million in the year ended December 31, 2020, €16 million in the year ended December 31, 2019 and €4 million in the year ended December 31, 2018. From July 1, 2021 through the date of this Prospectus, Azelis completed four bolt-on acquisitions (Coseal, MH, Ingredient Plus China and Quimdis), cumulatively acquiring businesses with estimated earnings (before interest, taxation, depreciation and amortization) in the twelve months prior to their acquisitions of approximately €13 million. See section 9.6 (*Operating and Financial Review—Recent Developments*).

11.3.2 *Azelis' Leadership Positions as Strategic Growth Enablers*

11.3.2.1 Leadership in Innovation

As noted above, Azelis has established the industry's largest network of laboratories with more than 60 application laboratories worldwide. These application laboratories deliver a number of important services for customers including the development of new formulations, enhancement of existing formulations and benchmarking of product performance. They also act as a technical training center for the technical salesforce. Azelis continually invests in new laboratories and in enhancing existing ones. For example, in 2021 Azelis opened a new laboratory in Egypt and intends to open laboratories in Turkey and India as well. Azelis also intends to initiate "Group Innovation Centers" in Mexico and in Singapore. These new facilities will provide special capabilities, equipment and innovation formulation concepts in support of an entire region, which will back up Azelis' local application laboratories across different countries in the same region.

As a continuation of the Group's efforts to be the industry-leading innovation solutions provider, the Group appointed a Technical Innovation Director in 2019. In addition to this appointment, the Group also established a Global Laboratory Innovation Community (GLIC) team in 2019 to coordinate best practice sharing across different regions and drive innovation. In the first half of 2021, the Group also appointed innovation directors in each of its regions with the objective to further strengthen the focus on innovation.

Azelis has demonstrated its innovation capabilities in recent years across subsectors with innovation challenges driven by both customers and principals, with the majority of innovation being customer driven. For example, an Azelis customer in the agriculture and horticulture market turned to Azelis to formulate a green solvent as an alternative to the more traditional, environmentally harmful solvents that would give the same performance at a similar price point. The customer provided the active ingredient and dosage and Azelis then developed the solution to the challenge by choosing a new set of solvents from the lateral value chain, performing efficacy tests and benchmarking cost competitiveness. As an example of a principal-driven innovation success, one of the Group's strategic principals turned to Azelis to collaborate on the development of water-based pavement marking paint that satisfied a unique combination of characteristics, including being rapid drying and curing and satisfying federal, state and customer approvals, which allowed the principal to access the traffic paint market in the United States. For this collaboration, Azelis was awarded the principal's customer innovation award. Other innovation challenges have led to awards for the Group, such as its receipt of Ringier Technology Innovation Awards in Asia-Pacific in 2020 in the personal care category for a clean anti-acne skin care solution, and in the food and beverage category for research into a milk protein derivative ingredient with clinically proven soothing properties that can be used in foods, drinks and dietary supplements.

In parallel with its highly trained salesforce, the Group's strategy of delivering innovation through formulation enables it to add significant value within the specialty chemicals and food ingredients value chain. Azelis employees in each location are knowledgeable about the interests and standards in the local area they serve and draw on best practices and formulation concepts from Azelis' global network of experts. Azelis intends to continue investing in its innovation capabilities in order to provide customers with more and better formulations. In addition, the Group is investing in digital technology capabilities that will enable it to take its innovation and customer technical support capabilities to the next level (e.g., e-Labs). Azelis believes this will increase customer satisfaction and generate valuable data and insights, which will in turn create new sales opportunities for the Group.

11.3.2.2 Leadership in Sustainability

In March 2021, Azelis announced its sustainability strategy, *Action 2025*, reinforcing its commitment to become the world-leading provider of sustainable solutions and services in the specialty chemicals and food ingredients distribution industry. Through its sustainability program and strategy, Azelis aims to turn the sustainability aspirations of its principals and customers into innovative sustainable solutions.

The Group believes that through holding its own organization to a high standard with respect to sustainability, it both contributes to broad environmental and societal goals while also making Azelis a more attractive partner for others. Sustainability is becoming increasingly important to principals in their selection of partners and, according to the Azelis Data Analysis, principals have indicated that they expect sustainability criteria to be of even higher importance in the coming years. Meanwhile, based on a survey conducted in EMEA, 52% of the Group's customers indicated that they are actively selecting their sources of supply based on their commitment to sustainability. Through its membership of the *Together for Sustainability* sector initiative and commitment to measuring and reporting on sustainability efforts within the EcoVadis framework, Azelis will continue with sustainability assessments to help its principals in developing sustainability practices, improve the sustainability standards in the value chain and work on the reputation of the chemical industry.

Furthermore, Azelis can play an important role in helping its principals and customers achieve their own sustainability objectives. The Group is working to assess its full portfolio to identify sustainable products and formulations that will enable its customers to develop more environmentally friendly products.

For additional information on the Group's sustainability initiatives and its sustainability-related KPI targets, see section 11.12 (—*Sustainability*) below. The most recent Azelis sustainability report was published in August 2021 and, as at the date of this Prospectus, is available on Azelis' website at www.azelis.com/sustainability.

11.3.2.3 Leadership in Digitalization

Azelis benefits from a strong digital backbone, including integrated resource planning systems, global customer relationship management and a master data and analytics hub. The Group aims for its digital technology backbone to be built on tools that are scalable, future-proof, harmonized, secure and highly resilient. These tools enable senior management to track sales, orders, inventory and other key information at a highly granular level on a real-time basis. This capability enables management to take decisions quickly and effectively, and to identify and address business issues rapidly. The Group has conducted 83 ERP consolidation projects since 2015 to standardize datasets and has put in place a centralized master data approach via a hub in India. This has enabled the Group to build a complete ecosystem around digital marketing services for customers and principals.

More recently, Azelis has been investing further to create end-to-end digital service platforms providing the same value-added services for principals and customers through new digital engagement tools. This suite of platforms includes a customer experience platform developed by Azelis with the latest information on trends, products and formulations for specific markets and geographies. While the Group's customers do not pay for access to its digital platforms, customer portals deliver value at every step of the customer's purchasing journey. The customer portals provide a central place for Azelis' customers to find expert content, access high-quality technical information on products and formulations, order samples and more.

The customer portals are accessible anytime and from anywhere and provide up-to-date information on market trends and new formulations and innovations. The customer experience platform also allows 24/7 access to Azelis' market-specific product catalog as well as all documentation related to their orders, while also allowing sample and quote requests and reordering. As at June 30, 2021, the Group had digitalized 90,000 products (representing more than half of the Group's base products at the time) that are now easily searchable on its portals, enabling customers to discover new ingredients, become inspired to create new formulations, request samples and place orders online. Azelis continues to digitalize the entire available portfolio and roll out the customer experience platform globally. The number of products is continually increasing as a result of new mandates and onboarding of acquisitions. The Group estimates that it will have digitalized approximately 145,000 products by the end of 2021, representing the vast majority of its portfolio. Upon completion of this initiative, Azelis believes that the vast majority of its product portfolio will be digitized. Azelis customer portals are now live in more than 20 countries and is scaling up rapidly, with new countries launching every month. By the end of August 2021, there were 41 live customer portals and Azelis aims to have 75 live customer portals by the end of 2021 and at least 225 live customer portals by the end of 2022. The customer experience platform allows Azelis to be able to better understand market demands and trends, ensuring its product portfolio and innovative solutions focus on the areas customers are most interested in, forecast demand, and improve efficiency and time to market by guiding its customers to the latest information needed for their projects. Based on its progress so far, the Group believes that these tools will increase its customers' engagement and further lead to increased customer retention and repeat orders.

The Group's formulation process is becoming more digital as well. In 2019, based on a concept designed and first rolled out in the United States, Azelis established its e-Lab, an online collaboration tool that helps Azelis' customers create and manage formulation solutions, get rapid access to information from Azelis' technical experts and optimize their speed to market. Through a combined online and offline model, Azelis' e-Lab platforms work in tandem with its physical application laboratories to support customers in their product development and planning cycle. This platform gives customers fast access to formulation and ingredient recommendations and can assist 24/7 via Azelis' global network of technical experts through a built-in chat function that connects customers to almost real-time answers from technical sales staff. Within the e-Lab, the Azelis team works with customers to create, enhance and fix formulation problems. Through these strengthened digital tools, Azelis is able to provide an innovative service and is constantly working to improve its client relationships. Azelis' e-Labs were initially offered in the Americas, before recently being launched in Ireland and the United Kingdom for customers in the personal care and food and health end markets, in France, India and Indonesia for food and health end market customers, and in Austria, Germany, Italy and Switzerland for personal care end market customers.

Azelis' digitalization program is also creating significant benefits for its principals. Through digital customer engagement, Azelis generates new insights into customer demand and market trends and is able to share these key insights with its principals. These insights help principals identify new commercial and research and development opportunities from a global to a specific level and further enhance the value of their partnership with Azelis and provide for more efficient collaboration.

Furthermore, digitalization creates operational efficiencies through automating and streamlining processes and tasks. Azelis' sales personnel are able to utilize digital tools to streamline order processing and dedicate more time to higher value-added business development activities. For example, Azelis' personnel have access to digital overdue receivables management tools that are run by dedicated credit collectors in each country, with centrally developed online dashboards and tools for monitoring, which allows for automated dunning letters. There are also online inventory management tools, which allow for continuous local and regional alignment of supply and demand, with minimum stock levels for revenue and margin optimization resulting in standardized rules for receivables and inventories, which increases efficiency. By centrally managing key information, steered by central data governance and processes, Azelis is able to be more efficient by eliminating duplicated efforts, and reduce product time to market. As a result, Azelis believes that its entire organization will become even more data-centric and data-driven.

Digitalization is also a key element of the Group's margin enhancement initiatives. The Group currently has a number of margin enhancement initiatives across its business. These include the digitalization of sales, master data management, margin management programs, three standardized regional shared service centers and the Group's data and information technology hub in India, process centralization, the formation of regional operations teams to assist in freight and warehouse optimization, a fully integrated transport management system and enhancement measures related to procurement such as sourcing organizations in China and India and a central product information management system.

In addition, the Group has a number of additional margin enhancement measures that it is putting in place. Such initiatives include leveraging data science and utilizing machine learning to implement predictive pricing. Azelis also intends to centralize non-product expenses, establish a shared services center for its countries in Eastern Europe and the Balkans, and migrate additional functions apart from finance, such as human resources, information technology and legal services, to three regional general business service centers. Logistics-related margin enhancement measures are also supported by digitalization efforts. These include expanding its cloud-based transport system (currently in place in the Americas), creating a central logistics hub in each region and implementing a cloud-based sales and operations planning system called "Kinaxis." The Group also aims to implement a non-product related purchasing program and supply chain and credit optimization through regional logistics hubs in order to enhance procurement.

Furthermore, Azelis' master data and analytics hub handles the entire range of product information and is a key advantage in managing logistics. Azelis is able to track open orders (i.e., orders from customers) and the Group's experience with order history from previous years helps identify demand. This allows Azelis to position stock to cater to such demand. A full suite of robust inventory management tools helps the Group maintain adequate stock while optimizing margins.

The development and rollout of digital tools and services across Azelis' global enterprise has entered a transformative phase. Azelis has harmonized the combination of technologies it uses to build and run applications and projects and has developed processes that automate and digitize data. The Group is currently in the phase of rolling out customer platforms as well as deploying digital marketing to drive traffic and engagement with its digital services platforms. Based on its progress so far, the Group believes that these tools will lead to increased customer engagement and retention, new mandate wins from principals, and greater efficiency and flexibility for Azelis' own operations.

11.4 History

Azelis' history dates back to 1898 when the English company Chance & Hunt was founded. Chance & Hunt originally supplied English industrialists with raw materials, and then subsequently became one of the world's first specialty chemical distributors. It was eventually acquired by Azelis in 2002.

In 2001, Novorchem (Italy) and Arnaud (France) merged and eventually grew into Azelis. The name Azelis was inspired by the word "azalea" and the first two characters reflect Azelis' ambition to represent the entire spectrum of needs of any given market segment from A-to-Z.

Azelis significantly expanded its presence in the Americas when it acquired KODA Distribution Group (now Azelis Americas) in 2015. In June 2018, EQT and PSP Investments signed a binding offer to acquire Azelis from Apax Partners and the deal closed in November 2018.

Since June 2018, Azelis has further expanded its service offerings through various strategic acquisitions. On June 1, 2021, Azelis acquired Vigon, which enabled Azelis to fill white space in its portfolio and enter into the U.S. flavor and fragrance market. Vigon is well positioned in this strategically attractive market with high barriers to entry and limited cyclicity. Further, this acquisition will serve as a platform to build Azelis' presence in the food and health segment in North America.

Azelis has also developed a growth strategy to further penetrate emerging markets. As a part of this strategy, Azelis acquired Orkila in 2020. Orkila is a leading specialty chemicals and food ingredients distributor in Africa and the Middle East, with more than 200 employees and expertise in life sciences and industrial chemicals end markets. This acquisition has created opportunities for principals to grow together with Azelis into new markets in which they had limited presence. In 2020, Azelis also acquired Megafarma through which the Group entered Latin America and was able to expand existing principal relationships it had in the United States and Canada. Following the acquisition of Spectrum Chemicals & Nortons Exim in India in 2021, Azelis is expanding its technical capabilities in India by adding an agrochemicals laboratory to the ones that already cater to the local customer needs in CASE, personal care and food and health end markets. Other recent acquisitions, including MKVN in Vietnam in 2021 and Asia Primera Kimika in the Philippines in 2021, have helped strengthen Azelis' presence in Southeast Asia and in entering new markets.

Recently Azelis' acquisition strategy has been predominantly focused on expanding its presence in life sciences end markets. Life sciences end markets contributed 62.2% of the Group's revenue for the year ended December 31, 2020 as compared with 55.9% in 2018. This is a result of conscious actions taken by Azelis to complete its lateral value chain, while expanding into attractive and resilient end markets. In addition, Azelis has also shifted its acquisition focus more recently to emerging markets. For additional information on acquisitions completed by the Group, see section 9.4.2 (*Operating and Financial Review—Key Factors Affecting Azelis' Results of Operations—Acquisitions*).

In addition to top-line growth, the Group believes there is significant margin upside embedded in its growth. Azelis' Adjusted EBITA Margin correlates strongly with the scale of its revenue in a particular country and the Group has a track record of improving its Adjusted EBITA Margin as revenue has grown over recent years and the Group improves its market penetration. Azelis has set out a clear path to margin expansion from operating leverage, scale and identified operational initiatives. Initiatives include the filling of gaps in the Group's lateral value chain, margin and commercial initiatives, lean corporate centers and further realizing digitalization benefits. Azelis has also strengthened its principal management strategy and further expanded its group of strategic principals. In 2018, Azelis had approximately 2,000 principals, which it has since increased to around 2,200. Azelis has also achieved an increase in the number of customers served since 2018 from over 43,000 to over 45,000.

11.5 Markets Served

Azelis has a presence across various segments in life sciences and industrial chemicals end markets. Diversification of its activities within those end markets remains an important element in the resilience of its business model. The end markets that Azelis serves are shown below along with each end market's relative contribution to the Group's revenue for the year ended December 31, 2020.

11.5.1 *Life Sciences*

Sales of specialty chemicals and food ingredients to life sciences end markets represented 62.2% of the Group's revenue for the year ended December 31, 2020. The end markets within life sciences and their respective percentages of Azelis' 2020 revenue are provided in the table below. For additional detail regarding the various life sciences end markets that Azelis serves, see section 10.2.1 (*Industry Overview—Global Specialty Chemicals and Food Ingredients Consumption Market—Life Sciences End Markets*).

End Market	2020 Revenue (%)
Food and Health	17.5%
Personal Care	15.8%
Agrochemicals	11.7%
Pharmaceuticals	9.6%
Homecare and Industrial Cleaning	6.6%
Animal Nutrition	1.1%

11.5.2 *Industrial Chemicals*

Sales of specialty chemicals to industrial chemicals end markets represented 37.8% of the Group's revenue for the year ended December 31, 2020. The end markets within industrial chemicals and their respective percentages of Azelis' 2020 revenue are provided in the table below. For additional detail regarding the various industrial chemicals end markets that Azelis serves, see section 10.2.2 (*Industry Overview—Global Specialty Chemicals and Food Ingredients Consumption Market—Industrial Chemicals End Markets*).

End Market	2020 Revenue (%)
CASE	23.0%
Other Industrial Chemicals End Markets (1)	10.7%
Lubricants / Metal Working Fluids	2.4%
Rubber and Plastic Additives	1.5%

(1) Includes (i) electronics, (ii) essential and fine chemicals and (iii) textiles, leather and paper.

11.6 Operating Segments

The Group's revenue-generating reporting segments correspond to its three regions as follows:

- EMEA: all operating companies in Europe, the Middle East and Africa;
- Americas: all operating companies in the United States, Canada and Mexico; and
- Asia-Pacific: all operating companies in Asia, Southeast Asia and the Pacific region.

The Group's approach is to manage its businesses locally with dedicated local sales teams and sales offices for a faster time to market and to ensure global coverage for both its principals and its customers. Azelis represents its principals on a local basis and, while the Group does export certain product lines, it estimates that only approximately 10% of its sales cross borders.

The Group has relationships with many of its principals and customers that span multiple segments.

11.6.1 *EMEA*

11.6.1.1 Overview

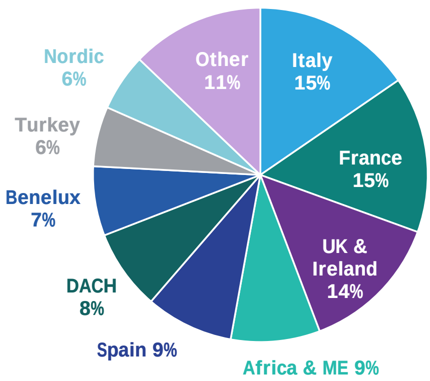
The Group has a pan-European presence with a dedicated sales coverage in over 30 countries in EMEA. Each country is led by a Managing Director. The Group serves more than 2,000 principals and more than 23,500 customers and has over 1,300 full-time employees in the region, with offices and sales forces located in 42 countries. In addition, EMEA has 47 offices and 26 application laboratories to serve its customers. The Group generated revenue in EMEA of €1,085.0 million and an Adjusted EBITA of €110.8 million for the twelve months ended June 30, 2021, representing an Adjusted EBITA Margin of 10.2%.

The Group's EMEA footprint is shown below, with shading denoting countries that are served by Azelis and its offices and application laboratories also indicated.

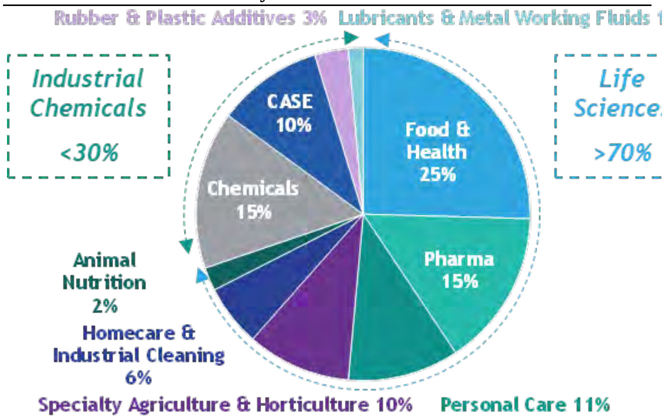
Breakdowns of the Group's revenue in EMEA by geography and by end market are shown below.

Revenue for the Year Ended December 31, 2020

By Country



By End Market (1)



Note: Other includes the Balkan countries, Poland, Russia, countries in Central and Eastern Europe and Ukraine; DACH represents Austria, Germany and Switzerland; and Benelux represents Belgium, Luxembourg and the Netherlands.

(1) Calculations based on customer end markets only and exclude the impact of the Group Holding and Other revenue.

In February 2020, Azelis made an acquisition that is transforming its presence in the Middle East and Africa. Orkila is a leading specialty chemicals and food ingredients distributor in the region, with more than 200 employees and expertise in end markets including: pharmaceuticals; food and health; personal care; agrochemicals; and rubber and plastic additives. Azelis increased its revenue in the Middle East and Africa from approximately €15 million in the year ended December 31, 2019 to more than €90 million in the year ended December 31, 2021, and added more than 50 countries to the number of countries the Group serves.

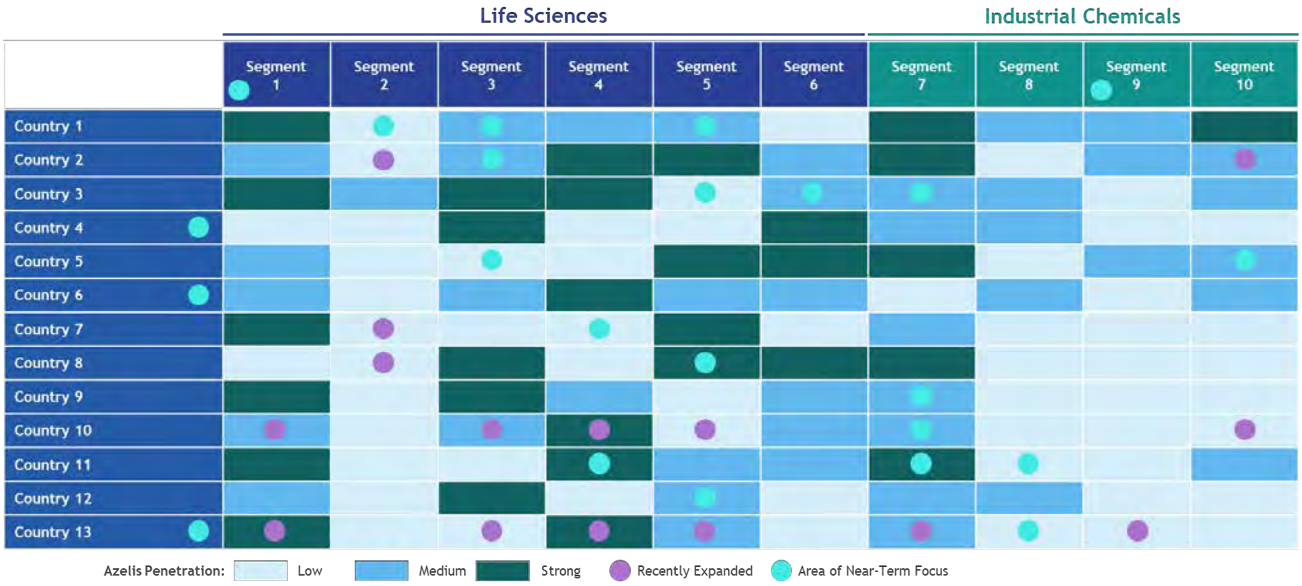
11.6.1.2 Achievements

Since 2016, Azelis has made a number of achievements in EMEA, including: growing through margin management (with Gross Profit Margin increasing by 184 basis points from 2016 to 2020); increasing its resource efficiency (with gross profit per full-time employee increasing (prior to the COVID-19 pandemic) by a CAGR of 6% from 2016 to 2019); expanding its footprint geographically in faster growing countries (with 13 countries entered between 2016 and 2020); acquiring and integrating acquisitions to strengthen its profile (with ten acquisitions completed between 2016 and 2020); expanding its network of laboratories (with 13 new laboratories opened between 2016 and 2020); delivering Adjusted EBITA growth at a CAGR of 20.0% from 2016 to 2020; and delivering Adjusted EBITA Margin expansion by 319 basis points.

Regional revenue in EMEA grew at a CAGR of 8.6% from €749.3 million for the year ended December 31, 2016 to €1,085.0 million for the twelve-month period ended June 30, 2021, with corresponding increases in gross profit from €159.0 million (Gross Profit Margin: 21.2%) to €255.4 million (Gross Profit Margin: 23.5%), and in Adjusted EBITA from €47.4 million (Adjusted EBITA Margin: 6.3%) to €110.8 million (Adjusted EBITA Margin: 10.2%) over this time.

11.6.1.3 Presence and Opportunity

Azelis believes there are multiple opportunities for continued growth where it can capitalize on white space opportunities and grow organically and through acquisitions. The graphic below illustrates the Group's view of its current penetration of the market in EMEA and indicates areas of recent expansion and areas where it is focused in the near term. In particular, Azelis believes that it has strong penetration in countries such as France, Italy and the region including Belgium, Luxembourg and the Netherlands. From an end market perspective, the Group believes it has a strong penetration in food and health, pharmaceuticals, personal care and CASE end markets.



11.6.1.4 Strategic Priorities

The Group's strategic priorities in EMEA include organic growth, margin enhancement initiatives and continuing acquisition activity.

Azelis expects to achieve organic growth by: growing existing mandates with regional strategic principals; adding new mandates with strategic or new principals to fill key portfolio gaps and opportunities in sustainability; capturing revenue synergies of acquisitions; penetrating new end markets by leveraging expertise outside of a country; further rolling-out its sales excellence program and marketing capabilities; implementing new digital channels and continuing its investments and focus on laboratories and innovation.

The Group's margin initiatives and strategic priorities in EMEA include continuing to focus on value pricing; carrying on improving on outliers in the country portfolio, continuing front office efficiency improvements based on its sales excellent program; and implementing supply chain and back-office improvements along with the expansion of the EMEA hub.

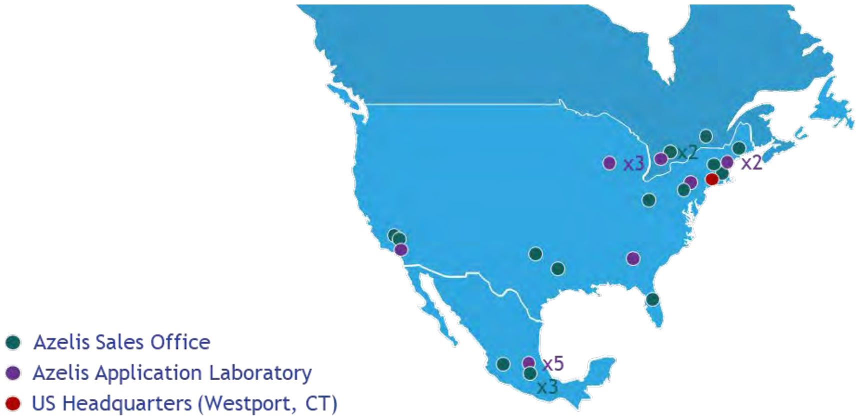
Acquisition priorities in EMEA are centered on strengthening the Group's existing country platforms in countries such as Austria, Germany, Spain and Switzerland and filling end market white spaces in countries where there are opportunities, such as the flavors and fragrances end market in France. For example, the strategic acquisition of Quimdis announced in August 2021, is part of the Group's strategy of filling an end market white space. Quimdis is a specialty chemicals distributor to life sciences end markets (including ingredients for nutraceuticals, flavors and fragrances, animal nutrition, personal care, pharmaceuticals and food) that is headquartered in France (EMEA) with annual revenue of nearly €100 million, sales into more than 45 countries, and with 78 employees servicing more than 1,000 customers and approximately 400 suppliers.

11.6.2 *Americas*

11.6.2.1 Overview

Azelis is the number one pure-play distributor in the North American specialty chemicals market. Azelis established its presence in the Americas through the acquisition of KODA Distribution Group in 2015 and further strengthened its position through a series of strategic acquisitions, including Ross Organic in 2017, Chemroy in 2019, Megafarma in 2020 and Vigon in 2021. Within the Americas, Azelis is present in the United States, Canada and Mexico and covers eight segments. Azelis serves over 800 principals and over 16,800 customers and has more than 750 full-time employees in the region. In addition, Azelis has 19 offices and 15 application laboratories to serve its customers. The Group generated revenue in the Americas of €1,008.1 million and an Adjusted EBITA of €107.8 million for the twelve months ended June 30, 2021, representing an Adjusted EBITA Margin of 10.7%.

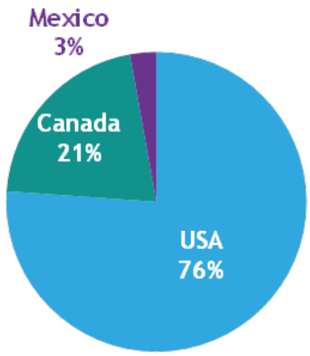
The Group's Americas footprint is shown below, with its sales offices, application laboratories and United States headquarters indicated.

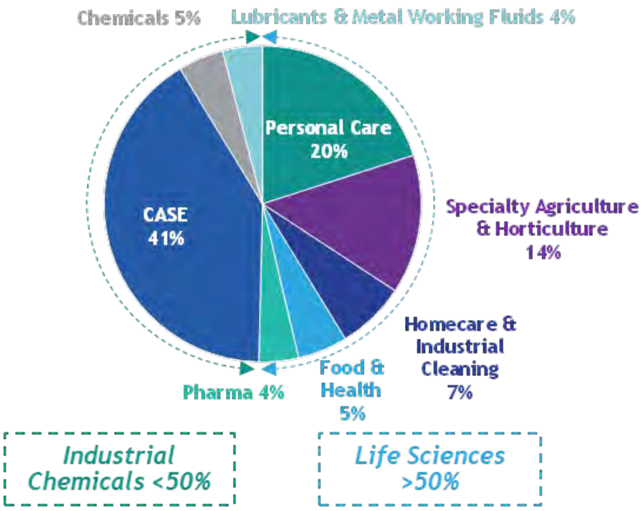


Breakdowns of the Group's revenue in the Americas by country and by end market are shown below.

Revenue for the Year Ended December 31, 2020

By Country	By End Market (1)





Note: Revenue for the year ended December 31, 2020 excludes the impact of Vigon. With the inclusion of Vigon, approximately 56% of the Group's revenue would have been from life sciences end markets rather than the approximately 50/50 industrial chemicals and life sciences split shown.

(1) Calculations based on customer end markets only and exclude the impact of the Group Holding and Other revenue.

Azelis acquired Megafarma, a leading distributor of specialty ingredients for the food and health and pharmaceutical markets in Mexico, in January 2020. The acquisition expanded relationships with existing Azelis strategic principals and resulted in commercial synergies from 18 new principal mandates. In July 2021, Megafarma opened its first full-service innovation center in Mexico City with five dedicated application laboratories for personal care, CASE, food and health, pharmaceuticals and rubber and plastic additives end markets. The opening of these laboratories increased Azelis' total number of application laboratories worldwide to over 70.

A key event in June 2021 was Azelis' acquisition of Vigon, which enabled Azelis to enter into the flavors and fragrances segment in the Americas, which was previously a white space in the Group's portfolio. Vigon has a leading position (approximately 20% of the market share of the distribution channel) in a sub-segment of the broader food market that is growing, resilient and has high barriers to entry. Additionally, Vigon will serve as a platform for further expansion in the United States by expanding existing principal relationships as well as further bolt-on M&A. The Group's strategic priorities in the Americas include continuing to show sustainable organic growth, complimented by value accretive M&A. Azelis anticipates that it will look to grow operations in the Americas by expansion in Latin America in the future.

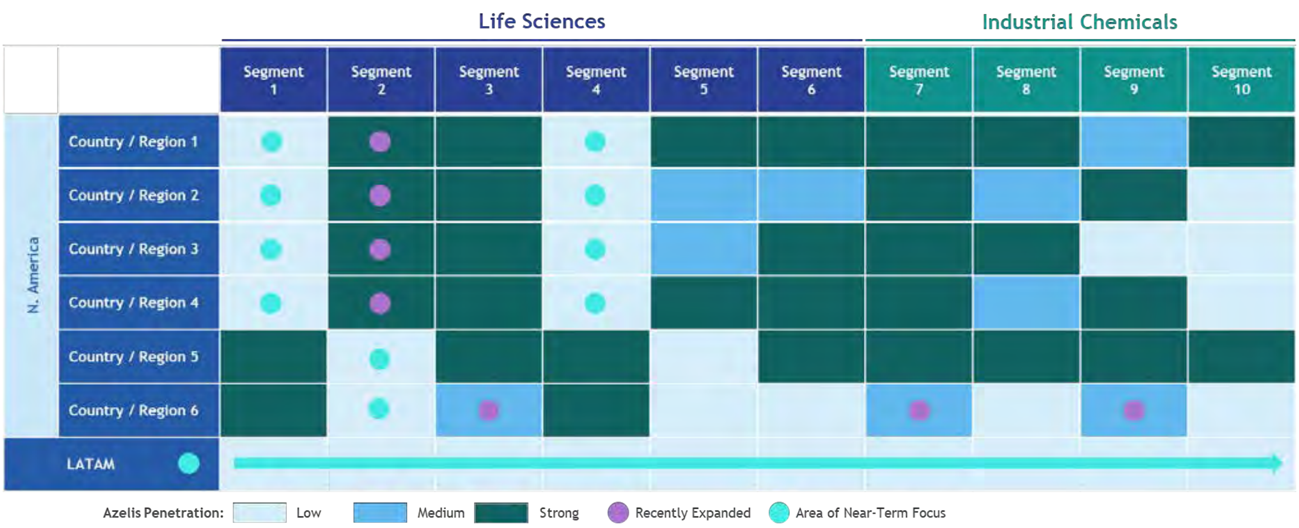
11.6.2.2 Achievements

Since 2016, Azelis has made a number of achievements in the Americas including: growing Adjusted EBITA by a CAGR of 17.2% from 2016 to 2020; expanding its footprint to Mexico, which Azelis expects to provide a bridge to the €7 billion Latin American market; expanding its network of leading laboratories by adding five new laboratories between 2016 and 2020; operating across eight end markets, with more than 50% of revenue from life sciences end markets; delivering an increase of Adjusted EBITA margin expansion of 228 basis points from 2016 to 2020; acquiring and integrating three businesses between 2016 and 2020 to strengthen its profile; and increasing its conversion margin by 772 basis points from 2016 to 2020 as a result of Azelis' operational excellence initiatives.

Regional revenue in the Americas grew at a CAGR of 10.1% from €654.6 million for the year ended December 31, 2016 to €1,008.1 million for the twelve-month period ended June 30, 2021, with corresponding increases in gross profit from €126.1 million (Gross Profit Margin 19.3%) to €215.7 million (Gross Profit Margin: 21.4%), and in Adjusted EBITA from €50.5 million (Adjusted EBITA Margin: 7.7%) to €107.8 million (Adjusted EBITA Margin: 10.7%) over this time.

11.6.2.3 Presence and Opportunity

Azelis believes there are multiple opportunities for continued growth where it can capitalize on white space opportunities and grow organically and through acquisitions. The graphic below illustrates the Group's view of its current penetration of the market in the Americas and indicates areas of recent expansion and areas where it is focused in the near term. In particular, Azelis believes that it has strong penetration levels in food and health, personal care and pharmaceuticals end markets in Canada. The Group has also recently expanded in the flavors and fragrances end market across the United States with the acquisition of Vigon in June 2021. Azelis believes it can leverage its existing principal relationships in North America and Mexico to garner new mandates in South and Central America, where the greatest opportunities for expansion are seen in the CASE, personal care, food and health and pharmaceuticals segments. The Group's Latin American growth focus is primarily on Mexico, Brazil and Colombia.



11.6.2.4 Strategic Priorities

The Group's strategic priorities in the Americas include organic growth, margin enhancement initiatives and continuing acquisition activity.

Azelis expects to achieve organic growth by: continuing to grow with core strategic principals; focusing on the lateral value chain by selling more products to existing customers by leveraging digital capabilities; winning new mandates to fill portfolio gaps in terms of geography, end markets and products; developing a customer opportunity pipeline with tracking and conversion utilizing its customer resource management tool and the July 2021 creation of a new innovation center in Mexico, which houses five application laboratories.

The Group's margin initiatives and strategic priorities in the Americas include optimizing margin based on customer/product segmentation through its margin optimization program, introducing a transportation and logistics surcharge program and launching a number of operational improvements such as a transportation management system, warehouse network optimization and centralizing business functions including operations, SHEQ, laboratories, information technology and finance.

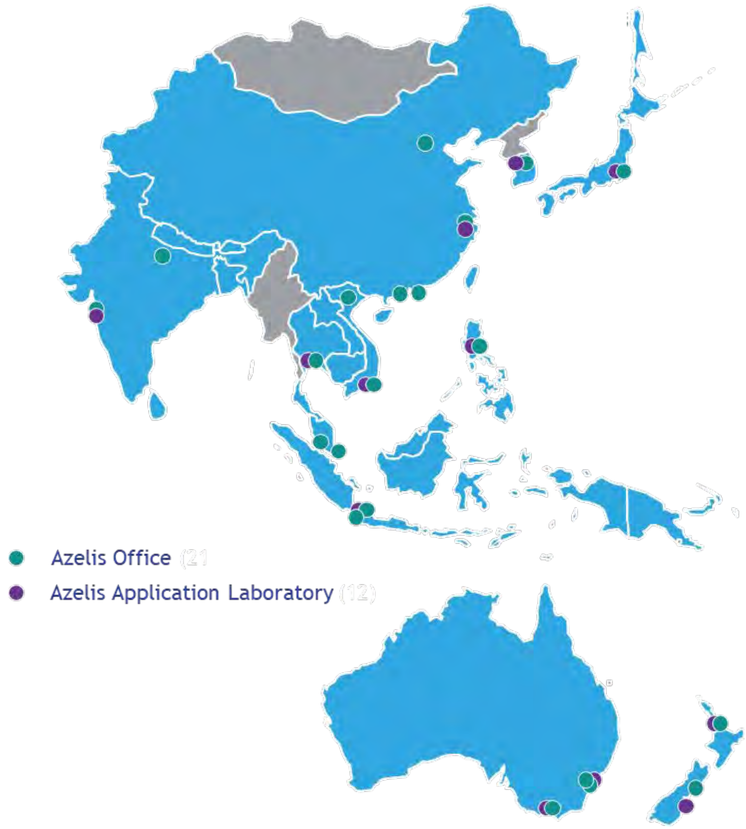
Acquisition priorities in the Americas are centered on expanding geographically into Latin America, acquiring strategic targets that complement product portfolios (thereby avoiding potential principal conflicts), focusing on effective integration of acquired businesses including cost and revenue synergy realization and building out platforms in the U.S. food, health and pharmaceutical industries with continued investments in flavors and fragrances (using Vigon as a growth platform).

11.6.3 *Asia-Pacific*

11.6.3.1 Overview

Azelis started its distribution activities in Asia-Pacific in 2013. The Group is present in twelve countries and each country is led by a Managing Director. Azelis serves approximately 500 principals and over 5,700 customers and has over 550 full-time employees in the region. In addition, the Group has 24 offices and 28 application laboratories to serve its customers. The higher number of laboratories per customer in Asia-Pacific as compared with EMEA and the Americas is reflective of the diverse nature of the region, where taste and flavor preferences are more localized and diverse, languages are diverse and regulations are different for each country. The Group generated revenue in Asia-Pacific of €304.3 million and an Adjusted EBITA of €22.0 million for the twelve months ended June 30, 2021, representing an Adjusted EBITA Margin of 7.2%.

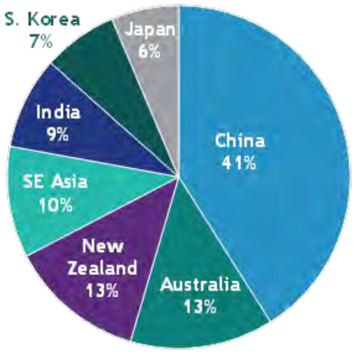
The Group's Asia-Pacific footprint is shown below, with shading denoting countries that are served by Azelis and its offices and application laboratories also indicated.

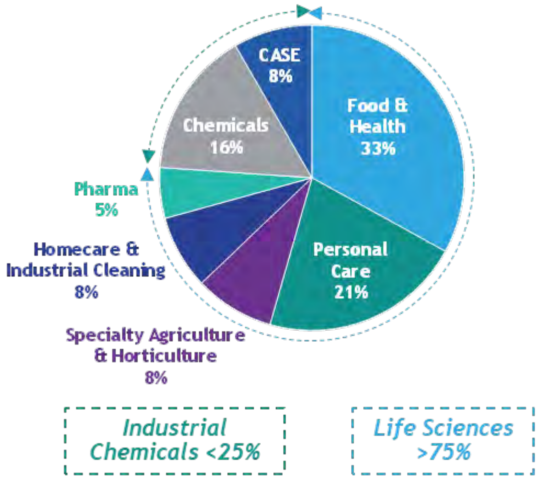


Breakdowns of the Group's revenue in Asia-Pacific by geography and by end market are shown below.

Revenue for the Year Ended December 31, 2020

By Country	**By End Market** (1)





Note: SE Asia includes Indonesia, Malaysia, Singapore, Thailand and Vietnam. Azelis entered the Philippines in 2021.

(1) Calculations based on customer end markets only and exclude the impact of the Group Holding and Other revenue.

The Group has completed three add-on acquisitions in India between 2019 and May 2021 which increased Azelis' revenue in India by approximately seven times between 2018 and 2021. Azelis first entered in the Indian market in 2008 with the acquisition of Marigold International. By 2011, it had established fully-fledged operations in the country. This growth was accelerated in 2019 to 2021 with the three asset acquisition transactions that built out the region to serve the food (with the acquisition of MK Ingredients & Specialties in 2019), pharmaceuticals (with the acquisition of S. Zhaveri in 2020) and agrochemicals and industrial chemicals segments (with the acquisition of Spectrum Chemicals in May 2021). As at April 2021, all three acquired businesses were using Azelis' digital system and operations are integrated in the Azelis Mumbai office.

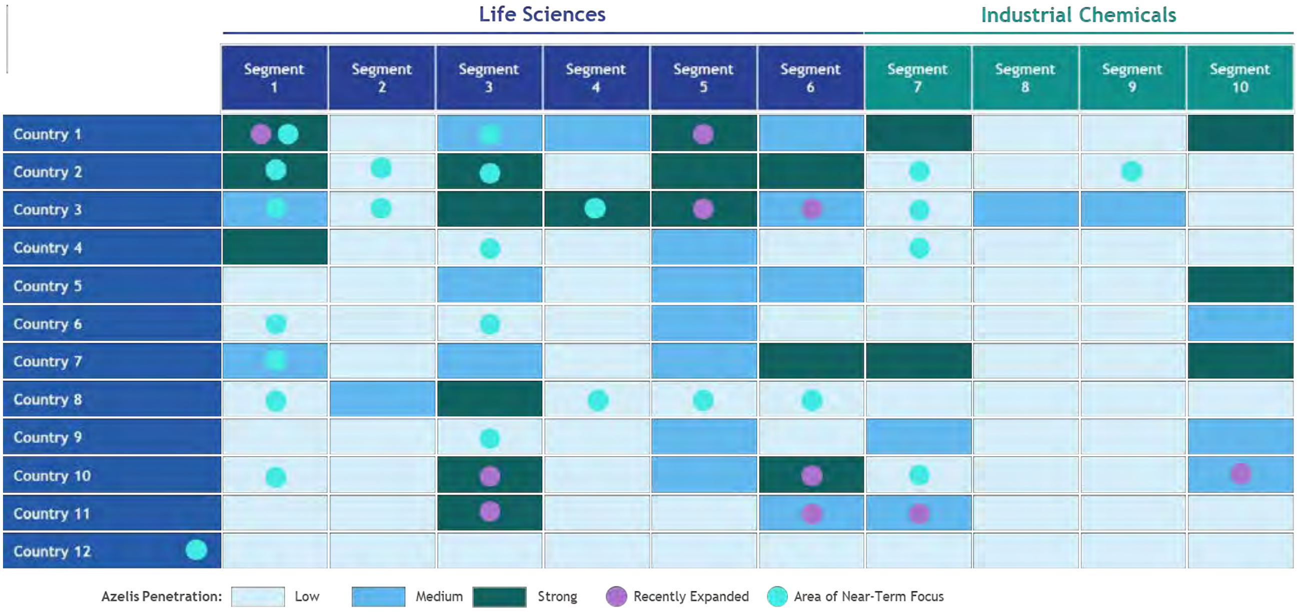
11.6.3.2 Achievements

Since 2016, Azelis has made a number of achievements in Asia-Pacific including: growing Adjusted EBITA by a CAGR of 33.7% from 2016 to 2020; acquiring and integrating acquisitions to strengthen its profile by completing seven acquisitions in the region between 2016 and 2020; expanding its footprint geographically in faster growing countries by expanding into two additional countries between 2016 and 2020; expanding its network of laboratories by adding 22 laboratories between 2016 and 2020; enhancing product offering by focusing on local customer needs (adding seven times more products from 2016 to 2020); and expanding its Gross Profit Margin by 423 basis points from 2016 to 2020.

Regional revenue in Asia-Pacific grew at a CAGR of 28.6% from €98.2 million for the year ended December 31, 2016 to €304.3 million for the twelve-month period ended June 30, 2021, with corresponding increases in gross profit from €14.6 million (Gross Profit Margin 14.8%) to €59.9 million (Gross Profit Margin: 19.7%), and in Adjusted EBITA from €4.7 million (Adjusted EBITA Margin: 4.8%) to €22.0 million (Adjusted EBITA Margin: 7.2%) over this time.

11.6.3.3 Presence and Opportunity

Azelis believes there are multiple opportunities for continued growth where it can capitalize on white space opportunities and grow organically and through acquisitions. The graphic below illustrates the Group's view of its current penetration of the market in Asia-Pacific and indicates areas of recent expansion and areas where it is focused in the near term. Azelis has grown from having a minimal presence in Asia-Pacific in 2016 and now believes that it has a strong penetration in personal care, food and health and homecare and industrial cleaning among life sciences end markets and in CASE in industrial chemicals. To date it has minimal coverage in lubricants and metal working fluids and in rubber and plastic additives end markets.



11.6.3.4 Strategic Priorities

The Group's strategic priorities in Asia-Pacific include organic growth, strengthening its platform in the region, improving margin and continuing acquisition activity.

Azelis expects to achieve organic growth by: growing with its strategic principles; entering into new geographies; covering a minimum of 80 markets across Asia-Pacific with a strong position in at least 30 of them; and having full coverage across Asia-Pacific in its four strategic end markets of food and health, agrochemicals, CASE and pharmaceuticals.

Azelis intends to strengthen its platform by focusing on attracting the best talent in the region, broadening its business development and regional marketing team and expanding its regional headquarters in the areas of human resources, information technology, finance, SHEQ, legal, communication and commercial excellence.

The Group's margin initiatives and strategic priorities in Asia-Pacific include producing an uplift in margins driven by select drivers including pricing initiatives in mature markets, implementing a regional logistics hub in Singapore and implementing commercial excellence KPIs.

Acquisition priorities in Asia-Pacific are centered on enhancing industry coverage within the existing countries through acquisitions and additional mandates from strategic principals. Azelis anticipates that it will look to grow operations in Asia-Pacific by reviewing opportunities to a establish a presence in new territories. Over the past four years, Azelis has acquired eleven companies to expand and increase its presence in Asia-Pacific. Azelis also intends to accelerate growth in China and India and strengthen its position in Japan and Korea and aims to implement a full integration process for new acquisitions and establish a regional team with three full-time employees by the end of 2021. In August 2021, Azelis acquired Ingredients Plus China, a specialty chemicals distributor to the personal care end market in China that employs over 50 employees in Shanghai, Guangzhou and Hong Kong and serves more than 300 customers and has an attractive product portfolio of world-renowned principals.

11.7 Principals

Azelis has long-standing relationships with its principals, including more than ten years with each of its top-ten key strategic principals, and most of its sales come from exclusive mandates for a specific region-market. The Group has instituted a proactive management of existing principals and is targeting new relationships as a key pillar of its strategy. Azelis enforces regular dialogue at a senior level by end market or industry line. The Group's end goal is to provide principals with tailored services and strengthen their relationship with the Group, therefore facilitating geographic and product expansion with existing principals, as well as identifying contract wins with new principals.

Azelis has a diversified base of approximately 2,200 principals, with the largest principal representing less than 14% of revenue for the year ended December 31, 2020.

11.8 Customers

Azelis' principals continue to keep direct relationships with their key accounts (e.g., large multinationals) mostly without the use of third-party distributors.

The Group's customers, as a result, tend to be small- and medium-sized players who rely upon Azelis to be their outsourced development and formulation partner. Azelis acts as a "one-stop shop" for its customers who tend to buy multiple products from Azelis, thereby increasing customer retention.

In general, Azelis does not manufacture finished products for customers. Rather, Azelis provides specialty chemicals and food ingredients for customers to manufacture themselves. Azelis' customers typically sell their products to wholesalers, and the wholesalers then sell products to a diverse end user base that includes retail and hardware store chains, pharmacies, farms and a large and diverse base of manufacturing companies (e.g., automotive, shipbuilding, electronics, etc.).

As an example, in the food and health segment, Azelis' customer may be a manufacturer of products such as frozen pizzas, baking goods and baking mixes. Azelis distributes food ingredients to this manufacturer, who produces and supplies its products to a supermarket chain, who ultimately sells it to the final consumer. The Group's customers use the customer insights and demand from the supermarket chains, they come up with formulation demand and requirements and Azelis provides formulation expertise and specialty chemicals and food ingredients.

The Group's base of over 45,000 customers is spread globally and Azelis serves a diversified set of industries. The Group's top-ten customers collectively represented less than 6% of revenue for the year ended December 31, 2020.

11.9 Sales and Marketing

Azelis is a strong brand in the specialty chemicals and food ingredients distribution market and the Group and continues to raise brand awareness among both principals and customers by enhancing and expanding its service offerings and fostering rapid adoption through increased brand affinity, public relations and strategic partnerships. In addition, the local and regional companies that are part of the Group have strong brand names in their respective markets, such as Blanova, Scansmoke, Ross Organic, DeWolf and Glenn. The Group also leverages its direct sales force and account management teams to facilitate the acquisition and support of larger customers. Direct marketing, especially online, has also been an effective customer acquisition channel. This includes display advertising, search engine marketing, social media and direct mail campaigns.

In addition, the Group has a number of training initiatives in order to improve its sales and marketing. In July 2018, the Group launched the first edition of its Sales Academy across the EMEA region. The first session of the EMEA Sales Academy took place in Antwerp and has been followed by another five editions comprising 126 participants from 20 different countries. The objective of the Sales Academy is to support the Group's sales team so they can achieve better results for the Group's customers. Additionally, the Group also has the Azelis Americas University, which is a program that recruits candidates for the coatings, adhesives, sealants, and elastomers market segment from on-campus recruitment at select universities such as Texas A&M University, the University of Georgia, the University of Cincinnati and the University of Texas. The candidates move through a rotation program to learn about Azelis, its products and businesses. The rotation program typically includes three to six months in a lab, a month or two working with a supply chain team, and sometimes working with an inside sales team. Participants then shadow technical sales representatives until being moved into their own territory. The effectiveness of this approach is being evaluated with a future goal of replicating the program in all market segments in the Americas. The Azelis Americas University is harmonized with the Sales Academy to ensure best practice for the Group's sales and marketing initiatives.

11.10 Legal Proceedings

From time to time, the Group may be involved in various claims and legal proceedings relating to claims arising out of its operations. See section 1.1.15 (*Risk Factors—Risks Related to Azelis' Business and Industry—Azelis' business exposes it to risks associated with potential product liability and with the processing of hazardous materials and related activities*). There are not and have not been any governmental, legal or arbitration proceedings, nor is Azelis aware of such proceedings pending or threatened, that may have or have in the previous twelve months had significant effects on the Group's financial position or profitability.

11.11 Employees

Azelis considers its people to be its greatest asset and is proud of its workforce that is made up of people who strive to be entrepreneurial, respectful, focused and knowledgeable. As at June 30, 2021, the Group employed nearly 2,800 employees on both fixed and indefinite term contracts, including more than 1,800 in customer- or principal-facing roles. The Group employs individuals from 65 nationalities, with the workforce having a 53:47 female to male ratio, an average tenure with the Group of approximately nine years and an average age of 44 years. In addition, over 80% of the Group's employees are estimated to hold a bachelor's degree or above, based on a voluntary employee self-survey. The Group's employment initiatives consist of training and developing employees to reach their full potential, promoting employee life balance and well-being through, among other things, flexible working schedules and health care programs and ensuring diversity and equal opportunities for all employees.

The table below represents the number of employees by region of the Group as at June 30, 2021, December 31, 2018, December 31, 2019 and December 31, 2020.

	As at June 30,	As at December 31,		
	2021	**2020**	**2019**	**2018**
EMEA	1,377	1,333	1,064	1,019
Americas	769	613	574	519
Asia-Pacific	562	456	365	302
Group Holding and Other	64	59	59	73
Total	**2,772**	**2,461**	**2,062**	**1,913**

The Group saw approximately 12% (voluntary and involuntary) total attrition in 2020, which reflects an approximately five percentage point decrease in attrition from 2017. The countries in which Azelis operates provide various protections and other rights to employees. The rights, obligations and operating methods of these bodies vary from one country to another, depending on local legislation. Management believes that Azelis' relationships with its employees are positive. Azelis has not experienced any material work stoppages or strikes.

11.12 Sustainability

As a global service provider with a strongly held spirit of innovation, sustainability has always been at the heart of Azelis' identity, and the Group's ambitions to be a benchmark for sustainable and responsible behavior continues to grow. The Group's formal sustainability journey started in 2015 when it defined the fundamentals of its sustainability program. The program is based on the United Nations Global Compact (UNGC) initiative, ISO 26000 and the Global Reporting Initiative (GRI).

Azelis is helping its customers and principals achieve their sustainability goals by, among other things, promoting sustainable products and product development, encouraging sustainable formulation creation in its laboratories and assessing its principals and implementing corporate social responsibility due diligence procedures when selecting and onboarding principals. The Group's sustainability strategy is built on four pillars: products and innovation; environment; people; and governance. See section 11.2.4 (—*Competitive Strengths—Azelis has a long-term business model with leadership in sustainability*) above.

Azelis released its first sustainability report in 2020. Within this sustainability report, Azelis disclosed an extensive set of metrics designed to measure the sustainability of its operations. In addition, the report provides numerous examples of how Azelis' commitments to sustainability are put into action, by creating shared value with its innovative and sustainable products and a positive impact on local communities around the globe. The most recent Azelis sustainability report was published in August 2021 and, as at the date of this Prospectus, is available on Azelis' website at www.azelis.com/sustainability. The pillars of the Group's sustainability strategy and certain of its sustainability-related KPIs, which help demonstrate its position as a leader in sustainability with a comprehensive approach to ESG, are discussed below.

- *Products and innovation* – Azelis aims to identify, create and promote environmentally friendly formulations for its customers. The Group's position as a conduit between principals and customers gives it a unique ability to identify, create and promote environmentally friendly formulations for its customers. One such example was the development of a new water-free skin care formulation by Azelis' personal care team in France in April 2021. Not using water allows for the cubes to be stored in bulk and reduces the need for excessive packaging and the transportation of unnecessary water, which in turn helps to reduce the carbon footprint of the product. This innovation resulted in the Group winning the prestigious *Coup de Coeur* award from the French Society of Cosmetology (*Société Française de Cosmétologie*).

  In support of its focus on sustainable formulations, Azelis is targeting for 80% of its revenue to relate to products sourced from principals that have been assessed using the TfS framework and tools. For the year ended December 31, 2020, 52% of the Group's revenue came from assessed principals. A TfS audit is an on-site evaluation of a company's sustainability practices by an independent third-party auditor approved by TfS. The scope of a TfS audit covers a supplier's business location such as a production site or a warehouse. During a TfS audit, the supplier's sustainability performance is verified against a set of audit criteria on management, environment, health and safety, labor and human rights, and governance issues. The Group is aiming to achieve this target by 2025.

  In addition, one of Azelis' objectives for 2021 that was set out in its most recent sustainability report is to establish the baseline for targets for sustainable formulations from 2022 onwards, which will allow the Group to continue to accelerate the development of sustainable solutions.

- *Environment* – The Group is focused on minimizing its environmental footprint by reducing the impact of its operations and those of its outsourced distribution partners. The Group will continue its efforts to reduce its own impact on the environment in terms of emissions reduction, waste minimization, energy efficiency and prevention of environmental incidents.

  In light of this, Azelis has set an objective for a 50% reduction in its scope 1 and scope 2 emissions per million euros of revenue from the 2019 level (50.44 tonnes of carbon dioxide equivalent per million euros of revenue) by 2030, with a mid-term reduction target of 25% by 2025. To achieve this target, Azelis intends to increase its use of electricity from renewable sources in its offices and operational sites from 6% to 100% in the coming years.

- *People* – Azelis is cognizant that its employees are its greatest asset and its objective is to be the employer of choice within the specialty chemicals and food ingredients distribution industry. The Group's employment initiatives, as discussed in section 11.11 (*—Employees*), helped lead to a 78% overall satisfaction in the Group's latest employee satisfaction survey, an improvement of ten percentage points from the results when the survey was first conducted in 2014. In addition, Azelis fills more than half of its open positions by promoting internally.

  Accomplishing the objective of being the employer of choice in its industry requires Azelis to make advancement opportunities available to women. It is aiming for 30% of management positions to be held by women by 2025 in order to improve gender diversity in these senior roles. As at December 31, 2020, women made up 21.9% of senior managers (December 31, 2019: 20.6%).

- *Governance* – Upholding high standards of governance and ethical business conduct is a key priority for Azelis. In support of this, the Group expects all of its employees to undergo training in ethical behavior policies, including Azelis' code of conduct. Azelis launched its *SpeakUp!* policy and *SpeakUp!* line, which is available to employees and any third-party stakeholder for reporting concerns on ethical business behavior. This ensures a culture where employees are encouraged to speak up in a safe environment, and where they will not feel victimized or retaliated against.

  The Group's ongoing target is to have zero material breaches of its ethics and fair business practices policies as well as zero material breaches of applicable laws and regulations.

Azelis expects to report its progress on these objectives in its ongoing reporting together with its financial KPIs.

As a result of consistently implementing its sustainability strategy, Azelis was awarded a platinum medal by EcoVadis in July 2021, having been awarded consecutive gold medal in the two preceding years. As such, Azelis is ranked in the top 1% of over 75,000 companies rated by EcoVadis and is the first global specialty chemicals and food ingredients service provider to be awarded the EcoVadis platinum rating.

11.13 Environmental Health and Safety

The Group's operations are subject to licensing, authorization and regulations globally relating to the protection of the environment, human health and occupational health and safety, including those governing the handling, transportation and disposal of hazardous waste. All of the Group's laboratories are subject to strict requirements for the disposal of laboratory samples at authorized facilities, and the Group generally uses external service providers for the disposal of such samples.

The Group strives to employ comprehensive and strict environmental, health and safety systems in its facilities and believes that it is in material compliance with applicable environmental, health and safety requirements. For more information regarding the Group's regulatory environment, see section 12 (*Regulatory Overview*).

11.14 Real Property and Leases

The Group's real estate interests are predominantly held on a leasehold basis. The Group's operational facilities consist primarily of offices, warehouses and laboratories. The Group owns 14 of its warehouses and leases the remaining 272.

The Group's leasehold interests are not subject to any encumbrances granted in favor of third parties, other than customary rights in favor of the property owner.

11.15 Intellectual Property

The Group's intellectual property, including its trademark and logo, is an important component of its business. The Group has registered trademarks across various international jurisdictions for the Azelis name and logo and Blanova as well as other more locally oriented brands. The Group's intellectual property portfolio also includes numerous domain names for websites that it uses in its business.

The Group controls access to and use of its intellectual property through license agreements, confidentiality procedures, non-disclosure agreements with third parties and its employment agreements. The Group relies on contractual provisions with principals and customers to protect its proprietary technology and creative assets. The Group also actively registers its trademarks and business names to protect its intellectual property within the territories in which it operates and has engaged a global intellectual property agent to assist with the registration and management of the entire Azelis intellectual property portfolio.

11.16 Insurance

The Group maintains insurance policies to cover risks for damage to its own and to third-party property and products (including inventory), personal injury, business interruption, environmental damage and pollution, and accident-related and health risks for employees. The Group also maintains liability coverage for directors and officers. These policies are renewed annually. Azelis works with an international insurance broker that manages its insurance program globally.

The Group also maintains various other local insurance policies to cover a number of other risks related to the Group's business, such as car and travel, work accidents and employers' liability.

The Group believes that the types and amounts of its existing insurance policies are adequate in terms of both amounts covered and conditions of coverage to cover the major risks of its business, taking into account the cost of insurance coverage and the potential risks to business operations.

11.17 Material Contracts

11.17.1 *Underwriting Agreement*

For information on the Underwriting Agreement, see section 19.1 (*Plan of Distribution—Underwriting*).

11.17.2 *Financing Agreements*

The following summary of certain provisions of the documents listed below governing certain of Azelis' indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

11.17.2.1 New Debt Facilities

On September 6, 2021, Azelis Finco entered into an English law-governed facilities agreement with, among others, the Company as parent and guarantor, the facility agent, the mandated lead arrangers and the other financing institutions named therein (the "**New Facilities Agreement**") consisting of (i) a EUR-denominated €640.0 million term loan facility (the "**New EUR Term Loan**"), (ii) a GBP-denominated £128.8 million (equivalent to approximately €150.0 million) term loan facility (the "**New GBP Term Loan**" and, together with the New EUR Term Loan, the "**New Term Loan**") and (iii) a multi-currency €260.0 million (equivalent) revolving facility (the "**New RCF**" and, together with the New Term Loan, the "**New Debt Facilities**"). Utilization of the New Debt Facilities described herein is conditional on Admission.

The termination date for the New Term Loan will be five years from the date of first utilization in connection with the completion of the Offering and Refinancing. The New Term Loan is to be repayable by a bullet repayment on the termination date. The termination date for the New RCF will be five years from the completion of the Offering and Refinancing, subject to two one-year extensions (at the option of each lender under the New RCF and subject to certain conditions being met). Commitments under the New RCF will be available to take the form of cash loans, ancillary facilities and letters of credit.

The New Facilities Agreement permits Azelis Finco to use amounts borrowed under the New RCF (i) to (directly or indirectly) finance or refinance the working capital requirements and/or for general corporate purposes of the Group (including, without limitation, financing or refinancing any acquisitions, including refinancing any existing debt of the relevant target), investments in joint ventures or capital expenditure, operational restructurings and reorganization requirements of the Group or the servicing of any of its indebtedness, and (ii) for the payment of all fees, costs and expenses (including any break costs, redemption premium and make-whole costs) incurred in connection with the Refinancing (as defined below), the Offering and/or otherwise in connection with the New Facilities Agreement or any related finance document. The New Facilities Agreement permits Azelis Finco to use amounts borrowed under the New Term Loan (i) to refinance the Existing Indebtedness and (ii) for the payment of all fees, costs and expenses (including any break costs, redemption premium and make-whole costs) incurred in connection with the Refinancing, the Offering and/or otherwise in connection with the New Facilities Agreement or any related finance document.

The New RCF is expected to remain undrawn at the Closing Date. It is intended that the full amount of borrowings available under the New Term Loan (being approximately €790.0 million) will be drawn on or around the Closing Date. Borrowings under the New Term Loan, together with the full amount of the net proceeds from the Primary Tranche, will be applied towards repaying the Existing Indebtedness (as defined below) (the "**Refinancing**"). See section 3 (*Reasons for the Offering and the Listing and Use of Proceeds*) and section 6 (*Capitalization and Indebtedness*). The Refinancing is conditional on the closing of the Offering and Admission. The Group will pay arrangement fees on each lender's commitments under the New Debt Facilities in an amount agreed with the lenders.

Each loan under the New Debt Facilities will initially bear interest at a rate per annum equal to the relevant term reference rate or compounded reference rate applicable for the currency of that loan (in each case, subject to zero floor), and an initial margin of: (i) in relation to the New EUR Term Loan, 225 basis points per year, (ii) in relation to the New GBP Term Loan, 250 basis points per year and (iii) in relation to the New RCF, 200 basis points per year, provided that if certain conditions set out in the New Facilities Agreement are satisfied the margin will be determined by reference to a Net Leverage as set out below (there being no limits on the number of steps by which the margin may reduce or increase).

Net Leverage	New EUR Term Loan Margin	New GBP Term Loan Margin	New RCF Margin
		(basis points per year)	
Greater than 3.00:1	225	250	200
Less than or equal to 3.00:1 but greater than 2.50:1	200	225	175
Less than or equal to 2.50:1 but greater than 2.00:1	175	200	150
Less than or equal to 2.00:1 but greater than 1.50:1	150	175	125
Less than or equal to 1.50:1	125	150	100

The applicable margins will be subject to +/-10 basis point adjustment depending on the satisfaction of certain ESG criteria, with the ratchet applying from the delivery of the first sustainability compliance certificate (to be delivered on or at any time prior to the date on which Azelis Finco is due to deliver annual financial statements starting with the annual financial statements for the financial year ending December 31, 2022). Default interest on overdue amounts would be set at 1% higher than that which would have applied otherwise.

A commitment fee will be applicable under the New RCF on the unused portion of the New RCF equal to 35% of the applicable margin under the New RCF as in effect from time to time along with certain other customary fees and expenses.

Azelis Finco may, upon not less than three business days' prior notice to the facility agent (subject to certain exceptions), cancel and/or voluntarily prepay outstanding loans without penalty or premium (but including any break fees) under the New Facilities Agreement, provided that if any compounded rate loan under a New Debt Facility is voluntarily prepaid in whole or part on four occasions in any calendar year, Azelis Finco shall pay administrative costs in respect of any subsequent prepayment of that New Debt Facility in accordance with the terms of the New Facilities Agreement.

With respect to the New Debt Facilities, Azelis Finco will also be required by a financial covenant to maintain a maximum total Net Leverage not in excess of 4.75:1.00 (stepping down to 4.50:1.00 in respect of the financial half-year ending June 30, 2024 and each subsequent testing period thereafter), to be tested twice annually (at the end of each financial half-year period and at the end of each financial year with the first testing date being December 31, 2021), subject to equity cure provisions.

11.17.2.2 Existing Senior Facilities and Existing Second Lien Notes

On November 2, 2018 certain Group entities entered into: (i) an English law governed senior facilities agreement with, among others, J.P. Morgan Europe Limited, as agent, and Wilmington Trust (London) Limited, as security agent (as amended and/or amended and restated from time to time, the "**Existing Senior Facilities Agreement**"); and (ii) an English law governed second lien notes purchase agreement with, among others, certain original notes purchasers, Wilmington Trust (London) Limited, as agent, and Wilmington Trust (London) Limited, as security agent (the "**Existing Second Lien Notes Purchase Agreement**" and, together with the Existing Senior Facilities Agreement, the "**Existing Facilities Agreements**"). Outstanding amounts under such agreements will be repaid in connection with the Refinancing as detailed below and the agreements will be cancelled in connection with the Offering.

(i) *Existing Senior Facilities*

As at June 30, 2021 and as at the date of this Prospectus, the available facilities under the Existing Senior Facilities Agreement comprise (i) a fully drawn €1,040.0 million EUR-denominated term loan facility (the "**Existing EUR Term Loan Facility**"), (ii) a fully drawn £204.1 million GBP-denominated term loan facility (the "**Existing GBP Term Loan Facility**" and, together with the Existing EUR Term Loan Facility, the "**Existing Term Loan Facilities**") and (iii) a €100.0 million (equivalent) multicurrency revolving credit facility (the "**Existing RCF**" and, together with the Existing Term Loan Facilities, the "**Existing Senior Facilities**"). The Existing RCF was undrawn as at June 30, 2021 and was utilized in an amount of €100.0 million as at the date of this Prospectus. The Existing RCF terminates in November 2024 and the Existing Term Loan Facilities terminate in November 2025.

Outstanding amounts under the Existing Senior Facilities will be repaid in connection with the Refinancing and the Existing Senior Facilities Agreement will be cancelled in connection with the Offering.

(ii) *Existing Second Lien Notes*

As at June 30, 2021 and as at the date of this Prospectus, notes issued and outstanding pursuant to the Existing Second Lien Notes Purchase Agreement comprise (i) €135.0 million EUR-denominated second lien notes (the "**Existing EUR Second Lien Notes**") and (ii) C$145.1 million CAD-denominated second lien notes (the "**Existing CAD Second Lien Notes**" and, together with the Existing EUR Second Lien Notes, the "**Existing Second Lien Notes**" and, together with the Existing Senior Facilities, the "**Existing Indebtedness**"). The Existing Second Lien Notes mature in November 2026.

Outstanding amounts under the Existing Second Lien Notes will be repaid in connection with the Refinancing and the Existing Second Lien Notes Purchase Agreement will be cancelled in connection with the Offering.

12. REGULATORY OVERVIEW

The Group's business is subject to a wide range of regulatory requirements in the jurisdictions in which it operates. Among other areas, these laws and regulations relate to environmental protection; export control regulation; product regulation; management, storage, transport and disposal of hazardous chemicals and/or dangerous goods; and occupational health and safety. Changes in and introductions of regulations have in the past caused the Group to devote significant management and capital resources to compliance programs and measures. For example, the Group has invested in SHEQ managers in the three regions in which it operates and there have been costs associated with complying with various regulations including product registrations and environmental upgrades in some of the Group's manufacturing sites. New laws, regulations, or changing interpretations of existing laws or regulations, or a failure to comply with current laws, regulations or interpretations, may have a material adverse effect on Azelis' business, financial condition and results of operations. See section 1.3 (*Risk Factors—Risks Related to Regulation*). The following summary illustrates some of the significant regulatory and legal requirements applicable to Azelis' business.

The Group has a number of SHEQ managers who ensure compliance with the various regulations to which the Group is subject. The corporate SHEQ teams in Belgium and the United Kingdom set the Group's compliance strategy and provide guidance to the other regional SHEQ managers. The corporate SHEQ team monitors global regulatory developments and the Group's implementation of the relevant regulations as well as audits regulatory compliance on a Group-wide basis with the support of a Group SHEQ support center in Mumbai. The Group SHEQ support center centralizes all of the regulatory data and product creation processes for all regions including the creation of product documentation, such as safety data sheets ("**SDSs**"), which helps ensure compliance of the Group's products at both regional and local levels.

The Group has long been committed to *Responsible Care*® and *Responsible Distribution*® programs, which are voluntary initiatives from the chemical industry for the continuous improvement of health, safety and environment standards and are a key part of its regulatory compliance for its sites and businesses. Specifically, as member companies of the different national associations, Azelis entities are subject to mandatory verification (either by the staff of the national association itself or by a third party) of its health, safety and environment performance and continuous improvement in every phase of chemical storage, handling, transportation and disposal.

In Europe, the vast majority of Azelis entities are *Responsible Care*® certified via their national association or through the European Association of Chemical Distributors (Fecc). Similarly, Azelis entities in the Americas are subject to mandatory third-party verification as members of the National Association of Chemical Distributors in the United States and the Canadian Association of Chemical Distributors. In Asia-Pacific, Azelis is developing its *Responsible Care*® membership in the countries where a national association of chemical distributors exists (e.g., Malaysia).

12.1 Regulatory Environment in Europe

The Group's activities are subject to a wide array of regulatory requirements under European law and the national laws of the countries in which it operates. As EU regulations apply directly in all member states of the European Union, the Group's business is subject to these rules in all EU member states. EU directives, while binding on member states as to the result to be achieved, need to be implemented into national law and sanctions apply at a member state level. Therefore, for standards contained in EU directives that are applicable to the Group's business, national implementation of the rules can differ slightly from one EU member state to another.

In addition to EU regulations and directives, the Group is also subject to other national regulations and non-EU regulations such as the Turkish chemicals legislation known as "KKDIK" that is modeled on the European Union's REACH regulation. See section 12.1.1 (*—REACH Regulation*) below.

The chemicals distribution business is environmentally sensitive and many aspects of environmental law apply to the Group's business operations. The Group is also subject to a number of occupational health and safety regulations. In particular, laws regulating chemical substances have a strong impact on the Group's business.

The following summary highlights some of the key European laws and regulations that apply to the Group's business in the European Union.

12.1.1 *REACH Regulation*

Chemical substances contained in some of the Group's products that it imports to or produces in the European Union are subject to the REACH regulation, which imposes a regulatory framework for the manufacture, importation and use of chemical substances in the European Union and has increased compliance costs for the Group. In the year ended December 31, 2020, approximately 58% of the products sold by Azelis in the EEA were subject to the REACH regulation.

Under the REACH regulation, enterprises manufacturing or importing a chemical substance in quantities exceeding one ton per year in or to the EU market are required to register the substance with the European Chemicals Agency by submitting comprehensive information on the properties of the substance and on how to effectively manage the risks entailed by the use of the substance for evaluation by the European Chemicals Agency. To this end, manufacturers and importers have to gather the relevant information and conduct safety assessments. Downstream users of chemicals must implement the risk management measures for dangerous substances identified by suppliers. Failure to register means that the substance cannot be manufactured in or imported to the EU market. Currently there are over 20,000 substances that are registered in the EU market at quantities exceeding one ton and are therefore potentially covered by the REACH regulation. For substances of very high concern (i.e., carcinogens; mutagens; substances toxic to the reproductive system; substances that are persistent, bio-accumulative and toxic; substances that are very persistent and very bio-accumulative; or substances of equivalent concern), an authorization may be required. Substances identified for authorization may only be manufactured, imported or used after the so-called "sunset date" by companies that have obtained an authorization for a particular use. If the use of a substance entails unacceptable risks to health or the environment, that substance may (either on its own, or in a preparation, or as a processed article) be subject to EU-wide restrictions for use in certain products or for consumers or for all uses. The REACH regulation became effective on June 1, 2007. Pre-registration of substances took place from June 1, 2008 until December 1, 2008, and was followed by three registration deadlines on November 30, 2010, May 31, 2013 and May 31, 2018 for different categories of substances, depending on the volume band or level of concern of the substance. New substances need to be registered before they can be marketed in the European Union.

Azelis is impacted by several aspects of the REACH regulation given its different roles as distributor, importer and downstream user in the chemical substances supply chain. Azelis uses its SHEQ support center to ensure that it is in compliance with the REACH regulation and to confirm that its principals are also in compliance with the regulation.

Under the REACH regulation, Azelis is obligated to communicate to its customers the identified use of its chemical substances, the chemical substance's registration and whether the chemical substance the customer is purchasing is hazardous, which is facilitated through SDSs.

When importing products to the European Union, Azelis verifies whether the products have been effectively registered by the principal. On certain occasions Azelis has registered the products itself. In addition, Azelis frequently acts as a point of contact for its customers and non-EU principals in relation to any queries they have on compliance with the REACH regulation.

12.1.2 *Pharmaceutical and Food Regulation*

Given the Group's business activities related to the distribution and production of ingredients that are used in food and pharmaceuticals, the Group is also subject to pharmaceutical and food regulations in the European Union. These include, among others, Regulation (EC) No 178/2002 (the "General Food Law Regulation") and the legal framework governing medicinal products for human use in the European Union, which is primarily laid out in Directive 2001/83/EC and in Regulation (EC) No 726/2004.

The General Food Law Regulation applies to all stages of production, processing and distribution of food and feed with only limited exceptions. The General Food Law Regulation requires businesses to ensure the traceability of food, the appropriate presentation of food, that suitable food information is provided, that there are procedures in place to withdraw or recall unsafe food that has been placed on the market and that imports of food comply with the regulations.

The General Food Law Regulation applies to all of the Group's EU entities that distribute food ingredients. Every entity that distributes food ingredients has reported its activity to the relevant national authority which means that the Group has the necessary licenses required to be a food operator. In addition, the Group's entities have food certifications and risk management procedures, which evaluate the hazards that could affect food safety and the controls that are in place to prevent these hazards, in order to ensure that the food products the Group is importing is safe for consumers. In addition, the Group works with external warehouses and transport companies that are authorized to transport food and have the necessary conditions to store food. The Group's local SHEQ manager ensures that food regulations are complied with and the Group's SHEQ support center ensures that the food items have all the required documentation from the Group's principals. The Group also has quality agreements in place with its principals and customers outlining the responsibilities of each of the actors in the supply chain.

Directive 2001/83/EC and Regulation (EC) No 726/2004 outline the requirements and procedures for marketing authorization, as well as the rules for monitoring authorized pharmaceutical products. They also include harmonized provisions for the manufacture, wholesale or advertising of medicinal products for human use. When applying for marketing authorization, companies must provide documentation showing the product is of suitable quality under the regulation. If the qualitative and quantitative composition of a medicinal product does not meet these standards, the marketing authorization will be refused or, if the product is already authorized, it will be suspended or withdrawn. In such a case, all appropriate steps will be taken to ensure that the supply is prohibited and the medicinal product is withdrawn from the market. The manufacture or import of medicinal products itself, including investigational medicinal products, is subject to manufacturing or import authorization. Due to the impact of manufacturing and distribution practices on the quality of a medicinal product, including its starting materials, a set of rules and good practice guidelines provide safeguards against deviation from product specifications, and inappropriate production and distribution practices. Pursuant to this regulation, all of the Group's entities that distribute pharmaceutical items in the European Union have the required authorizations from the relevant national health authorities. The Group's entities that specifically distribute active pharmaceutical ingredients have a "Good Distribution Practice" certificate or a "Good Manufacturing Practice" certificate in the case of repacking activities. If required by local regulations, every Azelis entity that handles pharmaceutical products has a pharmaceutical qualified person who is independent from the Group's business operations and handles the pharmaceutical quality management system. The Group also works with accredited external parties, such as warehouses and transport companies that have measures in place to safely store and transport active pharmaceutical ingredients. The Group also has quality agreements in place with its principals and customers outlining the responsibilities of each of the actors in the supply chain.

In addition, for new medicines, companies that produce medicines are required to demonstrate safety and efficacy through the results of clinical trials. For established compounds, companies can refer either to data from already authorized medicines (generic marketing authorization) or to published literature (well-established medicinal use). The data on safety and efficacy is carefully assessed by the competent authorities before a product receives marketing authorization. Safety and efficacy continue to be monitored after marketing authorization, through pharmacovigilance (also known as drug safety) activities, or reviews of the benefit-risk balance.

12.2 Regulatory Environment in the Americas

The laws and regulations that apply to the Group's operations in the Americas relate primarily to occupational safety and health, environmental protection, hazardous chemical safety, anti-terrorism and the transport of dangerous goods. Since the Group's business is heavily regulated, it is required to hold a wide variety of licenses and permits. The Group's business activities in the United States are subject to a wide array of U.S. federal regulatory requirements. The Group also operates in Canada and Mexico and, although regulations vary from jurisdiction to jurisdiction, the majority of the regulations in the Americas deal with the same general themes that are in the below summary of the key U.S. federal laws and regulations. The laws and regulations applicable to the Group's U.S. operations change from time to time based on new legislation and administrative agency activities. Legal sanctions, including in some cases criminal penalties, can apply in the case of violations. In some cases, additional (and sometimes more stringent) state and local laws can impact the Group's business. For shipments to, from and (in some cases) within the United States, certain international laws and standards may also apply.

The following summary highlights some of the key U.S. federal laws and regulations that apply to the Group's business in the United States.

12.2.1 *Toxic Substances Control Act*

The Toxic Substances Control Act ("**TSCA**") is designed to ensure that chemicals manufactured, imported, processed or distributed in commerce, or used or disposed of in the United States, do not pose unreasonable risks to human health or the environment. The TSCA registry, maintained by the U.S. Environmental Protection Agency (the "EPA"), lists over 84,000 covered chemicals; chemicals not listed on the TSCA registry cannot be imported into or sold in the United States until registered with the EPA. The TSCA sets forth specific reporting, record-keeping and testing rules for chemicals (including requirements for the import and export of certain chemicals), as well as other restrictions relevant to the Group's business.

Pursuant to the TSCA, the EPA from time-to-time issues "Significant New Use Rules" when it identifies new uses of chemicals that could pose risks and it also requires pre-manufacture notification of new chemical substances that do not appear on the TSCA registry. Any manufacturer, importer, processor or distributor of a chemical substance or mixture who has information reasonably suggesting a substantial risk of injury to health or the environment is required to notify the EPA immediately. In addition, when the Group's U.S. companies import chemicals, they are required to ensure that chemicals appear on the TSCA registry prior to import and to periodically update the EPA concerning names and quantities of imported chemicals.

12.2.2 *Food and Cosmetics Regulation*

Given that the Group has significant operations in the distribution and sale of food ingredients, it is subject to food regulations in the United States. The U.S. Food and Drug Administration (the "FDA") established the Food Safety Modernization Act, in order to create an integrated national food safety system in partnership with state and local authorities. Azelis' facilities that handle FDA-regulated products are required to implement a written preventive controls plan. This involves evaluating the hazards that could affect food safety and specifying what preventive steps, or controls, will be put in place to significantly minimize or prevent the hazards. Also, when the Group imports FDA-regulated products into the United States, it has an explicit responsibility to verify that the Group's foreign principals have adequate preventive controls in place. Finally, the rule establishes requirements for companies involved in transporting FDA-regulated products to use sanitary practices to ensure the safety of those products.

The Group also distributes ingredients that can be found in cosmetic products and is therefore subject to the Federal Food, Drug and Cosmetic Act (the "FD&C Act"), which provides the FDA with the authority to regulate foods, drugs, medical devices, cosmetics and tobacco products. Under the FD&C Act, the FDA has the authority to approve new drugs, certain medical devices and, most notably in relation to Azelis, food and color additives. The Group has a team of SHEQ experts in the Americas that conduct an impact assessment of the FD&C Act and implement its requirements accordingly. Under the FD&C Act, the FDA can also inspect establishments where foods and cosmetics are manufactured, processed, packed or held and can, among other things, issue regulations for product labeling for food packaging and recall and/or size products it determines are unsafe.

12.3 Regulatory Environment in the Asia-Pacific Region

The Group operates in a number of jurisdictions in the Asia-Pacific region, including China, where the majority of the Group's Asia-Pacific operations are located, as well as Australia, New Zealand, India, Japan, South Korea, Indonesia, Malaysia, Vietnam and Thailand, and is subject to numerous local laws and regulations related to the protection of the environment, human health and safety, including laws regulating discharges of hazardous substances into the soil, air and water, blending, managing, handling, storing, selling, transporting and disposing of hazardous substances, investigation and remediation of contaminated properties and protecting the safety of the Group's employees and others. Some of the Group's operations are required to hold environmental permits and licenses and certain of the Group's services businesses are also impacted by these laws. The cost of complying with these environmental, health and safety laws, permits and licenses has, in some instances, been substantial. For example, the Group has upgraded operational sites in Australia and New Zealand in order to comply with environmental regulations. The Group also has a team of SHEQ experts in the Asia-Pacific region that monitor and ensure compliance with regulations in that region.

In addition to the above, the Group's operations make it subject to regulations that establish regulatory bodies that set the risk levels and classifications of chemicals. These regulatory bodies also seek to harmonize the regulation of chemical substances in the Asia-Pacific region. The regulations that apply to the Group in this respect include, among others, the Industrial Chemicals Act 2019 in Australia, the Hazardous Substances and New Organisms Act in New Zealand, the ASEAN Cosmetic Directive and the Act on Registration and Evaluation of Chemical Substances in South Korea. Depending on how chemicals are classified, the Group's operations will be subject to certain regulations that will impact how the Group can market, manufacture and distribute chemical substances in the Asia-Pacific region.

The following summary highlights some of the key laws and regulations that apply to the Group's business in China.

12.3.1 *China MEE Order 12 - The Measures for the Environmental Administration Registration of New Chemical Substances*

The Chinese Ministry of Ecology and Environment (the "MEE") issued its Order 12 - The Measures for the Environmental Administration Registration of New Chemical Substances in 2020. It replaced China MEP Order 7 and came into force on January 1, 2021.

The new regulation requires the MEE to be notified if new substances are developed that are not listed on the IECSC and if existing substances listed on the IECSC are subject to new use management. When MEE adds a notified new substance to the IECSC, it may specify permitted uses for the new substance if the new substance is highly hazardous. Even after the substance gets listed on the IECSC, anyone who wishes to manufacture, import or use the substance for a different use still needs to submit new chemical substance notifications. The Group has a local SHEQ manager who monitors this regulation in China and ensures that the Group's entities in China are in compliance with this regulation. The Group's SHEQ support center creates any required product references for the Group's operations in China and, if a notification to the MEE is needed, the Group's office in China will make the notification.

12.3.2 *Cosmetics Supervision and Administration Regulation*

The Cosmetics Supervision and Administration Regulation ("CSAR") came into force on January 1, 2021 and replaced the existing Cosmetics Hygiene Supervision Regulations in China. As a result of this new regulation, there have been a number of updates in relation to what is classified as "special cosmetic products" and a safety assessment is now required before placing cosmetic products on the Chinese market. The aspects of the new regulation most relevant to Azelis' operations are the new rules regarding the management of new cosmetic ingredients. Registration will now be required for new cosmetic ingredients classified as higher risk, such as preservatives, sunscreens and hair dyes. Notifications are now also required for any newly developed cosmetic ingredients. After new ingredients are placed on the Chinese market, annual safety and usage reports must be submitted to China's National Medical Products Administration for a period of three consecutive years. After three years, the new ingredients will be included on the IECSC if no safety concerns arise. While this regulation specifically relates to the Group's operations in China, the Group's EMEA and Americas operations are also indirectly impacted by this regulation because customers in this region often ask for assurances from Azelis as to whether they are in compliance with CSAR given a number of their end products are exported to China.

12.4 International Regulatory Environment

The Group is subject to a variety of regulations on a global level related to the handling of chemicals used in food, food processing or pharmaceutical applications as well as general export control laws. Compliance with these regulations requires testing and sampling, adopting additional policies and procedures, using additional documentation and segregating products, as well as applying for local licenses and permits for various aspects of the Group's operations and facilities. In order to comply with these regulations, the Group, among other things, has a team responsible for staying current with international regulations and is a member of various chemical distributors associations, such as the International Chemical Trade Association, the National Association of Chemical Distributors and the European Association of Chemical Distributors (also known as "Fecc").

The following summary highlights some of the key laws and regulations that apply to the Group's business on a global level.

12.4.1 *Globally Harmonized System of Classification and Labelling of Chemicals*

The Globally Harmonized System of Classification and Labelling of Chemicals (the "GHS") defines and classifies the hazards of chemical products and determines what health and safety information is required on labels and safety data sheets with a goal to have the same set of rules for classifying hazards and the same format and content of chemical labels on a global scale. GHS provides guidance on classifying pure chemicals and mixtures according to its criteria or rules and requires that certain information appears on chemical labels. For example, the chemical identity may be required as well as standardized hazard statements, signal words or symbols and precautionary statements. The core elements of the GHS that apply to the Group include standardized testing criteria, universal warning pictograms and harmonized safety data sheets. As a result, the Group is required to ensure that its SDSs comply with what is required under the regulation for all of the products it distributes. In order to do this, the Group's SHEQ support center performs a series of checks every time a new product creation is requested by the Group. The SHEQ support center uses a checklist to systematically check an SDS against a series of parameters which include what is required in terms of the classification and labeling of the product information available on the SDS. If the SDS is not compliant, then the Group will request that its principals correct the SDS or alternatively the Group will create its own SDS. The GHS also regulates how the Group transports and handles its products.

In addition to complying with international labeling standards, the Group is also subject to labeling standards in the European Union and the United States, which are based on the GHS. For example, in the European Union the Group is subject to the Classification, Labelling and Packaging ("CLP") Regulation ((EC) No 1272/2008). CLP is legally binding across the member states and directly applicable to all industrial sectors. It requires manufacturers, importers or downstream users of substances or mixtures to classify, label and package their hazardous chemicals appropriately before placing them on the market. Substances are classified by assigning a certain hazard class and category. Hazard classes cover physical, health, environmental and additional hazards. Once a substance or mixture is classified, the identified hazards must be communicated to other actors in the supply chain, including customers. The Group, where applicable, makes its own notifications to the European Chemical Agency on its own product classifications. This applies when the Group is creating its own SDS on imports or on its own branded products. SDSs are provided to the Group's customers via an automated message through the Group's ERP system. The message containing an SDS will be sent when a customer buys a product for the first time or whenever there have been critical changes to the classification of the substance. In addition, as a precautionary measure, if a classified product does not have a compliant SDS in the Group's system (including being in the applicable language of the customer), the ERP system will automatically block the transaction.

Similarly, in the United States, the Group is subject to the Occupational Safety and Health Administration of the U.S. Department of Labor's Hazard Communication Standard ("HCS"). Under HCS, chemical manufacturers and importers are required to evaluate the hazards of the chemicals they produce or import and prepare labels and safety data sheets to convey the hazard information to their downstream customers. In addition, all employers with hazardous chemicals in their workplaces must have labels and safety data sheets for their exposed workers, and train them how to handle the chemicals properly. In the United States, most SDSs are available through the Group's principals, however, if needed, an SDS will be created by the Group's SHEQ support system. The Group communicates with its customers in the United States by electronically sending an SDS through the Group's ERP system.

12.4.2 *Substances Subject to Trade Controls*

12.4.2.1 Chemical Weapons Convention

In addition, the Group's business includes the handling of substances that are regulated by the Chemical Weapons Convention (the "CWC") and relevant national implementations. The CWC is an international agreement that obliges its member states to prevent the proliferation of chemical weapons and restricts trade in certain chemical substances that are or may be used to manufacture chemical weapons. Non-compliance may result in substantial fines or criminal prosecution, specified in the national laws of the member states to the CWC.

The Group distributes "schedule 3 substances" under the CWC. These substances are produced and commercialized at an industrial scale for legal uses, such as flame retardants in the textile industry. The Group's corporate SHEQ team maintains a global list of products that are restricted by different international conventions, including the CWC, and national requirements. The list is periodically updated and communicated to the SHEQ support center team, which will flag such items when they are being created for the first time. This results in a "block alert" for the ERP system. If a customer is purchasing a product that is subject to a "block alert," the customer will receive an "end use" statement where they will be required to declare the quantity and intended use of the product. The local SHEQ manager will verify the document and only once the document is verified will the transaction be completed.

12.4.2.2 United Nations Convention on Drug Precursor Chemicals

The Group is subject to, and actively takes steps to comply with, the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988, also known as the UN Convention on Drug Precursor Chemicals, which entered into force on November 11, 1990. This Convention provides comprehensive measures against drug trafficking, including provisions against money laundering and the diversion of precursor chemicals.

Article 12 of the UN Convention on Drug Precursor Chemicals establishes two categories of controlled illicit drug precursor substances, Table I and Table II. Generally, Table I chemicals are more critical to the production of controlled substances than those in Table II and, as a result, provisions concerning these substances are more rigorous. The UN Convention on Drug Precursor Chemicals requires that distributors and manufacturers of chemicals take measures to prevent the diversion of, and to monitor the manufacture and distribution of, substances listed in Table I and Table II.

Distributors and manufacturers of Table I and Table II substances typically are subject to national regulations to control drug precursors. Usually, the production, possession and import/export of listed chemicals require licenses. In addition, the manufacture and transaction of listed chemicals must be documented and reported to national authorities if certain requirements under the UN Convention on Drug Precursor Chemicals are met.

For example, the Group is subject to drug precursors legislation in the European Union, such as Regulation (EC) No 273/2004 on drug precursors and Commission Delegated Regulation (EU) 2020/1737 of 14 July 2020 amending Regulation (EC) No 273/2004 of the European Parliament and of the Council and Council Regulation (EC) No 111/2005 as regards the inclusion of certain drug precursors in the list of scheduled substances. The Group is also subject to similar regulations in the United States. The Controlled Substances Act is the statute establishing federal U.S. drug policy, under which the manufacture, import, possession, use and distribution of certain substances is regulated.

12.4.2.3 ***Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade***

The Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (the "Rotterdam Convention") is a multilateral treaty to promote shared responsibilities in relation to the importation of hazardous chemicals. The Rotterdam Convention promotes the open exchange of information and calls on exporters of hazardous chemicals to use proper labeling, include directions on safe handling, and inform purchasers of any known restrictions or bans. Signatory nations can decide whether to allow or ban the importation of chemicals listed in the treaty, and exporting countries are obliged to make sure that producers within their jurisdiction comply. The Group must comply with any information, exportation and distribution requirements that are passed under the Rotterdam Convention.

12.4.2.4 ***Explosives Precursors Regulation***

Explosives precursors are chemical substances that can be used for legitimate purposes, but that can also be misused to manufacture homemade explosives. The Group is subject to regulation that applies to explosive substances. For example, the Group is subject to explosives precursors legislation in the European Union, such as Regulation (EU) 2019/1148, which regulates the marketing and use of explosives precursors. The Group is also subject to similar regulations in the United States. In the United States, at a federal level, explosives are currently controlled under Title XI of the Organized Crime Control Act of 1970, which sets certain licensing requirements in relation to the interstate manufacture, importation or distribution of explosive materials.

13. MANAGEMENT AND CORPORATE GOVERNANCE

13.1 Overview

This section summarizes the rules and principles by which the Company's corporate governance is organized, pursuant to the BCCA, other relevant legislation, the Articles of Association and the Company's corporate governance charter (the "**Corporate Governance Charter**").

The Articles of Association were last amended by the Shareholders' Meeting on September 10, 2021. The entry into force of the amendment to the Articles of Association is subject to the closing of the Offering. See section 17 (*Description of Share Capital and Articles of Association*).

Azelis is committed to high standards of corporate governance and relies on the 2020 Belgian Code on Corporate Governance (the "**Corporate Governance Code**") as a reference code. The Corporate Governance Code is based on a "comply or explain" approach. Under the BCCA, Belgian-listed companies are required to disclose the justification for any deviations from the Corporate Governance Code in the annual corporate governance statement included in their annual report.

The Board of Directors intends to comply with the Corporate Governance Code except in respect of provision 7.6 of the Belgian Code on Corporate Governance. The non-executive members of the Board of Directors do not receive any part of their remuneration in the form of Shares. This deviation is explained by the fact that 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.

The Board of Directors has adopted the Corporate Governance Charter subject to the closing of the Offering and will review the Corporate Governance Charter at regulated intervals in order to adopt any changes deemed necessary and appropriate.

The Articles of Association and the Corporate Governance Charter will be made available on the Company's website (www.azelis.com/investor-relations) and can be obtained free of charge at the Company's registered office after the closing of the Offering.

13.2 Board of Directors

13.2.1 *Powers and Responsibilities of the Board of Directors*

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.

The Board of Directors is vested with the power to perform all acts that are necessary or useful for the realization of the Company's corporate object, except for those actions that are specifically reserved to the Shareholders' Meeting.

In particular, the Board of Directors is responsible for:

- defining the general strategy of the Company and its subsidiaries;
- deciding on all major strategic, financial and operational matters of the Company;
- overseeing the Company's management, including the Chief Executive Officer and other members of the Executive Committee; and
- all other matters reserved to and obligations imposed (including disclosure obligations) on the Board of Directors by law or the Articles of Association.

Under the BCCA and the Articles of Association, the Board of Directors acts as a collegiate body but can delegate powers in respect of specific matters to an authorized representative. In reliance thereon, the Board of Directors has delegated clearly defined and specific matters to the Executive Committee.

13.2.2 *Composition of the Board of Directors*

Pursuant to the Articles of Association, the Board of Directors must comprise a minimum of five and a maximum of eleven directors as members (the "**Directors**"). On the date of this Prospectus, the Board of Directors comprises seven Directors. Subject to and effective as at the completion of the Offering, the Board of Directors will consist of eight Directors.

A legal entity may be appointed as a Director, provided that such legal entity designates an individual as its permanent representative in order to exercise its mandate.

The Articles of Association provide for nomination rights in favor of Akita, as follows:

- for as long as Akita and/or one or more companies affiliated therewith within the meaning of article 1:20 BCCA, acting alone or together, directly or indirectly, holds at least 50% of the total number of shares issued by the Company, it is entitled to nominate candidates for the appointment of at least five Directors;
- for as long as Akita and/or one or more companies affiliated therewith within the meaning of article 1:20 BCCA, acting alone or together, directly or indirectly, holds less than 50% but at least 40% of the total number of shares issued by the Company, it is entitled to nominate candidates for the appointment of at least four Directors;
- for as long as Akita and/or one or more companies affiliated therewith within the meaning of article 1:20 BCCA, acting alone or together, directly or indirectly, holds less than 40% but at least 30% of the total number of shares issued by the Company, it is entitled to nominate candidates for the appointment of at least three Directors;
- for as long as Akita and/or one or more companies affiliated therewith within the meaning of article 1:20 BCCA, acting alone or together, directly or indirectly, holds less than 30% but at least 20% of the total number of shares issued by the Company, it is entitled to nominate candidates for the appointment of at least two Directors; and
- for as long as Akita and/or one or more companies affiliated therewith within the meaning of article 1:20 BCCA, acting alone or together, directly or indirectly, holds less than 20% but at least 10% of the total number of shares issued by the Company, it is entitled to nominate candidates for the appointment of at least one Director.

Pursuant to the Articles of Association, if the direct or indirect shareholding of Akita and/or one or more companies affiliated therewith within the meaning of article 1:20 BCCA, acting alone or together, in the Company falls below one (or more) of the aforementioned thresholds, the number of Directors appointed upon nomination of Akita must be proportionately reduced with effect from the date of the next Shareholders' Meeting, and this either by voluntary resignation at the request of Akita who will designate the resigning Director(s) or, failing which, by the automatic resignation of the last Director(s) appointed upon nomination by Akita unless this would result in the number of remaining Directors dropping below the minimum number of directors required by law and by the Articles of Association.

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

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. The appointment and renewal of Directors are submitted by the Board of Directors for approval to the Shareholders' Meeting, based on the recommendations of the Remuneration and Nomination Committee (see section 13.2.10.2 (*—Remuneration and Nomination Committee*) below) and taking into account the nomination rights described above.

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. The composition of the Board of Directors from the closing of the Offering complies with these provisions.

From January 1, 2027, the BCCA requires that at least one third of the Directors must be of the opposite gender of the gender of the majority of the Directors. If a Director is a legal entity, its gender is determined by that of its permanent representative.

The Directors are appointed by the Shareholders' Meeting. However, in accordance with the BCCA, 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.

13.2.3 *Functioning of the Board of Directors*

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. The Board of Directors is convened each time the interest of the Company so requires by its chair or by two Directors acting jointly.

The Company may organize board meetings using telephone, video or other digital means. The number of meetings of the Board of Directors and of its committees and the individual attendance record of the members of the Board of Directors will be disclosed in the corporate governance statement in the Company's annual report. Non-executive Directors should meet at least once a year in the absence of the Chief Executive Officer and the other executive Directors.

13.2.3.1 Quorum

The Board of Directors can only deliberate and decide validly if at least half of the Directors are present or represented at the meeting, including at least one Director appointed upon Akita's nomination in accordance with the Articles of Association (i.e., regardless of the shareholding of Akita). If this quorum is not met, a new meeting of the Board of Directors with the same agenda must be convened which shall be able to validly deliberate and decide if at least two Directors are present or represented, including at least one Director appointed upon Akita's nomination in accordance with the Articles of Association (i.e., regardless of the shareholding of Akita).

If all members are present or represented at a meeting, the Board of Directors may always hold valid deliberations or decide on matters that are not stated on the agenda, even if no meeting has been convened.

Each Director may grant a proxy to another Director to represent him or her at a specific meeting of the Board of Directors.

13.2.3.2 Deliberation and Voting

At any given meeting of the Board of Directors, decisions are taken by a simple majority of votes. In the event of a tied vote, the chair does not have a casting vote.

The decisions of the Board of Directors may be taken by way of written resolutions, provided that they can be taken by unanimous written agreement by the Directors, with the exception of decisions for which the Articles of Association exclude this possibility.

13.2.4 ***Chair***

The Corporate Governance Charter provides that the Board of Directors appoints a chair among its non-executive members.

The chair is responsible for the proper operation of the Board of Directors and the effectiveness of the Board of Directors in all aspects. The chair sees to it that active interaction takes place between the Board of Directors and the Chief Executive Officer, while fully respecting the executive responsibilities of the Chief Executive Officer.

13.2.5 ***Secretary***

The Corporate Governance Charter provides that the Board of Directors appoints a secretary in order to provide support to the Board of Directors and its committees on all governance matters within their respective powers and ensure a flow of information within the Board of Directors and its committees and between the executive and non-executive members of the Board of Directors. Furthermore, the secretary is responsible for the preparation of (or any modification to) the Corporate Governance Charter and the corporate governance statement in the annual report, as well as for the drafting of the minutes of the meetings of the Board of Directors and its committees.

13.2.6 ***Independent Directors***

The BCCA provides that a Director can only be considered an independent Director if he or she does not have a relationship with the Company or with a significant shareholder of the Company that would compromise his or her independence. If the Director is a legal entity, his or her independence must be assessed on the basis of both the legal entity and his or her permanent representative.

The Corporate Governance Code sets out a number of criteria to assess the independence of a person. If all independence criteria are met, the person concerned shall be presumed to be independent until proven otherwise. The independence criteria, as applied to the Company, are as follows:

(a) not being an executive member of the Board of Directors or exercising a function as member of the Executive Committee or as a person entrusted with daily management of the Company or a related company or person and not having been in such a position for the previous three years before their appointment or no longer benefiting from the Company's stock options in relation to this past position;

(b) not having served for more than twelve years as a non-executive member of the Board of Directors;

(c) not being a member of the senior management of the Company or a related company or person and not having been in such a position for the three years prior to their appointment or no longer benefiting from the Company's stock options in relation to this past position;

(d) not receiving, or having received during their mandate or for a period of three years prior to their appointment, any significant remuneration or other significant advantage of a patrimonial nature from the Company or a related company or person apart from any fee received as a non-executive member of the Board of Directors;

(e) not holding Shares, either directly or indirectly, either alone or in concert, representing globally one tenth or more of the share capital or the voting rights of the Company, and not having been nominated, in any circumstances, by a shareholder fulfilling the conditions covered under this point (e);

(f) not maintaining, nor having maintained in the past year before their appointment, a significant business relationship with the Company or a related company or person, either directly or as a partner, shareholder, board member, or member of the senior management of a company or being a person who maintains such a relationship;

(g) not being or having been within the past three years prior to their appointment, a partner or member of the audit team of the Company, or the current or former statutory auditor of the Company or a related company or person;

(h) not being an executive of another company in which another executive of the Company is a non-executive board member, and not having other significant links with executive members of the Board of Directors of the Company through involvement in other companies or bodies; and

(i) not having, in the Company or a related company or person, a spouse, legal partner or close family member to the second degree, exercising a function as board member or executive or person entrusted with the daily management or employee of the senior management of the Company or a related company or person, or falling into one of the other cases referred to under (a) to (h) above (and, as far as point (b) is concerned, up to three years after the date on which the relevant relative has terminated their last term).

The decision relating to the appointment of an independent Director has to state the criteria on the basis of which he or she is considered independent. The independence criteria of the Corporate Governance Code are based on the "comply or explain" principle. If the Board of Directors submits for approval an appointment of an independent Director who does not meet the aforementioned criteria to the Shareholders' Meeting, it must explain the reasons why it assumes that the candidate is independent in fact.

The Board of Directors will disclose in its annual report which Directors it considers independent Directors.

13.2.7 *Members of the Board of Directors*

Following the closing of the Offering, the Board of Directors will be composed of the following eight Directors.

Name	Age	Position	Director since	Mandate expires
Thijs Bakker (1)	47	Executive Director	2021	2025
Alexandra Brand	50	Independent Non-Executive Director	2021	2025
Jürgen Buchsteiner	63	Independent Non-Executive Director	2021	2025
Bert Janssens	45	Non-Executive Director	2021	2025
Hans Joachim Müller	62	Executive Director	2021	2025
Kristiaan Nieuwenburg	51	Non-Executive Director	2021	2025
Ipek Özsüer (2)	41	Independent Non-Executive Director	2021	2025
Antonio Trius	66	Independent Non-Executive Director (Chair)	2021	2025

(1) Thijs Bakker will provide services through Cloudworks BV, Tortelduivenlaan 8, BE-1950 Kraainem, Belgium.

(2) By the decision of the Shareholders' Meeting dated September 10, 2021, Ipek Özsüer will be appointed and will join the Board of Directors following the closing of the Offering. As at the date of this Prospectus, the Board of Directors is composed of the remaining seven Directors listed above.

The business address for all of the Directors is Posthofbrug 12, box 6, B-2600 Antwerp, Belgium.

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

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.

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.

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.

Hans Joachim Müller joined Azelis as Chief Executive Officer in 2012. Prior to joining Azelis, Dr. Müller was a member of the Managing Board and Head of the Catalytic Technologies Global Business Unit at Clariant AG, a company specializing in catalysts and adsorbents, and chief operating officer and member of the managing board of 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.

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.

Ipek Özsüer will join Azelis as a non-executive Director following the closing of the Offering. Ms. Özsüer 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. Özsüer holds a bachelor's degree in computer engineering from Boğaziçi University in Istanbul.

Antonio Trius is the chair of the Board of Directors, having joined as a non-executive director in 2014. Dr. Trius previously held a non-executive director role at Lonza Group AG and is currently a non-executive director of several companies, including Altana AG and Nubiola Pigmentos, S.L. in the chemical industry, and Igenomix, S.L., Maxam, S.L. and Mauser Group B.V. in other industries. 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.

13.2.8 *Share Ownership and Intention of the Directors to Participate in the Offering*

As at the date of this Prospectus, the direct and indirect share ownership of the Directors in Akita Topco is as set out below. Immediately prior to the closing of the Offering, the shares of the Directors provided below will be contributed to the Company in exchange for ordinary shares of the Company as described in section 14.3 (*Group Structure—Reorganization*).

Name	Number of shares
Thijs Bakker	2,051,475
Alexandra Brand	150,000
Jürgen Buchsteiner	5,500,000
Bert Janssens	0
Hans Joachim Müller	4,506,695
Kristiaan Nieuwenburg	0
Ipek Özsüer	22,234
Antonio Trius	261,270

Regarding the intention of the Directors to sell, please refer to section 15 (*Selling Shareholders*). To the extent known to the Company, no Director intends to purchase Offer Shares in the Offering.

13.2.9 *General Information on the Directors*

In relation to each of the Directors (based on the post-Offering composition of the Board of Directors), the Company is not aware of (i) any convictions in relation to fraudulent offenses during the past five years, (ii) any bankruptcies, receiverships or liquidations of any entities in which such Directors held any office, directorships, or partner or senior management positions during the past five years, or (iii) any official public incrimination and/or sanctions of such Directors by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer during the past five years.

None of the Directors (based on the post-Offering composition of the Board of Directors) has a potential conflict of interest between his/her duties to the Company and his/her private interests and/or any other duties he or she may have.

No Director (based on the post-Offering composition of the Board of Directors) has a family relationship with any other Director or with any member of the Executive Committee.

The Directors' mandates may be terminated at any time (*ad nutum*) without any form of remuneration. There are no employment or service agreements between the Company and members of the Board of Directors who are not a member of the Executive Committee that require the Company to comply with any notice periods or pay out any indemnities upon termination of a Director's mandate.

In the five years preceding the date of this Prospectus, the Directors or their permanent representatives (based on the post-Offering composition of the Board of Directors) have held the following directorships (apart from their directorships of the Company and its subsidiaries) and memberships of administrative, management or supervisory bodies and/or partnerships.

Name	**Company Name / Position**
Thijs Bakker..	**Current:**
	Cloudworks Pty Ltd / Co-Director
	Erasmus University Rotterdam / Member of the Curatorium
	Previous:
	None
Alexandra Brand..	**Current:**
	RISE Foundation / Member of the Board
	Previous:
	European Crop Protection Association / Vice President
	University of Konstanz / Vice Chair of the University Council
Jürgen Buchsteiner...	**Current:**
	None
	Previous:
	None
Bert Janssens..	**Current:**
	idealista / Non-Executive Director
	Sitecore / Non-Executive Director
	Previous:
	Desotec / Non-Executive Director
Hans Joachim Müller...	**Current:**
	IBUtec / Chairman of the Supervisory Board
	TIB-Chemicals / Chairman of the Supervisory Board
	Previous:
	None
Kristiaan Nieuwenburg..	**Current:**
	EQT Partners Inc. / Chairman
	EQT Partners UK Advisors II LLP / Director
	EQT Partners UK Limited / Director
	Storable / Non-Executive Director
	Previous:
	Desotec / Non-Executive Director
	Curaeos / Non-Executive Director
	Dataffirm / Non-Executive Director
	Bureau Van Dijk / Non-Executive Director
Ipek Özsüer..	**Current:**
	None
	Previous:
	None

Name	Company Name / Position
Antonio Trius...	**Current:** Altana / Non-Executive Director Cuantum Medical Cosmetics / Non-Executive Director Igenomix / Non-Executive Director Herens HoldCo AG / Non-Executive Director **Previous:** Lonza Group / Non-Executive Director MAXAM / Non-Executive Director Mauser / Non-Executive Director

13.2.10 *Committees of the Board of Directors*

The Board of Directors has established two advisory committees, subject to the closing of the Offering, which are responsible for assisting the Board of Directors and making recommendations in specific fields: the Audit and Risk Committee (in accordance with Article 7:99 of the BCCA and Provisions 4.10 to 4.16 of the Corporate Governance Code) and the Remuneration and Nomination Committee (in accordance with Article 7:100 of the BCCA and Provisions 4.17 to 4.23 of the Corporate Governance Code). The terms of reference of these committees are primarily set out in the Corporate Governance Charter.

13.2.10.1Audit and Risk Committee

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.

It shall, in particular:

- inform the Board of Directors on the result of the statutory audit of the annual and the consolidated accounts of the Company and explain how the statutory audit of the annual and the consolidated accounts contributed to the integrity of the financial reports and the role the Audit and Risk Committee played in this process;
- monitor the financial reporting process in relation to the Company and make recommendations or proposals to safeguard the integrity of the process;
- take all reasonable steps to ensure that effective lines of communication are maintained with the external auditors, internal auditors, the Executive Committee and the Board of Directors;
- review the business and information technology systems that are, or will be, in place so as to ensure the integrity and functioning of these systems;
- monitor the effectiveness of the Company's internal control and risk management systems and, if there is an internal audit, monitor the internal audit of the Company and its effectiveness, at least once a year;
- monitor the statutory audit of the annual and the consolidated accounts of the Company, including any follow-up on any questions and recommendations made by the statutory auditor;
- review and monitor the independence of the statutory auditor, in particular whether the provision of additional services to the Company is appropriate. More specifically, the Audit and Risk Committee analyses, together with the statutory auditor, the threats to the statutory auditor's independence and the security measures taken to limit these threats, when the total amount of fees exceeds the criteria specified in article 4 §3 of Regulation (EU) No 537/2014;
- make recommendations to the Board of Directors for the appointment and reappointment of the statutory auditor of the Company in accordance with article 16 § 2 of Regulation (EU) No 537/2014;
- establish hiring policies for (former) employees of the Company's statutory auditor;
- review with the statutory auditors the results of their review of the Company's compliance with the Company's code of conduct and ancillary compliance policies;
- review with Azelis' group general counsel and chief compliance officer any significant legal, compliance and regulatory matters that may have a material effect on the financial statements or the Company's business, financial position or compliance policies, including material notices to or enquiries received from regulatory agencies;
- review with the Executive Committee Azelis' fraud prevention, detection and response measures and its investigation of illegal and non-compliant acts, as appropriate;

- review with the Executive Committee Azelis' pension funds, their terms and conditions, and the performance of the pension funds and of the pension funds manager(s); and

- perform such other functions as assigned by the Board of Directors and review other items of an internal control or risk management nature which may from time to time be brought before the Audit and Risk Committee.

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.

Subject to the closing of the Offering, the Audit and Risk Committee will consist of at least three Directors appointed for a term not exceeding that of their term of office as a Director, all of them being non-executive Directors and one of them being an independent Director. The members of the Audit and Risk Committee must have a collective competence in the business activities of the Company, and at least one member of the Audit and Risk Committee must have the necessary competence in accounting and auditing. According to the Board of Directors, the members of the Audit and Risk Committee satisfy this requirement. The chair of the Audit and Risk Committee will be designated by the Audit and Risk Committee from among its members but will be a Director other than the chair of the Board of Directors. No executive Director (including the Chief Executive Officer) shall be a member of the Audit and Risk Committee.

Subject to the closing of the Offering, the following Directors will form the Audit and Risk Committee: Jürgen Buchsteiner (chair), Bert Janssens and Antonio Trius. Jürgen Buchsteiner (chair) has the necessary competence in accounting and auditing. See section 13.2.7 (*—Members of the Board of Directors*) above.

The Audit and Risk Committee will meet at least four times a year and whenever it deems necessary in order to carry out its duties.

13.2.10.2 Remuneration and Nomination Committee

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. It shall, in particular:

- identify, recommend and nominate, for the approval of the Board of Directors, candidates to fill vacancies in the Board of Directors and Executive Committee as they arise. In this respect, the Remuneration and Nomination Committee must consider and advise on proposals made by relevant parties, including the shareholders and the Executive Committee;

- advise the Board of Directors on any proposal for the appointment of the Chief Executive Officer and on the Chief Executive Officer's proposals for the appointment of other members of the Executive Committee;

- draft and lead appointment/re-appointment procedures for members of the Board of Directors and the Chief Executive Officer;

- draft procedures for the orderly succession of members of the Board of Directors;

- ensure that the appointment and re-election process is organized objectively and professionally;

- periodically assess the size and composition of the Board of Directors and make recommendations to the Board of Directors with regard to any changes;

- consider issues related to succession planning;

- ensure there are appropriate programs for talent development and the promotion of diversity in the leadership;

- reinforce and ensure alignment to Azelis' general remuneration philosophy and, in consultation with the senior executive managers of the group, oversee the development, implementation and publication of compensation and management development programs. The objective of the Company's general remuneration philosophy shall be to ensure that members of the Executive Committee of the Company and the global management team are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;

- be consulted in relation to, review and make recommendations to the Board of Directors regarding any agreements or arrangements with current and new participants to the Company's long-term incentive plan;

- make proposals to the Board of Directors on the remuneration policy for Directors and members of the Executive Committee and the persons responsible for the day-to-day management of the Company, as well as, where appropriate, on the resulting proposals to be submitted by the Board of Directors to the Shareholders' Meeting;

- make proposals to the Board of Directors on the individual remuneration of Directors and members of the Executive Committee, and the persons responsible for the day-to-day management of the Company; including variable remuneration and the long-term incentive plan, whether or not stock-related, in the form of stock options or other financial instruments, and arrangements on early termination, and, where applicable, on the resulting proposals to be submitted by the Board of Directors to the Shareholders' Meeting;

- prepare a remuneration report to be included by the Board of Directors in the annual corporate governance statement in the annual report;

- present and provide explanations in relation to the remuneration report at the annual Shareholders' Meeting;

- periodically review the Company's succession planning methodology, policy and monitoring;

- monitor the implementation of employee assessment programs, review and approve the results of such programs and approve any actions to be taken on the basis thereof;

- oversee the Company's regulatory compliance with respect to remuneration matters, including the Company's policies on structuring remuneration programs to preserve tax deductibility and, as and when required, establish performance goals and certify that performance goals have been obtained;

- make proposals to the Board of Directors for performance targets and conduct performance reviews for the Chief Executive Officer and other members of the Executive Committee; and

- exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities of the Remuneration and Nomination Committee specified herein or as may from time to time be assigned by the Board of Directors (e.g., the Company's human resources assessment process).

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

Following the closing of the Offering, the Remuneration and Nomination Committee shall consist of at least three members, all of them being non-executive Directors and two of them being independent Directors. The members of the Remuneration and Nomination Committee must have the necessary expertise in terms of remuneration policy. According to the Board of Directors, the members of the Remuneration and Nomination Committee satisfy this requirement. The chair of the Remuneration and Nomination Committee will be designated by the Remuneration and Nomination Committee from among its members.

The following Directors will form the Remuneration and Nomination Committee: Antonio Trius (chair), Alexandra Brand and Bert Janssens.

The Remuneration and Nomination Committee will meet at least twice a year and whenever it deems necessary in order to carry out its duties.

13.3 Executive Committee

13.3.1 *Composition of the Executive Committee*

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.

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. It does not constitute an executive board within the meaning of Article 7:104 of the BCCA (*directieraad / conseil de direction*). The Executive Committee is an informal executive committee within the meaning of Article 3:6, §3, last sentence of the BCCA.

The Executive Committee consists of the following members.

Name	Age	Position
Thijs Bakker[(1)]	47	Chief Financial Officer
Frank Bergonzi	60	CEO & President, Americas
Anna Bertona[(2)]	54	CEO & President, EMEA
Hans Joachim Müller	62	Chief Executive Officer
Laurent Nataf	47	CEO & President, Asia-Pacific

(1) Thijs Bakker provides services through Cloudworks BV, Tortelduivenlaan 8, BE-1950 Kraainem, Belgium.

(2) Anna Bertona provides services through AU-R-ORA BV, Derdedreef 2, BE-2950 Kapellen, Belgium.

The business address for all of the members of the Executive Committee is Posthofbrug 12, box 6, B-2600 Antwerp, Belgium.

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 13.2.7 (*—Members of the Board of Directors*) above.

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 Engineering from the Engineering School of Industrial Chemistry of Lyon, France and an MBA from the Sorbonne Graduate Business School in Paris, France.

13.3.2 *Chief Executive Officer*

The Chief Executive Officer is responsible for the day-to-day management of the Company. He may be granted additional well-defined powers by the Board of Directors. He has 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.

The Chief Executive Officer leads the Executive Committee, which reports to him, within the framework established by the Board of Directors and under its ultimate supervision. The Chief Executive Officer chairs the Executive Committee.

The Chief Executive Officer is appointed and removed by the Board of Directors and reports directly to it.

13.3.3 *Share Ownership and Intention of the Members of the Executive Committee to Participate in the Offering*

As at the date of this Prospectus, the direct and indirect share ownership of the members of the Executive Committee in Akita Topco is as set out below. Immediately prior to the closing of the Offering, the shares of the members of the Executive

Committee provided below will be contributed to the Company in exchange for ordinary shares of the Company as described in section 14.3 (*Group Structure—Reorganization*).

Name	Number of Shares
Thijs Bakker	2,051,475
Frank Bergonzi	3,925,000
Anna Bertona	1,913,000
Hans Joachim Müller	4,506,695
Laurent Nataf	3,013,000

Regarding the intention of the members of the Executive Committee to sell, please refer to section 15 (*Selling Shareholders*). To the extent known to the Company, no Member of the Executive Committee intends to purchase Offer Shares in the Offering.

13.3.4 *General Information on the Members of the Executive Committee*

In relation to each member of the Executive Committee, the Company is not aware of (i) any convictions in relation to fraudulent offenses during the past five years, (ii) any bankruptcies, receiverships or liquidations of any entities in which such members held any office, directorships, or partner or senior management positions during the past five years, or (iii) any official public incrimination and/or sanctions of such members by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer during the past five years.

None of the members of the Executive Committee has a potential conflict of interest between his/her duties to the Company and his/her private interests and/or any other duties he or she may have, except for any matters in relation to his/her management or employment agreement with the Company or any of its subsidiaries (if any) or with any (indirect) shareholder of the Company.

No member of the Executive Committee has a family relationship with any Director or other member of the Executive Committee.

In the five years preceding the date of this Prospectus, the members of the Executive Committee have held the following directorships (apart from their directorships of the Company and its subsidiaries) and memberships of administrative, management or supervisory bodies and/or partnerships.

Name	Company Name / Position
Thijs Bakker	See section 13.2.9 (*Board of Directors—General Information on the Directors*) above.
Frank Bergonzi	**Current:**
	None
	Previous:
	National Association of Chemical Distributors / member of the Board
	Chemical Education Fund / Board Trustee
Anna Bertona	**Current:**
	None
	Previous:
	None
Laurent Nataf	**Current:**
	None
	Previous:
	None
Hans Joachim Müller	See section 13.2.9 (*Board of Directors—General Information on the Directors*) above.

13.4 Remuneration of the Directors and the Members of the Executive Committee

13.4.1 *Board of Directors*

The Shareholders' Meeting decides whether the mandate of the Directors will be remunerated through the allocation of fixed compensation. The amount of any such remuneration is determined by the Shareholders' Meeting and is borne by the Company.

The remuneration of the independent non-executive Directors was decided by the Shareholders' Meeting dated September 10, 2021 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. No director fee is paid to the executive Directors or to the non-executive Directors appointed upon nomination by Akita.

13.4.2 *CEO and Other Members of the Executive Committee*

The remuneration of the Chief Executive Officer with regard to the year ended December 31, 2020 was composed of the following elements:

- annual base salary (gross remuneration) for the year ended December 31, 2020: €543,840.00;
- variable remuneration under the Azelis variable compensation scheme (annual bonus scheme) with regard to the performance for the year ended December 31, 2020 as paid out in the year 2021: €841,339.62 (target of 100% of annual base salary);
- company car;
- six months' guaranteed income in case of illness or other reasons without fault;
- 30 vacation days per year; and
- tax equalization to ensure that the Chief Executive Officer is not advantaged or disadvantaged from a tax perspective as a result of accepting to perform services out of Belgium.

The remuneration of the Chief Financial Officer with regard to the year ended December 31, 2020 was composed of the following elements:

- annual base salary (gross remuneration) for the year ended December 31, 2020: €315,763.83;
- variable remuneration under the Azelis variable compensation scheme (annual bonus scheme) with regard to the performance for the year ended December 31, 2020 as paid out in the year 2021: €488,480.68 (target of 100% of annual base salary);
- pension and health insurance: €38,503.46;
- hospitalization insurance (including for two family members);
- company car;
- net representation allowance of €3,984.12 per year;
- tax consultant fees up to max €2,200 per year;
- meal vouchers; and
- vacation days determined in accordance with Belgian law, increased by ten days.

The aggregate remuneration of the other members of the Executive Committee with regard to the year ended December 31, 2020 was composed of the following elements:

- annual base salary (gross remuneration) for the year ended December 31, 2020: €1,017,519.35;
- variable remuneration under the Azelis variable compensation scheme (annual bonus scheme) with regard to the performance for the year ended December 31, 2020 as paid out in the year 2021: €1,532,278.42 (CEO & President Americas and CEO & President Asia-Pacific: target of 100% of annual base salary; CEO & President EMEA: target of 75% of annual base salary);
- 401(k) savings plan (Azelis match provided);
- pension and health insurance (including for three family members): €137,952.90 per year;
- hospitalization insurance (including for one family member) and various other insurances;
- company car or car allowance;
- net representation allowance of €3,984.12 per year;

- tax consultant assistance costs carried by Azelis;
- meal vouchers;
- five weeks of vacation, 31 vacation days or vacation days determined in accordance with Belgian law, increased by ten days, as applicable; and
- various other reimbursements or allowances.

Some members of the Executive Committee have relocated to another country for the performance of their employment agreement and therefore receive additional reimbursements or assistance, some of which are limited in time (e.g., lump sum amount for additional costs linked to the relocation, reimbursement of costs for an international school in a given school year, housing costs and assistance with tax return obligations).

The Executive Committee members will receive short-term incentives in cash with a target opportunity of 100% of annual base salary, but a maximum opportunity of 150% of annual base salary. This cash bonus will be 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.

In accordance with Article 3:6, §3 of the BCCA, the remuneration report for the financial year ended on December 31, 2021 (and any financial year thereafter), which forms part of the corporate governance statement that is to be included in the Company's annual report, to be published in 2022, shall include (among other things) the amount of the remuneration of and any other benefits respectively granted to, the Chief Executive Officer and to the Chief Financial Officer, on a broken-down basis.

13.4.3 *Legal Constraints Applicable at the Closing of the Offering*

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) (see 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.

In respect of share-based remuneration, Shares can only vest and options giving the right to receive Shares or any other rights to acquire Shares can only be exercisable as from three years after the grant (except where the Articles of Association provide otherwise or the Shareholders' Meeting expressly approves an exception) (see Article 7:91 of the BCCA). The Articles of Association authorize the Company to deviate from such rule, as allowed under the BCCA.

No variable remuneration can be granted to independent Directors. Non-independent non-executive Directors can receive variable remuneration, although the Corporate Governance Code advises not to grant any performance-based remuneration directly linked to the performance of the Company.

Pursuant to the BCCA, variable remuneration for a non-independent non-executive Director is subject to approval by the Shareholders' Meeting (see Article 7:91 of the BCCA). The approval request needs to be sent at least 30 days before the convocation notice of the next Shareholders' Meeting to the works council (or, in the absence thereof, to the committee for prevention and protection at work, or in the absence thereof, to the trade union delegation) which may issue an opinion to the Shareholders' Meeting if requested at least 20 days before the convocation. The opinion shall be issued at the latest on the convocation day and published on the company website. There are no specific legal restrictions in terms of performance criteria.

The Board of Directors has set a minimum threshold of shares to be held by the Chief Executive Officer and by each other member of the Executive Committee.

For executives, a severance payment higher than twelve months of the aggregate remuneration is always subject to approval by the Shareholders' Meeting. If the severance payment is higher than 18 months, the Shareholders' Meeting may only approve it on the basis of a unanimous and reasoned recommendation by the Remuneration and Nomination Committee. The approval request needs to be sent at least 30 days before the convocation notice of the next Shareholders' Meeting to the works council (or, in the absence thereof, to the committee for prevention and protection at work or, in the absence thereof, to the trade union delegation) which may issue an opinion to the Shareholders' Meeting if requested at least 20 days before the convocation. The opinion shall be issued at the latest on the convocation day and published on the company website.

On September 10, 2021, an extraordinary Shareholders' Meeting of the Company approved the remuneration policy applicable to the Directors and to the members of the Executive Committee. The Chief Executive Officer is required to build and maintain a holding of Shares equal in value to 200% of annual base pay. The Chief Financial Officer and each other member of the Executive Committee are required to build and maintain a holding of Shares equal in value to 100% of annual base pay.

13.4.4 *Termination Provisions*

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 monthly 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 a receive a lump sum termination fee equal to six months of the fixed fee paid pursuant to their management agreement.

13.4.5 *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.

13.4.6 *Long-Term Incentive Plan*

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 (the "LTIP"). The extraordinary Shareholders' Meeting also authorized the Board of Directors, subject to and with effect as from the closing of the Offering, to increase the Company's share capital including by issuing shares to employees of the Company and its subsidiaries. See section 17.3.3 (*Description of Share Capital and Articles of Association—Share*

Capital and Shares—Preferential Subscription Rights and Authorized Capital). In addition, the extraordinary Shareholders' Meeting authorized the Board of Directors to acquire or divest the Company's own shares, which authorization may be used in the framework of the remuneration policy of the Company. See section 17.7 (*Description of Share Capital and Articles of Association—Acquisition of Own Shares*). The Board of Directors could use these authorizations to grant any awarded shares to the beneficiaries of the LTIP. The awards will be subject to a vesting period of at least three years. The detailed terms and conditions of the LTIP, as well as the beneficiaries of the LTIP, the total grant size and the individual grant size for each participant will be determined by the Board of Directors, after the closing of the Offering, upon a recommendation by the Remuneration and Nomination Committee. The grant of these awards will be based on a three-year performance period and on a target of up to 100% of annual base pay (with a cap of 150% of annual base pay). The LTIP will take into account following metrics and weightings: 50% relative total shareholders' return, 35% EBITA and 15% sustainability linked criteria.

13.5 Conflicts of Interest

13.5.1 *Directors' Conflicts of Interest*

Article 7:96 of the BCCA provides for a special procedure if a Director of the Company, save for certain exempted decisions or transactions, directly or indirectly, has a personal financial interest that conflicts with a decision or transaction that falls within the Board of Directors' powers. The Director concerned must inform the other Directors before any decision of the Board of Directors is taken and the statutory auditor must also be notified. The Director thus conflicted may not participate in the deliberation or vote on the conflicting decision or transaction. The minutes of the meeting of the Board of Directors must set out the relevant Director's declaration of the conflict of interest, the nature of the relevant decision or transaction, and the financial impact of the matter on the Company and must justify the decision taken. An excerpt of the minutes must be published in the Company's annual report. The report of the statutory auditor to the annual accounts must contain a description of the financial impact on the Company of each of the Board of Directors' decisions in matters where a conflict arises.

13.5.2 *Related Party Transactions*

The Board of Directors must comply with the procedure set out in Article 7:97, §3-4/1 of the BCCA if it takes a decision or carries out a transaction that relates to a related party within the meaning of the International Accounting Standard 24, as adopted by the European Union (IAS 24), unless the exemptions of Article 7:97, §1, section 4 apply. The procedure set out in Article 7:97, §3-4/1 of the BCCA also applies to certain proposals that the Board of Directors submits to the Shareholders' Meeting (including a proposal to carry out a capital increase by contribution in kind or a merger/de-merger). The procedure does not apply when the related party is a subsidiary of the Company, unless it concerns a subsidiary in which the natural or legal person who has direct or indirect control over the Company (if any) holds, directly or indirectly through other natural or legal persons than the Company, a participation representing at least 25% of the capital of the subsidiary in question or which entitles him or her to at least 25% of that capital in the event of a distribution of profits by that subsidiary.

Prior to such decisions or transactions, the Board of Directors must appoint a special committee of three independent Directors in accordance with Article 7:87, §1 of the BCCA which, if it so chooses, shall be assisted by one or more independent experts of its choice. The committee issues a written and reasoned opinion to the Board of Directors on the proposed decision or transaction, in which it addresses at least the elements set out in Article 7:97, §3, section 2 of the BCCA. After having taken note of the advice provided by the committee and applying, where necessary, the conflict of interest procedure set forth in Article 7:96 of the BCCA, the Board of Directors shall deliberate on the intended decision or transaction.

If a Director is involved in the decision or operation, that Director may not participate in the deliberation and voting. If all Directors are involved, the decision or transaction is submitted to the Shareholders' Meeting; if the Shareholders' Meeting approves the decision or transaction, the Board of Directors may execute it.

The committee must describe the nature of the relevant decision or transaction and determine the advantages and disadvantages of the decision or transaction for the Company, if applicable, in the long term. It must also describe and calculate the financial consequences of the decision or transaction and describe other possible consequences. The committee must describe how the proposed resolution or transaction fits within the Company's objects and, if such resolution or transaction causes a disadvantage to the Company, it must indicate whether the resolution or transaction compensates with other elements of the Company's objects or whether it is manifestly unjustified in view of those objects. The committee's detailed advice must be submitted in writing, stating each of the above elements, to the Board of Directors. If applicable, any comments from the expert(s) are also included in the advice of the committee (or attached thereto). The Board of Directors must then make a decision, taking into account the committee's advice.

The minutes of the Board of Directors must mention whether the procedure has been complied with and include a justification of any deviation from the committee's advice. The written advice of the committee and the decision of the Board of Directors must be communicated to the statutory auditor, who must issue a separate opinion assessing whether there are material inconsistencies in the financial and accounting information included in the minutes of the Board of

Directors and in the committee's opinion with respect to the information available to it within the scope of its mission, which must be annexed to the minutes of the Board of Directors, on the accuracy of the data contained in the advice of the committee and in the minutes of the Board of Directors. The committee's advice, an excerpt from the minutes of the Board of Directors and the opinion of the statutory auditor must be included in the annual report of the Board of Directors. The Company will publicly announce the decision or transaction in accordance with Article 7:97, §4/1 of the BCCA. Any person having an interest in this rule being complied with can request the annulment or suspension of the decision of the Board of Directors before the (president of the) enterprise court, and the Company can also request the annulment of the decision or the transaction that has taken place in breach of Article 7:97 of the BCCA, if the counterparty to the decision or the transaction was, or should have been, aware of such breach.

Article 7:97 §1, section 3 of the BCCA provides for a number of exemptions from this special procedure, including for decisions and transactions entered into in the ordinary course of business at usual market conditions or for decisions and transactions in value not exceeding 1% of the Company's consolidated net assets. In addition, decisions and transactions on the remuneration of the Directors or the members of the Executive Committee are exempted as are acquisitions or transfers of own shares, interim dividend payments and capital increases under the authorized capital without limitation or cancellation of the preferential subscription right of the shareholders. Article 7:97 §6 of the BCCA provides that the Company shall state in the annual report any material restrictions or burdens imposed on it by its controlling shareholder during the year under review, or of which it has requested the preservation.

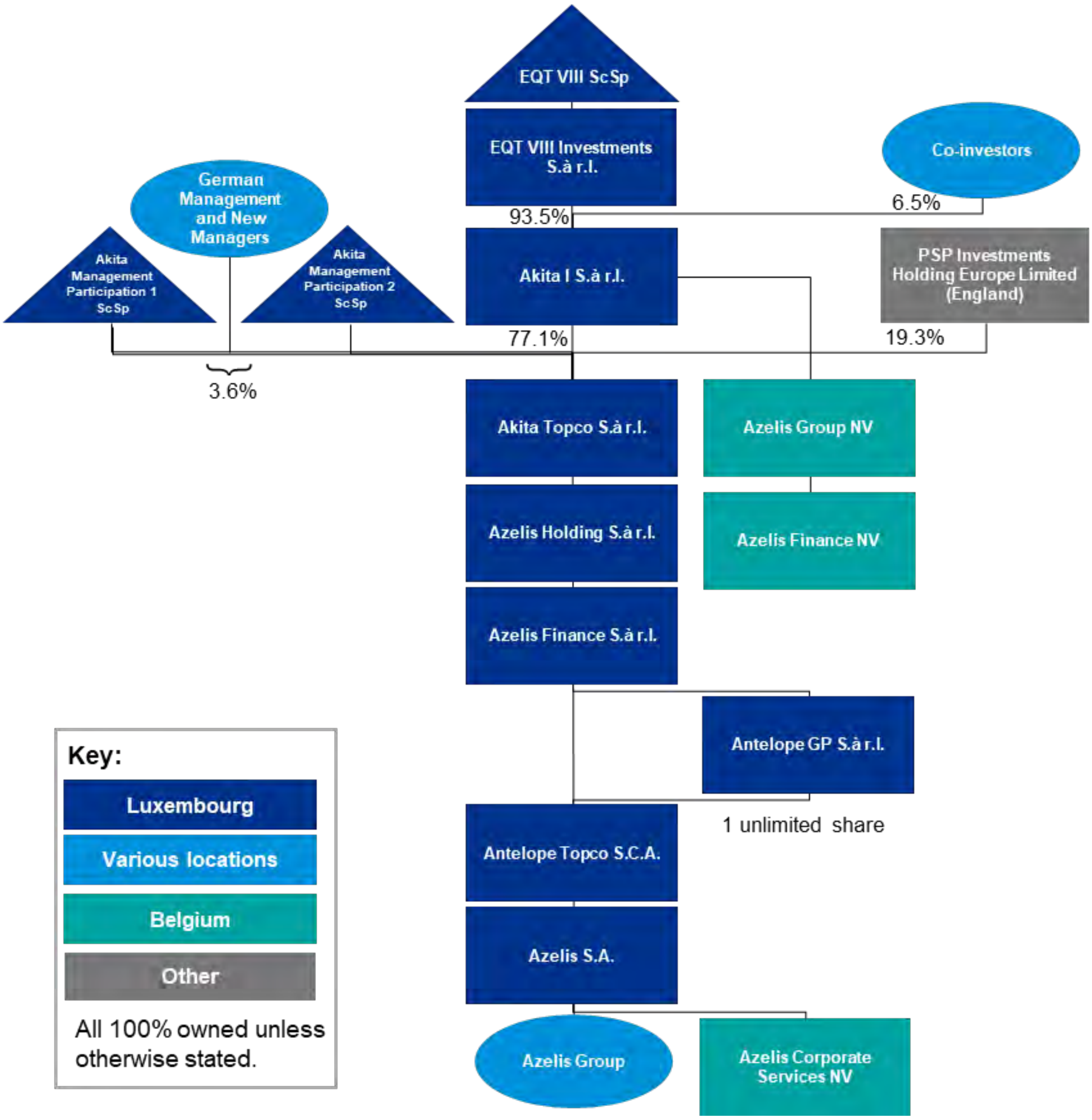
13.5.3 *Dealing Code*

With a view to preventing market abuse (insider dealing and market manipulation), the Board of Directors has established a dealing code subject to and effective from the closing of the Offering. 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 is attached to the Corporate Governance Code.

14. GROUP STRUCTURE

14.1 Group Structure as at the Date of this Prospectus

The following chart shows Azelis' organization, plus its direct shareholders, including the Selling Shareholders, as at the date of this Prospectus.



14.2 Shareholders

At the date of this Prospectus, the ultimate parent company of the operational activities of the Group is Akita Topco S.à r.l. ("**Akita Topco**"), which is a holding company with approximately €50,000 of annual operating costs and no material indebtedness. The shareholders of Akita Topco are the Selling Shareholders, together with the New Managers. Given that the New Managers became shareholders of Akita Topco recently, they will not be selling any Shares in the Offering.

At the date of this Prospectus, the share capital of Akita Topco is represented by preference shares and ordinary shares (comprising A shares and B shares). The Principal Selling Shareholders hold B shares and preference shares. The New Managers hold A shares. The Individual Selling Shareholders hold A shares, B shares and preference shares. With the exception of the Individual Selling Shareholders resident in Germany ("**German Individual Selling Shareholders**"), all Individual Selling Shareholders hold these shares through Akita Management Participation 1 SCSp and Akita Management Participation 2 SCSp, two special limited partnerships (*société en commandite spéciale*) organized under the laws of the Grand Duchy of Luxembourg (the "**Partnerships**").

14.3 Reorganization

The Company was incorporated as Akita Midco 1 NV on June 10, 2021 by Akita, a company indirectly controlled by EQT. The Company will change its name from Akita Midco 1 NV to Azelis Group NV on the Closing Date. In order to aid comparability, the

Company is designated using its new name in both section 14.1 (*—Group Structure as at the Date of this Prospectus*) above and section 14.4 (*—Group Structure Following the Reorganization and the Offering*) below.

The Company incorporated Azelis Finco as Akita Midco 2 NV on June 11, 2021. Azelis Finco will change its name from Akita Midco 2 NV to Azelis Finance NV on the Closing Date. In order to aid comparability, Azelis Finco is designated using its new name in both section 14.1 (*—Group Structure as at the Date of this Prospectus*) above and section 14.4 (*—Group Structure Following the Reorganization and the Offering*) below. On September 6, 2021, Azelis Finco entered into the New Debt Facilities, utilization of which is conditional on Admission. See section 11.17.2.1 (*Business—Material Contracts—New Debt Facilities*).

A reorganization is being implemented pursuant to which the Company will become, subject to and with effect immediately prior to the closing of the Offering, the new ultimate parent company of the operational activities of the Group, and the shareholders of Akita Topco will become the shareholders of the Company (the "**Reorganization**"). Akita Topco, an entity organized under the laws of the Grand Duchy of Luxembourg, has issued various series of ordinary and preference shares. The purpose of the reorganization is to ensure that the ultimate parent company of the Group is an entity incorporated under Belgian law, which will only have issued ordinary shares. The Reorganization includes the following steps.

Pursuant to resolutions irrevocably adopted prior to the launch of the Offering, the transactions described below will take place subject to, and with effect immediately prior to the closing of the Offering:

- Antelope Topco S.C.A will transfer its shares in Azelis S.A. to Azelis Finco in exchange for a loan note. As a result, Azelis Finco will hold the operational activities of the Group.

- Akita and PSP Europe will contribute their preference and ordinary shares in Akita Topco to the Company in exchange for ordinary shares of the Company.

- The Partnerships will contribute their preference and ordinary shares in Akita Topco to the Company in exchange for ordinary shares of the Company.

- The New Managers will contribute their ordinary shares in Akita Topco to the Company in exchange for ordinary shares of the Company.

- The Company will contribute the preference and ordinary shares in Akita Topco to Azelis Finco in exchange for ordinary shares of Azelis Finco.

- The German Individual Selling Shareholders will contribute their preference and ordinary shares in Akita Topco to Azelis Finco in exchange for ordinary shares of Azelis Finco.

- The German Individual Selling Shareholders will contribute their ordinary shares in Azelis Finco to the Company in exchange for ordinary shares of the Company.

The shares created by the Company as a result of these contributions in kind are referred to in this Prospectus as existing Shares (a portion of which will be offered as the Secondary Tranche) because such Shares are created immediately prior to the issuance of the newly issued Shares (which will be offered as the Primary Tranche). The existing Shares can be distinguished from the newly issued Shares to be sold by the Company in the Primary Tranche.

The valuation ascribed to these contributions in kind will be based on the Offer Price because the assets and liabilities of the Company will be, except for €61,500 constituting the Company's initial share capital upon incorporation, solely those resulting from these contributions in kind, which will occur prior to the capital increase in connection with the Primary Tranche.

In order to ensure that the assets and liabilities of the Company will be solely those resulting from the contributions in kind (i.e., without the Company's initial share capital upon incorporation of €61,500), the shareholder of the Company has resolved, prior to the commencement of the Offering and subject to the effective completion of the Company's capital increases by means of the contributions in kind set out above, upon a capital reduction in an amount of €61,500, with effect immediately prior to the closing of the Offering, by (i) cancellation of the 61,500 shares of the Company subscribed to by its founder (i.e., Akita) at the Company's incorporation on June 10, 2021 and (ii) repayment of the contributions made at the Company's incorporation by its founder (i.e., €61,500 in total). The new shareholders will not benefit from this distribution. This repayment by the Company to the founder will only be done after expiry of a period of two months following publication in the Annexes to the Belgian State Gazette of an excerpt of the notarial deed recording this capital reduction (following its entry into force).

The shareholder of the Company has also resolved, prior to the commencement of the Offering and subject to the effective completion of the Company's capital increases by means of the contributions in kind set out above, upon a reduction of the share capital in an amount of €400.0 million, with effect immediately prior to the closing of the Offering, to create distributable reserves. See section 4.1 (*Dividends and Dividend Policy—Dividends*). No capital contributions will be repaid to the shareholders in the context of this capital reduction. The reserves created as a result of the capital reduction will not be distributable until two months following publication in the Annexes to the Belgian State Gazette of an excerpt of the notarial deed recording this capital reduction (following its entry into force). Accordingly, the Company will be entitled to make distributions to shareholders out of these distributable reserves even in the absence of Belgian GAAP annual net profit for the relevant year.

Finally, the shareholder of the Company has resolved to effect a capital increase in the amount included in the blocking certificate to be issued pursuant to Article 7:195 of the BCCA representing the proceeds of the Primary Tranche and for a maximum of €880.0 million.

Following completion of the Reorganization and upon completion of the Offering, assuming that the Company will receive gross proceeds from the Primary Tranche in the amount of €880.0 million, and further assuming that the Offer Price is at the midpoint of the Price Range, the Company's share capital will amount to €5,280.0 million as at the completion of the Offering, represented by 236,666,666 Shares.

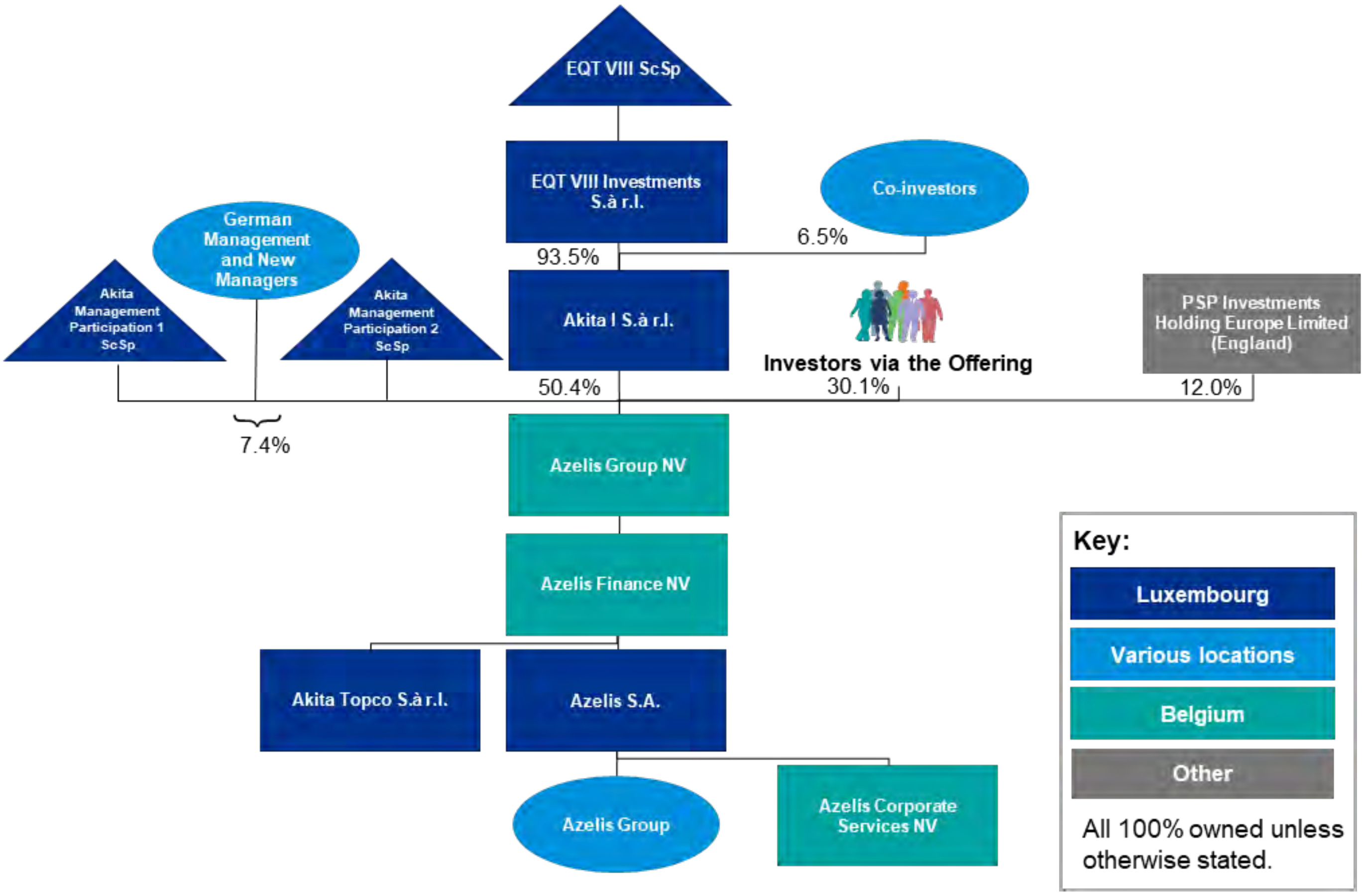
The Individual Selling Shareholders (other than the German Individual Selling Shareholders) will receive the proceeds in respect of the Shares sold by the Partnerships on their behalf as part of the Secondary Tranche following the closing of the Offering, but the Partnerships will continue to hold their remaining Shares on behalf of such Individual Selling Shareholders for a period of twelve months following the closing of the Offering. Thereafter, the Partnerships will be dissolved so that these Individual Selling Shareholders will hold such Shares directly in the Company.

Following the Offering, the Company intends to lend the proceeds from the Primary Tranche, decreased by €57.0 million to cover costs and expenses in connection with the Offering, to Azelis Finco, with a view of the lending by Azelis Finco to other Group companies for the repayment of existing third-party debt. Shortly thereafter, the Company intends to proceed to a contribution in kind of such loan into the equity of Azelis Finco in exchange for new ordinary shares. See section 3.2 (*Reasons for the Offering and the Listing and Use of Proceeds—Use of Proceeds*).

Following the Offering, the Company also intends to simplify the Group structure by merging the holding companies above Azelis S.A. (i.e., Antelope Topco S.C.A., Antelope GP S.à r.l., Azelis Finance S.à r.l. and Azelis Holding S.à r.l.) into Akita Topco.

14.4 Group Structure Following the Reorganization and the Offering

The following chart shows Azelis' organization, plus its direct shareholders, after giving effect to the Reorganization and the Offering, assuming (i) a full placement of the Offer Shares in the Primary and Secondary Tranches, (ii) that the Offer Price is at the midpoint of the Price Range and (iii) full exercise of the Over-Allotment Option.



14.5 Subsidiaries

Additional information in relation to Azelis' significant subsidiaries that generate at least 2% of the Group's revenue appears below.

Company Name	Country of Incorporation / Residence	Proportion of Ownership Interest	Proportion of Voting Power Held
EMEA			
Azelis Benelux NV	Belgium	100%	100%
Azelis Denmark A/S	Denmark	100%	100%
Azelis Deutschland GmbH	Germany	100%	100%
Azelis España S.A.	Spain	100%	100%
Azelis France S.A.S.	France	100%	100%
Azelis Italia S.r.l.	Italy	100%	100%
Azelis UK Ltd	United Kingdom	100%	100%
Americas			
Azelis Americas CASE LLC	United States (Texas)	100%	100%
Azelis Canada Inc	Canada (Québec)	100%	100%
DeWolf Chemical LLC	United States (Delaware)	100%	100%
Glenn LLC	United States (Delaware)	100%	100%
Red River Specialties LLC	United States (Louisiana)	100%	100%
Ross Organic Specialty Sales LLC	United States (California)	100%	100%
Vigon International, LLC	United States (Pennsylvania)	100%	100%
Asia-Pacific			
Azelis Shanghai Co Ltd	China	100%	100%

15. SELLING SHAREHOLDERS

15.1 Principal Selling Shareholders and Individual Selling Shareholders

The Selling Shareholders are (i) the Principal Selling Shareholders and (ii) the Individual Selling Shareholders. The Partnerships are the registered legal owner of the Shares in the Company on behalf of the Individual Selling Shareholders other than the German Individual Selling Shareholders. For more information on the shareholdings of the Principal Selling Shareholders and the Individual Selling Shareholders see section 5 (*Dilution*).

The identities of the Selling Shareholders as well as the minimum and maximum number of Shares that each of them will sell in the Offering, assuming the Offer Price is at the bottom of the Price Range or at the top of the Price Range, are set out below. The numbers in the following table are based on the assumption that closing of the Offering will take place on September 24, 2021. Because the precise valuation ascribed to the contributions in kind of preference shares in connection with the Reorganization is dependent upon the date of the contribution in kind, such share numbers may vary by an immaterial amount if closing of the Offering should take place on an earlier date. See section 14.3 (*Group Structure—Reorganization*).

15.1.1 *Principal Selling Shareholders*

		Number of Offer Shares to be Sold [1]			
		Bottom of the Price Range		***Top of the Price Range***	
Principal Selling Shareholder	**Business Address**	**Number of Shares**	**% of Total Shares [2]**	**Number of Shares**	**% of Total Shares [2]**
Akita	26A Boulevard Royal L-2449 Luxembourg Luxembourg	15,260,557	7.63%	15,143,020	7.57%
PSP Europe	10 Bressenden Place 8th Floor London SW1E 5DH United Kingdom	5,311,110	2.66%	5,269,708	2.63%
Total	–	**20,571,667**	**10.29%**	**20,412,728**	**10.21%**

(1) Assumes no exercise of the Over-Allotment Option.

(2) Percentage of total Shares in the Company after the Reorganization and immediately before the closing of the Offering (excluding any New Offer Shares).

15.1.2 *Individual Selling Shareholders*

	Number of Offer Shares to be Sold			
	Bottom of the Price Range		***Top of the Price Range***	
Individual Selling Shareholder	**Number of Shares**	**% of Total Shares [2]**	**Number of Shares**	**% of Total Shares [2]**
Directors				
Thijs Bakker	444,125	0.22%	479,812	0.24%
Alexandra Brand	9,278	0.00%	9,697	0.00%
Jürgen Buchsteiner	30,929	0.02%	32,323	0.02%
Bert Janssens	0	–	0	–
Hans Joachim Müller	905,849	0.45%	974,176	0.49%
Kristiaan Nieuwenburg	0	–	0	–
Ipek Özsüer	882	0.00%	898	0.00%
Antonio Trius	38,884	0.02%	41,757	0.02%
Other Members of the Executive Committee				
Frank Bergonzi	712,070	0.36%	727,413	0.36%
Anna Bertona	322,304	0.16%	346,924	0.17%
Laurent Nataf	355,759	0.18%	380,184	0.19%
Other Individual Selling Shareholders [1]	1,889,571	0.94%	1,990,512	1.00%
Total	**4,709,651**	**2.35%**	**4,983,696**	**2.43%**

(1) The other Individual Selling Shareholders are certain employees or consultants of the Group who are neither Directors nor members of the Executive Committee.

(2) Percentage of total Shares in the Company after the Reorganization and immediately before the closing of the Offering (excluding any New Offer Shares).

15.2 Control Over the Company

As at the date of this Prospectus, the Company is directly controlled by EQT via Akita.

Following the Offering, Akita will be in a position to vote against any resolution of an extraordinary Shareholders' Meeting for so long as it or a company affiliated with it continues to hold more than 25% of the Shares of the Company.

For other rights accruing to the holders of shares, see section 17.3 (*Description of Share Capital and Corporate Governance—Share Capital and Shares*).

The Company is not aware of any agreements, the operation of which may at a subsequent date result in a change in control of the Company.

Following the Offering, Akita will be entitled to nominate candidates for the appointment of Directors, under the conditions and as set out in section 13 (*Management and Corporate Governance*).

15.3 Shareholding Structure Following the Offering

For an overview of the shareholding structure following the Offering, see section 5 (*Dilution*).

16. RELATED PARTY TRANSACTIONS

According to IAS 24 "Related Party Disclosures," entities and persons are considered to be related to a company if the entity or a close relative of the person:

- *controls the company or is involved in its joint management, exercises significant influence over the company or holds a key position in the management of the company or a parent entity;*
- *is a member of the same group of companies;*
- *is associated with the company within the meaning of IAS 28 "Investments in Associates and Joint Ventures" or as joint venture in which the company is a partner within the meaning of IAS 31 "Interests in Joint Ventures";*
- *to the same extent as the company is a joint venture of the same third parties;*
- *is a company that is controlled by a related party, is significantly influenced by it or is subject to a joint management, in which a related party of that company is involved or in which such a person holds a key position in the management; or*
- *is a pension fund established for the benefit of the employees of the company or for the benefit of an entity, related to that company for payments after termination of the employment relationship.*

Material transactions and legal relationships that existed between the Group and the above-mentioned related persons and entities in the financial years 2018 to 2020, as well as in the current financial year 2021 up to and including June 30, 2021, and are required to be reported in connection with IAS 24 "Related Party Disclosures" are set forth in Note 26 (Related parties) to the Azelis Annual Financial Statements and the "Related parties" paragraph in note 1 (General information) to the Azelis Holding S.à r.l. Interim Financial Statements.

The Group has entered into transactions with its shareholders and their affiliates during the period covered by the historical financial information and up to the date of this Prospectus as set out below.

Shareholder Loans

In 2019, Azelis Finance S.à r.l., as borrower, entered into two shareholder loan agreements with Akita, as lender, totaling €1.9 million. These shareholder loans were fully repaid by Azelis Finance S.à r.l. in 2020, prior to their maturity dates.

Investment Opportunities

The Directors, the members of the Executive Committee and certain other key employees (including the New Managers) have had the opportunity to invest in the Group via a management participation plan. With effect immediately prior to the closing of the Offering, the securities held by the participants in the management participation plan (being preference shares and ordinary shares in Akita Topco) will be replaced by Shares. These Shares, to the extent not sold as part of the Secondary Tranche, will be subject to certain contractual lock-up restrictions for periods ranging between one year and three years following the Offering. See section 14 (*Group Structure*).

17. DESCRIPTION OF SHARE CAPITAL AND ARTICLES OF ASSOCIATION

17.1 General

The Company is a limited liability company of unlimited duration in the form of a *naamloze vennootschap* / *société anonyme* under Belgian law. The Company was incorporated on June 10, 2021 by Akita, as described in section 14.3 (*Group Structure—Reorganization*). Pursuant to the provisions of the BCCA, the liability of the shareholders of the Company is, in principle, limited to the amount of their respective committed contribution to the capital of the Company. The Company is registered with the Register of Legal Entities (Antwerp, division Antwerp) under enterprise number 0769.555.240. The Company's registered office is located at Posthofbrug 12, box 6, 2600 Antwerp, Belgium, its telephone number is +32 (0)3 613 01 20 and its website is www.azelis.com.

This section summarizes information relating to the Company's share capital, the Articles of Association and certain material rights of its shareholders under Belgian law. The contents of this section are derived primarily from the Articles of Association, which were last amended by the extraordinary Shareholders' Meeting (the "**Extraordinary Shareholders' Meeting**") held on September 10, 2021. The entry into force of the amendment to the Articles of Association is subject to and with effect as from the closing of the Offering.

This section provides details of certain provisions of Belgian law. The description provided hereafter is only a summary and does not purport to provide a complete overview of the Articles of Association or the relevant provisions of Belgian law.

17.2 Corporate Object

According to Article 4 of the Articles of Association, the Company's corporate object is as set out below.

1. The activities of a holding company in the broadest sense, including:

    - in its own name and for its own account or in the name and for the account of a third party, to take participations and invest in Belgian or foreign companies, businesses, activities, partnerships, joint ventures or other entities, with or without legal personality, listed or unlisted on the stock market;
    - to finance the aforementioned entities by means of underwriting, acquiring, transferring or in any other way trading in shares, options, subscription rights, warrants, or other securities or other forms of capital financing, or by means of authorizing, underwriting, acquiring, transferring or in any other way trading in loans, bonds, credit openings or other forms of debt financing or debt instruments;
    - to invest liquidity or assets in securities, cash or moveable securities in the broadest sense of the word;
    - to manage, capitalize and valorize the aforementioned participations and investments, including by directly or indirectly participating in or otherwise providing support to the governing body, to the management and operational management, in the control or liquidation of the entities in which it holds a participation and by providing support services or assistance in project management and strategy, legal and tax management as well as internal control, accounting, treasury, financial control, management and administration, human resources management and administration, safety, environment, health and quality, information technology and data management, communication and public relations, or by providing any other services or assistance;
    - to promote, plan and coordinate the development of the entities, in which it participates, including through reorganizations and restructurings;
    - to conclude all financial transactions and financial agreements, except for the activities legally reserved for savings and deposit-taking banks and for asset management and investment advisory companies;
    - to participate directly or indirectly in the administration, management, control and liquidation of the companies in which it has an interest or shareholding and, in general, all operations directly or indirectly, in whole or in part, relating to the activities of a holding company.

2. The activities of a management company in the broadest sense, including all advisory, consultancy and management activities and all related services, whether of strategic or coordinating and/or supporting nature, including, in particular:

    - consulting and advising on the operational management of companies and enterprises, providing management assistance to and executing management tasks in companies and enterprises;
    - participating in the daily management and representation of companies, fulfilling all management assignments in companies, holding mandates and positions in companies, including the position of director, manager or liquidator;
    - conducting all studies, research and services relating to market research, promotion, counselling, canvassing, public relations and communication, documentation, publication, computerization, digitalization, efficiency, planning,

organization, calculation, supervision, assistance in management, consulting, business operations and management;

- providing advice of a strategic, financial (including accounting), logistical, economic, legal, fiscal technical, commercial or administrative nature, in the broadest sense, conducting all commercial and financial operations, except those legally reserved for deposit banks, holders of short-term deposits, savings banks, mortgage companies and capitalization companies;

- assisting companies regarding trade, industry, administration, computerization and digitalization, to carry out secretarial work, to domicile companies, to provide offices, warehouses and manufacturing premises, to provide assistance to companies to be incorporated or in the sale, acquisition and merger of existing companies and activities, and more generally to do anything that may be of benefit to the establishment, operation and management of the companies.

3. Building, carefully developing and management of immovable property; all operations relating to immovable property and immovable property rights such as, among others, leasehold and long lease rights and the lease financing of immovable property to third parties, purchasing and selling both in full ownership and in usufruct and/or bare ownership, exchanging, building, renovating, maintaining, renting, leasing, land development, prospecting and outsourcing, buying and selling, leasing and renting of movable property relating to the furnishing and equipping of immovable property, as well as all actions directly or indirectly relating to this purpose and which are of a nature to promote the proceeds of movable and immovable property.

4. Building, carefully developing and management of movable property; all operations relating to movable property and rights of any kind, such as the acquisition by subscription or purchase and management of shares, bonds, subscription rights, options, or other movable securities of any kind, of Belgian or foreign legal persons and companies, existing or to be incorporated, including the granting of loans and credit facilities in any form whatsoever, as well as the purchase and sale, import and export, commission trade and representation of any movable property, intangible durable assets and/or rights in rem.

The aforementioned list is not exhaustive, but it is intended to serve as an example, so that the Company can perform all acts that may in any way, directly or indirectly, contribute to the realization of the activities for which it is intended.

Additionally, the Company may carry out all commercial, industrial, financial, movable and immovable transactions that are directly or indirectly related to or contribute to the activities for which it is responsible, and may grant all guarantees, give sureties, grant securities of any nature and in any form (including the establishment of a mortgage or to grant a pledge), both for itself and for all third parties, provided that it has an interest in doing so, as well as act as an agent or representative of, or grant advances to entities in which it participates.

The Company may conduct the activities for which it is responsible on its own behalf, on behalf of third parties or in cooperation with third parties, both in Belgium and abroad, in all manners and forms which it may deem appropriate.

The Company shall refrain from engaging in any activities and/or operations which are subject to regulatory provisions insofar as the Company itself does not comply with these provisions, without prejudice to the Company's right to have such activities and/or operations performed as subcontractor by third parties who do have the necessary licenses and/or authorizations.

17.3 Share Capital and Shares

17.3.1 *Share Capital History*

At the time of the Company's incorporation, its share capital amounted to €61,500, represented by 61,500 shares, each representing an identical fraction of the Company's share capital.

On September 10, 2021, the Extraordinary Shareholders' Meeting resolved, among other things, the following:

- to increase, subject to the condition precedent of the delivery by a representative of the Underwriters or the bank concerned of a blocking certificate in respect of the capital increase in cash (certifying that the proceeds of the Primary Tranche of the Offering have been received in the blocked bank account of the Company in accordance with Article 7:195 of the BCCA) and with effect as at the recording by the Company in a notarial deed of the satisfaction of such condition precedent, the Company's share capital by way of:

    - the contributions in kind by respectively: (i) Akita and PSP Europe; (ii) the Partnerships; and (iii) the New Managers, of all their shares in Akita Topco; and

    - after (i) the Company has contributed the shares in Akita Topco to Azelis Finco, and (ii) the German Individual Selling Shareholders have contributed their shares in Akita Topco to Azelis Finco, the contribution in kind by the German Individual Selling Shareholders of their resulting ordinary shares in Azelis Finco, in exchange for 200,000,000 Shares at an issue price per Share equal to the Offer Price. The valuation ascribed to these contributions will therefore be based on the Offer Price. When the condition precedent is fulfilled, one or more Directors will establish the contribution in kind and the amount by which the Company's share capital will be increased and will effectively issue the new shares to the persons who contributed shares to the Company:

- to reduce, subject to the effective completion of the Company's capital increases by means of the contributions in kind set out above, the share capital of the Company in an amount of €61,500, by (i) cancellation of the 61,500 shares of the Company subscribed to by its founder (i.e., Akita) at the Company's incorporation on June 10, 2021, and (ii) repayment of the contributions made at the Company's incorporation by its founder (i.e., €61,500 in total). The new shareholders will not benefit from this distribution. This repayment by the Company to the founder will only be done after expiry of a period of two months following publication in the Annexes to the Belgian State Gazette of an excerpt of the notarial deed recording satisfaction of the condition precedent to which this capital reduction was made;

- to reduce, subject to the effective completion of the Company's capital increases by means of the contributions in kind set out above, the share capital of the Company to create distributable reserves. No capital contributions will be repaid to the shareholders in the context of this capital reduction. The reserves created as a result of the capital reduction will not be distributable until two months following publication in the Annexes to the Belgian State Gazette of an excerpt of the notarial deed recording satisfaction of this condition precedent to which this capital reduction was made; and

- to increase, subject to closing of the Offering, the Company's share capital by contribution in cash through the issuance of Shares to be sold in the Primary Tranche of the Offering for a maximum of €880.0 million.

For more information, see section 14.3 (*Group Structure—Reorganization*).

Following the completion of the Reorganization and upon completion of the Offering, assuming that the Offer Price is at the midpoint of the Price Range, and further assuming a full placement of the Offer Shares in the Primary Tranche with gross proceeds in the amount of €880.0 million, the Company's share capital will amount to €5,280.0 million as at the closing of the Offering.

17.3.2 *Form and Transferability of the Shares*

Upon the closing of the Offering, all of the Shares will belong to the same class and will be in registered or dematerialized form. The Board of Directors shall keep a register in which the names and addresses of all holders of registered shares and any other mentions required by law are recorded and which may be held electronically. If so requested, the Board of Directors shall provide, free of charge, an extract from the register to a holder of registered shares pertaining to his right to such shares. A dematerialized security is represented by an entry on a personal account of the owner or holders, with a recognized account holder or clearing and settlement institution. All of the Offer Shares will be delivered in dematerialized (book-entry) form. Holders of Shares may elect, at any time, to have their registered Shares converted into dematerialized Shares, and vice versa, at their own expense. See section 18.13 (*The Offering—Registration and Settlement*).

The Shares are freely transferable, subject to any contractual restrictions. See under the heading "Investment Opportunities" in section 16 (*Related Party Transactions*) and section 19.2 (*Plan of Distribution—Lock-Up Arrangements*).

17.3.3 *Preferential Subscription Rights and Authorized Capital*

The BCCA and the Articles of Association give shareholders preferential subscription rights to subscribe on a *pro rata* basis by reference to the part in the capital represented by their shares, for any issue for cash of new shares, convertible bonds or subscription rights. The preferential subscription rights may be exercised during a period determined by the Shareholders' Meeting or by the Board of Directors acting within the framework of the Company's authorized capital, with a legal minimum of 15 days. The preferential subscription rights may be traded during the entire subscription period and no restrictions may be imposed to such tradability other than those applicable to the shares, convertible bonds or subscription rights to which such rights relate.

The Shareholders' Meeting may limit or cancel the preferential subscription rights for any capital increase or issue of convertible bonds or subscription rights, subject to the quorum and majority requirements applying to an amendment to the Articles of Association (the presence or representation of at least 50% of the Company's share capital and a majority of at least 75% of the votes cast), in the interest of the Company and subject to special reporting requirements. Shareholders may also authorize the Board of Directors to limit or cancel the preferential subscription rights for any capital increase or issue of convertible bonds or subscription rights when issuing securities within the framework of the Company's authorized share capital, subject to the same special reporting requirements.

The Extraordinary Shareholders' Meeting authorized the Board of Directors, subject to and with effect as from the closing of the Offering, to increase the share capital in one or more transactions by a number of Shares, or by financial instruments giving the right to a number of Shares, such as, but not limited to, convertible bonds or subscription rights, or by incorporation of reserves, so as to bring the share capital to a maximum of 100% of its amount at the closing of the Offering.

Within the framework of the authorized capital, the Board of Directors is empowered to proceed with a capital increase in any form, including, but not limited to, a capital increase accompanied by the limitation or cancellation of preferential subscription rights. 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 tender offer. See section 17.8.3 (*—Legislation and Jurisdiction—Public Takeover Bids*) below. The authorization to limit or cancel the preferential subscription rights (including for the benefit of one or more specific persons), as described above, also applies to capital increase realized through the issuance of convertible bonds or of subscription rights. The authorization is valid for a term of five years as from the date of the publication in the Annexes to the Belgian State Gazette (*Belgisch Staatsblad* / *Moniteur belge*) of the amendment to the Articles of Association (when the conditions precedent laid down therein, being the closing of the Offering, have been fulfilled and the resolutions adopted have effectively entered into force). In connection with capital increases in the event of a public tender offer, the authorization is only valid for a term of three years as from the date on which the resolutions of the Extraordinary Shareholders' Meeting referred to at the beginning of this paragraph have effectively entered into force following the fulfilment of the conditions precedent laid down therein, being the closing of the Offering.

17.3.4 *Convertible Bonds and Subscription Rights*

The Company may issue convertible bonds or subscription rights (*inschrijvingsrechten / droits de souscription*) (whether or not attached to bonds) either pursuant to a resolution of the Shareholders' Meeting acting under the conditions necessary for modifying the Articles of Association (the presence or representation of at least 50% of the Company's share capital and a majority of at least 75% of the votes cast) or pursuant to a resolution of the Board of Directors acting within the scope of the authorized capital.

17.4 Right to Attend and Vote at Shareholders' Meetings

17.4.1 *General Shareholders' Meetings*

The ordinary Shareholders' Meeting is held on the second Thursday of June each year at 11:00 a.m. (CET), or, if this day is a legal public holiday in Belgium, at the same hour on the preceding or following business day, as may be decided by the Board of Directors. It takes place at the registered office of the Company or at any other place designated by the convening notice convening the Shareholders' Meeting. The first ordinary Shareholders' Meeting will be held on May 12, 2022.

An extraordinary or special Shareholders' Meeting shall be held on the day, at the hour and in the place designated by the convening notice.

The convening notices to the ordinary, special and extraordinary Shareholders' Meetings are initiated by the Board of Directors or by the statutory auditor. The Board of Directors or the statutory auditor has to convene a Shareholders' Meeting at the request of shareholders representing one-tenth of the Company's share capital.

17.4.2 *Notices Convening the Shareholders' Meeting*

The Company must publish a notice of the Shareholders' Meeting in the Belgian State Gazette (*Belgisch Staatsblad* / *Moniteur belge*), in a newspaper with national distribution (except for those ordinary Shareholders' Meetings which take place at the location, place, day and hour indicated in the Articles of Association and the agenda of which is limited to the approval of the annual accounts, the annual reports of the Board of Directors and the statutory auditor, discharge to be granted to the directors and statutory auditor, the remuneration report and termination provisions for executive directors), in media that can be reasonably considered having effective distribution with the public in the EEA and that is accessible swiftly and in a non-discriminatory manner, and on the Company's website (www.azelis.com). The notices are published at least 30 calendar days prior to the meeting. If a new convocation is required for lack of quorum and the date of the second meeting was mentioned in the first notice, then, in the absence of new agenda items, notices are published at least 17 days in advance of that second meeting.

The convening notices will also be communicated by e-mail to the holders of registered Shares and to the other persons which must receive the convening notice in accordance with the BCCA. If the Company does not dispose of an e-mail address of the relevant person(s), it will communicate the convening notice by post-office mail, which it will send on the same day as the communications by e-mail.

As from the publication of the notice, the Company shall make the information required by law available on the Company's website (www.azelis.com) for a period of five years after the relevant Shareholders' Meeting.

17.4.3 *Formalities to Attend the Shareholders' Meeting*

A shareholder wishing to attend and participate in the Shareholders' Meeting must:

- have the ownership of its Shares recorded in its name, as at midnight (24:00 CET), on the 14th day preceding the date of the meeting (the "Record Date") either through registration in the register of registered Shares or through book-entry in the accounts of an authorized account holder or clearing institution, regardless the number of Shares owned by the shareholder at the day of the Shareholders' Meeting; and

- notify the Company (or the person designated by the Company) at the latest on the sixth day preceding the day of the meeting, that it intends to participate in the meeting using the e-mail address of the Company or the specific e-mail address mentioned in the convening notice to the Shareholders' Meeting, as the case may be, by giving the proxy referred to in Article 7:143 of the BCCA, including the provision of a certificate of an authorized account holder or clearing institution demonstrating the book-entry in its name of the relevant number of dematerialized Shares on an account at the Record Date.

The convening notices for a Shareholders' Meeting shall specify the formalities for shareholders to communicate to the Company (or the person designated by the Company) their intention to participate in the Shareholders' Meeting.

The holders of non-voting shares, non-voting profit-sharing certificates, convertible bonds, subscription rights or certificates issued with the cooperation of the Company, if any, may participate in the Shareholders' Meeting in consultative capacity only. If they intend to participate, such holders are subject to the same conditions and formalities concerning admission and access as those imposed on shareholders.

17.4.4 *Voting Rights*

Each shareholder of the Company is entitled to one vote per Share.

The Selling Shareholders do not hold any other voting rights in the Company and are not entitled to any preferences regarding such voting rights.

Voting rights can be mainly suspended in relation to Shares:

- that are not fully paid up, notwithstanding the request thereto of the Board of Directors of the Company;
- to which more than one person has rights in rem, until a single person has been designated as the holder of the voting right *vis-à-vis* the Company;
- that entitle their holder to voting rights above the threshold of 3%, 5%, 10%, 15%, 20% and any further multiple of 5% of the total number of voting rights attached to the outstanding financial instruments of the Company on the date of the relevant general shareholders' meeting, in the event that the relevant shareholder has not notified the Company and the FSMA at least 20 calendar days prior to the date of the general shareholders' meeting in accordance with the applicable rules on disclosure of major shareholdings; and
- of which the voting right was suspended by a competent court or the FSMA.

Pursuant to Article 7:217 of the BCCA, the voting rights attached to Shares owned by the Company are suspended.

17.4.5 *Voting by Proxy*

Any shareholder with the right to vote may either personally participate in the Shareholders' Meeting or give a proxy to another person, who need not be a shareholder, to represent him or her at the meeting and to exercise its right to vote. A shareholder may designate, for a given meeting, only one person as proxy holder, save for the exceptions allowed by the BCCA. A proxy holder is appointed by a shareholder by way of a proxy form which shall be made available by the Company and which shall be signed by the relevant shareholder. The Company must receive the signed proxy form at the latest on the sixth day preceding the meeting. Any appointment of a proxy holder shall comply with the relevant requirements of applicable Belgian law in terms of conflicting interests, record keeping and any other applicable requirements.

17.4.6 *Remote Voting in Relation to the Shareholders' Meeting*

If allowed in the convening notice, the shareholders who have fulfilled the conditions for admission as set out in Article 37 of the Articles of Association, may vote remotely before the Shareholders' Meeting, by letter or via the Company's website, through a form which shall be made available by the Company in accordance with the instructions mentioned in the convening notice. In case of voting by letter, the signed form must be received by the Company at the latest on the sixth day preceding the date of the meeting. Voting via the Company's website may occur until the last day before the meeting.

If the convening notice allows the shareholders to vote remotely via the Company's website, the Company shall ensure that the capacity and the identity of the shareholders can be verified through the system used, in such way as determined by the Board of Directors.

In calculating the rules on quorum and majority, the Company will only take into account the votes cast remotely by shareholders who have fulfilled the conditions for admission and insofar as the form made available by the Company, has been validly completed and returned to the Company in a timely manner.

17.4.7 *Remote Participation in the Shareholders' Meeting*

The Board of Directors may allow the shareholders to participate remotely in the Shareholders' Meeting by way of electronic means of communication which shall be made available by the Company. As regards compliance with attendance and majority conditions, the Shareholders who participate in the Shareholders' Meeting in such way are deemed to be present at the place where the Shareholders' Meeting is physically being held. For the calculation of the rules concerning quorum and majority, only the shareholders who have fulfilled the conditions for admission set out in Article 37 of the Articles of Association shall be taken into account.

If the convening notice allows remote participation in the Shareholders' Meeting, the Board of Directors shall determine the conditions and modalities relating thereof.

If applicable, the directors and the statutory auditor(s) can also participate remotely in the Shareholders' Meeting.

The Company will ensure that, when arranging remote participation in the Shareholders' Meeting, the Company is able, through the electronic means of communication used, to verify the identity and capacity of the shareholder, in such a way as the Board of Directors determines.

17.4.8 *Right to Request Items to be Added to the Agenda and Ask Questions at the Shareholders' Meeting*

One or more shareholders that together hold at least 3% of the Company's share capital may, in accordance with applicable provisions of the BCCA, request for items to be added to the agenda of any convened meeting and submit proposals for resolutions with regard to existing agenda items or new items to be added to the agenda, provided that: (i) they prove ownership of such shareholding as at the date of their request; (ii) record their Shares representing such shareholding on the Record Date; and (iii) their requests with, as the case may be, the text of the agenda items to be added and the corresponding resolutions proposals, or the text of the resolution proposals to be added to the agenda, have been received in writing by the Company at the latest on the 22nd day preceding the date of the relevant Shareholders' Meeting. The shareholding must be proven by, as far as registered Shares are concerned, a certificate evidencing the registration of the relevant Shares in the share register of the Company or, as far as dematerialized Shares are concerned, a certificate issued by an authorized account holder or a clearing institution certifying the book-entry of the relevant number of dematerialized Shares in the name of the relevant shareholder(s) in one or several accounts held by such account holder or clearing institution.

If additional agenda items are so requested, the Company shall publish a revised agenda of the Shareholders' Meeting, at the latest on the 15th day preceding the Shareholders' Meeting. The right to request that items be added to the agenda or that proposed resolutions in relation to existing agenda items be submitted does not apply in the case of a second extraordinary Shareholders' Meeting that must be convened after a first extraordinary Shareholders' Meeting with the same agenda during which no decisions could be taken about the agenda because the quorum was not obtained.

Within the limits of Article 7:139 of the BCCA, the directors and the auditor shall answer, during the Shareholders' Meeting, the questions raised by shareholders in connection with the items on the agenda. Shareholders can ask questions either during the meeting or prior to the meeting (in paper or electronic form), provided that the Company receives the written question at the latest on the sixth day preceding the Shareholders' Meeting.

17.4.9 *Quorum and Majorities*

In general, there is no attendance quorum requirement for a general Shareholders' Meeting, except as provided for by law in relation to decisions regarding certain matters. Decisions are taken by a majority of the votes cast, except where the law or the Articles of Association provide for a special majority.

Matters involving special legal quorum and majority requirements include, among others, amendments to the Articles of Association, issues of new Shares (other than within the framework of the authorized capital), convertible bonds or subscription rights and decisions regarding mergers and demergers, which require 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 special majority requirements, however, remain applicable.

17.5 Dividend Rights

All Shares participate equally in the Company's profits, if any. The Shares offered in the Offering carry the rights to participate in dividends declared in respect of the financial year ending December 31, 2021 and future years. The shareholders shall lose their right to receive the dividends five years after the payment date of these dividends pursuant to Article 2277 of the Belgian Civil Code. From that date onwards, the Company shall no longer be required to pay such dividends.

In general, the Company may only pay dividends with the approval of the Shareholders' Meeting, although the Board of Directors may declare interim dividends without shareholder approval. The right to pay such interim dividends is, however, subject to certain legal formalities in accordance with Article 7:213 of the BCCA.

The maximum amount of the dividend that can be paid is determined by reference to the Company's statutory financial statements prepared in accordance with Belgian GAAP.

Under Belgian law and the Articles of Association, the Company must allocate an amount of 5% of its annual net Belgian GAAP profit (*nettowinst* / *bénéfices nets*) to a legal reserve in its stand-alone statutory accounts until the reserve equals 10% of the Company's share capital.

Upon completion of the Offering and the Refinancing, the Company will not be subject to any contractual restrictions on the payment of dividends.

For more information on the dividend policy of the Company and other restrictions, see section 4 (*Dividends and Dividend Policy*) and section 1.4.1 (*Risk Factors—Risks Related to the Shares to be Admitted to Trading—Azelis may not be able to pay dividends in accordance with its stated dividend policy*).

17.6 Dissolution and Liquidation

The Company can only be dissolved by a resolution of the Shareholders' Meeting passed with a majority of at least 75% of the votes cast at an extraordinary Shareholders' Meeting where holders of at least 50% of the share capital are present or represented.

If, as a result of losses sustained, the ratio of the Company's net assets (determined in accordance with Belgian legal and accounting rules) to share capital is less than 50%, the Board of Directors must convene an extraordinary Shareholders' Meeting within two months of the date upon which the Board of Directors discovered or should have discovered this undercapitalization. At this Shareholders' Meeting, the Board of Directors needs to propose either the dissolution or the continuation of the Company, in which case the Board of Directors must propose measures to restore the Company's financial situation. The Board of Directors must justify its proposals in a special report to the shareholders. A majority of at least 75% of the votes validly cast at this meeting can decide to dissolve the Company, provided that at least 50% of the Company's share capital is present or represented at the meeting.

If, as a result of losses incurred, the ratio of the Company's net assets to share capital is less than 25%, the same procedure must be followed, it being understood, however, that in that event shareholders representing at least 25% of the votes at this meeting can decide to dissolve the Company. If the amount of the Company's net assets has dropped below €61,500 (the minimum amount of share capital of a Belgian limited liability company (*naamloze vennootschap* / *société anonyme*)), any interested party is entitled to request a competent court to dissolve the Company. The court can order the Company's dissolution or grant a grace period for the Company to remedy the situation.

If the Company is dissolved for any reason, the liquidation must be carried out by one or more liquidators appointed by the Shareholders' Meeting. If the Shareholders' Meeting does not appoint any liquidator(s) then the directors who were in office at the time of the resolution for dissolution shall be regarded as liquidators towards third parties.

All assets of the Company are realized, unless the Shareholders' Meeting decides otherwise. The positive balance of the liquidation, after payment of all debts, charges and costs of the liquidation, shall be distributed among the shareholders in proportion to the share of the capital represented by their Shares.

17.7 Acquisition of Own Shares

Subject to and with effect as from the closing of the Offering, the Articles of Association authorize the Board of Directors, in accordance with Articles 7:215 and following of the BCCA and within the limits set out in these provisions, to acquire, on or outside of the stock market, for the account of the Company, up to 20% of its own Shares and, as the case may be, also profit-sharing certificates or associated certificates for a price which will be determined in accordance with the legal requirements, but which will in any case not be more than 10% below the lowest closing price in the last 30 trading days preceding the transaction and not more than 10% above the highest closing price in the last 30 trading days preceding the transaction. This authorization is valid for five years from the date of the publication in the Annexes to the Belgian State Gazette (*Belgisch Staatsblad / Moniteur belge*) of the amendment to the Articles of Association as adopted by the Extraordinary Shareholders' Meeting held on September 10, 2021 (when the conditions precedent laid down therein, being the closing of the Offering, have been fulfilled and the resolutions adopted have effectively entered into force).

This authorization also covers the acquisition on or outside of the stock market by a direct subsidiary within the meaning and the limits set out by the BCCA. If the acquisition would be made by the Company outside of the stock market, even from a subsidiary, the Company must comply with article 7:215, §1, 4° of the BCCA.

The Board of Directors is furthermore authorized, subject to compliance with the applicable provisions of the BCCA, to acquire for the Company's account the Company's own Shares and, as the case may be, also profit-sharing certificates or associated certificates if such acquisition is necessary to avoid serious and imminent harm to the Company. This authorization is valid for three years as from the date of the publication in the Annexes to the Belgian State Gazette (*Belgisch Staatsblad / Moniteur belge*) of the amendment to the Articles of Association as adopted by the Extraordinary Shareholders' Meeting held on September 10, 2021 (when the conditions precedent laid down therein, being the closing of the Offering, have been fulfilled and the resolutions adopted have effectively entered into force).

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 and, as the case may be, also profit-sharing certificates or associated certificates held by the Company from time to time, on or outside of the stock market (including to one or more specific persons who are not members of the personnel) or in the framework of the remuneration policy to employees, directors or consultants of the Company or its subsidiaries or to prevent any serious and imminent harm to the Company. This authorization also covers the divestment of the Company's shares and, as the case may be, also profit-sharing certificates of the Company or associated certificates by a direct subsidiary within the meaning of Article 7:221, first indent of the BCCA. The authorization is valid without any time restriction, irrespective of whether the divestment is to prevent any serious and imminent harm for the Company or not.

The Shares, profit-sharing certificates or associated certificates can only be acquired with funds that would otherwise be available for distribution as dividend. An offer to purchase Shares must be made by the Company by way of an offer to all shareholders under the same conditions. Shares can also be acquired by the Company without offer to all shareholders under the same conditions, provided that the acquisition of the Shares is effected in the central order book of Euronext Brussels or, if the transaction is not effected via the central order book, provided that the price offered for the Shares is lower than or equal to the highest independent bid price in the central order book of Euronext Brussels at that time. No restrictions exist with respect to the total nominal value or fractional value of the Shares that can be held by the Company. Voting rights attached to Shares held by the Company as treasury shares are suspended.

The Company must notify the FSMA of the transactions described above no later than the seventh trading day following the transaction. The FSMA shall verify whether the transactions are in accordance with the resolution of the Shareholders' Meeting or, as the case may be, the Board of Directors. If it is of the opinion that these transactions are not in accordance with the resolution, the FSMA may publish its advice.

As at the date of this Prospectus, the Company does not hold any own Shares.

17.8 Legislation and Jurisdiction

17.8.1 *Notification of Significant Shareholdings*

Pursuant to the Belgian Law of 2 May 2007 on the disclosure of significant shareholdings in issuers whose securities are admitted to trading on a regulated market and containing various provisions (the "**Transparency Law**"), a notification to the Company and to the FSMA is required by all natural persons and legal entities on the occurrence of, among other things, any one of the following triggering events, subject to limited exceptions:

- an acquisition or disposal of voting securities, voting rights or financial instruments that are treated as voting securities;
- the reaching of a threshold by persons or legal entities acting in concert;
- the conclusion, modification or termination of an agreement to act in concert;
- the downward reaching of the lowest threshold;
- the passive reaching of a threshold;
- the holding of voting securities in the Company upon first admission of them to trading on a regulated market;
- where a previous notification concerning financial instruments treated as equivalent to voting securities is updated;
- the acquisition or disposal of the control of an entity that holds the voting securities in the Company; and
- where the Company introduces additional notification thresholds in the Articles of Association,

in each case where the percentage of voting rights attached to the securities held by such persons reaches, exceeds or falls below the legal threshold, set at 5% of the total voting rights, and 10%, 15%, 20% and so on in increments of 5% or, as the case may be, the additional thresholds provided in the Articles of Association. The Company has provided for an additional threshold of 3% in the Articles of Association.

The notification must be made as soon as possible, and at the latest within four trading days following the occurrence of the triggering event. Where the Company receives a notification of information regarding the reaching of a threshold, it has to publish such information within three trading days following receipt of the notification. Furthermore, the Company must state its shareholder structure (as it appears from the notifications received) in the notes to its annual accounts. The Company must also publish the total share capital, the total number of securities and voting rights and the total number of voting securities and voting rights for each class (if any) at the end of each calendar month in which one of these numbers has changed. In addition, the Company must, where appropriate, publish the total number of bonds convertible into voting securities (if any) as well as the total number of rights, whether or not included in securities, to subscribe for not yet issued voting securities (if any), the total number of voting securities that can be obtained upon the exercise of these conversion or subscription rights, and the total number of shares without voting rights (if any). All transparency notifications received by the Company can be consulted on the Company's website (www.azelis.com), where they are published in their entirety.

No shareholder may cast a greater number of votes at a Shareholders' Meeting than those attached to the rights or securities it has notified in accordance with the Transparency Law at least 20 days before the date of the Shareholders' Meeting, subject to certain exceptions.

17.8.2 *Right to Identify Shareholders and Facilitation of Exercise of Shareholders' Rights*

The Company is entitled, pursuant to the Transparency Law, to request information from intermediaries (such as investment firms, credit institutions and central securities depositories) regarding the identity and holding of its shareholders. If multiple intermediaries are involved in the relationship between the Company and a shareholder, the Company is entitled to address a request for information to any intermediary in the chain. Intermediaries are required to respond to the Company's requests without delay.

The following information regarding its shareholders can be requested by the Company:

- name and contact details, including the full address, the email address (where available) and the registration number (if the shareholder is a legal entity); and
- the number and classes of Shares held and the date from which the Shares have been held.

The Company is required to provide in due time to intermediaries all information necessary to allow shareholders to exercise the rights attached to their Shares. Alternatively, the Company may make such information available on its website, in which case it is required to provide to intermediaries a notice regarding the location on its website where the information can be found. Intermediaries have a duty to relay the information so received from the Company to the shareholders on behalf of whom they are holding Shares.

17.8.3 *Public Takeover Bids*

Public takeover bids for shares and other securities giving access to voting rights (such as subscription rights or convertible bonds, if any) are subject to supervision by the FSMA. Public takeover bids must be extended to all of the voting securities, as well as all other securities giving access to voting rights. Prior to making a bid, a bidder must publish a prospectus which has been approved by the FSMA prior to publication.

Belgium has implemented the Thirteenth Company Law Directive (European Directive 2004/25/EC of 21 April 2004) in the Belgian Law of 1 April 2007 on public takeover bids (the "Takeover Law") and the Belgian Royal Decree of 27 April 2007 on public takeover bids (the "Takeover Royal Decree"). The Takeover Law provides that a mandatory bid must be launched if a person, as a result of its own acquisition or the acquisition by persons acting in concert with it or by persons acting for their account, directly or indirectly, holds more than 30% of the voting securities in a company having its registered office in Belgium and of which at least part of the voting securities is traded on a regulated market. The mere fact of exceeding the relevant threshold through the acquisition of shares will give rise to a mandatory bid, irrespective of whether the price paid in the relevant transaction exceeds the current market price. The duty to launch a mandatory bid does not apply in certain cases set out in the Takeover Royal Decree such as in the case of: (i) an acquisition if it can be shown that a third party exercises control over the company or that such party holds a larger stake than the person holding more than 30% of the voting securities; (ii) a capital increase with preferential subscription rights decided by the Shareholders' Meeting; or (iii) an enforcement of security, provided that the acquirer disposes of the securities in excess of the 30% threshold within twelve months and does not exercise the voting rights attached to those excess securities.

In principle, the authorization of the Board of Directors to increase the share capital of the Company through contributions in kind or in cash, with the cancellation or limitation of the preferential subscription rights of the existing shareholders, 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 a public takeover bid. Such authorization was granted to the Board of Directors of the Company by the Extraordinary Shareholders' Meeting held on September 10, 2021, subject to and with effect as from the closing of the Offering. Those powers remain in effect for a period of three years from the date on which the resolutions of the Extraordinary Shareholders' Meeting have effectively entered into force following the fulfilment of the conditions precedent laid down therein, being the closing of the Offering.

17.8.4 *Squeeze-out*

Pursuant to Article 7:82 of the BCCA or the regulations promulgated thereunder, a person or legal entity, or different persons or legal entities acting alone or in concert, who own together with the company 95% or more of the securities with voting rights in a public company are entitled to acquire the totality of the securities with voting rights in that company following a squeeze-out offer. The securities that are not voluntarily tendered in response to such an offer are deemed to be automatically transferred to the bidder at the end of the procedure. At the end of the squeeze-out procedure, the company is no longer deemed a public company, unless bonds issued by the company are still spread among the public. The consideration for the securities must be in cash and must represent the fair value (verified by an independent expert) so as to safeguard the interests of the transferring shareholders.

A squeeze-out offer is also possible upon completion of a public takeover bid, provided that the bidder holds at least 95% of the voting capital and 95% of the voting securities of the public company. In such a case, the bidder may require that all of the remaining shareholders sell their securities to the bidder at the offer price of the takeover bid, provided that, in case of a voluntary takeover offer, the bidder has also acquired 90% of the voting capital to which the offer relates. The shares that are not voluntarily tendered in response to any such offer are deemed to be automatically transferred to the bidder at the end of the procedure.

17.8.5 *Sell-out Right*

Within three months following the expiration of an offer period related to a public takeover bid, holders of voting securities or of securities giving access to voting rights who own at least 95% of the voting capital and 95% of the voting securities in a public company following a takeover bid may require the offeror, acting alone or in concert, to buy their securities from them at the price of the bid, on the condition that, in case of a voluntary takeover offer, the offeror has acquired, through the acceptance of the bid, securities representing at least 90% of the voting capital subject to the takeover bid.

18. THE OFFERING

18.1 The Offering

On the basis of this Prospectus, the Selling Shareholders are offering up to 25,396,424 existing shares in the share capital of the Company (excluding any Over-Allotment Shares) (the "**Existing Offer Shares**") and the Company is offering up to 40,000,000 newly issued shares in the share capital of the Company (the "**New Offer Shares**"). The New Offer Shares will be issued by virtue of the decision of the Extraordinary Shareholders' Meeting of the Company held on September 10, 2021. The maximum total number of Existing Offer Shares and of New Offer Shares will be 65,281,318 and will comprise Existing Offer Shares and New Offer Shares in proportions that will be determined by the final offer price. In addition, the Principal Selling Shareholders are expected to grant an option to the Stabilization Manager to purchase Over-Allotment Shares representing up to a maximum of 15% of the total number of Existing Offer Shares and of New Offer Shares pursuant to the Over-Allotment Option. See section 19 (*Plan of Distribution*). The Offering consists of a maximum of 75,073,515 Offer Shares, including all Existing Offer Shares, all New Offer Shares and any Over-Allotment Shares.

The Offering consists of private placements: (i) to qualified investors (as defined in article 2(e) of the Prospectus Regulation) in Belgium; (ii) to persons in the United States who are reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act), in reliance on Rule 144A or another exemption from, or transaction not subject to, the U.S. Securities Act; and (iii) to certain qualified and/or institutional investors in the rest of the world (together, "**Institutional Investors**"). The Offering outside of the United States will be made in compliance with Regulation S under the U.S. Securities Act.

The Offering does not provide for any preferential treatment of any specific types of investors or any specific related groups (including programs for families and friends) while allotting the Offer Shares. Non-residents of Belgium who intend to subscribe for the Offer Shares should review the relevant laws of the country of their origin as well as the information regarding the restrictions applicable to the Offering provided in this Prospectus in section 19.5 (*Plan of Distribution—Selling Restrictions*) and section 20 (*Transfer Restrictions*).

Potential investors should note that this Prospectus (together with: (i) the translations of its summary in Dutch and French; (ii) supplements to this Prospectus, if any, following their approval by the FSMA; and (iii) the information on the Offer Price and the final number of the Offer Shares to be offered in the Offering) is the sole legally binding document that has been prepared for the purposes of the Offering and contains information on the Group, the Offering, the Offer Shares and the Admission.

This Prospectus has been filed with, and was approved on September 13, 2021, by the FSMA, which is the competent authority for the purpose of the Prospectus Regulation in Belgium. Pursuant to Article 2(m) of the Prospectus Regulation, Belgium is the home member state of the Company, and the FSMA is solely authorized to approve this Prospectus.

The Offer Shares are being offered at the Offer Price. The Offer Price mentioned above will be determined by the Company and the Principal Selling Shareholders, following close consultation with the Joint Global Coordinators, through a book-building process.

The final number of the Offer Shares to be offered to the investors in the Offering (including the final number of Existing Offer Shares and of New Offer Shares and the final number of the Over-Allotment Shares, if any) will be set by the Company and the Principal Selling Shareholders, following close consultation with the Joint Global Coordinators, after the end of the book-building process. In any case, the final number of Existing Offer Shares and of New Offer Shares to be offered in the Offering will not be higher than 65,281,318, but it may be lower, and the final number of the Offer Shares to be offered in the Offering will not be higher than 75,073,515 (including all Existing Offer Shares, New Offer Shares and any Over-Allotment Shares), but it may be lower.

The Joint Bookrunners may submit aggregate purchase orders on behalf of Institutional Investors who upon the completion of the book-building process have been initially allocated the Offer Shares, and the Joint Bookrunners will settle with such Institutional Investors separately.

The information about the Offer Price and the final number of the Existing Offer Shares (including the Over-Allotment Shares) and New Offer Shares to be offered in the Offering and the final number of the Offer Shares to be offered will be published on or about the Pricing Date in a Company press release and will be available in the same manner as this Prospectus (i.e., in searchable electronic form on the Company's website (www.azelis.com/investor-relations) after the end of the book-building process for the Institutional Investors and on the website of the regulated market where the admission to trading is sought).

There is no minimum amount of the Offer Shares that needs to be subscribed for in order for the Offering to proceed. However, the Company and the Principal Selling Shareholders may decide not to proceed with the Offering and with the Admission. For more details, please see section 18.5 (*—Cancellation, Suspension and Modification of the Offering*) below.

On September 4, 2021 and on September 10, 2021, respectively, the Board of Directors and the Extraordinary Shareholders' Meeting approved, among other things: (i) the Offering and issuance of the New Offer Shares; (ii) the entry by the Company into the Underwriting Agreement; and (iii) the listing of all of the Shares on the regulated market of Euronext Brussels.

18.2 Expected Timetable of the Offering

The timetable below lists expected key dates relating to the Offering. All times and dates referred to in this timetable are based on Brussels time (CET) and may be adjusted by the Company and the Principal Selling Shareholders in agreement with the Joint Global Coordinators acting on their own behalf and on behalf of the other Joint Bookrunners and the Co-Lead Managers. Should the dates set out in the timetable be adjusted materially, the Company will notify the FSMA and publish information regarding such fact in a manner compliant with applicable regulations, as well as with the relevant market practices in Belgium, including where necessary by issuing a supplement to this Prospectus.

Date	Event
September 14, 2021	Opening of the Offering Period (commencement of the book-building process)
September 21, 2021 (the "**Pricing Date**")	End of the Offering Period (book-building process), subject to early closing. Determination of the Offer Price, the final number of the Existing Offer Shares (including the number of Shares covered by the Over-Allotment Option) and New Offer Shares to be offered in the Offering
on or about September 22, 2021	Publication of the Offer Price, the final number of the Existing Offer Shares (including the number of Shares covered by the Over-Allotment Option) and New Offer Shares to be offered in the Offering in a Company press release that is available in searchable electronic form on the Company's website (www.azelis.com/investor-relations) and on the website of the market where admission to trading is sought
on or about September 22, 2021 (the "**Listing Date**")	Expected first day of trading of the Shares on the regulated market of Euronext Brussels (listing and start of conditional trading)
on or about September 24, 2021	Expected Closing Date
on or about October 21, 2021	Expected last possible exercise of the Over-Allotment Option

18.3 Purchase by the Selling Shareholders, Members of the Executive Committee, Directors and New Managers

As at the date of this Prospectus, there is no agreement or commitment in respect of intended subscriptions of Offer Shares and there is no assurance that such subscriptions would be made or, if made, that they would be in the size and value described herein. To the best of the Company's knowledge, none of the Selling Shareholders, members of the Executive Committee, Directors and New Managers intends to purchase any Offer Shares.

18.4 Intention to Subscribe for more than 5%

To the best of the Company's knowledge, there is no person intending to subscribe for more than 5% of the Offer Shares.

18.5 Cancellation, Suspension and Modification of the Offering

The Company and the Principal Selling Shareholders, following close consultation with the Joint Global Coordinators, may cancel the Offering and/or modify its terms and dates at any time prior to the Closing Date (or another date and time, if amended, and as indicated in any supplement or update report to this Prospectus). See also section 1.4.3 (*Risk Factors—Risks Related to the Shares to be Admitted to Trading—The fact that no minimum amount is set for the Offering may affect the Company's investment plan and the liquidity of the Shares*). As the trading will start on an if-and-when-issued/delivered basis, withdrawal of the Offering is possible after the dealing has begun. Information on the cancellation, suspension or modification of the terms of the Offering will be made publicly available through a Company press release and, to the extent legally required, by way of a supplement to this Prospectus. A cancellation or a suspension of the Offering will require a supplement to this Prospectus, while a modification of the conditions of the Offering (depending on its impact) will be made public through a Company press release and, to the extent legally required, by way of a supplement to this Prospectus. A decision to decrease the number of Offer Shares will not require the publication of a supplement to this Prospectus. Any early closing of the Offering Period will be announced by means of a Company press release and on the Company's website and the dates for each of pricing and allocation, publication of the Offer Price and results of the Offering, conditional trading and closing of the Offering will in such case be adjusted accordingly. A decision to suspend the Offering may be made without specifying a new timetable for the Offering, which may be determined at a later date.

Such cancellation, suspension or modification of the Offering can occur up to the Closing Date. Reasons that would lead to the cancellation, suspension or modification of the Offering include, but are not limited to: (i) the occurrence of a sudden or unforeseeable change in the economic or political situation in Belgium or abroad which may have a material adverse effect on the financial markets, Belgium's economy, the Offering or the Group's operations; (ii) the occurrence of a sudden or unforeseeable change or event other than those stated under item (i) above which could have a material adverse impact on the Group's operations or which could result in the Group incurring material damage or any material disruption to its operations; (iii) the occurrence of a material adverse change in the Group's business, financial condition or operating results; (iv) the suspension of, or a material limitation in, trading in securities on the regulated market of Euronext Brussels or on any other exchange if such circumstances could have a material adverse effect on the Offering and/or the Admission; (v) an unsatisfactory demand for the Offer Shares from the Institutional Investors based on the declarations received in the book-building process; (vi) in the opinion of the Joint Global Coordinators (acting in good faith), an insufficient number of the Shares is expected to be traded on the regulated market of Euronext Brussels which would not warrant the required liquidity of the Shares; (vii) the occurrence of a sudden and unforeseeable change which could have a direct, material and adverse effect on the Group's operations; or (viii) not entering into, or the termination of, the Underwriting Agreement (see section 19.1 (*Plan of Distribution—Underwriting*)).

In the event of the cancellation of the sale of the Offer Shares in the Offering, the purchase orders will be deemed void and any payments made will be returned without interest or damages no later than seven days from the date of the announcement of the cancellation of the sale of the Offer Shares in the Offering.

A return of a payment for the Offer Shares without interest or compensation, net of transfer costs, shall also take place to the extent that no Offer Shares are allotted or where there is a reduction of purchase orders placed as set out in this Prospectus or if excess payments are being returned, no later than seven days following each of such events.

If a decision on the suspension of the Offering is made after the completion of the book-building process, the Company and the Selling Shareholders, following close consultation with the Joint Global Coordinators, may repeat the book-building process, provided that in such event they will determine whether or not the previously submitted declarations and invitations to place orders for the Offer Shares remain valid.

None of the Company, the Selling Shareholders, the Underwriters and Euronext Brussels shall bear any liability for any consequences (including, without limitation, losses, damages or lost opportunity) incurred by any third party (including investors) and/or their affiliates in respect of and/or in connection with such suspension, cancellation or modification.

In the case of the cancellation of the Offering, the Company does not intend to seek, based on this Prospectus, the admission of the Shares to trading on the regulated market operated by Euronext Brussels, multilateral trading facilities operated by Euronext Brussels or on any other equivalent market.

18.6 Right to Withdraw

Investors are legally bound to acquire the number of Offer Shares indicated in their subscription order at the Offer Price unless the Offering has been withdrawn, in which case the subscription orders will become null and void. See section 18.5 (*—Cancellation, Suspension and Modification of the Offering*) above. No contractual right to withdraw is granted to the investors.

18.7 Supplements to this Prospectus

Every significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of the Offer Shares and which arises or is noted between the date of approval of this Prospectus and the Closing Date or the Listing Date, whichever occurs later, will be mentioned in a supplement to this Prospectus without undue delay. Such supplement will be subject to approval by the FSMA and subsequently published in the same manner as this Prospectus. See section 2.3 (*Important Information—Prospectus Supplement*).

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus. Any statement so modified or superseded shall, except as so modified or superseded, no longer constitute a part of this Prospectus.

18.8 Determination of the Offer Price

During the book-building process among the Institutional Investors invited, in any form, by the Joint Bookrunners, such Institutional Investors interested in subscribing for the Offer Shares will indicate the number of the Offer Shares they are willing to acquire and the price they are willing to pay. The book-building process will be carried out in euros and will be conducted prior to the start of accepting purchase orders from the Institutional Investors. Upon completion of the book-building process and the determination of the Offer Price, the purchase orders from the Institutional Investors will be accepted on the terms described in this Prospectus.

The Offer Price is expected to be within the Price Range of €22.00 to €26.00 per Offer Share. The Price Range has been determined by the Company following recommendations from the Joint Global Coordinators, taking into account market conditions and factors including but not limited to: (i) the condition of the financial markets; (ii) the Company's financial position; (iii) a qualitative assessment of the demand for the Offer Shares; and (iv) all other factors deemed relevant.

The Offer Price will be determined by the Company and the Principal Selling Shareholders, following close consultation with the Joint Global Coordinators. The Offer Price will in particular be determined based on the following criteria and rules, among others:

- the size and price sensitivity of demand from the Institutional Investors on the basis of the declarations received in the book-building process;
- the current and anticipated situation on the Belgian and international capital markets; and
- the secondary market post-Offering for the Shares.

The Offer Price and the exact number of Offer Shares will be announced through a press release and on the Company's website, and in any event no later than the first business day after the end of the Offering Period. More specifically, the Offer Price will be published in a Company press release and will be available in the same manner as this Prospectus (i.e., in searchable electronic form on the Company's website (www.azelis.com/investor-relations) after the end of the book-building process for the Institutional Investors and on the website of the regulated market where the admission to trading is sought). Investors will not be charged expenses by the Company, the Selling Shareholders or the Underwriters in connection with their role as underwriters. Investors may, however, have to bear customary transaction and handling fees charged by their account-keeping financial institution. The purchase and the sale of the Existing Offer Shares (i.e., the secondary market transaction) is, under certain conditions, subject to the Belgian tax on stock exchange transactions. For information relating to taxation, please see section 21 (*Taxation*) and, in particular, section 21.1.5 (*Taxation—Belgian Taxation—Tax on Stock Exchange Transactions*).

18.9 Final Number of the Offer Shares

No later than on the date of the determination of the Offer Price, the Company and the Selling Shareholders, following close consultation with the Joint Global Coordinators, will make a decision on the final number of the Offer Shares to be offered in the Offering, including the final number of the Existing Offer Shares and the New Offer Shares and the final number of the Over-Allotment Shares. In any case, the final number of the Existing Offer Shares and the New Offer Shares to be offered in the Offering will not be higher than 65,281,318 (but it may be lower) and will comprise Existing Offer Shares and New Offer Shares in proportions that will be determined by the final offer price. In any case, the final number of the Offer Shares to be offered in the Offering will not be higher than 75,073,515 (including all Existing Offer Shares, all New Offer Shares and any Over-Allotment Shares), but it may be lower.

The information on the final number of the Offer Shares offered in the Offering and the alteration mentioned in the preceding paragraph, if any, will be announced together with the Offer Price in a Company press release and be available on the Company's website (www.azelis.com/investor-relations) and on the website of the regulated market where the admission to trading is sought.

The Company and the Principal Selling Shareholders, after a recommendation from the Joint Global Coordinators and after consultation with the other Joint Bookrunners, may decide to decrease the number of the Offer Shares offered in the Offering. A decision to decrease the number of the Offer Shares may be taken until the date of the determination of the Offer Price and will be announced in a Company press release and be available on the Company's website (www.azelis.com/investor-relations) and on the website of the regulated market where the admission to trading is sought. Such reduction will not cause the cancellation or withdrawal of the Offering and will not prevent the Admission. The Company and the Principal Selling Shareholders may also decide to cancel, modify or suspend the Offering. See section 18.5 (*—Cancellation, Suspension and Modification of the Offering*) above.

18.10 Placement of Purchase Orders

A purchase order for the Offer Shares is unconditional and irrevocable, may not include any reservations and is binding on the person who submitted it until the allotment of the Offer Shares in the Offering, or until the date of cancellation of the Offering. There is no minimum or maximum amount of application (whether in number of securities or aggregate amount to invest).

By placing purchase orders, to the extent permitted by the applicable laws, each of the prospective investors will be deemed to have: (i) acknowledged the content of this Prospectus and the translation of the Prospectus summary; (ii) acknowledged the content of the Company's Articles of Association; (iii) acknowledged that no third party has been authorized to give any information or to make any representation concerning the Company or the Selling Shareholders (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Company, the Selling Shareholders or the Underwriters; (iv) accepted the terms of the Offering; (v) consented to being allotted a lower number of the Offer Shares than the number specified in such investor's purchase order, or to not being allotted any Offer Shares at all, pursuant to the terms and conditions set forth in this Prospectus (see section 18.12 (*—Allotment of the Offer Shares*) below); and (vi) agreed to the processing of the information protected by professional secrecy and pertaining to the placed subscription order to the extent necessary to conduct the Offering (exclusively with respect to the Institutional Investors).

If a purchase order form (where applicable) is missing any of the above or other necessary information, the power of attorney is not granted or the order is not made to block the Offer Shares, or if any other information is missing or incorrectly stated on the form, or if any untrue or incorrect information is provided therein, the purchase order of the investor may be declared invalid. All of the consequences, including the invalidity of purchase orders, resulting from incorrectly filling out purchase order forms for the Offer Shares, including the instructions to deposit the Offer Shares, will be borne by the investors. Investors will not bear any additional costs or taxes in connection with the submission of purchase orders for the Offer Shares, except for the costs (if any) associated with opening and maintaining a securities account (unless such investor already has an account). The purchase and the sale of the Existing Offer Shares (i.e., the secondary market transaction) is, under certain conditions, subject to the Belgian tax on stock exchange transactions. For information relating to taxation, please see section 21 (*Taxation*) and, in particular, section 21.1.5 (*Taxation—Belgian Taxation—Tax on Stock Exchange Transactions*).

Once the book-building process has been completed, the Company and the Selling Shareholders, following close consultation with the Joint Global Coordinators, will select the Institutional Investors to whom invitations to submit a purchase order for the Offer

Shares will be sent and who will be entitled to purchase the number of Offer Shares specified in such invitation and to make payments for the Offer Shares at the Offer Price to the account indicated in such invitation.

Purchase orders placed by Institutional Investors who were invited to subscribe for the Offer Shares will be accepted on the terms as stated in the invitation to place purchase orders. For information on the detailed rules governing the placing of purchase orders, in particular the documents required if an order is placed by a statutory representative, proxy or any other person acting on behalf of an investor, the Institutional Investors should contact any of the Joint Global Coordinators or the other Joint Bookrunners.

Each Institutional Investor may submit one or several purchase orders for such number of Offer Shares as is indicated in the invitation addressed to such Institutional Investor to place a purchase order. Purchase orders which jointly cover a number of the Offer Shares greater than that stated in the invitation will be treated as purchase orders for the maximum number of the Offer Shares which may be covered by a purchase order placed by the given Institutional Investor. Institutions which manage assets on behalf of third parties may submit a single collective purchase order in favor of specific customers, attaching to the order the list of such customers containing such data as required in the purchase order form. Purchase orders will be accepted on a subscription form provided by the Joint Global Coordinators or the other Joint Bookrunners. At the time of placing a purchase order, Institutional Investors are required to make an irrevocable instruction for depositing the Offer Shares in a securities account maintained in their name.

18.11 Payment for the Offer Shares

The Institutional Investors are required to pay for their purchase orders by the day and time set forth in their respective invitations to submit a purchase order for the Offer Shares, in euros, for the number of the Offer Shares stated in the invitation and in compliance with the instructions stated in the invitation to submit a purchase order. Payments should be made by wire transfer in euros to the account stated in the invitation to submit a purchase order. The date of payment shall be the date on which the relevant cash sum is credited to such account. Payments for the Offer Shares do not bear interest.

If an order is not paid in full by an Institutional Investor or if an Institutional Investor has placed a purchase order for a number of Offer Shares lower than that specified in the invitation to submit a purchase order for the Offer Shares, such order may, at the discretion of the Joint Global Coordinators, subject to the consent of the Company and the Selling Shareholders, be deemed validly placed for such number of the Offer Shares as corresponds to the amount actually paid for by the Institutional Investor, calculated as the product of the number of Offer Shares and the Offer Price, or for a lower number of the Offer Shares, or not validly placed at all.

18.12 Allotment of the Offer Shares

Any decisions regarding the allotment of the Offer Shares to specific Institutional Investors will be discretionary and will be taken upon completion of the book-building process that is currently expected to end on September 21, 2021, after a recommendation from the Joint Global Coordinators. If the maximum number of Offer Shares is not placed, the Primary Tranche will take precedence over the Secondary Tranche.

Upon the completion of the book-building process, invitations for submitting purchase orders for the Offer Shares will be sent to the Institutional Investors. The Institutional Investors to whom the invitations will be sent will be allotted Offer Shares in the number as stated in the invitations, provided that the purchase order is duly filed and the relevant number of Offer Shares have been paid for. If an Institutional Investor has only made a partial payment for the Offer Shares or has placed a purchase order(s) for a number of Offer Shares lower than that specified in the invitation, such Institutional Investor may be allotted as many Offer Shares as such Institutional Investor has paid for, a lower number of Offer Shares than the number it has paid for or no Offer Shares at all, which will be determined by the Joint Global Coordinators, at their discretion, subject to the consent of the Company and the Selling Shareholders. If an investor places one or several purchase orders for a greater number of Offer Shares than that resulting from the received invitation, such investor may be allotted the number of Offer Shares resulting from the invitation received thereby. The Institutional Investors may be allotted Existing Offer Shares, New Offer Shares or both Existing Offer Shares and New Offer Shares (in the proportion determined by the Company and the Selling Shareholders in consultation with the Joint Global Coordinators and the other Joint Bookrunners).

An Institutional Investor who has not been allotted any Offer Shares or whose purchase orders for Offer Shares were voided or otherwise not granted will be reimbursed within seven days of the date or allotment or the date of the announcement of the cancellation of the Offering, as the case may be, without any interest or damages, to the account stated in the given Institutional Investor's purchase order. See section 18.5 (*The Offering—Cancellation, Suspension and Modification of the Offering*).

The Offer Shares, with respect to which the Institutional Investors have failed to submit their purchase orders in response to the invitation or failed to make timely payments in respect of the orders placed, may be offered and allotted to substitute investors, provided that such substitute investors have duly submitted and paid for the purchase orders submitted in response to the invitation to submit such purchase orders for the Offer Shares on the terms and conditions specified in this section, or may be allotted to the Joint Global Coordinators or to the other Joint Bookrunners in performance of the Underwriting Agreement on the terms provided in section 19.1 (*Plan of Distribution—Underwriting*).

Institutional Investors participating in the Offering will be notified by the Joint Global Coordinators or by the other Joint Bookrunners about the Offer Shares allocated to them.

18.13 Registration and Settlement

In accordance with applicable Belgian regulations, all of the Offer Shares will be delivered in dematerialized (book-entry) form only, and will be credited on or around the Closing Date to investors' securities accounts via Euroclear Belgium (with its statutory seat located at Koning Albert II-laan 1, 1210 Brussels). Holders of Shares may elect, at any time, to have their dematerialized Shares converted into registered Shares, and vice versa, at their own expense. Shareholders should enquire with their bank on the costs associated with this conversion.

The ISIN assigned to the Shares under which the Shares will be ultimately traded on the regulated market operated by Euronext Brussels is: BE0974400328.

The Joint Global Coordinators or the other Joint Bookrunners will issue settlement or transfer instructions in order to transfer the Offer Shares to the securities accounts of the Institutional Investors. The Offer Shares will be deposited in the securities accounts of the Institutional Investors (on the condition that the data submitted by the Institutional Investors for the purposes of the registration of the Offer Shares in their securities accounts is complete and correct and an investment firm or a custodian bank maintaining the Institutional Investor's securities account has delivered to Euroclear Belgium a relevant settlement or transfer instruction).

After the allotment is made and the relevant resolutions are adopted by Euroclear Belgium, the Offer Shares will be deposited in the investors' securities accounts.

If the data provided by an investor for the purposes of the transfer of the Offer Shares is incomplete or incorrect, such investor must take into account that the transfer of the Offer Shares to such investor's securities account will occur at a later date once such investor has supplemented or corrected the data.

None of the Underwriters, the Selling Shareholders and the Company is responsible for any failed transfer of the Offer Shares resulting from any incomplete or incorrect data provided by an investor for the purposes of the transfer of the Offer Shares.

If it is impossible to transfer the Offer Shares allotted to an Institutional Investor to the securities account designated by such investor, the Offer Shares will be temporarily deposited in accounts or registers maintained by the Joint Bookrunners.

18.14 Public Announcement of the Results of the Offering

The Company will announce the results of the Offering on or around September 22, 2021 in a manner compliant with the applicable regulations, as well as the market practices in Belgium. The results of the Offering will be published on the website of the Company (www.azelis.com/investor-relations).

18.15 Listing of the Shares

Prior to the Offering, there has been no public market for the Shares and, as at the date of this Prospectus, the Shares are not listed on any regulated or equivalent market. (See section 1.4.5 (*Risk Factors—Risks Related to the Shares to be Admitted to Trading—There has been no prior public market for the Shares and such public market may not develop*.)) However, based on this Prospectus, the Company intends to submit an application to Euronext Brussels for the admission of all of the Shares issued and to be issued (pursuant to the Offering) (i.e., up to 240,000,000 Shares (including up to 40,000,000 New Offer Shares)) to be listed on the regulated market in the continuous trading system.

Any dealings in the Offer Shares prior to the start of trading on Euronext Brussels will be at the sole risk of the investors concerned. Listing and conditional trading, on an "if-and-when issued/delivered" basis, on the regulated market of Euronext Brussels is expected to start on the Listing Date. Unconditional trading is expected to start at the latest on the Closing Date. Investors who wish to effect transactions in Shares prior to the Closing Date, whether such transactions are effected on the regulated market of Euronext Brussels or otherwise, should be aware that the issuance and delivery of the Offer Shares may not take place on the expected Closing Date or at all, if the Underwriting Agreement is not entered into or if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived or do not occur on or prior to such date. See section 19.1 (*Plan of Distribution—Underwriting*). Euronext Brussels may annul all transactions effected in the Shares if the Offer Shares are not delivered on the Closing Date. Euronext Brussels cannot be held liable for any damage arising from the listing and trading on an "if-and-when-issued/delivered" basis as at the Listing Date until the expected Closing Date.

No entity has made a commitment of any kind to provide liquidity through bid and offer rates. No public takeover bids by third parties in respect of the Company's equity have occurred during the last financial year and the current financial year.

The Company will inform the public of the admission and introduction of the Shares to trading on the regulated market of Euronext Brussels upon receiving the required resolutions of Euronext Brussels in compliance with the applicable regulations, as well as market practices.

19. PLAN OF DISTRIBUTION

19.1 Underwriting

The Company, the Selling Shareholders and the Underwriters are expected to enter into an underwriting agreement (the "**Underwriting Agreement**") with respect to the offer and sale of the Offer Shares in the Offering on the Pricing Date.

Goldman Sachs Bank Europe SE (Marienturm Taunusanalage 9-10, 60329, Frankfurt am Main, Germany) and J.P. Morgan AG (Taunustor 1 (TaunusTurm), 60310 Frankfurt am Main, Germany) are acting as joint global coordinators and joint bookrunners for the Offering. Barclays Bank Ireland PLC (One Molesworth Street, Dublin 2, Ireland D02RF29), BNP Paribas Fortis SA/NV (Montagne du Parc 3, 1000 Brussels, Belgium), HSBC Continental Europe (38, avenue Kléber, 75116 Paris, France) and ING Belgium SA/NV (Marnixlaan 24, 1000 Brussels, Belgium) are acting as joint bookrunners. Coöperatieve Rabobank U.A. (Croeselaan 18, 3521 CB Utrecht, Netherlands) and Landesbank Baden-Württemberg (Am Hauptbahnhof 2, 70173 Stuttgart, Germany) are acting as co-lead managers.

Pursuant to, on the terms of, and subject to, the conditions set out in the Underwriting Agreement, (i) the Underwriters severally (and not jointly or jointly and severally) are expected to agree, as agent for the Selling Shareholders, to use reasonable endeavors to procure purchasers for, or failing which, purchase themselves (each to its agreed proportion only), and the Selling Shareholders agreed to sell, subject to certain conditions, to the Underwriters, the aggregate number of Existing Offer Shares sold in the Offering, and (ii) the Underwriters severally (and not jointly or jointly and severally) are expected to agree, as agent for the Company, to use reasonable endeavors to procure purchasers for, or failing which, purchase themselves (each to its agreed proportion only), and the Company agreed to issue the New Offer Shares and to allot, subject to certain conditions, to the Underwriters, the aggregate number of New Offer Shares sold in the Offering taking account of the underwriting commitments of each as set forth in the Underwriting Agreement, at an Offer Price per share to be agreed between the Company, the Selling Shareholders and the Underwriters on or around September 21, 2021 and announced by the Company on or about September 22, 2021. The relative underwriting commitments of the Underwriters are set forth in the table below.

Underwriter	Percentage of Offer Shares
Goldman Sachs Bank Europe SE	30.00%
J.P. Morgan AG	30.00%
Barclays Bank Ireland PLC	9.75%
BNP Paribas Fortis SA/NV	9.75%
HSBC Continental Europe	9.75%
ING Belgium SA/NV	9.75%
Coöperatieve Rabobank U.A.	0.50%
Landesbank Baden-Württemberg	0.50%
Total	**100.00%**

The several obligations of the Underwriters to purchase the Offer Shares referred to above are subject to the entry into the Underwriting Agreement between the Company, the Selling Shareholders and the Underwriters setting the Offer Price per Offer Share and the fulfillment of certain customary conditions, including, among other things, delivery of legal opinions by legal counsel to the Company and the Selling Shareholders.

The Company will pay the commissions of the Underwriters in accordance with the terms of the Underwriting Agreement. The Company estimates the underwriting commissions (including discretionary fees payable to the Underwriters at the full discretion of the Company) will amount to approximately €39.9 million. The Company will also reimburse the Underwriters for certain of their expenses in connection with the Offering set forth in and in accordance with the terms of the Underwriting Agreement. Such reimbursement amounts are expected to be *de minimis*. For additional information on the estimated commissions and expenses, see section 3.2 (*Reasons for the Offering and the Listing and Use of Proceeds—Use of Proceeds*).

The Underwriting Agreement is expected to provide that the Offering may be terminated upon the occurrence of certain customary termination events such as (a) a breach of representations and warranties, (b) a statement contained in any offer document becoming untrue, incorrect or misleading, (c) a breach of undertakings or covenants, (d) a matter arising which would require the publication of a supplementary prospectus and which is material and adverse in the context of the Offering, (e) a material adverse change in the business of the Company or in the financial markets or (f) a withdrawal or refusal of admission. See section 18.5 (*The Offering—Cancellation, Suspension and Modification of the Offering*). A termination of the Underwriting Agreement will be announced by way of press release.

In the Underwriting Agreement, the Company and the Selling Shareholders are expected to make certain customary representations and warranties, including, with respect to the Company's business, the Offer Shares, the contents of this Prospectus and, in the case of the Selling Shareholders, in relation to their title to the Offer Shares they are selling in the Offering. The Company is also expected to agree in the Underwriting Agreement to indemnify the Underwriters against certain losses and liabilities arising out of or in connection with the Offering.

The Underwriting Agreement is also expected to provide that the Company and the Selling Shareholders will be subject to lock-up restrictions with respect to the transfer of the Shares and share issue. For information related to the lock-up arrangements see section 19.2 (*—Lock-Up Arrangements*) below.

19.2 Lock-Up Arrangements

19.2.1 *The Company*

In the Underwriting Agreement, the Company is expected to undertake to the Underwriters that, from the date of the Underwriting Agreement until the lapse of 180 days following the Listing Date, the Company will not, and will procure that no affiliate (but excluding any Selling Shareholders and their affiliates other than each Group company) will, without the written consent of the Joint Global Coordinators: (i) issue, pledge, offer, lend, mortgage, assign, charge, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any interest in Shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Shares or any interest in Shares or file any registration statement under the U.S. Securities Act or file or publish any prospectus with respect to any of the foregoing; or (ii) enter into any swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the Shares; or (iii) enter into any other transaction which may result in the issuance, offering, sale or disposal of securities of the Company similar to those offered in the Offering; or (iv) acquire or publicly announce the intention to acquire the Shares or to decrease or publicly announce the intention to decrease its shares capital, whether any such swap or transaction described in (i) to (iv) above is to be settled by delivery of the Shares or such other securities, in cash or otherwise. The lock-up arrangements described in this section do not apply to the offer of the New Offer Shares in the Offering or the issue of shares in the context of the Reorganization and are subject to certain customary exceptions.

19.2.2 *Selling Shareholders (including the Directors and the Members of the Executive Committee who are Individual Selling Shareholders)*

In the Underwriting Agreement, the Selling Shareholders are expected to undertake to the Underwriters that, from the date of the Underwriting Agreement until the lapse of 180 days (in respect of the Principal Selling Shareholders) or 360 days (in respect of the Individual Selling Shareholders) following the Listing Date, they will not directly or indirectly, without the written consent (not to be unreasonably withheld or delayed) of the Joint Global Coordinators: (i) issue, pledge, offer, lend, mortgage, assign, charge, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any interest in the Shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Shares or any interest in Shares or file any registration statement under the U.S. Securities Act or file or publish any prospectus with respect to any of the foregoing; (ii) enter into any swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the Shares; (iii) enter into any other transaction which may result in the issuance, offering, sale or disposal of securities of the Company similar to those offered in the Offering; or (iv) acquire or publicly announce the intention to acquire the Shares or to decrease or publicly announce the intention to decrease its share capital, whether any such swap or transaction described in (i) to (iv) above is to be settled by delivery of the Shares or such other securities, in cash or otherwise. These lock-up restrictions are subject to certain customary exceptions as well as exceptions permitting: (a) any disposal of Shares for the purposes of pledging or charging or otherwise granting any security interest over any Share (a "Security Interest") to or for the benefit of a margin loan lender (and if applicable, its or their permitted assignees and transferees, or any agent or trustee acting for any such margin loan lender(s)) (a "Margin Loan Lender") in connection with a margin loan given to one or more of the Selling Shareholders; or (b) any disposal for the purposes of transferring, selling and/or appropriating any Shares pursuant to and following any enforcement of the Security Interest over Shares granted by the Selling Shareholders to or for the benefit of such Margin Loan Lender; or (c) any disposal of Shares for the purposes of selling, transferring or granting a Security Interest over (or enforcing such Security Interest by way of transfer, sale and/or appropriation) any Shares that have previously been transferred, sold and/or appropriated to or by any person in accordance with (b) above, provided that in the case of (b) and (c), (and in the case of (c), other than in respect of the grant of a Security Interest), in relation to such Shares, the Joint Global Coordinators receive a signed lock-up deed on the same terms as those agreed by the Selling Shareholders for the balance of the lock-up period from each Margin Loan Lender, transferee or purchaser, as the case may be, which lock-up may only be waived with the consent of the Joint Global Coordinators. The lock-up arrangements described in this section do not apply to the offer of the Existing Offer Shares in the Offering.

19.3 Over-Allotment Option and Price Stabilization

In connection with the Offering, the Stabilization Manager (or any of its agents) on behalf of the Underwriters, may (but will be under no obligation to), to the extent permitted by applicable laws and regulations, over-allot Offer Shares. The Principal Selling Shareholders are expected to grant an option to the Stabilization Manager, subject to the closing of the Offering, to purchase Over-Allotment Shares; provided, however, that the maximum number will be equal to not more than 15% of the total number of the Existing Offer Shares and of the New Offer Shares effectively subscribed or sold in the Offering solely to cover over-allotments, if any, made in connection with the Offering or short positions resulting from stabilization transactions. The Over-Allotment Option can be exercised even if the Offering has not been subscribed in full.

In connection with the Offering, the Stabilization Manager or its affiliates or agents may engage in transactions on any securities market, over-the-counter market, stock exchange (including Euronext Brussels) or otherwise, with the aim of supporting the market price of the Shares at a level higher than that which might otherwise prevail for a period of 30 calendar days from the date of the Listing Date (the "**Over-Allotment Period**"). Such stabilization, if commenced, shall be conducted in accordance with the rules set out in the Regulation 596/2014 of the European Parliament and of the Council of 16 April 2014, on market abuse and repealing Directive 2003/6/EC (the "**Market Abuse Regulation**") and Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programs and stabilization of financial instruments (the "**Stabilizing Regulation**").

No assurance can be given that stabilization transactions will actually be effected, as there is no obligation on the Stabilization Manager or its affiliates or agents to undertake stabilization transactions. If such stabilization is commenced, it may be discontinued at any time without prior notice and must be brought to an end prior to the expiration of the Over-Allotment Period. The stabilization transactions, if any, may result in a market price of the Shares that is higher than the price that would otherwise prevail.

If the Stabilization Manager borrows any Shares pursuant to the Underwriting Agreement, it will be required to return equivalent securities to the Selling Shareholders following the expiration of the Over-Allotment Period. Should a short position arise as a result of any over-allocation, the Stabilization Manager may close such short position by exercising the Over-Allotment Option (in whole or in part) or by open-market purchases, or a combination of both.

The stabilization transactions will be reported to the public in accordance with the Market Abuse Regulation and the Stabilizing Regulation. In particular, details of any stabilization transactions effected by the Stabilization Manager will be disclosed to the public by the Company no later than the end of the seventh daily market session following the date of execution of such transactions.

Within five business days from the end of the stabilization period, the following information will be disclosed to the public: (i) whether or not stabilization was undertaken; (ii) the date on which stabilization started; (iii) the date on which stabilization last occurred; and (iv) the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out.

19.4 Other Relationships with the Underwriters

The Underwriters and their respective affiliates have engaged in, and may in the future engage in, investment or commercial banking, financial advisory, hedging or other financial services and other commercial dealings with the Selling Shareholders, any entities with respect to which the Selling Shareholders are a controlling party, and with the Company and its affiliates, including the provision of loans and/or other debt instruments and hedging products to the Company and/or its affiliates and the Selling Shareholders and/or any entities with respect to which the Selling Shareholders are a controlling party. The Underwriters and/or their respective affiliates are lenders under the New Debt Facilities. See section 11.17.2.1 (*Business—Material Contracts—Financing Agreements—New Debt Facilities*). The Underwriters and their respective affiliates have received, and may in the future receive, customary fees and commissions for these transactions and services. In addition, certain of the Joint Global Coordinators (in each case either directly, or through an affiliate) may enter into financing documentation to act as a lender under margin loan financing arrangements, in respect of which they may in the future receive fees and commissions. Pursuant to such potential margin loan, a shareholder could grant a security interest over certain Shares owned by them to one or more lenders or their affiliates under such margin loan. In case of a default of the shareholder under the margin loan, the lenders would be in a position to enforce their security interest over such Shares, which may therefore result in a disposal or sale of Shares by the lenders. In addition, should the market price of the Shares decrease, the lenders might carry out hedging transactions in order to cover financial risk relating to the pledged Shares.

The Underwriters or their related parties may acquire financial instruments issued by the Selling Shareholders, the Company, or their related parties or financial instruments related to the financial instruments issued by any of the above entities. In connection with the Offering, each of the Underwriters or their affiliates may also, acting as an investor for its own account, purchase the Offer Shares in the Offering, and then either hold them or sell them, or otherwise dispose of them. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps) with investors. None of the Underwriters intends to disclose the extent of any such investment or transactions other than in accordance with any legal or regulatory obligation to do so.

The Underwriters act for the Company and the Selling Shareholders on the Offering and coordinate the structuring and execution of the Offering. Upon successful implementation of the Offering, the Underwriters will receive a commission. As a result of these contractual relationships, the Underwriters have a financial interest in the success of the Offering. See section 19.1 (*—Underwriting*) above.

19.5 Selling Restrictions

19.5.1 *EEA and the United Kingdom*

In relation to each member state of the European Economic Area ("**EEA**") and the United Kingdom (each a "**Relevant State**"), no Offer Shares have been offered or will be offered pursuant to the Offering to the public in that Relevant State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant State or, where appropriate and applicable, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation and the UK Prospectus Regulation (as each such term is defined below) as applicable, except that the Offer Shares may be offered to the public in that Relevant State at any time:

- to any legal entity which is a qualified investor in the EEA as defined under Article 2(e) of the Prospectus Regulation in accordance with Article 1.4(a) or which is a qualified investor in the United Kingdom pursuant to Article 2 of the UK Prospectus Regulation;

- to fewer than 150 natural or legal persons (other than qualified investors in the EEA as defined under Article 2(e) of the Prospectus Regulation in accordance with Article 1.4(b) of the Prospectus Regulation and other than qualified investors in the United Kingdom as defined under Article 2 of the UK Prospectus Regulation) subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or

- in any other circumstances falling within Article 1(4) of the Prospectus Regulation and/or within Section 86 of the Financial Services and Markets Act 2000, as amended (the "UK FSMA") as applicable,

provided that no such offer of the Offer Shares shall require the Company, any Selling Shareholders or any Underwriter to publish a prospectus pursuant to Article 3.1 of the Prospectus Regulation and Section 85 of the UK FSMA, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation and Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the Offer Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares, so as to enable an investor to decide to purchase or subscribe for any Offer Shares and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129 and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of the domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.

19.5.2 *United Kingdom*

In the United Kingdom, this Prospectus is only addressed to and directed to qualified investors within the meaning of Article 2 of the UK Prospectus Regulation: (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended; or (ii) who are high net worth entities falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended; or (iii) who are other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "Relevant Persons"). The securities described herein are only available in the United Kingdom to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities in the United Kingdom will be engaged in only with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

19.5.3 *United States of America*

Neither the Offer Shares nor any other securities of the Company described in this Prospectus have been or will be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and, subject to certain exceptions, may not be offered or sold within the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act. In connection with the Offering, information concerning the Offering will be provided only to: (i) certain investors outside of the United States in offshore transactions (as defined in Regulation S); and (ii) QIBs in the United States as defined under and in accordance with Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

In addition, until 40 days after the commencement of the Offering, any offer or sale of the Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to the exemption from the registration requirement provided for by the U.S. Securities Act. Neither the U.S. Securities and Exchange Commission nor any securities regulatory authority of any state or other jurisdiction of the United States nor any non-U.S. securities authority has approved or disapproved of the Offer Shares offered in the Offering or determined that this Prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

19.5.4 *Canada*

The Offer Shares may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the Offering.

19.5.5 ***Australia***

This Prospectus: (i) does not constitute a prospectus or a product disclosure statement under the Australian Corporations Act 2001 of the Commonwealth of Australia (Cth), as amended, (the "Australian Corporations Act"); (ii) does not purport to include the information required of a prospectus under Part 6D.2 of the Australian Corporations Act or a product disclosure statement under Part 7.9 of the Australian Corporations Act; has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission, the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (iii) may not be provided in Australia other than to select investors ("Exempt Investors") who are able to demonstrate that they: (a) fall within one or more of the categories of investors under Section 708 of the Australian Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Australian Corporations Act; and (b) are "wholesale clients" for the purpose of Section 761G of the Australian Corporations Act.

The Offer Shares may not be directly or indirectly offered for subscription or purchase or sold, and no invitations to subscribe for, or buy, the Offer Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Offer Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Australian Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Offer Shares, each prospective investor in Offer Shares represents and warrants to the Issuer, the Selling Shareholders, the Underwriters and their affiliates that such prospective investor is an Exempt Investor.

19.5.6 ***South Africa***

In South Africa, the Offering will only be made by way of private placement to persons falling within the exemptions set out in Section 96 1(a) of the Companies Act, No. 71 of 2008 (as amended) (the "South African Companies Act") ("Qualifying Investors") and this document is only being made available to such Qualifying Investors. This Offering does not constitute an offer for the sale of or subscription for, or the solicitation of an offer to buy and subscribe for, shares to the public as defined in the South African Companies Act and will not be distributed to any person in South Africa in any manner which could be construed as an offer to the public in terms of the South African Companies Act and should any person who is not a Qualifying Investor receive this document they should not and will not be entitled to acquire any Shares or otherwise act thereon. This document does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act.

20. TRANSFER RESTRICTIONS

The Offer Shares have not been and will not be registered under the U.S. Securities Act or the applicable securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Each purchaser of the Offer Shares outside of the United States in compliance with Regulation S will be deemed to have represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision, and that:

- the purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;
- the purchaser acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that the Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and, subject to certain exceptions, may not be offered or sold within the United States;
- the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, was located outside of the United States at the time the buy order for the Offer Shares was originated and continues to be located outside of the United States and has not purchased the Offer Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Shares or any economic interest therein to any person in the United States;
- the purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate;
- the Offer Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S;
- the purchaser acknowledges that the Company shall not recognize any offer, sale, pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions;
- if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- the purchaser acknowledges that the Company, the Selling Shareholders, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the Offer Shares within the United States purchasing pursuant to an exemption from the registration requirements of the U.S. Securities Act will be deemed to have represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- the purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;
- the purchaser acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;
- the purchaser: (i) is a QIB (as defined in Rule 144A under the U.S. Securities Act); (ii) is aware, and each beneficial owner of the Offer Shares has been advised, that the sale to it is being made in reliance on Rule 144A or pursuant to another exemption from the registration requirements of the U.S. Securities Act; and (iii) is acquiring such Offer Shares for its own account or for the account of a QIB;
- the purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act;
- if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, or any economic interest therein, such Offer Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only: (i) to a person that it and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to the registration requirements of, the U.S. Securities Act; (ii) in compliance with Regulation S under the U.S. Securities Act; or (iii) in accordance with Rule 144 under the U.S. Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

- the purchaser acknowledges that the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Offer Shares;

- the purchaser will not deposit, or cause to be deposited, such Offer Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act;

- the purchaser acknowledges that the Company shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions;

- if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account; and

- the purchaser acknowledges that the Company, the Selling Shareholders, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

21. TAXATION

21.1 Belgian Taxation

The information provided below does not purport to describe all tax implications of the admission to trading and does not take into account the specific circumstances of individual holders of Shares, some of which may be subject to special rules (such as credit institutions, organization for financing of pensions, insurance companies, undertakings for collective investment, securities or currency traders, and persons holding Shares as part of a straddle position, repo transaction, conversion transaction, hybrid transaction or any other integrated financial transaction), or tax laws of countries other than Belgium. The information provided in this section 21.1 is based on laws and practices in effect in Belgium on the date of this Prospectus. These laws and practices are subject to change, with retroactive effect as the case may be.

Potential investors who would like more information about the Company's tax regime and/or more information, both in Belgium and abroad, regarding the acquisition, holding and transfer of Shares and the collection of dividends or proceeds from Shares, are invited to consult their usual financial and tax advisors.

Tax legislation of the potential investor's jurisdiction and of the Company's country of incorporation (i.e., Belgium) may have an impact on the income received from the securities.

21.1.1 *General Definitions*

For the purposes of this section 21.1: (i) "Belgian individual" means any individual subject to Belgian personal income tax (i.e., a natural person whose residence or assets are in Belgium or individuals treated as such for the purposes of Belgian tax law); (ii) "Belgian company" means any company subject to Belgian corporate income tax (i.e., a company with its principal place of business or place of effective management in Belgium); (iii) "Belgian legal entity" means any legal entity subject to the Belgian legal entities tax (i.e., a legal entity other than a Belgian company); and (iv) "non-resident" means a natural person, company or legal entity that does not fall into any of the three preceding categories.

21.1.2 *Taxation in Belgium of Income Derived from the Shares*

For Belgian income tax purposes, the gross amount of all benefits paid on or attributed to the Shares is generally treated as a dividend distribution. By way of exception, the repayment of capital carried out in accordance with the BCCA is not treated as a dividend distribution to the extent that such repayment is imputed to fiscal capital. This fiscal capital includes, in principle, the actual paid-up statutory share capital and, subject to certain conditions, the paid-up issuance premiums and the cash amounts subscribed to at the time of the issue of profit-sharing certificates. However, for any decision of capital reduction, in accordance with the BCCA, the amount of the capital reduction will be deemed to be derived proportionally (a) from the fiscal capital of the Company, on the one hand and (b) on the other hand, from certain reserves (i.e., and in the following order: (i) certain taxed reserves incorporated in the capital of the Company; (ii) certain taxed reserves not incorporated into the capital of the Company; and (iii) certain tax-exempt reserves incorporated into the capital of the Company). Only the part of the capital reduction that is deemed to be paid out of the fiscal capital may, subject to certain conditions, not be considered as a dividend distribution for Belgian tax purposes. The part of the capital reduction that is deemed to be derived from the abovementioned taxed (irrespective of whether they are incorporated into the capital) and/or tax-exempt reserves incorporated into the capital will be treated as a dividend distribution from a tax perspective and be subject to Belgian withholding tax, if applicable. Such portion is determined on the basis of the ratio of the taxed reserves (except for the legal reserve up to the legal minimum and certain unavailable retained earnings) and the tax-exempt reserves incorporated into the capital (with a few exceptions) over the aggregate of such reserves and the fiscal capital.

Belgian withholding tax of 30% is normally levied on dividends, subject to such relief as may be available under applicable domestic or tax treaty provisions.

In the case of a redemption of the Shares, the redemption distribution (after deduction of the part of the fiscal paid-up capital represented by the redeemed Shares) will be treated as a dividend subject to a Belgian withholding tax of 30%, subject to such relief as may be available under applicable domestic or tax treaty provisions. No withholding tax will be triggered if this redemption is carried out on a stock exchange and meets certain conditions. In case of liquidation of the Company, any amounts distributed in excess of the fiscal capital will in principle be subject to a withholding tax of 30%, subject to such relief as may be available under applicable domestic provisions.

Non-Belgian dividend withholding tax, if any, will neither be creditable against any Belgian income tax due nor reimbursable to the extent that it exceeds Belgian income tax due.

21.1.2.1 Belgian Resident Individuals

For Belgian resident individuals who acquire and hold Shares as a private investment, the Belgian dividend withholding tax fully discharges their personal income tax liability (i.e., they do not have to declare the dividends in their personal income tax return and the Belgian withholding tax in principle constitutes a final tax).

They may nevertheless elect to report the dividends in their personal income tax return. Where the beneficiary opts to report them, dividends will normally be taxable at the lower of the generally applicable 30% withholding tax rate on dividends or at the progressive personal income tax rates applicable to the taxpayer's overall declared income. If the beneficiary reports the dividends, the income tax due will not be increased by local surcharges. In addition, if the dividends are reported, the dividend withholding tax withheld at source may be credited against the personal income tax due and is reimbursable to the extent that it exceeds the personal income tax due, provided that the dividend distribution does not result in a reduction in value of or a capital loss on the Shares. This condition is not applicable if the individual can demonstrate that he has held the Shares in full legal ownership for an uninterrupted period of twelve months prior to the payment or attribution of the dividends.

The first €800 (amount applicable for income year 2021 up to 2023) of reported ordinary dividend income will be exempt from tax. For the avoidance of doubt, all reported dividends (hence, not only dividends distributed on the Shares) are taken into account to assess whether said maximum amount is reached. The aforementioned exempted amount is not applicable to redemption and liquidation dividends.

For Belgian resident individual investors who acquire and hold the Shares for professional purposes, the Belgian withholding tax does not fully discharge their income tax liability. Dividends received must be reported by the investor and will be taxable at the investor's personal income tax rate. Withholding tax withheld at source may be credited against the personal income tax due and is reimbursable to the extent that it exceeds the income tax due, subject to two conditions: (1) the taxpayer must own the Shares in full legal ownership at the time the dividends are paid or attributed; and (2) the dividend distribution may not result in a reduction in value of or a capital loss on the Shares. The latter condition is not applicable if the investor can demonstrate that he has held the full legal ownership of the Shares for an uninterrupted period of twelve months prior to the payment or attribution of the dividends.

21.1.2.2 Belgian Resident Companies

(i) Corporate income tax

For Belgian resident companies, the dividend withholding tax does not fully discharge the corporate income tax liability. Gross dividends (including the withholding tax) received must be reported and will be subject to corporate income tax at a rate of 25% (with a reduced rate of 20% applying to the first tranche of €100,000 of taxable income of qualifying small companies as defined by article 1:24, §1 to §6 of the Belgian Companies and Associations Code), for assessment year 2021 linked to a taxable period starting at the earliest on January 1, 2020.

Any Belgian dividend withholding tax levied at source may be credited against the corporate income tax due and is reimbursable to the extent that it exceeds the corporate income tax due, subject to two conditions: (1) the taxpayer must own the Shares in full legal ownership at the time the dividends are paid or attributed; and (2) the dividend distribution may not result in a reduction in value of or a capital loss on the Shares. The latter condition is not applicable; (a) if the company can demonstrate that it has held the Shares in full legal ownership for an uninterrupted period of twelve months prior to the payment of or attribution on the dividends; or (b) if, during the said period, the Shares never belonged to a taxpayer other than a resident company or a non-resident company which has, in an uninterrupted manner, invested the Shares in a Belgian permanent establishment.

Belgian resident companies may generally (although subject to certain limitations) deduct up to 100% of gross dividends received from the taxable income, provided that, at the time the dividends are paid or attributed: (1) they held at least 10% of the share capital of the Company or a participation with an acquisition value of at least €2.5 million; (2) they held or will hold the Shares in full legal ownership for an uninterrupted period of at least one year; and (3) the conditions relating to the taxation of the underlying distributed income, as described in Article 203 of the Belgian Income Tax Code 1992 (the "BITC 1992"), are met (together, the "Conditions for the application of the dividend received deduction regime").

The Conditions for the application of the dividend received deduction regime depend on a factual analysis and, for this reason, the availability of this regime should be verified upon each dividend distribution.

(ii) Withholding tax

Dividends distributed to a Belgian resident company will be exempt from Belgian withholding tax, provided that the Belgian company holds, upon payment or attribution of the dividends, at least 10% of the Company's share capital and such Shares are held or will be held during an uninterrupted period of at least one year.

In order to benefit from this exemption, the investor must provide the Company or its paying agent with a certificate confirming its qualifying status and the fact that it meets the two required conditions. If the investor holds the Shares for less than one year, at the time the dividends are paid on or attributed to the Shares, the Company will levy the withholding tax but will not transfer it to the Belgian treasury, provided that the investor certifies its qualifying status, the date from which the investor has held the Shares, and the investor's commitment to hold the Shares for an uninterrupted period of at least one year. The investor must also inform the Company or its paying agent if the one-year period has expired or if its shareholding will drop below 10% of the Company's share capital before the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the levied dividend withholding tax will be refunded to the investor.

Please note that the above described dividend received deduction and withholding tax exemption will not be applicable to dividends which are connected to an arrangement or a series of arrangements (*rechtshandeling of geheel van rechtshandelingen* / *acte juridique ou un ensemble d'actes juridiques*) for which the Belgian tax administration, taking into account all relevant facts and circumstances, has proven, unless evidence to the contrary, that this arrangement or this series of arrangements is not genuine (*kunstmatig / non authentique*) and has been put in place for the main purpose or one of the main purposes of obtaining the dividend received deduction, the above dividend withholding tax exemption or one of the advantages of the EU Parent-Subsidiary Directive of 30 November 2011 (2011/96/EU) (the "Parent-Subsidiary Directive") in another EU member state. An arrangement or a series of arrangements is regarded as not genuine to the extent that they are not put into place for valid commercial reasons which reflect economic reality.

21.1.2.3 Belgian Legal Entities

For taxpayers subject to the Belgian income tax on legal entities, the Belgian dividend withholding tax (at a tax rate of 30%) in principle fully discharges its income tax liability.

21.1.2.4 Non-Residents

(i) Withholding tax

For non-resident individuals and companies, the dividend withholding tax will be the only tax on dividends in Belgium, unless the non-resident holds the Shares in connection with a business conducted in Belgium through a fixed base in Belgium or a Belgian permanent establishment.

If the Shares are acquired by a non-resident in connection with a business in Belgium, the investor must report any dividends received, which will be taxable at the applicable non-resident individual or corporate income tax rate, as appropriate. Withholding tax levied at source may be credited against non-resident individual or corporate income tax and is reimbursable to the extent that it exceeds the income tax due, subject to two conditions: (1) the taxpayer must own the Shares in full legal ownership at the time the dividends are paid or attributed; and (2) the dividend distribution may not result in a reduction in value of or a capital loss on the Shares. The latter condition is not applicable if: (1) the non-resident individual or the non-resident company can demonstrate that the Shares were held in full legal ownership for an uninterrupted period of twelve months prior to the payment or attribution of the dividends; or (2) with regard to non-resident companies only, if, during the said period, the Shares have not belonged to a taxpayer other than a resident company or a non-resident company which has, in an uninterrupted manner, invested the Shares in a Belgian permanent establishment.

Non-resident companies whose Shares are invested in a Belgian permanent establishment may deduct 100% of the gross dividends received from their taxable income if, at the date the dividends are paid or attributed, the Conditions for the application of the dividend received deduction regime are met. See section 21.1.2.2 (*—Belgian Resident Companies*) above. Application of the dividend received deduction regime depends, however, on a factual analysis to be made upon each distribution and its availability should be verified upon each distribution.

(ii) Relief of Belgian withholding tax

Dividends distributed to non-resident individuals who do not use the Shares in the exercise of a professional activity may be eligible for the newly introduced tax exemption with respect to ordinary dividends in an amount of up to €800 (amount applicable for income year 2021) per year. For the avoidance of doubt, all dividends paid or attributed to such non-resident individual (and hence not only dividends paid or attributed on the Shares) are taken into account to assess whether said maximum amount is reached. Consequently, if Belgian withholding tax has been levied on dividends paid or attributed to the Shares, such non-resident individual may request in its Belgian non-resident income tax return to credit and, as the case may be, reimburse the Belgian withholding tax levied on the exempted amount. However, if no Belgian non-resident income tax return has to be filed by the non-resident individual, any Belgian withholding tax levied could in principle be reclaimed (up to the exempted amount) by filing a request thereto addressed to the tax official (*Adviseur-generaal Centrum Buitenland / Conseiller-général du Centre Etranger*) appointed by the Royal Decree of 28 April 2019. Such a request has to be made at the latest on December 31 of the calendar year following the calendar year in which the relevant dividend(s) have been received, together with an affidavit confirming the non-resident individual status and certain other formalities.

Under Belgian tax law, withholding tax is not due on dividends paid to a foreign pension fund which satisfies the following conditions: (1) to be a legal entity with fiscal residence outside of Belgium; (2) whose corporate purpose consists solely in managing and investing funds collected in order to pay legal or complementary pensions; (3) whose activity is limited to the investment of funds collected in the exercise of its statutory mission, without any profit-making aim; (4) which is exempt from income tax in its country of residence; and (5) except in specific circumstances, provided that it is not contractually obligated to redistribute the dividends to any ultimate beneficiary of such dividends for whom it would manage the Shares, nor obligated to pay a manufactured dividend with respect to the Shares under a securities borrowing transaction. The exemption will only apply if the foreign pension fund provides a certificate confirming its qualifying status and that it is the full legal owner or usufruct holder of the Shares. The foreign pension fund must then forward that certificate to the Company or its paying agent.

Dividends distributed to non-resident companies established in a member state of the European Union or in a country with which Belgium has concluded a double tax treaty that includes an exchange of information clause and qualifying as a parent company, will be exempt from Belgian withholding tax, provided that the Shares held by the non-resident company, upon payment or attribution of the dividends, amount to at least 10% of the Company's share capital and are held or will be held during an uninterrupted period of at least one year. A company qualifies as a parent company, provided that: (i) for companies established in a member state of the European Union, it has a legal form as listed in the annex to the EU Parent Subsidiary Directive of 23 July 1990 (90/435/EC), as amended by Directive 2003/123/EC of 22 December 2003 (the "Parent Subsidiary Directive"), or, for companies established in a country with which Belgium has concluded a qualifying double tax treaty and it has a legal form similar to the ones listed in such annex; (ii) it is considered to be a tax resident according to the tax laws of the country where it is established and the double tax treaties concluded between such country and third countries; and (iii) it is subject to corporate income tax or a similar tax without benefiting from a tax regime that derogates from the ordinary tax regime.

In order to benefit from this exemption, the investor must provide the Company or its paying agent with a certificate confirming its qualifying status and the fact that it meets the three aforementioned conditions. If the investor holds the Shares for less than one year, at the time the dividends are paid on or attributed to the Shares, the Company will deduct the withholding tax but will not transfer it to the Belgian treasury, provided that the investor certifies its qualifying status, the date from which the investor has held the Shares, and the investor's commitment to hold the Shares for an uninterrupted period of at least one year. The investor must also inform the Company or its paying agent if the one-year period has expired or if its shareholding will drop below 10% of the Company's share capital before the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the levied dividend withholding tax will be refunded to the investor.

Please note that the above withholding tax exemption will not be applicable to dividends which are connected to an arrangement or a series of arrangements (*rechtshandeling of geheel van rechtshandelingen* / *acte juridique ou un ensemble d'actes juridiques*) for which the Belgian tax administration, taking into account all relevant facts and circumstances, has proven, unless evidence to the contrary, that this arrangement or this series of arrangements is not genuine (*kunstmatig* / *non authentique*) and has been put in place for the main purpose or one of the main purposes of obtaining the dividend received deduction, the above dividend withholding tax exemption or one of the advantages of the Parent Subsidiary Directive in another EU member state. An arrangement or a series of arrangements is regarded as not genuine to the extent that they are not put into place for valid commercial reasons which reflect economic reality. Pursuant to recent jurisprudence of the European Court of Justice, the withholding tax exemption may even be refused if the receiving parent company cannot be considered as the beneficial owner of the dividends.

Dividends distributed by a Belgian company to a non-resident company will be exempt from withholding tax, provided that: (i) the non-resident company is established in the European Economic Area or in a country with whom Belgium has concluded a tax treaty that includes a qualifying exchange of information clause; (ii) the non-resident company is subject to corporate income tax or a similar tax without benefiting from a tax regime that derogates from the ordinary tax regime; (iii) the non-resident company does not satisfy the 10%-participation threshold but has a participation in the Belgian company with an acquisition value of at least €2.5 million upon the date of payment or attribution of the dividend; (iv) the dividends relate to shares which are held in full ownership for at least one year without interruption; and (v) the non-resident company has a legal form as listed in the annex to the Parent Subsidiary Directive, as amended from time to time, or has a legal form similar to the ones listed in such annex and is governed by the laws of another EEA member state, or, by the law of a country with whom Belgium has concluded a qualifying double tax treaty. This exemption applies to the extent that the withholding tax which would have been due in case this exemption would not exist, would not be creditable nor reimbursable in the hands of the non-resident company.

In order to benefit from this exemption, the non-resident company must provide the Company or its paying agent with a certificate confirming: (i) it has the above described legal form; (ii) it is subject to a corporate income tax or a similar tax without benefiting from a tax regime that deviates from the ordinary domestic tax regime; (iii) it holds a participation of less than 10% in the capital of the Belgian company but with an acquisition value of at least €2.5 million upon the date of payment or attribution of the dividend; (iv) the dividends relate to shares in the Belgian company which it has held or will hold in full ownership for an uninterrupted period of at least one year; (v) to which extent it could in principle, would this exemption not exist, credit the Belgian withholding tax or obtain a reimbursement according to the legal provisions applicable upon December 31 of the year preceding the year of the payment or attribution of the dividends; and (vi) its full name, legal form, address and fiscal identification number, if applicable.

Belgium has concluded tax treaties with over 95 countries, reducing the dividend withholding tax rate to 20%, 15%, 10%, 5% or 0% for residents of those countries, depending on conditions, among others, related to the size of the shareholding and certain identification formalities. Such reduction may be obtained either directly at source or through a refund of taxes withheld in excess of the applicable tax treaty rate.

Prospective holders should consult their own tax advisors as to whether they qualify for a reduction in withholding tax upon payment or attribution of dividends, and as to the procedural requirements for obtaining a reduced withholding tax upon the payment of dividends or for making claims for reimbursement.

21.1.3 *Taxation in Belgium Upon Transfer of the Shares*

21.1.3.1 Belgian Individuals

As regards Belgian individuals, the tax treatment upon disposal of the Shares will depend on the type of investment.

For individuals holding Shares as a private investment, capital gains realized upon disposal of the Shares are generally not subject to Belgian income tax. Likewise, capital losses on the Shares are in principle not tax deductible.

However, individuals may be subject to income tax at a special rate of 33% (plus local surcharges) if the capital gain on the Shares is deemed to have been realized outside the scope of the normal management of their assets. Capital losses on the Shares are in principle not tax deductible.

Capital gains realized by individuals upon disposal of Shares held for professional purposes are taxable at the normal progressive income tax rates applicable to earned income (plus local taxes), except for Shares held for more than five years, which are taxable at a separate rate of 10% (capital gains realized in the framework of the cessation of activities under certain circumstances) or 16.5% (other), both plus local surcharges. Capital losses on the Shares incurred by Belgian resident individuals who hold the Shares for professional purposes are in principle tax deductible.

21.1.3.2 Belgian Resident Companies

Capital gains realized upon disposal of the Shares by Belgian companies are exempt from Belgian corporate income tax, provided that the income distributed in respect of the Shares is deductible pursuant to the Conditions for the application of the dividend received deduction regime.

In case the Conditions for the application of the dividend received deduction regime are not met, the realized capital gains are considered as ordinary profits taxable at the standard corporate income tax rate of 25% (with a reduced rate of 20% applying to the first tranche of €100,000 of taxable income of qualifying small companies as defined by article 1:24, §1 to §6 of the Belgian Companies and Associations Code, hereafter "SMEs"), for tax assessment year 2021 linked to a taxable period starting at the earliest on January 1, 2020.

If the minimum one-year holding period is not met (but the Conditions for the application of the dividend received deduction regime are), the capital gains realized upon disposal of the Shares by Belgian resident companies are taxable at a rate of 25% (20% on the first bracket of €100,000 for SMEs).

Capital losses on Shares incurred by Belgian companies (regardless of whether they are SMEs) are not tax deductible.

The Shares held in the trading portfolios (*handelsportefeuille / portefeuille commercial*) of qualifying credit institutions, investment enterprises and management companies of collective investment undertakings which are subject to the Royal Decree of 23 September 1992 on the annual accounts of credit institutions, investment firms and management companies of collective investment undertakings (*Koninklijk besluit op de jaarrekening van de kredietinstellingen, de beleggingsondernemingen en de beheervennootschappen van instellingen voor collectieve belegging / Arrêté royal relatif aux comptes annuels des établissements de credit, des entreprises d'investissement et des sociétés de gestion d'organismes de placement collectif*) are subject to a different regime. The capital gains on such Shares are taxable at the ordinary corporate income tax rates and the capital losses on such Shares are tax deductible. Internal transfers to and from the trading portfolio are assimilated to a realization.

Capital gains realized by Belgian resident companies upon redemption of the Shares or upon liquidation of the Company will, in principle, be subject to the same taxation regime as dividends.

21.1.3.3 Belgian Legal Entities

Capital gains realized upon the transfer of Shares by legal entities are in principle tax exempt. Capital losses are not tax deductible.

Capital gains realized upon disposal of (part of) a substantial participation in a Belgian company (i.e., a participation representing more than 25% of the share capital of the Company at any time during the last five years prior to the disposal) may, however, under certain circumstances be subject to income tax in Belgium at a rate of 16.5%.

Capital gains realized by Belgian resident legal entities upon redemption of the Shares or upon liquidation of the Company will, in principle, be subject to the same taxation regime as dividends.

21.1.3.4 Non-Residents

Non-resident individuals or companies are, in principle, not subject to Belgian income tax on capital gains realized upon transfer of the Shares, unless the Shares are held as part of a business conducted in Belgium through a Belgian establishment. In such a case, the same principles apply as described with regard to Belgian individuals (holding the Shares for professional purposes) or Belgian companies.

Non-resident individuals who do not use the Shares for professional purposes and who have their fiscal residence in a country with which Belgium has not concluded a tax treaty or with which Belgium has concluded a tax treaty that confers the authority to tax capital gains on the Shares to Belgium, will be subject to tax in Belgium if the capital gains arise from transactions which are to be considered speculative or beyond the normal management of one's private estate and the capital gains are obtained or received in Belgium. Capital losses are generally not deductible. Such non-resident individuals might therefore be obliged to file a tax return and should consult their own tax advisor.

Capital gains realized by non-resident individuals or non-resident companies upon redemption of the Shares or upon liquidation of the Company will, in principle, be subject to the same taxation regime as dividends.

21.1.4 *Tax on Securities Accounts*

The tax on securities accounts applies for tax assessment year 2022 (income year 2021).

An annual tax of 0.15% is levied on securities accounts of which the average value of the taxable financial instruments (covering, among others, financial instruments such as the Shares but also cash and money market instruments) held thereon during a reference period of twelve consecutive months (in principle) starting on October 1 and ending on September 30 of the subsequent year, would exceed €1.0 million. The tax due is capped at 10% of the part of the said average value exceeding the €1.0 million threshold.

The tax targets securities accounts held by resident individuals, companies and legal entities, irrespective as to whether these accounts are held with a financial intermediary which is established or located in Belgium or abroad. The tax also applies to securities accounts held by non-resident individuals, companies and legal entities with a financial intermediary established or located in Belgium.

There are exemptions, such as securities accounts held by specific types of regulated entities for their own account. These regulated entities include, among others: (i) financial undertakings as listed in Article 198/1, §6, 1° to 12° of the BITC 1992; (ii) central banks; (iii) stockbroking firms as defined by Article 1, §3 of the Law of 25 April 2014 on the status and supervision of credit institutions and investment companies; and (iv) institutions listed in Article 2, §1, 13°/1, first section, a) to c) of the BITC 1992, with the exception of institutions and compartments listed in Article 2, §1, 13°/1, second and third sections of the BITC 1992.

A new retroactive anti-abuse provision applies as from October 30, 2020, for certain transactions carried out in order to avoid the application of this tax.

In cases where a Belgian financial intermediary is responsible for the tax (i.e., either incorporated under Belgian law, established in Belgium or having appointed a Belgian representative), that intermediary has to submit a return on the 20th day of the third month following the end of the reference period at the latest. The tax must be paid on this day. In any other case, the taxpayer itself has to submit a tax return within the same time limit as that provided for the filing of its personal income tax return. The tax will have to be paid on August 31 of the year following the end of the reference period at the latest.

21.1.5 *Tax on Stock Exchange Transactions*

The purchase and the sale and any other acquisition or transfer for consideration of the Shares (secondary market transactions) is subject to the tax on stock exchange transactions if: (i) it is executed in Belgium through a professional intermediary; or (ii) deemed to be executed in Belgium, which is the case if the order is directly or indirectly made to a professional intermediary established outside of Belgium, either by private individuals with habitual residence in Belgium, or legal entities for the account of their seat or establishment in Belgium (each, a "Belgian Investor").

No tax on stock exchange transactions is due upon the issuance of the Offer Shares (primary market transactions).

The tax on stock exchange transactions is levied at a rate of 0.35% of the purchase price. This tax is however limited to a maximum of €1,600 per transaction and per party. The tax is due separately by each party to the transaction (i.e., the seller (transferor) and the purchaser (transferee)) and is collected by the professional intermediary.

However, if the intermediary is established outside of Belgium, the tax will, in principle, be due by the Belgian Investor, unless that Belgian Investor can demonstrate that the tax has already been paid. Professional intermediaries established outside of Belgium can, subject to certain conditions and formalities, appoint a Belgian stock exchange tax representative, which will be liable for the tax on stock exchange transactions in respect of the transactions executed through the professional intermediary. If the Stock Exchange Tax Representative would have paid the tax on stock exchange transactions due, the Belgian Investor will, as per the above, no longer be the debtor of the tax on stock exchange transactions.

No tax on stock exchange transactions is due on transactions entered into by the following parties, provided they are acting for their own account: (i) professional intermediaries described in article 2,9° and 10° of the Belgian Law of 2 August 2002; (ii) insurance companies described in article 2, §1 of the Belgian Law of 9 July 1975; (iii) professional retirement institutions referred to in article 2,1 of the Belgian Law of 27 October 2006 concerning the supervision on institutions for occupational pensions; (iv) collective investment institutions; (v) regulated real estate companies; and (vi) Belgian non-residents provided they deliver a certificate to their financial intermediary in Belgium confirming their non-resident status.

21.2 Certain U.S. Federal Income Tax Considerations

The following discussion describes certain U.S. federal income tax consequences of the investment in Shares, and is based upon the U.S. Internal Revenue Code of 1986, as amended (the "Code"), the U.S. Treasury regulations promulgated thereunder, judicial decisions, revenue rulings and revenue procedures of the Internal Revenue Service (the "IRS"), and other administrative pronouncements of the IRS, all available as at the date hereof. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below. No ruling will be sought from the IRS with respect to any statement in this discussion and there can be no assurance that the IRS will not challenge such statements, or, if challenged, that a court will uphold such statement. This discussion is applicable to U.S. Holders (as defined below) that hold the Shares as capital assets for U.S. federal income tax purposes (generally property held for investment). This discussion does not address any U.S. federal estate or gift tax consequences, the alternative minimum tax, the Medicare tax on net investment income or any state, local or non-U.S. tax consequences.

For purposes of this discussion a "U.S. Holder" is a beneficial owner of an ordinary share that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

This discussion does not address all U.S. federal income tax consequences applicable to any particular investor, and does not address the tax consequences applicable to persons subject to special treatment under the U.S. federal income tax laws, including, for example, a person who is:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding the Shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting;
- a person liable for alternative minimum tax;
- a U.S. expatriate or former U.S. citizen or long-term resident;
- a person who acquired Shares pursuant to the exercise of any employee share option or otherwise as compensation;

- a partnership or other pass-through entity, or a person holding Shares through such a partnership or other pass-through entity;
- a person who actually or constructively owns 10% or more of all classes of the Company's equity as measured by voting power or value; or
- a person whose functional currency is not U.S. dollars.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Shares, the tax treatment of a partner will depend upon the status of the partner and the activities of the partnership. Partnerships considering an investment in the Shares should consult their own tax advisors as to the particular U.S. federal income tax consequences of acquiring, owning and disposing of the Shares.

Investors are urged to consult their tax advisors about the application of the U.S. federal tax rules to their particular circumstances as well as the state, local, non-U.S. and other tax consequences to them of the purchase, ownership and disposition of Shares.

The Company expects, and other than in the discussion in section 21.2.3 (*—Passive Foreign Investment Company Rules*) below, this summary assumes, that the Company was not a passive foreign investment company for U.S. federal income tax purposes (a "PFIC") for its previous taxable year and it will not be a PFIC for the current taxable year or in the foreseeable future.

21.2.1 ***Taxation of Distributions***

The U.S. dollar value of distributions will be includible in a U.S. Holder's income as dividends to the extent paid out of the Company's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. However, the Company does not maintain calculations of its earnings and profits for U.S. federal income tax purposes. Accordingly, U.S. Holders should assume that any distribution by the Company with respect to the Shares will constitute ordinary dividend income. Such dividends will not be eligible for the dividends received deduction allowed to U.S. corporations with respect to certain dividends. Subject to generally applicable limitations, including a holding period requirement, so long as the Shares are regularly traded on Euronext Brussels, the dividends are expected to be eligible for the lower rates applicable to qualified dividend income of non-corporate shareholders.

Subject to certain limitations, a U.S. Holder may claim a credit for withholding taxes on distributions made with respect to the Shares. Alternatively, a U.S. Holder may take a deduction for non-U.S. income taxes if it does not elect to claim a foreign tax credit for any foreign taxes paid or accrued during the taxable year. The rules relating to the treatment of non-U.S. taxes imposed on a U.S. Holder and foreign tax credits and deductions are complex, and U.S. holders should consult their tax advisors about the impact of these rules in their particular situations.

U.S. Holders should consult their own tax advisors regarding how to account for dividends that are paid in a currency other than U.S. dollars.

21.2.2 ***Sale or Other Taxable Disposition of Shares***

A U.S. Holder will recognize U.S. source capital gain or loss upon the sale or other taxable disposition of Shares in an amount equal to the difference between the U.S. dollar value of the amount realized upon the disposition and the U.S. Holder's adjusted tax basis in such Shares. Any capital gain or loss will be long-term capital gain or loss if the Shares have been held for more than one year at the time of the sale or other taxable disposition. Certain non-corporate U.S. Holders, including individuals, are eligible for reduced rates of taxation on long-term capital gains. The deductibility of capital losses is subject to limitations.

In the event that any non-U.S. tax (including withholding tax) is imposed upon the sale or other taxable disposition of Shares, a U.S. Holder may not be able to utilize foreign tax credits unless such U.S. Holder has foreign source income or gain in the same category from other sources. However, as an alternative, such foreign tax may be taken as a deduction if such U.S. Holder does not elect to claim a foreign tax credit for any foreign taxes paid or accrued during the taxable year. The rules relating to the determination of the foreign tax credit and deduction are complex, and U.S. Holders should consult their tax advisors to determine whether a credit or deduction would be available in their particular circumstances.

U.S. Holders should consult their own tax advisors regarding how to account for amounts paid or received in a currency other than U.S. dollars.

21.2.3 ***Passive Foreign Investment Company Rules***

In general, a non-U.S. corporation is a PFIC for any taxable year if at least: (i) 75% of its gross income consists of passive income; or (ii) 50% of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. For purposes of the above calculations, a non-U.S. corporation that owns directly or indirectly at least 25% by value of the Shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. For this purpose, passive income generally includes, among other items, dividends, interest, gains from certain commodities transactions, certain rents, royalties and gains from the disposition of passive assets.

Based on the nature of the Company's business, the Company does not believe it was a PFIC for the previous taxable year and it does not expect to be a PFIC for the current taxable year or in the foreseeable future, although there can be no assurance in this regard because the Company's status as a PFIC depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. A non-U.S. corporation is classified as a PFIC in any year in which it meets either the income or asset test discussed above, which depends on the actual financial results for each year in question. Accordingly, it is possible that the Company may become a PFIC in the current or any future taxable year due to changes in the Company's asset or income composition.

In general, if the Company were a PFIC for any taxable year during which a U.S. Holder owned Shares, gain recognized by a U.S. Holder on a sale or other disposition (including certain pledges) of the Shares, would be allocated ratably over the U.S. Holder's holding period for the Shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the tax on such amounts. Further, to the extent that any distribution received by a U.S. Holder on its Shares exceeds 125% of the average of the annual distributions on the Shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain described immediately above. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the Shares. U.S. holders should consult their own independent tax advisors to determine whether any of these elections would be available and, if so, what the consequences of the alternative treatments would be in their particular circumstances.

A U.S. Holder will be required to provide additional information with its U.S. federal income tax return if such U.S. Holder holds the Shares in any year in which the Company is a PFIC. The rules relating to PFICs are complex and each U.S. Holder is urged to consult its own tax advisor concerning the U.S. federal income tax consequences of holding Shares if the Company is a PFIC in any taxable year during its holding period.

21.2.4 *Information Reporting and Backup Withholding*

A U.S. Holder may be subject to information reporting on amounts received from a distribution on, or disposition of, Shares, unless such U.S. Holder establishes that it is exempt from these rules. If a U.S. Holder does not establish that it is exempt from these rules, it may be subject to backup withholding on the amounts received unless it provides a taxpayer identification number and otherwise complies with the requirements of the backup withholding rules. Backup withholding is not an additional tax and the amount of any backup withholding from a payment that is received will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

U.S. Holders should consult their tax advisors about any reporting obligations that may apply as a result of the acquisition, holding or disposition of the Shares. Failure to comply with applicable reporting obligations could result in the imposition of substantial penalties.

22. LEGAL MATTERS

Certain legal matters in connection with the Offering have been passed upon for the Company by Clifford Chance LLP, with respect to the laws of the United States and Belgium. Certain legal matters in connection with this Offering have been passed upon for the Underwriters by Allen & Overy LLP, with respect to the laws of the United States and Belgium.

23. INDEPENDENT AUDITORS

The consolidated financial statements of Azelis Holding S.à r.l. (formerly Akita Midco S.à r.l.) as at and for the years ended December 31, 2020 and 2019 and as at December 31, 2018 and for the period from its incorporation on July 25, 2018 to December 31, 2018 and the consolidated financial statements of Azelis Holding S.A. as at and for the year ended December 31, 2018 included in this Prospectus have been audited by PricewaterhouseCoopers, *Société coopérative*, independent auditors (*réviseur d'entreprises agréé*), as stated in its reports appearing herein. PricewaterhouseCoopers, *Société coopérative* are members of the Luxembourg *Institut des Réviseurs d'Entreprises*.

Concerning the unaudited consolidated financial information of Azelis Holding S.à r.l. and its subsidiaries as at and for the six-month periods ended June 30, 2021 and 2020, prepared in accordance with IAS 34 "Interim Financial Reporting," the standard of IFRS applicable to the preparation of interim financial statements, PricewaterhouseCoopers, *Société coopérative* reported that they have applied limited procedures in accordance with the professional standard applicable for a review of interim financial statements. However, their separate report included elsewhere in this Prospectus states that they did not audit, and do not express an opinion on such interim condensed consolidated financial statements. Accordingly, the degree of reliance on their report on such consolidated financial information should be restricted in light of the limited nature of the review procedures applied.

There were no events of resignation or dismissal of an independent auditor appointed to audit the consolidated financial statements of Azelis Holding S.à r.l. (formerly Akita Midco S.à r.l.) or Azelis Holding S.A. in the period covered by the Azelis Financial Statements included in this Prospectus.

As at the Listing Date, the statutory auditor of the Group will be PwC Bedrijfsrevisoren bv / PwC Reviseurs d'Entreprises srl, Woluwe Garden, Woluwedal 18, B-1932 Sint-Stevens-Woluwe, Belgium, represented by Peter Van den Eynde BV, with permanent representative, Peter Van den Eynde, which is the statutory auditor of the Company, which will become the parent company of the Group in connection with the Reorganization and the Offering.

The consolidated financial statements of Vigon International, Inc. and its subsidiaries and affiliates as at and for the year ended December 31, 2020 and as at and for the year ended December 31, 2019 included elsewhere in this Prospectus have been audited by RSM US LLP, as stated in its reports appearing herein.

24. FINANCIAL INFORMATION

Interim Financial Statements of Azelis Holding S.à r.l.

Annual Financial Statements of Azelis Holding S.à r.l. (formerly Akita Midco S.à r.l.)

Annual Financial Statements of Azelis Holding S.A.

Vigon Financial Statements

Azelis Holding S.à r.l.

Interim Financial Report for the first six months of 2021

Report on review of condensed consolidated interim financial statements

Report on Review of Condensed Consolidated Interim Financial Statements

To the Board of Managers of
Azelis Holding SARL

We have reviewed the accompanying Condensed Consolidated Interim Financial Statements of Azelis Holding SARL (the "Company"), and its subsidiaries (the "Group") as of 30 June 2021 and 30 June 2020, which comprise the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows and the consolidated statement of changes in equity for the 6-month periods then ended, and a summary of significant accounting policies and other explanatory information.

Board of Managers' responsibility for the Condensed Consolidated Interim Financial Statements

The Board of Managers is responsible for the preparation and presentation of these Condensed Consolidated Interim Financial Statements in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of Condensed Consolidated Interim Financial Statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express a conclusion on these Condensed Consolidated Interim Financial Statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE 2410 "Review of interim financial information performed by the independent auditor of the entity") as adopted for Luxembourg by the "Institut des Réviseurs d'Entreprises". This standard requires us to comply with relevant ethical requirements and conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework.

A review of the Condensed Consolidated Interim Financial Statements in accordance with ISRE 2410 is a limited assurance engagement. The "Réviseur d'entreprises agréé" performs procedures, primarily consisting of making inquiries of management and others within the Group, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these Condensed Consolidated Interim Financial Statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Financial Statements are not prepared, in all material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the European Union.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 12 August 2021

Véronique Lefebvre

Unaudited condensed consolidated interim financial statements for the first six months of 2021

Consolidated Income Statement

	Jan-June 2021	Jan-June 2020
(in thousands of €)		
Revenue	1,309,459	1,134,574
Other operating income	4,390	6,239
Total income	***1,313,849***	***1,140,812***
Costs for goods and consumables	-1,019,518	-893,624
Gross profit	***294,331***	***247,188***
Employee benefits expenses	-104,951	-89,819
External services and other expenses	-58,201	-55,335
Depreciation of property, plant and equipment	-9,217	-8,235
Amortization & impairment of intangible assets	-17,222	-16,436
Operating profit / loss (-)	***104,741***	***77,363***
Financial income	2,697	4,661
Financial expenses	-32,542	-39,930
Net financial expense	***-29,845***	***-35,269***
Profit / loss (-) before tax	***74,896***	***42,094***
Income tax income / expense (-)	-27,349	-14,296
Net profit / loss (-) for the period from continuing operations	***47,547***	***27,798***
Attributable to:		
Equity holders of the parent	46,157	27,598
Non-controlling interests	1,390	200
Net profit / loss (-) for the period	***47,547***	***27,798***
	in Euro's	in Euro's
Basic earnings per share	**0.04**	**0.02**
Diluted earnings per share	0.04	0.02

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

Consolidated Statement of Other Comprehensive Income

	Jan-June 2021	Jan-June 2020
(in thousands of €)		
Net profit / loss (-) for the period	**47,547**	**27,798**
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	25,744	-12,855
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains / losses (-) on employee benefits	-	-
Income tax relating to these items	-	-
Total other comprehensive income	***25,744***	***-12,855***
Total comprehensive income for the period	***73,291***	***14,943***
Attributable to:		
Equity holders of the parent	71,901	14,743
Non-controlling interests	1,390	200
Total comprehensive income for the period	***73,291***	***14,943***

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

Consolidated Statement of Financial Position

	30 June 2021	31 December 2020
(in thousands of €)		
Assets		
Goodwill	1,812,816	1,345,938
Intangible assets	840,507	821,359
Property, plant and equipment	37,917	32,304
Right of Use assets	57,169	55,657
Investments in associates	248	221
Other financial assets	783	775
Deferred tax assets	7,518	6,419
Total non-current assets	***2,756,957***	***2,262,674***
Inventories	335,970	267,780
Trade and other receivables	389,104	258,632
Income tax receivables	5,071	2,011
Other financial assets	65	238
Cash and cash equivalents	116,369	163,255
Total current assets	***846,579***	***691,917***
Total assets	***3,603,536***	***2,954,591***
Equity		
Share capital	11,751	11,751
Share premium	1,239,405	1,189,405
Other reserves	65,993	24,669
Translation reserve	-55,215	-80,958
Unappropriated result	46,157	70,962
Issued capital and reserves attributable to owners of the parent	***1,308,091***	***1,215,829***
Non-controlling interests	***20,139***	***2,072***
Total equity	***1,328,230***	***1,217,900***
Loans and borrowings	1,496,119	1,145,092
Lease obligations	46,684	45,708
Employee benefits obligations	8,495	7,684
Provisions	3,581	3,215
Other non-current liabilities	39,568	7,922
Deferred tax liabilities	120,231	109,993
Total non-current liabilities	***1,714,677***	***1,319,614***
Bank overdrafts	29,217	23,560
Loans and borrowings	66,018	65,725
Lease obligations	14,045	12,351
Provisions	1,602	1,646
Income tax payables	11,681	5,325
Trade and other payables	438,067	308,471
Total current liabilities	***560,630***	***417,077***
Total liabilities	***2,275,307***	***1,736,691***
Total equity and liabilities	***3,603,536***	***2,954,591***

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

Consolidated Statement of Cash Flows

	Jan-June 2021	Jan-June 2020
(in thousands of €)		
Cash flows from operating activities		
Net profit / loss (-) for the period	47,547	27,798
Adjustments for:		
Depreciation, amortisation and impairment expenses	26,439	24,671
Net financial expense	29,845	35,269
Income tax income / expense	27,349	14,296
Change in inventories	-27,213	-12,088
Change in trade and other receivables and other investments	-74,862	-39,382
Change in trade and other payables	60,439	16,305
Change in provisions	608	556
Cash flow from operating activities	***90,151***	***67,425***
Income tax paid	-21,303	-12,042
Interest paid	-29,125	-46,226
Net cash flow from operating activities	***39,724***	***9,157***
Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	-6,315	-4,276
Acquisition of subsidiaries, net of cash acquired	-460,372	-89,838
Net cash flow from investing activities	***-466,687***	***-94,114***
Cash flows from financing activities		
Payments of lease obligation	-8,190	-7,498
Proceeds from shareholders for issue of equity	50,000	-
Proceeds from loans and borrowings	335,885	162,012
Transaction costs related to additional term-loan	-2,475	-
Net cash flow from financing activities	***375,220***	***154,514***
Net (decrease) increase in cash and cash equivalents	***-51,743***	***69,557***
Effect of exchange rate fluctuations on cash held	-798	-7,035
Cash and cash equivalents minus Bank overdraft at beginning of the period	139,693	86,616
Cash and cash equivalents minus Bank overdraft at 30 June	***87,151***	***149,138***

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

Consolidated Statement of Changes in Equity

(in thousands of €)	Share capital	Share premium	Other reserves	Translation reserve	Unappropriated result	Total equity holders of the parent	Non-controlling interests	Total equity
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
Balance as per 31 December 2020	**11,751**	**1,189,406**	**24,669**	**-80,959**	**70,962**	**1,215,830**	**2,072**	**1,217,902**
Appropriation of result prior year			70,962		-70,962	**-**		**-**
Capital increase		50,000				**50,000**		**50,000**
Written put option on non-controlling interests			-29,929			**-29,929**		**-29,929**
Net profit / loss (-) for the period					46,157	**46,157**	1,390	**47,547**
Other comprehensive income				25,744		**25,744**		**25,744**
Other movements			292			**292**	16,676	**16,968**
Balance as per 30 June 2021	***11,751***	***1,239,406***	***65,993***	***-55,215***	***46,157***	***1,308,093***	***20,138***	***1,328,232***

(in thousands of €)	Share capital	Share premium	Other reserves	Translation reserve	Unappropriated result	Total equity holders of the parent	Non-controlling interests	Total equity
Balance as per 31 December 2019	**11,751**	**1,183,789**	**-22,654**	**12,924**	**47,973**	**1,233,784**	**839**	**1,234,623**
Appropriation of result prior year			47,973		-47,973	**-**		**-**
Capital increase		5,617				**5,617**		**5,617**
Net profit / loss (-) for the period					27,598	**27,598**	200	**27,798**
Other comprehensive income				-12,855		**-12,855**	1,249	**-11,606**
Balance as per 30 June 2020	***11,751***	***1,189,405***	***25,319***	***69***	***27,598***	***1,254,143***	***2,288***	***1,256,432***

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

Notes to the condensed consolidated interim financial statements

1. General information

Introduction

Azelis Holding S.à r.l. (the "Company"), formerly named Akita Midco S.à r.l., was incorporated on 25th of July 2018 and is domiciled in Luxembourg. The address of the Company is 19 rue Gabriel Lippmann, 5365 Munsbach, Luxembourg. The Company is registered in Luxembourg under the number B 226269.

The parent company of Azelis Holding S.à r.l. is Akita Topco S.à r.l., 26A Boulevard Royal, 2449 Luxembourg.

The unaudited condensed consolidated interim financial statements of the Company for the first six months of 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.

Basis of preparation

Azelis prepares its condensed consolidated interim financial statements on a quarterly basis, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and as issued by the IASB. The accounting policies have been consistently applied to all the periods presented, and are in accordance with the policies as adopted for the preparation of Azelis' Annual Report 2020, with the exception of the estimation of income taxes (measurement during interim periods is based on estimated expected effective annual income tax rate for the full financial year). These condensed consolidated interim financial statements do not include all the information required for the preparation of the annual consolidated financial statements, and should be read in conjunction with Azelis' Annual Report 2020.

During the first six months of 2021, Azelis acquired 51% of the shares of MKVN and Viet Chemi in Vietnam, and Asia Primera Kimika Inc. and Phil-Asiatic Supply & Services Inc. in the Philippines, thereby obtaining control over these companies (see also Note 3, Business combinations). Azelis has granted put options for the remaining non-controlling interests in these companies (49%), giving the holders the right to sell to Azelis their investment in these subsidiaries. In accordance with IAS 32, a liability has been recognized accordingly, corresponding to the present value of the estimated exercise price. This liability is included in other non-current liabilities, and the counterpart is reduced from Azelis' equity. The liability is adjusted at the end of each reporting period to reflect changes in the estimated exercise price of the option. As at 30 June 2021, Azelis recognized a total related liability of €29.9 million.

The 49% non-controlling interests related to the abovementioned acquisitions have been initially measured at the proportionate share of the fair value of the acquirees' identifiable net assets.

Apart from the new accounting policy on put options, there were no significant changes in accounting policies applied by us in these condensed consolidated interim financial statements compared to those used in Azelis' Annual Report 2020. New standards and interpretations applicable for the annual period beginning on 1 January 2021 did not have any impact on our condensed consolidated interim financial statements. Azelis has not early adopted any other standard, interpretation, or amendment that has been issued but is not yet effective.

Risk Management

The Group's risk management policies are established to identify and to analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Azelis' risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities, including focus on credit risks, liquidity risks, market risks and operational risks. In addition, Azelis has appointed an Internal Auditor since 2019, who independently and directly reports to the Chairman of the Audit Committee.

Current main risks and uncertainties are in accordance with the assessment as has been disclosed in the Risk Management section of Azelis' Annual Report 2020, also taking into account the current economic and financial environment, that includes the ongoing pandemic as a result from Covid-19. Azelis' business is well positioned for the Covid-19 Pandemic given its diversified specialty chemicals portfolio. Azelis is able to respond quickly to the developments around the ongoing pandemic. Supply chain is secured, and Azelis' employees continue the company's business processes while working remotely. Azelis continues to watch closely the developments around Covid-19.

Financial instruments: fair value and hierarchy

There are no significant new financial instruments. For financial instruments measured at fair value in Azelis' consolidated statement of financial position (i.e. derivatives), the fair values as at 30 June 2021 are not significantly different from the fair values as included in the consolidated financial statements for the year ended 31 December 2020. The carrying amount of all other financial assets and liabilities approximates their fair value. All instruments are Level 2 (there are no Level 1 or Level 3 instruments).

On a selective basis, the Group has outstanding foreign exchange contracts to manage the exposure to foreign currency risk on outstanding foreign currency receivables/payables, as well as an interest rate cap relating to its variable rate interest risk.

Judgements and estimates

The accounting judgements and key sources of estimation uncertainty as included in the Annual Report 2020 remain applicable.

During the fourth quarter of 2020, the yearly impairment tests have been determined by discounting future cash flows projections from a five year detailed business plan which is approved by senior management. All units had sufficient headroom over their carrying amount including goodwill at the end of 2020, which led to the conclusion that there was no indication of an impairment loss per 31 December 2020. During the first six months of 2021, no triggering event has occurred which requires an update to the impairment test, confirming that the headroom for all cash generating units is sufficient and that no impairment is required per that date.

Seasonal patterns

Azelis' activities are not exposed to notable seasonal changes throughout the year apart from a moderate decrease in revenue during holiday seasons in Azelis' different jurisdictions. The Group's net working capital has a stable character with a moderate build-up towards the second quarter of the year and lower levels of net working capital in the fourth quarter, with related cash released accordingly.

Related parties

The Group has a related party relationship with certain of its subsidiaries, shareholders, managers, executive officers and associates. The Group has Non-Controlling Interests.
During the reporting period, no material transactions with related parties occurred outside the normal course of business.

Reconciliation with Azelis' alternative performance measures

The reconciliation between the Operating Profit (per IFRS) and the alternative performance measures Adjusted EBITA and Adjusted EBITDA is as follows:

(in € million)	Jan-June 2021	Jan-June 2020
Operating Profit per P&L according to IFRS	104.7	77.4
Add back amortization	17.2	16.4
Adjustments	5.2	3.1
Adjusted EBITA	***127.2***	***96.9***
Add back depreciation	9.2	8.2
Adjusted EBITDA	***136.4***	***105.1***

The amortization relates to the amortization on intangible fixed assets, and depreciation expenses relate to tangible fixed assets (including right of use assets).
The adjustments mainly relate to transaction costs (advisors, etc.) incurred regarding acquisitions and mergers.

Legal and Tax

There are no tax and other contingencies per the end of June 2021 and June 2020.
The impact of implementing IFRIC 23 in 2019 has not led to additional tax obligations.

Income tax expense increased to €27.3 million for the six-month period ended June 30, 2021 (H1 2020: €14.3 million), primarily due to the increase of profit before tax. Furthermore, income tax expenses in 2020 included a one-off positive impact of €4.0 million resulting from an economic stimulus bill in one of Azelis' jurisdictions.

Subsequent events

As at 20 July 2021, Azelis completed the acquisition of 100% of the shares of Coseal, a specialty chemicals distributor to industrial chemicals end-markets in South Korea (Asia-Pacific). As at 2 August 2021, Azelis acquired 100% of the distribution assets of MH, a food ingredients distributor, also located in South Korea (Asia-Pacific). These acquisitions together generate an annual estimated Adjusted EBITA of €4 million. The provisional consideration paid related to the acquisition of Coseal and MH amounts to €34 million.

To date, Azelis signed four other bolt-on acquisitions, that were not completed per date of this report: (i) the proposed acquisition of 100% of the shares of a Chinese specialty chemicals distributor active in CASE and rubber & plastic additives; (ii) the proposed acquisition of 100% of the shares of a specialty chemicals distributor in Austria, active in food & health mainly (EMEA); (iii) the proposed acquisition of 100% of the shares of a specialty chemicals distributor in France, a leading distributor of ingredients for nutraceuticals, flavors & fragrances, animal nutrition, personal care, pharma and food (EMEA); and (iv) the proposed acquisition of 100% of the shares of a specialty chemicals distributor in China, active in personal care (Asia-Pacific). Those bolt-on acquisitions are expected to generate an annual estimated Adjusted EBITA of €13 million.

No subsequent events after 30 June 2021 have been identified that may have had a material or significant effect on the interim financial statements.

2. 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, that provides in all these regions its distribution services of specialty chemicals. Non-operating companies are reported in the segment Group Holding, and include costs related to corporate activities and central support services.

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

Jan-June 2021	EMEA	Americas	Asia-Pacific	Group Holding & other	Total
(in thousands of €)					
Revenue	597,633	528,577	182,409	840	**1,309,459**
Gross profit	142,040	114,492	35,882	1,918	**294,331**
Adjusted EBITA	67,058	57,504	13,927	-11,292	**127,196**
Operating profit					**104,741**
Net Working Capital	83,596	172,171	91,210	-6,608	**340,369**

Jan-June 2020	EMEA	Americas	Asia-Pacific	Group Holding & other	Total
(in thousands of €)					
Revenue	546,869	473,002	115,866	-1,163	**1,134,574**
Gross profit	125,277	98,148	21,288	2,475	**247,188**
Adjusted EBITA	54,655	44,918	6,929	-9,599	**96,904**
Operating profit					**77,363**
Net Working Capital	89,459	142,158	61,288	-20,617	**272,288**

Other' includes income from non-core business such as agency commissions (€3.4 million during the first six months of 2021 and €2.5 million during the comparative period 2020), as well as the operating expenses for the Group Holding activities.

3. Business combinations

On 4 January 2021, Azelis acquired 51% of the shares of MKVN and Viet Chemi in Vietnam. As Azelis gained 100% of their control, those subsidiaires 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 100% of their control, those subsidiaires 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.

These aforementioned bolt-on acquisitions together generate around €11 million of Adjusted EBITA on an annual basis. During the first six months of 2021, these acquisitions together have added €50.7 million of revenue, €10.2 million of gross profit, €5.5 million of Adjusted EBITA and a positive €4.0 million of net profit to the Group's net result .

On 1 June 2021, Azelis acquired 100% of the outstanding shares of Vigon International, Inc. ("Vigon"), a leading US specialty 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. Vigon generates around €32.8 million of Adjusted EBITA on an annual basis. Since 1 June 2021, Vigon contributed €10.3 million to the Group's revenue, €3.3 million of gross profit, €2.6 million of Adjusted EBITA and a positive €2.1 million to the Group's net result.

2021	Vigon International LLC	Other acquisitions	Total
(in thousands of €)			
Assets acquired and liabilities assumed			
Distribution rights	-	19,549	19,549
Other intangible assets	132	194	326
Property, plant and equipment	5,947	396	6,342
Deferred tax assets	485	1,485	1,971
Inventories	20,744	14,741	35,486
Trade and other receivables	23,753	31,643	55,396
Cash and cash equivalents	1,781	11,988	13,768
Loans and borrowings non current	-	-4,119	-4,119
Deferred tax liabilities	-151	-5,452	-5,603
Other non-current payables	-27	-	-27
Trade and other payables	-11,688	-20,727	-32,415
Loans and borrowings	-35,513	-1,161	-36,674
Provisions	-	-6	-6
Employee benefit	-	-403	-403
Total fair value identified assets acquired and liabilities assumed	**5,463**	**48,127**	**53,590**
Non-controlling interests	**-**	**-16,619**	**-16,619**
Estimated earnout liabilities	-	372	372
Deferred payments	31,135	5,459	36,594
Consideration paid in cash	385,891	48,753	434,644
Total consideration	***417,026***	***54,583***	***471,609***
Goodwill	**411,563**	**23,076**	**434,639**

The purchase price allocations for Vigon and the other acquisitions have not yet been finalized. 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. 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. We expect significant differences in the valuation of distribution rights, mainly for Vigon. The fair values of the acquired net assets, based on a provisional assessment, are summarized in the table above. No indemnification assets or contingent liabilities had to be recognized in the business combinations.

The considerations are paid for in cash or as deferred payments and/or accruals for estimated earn out, totaling to €36.7 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.

Total goodwill of Azelis has increased by €467 million, of which €435 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. The amortization of goodwill is not tax deductible, except for the goodwill relating to Vigon. 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 €1.1 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 the first six months of 2021, the consolidated revenue would have been €1,383 million, the consolidated gross profit would have been €319 million, the consolidated Adjusted EBITA would have been €147 million and the consolidated net result for the year would have been €60 million.

During the first six months of 2021, the Group incurred acquisition-related expenses of € 3.6 million (same period in 2020: € 1.3 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.

4. Net financial expenses

	Jan-June 2021	Jan-June 2020
(in thousands of €)		
Financial income		
Interest income	173	551
Foreign exchange gains	2,507	0
Other financial income	17	4,110
	2,697	***4,661***
Financial expenses		
Interest expense on bank loans and overdrafts	-26,311	-28,335
Interest lease commitments	-1,423	-1,170
Transaction costs for bank loans	-2,032	-2,002
Foreign exchange losses	0	-3,912
Other financial expenses	-2,775	-4,510
	-32,542	***-39,930***

The decrease of other financial income is primarily due to a one-off settlement of €3.8 million in 2020 relating to remaining local financial debt in one of the Group's jurisdictions.

The decrease of interest expenses on bank loans and overdrafts results from lowered interest rates in accordance with Azelis' credit agreements, on the basis of the improved Net Leverage Ratio's during 2020 and 2021, partly offset with the impact of additional interest expenses on the new add-on term loan of €330 million since 1 June 2021.

Transaction costs for bank loans includes the non-cash impact of expensing capitalized transaction costs, as a consequence of the changes in loans and borrowings in previous periods.

The foreign exchange results (gains or losses) include for the majority unrealized translation of intercompany loans, mainly with regard to non-EUR nominated loans to subsidiaries.

Other financial expenses relate to other bank fees.

5. Loans and borrowings

Covenants

The credit agreements of Azelis Holding S.à r.l. and its subsidiaries contain a single financial maintenance covenant, being the Consolidated Senior Secured Net Leverage Ratio, which needs to be less than 9.0 to 1.0 and is tested quarterly solely when the revolving credit facility utilization (minus cash and cash equivalents) exceeds 40%. As this utilization per 30 June 2021 was below 0% (i.e. -87%), it was not required to test the financial covenant per that date.

Calculations per 30 June 2021:

- Consolidated Secured Net Leverage Ratio: 4.5 to 1.0 (31 December 2020: 4.1 to 1.0).
- Revolving Credit Facility Utilization (minus cash and cash equivalents): -87% (31 December 2020: -140%).

As at 30 June 2021, the Group complied with all financial covenants. The Group monitors the compliance with the covenants on the basis of the monthly reporting process.

Other facilities

In addition to cash balances as of 30 June 2021, the Group maintained the following lines of credit:

- €74 million (31 December 2020: € 70 million) uncommitted local credit facility, that concerns local credit lines given by local banks and can be revoked as any standard bank credit line. Per 30 June 2021, €47 million (31 December 2020: €41 million) was utilized.
- € 100 million total committed ancillary facility, that was fully unused per 30 June 2021 (unchanged versus 31 December 2020).

Other information

Glossary of Terms

Adjustments
Adjustments are income and expense items that are not directly related to the daily performance of the Group, like expenses of corporate restructurings and reorganizations, costs with regard to acquisitions and mergers, financing and capital restructering and gains or losses on sale of fixed assets.

Adjusted EBITA
EBITA is defined as "operating profit" (per face of the consolidated income statement under IFRS), but before "amortization and impairment of intangible assets". Adjusted EBITA is defined as EBITA excluding Adjustments.

Adjusted EBITA Margin
Adjusted EBITA divided by revenue.

Adjusted EBITDA
Adjusted EBITDA represents Adjusted EBITA before depreciation of property, plant and equipment.

Adjusted EBITDA Margin
Adjusted EBITDA divided by revenue.

Alternative Performance Indicators
The Group presents Alternative Performance Indicators as supplemental measures of operating performance. These measures enhance 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. These indicators provide a consistent and comparable indication of the Group’s financial performance and financial position, as well as cash flows.

Basic earnings per share
Net income (Azelis' share) divided by the weighted average number of shares.

CC FX
Constant Currencies (CC) only apply to translation (not: transaction) of foreign currencies, whereas comparative figures have been translated at the same exchange rate as the currency rate as used in the current reporting period.

Capital expenditures (capex)
Cash paid for the acquisition of tangible and intangible assets presented in cash flows from investing activities.

CGU
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.

CTA
Currency Translation Adjustment.

Conversion margin

The ratio between Adjusted EBITA and the Gross Profit per IFRS.

Diluted earnings per share

Net income (Azelis' share) divided by the weighted average number of shares adjusted for the effects of dilution.

IFRS

International Financial Reporting Standards as adopted in the European Union.

Free Cash Flow

Free cash flow represents Adjusted EBITDA less lease payments, plus changes in net working capital, plus changes in other assets, liabilities and provisions, less net capital expenditures.

Free Cash Flow conversion

Cash conversion margin is defined as (i) free cash flow divided by (ii) Adjusted EBITDA less lease payments.

Gross Profit

Gross profit is defined as income less cost of goods and consumables, before outbound distribution cost.

Net working capital

The net working capital is defined as inventories plus trade receivables and less trade payables.

Organic growth

The increase or decrease for the period, excluding the impact of acquisitions until the first anniversary of their consolidation.

Financial Calendar and Contact

Financial Calendar

- Azelis' Financial Calendar will be published separately.

Contacts for Investor Relations

- Azelis Corporate Services NV
- +32 3 613 0120
- www.azelis.com

Azelis

Azelis Holding S.à r.l. was incorporated on 25th of July 2018 and is domiciled in Luxembourg. The address of the Company is 19 rue Gabriel Lippmann, 5365 Munsbach, Luxembourg. Azelis Holding S.à r.l. is registered in Luxembourg under the number B 226269.
Throughout this report, the term “Azelis Holding S.à r.l.” refers solely to the non-consolidated Luxembourg company and references to “we,” “our,” “the Group”, "the Company" or “Azelis” include Azelis Holding S.à r.l. together with its subsidiaries.

Disclaimer

This financial report may contain forward-looking information. Forward-looking statements describe expectations, plans, strategies, goals, future events or intentions. The achievement of forward-looking statements contained in this financial report is subject to risks and uncertainties relating to a number of factors, including general economic factors, interest rate and foreign currency exchange rate fluctuations, changing market conditions, impact of acquisitions and divestitures, or any other unusual items. Consequently, actual results or future events may differ materially from those expressed or implied by such forward-looking statements. Should known or unknown risks or uncertainties materialize, or should our assumptions prove inaccurate, actual results could vary materially from those anticipated. Azelis undertakes no obligation to publicly update or revise any forward-looking statements.

Azelis Holding S.à r.l.

Annual Report 2020

Auditor's Report

Audit report

To the Partners of
Azelis Holding SARL

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Azelis Holding SARL (the "Company") and its subsidiaries (the "Group") as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statement for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

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

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the report of the management but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers 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 Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, 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 Managers;

- conclude on the appropriateness of the Board of Managers' 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 audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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 those charged with governance 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.

Report on other legal and regulatory requirements

The report of the management is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 20 April 2021

Véronique Lefebvre

Consolidated Financial Statements 2020

Consolidated Income Statement

	Note	2020	2019
(in thousands of €)			
Revenue	8	2,222,896	2,095,009
Other operating income	9	10,468	10,342
Total income		***2,233,364***	***2,105,350***
Costs for goods and consumables	10	-1,747,285	-1,660,646
Gross Profit		***486,080***	***444,704***
Employee benefits expenses	11	-181,169	-161,007
External services and other expenses	12	-106,785	-109,061
Depreciation of property, plant and equipment	16	-17,622	-15,135
Amortization & impairment of intangible assets	15	-33,305	-30,608
Operating profit / loss (-)		***147,198***	***128,892***
Financial income	13	4,892	682
Financial expenses	13	-73,004	-71,382
Net financial expense		***-68,112***	***-70,700***
Share of result of associates	17	-	38
Profit / loss (-) before tax		***79,086***	***58,230***
Income tax income / expense (-)	14	-8,075	-10,253
Net profit / loss (-) for the period from continuing operations		***71,012***	***47,978***
Attributable to:			
Equity holders of the parent		70,962	47,973
Non-controlling interests		50	5
Net profit / loss (-) for the period		***71,012***	***47,978***
		in Euro's	in Euro's
Basic earnings per share	21	***0.06***	***0.04***
Diluted earnings per share	21	*0.06*	*0.04*

The notes are an integral part of these consolidated financial statements

Consolidated Statement of Other Comprehensive Income

(in thousands of €)	Note	2020	2019
Net profit / loss (-) for the period		**71,012**	**47,978**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	21.4	-92,695	7,451
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains / losses (-) on employee benefits	11	-817	-1,334
Income tax relating to these items		167	177
Total other comprehensive income		***-93,345***	***6,294***
Total comprehensive income for the period		***-22,333***	***54,272***
Attributable to:			
Equity holders of the parent		-22,378	54,267
Non-controlling interests		45	5
Total comprehensive income for the period		***-22,333***	***54,272***

Azelis Deutschland Kosmetik GmbH and PT Azelis Indonesia Distribusi are the main contributors for the Non-controlling interests, see also note 26.4.

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

Consolidated Statement of Financial Position

	Note	31 December 2020	31 December 2019
(in thousands of €)			
Assets			
Goodwill	15	1,345,938	1,357,237
Intangible assets	15	821,359	840,113
Property, plant and equipment	16.1	32,304	30,219
Right of Use assets	16.2	55,657	44,325
Investments in associates	17	221	148
Other financial assets	4	775	2,597
Deferred tax assets	14	6,419	5,317
Total non-current assets		***2,262,674***	***2,279,955***
Inventories	18	267,780	262,414
Trade and other receivables	19	258,632	228,852
Income tax receivables	14	2,011	5,089
Other financial assets	4	238	1,442
Cash and cash equivalents	20	163,255	102,575
Total current assets		***691,917***	***600,370***
Total assets		***2,954,591***	***2,880,326***
Equity	21		
Share capital		11,751	11,751
Share premium		1,189,405	1,183,789
Other reserves		24,669	-22,654
Translation reserve		-80,958	12,925
Unappropriated Result		70,962	47,973
Total equity attributable to equity holders of the parent		***1,215,829***	***1,233,783***
Non-controlling interests		***2,072***	***839***
Total equity		***1,217,900***	***1,234,622***
Loans and borrowings	22	1,145,092	1,086,792
Lease obligations	22.1b	45,708	35,013
Employee benefits obligations	11	7,684	6,794
Provisions	23	3,215	2,842
Other non-current liabilities	4	7,922	8,427
Deferred tax liabilities	14	109,993	135,154
Other non-current liabilities		***1,319,614***	***1,275,022***
Bank overdrafts	20	23,560	15,959
Loans and borrowings	22	65,725	64,057
Lease Obligations	22.1b	12,351	10,504
Provisions	23	1,646	181
Income tax payables	14	5,325	3,562
Trade and other payables	24	308,471	276,419
Total current liabilities		***417,077***	***370,682***
Total liabilities		***1,736,691***	***1,645,704***
Total equity and liabilities		***2,954,591***	***2,880,326***

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

Consolidated Statement of Cash Flows

	Note	2020	2019
(in thousands of €)			
Cash flows from operating activities			
Net profit / loss (-) for the period		71,012	47,978
Adjustments for:			
Depreciation, amortisation and impairment expenses	15.16	50,927	45,744
Net financial expense	13	68,112	70,700
Income tax income / expense	14	8,075	10,253
Change in inventories	18	1,224	13,327
Change in trade and other receivables and other investments	19	4,185	1,321
Change in trade and other payables	24	-414	-39,259
Change in provisions	23	2,193	567
Cash flow from operating activities		***205,314***	***150,592***
Income tax paid		-30,722	-32,493
Interest paid		-57,574	-42,210
Net cash flow from operating activities		***117,018***	***75,889***
Cash flow from investing activities			
Acquisition of property, plant and equipment and intangible assets	15.16	-12,072	-12,296
Acquisition of subsidiaries, net of cash acquired	7	-103,279	-147,024
Net cash flow from investing activities		***-115,351***	***-159,320***
Cash flows from financing activities			
Payments of lease obligation	16b	-15,857	-12,825
Proceeds from loans and borrowings	22	78,311	118,650
Repayments from loans and borrowings	22	-	-9,000
Net cash flow from financing activities		***62,454***	***96,825***
Net (decrease) increase in cash and cash equivalents		***64,121***	***13,394***
Effect of exchange rate fluctuations on cash held		-11,041	-5,031
Cash and cash equivalents net at beginning of the period	20	86,616	78,253
Cash and cash equivalents net at 31 December	***20***	***139,695***	***86,616***

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	Translation Reserve	Unappropriated Result	Total equity holders of the parent	Non-controlling interests	Total equity
Balance as per 31 December 2018	**11,751**	**1,183,789**	**-**	**5,448**	**-21,497**	**1,179,491**	**859**	**1,180,350**
Appropriation of result prior year			-21,497		21,497	-		-
Net profit / loss (-) for the period					47,973	47,973	5	47,977
Comprehensive income			**-1,157**	7,476		6,319	**-25**	6,295
Total comprehensive income	***-***	***-***	***-1,157***	***12,924***	***101***	***11,868***	***-25***	***11,844***
Balance as per 31 December 2019	***11,751***	***1,183,789***	***-22,654***	***12,924***	***47,973***	***1,233,782***	***839***	***1,234,621***
Appropriation of result prior year			47,973		-47,973	-		-
Capital increase		5,617				5,617		5,617
Net profit / loss (-) for the period					70,962	70,962	45	71,007
Comprehensive income			**-650**	-93,883		-94,533	**1,188**	-93,345
Total comprehensive income	***-***	***-***	***-1,807***	***-86,407***	***-***	***-88,214***	***1,164***	***-87,051***
Balance as per 31 December 2020	***11,751***	***1,189,405***	***24,669***	***-80,959***	***70,962***	***1,215,828***	***2,072***	***1,217,900***

The notes are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

1. General

Azelis Holding S.à r.l. (the “Company”), formerly named Akita Midco S.à r.l., was incorporated on 25th of July 2018 and is domiciled in Luxembourg. The address of the Company is 19 rue Gabriel Lippmann, 5365 Munsbach, Luxembourg. The Company is registered in Luxembourg under the number B 226269.

The parent company of Azelis Holding S.à r.l. is Akita Topco S.à r.l., 26A Boulevard Royal, 2449 Luxembourg,

The consolidated financial statements of the Company for the period ended 31st December 2020 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, Essential and Fine Chemicals).

Azelis' business is well positioned for the Covid-19 Pandemic given its diversified specialty chemicals portfolio, particularly in Life Sciences. With its laboratories the Company was able to support its customers with many new formulations that were necessitated as a result of the changing conditions in 2020. Azelis was able to respond quickly to the crisis, and secured continuity of its supply chain. Employees were able to continue the company’s business processes while working remotely, and expenses were tightly managed consistent with the contingency plans that were already in place as a result of the annual internal review cycle. Azelis continues to watch closely the developments around Covid-19.

2. Basis of Preparation

The consolidated financial statements for the period ended December 31, 2020, were authorized for issue by the Board of Managers on 19 April 2021 and will be submitted for approval to the Shareholders' Meeting to be held on 21 April 2021.

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 2020.

Endorsement status of the new standards as at 31 December 2020

A. The following amendments and annual improvements to standards are mandatory for the first time for the financial year beginning 1 January 2020 and have been endorsed by the European Union and have been implemented by the Company:

- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance—in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
- **Amendments to the definition of material in IAS 1 and IAS 8** (effective 1 January 2020). The amendments clarify the definition of material and make IFRSs more consistent. The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The amendments are not expected to have a significant impact on the preparation of financial statements.
- **Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform** (effective 1 January 2020). The amendments require qualitative and quantitative disclosures to enable users of financial statements to understand how an entity's hedging relationships are affected by the uncertainty arising from interest rate benchmark reform.
- **Amendments to the guidance of IFRS 3 Business Combinations**, that revises the definition of a business (effective 1 January 2020). The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions across all industries, particularly real estate, pharmaceutical, and oil and gas. Application of the changes would also affect the accounting for disposal transactions.

B. The following **new amendments** have been issued, is **not mandatory** for the first time for the financial year beginning 1 January 2020 but have **been endorsed by the European Union**:

- **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.
- **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

The amendments are not expected to have a significant impact on the preparation of financial statements.

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 2020 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 1 January 2022)**,** 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. The IASB has issued an exposure draft to defer the effective date to 1 January 2023. 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 IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements** (effective 01/01/2022). 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** 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.

  The amendments are not expected to have a significant impact on the preparation of financial statements.

IFRS 16 "Leases", implemented per 1 January 2019

The standard is effective for accounting periods beginning on or after 1 January 2019 and was adopted by the group on 1 January 2019. The Group has recognized assets and liabilities for its operating leases of offices, certain warehouse facilities and company cars as per that date. In addition, the accounting for expenses related to those leases are changed, as IFRS 16 has replaced the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group has applied IFRS 16 using a modified retrospective approach with optional practical expedients. The group has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligation were recorded as of 1 January 2019 for an amount of € 44.5 million. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate. The initial rate applied in 2019 was 5%. During 2020, the incremental borrowing rate has been lowered to 4.4% for new contracts, mainly due to the lower funding costs that Azelis has as a result of its decreased leverage ratios.
The Group has elected to apply the optional exemption for low-value assets on a lease-by-lease basis. The Group has elected not to apply the optional recognition exemptions for short term leases and not for leases ending within 12 months of the date of initial application.

Implementing IFRS 16 has had a material impact on the Group's financial statements 2019, in particular:

- Lease agreements gave rise to the recognition of an asset representing the right of use for the leased item and a liability for future lease payments (€ 44.5 million as per 1 January 2019). The liability recorded for future lease payments relates to amounts payable for the "reasonably certain" period of the lease, which may include future lease periods for which the Group has extension options.
- Lease costs (around € 13 million) are being recognized as depreciation of the right of use of the asset (€ 11 million) and interest on the lease liability (€ 2 million) which will generally be discounted at the incremental borrowing rate of the Group. Interest charges will typically be higher in the early stages of a lease and will reduce over the term.
- Net Cash inflows from operating activities and payments classified within cash flow from financing activities will both increase, as those payments are made at lease inception and subsequently will be characterized as repayments of lease liabilities and interest. Net cash flows are not being impacted by IFRS 16.

The lease obligation on 1 January 2019, reported in note 25 reconciles with the recognized lease obligation as follows:

Reconciliation Operating lease Commitment

(in thousands of €)	
Operating lease commitments at 31 December 2018	0
Allowed exclusion of low-value assets	-382
Extension and termination options reasonably certain to be exercised	5,635
Effect discounting using the incremental borrowing rate	-5,082
Non lease components	-287
Lease obligations recognized at 1 January 2019	***44,314***

The adjustment on adoption of IFRS 16 as per 1 January 2019 has had the following impact on assets and liabilities.

As at 31 December	31 December 2018	Recognized on adoption of IFRS 16	1 January 2019
(in thousands of €)			
Assets			
Goodwill	1,263,684		1,263,684
Intangible assets	796,414		796,414
Property, plant and equipment	27,784		27,784
Right of Use	-	44,534	44,534
Investments in associates	108		108
Other financial assets	561		561
Deferred tax assets	4,458		4,458
Total non-current assets	***2,093,009***	***44,534***	***2,137,542***
Inventories	255,954		255,954
Trade and other receivables	199,472		199,472
Income tax receivables	3,831		3,831
Other financial assets	2,205		2,205
Cash and cash equivalents	79,391		79,391
Total current assets	***540,853***	***-***	***540,853***
Total assets	***2,633,861***	***44,534***	***2,678,395***
Equity			
Share capital	11,751		11,751
Share premium	1,183,789		1,183,789
Other reserves	0		0
Translation reserve	5,448		5,448
Unappropriated Result	-21,497		-21,497
Total equity attributable to equity holders of the parent	***1,179,491***	***-***	***1,179,491***
Non-controlling interests	***859***		***859***
Total equity	***1,180,350***	***-***	***1,180,350***
Loans and borrowings	974,127		974,127
Lease Obligations	-	35,071	35,071
Employee benefits obligations	5,724		5,724
Provisions	3,092		3,092
Other non-current liabilities	3,242		3,242
Deferred tax liabilities	137,243		137,243
Other non-current liabilities	***1,123,428***	***35,071***	***1,158,500***
Bank overdrafts	1,139		1,139
Loans and borrowings	24,675		24,675
Lease Obligation	-	9,242	9,242
Provisions	106		106
Income tax payables	4,759		4,759
Trade and other payables	299,404	220	299,624
Total current liabilities	***330,084***	***9,462***	***339,546***
Total liabilities	***1,453,512***	***44,534***	***1,498,045***
Total equity and liabilities	***2,633,861***	***44,534***	***2,678,395***

Consolidated income statement	31-12-2019	31-12-2019	31-12-2019
For the period ended 31 December	**Before IFRS 16**	**IFRS 16 impact**	**Final IFRS**
(in thousands of €)			
Revenue	2,095,009	0	2,095,009
Other operating income	***10,342***	***0***	***10,342***
Total income	2,105,350	0	2,105,350
Costs for goods and consumables	***-1,660,646***	***0***	***-1,660,646***
Gross Profit	444,704	0	444,704
Employee benefits expenses	-161,007	0	-161,007
External services and other expenses	-121,886	12,825	-109,061
Depreciation of property, plant and equipment	-3,660	-11,476	-15,135
Amortization and impairment of intangible assets	***-30,608***	***0***	***-30,608***
Operating profit / loss (-)	127,543	1,350	128,892
Financial Income	26,660	0	26,660
Financial expenses	***-95,183***	***-2,177***	***-97,361***
Net financial expense	-68,523	-2,177	-70,700
Share of result of associates	***38***		***38***
Profit / loss (-) before tax	59,058	-828	58,230
Income tax income / expense (-)	***-10,253***	***0***	***-10,253***
Net profit / loss (-) for the period from continuing operations	***48,806***	***-828***	***47,978***

Operating EBITA	161,990	1,350	163,340
Depreciation tangible assets	3,660		3,660
Depreciation Right-of-use assets		11,476	11,476
Operating EBITDA	***165,650***	***12,825***	***178,475***
IAS17 lease payments		-12,825	

Cash flows from operating activities	Before IFRS 16	IFRS 16 impact	Final IFRS
Net profit / loss (-) for the period	48,806	-828	47,978
Adjustments for:			
Depreciation, amortisation and impairment expenses	34,268	11,476	45,744
Net financial expense	68,523	2,177	70,700
Income tax income / expense	10,253		10,253
Share of result of associates	-38		-38
Change in inventories	13,327		13,327
Change in trade and other receivables and other investments	1,321		1,321
Change in trade and other payables	-39,259		-39,259
Change in provisions	567		567
Cash flow from operating activities	***137,767***	***12,825***	***150,592***
Income tax paid	-32,493		-32,493
Interest paid	-42,210		-42,210
Net cash flow from operating activities	***-74,703***	***0***	***-74,703***
Cash flow from investing activities			
Acquisition of property, plant and equipment and intangible assets	-12,296		-12,296
Acquisition of subsidiaries, net of cash acquired	-147,024		-147,024
Net cash flow from investing activities	***-159,320***	***0***	***-159,320***
Cash flows from financing activities			
Payments of lease obligation	0	-12,825	-12,825
Proceeds from loans and borrowings	118,650		118,650
Repayments from loans and borrowings	-9,000		-9,000
Net cash flow from financing activities	***109,650***	***-12,825***	***96,825***
Net (decrease) increase in cash and cash equivalents	***13,394***	***0***	***13,394***
Effect of exchange rate fluctuations on cash held	-5,031		-5,031
Cash and cash equivalents net at beginning of the period	78,253		78,253
Cash and cash equivalents net at 31 December	***86,616***	***0***	***86,616***

2.1. Financial Period

The financial period is the calendar year starting as at 1 January 2020 and ending as at 31 December 2020 (further mentioned as 2020).

The comparative period is reflecting the financial performance of the Group starting 1 January 2019 and ending at 31 December 2019.

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 2020. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

I. **Subsidiaries**

Subsidiaries are entities controlled by the Group. Control is achieved when the Group 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 Group controls an investee if, and only if, the Group 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. 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 excesses of the aggregate consideration transferred this purchase bargain is included in the profit or loss, after the Group has re-assess 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 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 cash-generating units that are expected to benefit from the synergies of the combination.

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 or 10 years for local trademarks
Customer lists	5 to 10 years
Distribution rights	5 to 22 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 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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative 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**

As of 1 January 2019, the Group is applying the new lease-standard IFRS16 using a modified retrospective approach with optional practical expedients.

On initial application, the Group has elected to record right-of-use assets based on the corresponding lease liability. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate 4.4% (during 2019 the rate applied was 5%).

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.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

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 or at fair value through other comprehensive income and at fair value through Profit and Loss (FVTPL).

Azelis classifies its debt financial instruments as at amortized costs and its financial liabilities either at amortized costs or at FVTPL. Azelis does not hold any equity instruments.

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.

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 measurement at first recognition, 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

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.

The classification of debt instrument 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').

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 debt instruments 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
Derivatives are classified as FVTPL.

II. **Impairment of financial assets**

Other than the ones recognized at FVTPL, a financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For Trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime 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 loans 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 comprises of 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. Write-downs 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 written-down inventories increases the write-down 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 actuaries using the projected unit credit method. The calculation of the defined benefit obligations is performed by qualified actuaries on an annual basis.

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.

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'.

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

Group Holding consists of all non-operating companies, including the corporate service center in Belgium and the headquarter in Luxembourg.

"Other" may include income from non-core business transactions (such as agency commission, services and termination fees), whilst some 'other operating income' (Note 9) relating to trade related recharges of operating expenses (such as freight) is reported in the operating segments revenue.

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 including bank overdrafts as presented in the explanatory notes to the cash and cash equivalents and the interest-bearing borrowings. 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 Company's credit risk.

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.

2.18. Alternative performance measures

The following alternative performance measures (non-GAAP) have been included in the financial statements since management believes that they are widely used by certain investors, securities analysts and other interested parties as supplemental measure of performance and liquidity. The alternative performance measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results, our performance or our liquidity under IFRS.

One-Off items
One-off items are not directly related to the daily performance of the Company and/or its Segments, like expenses of corporate restructurings and reorganizations, one-off costs with regard to acquisitions and mergers, financing and capital restructuring and gains or losses on sale of fixed assets.

Operating EBITA
EBITA is defined as 'operating profit' (per face of the consolidated income statement under IFRS), but before 'amortization and impairment of intangible assets'.
Operating EBITA is defined as EBITA less any One-off items.

(in € million)	2020	2019
Operating Profit per P&L according to IFRS	**147**	**129**
Add back amortization	33	31
One-off expenses	9	4
Full Year Operating EBITA	***190***	***163***

Conversion margin
Conversion margin is defined as the ratio between Operating EBITA and the gross profit.

Net working capital
The net working capital is defined as inventories plus trade receivables and less trade payables.

Free cash flow
Free cash flow is defined as Operating EBITA, plus/less changes in working capital, capital expenditures and cash taxes paid.

Cash conversion margin
Cash conversion margin is defined as free cash flow as a percentage of Operating EBITA.

3. Estimates and judgements

Use of estimates and judgements
The preparation of consolidated financial statements requires management to make 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. Actual amounts may differ from these estimates. The most critical accounting estimates in the consolidated financial statements are related to :

Note 7 - 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.

Note 15 - Intangible assets:

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. 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. Refer to the note "Intangible assets" in the section "Impairment assessment" for more detailed information.

Note 14.2 - 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 become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

Note 16.2 - 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.

Note 11.2 - 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.

4. Financial Risk Management

4.1. Overview

The Board of Managers has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and to analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Managers 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.

Risk management elements

Control environment:

- Organizational culture based on ethical conduct and compliance
- Clear responsibilities and internal rules of procedures
- Azelis' policies, management instructions and manuals
- Risk management embedded in the business processes
- In 2019 an Internal Auditor has been appointed, independently and directly reporting to the Chairman of the Audit Committee. During 2020 internal audits were performed and will be continued in 2021 according to the audit plan.

Risk assessment and control procedures:

- Identification of risks via risk self-assessment tool
- Implementing and optimization of effective and efficient control procedures on various levels of the organization

Information, communication and monitoring:

- Harmonized reporting on operations and financial results
- Monthly reviews of financial results coordinated by the Corporate Controlling
- Regular review meetings between Group and local Management

Overview financial risks

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

4.2. 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:

	2020	2019
(in thousands of €)		
Trade and other receivables	258,632	228,852
Cash and cash equivalents	163,255	102,575
Other financial assets	1,013	4,039
	422,901	***335,466***

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 operates a locally controlled credit insurance program for the majority of its revenue.

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 allowance is analyzed below:

2020	Gross	%	Impairment	%
(in thousands of €)				
Current and less than 1 month	171,387	**73.1%**	411	**2.6%**
Between 1 month and less than 3 months	48,027	**20.5%**	517	**3.3%**
From 3 months and less than 6 months	2,955	**1.3%**	2,720	**17.3%**
More than 6 months	12,115	**5.2%**	12,115	**76.9%**
	234,483	***100.0%***	***15,763***	***100.0%***

2019	Gross	%	Impairment	%
(in thousands of €)				
Current and less than 1 month	149,524	**72.4%**	5	**0.1%**
Between 1 month and less than 3 months	48,742	**23.6%**	60	**0.8%**
From 3 months and less than 6 months	2,283	**1.1%**	1,599	**20.9%**
More than 6 months	5,972	**2.9%**	5,972	**78.2%**
	206,521	***100.0%***	***7,636***	***100.0%***

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

	2020	2019
(in thousands of €)		
Balance at 1 January	7,636	7,797
Business combinations	6,948	466
Provisions made in the year	2,354	98
Decrease on impairment losses	-486	-748
Exchange rate differences	-690	24
Balance at 31 December	***15,763***	***7,636***

II. **Cash**

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

III. **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

4.3. 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 demand and unused credit facilities to meet expected operational expenses for the respective planning horizon, including the servicing of financial obligations: this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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:

2020	Carrying amount	Undiscounted contractual Cash flows	Less than 1 Year	1 to 5 Years	More than 5 Years
(in thousands of €)					
Loans and borrowings	1,210,817	1,495,351	74,980	1,175,900	244,472
Lease obligation (IFRS16)	58,058	58,058	12,457	30,134	15,467
Trade and other payables	316,393	316,393	316,393	-	-
Bank Overdraft	23,560	23,560	23,560	-	-
	1,608,828	***1,893,362***	***427,390***	***1,206,034***	***259,939***

Loans and borrowings mainly to be repaid in 2025.

2019	Carrying amount	Undiscounted contractual Cash flows	Less than 1 Year	1 to 5 Years	More than 5 Years
(in thousands of €)					
Shareholder funds	1,150,850	1,355,534	54,551	137,855	1,163,128
Lease obligation (IFRS16)	45,517	45,517	11,424	22,694	11,399
Trade and other payables	284,846	284,846	284,846	-	-
Bank Overdraft	15,959	15,959	15,959	-	-
	1,497,172	***1,701,856***	***366,780***	***160,549***	***1,174,527***

4.4. 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:

	2020	2020	2020	2019	2019	2019
(in thousands)	**USD**	**GBP**	**CAD**	**USD**	**GBP**	**CAD**
Trade receivables	95,289	1,820	41,973	91,858	2,822	7,540
Cash and cash equivalents	27,396	1,122	6,954	17,249	2,759	745
Trade payables	-82,067	-2,710	-27,384	-94,072	-4,524	-2,083
Gross balance sheet exposure	***40,618***	***232***	***21,543***	***15,035***	***1,057***	***6,202***

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.

	2020		2019	
(in thousands of €)	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
USD	-3,693	-3,693	-1,367	-1,367
CAD	-1,958	-1,958	-564	-564
GBP	-21	-21	-96	-96

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. The Board of Management assesses on a regular basis it'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 basis. The interest rate risk of the new syndicated external debt is partly covered through a swap transaction in which the floating interest rate has been capped until February 2022.

The changed interest rates in 2020 versus 2019 have been achieved on the basis of Azelis' improved leverage ratio's during 2020, resulting into lower interest rates, and in accordance with the existing agreements with the Lenders' Syndicate.

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:

	2020	2019
(in thousands of €)		
Variable rate instruments		
Financial assets	163,255	102,575
Financial liabilities	-1,292,435	-1,212,325
	-1,129,180	***-1,109,751***

The interest rate risk of the new syndicated external debt is covered for ca. 50% through a swap transaction in which the floating interest rate has been capped until February 2022. The changed interest rates in 2020 versus 2019 have been achieved on the basis of Azelis' improved leverage ratio's during 2020, resulting into lower interest rates, and in accordance with the existing agreements with the Lenders' Syndicate.

VI. **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 - 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***

	Profit or loss - 2019		Equity - 2019	
(in thousands of €)	**100 bp**	**100 bp**	**100 bp**	**100 bp**
	Increase	*Decrease*	*Increase*	*Decrease*
Variable rate instruments	-12,123	12,123	-12,123	12,123
Cash flow sensitivity (net)	***-12,123***	***12,123***	***-12,123***	***12,123***

4.5. 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.

4.6. Financial instruments: fair value and hierarchy

On a selective basis, the Group has outstanding foreign exchange 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. 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. The fair value of the forward exchange contracts is calculated as the discounted value of the difference between the contract rate and the current forward rate and is classified as Level 2 (see note 2.18 – Basis of preparation).

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

Amount of financial instruments recognized in balance sheet

2020	Note	Financial assets & liabilities at fair value through P&L	Financial assets/ liabilities measured at amortized cost	Financial asset at FVOCI	Total book value	Level 1	Level 2	Level 3	TOTAL FAIR VALUE
(in thousands of €)									
Assets									
Non current assets									
Other Financial receivables	4		624		**624**		624		**624**
Other investments	4		151		**151**		151		**151**
Current assets									**0**
Trade receivables	19		218,721		**218,721**		218,721		**218,721**
Other receivables	19		39,912		**39,912**		39,912		**39,912**
Derivatives	4	238			**238**		238		**238**
Cash & Cash equivalents	20		163,255		**163,255**		163,255		**163,255**
Total financial assets		***238***	***422,663***	***0***	***422,901***	***0***	***422,901***	***0***	***422,901***
Liabilities									
Non Current Liabilities									
Interest bearing	21		1,145,092		**1,145,092**		1,145,092		**1,145,092**
Non-interest bearing	21				**0**				**0**
Derivatives	4				**0**				**0**
Other Financial liabilities			7,922		**7,922**		7,922		**7,922**
Current liabilities									**0**
Interest bearing	22		65,725		**65,725**		65,725		**65,725**
Overdraft	20		23,560		**23,560**		23,560		**23,560**
Trade payables	24		236,969		**236,969**		236,969		**236,969**
Other current payables excl derivatives	24		71,278		**71,278**		71,278		**71,278**
Derivatives	24		224		**224**		224		**224**
Total financial liabilities		***0***	***1,550,770***	***0***	***1,550,770***	***0***	***1,550,770***	***0***	***1,550,770***

2019	Note	Financial assets & liabilities at fair value through P&L	Financial assets/ liabilities measured at amortized cost	Financial asset at FVOCI	Total book value	Level 1	Level 2	Level 3	TOTAL FAIR VALUE
(in thousands of €)									
Assets									
Non current assets									
Other Financial receivables	4		2,477		**2,477**		2,477		**2,477**
Other investments	4		120		**120**		120		**120**
Current assets									**0**
Trade receivables	19		198,885		**198,885**		198,885		**198,885**
Other receivables	19		29,967		**29,967**		29,967		**29,967**
Derivatives	4	1,442			**1,442**		1,442		**1,442**
Cash & Cash equivalents	20		72,086		**72,086**		72,086		**72,086**
Total financial assets		***1,442***	***303,535***	***0***	***304,977***	***0***	***304,977***	***0***	***304,977***
Liabilities									
Non Current Liabilities									
Interest bearing	21		1,086,792		**1,086,792**		1,086,792		**1,086,792**
Non-interest bearing	21				**0**				**0**
Other Financial liabilities			8,427		**8,427**		8,427		**8,427**
Current liabilities									**0**
Interest bearing	22		64,057		**64,057**		64,057		**64,057**
Overdraft	20		15,959		**15,959**		15,959		**15,959**
Trade payables	24		227,588		**227,588**		227,588		**227,588**
Other current payables excl derivatives	24		48,501		**48,501**		48,501		**48,501**
Derivatives	24		330		**330**		330		**330**
Total financial liabilities		***0***	***1,451,655***	***0***	***1,451,655***	***0***	***1,451,655***	***0***	***1,451,655***

Derivatives comprise forward foreign exchange contracts maturing within one year and classified as Fair Value through Profit and Loss.

5. Capital Management

The Board of Managements' 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 of Management monitors the return on capital. The Board 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:

	2020	2019
(in thousands of €)		
Equity	1,217,900	1,234,622
Other interest borrowing loans	1,292,435	1,212,325
Less : Cash & Cash equivalent	-163,255	-102,575
Total Capital	***2,347,080***	***2,344,372***

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, that provides in all these regions its distribution services of specialty chemicals.

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

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 'Operating EBITA'. Operating EBITA is defined as 'operating result' (per face of the income statement under IFRS), but before 'amortization and impairment expenses' and excluding One-off items. One-off items are not directly related to the daily performance of the segments, like expenses of corporate restructurings and reorganizations including one-off costs with regard to acquisitions.

While the amounts included in Operating EBITA are derived from the Group's financial information, it is not a financial performance measure determined in accordance with adopted IFRS and should not be considered as the performance indicator as included in the Consolidated Income Statement. The Group currently uses Operating EBITA in its business operations to, among others, develop budgets, measure its performance against those budgets and evaluate the performance of its operations.

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 segments. [3]

The reconciliation from the IFRS consolidated financial statements towards Operating EBITA is summarized as follows:

(in € million)	2020	2019
Operating Profit per P&L according to IFRS	**147**	**129**
Add back amortization	33	31
One-off expenses	9	4
Full Year Operating EBITA	***190***	***163***

Amortization and impairment expenses mainly relate to the amortization of intangible assets.

The One-off items of € 9 million are not directly related to the performance of the Group, like expenses of corporate restructurings and reorganizations, and acquisition-related expenses in connection with costs of due diligence and external advisors.
In 2019 the One-off items mainly related to post-acquisition and integration costs (€ 4 million).

[3] Alternative performance measures (non-GAAP) such as EBITA and Net Working Capital included in this report, we refer to Note 2.19 of the financial statements.

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

2020	EMEA	Americas	Asia-Pacific	Group Holding & other	Total
(in thousands of €)					
Revenue	**1,034,249**	**952,573**	**237,726**	**-1,653**	**2,222,896**
Gross profit	**238,602**	**199,365**	**45,272**	**2,840**	**486,080**
Operating EBITA	**98,410**	**95,239**	**14,978**	**-19,074**	**189,553**
Operating profit					147,198
Net Working Capital	84,457	114,838	56,497	-5,434	250,357

2019	EMEA	Americas	Asia-Pacific	Group Holding & other	Total
(in thousands of €)					
Revenue	**942,907**	**915,845**	**237,003**	**-746**	**2,095,009**
Gross profit	**209,614**	**185,291**	**43,482**	**6,317**	**444,704**
Operating EBITA	**84,263**	**82,535**	**12,900**	**-16,358**	**163,340**
Operating profit					128,892
Net Working Capital	56,420	123,033	57,757	-1,832	235,377

'Other' includes income from non-core business such as agency commissions (€6.8 million in 2020 and € 5.2 million in 2019), as well as the operating expenses for the Group Holding activities.

The Group has a diverse customer base in all of its reportable segments and has no individual material customers which may need to be reported.

7. Business combinations

The Group completed the below acquisitions during the financial year 2020:

On 13 January 2020, Azelis acquired 100% of the shares of Megafarma S.A, a Mexican distributor in the pharma and food segment. Megafarma contributed € 27 million to the Group's revenue, € 6.3 million of gross profit, € 2.4 million of Operating EBITA and a positive € 1.2 million to the Group's net result.

On 5 February 2020, Azelis acquired 100% of the shares of the Orkila Group, a specialty distributor in Africa and Middle East. Orkila contributed € 74.2 million to the Group's revenue, € 15.2 million of gross profit, € 2.9 million of Operating EBITA and a positive € 2.6 million to the Group's net result.

On 27 February 2020, Azelis acquired the distribution activities of S. Zhaveri Pharmakem Pvt. Ltd. in India for the pharmaceutical industry. This acquisition meets the definition of a business combination. Zhaveri contributed € 9 million to the Group's revenue, € 1.9 million of gross profit, € 1.4 million of Operating EBITA and a positive € 1.4 million to the Group's net result.

On 1 April 2020, Azelis acquired 100% of the shares of Cosbond China Limited, Beijing Cosbond Trading Co, Ltd and Cosbond International Trading, a distributor group in the personal care market in China. Cosbond contributed € 16.8 million to the Group's revenue, € 3.2 million of gross profit, € 1.4 million of Operating EBITA and a positive € 1.4 million to the Group's net result.

On 1 July 2020, Azelis acquired the distribution activities of PT Primaditha Jaya Mandiri in Indonesia. They are specialized in import and distribution of food ingredients for processed meat, beverage and other food segments. This acquisition meets the definition of a business combination. Primaditha contributed € 1.4 million to the Group's revenue, € 0.3 million of gross profit, € 0.2 million of Operating EBITA and a positive € 0.2 million to the Group's net result.

On 31 July 2020, Azelis acquired 100% of the shares of the Orokia Israel Ltd, a specialty chemical distributor in Israel. Orokia contributed € 2.5 million to the Group's revenue, € 0.9 million of gross profit, € 0.2 million of Operating EBITA and a positive € 0.1 million to the Group's net result.

On 1 December 2020, Azelis acquired 100% of the shares of Bronson & Jacobs Limited and Bronson & Jacobs International Trading, a distributor in the personal care market in China. Bronson & Jacobs contributed € 1.4 million to the Group's revenue, € 0.3 million of gross profit, € 0.1 million of Operating EBITA.

2020	Megafarma, S.A. de C.V.	Zhaveri	Primaditha	Cosbond	Orkila Group	Orokia Israel Ltd.	Bronson & Jacobs	Total
(in thousands of €)								
Assets acquired and liabilities assumed								
Distribution rights	11,738	3,911	-	7,306	2,281	2,484	-	27,720
Other intangible assets	-	-	2,616	0		-	-	2,616
Property, plant and equipment	89	4	85	40	1,357	66	64	1,705
Deferred tax assets	222	95	-	-	-	6	280	604
Inventories	4,185	596	323	4,419	11,913	571	1,217	23,224
Trade and other receivables	6,607	2,983	-	12,725	17,102	2,256	3,108	44,780
Cash and cash equivalents	1,541	-	-	1,383	4,220	1,057	2,847	11,048
Loans and borrowings current	-1,230	-	-	-	-	-	-	-1,230
Deferred tax liabilities	-3,521	-	-	-1,616	-535	-540	-	-6,212
Trade and other payables	-6,037	-1,436	-	-10,789	-14,478	-642	-1,728	-35,110
Loans and borrowings	-	-	-	-	-15,996	-	-	-15,996
Provisions	-	-	-	-	-1,275	-	-	-1,275
Total fair value identified assets acquired and liabilities assumed	***13,593***	***6,154***	***3,024***	***13,469***	***4,589***	***5,258***	***5,788***	***51,960***
Consideration transferred	26,472	12,051	3,024	20,057	30,532	6,581	6,614	105,331
Goodwill	***12,880***	***5,898***	***-***	***6,588***	***25,943***	***1,323***	***826***	***53,456***

No indemnification assets or contingent liabilities had to be recognized in the business combinations. The fair values of the acquired net assets, based on a provisional assessment, are summarized in the table above. The considerations are paid for in cash or as deferred payments for earn out, this contingent consideration amounts to € 4.8 million . 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. The amortization of goodwill is not tax deductible. The trademark and the distribution rights have been valued based upon the expected return being generated through our strategic mandates. In the line Trade and other receivables an amount of € 6.7 million is included 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. In 2020, an amount of € 0.8 million has been directly recognised in profit or loss.

If the above share acquisitions would have occurred at the start of 2020, management estimates that the consolidated revenue would have been € 2.258 million, the consolidated EBITA would have been € 193 million and the consolidated result for the year would have been € 71 million.

During 2020, the Group incurred acquisition-related expenses of € 7.1 million (2019: € 3.4 million) in total in connection with the costs of external advisors, due diligence and fees paid to the institutions involved. These one-off costs are recognized in the consolidated income statement under the line external services.

2019	Deafarma S.r.l.	Euroconsultant Sp.z.o.o	Chemroy Canada Holdings Inc.	Ekin Kimya Ticaret S.A.	MK ingredients	Total
(in thousands of €)						
Assets acquired and liabilities assumed						
Distribution rights	5,380	7,286	36,187	8,515	3,341	60,709
Other intangible assets	1	-	-	34	-	35
Property, plant and equipment	75	4	295	120	10	504
Deferred tax assets	68	-	-	-	-	68
Inventories	149	431	9,005	5,418	1,171	16,174
Trade and other receivables	2,348	418	14,085	8,237	1,005	26,093
Cash and cash equivalents	3,027	362	218	5,152	-	8,759
Deferred tax liabilities	-1,532	-1,384	-9,392	-1,866	-901	-15,075
Trade and other payables	-3,321	-761	-6,241	-5,661	-652	-16,636
Loans and borrowings	-27	-	-10,203	-	-	-10,230
Employee benefit	-168					-168
Total fair value identified assets acquired and liabilities assumed	***6,000***	***6,356***	***33,955***	***19,949***	***3,975***	***70,235***
Consideration transferred	10,461	9,786	75,477	46,084	5,394	147,201
Goodwill	***4,461***	***3,430***	***41,521***	***26,135***	***1,419***	***76,966***

During the financial year 2019 the Group acquired the below entities :

On 6 February 2019, Azelis acquired 100% of the shares of Deafarma S.r.l. (Deafarma), an Italian distributor of active pharmaceutical ingredients. Deafarma contributed € 14 million to the Group's revenue, € 2.5 million of gross profit, € 1.6 million of Operating EBITA and a positive € 0.9 million to the Group's net result.

On 28 February 2019, Azelis acquired the distribution activities of MK Ingredient & Specialties and SSD Industries in India (MK). This acquisition meets the definition of a business combination. MK contributed € 6.4 million to the Group's revenue, € 1.3 million of gross profit, € 0.8 million of Operating EBITA and a positive € 0.8 million to the Group's net result.

On 7 March 2019, Azelis acquired 100% of the shares of Chemroy Canada Holdings Inc. through the acquisition of all shares and so acquired indirectly 100% of the shares of Chemroy Canada Inc. Chemroy is a Canadian specialty chemical distributor, predominantly active in the Case, Food and Nutraceutical segments. Chemroy contributed € 69.8 million to the Group's revenue, € 13.6 million of gross profit, € 8.3 million of Operating EBITA and a positive € 4.6 million to the Group's net result.

On 28 March 2019, Azelis acquired 100% of the shares of Euroconsultant S.C. (Euroconsultant). Euroconsultant is a Polish distributor of smoke condensates and flavours, predominantly for the meat market. After gaining control, Euroconsultant contributed € 3.4 million to the Group's revenue. € 1.0 million of gross profit, € 0.6 million of Operating EBITA and a positive € 0.2 million to the Group's net result.

On 16 December 2019, Azelis acquired 100% of the shares of Ekin Kimya Ticaret (Ekin). Ekin is a Turkish specialty chemical distributor of pharma chemicals.

No indemnification assets or contingent liabilities had to be recognized in the business combinations. The fair values of the acquired net assets are summarized in the table above. The considerations are paid for in cash or as deferred payments for earn out. 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. The amortization of goodwill is not tax deductible. The trademark and the distribution rights have been valued based upon the expected return being generated through our strategic mandates.

If the above share acquisitions would have occurred at the start of 2019, management estimates that the consolidated revenue would have been € 2.159 million, the consolidated EBITA would have been € 178 million and the consolidated result for the year would have been € 53.2 million.

8. Revenue

	2020	2019
(in thousands of €)		
Revenue from sales, net of discounts	2,213,601	2,087,750
Revenue from commercial services	2,496	2,055
	2,216,097	***2,089,806***
Commissions received	6,800	5,203
	2,222,896	***2,095,009***

In the operating segments reporting (note 6), the classification on Revenue is as follows: Commission income and services recharged to customers that are directly related to the revenue are shown as Revenue in Note 6. In the IFRS statements this is part of Note 9, Other operating income for an amount of € 8.5 million.

9. Other Operating Income

	2020	2019
(in thousands of €)		
Recharge of expenses to customers	8,551	6,000
Other operating income	1,917	4,342
	10,468	***10,342***

The other operating income 2019 includes a one-off insurance income of € 2.5 million.

10. Costs for goods and consumables

	2020	2019
(in thousands of €)		
Purchase of goods including movement in inventory	1,711,602	1,629,363
Freight and additional charges on purchases	35,683	31,283
	1,747,285	***1,660,646***

11. Employee benefits

11.1. Expenses

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

	2020	2019
(in thousands of €)		
Wages and salaries and other personnel related expenses	161,317	141,219
Social charges	19,852	19,788
	181,169	***161,007***

The average number of employees located in the geographical areas is set out below:

	2020	2019
EMEA	1,391	1,123
Americas	613	574
Asia Pacific	426	365
	2,430	***2,062***

11.2. Defined obligation benefit schemes

The Group is subject to the following defined benefit obligations:

	2020	2019
(in thousands of €)		
German companies	856	855
Belgian companies	6,706	5,942
French companies	1,244	1,290
Italian companies	1,740	1,666
Total present value of unfunded obligations	***10,546***	***9,753***
Present value of funded obligations (Azelis UK)	9,107	8,592
Total present value of obligations	***19,653***	***18,345***
Fair value of plan assets	-12,839	-12,184
Recognised liability for defined benefit obligations	***6,814***	***6,161***
Liability for long-service leave and other employees benefits	870	633
Total employee benefits recognised in the balance sheet	***7,684***	***6,794***

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 € 2.4 million (€ 1.7 million in 2019) in the year included in 'Wages and 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. Law Vandenbroucke states that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions.

This law was amended as follows:

- 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 2020 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: € 0.5 million (€ 0.5 million in 2019)
- Amount of the plan assets at 31st December 2020: € 6.4 million (€ 5.7 million in 2019)

United Kingdom

In the UK, the defined benefit pension plan is financed through the accumulation of plan assets held separately from those of the Company in an independently administered fund.

Actuarial calculations have been made per 31st December 2020 and these were recognized in the balance sheet. The duration of Scheme obligations at 31 December 2020 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: € 0.3 million (€ 0.2 million in 2019)
- Amount of the plan assets at 31st December 2020 : € 6.5 million (€ 6.4 million in 2019).

Actuarial assumptions

The actuarial calculations of the present value of defined benefit obligations were based on the following main assumptions:

	2020	2019
Discount rate	0.3%-1.5%	0.4% - 2.1%
Inflation	5%	5%
Future pensions increases	2.5% - 2.9%	2.0 %- 2.5%
Future salary increases	0% - 2.4%	0 %- 2.5%

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 € 19.7 million or € 21.6 million, respectively.

The benefits paid are mainly related to France, Italy and UK. The 2021 benefits to be paid are expected to be in line with the 2020 benefits.

The following table shows the changes in the present value of the defined benefit obligations:

(in thousands of €)	2020	2019
Liability for defined benefit obligations at the beginning of period	**18,333**	**15,651**
Current service costs and interest	1,001	911
Benefits paid	-360	-1,711
Remeasurement arising from changes in demographic assumptions	72	1,235
Remeasurement arising from changes in financial assumptions	1,144	1,841
Remeasurement arising from experience	-84	-127
Business combination	-	166
Exchange rate differences	-446	367
Liability for defined benefit obligations at 31 December	***19,660***	***18,333***

The following table shows the changes in the plan assets.

(in thousands of €)	2020	2019
Fair value of plan assets at the beginning of the period	**12,184**	**10,791**
Contributions paid into the plan	902	252
Benefits paid by the plan	-115	-954
Expected return on plan assets	173	173
Return on assets excluding amounts in net interests	41	1,601
Exchange rate differences	-347	321
Fair value of plan assets at 31 December	***12,838***	***12,184***

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:

	2020	2019
(in thousands of €)		
Current service costs	-735	-594
Interest on obligation	-46	-318
Interest on assets	173	173
	-608	***-739***

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:

	2020	2019
(in thousands of €)		
Return on assets, excluding amounts in net interests	41	1,601
Actuarial gains and losses on benefit obligations	-1,033	-2,995
	-992	**-1,394**

12. External services and other expenses

	2020	2019
(in thousands of €)		
Distribution	50,507	50,111
Utilities, communication, insurance and administrative expenses	21,911	27,334
Commercial expenses	2,882	5,011
Professional service fees	19,210	13,304
Lease expenses	1,885	2,264
Other expenses	10,390	11,037
	106,785	***109,061***

The professional services & other expenses of 2020 include one-off expenses of € 7.7 million, mainly related to costs with regard to our M&A-activities (for 2019 : € 3.4 million, also mainly M&A-related).

Audit fees included under professional service fees in the above table :

(in thousands of €)	2020	2019
Audit Fees :		
Total fees for the audit of the annual accounts	1,249	1,165
Total fees for audit by non-PWC companies	205	142
Non Audit fees paid to group auditor network :		
Total fees for other non-audit services	24	78
	1,478	***1,385***

13. Net financial expenses

(in thousands of €)	2020	2019
Financial income		
Interest income	871	501
Other financial income	4,021	181
	4,892	***682***
Financial expenses		
Interest expense on bank loans and overdrafts	-55,692	-57,202
Interest lease commitments	-2,694	-2,202
Transaction costs for bank loans	-3,992	-3,904
Gains on changes in fair value of derivatives	-162	88
Foreign exchange losses	-5,053	-3,283
Other financial expenses	-5,412	-4,879
	-73,004	***-71,382***

Transaction costs for bank loans includes the non-cash impact of expensing capitalized transaction costs, as a consequence of the changes in loans and borrowings (note 22).

The foreign exchange losses include for the majority unrealized translation of intercompany loans, mainly with regard 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:

	2020	2019
(in thousands of €)		
Current period tax expense (-) / income	-33,107	-29,210
Adjustments to prior years income tax expense (-) / income	-797	-815
Provisions for tax risks	-962	432
	-34,866	***-29,593***
Deferred tax income / loss (-)	26,791	19,340
Total income tax income / expense (-)	***-8,075***	***-10,253***

Income tax expense consists primarily of income taxes for the current period and prior period of Group companies.

The differences between the taxable income related to the Luxembourg tax rate 24.94 % (2019 tax rate : 24.94%) and the effective tax rate are reconciled as follows:

	2020	2019
(in thousands of €)		
Profit/loss (-) before tax	79,086	58,230
Income tax using the domestic corporation tax rate (24,94%)	-19,724	-14,505
Impact of tax in different jurisdictions with difference to domestic rate	2,014	-2,111
Tax effect of expenses not deductible for tax purposes	-2,893	-1,985
Tax effect of income not subject to tax	195	74
Recognition of previously unrecognised tax losses	123	859
Tax losses for which no deferred income tax asset was recognized	-10,436	-4,551
Reversal Deferred tax liabilities on intangibles	75,000	-
Adjustments on applicable tax rate	-	1,028
Deferred tax asset on stand-alone carry forward losses	-53,753	10,420
Other	1,399	517
Total income tax income / expense (-) in income statement	***-8,075***	***-10,253***

Income tax expenses in Consolidated Statement of Other Comprehensive Income

The tax included in other comprehensive income is related to:

	2020	2019
(in thousands of €)		
Relating to actuarial gains and losses on pensions obligations	167	178
	167	***178***

14.2. Deferred taxes

Deferred tax assets and liabilities are attributable to the following:

2020	1 January	Business combinations	Income statement	OCI	Other	Translation differences	31 December
(in thousands of €)							
Property, plant and equipment	**702**	-	-413	-	15	-88	**216**
Intangible assets	**-197,293**	-6,390	82,284	-	664	5,024	**-115,711**
Inventories	**2,787**	450	-327	-	61	-163	**2,809**
Trade receivables	**483**	358	300	-	37	-83	**1,095**
Loans and borrowings	**3**	-	-	-	-	-5	**-1**
Employee benefits	**1,240**	-	385	15	-100	-28	**1,512**
Provisions, derivatives and other items	**123**	-	394	-	6	127	**650**
Untaxed reserves	**6,684**	-	-1,584	-	-3	-748	**4,348**
Tax value of loss carry-forwards	**55,432**	134	-54,289	-	-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, the Group has decided to move the intellectual property (IP) from Luxembourg to Antwerp (Belgium) in the course of 2020. 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 we lowered the tax value of the carry forward losses accordingly.

2019	1 January	Business combinations	Income statement	OCI	Other	Translation differences	31 December
(in thousands of €)							
Property, plant and equipment	**-700**	-13	155	-	1,270	-10	**702**
Intangible assets	**-187,788**	-15,288	8,068	-	-977	-1,309	**-197,293**
Inventories	**2,788**	160	-82	-	-66	-13	**2,787**
Trade receivables	**433**	27	28	-	-3	-1	**483**
Employee benefits	**996**	7	225	142	160	-290	**1,240**
Provisions, derivatives and other items	**-30**	37	140	-	37	-61	**123**
Untaxed reserves	**4,452**	-	2,157	-	-	76	**6,684**
Tax value of loss carry-forwards	**47,064**	101	8,650	-	-265	-118	**55,432**
	-132,785	***-14,968***	***19,340***	***142***	***160***	***-1,727***	***-129,837***
Deferred Tax liability	**-137,243**						**-135,154**
Deferred Tax assets	**4,458**						**5,317**
	-132,785						***-129,837***

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.

Deferred tax assets and liabilities are expected to be recovered or settled over time as follows :

	Deferred tax assets	Deferred tax liabilities
(in thousands of €)		
To be recovered after more then 12 months	5,131	108,670
To be recovered within 12 months	1,288	1,323
	6,419	***109,993***

14.3. Unrecognized deferred income tax assets

The following deferred tax assets related to compensable losses of Group companies acquired have not been recognized :

(in thousands of €)	2020 Gross	2020 Tax	2019 Gross	2019 Tax
Tax losses	277,476	69,203	46,184	12,012
	277,476	**69,203**	**46,184**	**12,012**

Unrecognized carry forward losses of € 124.2 million (for 2019 : € 17.8 million) can be used unlimited in time and € 148.9 million (for 2019 :€ 28.4 million for period 2020-2034) need to be used during the period 2021-2037.

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, as currently the timing of realization is unsure.

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
	1,263,686	**317,378**	**469,373**	**1,539**	**362**	**39**	**2,105**	**5,616**	**2,060,098**
Changes in 2019									
Business combination	**76,966**	**-**	**60,709**	**-**	**-**	**-**	**58**	**-**	**137,734**
Additions	**-**	**-**	**759**	**10**	**-**	**507**	**4,554**	**1,352**	**7,182**
Amortisation	**-**	**-**	**-26,432**	**-729**	**-86**	**-168**	**-867**	**-2,476**	**-30,758**
Impairment charge									**-**
Disposals									**-**
Reclassifications	**-3**	**-**	**-1**	**16**	**-1**	**1**	**11**	**-32**	**-9**
Translation differences	**16,587**	**-**	**6,442**	**-0**	**-**	**73**	**3**	**-0**	**23,105**
Changes in the Period	***93,551***	***-***	***41,477***	***-704***	***-87***	***413***	***3,759***	***-1,157***	***137,253***
At 31 December 2019									
Cost	1,357,237	317,378	540,797	1,707	399	621	6,816	7,565	**2,232,520**
Accumulated amortization and impairment	-	-	-29,947	-872	-125	-168	-951	-3,106	**-35,169**
	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	0	-	-28,591	-2,909	-87	-321	-1,318	-0	**-33,225**
Reclassifications	-1,987	-	1,231	4,592	5,789	590	-4,391	-4,352	**1,473**
Translation differences	-62,600	-	-23,859	-122	-0	-159	-73	-13	**-86,826**
Changes in the Period	***-11,299***	***-***	***-23,253***	***1,579***	***5,709***	***3,029***	***-1,504***	***-4,315***	***-30,054***
At 31 December 2020									
Cost	1,345,938	317,378	546,136	6,194	6,195	3,971	6,630	3,250	**2,235,692**
Accumulated amortization and impairment	0	-	-58,539	-3,781	-211	-489	-2,269	-3,106	**-68,394**
	1,345,938	***317,378***	***487,597***	***2,414***	***5,984***	***3,482***	***4,361***	***144***	***2,167,297***

The other intangibles include development costs and customer lists - see note 7 for the acquired businesses in the period.

The translation differences of € -86.9 million (2019: € 23.1 million) are recognised in other comprehensive income and accumulated in the translation reserve within equity. Reference is made to Paragraph 21.4.

15.1. Allocation of assets for impairment testing

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

	2020	2019
(in thousands of €)		
APAC	217,926	213,588
EMEA	585,234	569,760
AMERICAS	542,778	573,889
Total Goodwill	***1,345,938***	***1,357,237***

All goodwill acquired in the business combinations has been allocated to a cash-generating unit at the end of the reporting period. The goodwill has been allocated to the cash-generating unit based upon the percentage of headroom before goodwill allocation.

Trademarks with a book value of € 317.4 million (2019: € 317.4 million) have an indefinite life. The impairment test on the recoverable amount show sufficient headroom over the carrying amounts of its indefinitely lived intangible assets.

15.2. Impairment assessment

A cash-generating unit (CGU) represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

The impairment tests have been determined by discounting future cash flows from continuing operations of the unit. The recoverable amount of the cash-generating unit as at 31st December 2020, has 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 Operating 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 CGU.

The WACC is estimated per CGU and varies mainly due to differences in risk free rates. The risk-free rates per CGU are based on the weighted average of the rate of return on local sovereign bonds. The terminal growth rates are assessed versus industry benchmarks by region.

The WACC and growth rates, part of the terminal value used per CGU are as follows:

Cash Generating Unit	2020		2021-2025 assumptions	
	WACC	**Growth rate for terminal value**	**Sales Growth**	**Margin % Growth**
APAC	9.49%	6%	11.6%	0.35%
EMEA	6.46%	2%	3.5%	0.10%
AMERICAS	7.16%	2%	4.0%	0.42%

	2019		**2020-2024 assumptions**	
	WACC	**Growth rate for terminal value**	**Sales Growth**	**Margin % Growth**
APAC	8.94%	6%	9.8%	0.80%
EMEA	8.07%	2%	3.9%	0.76%
AMERICAS	7.52%	2%	5.3%	0.54%

The impairment test on the recoverable amount of afore mentioned CGU show sufficient headroom on the carrying amount of the Goodwill.

Sensitivity to changes in assumptions

EMEA

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growth rate in the terminal value with 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 2021-2025 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.

AMERICAS

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growth rate in the terminal value with 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 2021-2025 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.

APAC

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growth rate in the terminal value with 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 2021-2025 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.

Overall

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growth rate in the terminal value with 1%, no impairment loss would have to be recognized on the other intangibles assets and trademark.

If we would lower the Sales growth in the overall assumptions used for the period 2021-2025 with an average of 1% or if we would lower the margin % by 1%, there is no indicator for any impairment on the other intangible assets and trademark.

16. Property, plant and equipment - Right of use assets

16.1 Property, Plant and Equipment

	Land and buildings	Plant and equipment	Other	Total
	18,988	**3,679**	**5,116**	**27,784**
Changes in 2019				
Acquisitions of business	-	332	172	**504**
Additions	1,300	2,440	2,443	**6,182**
Depreciation	-818	-912	-1,874	**-3,603**
Impairment charge				**-**
Disposals	-949	-32	-254	**-1,235**
Reclassifications	-	1	395	**396**
Translation differences	72	41	77	**190**
Changes in the Period	***-395***	***1,870***	***960***	***2,435***
At 31 December 2019				
Cost	19,583	6,677	8,338	34,599
Accumulated depreciation and impairment	-990	-1,128	-2,262	-4,380
	18,594	***5,549***	***6,076***	***30,219***
Changes in 2020				
Acquisitions of business	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***	***149***	***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***

The reclassification relates mainly to internal project costs which are recognized at year-end as intangibles.

Other mainly relate to assets under construction and leasehold improvements.

Security

At 31st December 2020, the Group pledged land and buildings, plant and equipment as security for the bank loans with a book value of € 32 million (2019: € 30 million). 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
Changes in 2019			
Opening balances	36,480	8,054	**44,534**
Acquisitions of business	385	20	**404**
Additions	5,065	4,432	**9,496**
Depreciation	-7,720	-3,699	**-11,418**
Disposals	-24	-131	**-155**
Remeasurements	1,114	60	**1,174**
Translation differences	269	21	**290**
Changes in the Period	***35,569***	***8,756***	***44,325***
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			
Acquisitions of business	-	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***

Remeasurements mainly relate to the prolongation of the lease period of existing contracts and to the change of the IBR to 4.4% (during 2019 the rate applied was 5%)

17. Investments in associates

The summary of available aggregated figures of the associates, being a 50% investment in Chemlog S.A.S (see note 26.4) is:

	Assets	Liabilities	Equity	Revenue	Net result for the period
(in thousands of €)					
31 December 2020	647	297	350		
31 December 2019	647	297	350	1,569	74

18. Inventories

Inventories usages is recorded in the cost of goods sold in the consolidated income statement.

In 2020 a write down on inventory of € 4.9 million (2019: € 1.2 million) is included in the 'cost of goods and consumables' in the income statement. This write down is based upon the Group accounting policies under IFRS.

19. Trade and other receivables

	2020	2019
(in thousands of €)		
Trade receivables	218,721	198,885
Other receivables	39,912	29,967
	258,632	***228,852***

See note 4 for ageing and allowance of these receivables. Other receivables relate mainly to prepayments.

20. Cash and cash equivalents and bank overdrafts

	2020	2019
(in thousands of €)		
Bank balances and cash on hand	163,255	102,575
Bank overdrafts (-)	-23,560	-15,959
Cash and cash equivalents (net) in the cash flow statement	***139,695***	***86,616***

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 and liability to shareholders

As per Luxembourg regulations and articles of incorporation of the Company, the Company 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 2020, the legal reserve amounts to € nil (2019: € nil).

21.1. Earnings per share

	2020	2019
Net Group profit/loss (-) attributable to shareholders *(in thousands of €)*	70,962	47,973
Average number of shares (in thousand shares)	1,175,057	1,175,057
Earnings per share	***0.06***	***0.04***

The average number of shares are calculated as:

	2020	2019
(in thousands)		
Ordinary shares issued (entitled to dividend) as at 1 January	1,175,057	1,175,057
Weighted effect of new ordinary shares issued	0	0
Average number of shares	***1,175,057***	***1,175,057***

No dilution effects will occur. The diluted earnings per share are equal to the ordinary earnings per share.

21.2. Share capital

No shares were issues during 2020. At 31 December 2020 and 2019, the fully paid subscribed share capital of € 11.8 million is divided into 1.175.058 thousand shares with a nominal value of € 0,01 each.

21.3. Share premium

The share premium consists of additional paid-in capital exceeding the par value of the outstanding shares. At 31st December 2020 the share premium amounts to € 1.189 million (2019: € 1.184 million).

A capital contribution was made by the sole shareholder for the amount of € 5.6 million.

21.4. Translation reserve

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.

22. Loans and borrowings

The Group's debt finance consists mainly of the following finance instruments:

2020	Interest rate	Duration	Notional amounts	Carrying amounts
(in thousands of €)				
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	-	-
Other bank loans	2.00%	2018-2021	41,201	41,201
Interest accruals	0.00%	0	24,752	24,752
			1,230,842	***1,210,824***
Non-current borrowings and loans			1,164,889	1,144,871
Current borrowings and loans			65,953	65,953
			1,230,842	***1,210,824***

2019	Interest rate	Duration	Notional amounts	Carrying amounts
(in thousands of €)				
First lien €	3.75%	2018-2025	635,000	621,151
First lien GBP	4.82%	2018-2025	239,948	235,954
Second lien €	7.00%	2018-2026	135,000	131,754
Second lien CAD	9.01%	2018-2026	99,386	97,121
Revolving Credit Facility	3.00%	2018-2024	-	-
Other bank loans	2.00%	2018-2020	37,890	37,890
Interest accruals	0.00%	0.00%	26,980	26,980
			1,174,204	***1,150,850***
Non-current borrowings and loans			1,109,334	1,085,980
Current borrowings and loans			64,870	64,870
			1,174,204	***1,150,850***

22.1. Changes in loans and borrowings

22.1a Loans and borrowings

	2020	2019
(in thousands of €)		
At 1 January	**1,150,850**	**998,802**
Cash flows from loans and borrowings	78,311	109,650
Capitalized transactions cost amortized	3,336	-3,901
Changes in interest accruals	-2,228	26,980
Currency translation differences	-19,452	19,319
At 31 December	***1,210,817***	***1,150,850***
Short term loans and borrowings	65,725	64,057
Long term loans and borrowings	1,145,092	1,086,792
At 31 December	***1,210,817***	***1,150,850***

22.1b Lease liabilities

	2020	2019
(in thousands of €)		
At 1 January	**45,516**	**-**
Recognition adoption of IFRS 16	-	44,313
New contracts	17,083	9,901
Remeasurements	10,509	3,232
Cash out	-12,643	-12,240
Currency translation differences	-2,407	311
At 31 December	***58,058***	***45,516***
Short term loans and borrowings	12,351	10,504
Long term loans and borrowings	45,708	35,013
At 31 December	***58,058***	***45,517***

The incremental borrowing rate has been adjusted from 5% to 4.4% in October 2020 for new contracts.

22.2. Other facilities

In addition to cash balances, as of 31st December 2020, the Group maintained the following lines of credit:

- € 69.9 million (2019: € 72.9 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 2020, € 41 million (2019: € 36 million) was utilized.

- € 100 million total committed ancillary facility, of which € 0 million (2019: € 0 million) has been utilized. Therefore, per 31st December 2020, € 100 million (2019: € 100 million) committed ancillary facility was unused. Interest would be payable at the maximum rate of EURIBOR plus 2.75%.

22.3. Covenants

The credit agreements of Azelis Holding S.à r.l. and its subsidiaries contain a single financial maintenance covenant, being the Consolidated Senior Secured Net Leverage Ratio, which needs to be less than 9.0 to 1.0 and is tested quarterly solely when the revolving credit facility utilization (minus cash and cash equivalents) exceeds 40%. As this utilization per 31 December 2020 was below 0% (i.e. -140%), it was not required to test the financial covenant per that date.

Calculations per 31st December 2020:

- Consolidated Secured Net Leverage Ratio: 4.1 to 1.0 (2019: 4.6 to 1.0).
- Revolving Credit Facility Utilization (minus cash and cash equivalents): -140% (2019: -87%).

As at 31st December 2020, the Group complied with all financial covenants . The Group monitors the compliance with the covenants on the basis of the monthly reporting process.

23. Provisions

(in thousands of €)	Tax Claims	Other provisions	Total
At 1 January	**2,292**	**906**	**3,199**
Provisions made during the period	278	118	**396**
Provisions used during the period	-19	-124	**-143**
Provisions released during the period	-429	-49	**-478**
Translation differences	42	6	**48**
As 31 December 2019	***2,165***	***857***	***3,022***
Non-current	2,040	801	**2,841**
Current	125	56	**181**
(in thousands of €)	***2,165***	***857***	***3,022***
2020			
Business combination	578	325	**903**
Provisions made during the period	666	1,309	**1,975**
Provisions used during the period	-58	0	**-58**
Provisions released during the period	-418	-348	**-767**
Translation differences	-187	-27	**-214**
As 31 December	***2,745***	***2,115***	***4,860***
Non-current	1,962	1,252	**3,215**
Current	783	863	**1,646**
Total	***2,745***	***2,115***	***4,860***

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

	2020	2019
(in thousands of €)		
Trade payables	236,969	227,588
Other taxes	15,916	6,030
Employee and social security payables	41,284	31,479
Derivatives	224	330
Other payables	14,078	10,991
	308,471	***276,419***

25. Capital commitments and contingencies

25.1. Legal and Tax contingencies

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 2020 (for 2019: € 1.1 million were considered to be contingencies rather than obligations for which provisions should have been recognized).
The impact of implementing IFRIC 23 during 2020 and 2019 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 insignificant Non-Controlling Interest, see Note 17.

26.2. Loans to or from related parties

As per 31 December 2020, there are no outstanding loans to or from related parties.

26.3. Key personnel remuneration

(in thousands of €)	2020	2019
Board members (non-executive)	281	319
Other members of key management personnel		
Fixed remuneration	2,104	2,022
Variable remuneration	3,490	2,352
	5,875	***4,693***

Post-employment benefits: Details of the transactions between the Group and its pension plans are disclosed in Note 11.

The Group's management has had and may in the future have the opportunity to co-invest via a so-called Management Participation Plan ("MPP"). These MPP investments do not take place directly into the Company itself but are invested into one of the ultimate parent entities of the Company. Management invests in ordinary shares and in preference shares, investing at own risk and account, and at the same (market) conditions as invested by any other shareholders (EQT, PSP).

The plans for ordinary shares qualify as equity settled under IFRS 2. These shares shall vest gradually over time, starting from the date the relevant management shareholder acquires title to the relevant ordinary shares, whereas all ordinary shares shall be deemed to have fully vested on an exit.
The preference shares are interest bearing. Related annual payment of interests is not mandatory, in which case the compounded interest is payable upon exit. The preference shares do not have vesting conditions, and as managers are acting purely as a shareholder, the plans for preference shares are considered out of scope of IFRS 2.
For both ordinary and preference shares, customary clauses apply for good and bad leavers.

The Company has no obligations of whatever nature towards Azelis' management in respect of this MPP. The offered (market) conditions are similar as offered to the other shareholders (EQT, PSP), meaning the grant-date fair value is nil. Therefore, no fair value adjustment is required, and no separate recognition takes place in the consolidated financial statements of the Company.

The fair value at grant date is determined using valuation principles that follow the International Private Equity and Venture Capital Valuation Guidelines, developed by AFIC, BVCA and EVCA (IPEV Guidelines), which were first launched 21 March 2005. The IPEV Guidelines are based on the overall principle of "fair value" in order to be consistent with IFRS and US GAAP. The Fair Value is the price at which an orderly transaction would take place between market participants at the reporting date.

26.4. Group entities

The following table lists the Group's subsidiaries:

Name	Country of incorporation	% of interest 2020	% of interest 2019
Consolidated companies in full :			
Azelis Holding S.à r.l.	**Luxembourg**	**Parent company**	**Parent company**
Direct Investments:			
Azelis Finance S.à r.l.	Luxembourg	100	100
Indirect Investments:			
Orkila Algérie spa	Algeria	100	0
Azelis Australia Pty Ltd	Australia	100	100
Chemcolour Industries Australia Pty Ltd	Australia	100	100
TimTechChem Australia Pty Ltd	Australia	100	100
Azelis Benelux N.V.	Belgium	100	100
Azelis Corporate Services N.V.	Belgium	100	100
Azelis Bulgaria EAD	Bulgaria	100	100
Azelis Canada Inc.	Canada	100	100
Azelis (Shanghai) Co. Ltd.	China	100	100
Azelis Hong Kong Ltd	China	100	100
Beijing CosBond Trading Co. Ltd	China	100	0
CosBond China Ltd	China	100	0
CosBond International Trading Co. Ltd	China	100	0
Bronson & Jacobs Internation Trading Co Ltd	China	100	0
Bronson & Jacobs Ltd	Hong Kong	100	0
Azelis Croatia D.O.O.	Croatia	100	100
Azelis CEE Holding A.S.	Czech Republic	100	100
Azelis Czech Republic S.R.O.	Czech Republic	100	100
Azelis Denmark A/S	Denmark	100	100
Orkila FZE	United Arabic Emirates	100	0
Orkila Egypt Chemicals SAE	Egypt	99	0
Orchem for Import and Export LLC	Egypt	49	0
Azelis Finland OY	Finland	100	100
Azelis France S.A.S	France	100	100
Azelis France Holding S.A.S	France	100	100

Name	Country of incorporation	% of interest 2020	% of interest 2019
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
Orkila Ghana Ltd	Ghana	100	0
Azelis Greece S.A.	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
Orokia Israel Ltd	Israel	100	0
Azelis Italia Logistica S.r.L	Italy	100	100
Azelis Italia S.r.L	Italy	100	100
Deafarma S.r.l.	Italy	100	100
Azelis Côte d'Ivoire S.A.	Ivory Coast	100	100
Orkila Cote d'Ivoire S.A.	Ivory Coast	100	0
Azelis Japan K.K.	Japan	100	100
Orkila Jordan LLC	Jordan	50	0
Orkila East Africa Ltd	Kenya	100	0
SammiChem Co. Ltd	Korea	100	100
Orkila Holding SAL	Lebanon	100	0
Orkila Lebanon SAL	Lebanon	100	0
Orkila International SAL Offshore	Lebanon	100	0
Antelope Topco S.C.A.	Luxembourg	100	100
Antelope GP S.à r.l.	Luxembourg	100	100
Azelis S.A.	Luxembourg	100	100
Azelis Malaysia Sdn Bhd	Malaysia	100	100
Megafarma S.A. de C.V.	Mexico	100	0
Azelis Morocco Sarl	Morocco	100	100
Orkila Invest SA	Morocco	100	0
Orkila Maroc SA	Morocco	100	0
Orkila Chemicals Ltd	Nigeria	100	0
Azelis Norway AS	Norway	100	100
Azelis New Zealand Ltd	New Zealand	100	100
Azelis Poland SP Z.o.o	Poland	100	100
Azelis Romania SRL	Romania	100	100

Name	Country of incorporation	% of interest 2020	% of interest 2019
Azelis Rus LLC	Russia	100	100
Orkila Senegal	Senegal	100	0
Azelis SRB d.o.o	Serbia	100	100
Azelis Singapore Pte. Ltd	Singapore	100	100
Azelis Slovakia S.R.O.	Slovakia	100	100
Orkila South Africa (Pty) Ltd	South Africa	100	0
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
Orkila Tunisie Sarl	Tunesia	49	0
Azelis TR Kimya End. Ur.Ith.Ihr.Tic ve San A.S.	Turkey	100	100
Ekin Kimya Ticaret A.S.	Turkey	100	100
Azelis Ukraine LLC	Ukraine	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	100	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	100	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 (formerly Ribelin LLC)	United States	100	100
Red River Specialties LLC	United States	100	100

Name	Country of incorporation	% of interest 2020	% of interest 2019
C.L. Zimmerman Co. of Delaware LLC	United States	100	100
Ross Organic Specialty Sales Inc.	United States	100	100
Azelis Vietnam Company Ltd	Vietnam	100	100
Companies consolidated at equity			
Indirect Investments			
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 2020 the following transactions were not closed, but will be closed (or are expected to close) in 2021.

On 16 December 2020, Azelis signed an agreement to acquire the distribution assets of the Indian companies Spectrum Chemicals and Nortons Exim Private Limited. The company is specialized in the distribution of specialty chemicals for the road sector, agrochemical applications , homecare, polymers and textile.

Azelis signed an agreement on 21 December 2020 to acquire 100% of the shares of CW Pacific, Elle Bee Exports, CW Pacific Specialties and EB1 Pty Ltd ("CW Pacific") in Australia. CW Pacific specializes in the distribution of food ingredients for the bakery and meat market as well as specialty chemicals for the horticulture market. They primarily serve the Australian market but also Papua New Guinea, New Zealand and other Pacific Islands. This transaction was closed on 1 February 2021.

On 5 January 2021, Azelis has acquired a majority shareholding of MKVN Chemicals Co., Ltd. and Viet Chemicals Trading and Service Company Ltd., in Vietnam. Both companies are active in personal care, industrial chemicals, agro and food segments as well as supply chain solutions, and have a strong reputation in Vietnam serving first-class international principals and 700 customers.

Azelis enters the Philippines through the majority shareholding acquisition of Asia Primera Kimika Inc. and Phil-Asiatic Supply & Services Inc., as acquired on 31 March 2021. 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 19 January 2021, Azelis acquired 100% of the shares of Came Chemical Mineral and Engineering S.r.l. ("CAME") in Italy. CAME is specialized in the distribution of chemicals for friction and sintering applications, CASE (coatings, adhesives, sealants and elastomers), and cosmetics.

The funding of the acquisitions has been secured by Azelis' strong liquidity position, resulting from its ability of strong cashflow generation, as confirmed by the deleveraging that occurred during 2020. Based on its lowered leverage ratios, the applicable interest rates of the Senior Euro Debt will be lowered in 2021, reducing the interest charges accordingly.

No material subsequent events after 31 December 2020 have been identified that may have had a material or significant effect on the 2020 consolidated financial statements.

We continue to watch closely the developments around the Coronavirus COVID-19. We operate a very diversified business model across the market segments Life Sciences and Industrial Chemicals, that enables us to absorb related risks but also to identify and accelerate possible opportunities.

Luxembourg, 19 April 2021

T. Bakker
Manager Class A

G. Henry
Manager Class B

Azelis Holding S.à r.l.

Annual Report 2019

Auditor's Report

Audit report

To the Partners of
Azelis Holding SARL

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Azelis Holding SARL (the "Company") and its subsidiaries (the "Group") as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statement for the year then ended;
- the consolidated statement of other comprehensive income as at 31 December 2019;
- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

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

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the report of the management but does not include the consolidated financial statements and our audit report thereon.

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers and those charged with governance for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers 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 Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, 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 Managers;

- conclude on the appropriateness of the Board of Managers’ 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 audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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 those charged with governance 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.

Report on other legal and regulatory requirements

The report of the management is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative — Luxembourg, 27 March 2020
Represented by

Véronique Lefebvre

Consolidated Financial Statements 2019

Consolidated Income Statement

(in thousands of €)	Note	2019	From 25 July till 31 December 2018
Revenue	8	2.095.009	256.852
Other operating income	9	10.342	1.207
Total income		***2.105.350***	***258.059***
Costs for goods and consumables	10	-1.660.646	-204.067
Gross Profit		***444.704***	***53.992***
Employee benefits expenses	11	-161.007	-21.001
External services and other expenses	12	-109.061	-38.850
Depreciation of property, plant and equipment	16	-15.135	-840
Amortization & impairment of intangible assets	15	-30.608	-4.448
Operating profit / loss (-)		***128.892***	***-11.148***
Financial income	13	682	188
Financial expenses	13	-71.382	-12.616
Net financial expense		***-70.700***	***-12.428***
Share of result of associates	17	38	0
Profit / loss (-) before tax		***58.230***	***-23.576***
Income tax income / expense (-)	14	-10.253	2.026
Net profit / loss (-) for the period from continuing operations		***47.978***	***-21.551***
Attributable to:			
Equity holders of the parent		47.973	-21.497
Non-controlling interests		5	-54
Net profit / loss (-) for the period		***47.978***	***-21.551***
		in Euro's	in Euro's
Basic earnings per share	21	***0,04***	***-0,02***
Diluted earnings per share	21	*0,04*	*-0,02*

The notes are an integral part of these consolidated financial statements

Consolidated Statement of Other Comprehensive Income

	Note	2019	From 25 July till 31 December 2018
(in thousands of €)			
Net profit / loss (-) for the period		**47.978**	**-21.551**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		7.451	5.448
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains / losses (-) on employee benefits	11	-1.334	129
Income tax relating to these items		177	-28
Total other comprehensive income		***6.294***	***5.549***
Total comprehensive income for the period		***54.272***	***-16.002***
Attributable to:			
Equity holders of the parent		54.267	-15.948
Non-controlling interests		5	-54
Total comprehensive income for the period		***54.272***	***-16.002***

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

Consolidated Statement of Financial Position

	Note	31 December 2019	31 December 2018
(in thousands of €)			
Assets			
Goodwill	15	1.357.237	1.263.684
Intangible assets	15	840.113	796.414
Property, plant and equipment	16.1	30.219	27.784
Right of Use assets	16.2	44.325	0
Investments in associates	17	148	108
Other financial assets	4	2.597	561
Deferred tax assets	14	5.317	4.458
Total non-current assets		***2.279.955***	***2.093.009***
Inventories	18	262.414	255.954
Trade and other receivables	19	228.852	199.472
Income tax receivables	14	5.089	3.831
Other financial assets	4	1.442	2.205
Cash and cash equivalents	20	102.575	79.391
Total current assets		***600.370***	***540.853***
Total assets		***2.880.326***	***2.633.861***
Equity	21		
Share capital		11.751	11.751
Share premium		1.183.789	1.183.789
Other reserves		-22.654	0
Translation reserve		12.925	5.448
Unappropriated Result		47.973	-21.497
Total equity attributable to equity holders of the parent		***1.233.783***	***1.179.491***
Non-controlling interests		***839***	***859***
Total equity		***1.234.622***	***1.180.350***
Loans and borrowings	22	1.086.792	974.127
Lease obligations	16.2	35.013	0
Employee benefits obligations	11	6.794	5.724
Provisions	23	2.842	3.092
Other non-current liabilities	4	8.427	3.242
Deferred tax liabilities	14	135.154	137.243
Other non-current liabilities		***1.275.022***	***1.123.428***
Bank overdrafts	20	15.959	1.139
Loans and borrowings	22	64.057	24.675
Lease Obligations	16b	10.504	0
Provisions	23	181	106
Income tax payables	14	3.562	4.759
Trade and other payables	24	276.419	299.404
Total current liabilities		***370.682***	***330.084***
Total liabilities		***1.645.704***	***1.453.512***
Total equity and liabilities		***2.880.326***	***2.633.861***

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

Consolidated Statement of Cash Flows

	Note	2019	From 25 July till 31 December 2018
(in thousands of €)			
Cash flows from operating activities			
Net profit / loss (-) for the period		47.978	-21.551
Adjustments for:			
Depreciation, amortisation and impairment expenses	15.16	45.744	5.288
Net financial expense	13	70.700	12.428
Income tax income / expense	14	10.253	-2.026
Change in inventories	18	13.327	-20.285
Change in trade and other receivables and other investments	19	1.321	54.768
Change in trade and other payables	24	-39.259	17.085
Change in provisions	23	567	0
Cash flow from operating activities		***150.592***	***45.709***
Income tax paid		-32.493	-6.119
Interest paid		-42.210	-922
Net cash flow from operating activities		***75.889***	***38.668***
Cash flow from investing activities			
Acquisition of property, plant and equipment and intangible assets	15.16	-12.296	-3.806
Acquisition of subsidiaries, net of cash acquired	7	-147.024	-1.358.107
Net cash flow from investing activities		***-159.320***	***-1.361.913***
Cash flows from financing activities			
Payments of lease obligation	16b	-12.825	0
Proceeds from shareholders for issue of equity	21	0	1.195.527
Proceeds from loans and borrowings	22	118.650	1.004.000
Repayments from loans and borrowings	22	-9.000	-768.868
Transaction costs related to re-financing	22	0	-26.958
Net cash flow from financing activities		***96.825***	***1.403.701***
Net (decrease) increase in cash and cash equivalents		***13.394***	***80.455***
Effect of exchange rate fluctuations on cash held		-5.031	-2.202
Cash and cash equivalents net at beginning of the period	20	78.253	0
Cash and cash equivalents net at 31 December	***20***	***86.616***	***78.253***

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

Consolidated Statement of Changes in Equity

(in thousands of €)	Share capital	Share premium	Other reserves	Translation Reserve	Unappropriated Result	Total equity holders of the parent	Non-controlling interests	Total equity
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
Balance as per 25 July 2018								
Capital paid	12					12		12
Capital increase 08/11/2018	11.738	1.183.789				1.195.527		1.195.527
Business combination						0	913	913
Net profit / loss (-) for the period					-21.598	-21.598	-54	-21.652
Comprehensive Income				5.448	101	5.549		5.549
Balance as per 31 December 2018	***11.750***	***1.183.789***	***0***	***5.448***	***-21.497***	***1.179.491***	***859***	***1.180.350***
Appropriation of result prior year			-21.497		21.497	0		0
Net profit / loss (-) for the period					47.973	47.973	5	47.977
Comprehensive income			**-1.157**	7.476		6.319	**-25**	6.295
Total comprehensive income	***0***	***0***	***-1.157***	***12.924***	***101***	***11.868***	***-25***	***11.844***
Balance as per 31 December 2019	***11.750***	***1.183.789***	***-22.654***	***12.924***	***47.973***	***1.233.782***	***839***	***1.234.621***

The notes are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

1. General

Azelis Holding S.à r.l. (the "Company"), formerly named Akita Midco S.à r.l., was incorporated on 25th of July 2018 and is domiciled in Luxembourg. The address of the Company is 19 rue Gabriel Lippmann, 5365 Munsbach, Luxembourg. The Company is registered in Luxembourg under the number B 226269.

The parent company of Azelis Holding S.à r.l. is Akita Topco S.à r.l., 26A Boulevard Royal, 2449 Luxembourg,

The consolidated financial statements of the Company for the period ended 31st December 2019 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, Essential and Fine Chemicals).

2. Basis of Preparation

The consolidated financial statements for the period ended December 31, 2019, were authorized for issue by the Board of Managers on 27 March 2020 and will be submitted for approval to the Shareholders' Meeting to be held on 1 April 2020.

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 2019.

Endorsement status of the new standards as at 31 December 2019

A. The following amendments and annual improvements to standards are mandatory for the first time for the financial year beginning 1 January 2019 and have been endorsed by the European Union and have been implemented by the Company:

- **IFRS 16** 'Leases' (effective 1 January 2019). This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Please see hereafter for impact on Azelis' Annual Accounts.

- **Amendments to IFRS 9**, 'Prepayment features with negative compensation' (effective1 January 2019 with the EU). An amendment to allow companies to measure particular prepayable financial assets with so-called negative compensation at amortized cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss, because they would otherwise fail the SPPI-test. In addition, this amendment clarifies an aspect of the accounting for financial liabilities following a modification.

- **Amendments to IAS 28**, 'Long term interests in associates and joint ventures' (effective 1 January 2019). Clarification regarding the accounting for long-term interests in an associate or joint venture, to which the equity method is not applied, under IFRS 9. Specifically, whether the measurement and impairment of such interests should be done using IFRS 9, IAS 28 or a combination of both.

- **IFRIC 23**, 'Uncertainty over income tax treatments' (effective 1 January 2019). This interpretation clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.
  Based on IFRIC 23, no additional tax obligations have been recognized in the Consolidated Financial Statements 2019.

- **Amendments to IAS 19**, 'Plan Amendment, Curtailment or Settlement' (effective 1 January 2019). The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement. In addition, an entity will have to recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendments will affect any entity that changes the terms or the membership of a defined benefit plan such that there is past service cost or a gain or loss on settlement.
  On the basis of IAS 19, no changes had to be recognized in the pension accounting as applied by the Company.

Annual improvements to IFRS Standards 2015-2017 cycle, applicable as of 1 January 2019 and containing the following amendments to IFRSs:

- IFRS 3 Business combination, paragraph 42A: The amendments clarify that, when an entity obtains control of a business that is a joint operation (as defined in IFRS 11), it applies the requirements for a business combination achieved in stages, including re-measuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer re-measures its entire previously held interest in the joint operation.

- IAS 12 Income Taxes, paragraph 57A: The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

B. 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 2019 and have not been endorsed by the European Union.

- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting

- **Amendments to the guidance of IFRS 3 Business Combinations,** that revises the definition of a business (effective 1 January 2020). The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organized workforce. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions across all industries, particularly real estate, pharmaceutical, and oil and gas. Application of the changes would also affect the accounting for disposal transactions.

- **Amendments to the definition of material in IAS 1 and IAS 8** (effective 1 January 2020). The amendments clarify the definition of material and make IFRS more consistent. The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of "primary users of general-purpose financial statements" to whom those financial statements are directed, by defining them as "existing and potential investors, lenders and other creditors" that must rely on general purpose financial statements for much of the financial information they need.

The above amendments are not expected to have a significant impact on the preparation of Azelis' financial statements.

A number of other amendments to IFRS standards that are not yet effective or will be effective in the subsequent years are not listed above because it is expected that they will not have a significant impact on the consolidated financial statements of the Group.

IFRS 16 "Leases"

The standard is effective for accounting periods beginning on or after 1 January 2019 and was adopted by the group on 1 January 2019. The Group has recognized assets and liabilities for its operating leases of offices, certain warehouse facilities and company cars as per that date. In addition, the accounting for expenses related to those leases are changed, as IFRS 16 has replaced the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group has applied IFRS 16 using a modified retrospective approach with optional practical expedients. The group has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligation of € 44.5 million were recorded as of 1 January 2019. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The rate applied is 5%.
The Group has elected to apply the optional exemption for low-value assets on a lease-by-lease basis. The Group has elected not to apply the optional recognition exemptions for short term leases and not for leases ending within 12 months of the date of initial application.

IFRS 16 changes has a material impact on the Group's financial statements in particular:

- Lease agreements will give rise to the recognition of an asset representing the right of use for the leased item and a liability for future lease payments (€ 44.5 million as per 1 January 2019). The liability recorded for future lease payments will be for amounts payable for the "reasonably certain" period of the lease, which may include future lease periods for which the Group has extension options.
- Lease costs (€ 13 million) will be recognized as depreciation of the right of use of the asset (€ 11 million) and interest on the lease liability (€ 2 million) which will generally be discounted at the incremental borrowing rate of the Group. Interest charges will typically be higher in the early stages of a lease and will reduce over the term.
- Net Cash inflows from operating activities and payments classified within cash flow from financing activities will both increase, as those payments are made at lease inception and subsequently will be characterized as repayments of lease liabilities and interest. Net cash flows will not be impacted by IFRS 16.

The lease obligation reported in note 25 reconciles with the recognized lease obligation as 1 January 2019 as follows:

Reconciliation Operating lease Commitment

(in thousands of €)	
Operating lease commitments at 31 December 2018	44.430
Allowed exclusion of low-value assets	-382
Extension and termination options reasonably certain to be exercised	5.635
Effect discounting using the incremental borrowing rate	-5.082
Non lease components	-287
Lease obligations recognized at 1 January 2019	***44.314***

The adjustment on adoption of IFRS 16 as per 1 January 2019 has the following impact on assets and liabilities.

As at 31 December	31 December 2018	Recognized on adoption of IFRS 16	1 January 2019
(in thousands of €)			
Assets			
Goodwill	1.263.684		1.263.684
Intangible assets	796.414		796.414
Property, plant and equipment	27.784		27.784
Right of Use	0	44.534	44.534
Investments in associates	108		108
Other financial assets	561		561
Deferred tax assets	4.458		4.458
Total non-current assets	***2.093.009***	***44.534***	***2.137.542***
Inventories	255.954		255.954
Trade and other receivables	199.472		199.472
Income tax receivables	3.831		3.831
Other financial assets	2.205		2.205
Cash and cash equivalents	79.391		79.391
Total current assets	***540.853***	***0***	***540.853***
Total assets	***2.633.861***	***44.534***	***2.678.395***
Equity			
Share capital	11.751		11.751
Share premium	1.183.789		1.183.789
Translation reserve	5.448		5.448
Unappropriated Result	-21.497		-21.497
Total equity attributable to equity holders of the parent	***1.179.491***	***0***	***1.179.491***
Non-controlling interests	***859***		***859***
Total equity	***1.180.350***	***0***	***1.180.350***
Loans and borrowings	974.127		974.127
Lease Obligations	0	35.071	35.071
Employee benefits obligations	5.724		5.724
Provisions	3.092		3.092
Other non-current liabilities	3.242		3.242
Deferred tax liabilities	137.243		137.243
Other non-current liabilities	***1.123.428***	***35.071***	***1.158.500***
Bank overdrafts	1.139		1.139
Loans and borrowings	24.675		24.675
Lease Obligation	0	9.242	9.242
Provisions	106		106
Income tax payables	4.759		4.759
Trade and other payables	299.404	220	299.624
Total current liabilities	***330.084***	***9.462***	***339.546***
Total liabilities	***1.453.512***	***44.534***	***1.498.045***
Total equity and liabilities	***2.633.861***	***44.534***	***2.678.395***

Consolidated income statement	31-12-2019	31-12-2019	31-12-2019
For the period ended 31 December	**Before IFRS 16**	**IFRS 16 impact**	**Final IFRS**
(in thousands of €)			
Revenue	2.095.009	0	2.095.009
Other operating income	***10.342***	***0***	***10.342***
Total income	2.105.350	0	2.105.350
Costs for goods and consumables	***-1.660.646***	***0***	***-1.660.646***
Gross Profit	444.704	0	444.704
Employee benefits expenses	-161.007	0	-161.007
External services and other expenses	-121.886	12.825	-109.061
Depreciation of property, plant and equipment	-3.660	-11.476	-15.135
Amortization and impairment of intangible assets	***-30.608***	***0***	***-30.608***
Operating profit / loss (-)	127.543	1.350	128.892
Financial Income	26.660	0	26.660
Financial expenses	***-95.183***	***-2.177***	***-97.361***
Net financial expense	-68.523	-2.177	-70.700
Share of result of associates	***38***		***38***
Profit / loss (-) before tax	59.058	-828	58.230
Income tax income / expense (-)	***-10.253***	***0***	***-10.253***
Net profit / loss (-) for the period from continuing operations	***48.806***	***-828***	***47.978***

Operating EBITA	163.340	1.350	164.689
Depreciation tangible assets	3.660		3.660
Depreciation Right-of-use assets		11.476	11.476
Operating EBITDA	***167.000***	***12.825***	***179.825***
IAS17 lease payments		-12.825	

Cash flows from operating activities	Before IFRS 16	IFRS 16 impact	Final IFRS
Net profit / loss (-) for the period	48.806	-828	47.978
Adjustments for:			
Depreciation, amortisation and impairment expenses	34.268	11.476	45.744
Net financial expense	68.523	2.177	70.700
Income tax income / expense	10.253		10.253
Share of result of associates	-38		-38
Change in inventories	13.327		13.327
Change in trade and other receivables and other investments	1.321		1.321
Change in trade and other payables	-39.259		-39.259
Change in provisions	567		567
Cash flow from operating activities	***137.767***	***12.825***	***150.592***
Income tax paid	-32.493		-32.493
Interest paid	-42.210		-42.210
Net cash flow from operating activities	***-74.703***	***0***	***-74.703***
Cash flow from investing activities			
Acquisition of property, plant and equipment and intangible assets	-12.296		-12.296
Acquisition of subsidiaries, net of cash acquired	-147.024		-147.024
Net cash flow from investing activities	***-159.320***	***0***	***-159.320***
Cash flows from financing activities			
Payments of lease obligation	0	-12.825	-12.825
Proceeds from loans and borrowings	118.650		118.650
Repayments from loans and borrowings	-9.000		-9.000
Net cash flow from financing activities	***109.650***	***-12.825***	***96.825***
Net (decrease) increase in cash and cash equivalents	***13.394***	***0***	***13.394***
Effect of exchange rate fluctuations on cash held	-5.031		-5.031
Cash and cash equivalents net at beginning of the period	78.253		78.253
Cash and cash equivalents net at 31 December	***86.616***	***0***	***86.616***

2.1. Financial Period

The financial period is the calendar year starting as at 1 January 2019 and ending as at 31 December 2019 (further mentioned as 2019).

The comparative period is reflecting the financial performance of Azelis Holding S.à r.l. (formerly Akita Midco S.à r.l.) starting 25 July 2018, which had no activities until 8 November 2018. As from 8 November, Azelis Holding S.à r.l. (and/or its subsidiaries) acquired Azelis Holding SA and its subsidiaries, meaning that only the profit and loss over the period 8 November until 31 December 2018 is consolidated and reflected. Refer to note 7, Business Combinations.

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 2019. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

I. **Subsidiaries**

Subsidiaries are entities controlled by the Group. Control is achieved when the Group 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 Group controls an investee if, and only if, the Group 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. 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 excesses of the aggregate consideration transferred this purchase bargain is included in the profit or loss, after the Group has re-assess 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 Company, as parent of the Group, operates in the Euro-environment to a large extent. 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 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 cash-generating units that are expected to benefit from the synergies of the combination.

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 or 10 years for local trademarks
Customer lists	5 to 10 years
Distribution rights	5 to 22 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 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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative 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**

Where the Group assumes substantially all the risks and rewards of ownership the leases are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

As of 1 January 2019, the Group is applying the new lease-standard IFRS16 using a modified retrospective approach with optional practical expedients.

On initial application, the Group has elected to record right-of-use assets based on the corresponding lease liability. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The rate applied is 5%.

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.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

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.

2.7. Financial instruments

I. **Classification, recognition and initial measurement**

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

Azelis classifies its debt financial instruments as at amortized costs and its financial liabilities either at amortized costs or at FVPL. Azelis does not hold any equity instruments.

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.

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 measurement at first recognition, 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
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.

The classification of debt instrument 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').

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 debt instruments 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
Derivatives are classified as FVTPL.

II. **Impairment of financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For Trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime 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 loans 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 comprises of 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. Write-downs 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 written-down inventories increases the write-down 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 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.

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'.

The reporting segments used are defined as follows:

- EMEA: all operating companies in Europe and Africa
- Americas: all operating companies in the United States of America and Canada.
- Asia-Pacific: all operating companies in Asia, South-East Asia and the Pacific region.
- Group Holding & other

Group Holding consists of all non-operating companies, including the corporate service center in Belgium and the headquarter in Luxembourg.

"Other" may include income from non-core business transactions (such as agency commission, services and termination fees), whilst some 'other operating income' (Note 9) relating to trade related recharges of operating expenses (such as freight) is reported in the operating segments revenue.

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. Lease payments

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases in accordance with IAS17. From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date of which the leased asset is available for use by the group, in accordance with IFRS 16.

2.17. 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 including bank overdrafts as presented in the explanatory notes to the cash and cash equivalents and the interest-bearing borrowings. Cash flows are presented separately in the statement of cash flows as cash flows from operating activities, investing activities and financing activities.

2.18. 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 Company's credit risk.

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.

2.19. Alternative performance measures

The following alternative performance measures (non-GAAP) have been included in the financial statements since management believes that they are widely used by certain investors, securities analysts and other interested parties as supplemental measure of performance and liquidity. The alternative performance measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results, our performance or our liquidity under IFRS.

Non-recurring (income and expenses) items

Non-recurring items are one-off of kind, and are not directly related to the daily performance of the Company and/or its Segments, like expenses of corporate restructurings and reorganizations including one-off costs with regard to acquisitions and with regard to the change of ownership.

Operating EBITA

EBITA is defined as 'operating result' (per face of the consolidated income statement under IFRS), but before 'amortization and impairment expenses'.
Operating EBITA is defined as EBITA but excluding Non-Recurring items.

	2019	2018
(in € million)		
Operating Profit per P&L according to IFRS	**129**	**-11**
Add back amortization	31	4
One-off expenses	4	22
Add Operating EBITA 1 January to 7 November 2018	0	118
Full Year Operating EBITA	***163***	***133***

Conversion margin

Conversion margin is defined as the ratio between Operating EBITA and the gross profit.

Net working capital

The net working capital is defined as inventories plus trade receivables and minus trade payables.

Free cash flow

Free cash flow is defined as Operating EBITA, plus/less changes in working capital, capital expenditures and less cash taxes paid.

Cash conversion margin

Cash conversion margin is defined as free cash flow as a percentage of Operating EBITA.

3. Estimates and judgements

Use of estimates and judgements

The preparation of consolidated financial statements requires management to make 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. Actual amounts may differ from these estimates. The most critical accounting estimates in the consolidated financial statements are related to business combinations, goodwill impairment and deferred tax assets.

In a business combination the acquired assets and liabilities are measured at fair value (note 7). 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.

The Group tests whether goodwill has suffered any impairment on an annual basis (note 15). 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. 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. Refer to the note “Intangible assets” in the section “Impairment assessment” for more detailed information.

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 become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

4. Financial Risk Management

4.1. Overview

The Board of Managers has overall responsibility for the establishment and oversight of the Group’s risk management framework.

The Group’s risk management policies are established to identify and to analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Managers 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.

Risk management elements

Control environment:

- Organizational culture based on ethical conduct and compliance
- Clear responsibilities and internal rules of procedures
- Azelis' policies, management instructions and manuals
- Risk management embedded in the business processes
- In 2019 an Internal Auditor has been appointed, independently and directly reporting to the Chairman of the Audit Committee.

Risk assessment and control procedures:

- Identification of risks via risk self-assessment tool
- Implementing and optimization of effective and efficient control procedures on various levels of the organization

Information, communication and monitoring:

- Harmonized reporting on operations and financial results
- Monthly reviews of financial results coordinated by the Corporate Controlling
- Regular review meetings between Group and local Management

Overview financial risks

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

4.2. 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 and investment securities.

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

	2019	2018
(in thousands of €)		
Trade and other receivables	228.852	199.472
Cash and cash equivalents	102.575	79.391
Other financial assets	4.039	2.766
	335.466	***281.629***

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 operates a locally controlled credit insurance program for the majority of its revenue.

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 incurred 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.

At year-end the aging of the allowance is analyzed below:

2019	Gross	%	Impairment
(in thousands of €)			
Current and less than 1 month	149.524	**72,4%**	5
Between 1 month and less than 3 months	48.742	**23,6%**	60
From 3 months and less than 6 months	2.283	**1,1%**	1.599
More than 6 months	5.972	**2,9%**	5.972
	206.521	***100,0%***	***7.636***

2018	Gross	%	Impairment
(in thousands of €)			
Current and less than 1 month	113.480	**64,9%**	285
Between 1 month and less than 3 months	52.240	**29,9%**	125
From 3 months and less than 6 months	2.381	**1,4%**	666
More than 6 months	6.721	**3,8%**	6.721
	174.822	***100,0%***	***7.796***

ii. **Cash**

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

III. **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

4.3. 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. With the change of ownership, a new equity and debt structure has been established, that enables the Group to maintain its liquidity.

The Group ensures that it has sufficient cash on demand and unused credit facilities to meet expected operational expenses for the respective planning horizon, including the servicing of financial obligations: this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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:

2019	Carrying amount	Undiscounted contractual Cash flows	Less than 1 Year	1 to 5 Years	More than 5 Years
(in thousands of €)					
Loans and borrowings	1.150.850	1.355.534	54.551	137.855	1.163.128
Lease obligation (IFRS16)	45.517	45.517	11.424	22.694	11.399
Trade and other payables	284.846	284.846	284.846	0	0
Bank Overdraft	15.959	15.959	15.959	0	0
	1.497.172	***1.701.856***	***366.780***	***160.549***	***1.174.527***

2018	Carrying amount	Undiscounted contractual Cash flows	Less than 1 Year	1 to 5 Years	More than 5 Years
(in thousands of €)					
Loans and borrowings	998.802	1.323.484	51.680	229.542	1.042.261
Trade and other payables	302.646	302.646	302.646	0	0
Bank Overdraft	1.139	1.139	1.139	0	0
	1.302.587	***1.627.269***	***355.466***	***229.542***	***1.042.261***

4.4. 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:

	2019	2019	2019	2018	2018	2018
(in thousands)	**USD**	**GBP**	**CAD**	**USD**	**GBP**	**CAD**
Trade receivables	91.858	2.822	7.540	72.740	2.598	6.816
Cash and cash equivalents	17.249	2.759	745	16.283	1.410	2.856
Trade payables	-94.072	-4.524	-2.083	-84.608	-3.080	-7.005
Gross balance sheet exposure	***15.035***	***1.057***	***6.202***	***4.415***	***928***	***2.667***

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.

	2019		2018	
(in thousands of €)	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
USD	-1.367	-1.367	-401	-401
CAD	-564	-564	-795	-795
GBP	-96	-96	198	198

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.

III. **Interest rate risk**

The Group adopts a policy of carefully managing its interest rate risk. The Board of Managers regularly reviews the development of interest rates and the corresponding exposure of the Group. The Board of Management has set limits for certain interest rate 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 basis. The interest rate risk of the new syndicated external debt is partly covered through a swap transaction in which the floating interest rate has been capped until February 2022.

IV. **Interest profile**

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

	2019	2018
(in thousands of €)		
Variable rate instruments		
Financial assets	102.575	79.391
Financial liabilities	-1.212.325	-999.941
	-1.109.751	***-920.550***

The interest rate risk of the new syndicated external debt is covered for ca. 50% through a swap transaction in which the floating interest rate has been capped until February 2022.

V. **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 - 2019		Equity - 2019	
(in thousands of €)	**100 bp**	**100 bp**	**100 bp**	**100 bp**
	Increase	*Decrease*	*Increase*	*Decrease*
Variable rate instruments	-12.123	12.123	-12.123	12.123
Cash flow sensitivity (net)	***-12.123***	***12.123***	***-12.123***	***12.123***

	Profit or loss - 2018		Equity - 2018	
(in thousands of €)	**100 bp**	**100 bp**	**100 bp**	**100 bp**
	Increase	*Decrease*	*Increase*	*Decrease*
Variable rate instruments	-9.999	9.999	-9.999	9.999
Cash flow sensitivity (net)	***-9.999***	***9.999***	***-9.999***	***9.999***

4.5. 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.

4.6. Financial instruments: fair value and hierarchy

On a selective basis, the Group has outstanding foreign exchange 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. 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. The fair value of the forward exchange contracts is calculated as the discounted value of the difference between the contract rate and the current forward rate and is classified as Level 2 (see note 2.18 – Basis of preparation).

The carrying amount of the other financial assets and liabilities approximates the fair value (in this case no fair value hierarchy is included).

Amount of financial instruments recognized in balance sheet										
2019	**Note**	**Financial assets & liabilities at fair value through P&L**	**Financial assets measured at amortized cost**	**Investments measured at FVOCI**	**Other financial assets & liabilities**	**Total book value**	**Level 1**	**Level 2**	**Level 3**	**TOTAL**
(in thousands of €)										
Assets										
Non current assets										
Other Financial receivables	4				2.477	**2.477**		2.477		**2.477**
Other investments	4				120	**120**		120		**120**
Current assets										**0**
Trade receivables	19		198.885			**198.885**		198.885		**198.885**
Other receivables	19		29.967			**29.967**		29.967		**29.967**
Derivatives	4	1.442				**1.442**		1.442		**1.442**
Cash & Cash equivalents	20		72.086			**72.086**				**0**
Total financial assets		***1.442***	***300.938***	***0***	***2.597***	***304.977***	***0***	***232.891***	***0***	***232.891***
Liabilities										
Non Current Liabilities										
Interest bearing	21				1.086.792	**1.086.792**		1.086.792		**1.086.792**
Non-interest bearing	21					**0**				**0**
Other Financial liabilities					8.427	**8.427**		8.427		**8.427**
Current liabilities										**0**
Interest bearing	22				64.057	**64.057**		64.057		**64.057**
Overdraft	20				15.959	**15.959**		15.959		**15.959**
Trade payables	24				227.588	**227.588**		227.588		**227.588**
Other current payables excl derivatives	24				48.501	**48.501**		48.501		**48.501**
Derivatives	24		330			**330**		330		**330**
Total financial liabilities		***0***	***330***	***0***	***1.451.324***	***1.451.655***	***0***	***1.451.655***	***0***	***1.451.655***

Amount of financial instruments recognized in balance sheet

2018	Note	Financial assets & liabilities at fair value through P&L	Financial assets measured at amortized cost	Investments measured at FVOCI	Other financial assets & liabilities	Total book value	Level 1	Level 2	Level 3	TOTAL
(in thousands of €)										
Assets										
Non current assets										
Other Financial receivables	4				360	**360**				**0**
Other investments	4				201	**201**				**0**
Current assets										
Trade receivables	19		167.020			**167.020**				**0**
Other receivables	19		32.452			**32.452**				**0**
Derivatives	4	2.205				**2.205**	2.205			**2.205**
Cash & Cash equivalents	20		79.391			**79.391**				**0**
Total financial assets		***2.205***	***278.863***	***0***	***561***	***281.629***	***2.205***	***0***	***0***	***2.205***
Liabilities										
Non Current Liabilities										
Interest bearing	21				974.127	**974.127**				**0**
Other Financial liabilities					3.242	**3.242**				**0**
Current liabilities										**0**
Interest bearing	22				24.675	**24.675**				**0**
Overdraft	20				1.139	**1.139**				**0**
Trade payables	24				248.599	**248.599**				**0**
Other current payables excl derivatives	24				50.521	**50.521**				**0**
Derivatives	24		284			**284**	284			**284**
Total financial liabilities		***0***	***284***	***0***	***1.302.303***	***1.302.587***	***284***	***0***	***0***	***284***

Derivatives comprise forward foreign exchange contracts maturing within one year and classified as Fair Value through Profit and Loss.

5. Capital Management

The Board of Managements' 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 of Management monitors the return on capital. The Board 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:

	2019	2018
(in thousands of €)		
Equity	1.234.622	1.180.350
Other interest borrowing loans	1.212.325	999.941
Less : Cash & Cash equivalent	-102.575	-79.391
Total Capital	***2.344.372***	***2.100.899***

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, that provides in all these regions its distribution services of specialty chemicals.

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

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 'Operating EBITA'. Operating EBITA is defined as 'operating result' (per face of the income statement under IFRS), but before 'amortization and impairment expenses' and excluding non-recurring items. Non-recurring items are one-off of kind, and are not directly related to the daily performance of the segments, like expenses of corporate restructurings and reorganizations including one-off costs with regard to acquisitions.

While the amounts included in Operating EBITA are derived from the Group's financial information, it is not a financial performance measure determined in accordance with adopted IFRS and should not be considered as the performance indicator as included in the Consolidated Income Statement. The Group currently uses Operating EBITA in its business operations to, among others, develop budgets, measure its performance against those budgets and evaluate the performance of its operations.

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 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 segments. [3]

The reconciliation from the IFRS consolidated financial statements towards Operating EBITA is summarized as follows:

	2019	2018
(in € million)		
Operating Profit per P&L according to IFRS	**129**	**-11**
Add back amortization	31	4
One-off expenses	4	22
Add Operating EBITA 1 January to 7 November 2018	0	118
Full Year Operating EBITA	***163***	***133***

Amortization and impairment expenses mainly relate to the amortization of intangible assets.

The non-recurring items of € 4 million are one-off costs not directly related to the performance of the Group, like expenses of corporate restructurings and reorganizations, and acquisition-related expenses in connection with costs of due diligence and external advisors.
In 2018 the non-recurring items mainly related to the sale of the Azelis Group to a new shareholder (€ 20.9 million), post-acquisition and integration costs (€ 0.3 million) and employment costs (€ 0.6 million).

[3] Alternative performance measures (non-GAAP) such as EBITA and Net Working Capital included in this report, we refer to Note 2.19 of the financial statements.

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

2019	EMEA	Americas	Asia-Pacific	Group Holding & other	Total
(in thousands of €)					
Revenue	**942.907**	**915.845**	**237.003**	**-746**	**2.095.009**
Gross profit	**209.614**	**185.291**	**43.482**	**6.317**	**444.704**
Operating EBITA	**84.263**	**82.535**	**12.900**	**-16.358**	**163.340**
Operating profit					128.892
Net Working Capital	56.420	123.033	57.757	-1.832	235.377

2018	EMEA	Americas	Asia-Pacific	Group Holding & other	Total
(in thousands of €)					
Revenue	**127.574**	**95.987**	**33.400**	**-108**	**256.852**
Gross profit	**26.816**	**20.422**	**5.999**	**754**	**53.992**
Operating EBITA	**9.550**	**7.089**	**1.686**	**-3.352**	**14.973**
Operating profit					-11.148
Net Working Capital	47.365	97.355	53.559	-22.281	175.999

'Other' includes income from non-core business such as agency commissions (€5.2 million in 2019 and € 0.6 million in 2018), as well as the operating expenses for the Group Holding activities.

The Group has a diverse customer base in all of its reportable segments and has no individual material customers which may need to be reported.

7. Business combinations

The Group completed the below acquisitions during the financial year 2019:

On 6 February 2019, Azelis acquired 100% of the shares of Deafarma S.r.l. (Deafarma), an Italian distributor of active pharmaceutical ingredients. Deafarma contributed € 14 million to the Group's revenue, € 2.5 million of gross profit, € 1.6 million of Operating EBITA and a positive € 0.9 million to the Group's net result.

On 28 February 2019, Azelis acquired the distribution activities of MK Ingredient & Specialties and SSD Industries in India (MK). This acquisition meets the definition of a business combination. MK contributed € 6.4 million to the Group's revenue, € 1.3 million of gross profit, € 0.8 million of Operating EBITA and a positive € 0.8 million to the Group's net result.

On 7 March 2019, Azelis acquired 100% of the shares of Chemroy Canada Holdings Inc. through the acquisition of all shares and so acquired indirectly 100% of the shares of Chemroy Canada Inc. Chemroy is a Canadian specialty chemical distributor, predominantly active in the Case, Food and Nutraceutical segments. Chemroy contributed € 69.8 million to the Group's revenue, € 13.6 million of gross profit, € 8.3 million of Operating EBITA and a positive € 4.6 million to the Group's net result.

On 28 March 2019, Azelis acquired 100% of the shares of Euroconsultant S.C. (Euroconsultant). Euroconsultant is a Polish distributor of smoke condensates and flavours, predominantly for the meat market. After gaining control, Euroconsultant contributed € 3.4 million to the Group's revenue. € 1.0 million of gross profit, € 0.6 million of Operating EBITA and a positive € 0.2 million to the Group's net result.

On 16 December 2019, Azelis acquired 100% of the shares of Ekin Kimya Ticaret (Ekin). Ekin is a Turkish specialty chemical distributor of pharma chemicals.

2019	Deafarma S.r.l.	Euroconsultant Sp.z.o.o	Chemroy Canada Holdings Inc.	Ekin Kimya Ticaret S.A.	MK ingredients	Total
(in thousands of €)						
Assets acquired and liabilities assumed						
Distribution rights	5.380	7.286	36.187	8.515	3.341	60.709
Other intangible assets	1	-	-	34	-	35
Property, plant and equipment	75	4	295	120	10	504
Deferred tax assets	68	-	-	-	-	68
Inventories	149	431	9.005	5.418	1.171	16.174
Trade and other receivables	2.348	418	14.085	8.237	1.005	26.093
Cash and cash equivalents	3.027	362	218	5.152	-	8.759
Deferred tax liabilities	-1.532	-1.384	-9.392	-1.866	-901	-15.075
Trade and other payables	-3.321	-761	-6.241	-5.661	-652	-16.636
Loans and borrowings	-27	-	-10.203	-	-	-10.230
Employee benefit	-168					-168
Total fair value identified assets acquired and liabilities assumed	***6.000***	***6.356***	***33.955***	***19.949***	***3.975***	***70.235***
Consideration transferred	10.461	9.786	75.477	46.084	5.394	147.201
Goodwill	***4.461***	***3.430***	***41.521***	***26.135***	***1.419***	***76.966***

No indemnification assets or contingent liabilities had to be recognized in the business combinations. The fair values of the acquired net assets, based on a provisional assessment, are summarized in the table above. The considerations are paid for in cash or as deferred payments for earn out. 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. The amortization of goodwill is not tax deductible. The trademark and the distribution rights have been valued based upon the expected return being generated through our strategic mandates.

If the above share acquisitions would have occurred at the start of 2019, management estimates that the consolidated revenue would have been € 2.159 million and the consolidated result for the year would have been € 53.2 million.

On 8 November 2018 Azelis Holding S.à r.l. acquired 100% of the equity of Azelis Holding S.A. via an indirect shareholder of Azelis Holding S.A.

After gaining control as of 8 November 2018, Azelis Holding S.A. contributed € 257 million to Group revenue and € -16 million operating loss, which includes one-off costs for the acquisition and related funding.

Identifiable assets and liabilities acquired:

2018	Azelis Holding SA
(in thousands of €)	
Assets acquired and liabilties assumed	
Trademarks	317.378
Distribution rights	472.888
Other intangible assets	4.540
Property, plant and equipment	31.681
Non-current financial asstes	877
Deferred tax assets	4.298
Inventories	236.141
Trade and other receivables	269.500
Cash and cash equivalents	35.241
Deferred tax liabilities	-138.939
Trade and other payables	-322.012
Loans and borrowings	-768.868
Provisions	-3.486
Employee benefit	-5.421
Other non-current liabilities	-3.235
Minority Interests	-922
	129.661
Total fair value identified assets acquired and liabilities assumed	
Consideration transferred	1.393.348
Goodwill	**1.263.688**

No indemnification assets or contingent liabilities had to be recognized in the business combinations. The fair values of the acquired net assets, are summarized in the table above. The considerations are paid for in cash. 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. The amortization of goodwill is not tax deductible. The trademark and the distribution rights have been valued based upon the expected return being generated through our strategic mandates.

Goodwill was considered to be final as per 31 December 2018.

If the above acquisition would have occurred at the start of 2018, the full year contribution would have been as follows:

2018	Revenues	Gross Profit	Operating EBITA	Net Profit
(in € million)				
Total Azelis Group	1.898,1	392,6	133,2	-50,1
TOTAL	***1.898,1***	***392,6***	***133,2***	***-50,1***

Acquisition cost

During 2019, the Group incurred acquisition-related expenses of € 3.4 million (2018: € 20.9 million) in total in connection with the costs of external advisors, due diligence and fees paid to the institutions involved. These one-off costs are recognized in the consolidated income statement under the line external services.

8. Revenue

	2019	2018
(in thousands of €)		
Revenue from sales, net of discounts	2.087.750	256.008
Revenue from commercial services	2.055	202
	2.089.806	***256.210***
Commissions received	5.203	643
	2.095.009	***256.852***

In the operating segments reporting (note 6), there is a different classification on Revenue. Commission income is not part of that, but services recharged to customers, directly related to the revenue are shown as Revenue in Note 6, while in the IFRS statements this is part of Note 9, Other operating income for an amount of € 6 million.

9. Other Operating Income

	2019	2018
(in thousands of €)		
Recharge of expenses to customers	6.000	873
Other operating income	4.342	334
	10.342	***1.207***

In the other operating income, a one-off insurance income is included for € 2.5 million related to a fire incident in Denmark.

10. Costs for goods and consumables

	2019	2018
(in thousands of €)		
Purchase of goods including movement in inventory	1.629.363	198.852
Freight and additional charges on purchases	31.283	5.216
	1.660.646	***204.067***

11. Employee benefits

11.1. Expenses

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

	2019	2018
(in thousands of €)		
Wages and salaries and other personnel related expenses	141.219	17.742
Social charges	19.788	3.260
	161.007	***21.001***

The average number of employees located in the geographical areas is set out below:

	2019	2018
EMEA	1.123	1.076
Americas	574	520
Asia Pacific	365	317
	2.062	***1.913***

11.2. Defined obligation benefit schemes

The Group is subject to the following defined benefit obligations:

	2019	2018
(in thousands of €)		
German companies	855	771
Belgian companies	5.942	4.708
French companies	1.290	1.364
Italian companies	1.666	1.446
Total present value of unfunded obligations	***9.753***	***8.289***
Present value of funded obligations (Azelis UK)	8.592	7.352
Total present value of obligations	***18.345***	***15.641***
Fair value of plan assets	-12.184	-10.791
Amounts not recognised as asset due to asset ceiling	0	0
Recognised liability for defined benefit obligations	***6.161***	***4.850***
Liability for long-service leave and other employees benefits	633	874
Total employee benefits recognised in the balance sheet	***6.794***	***5.724***

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 € 1.7 million (€ 0.4 million in 2018) in the year included in 'Wages and 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 contributions 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. Law Vandenbroucke states that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions.

This law was amended as follows:

- 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 2019 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: € 0.5 million (€ 0.5 million in 2018)
- Amount of the plan assets at 31st December 2019: € 5.7 million (€ 4.6 million in 2018)

United Kingdom

In the UK, the defined benefit pension plan is financed through the accumulation of plan assets held separately from those of the Company in an independently administered fund.

Actuarial calculations have been made per 31st December 2019 and these were recognized in the balance sheet. The duration of Scheme obligations at 31 December 2019 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: € 0.2 million (€ 0.3 million in 2018)
- Amount of the plan assets at 31st December 2019: € 6.4 million (€ 6.2 million in 2018).

Actuarial assumptions

The actuarial calculations of the present value of defined benefit obligations were based on the following main assumptions:

	2019	2018
Discount rate	0,4% - 2,1%	1,5%-2,8%
Inflation	5%	5%
Future pensions increases	2,0 %- 2,5%	2,5%-4,5%
Future salary increases	0 %- 2,5%	0%-2,5%

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 € 18.2 million or € 20.1 million, respectively.

The benefits paid are mainly related to France, Italy and UK. The 2020 benefits to be paid are expected to be in line with the 2019 benefits.

The following table shows the changes in the present value of the defined benefit obligations:

	2019	2018
(in thousands of €)		
Liability for defined benefit obligations at the beginning of period	**15.651**	**16.147**
Current service costs and interest	911	1.038
Benefits paid	-1.711	-662
Remeasurement arising from changes in demographic assumptions	1.235	-35
Remeasurement arising from changes in financial assumptions	1.841	-714
Remeasurement arising from experience	-127	-56
Business combination	166	-
Exchange rate differences	367	-67
Liability for defined benefit obligations at 31 December	***18.333***	***15.651***

The following table shows the changes in the plan assets.

	2019	2018
(in thousands of €)		
Fair value of plan assets at the beginning of the period	**10.791**	**11.129**
Contributions paid into the plan	252	361
Benefits paid by the plan	-954	-115
Expected return on plan assets	173	163
Return on assets excluding amounts in net interests	1.601	-692
Exchange rate differences	321	-55
Fair value of plan assets at 31 December	***12.184***	***10.791***

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:

	2019	2018
(in thousands of €)		
Current service costs	-594	-678
Interest on obligation	-318	-270
Interest on assets	173	163
	-739	***-785***

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:

	2019	2018
(in thousands of €)		
Return on assets, excluding amounts in net interests	1.601	-692
Actuarial gains and losses on benefit obligations	-2.995	817
Effect of changes in asset ceiling	0	0
	-1.394	***125***

12. External services and other expenses

	2019	2018
(in thousands of €)		
Distribution	50.111	6.636
Communication, information & travel	27.334	4.689
Commercial expenses	5.011	875
Professional service fees	13.304	21.949
Lease expenses	2.264	2.518
Other expenses	11.037	2.183
	109.061	***38.850***

The professional services & other expenses of 2019 include one-off expenses of € 3.4 million, mainly related to acquisition costs (for 2018 : € 20.9 million related to the Sale of the Group to its current owner EQT).

Audit fees included under professional service fees in the above table (for 2018 also annualized):

	2019	2018
(in thousands of €)		
Audit Fees :		
Total fees for the audit of the annual accounts	1.165	1.235
Total fees for audit by non-PWC companies	142	75
Non Audit fees paid to group auditor network :		
Total fees for other non-audit services	78	201
	1.385	***1.511***

13. Net financial expenses

	2019	2018
(in thousands of €)		
Financial income		
Interest income	501	89
Other financial income	181	99
	682	***188***
Financial expenses		
Interest expense on bank loans and overdrafts	-57.202	-7.924
Interest lease commitments	-2.184	0
Transaction costs for bank loans	-3.904	-652
Gains on changes in fair value of derivatives	88	0
Foreign exchange losses	-3.283	-3.073
Other financial expenses	-4.897	-967
	-71.382	***-12.616***

Transaction costs for bank loans includes the non-cash impact of expensing capitalized transaction costs, as a consequence of the changes in loans and borrowings (note 22).

The foreign exchange losses include for the majority unrealized translation of intercompany loans, mainly with regard 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:

	2019	2018
(in thousands of €)		
Current period tax expense (-) / income	-29.210	387
Adjustments to prior years income tax expense (-) / income	-815	208
Provisions for tax risks	432	1.006
	-29.593	***1.601***
Deferred tax income / loss (-)	19.340	425
Total income tax income / expense (-)	***-10.253***	***2.026***

Income tax expense consists primarily of income taxes for the current period and prior period of Group companies.

The differences between the taxable income related to the Luxembourg tax rate 24.94 % (2018 tax rate : 26.01%) and the effective tax rate are reconciled as follows:

	2019	2018
(in thousands of €)		
Proft/loss (-) before tax	58.230	-23.576
Income tax using the domestic corporation tax rate (24,94%)	-14.505	6.132
Impact of tax in different jurisdictions with difference to domestic rate	-2.111	-356
Tax effect of expenses not deductible for tax purposes	-1.985	-1.089
Tax losses for which no deferred income tax asset was recognized	-4.551	-6.014
Adjustments on applicable tax rate	1.028	210
Deferred tax asset on stand-alone carry forward losses	10.420	3.142
Total income tax income / expense (-) in income statement	***-10.253***	***2.026***

Income tax expenses in Consolidated Statement of Other Comprehensive Income

The tax included in other comprehensive income is related to:

	2019	2018
(in thousands of €)		
Relating to actuarial gains and losses on pensions obligations	178	-28
	178	***-28***

14.2. Deferred taxes

Deferred tax assets and liabilities are attributable to the following:

2019	1 January	Business combinations	Income statement	OCI	Other	Translation differences	31 December
(in thousands of €)							
Property, plant and equipment	**-700**	-13	155	0	1.270	-10	**702**
Intangible assets	**-187.788**	-15.288	8.068	0	-977	-1.309	**-197.293**
Inventories	**2.788**	160	-82	0	-66	-13	**2.787**
Trade receivables	**433**	27	28	0	-3	-1	**483**
Loans and borrowings	**0**	0	0	0	3	0	**3**
Employee benefits	**996**	7	225	142	160	-290	**1.240**
Provisions, derivatives and other items	**-30**	37	140	0	37	-61	**123**
Untaxed reserves	**4.452**	0	2.157	0	0	76	**6.684**
Tax value of loss carry-forwards	**47.064**	101	8.650	0	-265	-118	**55.432**
	-132.785	***-14.968***	***19.340***	***142***	***160***	***-1.727***	***-129.837***
Deferred Tax liability	**-137.243**						**-135.154**
Deferred Tax assets	**4.458**						**5.317**
	-132.785						***-129.837***

2018	25 July	Business combinations	Income statement	OCI	Other	Translation differences	31 December
(in thousands of €)							
Property, plant and equipment	**0**	-686	59	0	0	-73	**-700**
Intangible assets	**0**	-189.147	815	0	0	544	**-187.788**
Inventories	**0**	2.948	-17	0	0	-143	**2.788**
Trade receivables	**0**	444	-12	0	0	0	**433**
Employee benefits	**0**	1.055	-211	0	0	152	**996**
Provisions, derivatives and other items	**0**	25	29	0	0	-84	**-30**
Untaxed reserves	**0**	4.481	-60	0	0	31	**4.452**
Tax value of loss carry-forwards	**0**	46.238	209	0	0	616	**47.064**
	0	***-134.641***	***812***	***0***	***0***	***1.043***	***-132.785***
Deferred Tax liability	**0**						**-137.243**
Deferred Tax assets	**0**						**4.458**
	0						***-132.785***

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.

Deferred tax assets and liabilities are expected to be recovered or settled over time as follows :

	Deferred tax assets	Deferred tax liabilities
(in thousands of €)		
To be recovered after more then 12 months	3.605	135.154
To be recovered withing 12 months	1.712	0
	5.317	***135.154***

14.3. Unrecognized deferred income tax assets

The following deferred tax assets related to compensable losses of Group companies acquired have not been recognized :

	2019		2018	
(in thousands of €)	Gross	Tax	Gross	Tax
Tax losses	46.184	12.012	64.460	16.766
	46.184	**12.012**	**64.460**	**16.766**

Unrecognized carry forward losses of € 17.8 million (for 2018 : € 56.2 million) can be used unlimited in time and € 28.4 million (for 2018 :€ 8.2 million for period 2019-2034) need to be used during the period 2020-2036.

No such deferred tax assets have been recognized due to the fact that they do not meet the recognition criteria to recognize a deferred tax asset, as currently the timing of realization is unsure.

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

(in thousands of €)	Goodwill	Trade-marks	Distribution rights	Concessions and licenses	Develop-ment cost	Customer lists	Other	Intangibles in progress	Total
Opening	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Changes in 2018									
Business combination	1.263.686	317.378	472.888	1.446	444		1.346	1.304	**2.058.491**
Additions						39	798	5	**842**
Amortisation			-3.515	-143	-39		-84	-630	**-4.411**
Reclassifications				235	-44		106	4.936	**5.233**
Translation differences				2			-60		**-58**
Changes in the Period	***1.263.686***	***317.378***	***469.373***	***1.539***	***362***	***39***	***2.105***	***5.616***	***2.060.098***
At 31 December 2018									
Cost	1.263.686	317.378	472.888	1.682	400	39	2.190	6.246	**2.064.509**
Accumulated amortization and impairment	0	0	-3.515	-143	-39	0	-84	-630	**-4.411**
	1.263.686	***317.378***	***469.373***	***1.539***	***362***	***39***	***2.105***	***5.616***	***2.060.098***
Changes in 2019									
Business combination	76.966	0	60.709	0	0	0	58	0	**137.734**
Additions	0	0	759	10	0	507	4.554	1.352	**7.182**
Amortisation	0	0	-26.432	-729	-86	-168	-867	-2.476	**-30.758**
Reclassifications	-3	0	-1	16	-1	1	11	-32	**-9**
Translation differences	16.587	0	6.442	0	0	73	3	0	**23.105**
Changes in the Period	***93.551***	***0***	***41.477***	***-704***	***-87***	***413***	***3.759***	***-1.157***	***137.253***
At 31 December 2019									
Cost	1.357.237	317.378	540.797	1.707	399	621	6.816	7.565	**2.232.520**
Accumulated amortization and impairment	0	0	-29.947	-872	-125	-168	-951	-3.106	**-35.169**
	1.357.237	***317.378***	***510.850***	***835***	***275***	***453***	***5.865***	***4.459***	***2.197.351***

The other intangibles include development costs and customer lists - see note 7 for the acquired businesses in the period.

15.1. Allocation of assets for impairment testing

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

	2019	2018
(in thousands of €)		
APAC	213.588	208.819
EMEA	569.760	534.083
AMERICAS	573.889	520.786
Total Goodwill	***1.357.237***	***1.263.687***

All goodwill acquired in the business combinations has been allocated to a cash-generating unit at the end of the reporting period. The goodwill has been allocated to the cash-generating unit based upon the percentage of headroom before goodwill allocation.

Trademarks with a book value of € 317.4 million (2018: € 317.4 million) have an indefinite life. The impairment test on the recoverable amount show sufficient headroom over the carrying amounts of its indefinitely lived intangible assets.

15.2. Impairment assessment

A cash-generating unit (CGU) represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

The impairment tests have been determined by discounting future cash flows from continuing operations of the unit. The recoverable amount of the cash-generating unit as at 31st December 2019, has 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 Operating 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 CGU.

The WACC and growth rates, part of the terminal value used per CGU are as follows:

Cash Generating Unit	2019		2020-2024 assumptions	
	WACC	**Growth rate for terminal value**	**Sales Growth**	**Margin % Growth**
APAC	8,94%	6%	9,8%	0,80%
EMEA	8,07%	2%	3,9%	0,76%
AMERICAS	7,52%	2%	5,3%	0,54%

The impairment test on the recoverable amount of afore mentioned CGU show sufficient headroom on the carrying amount of the Goodwill.

Sensitivity to changes in assumptions

EMEA

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growth rate in the terminal value with 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 2020-2024 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.

AMERICAS

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growth rate in the terminal value with 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 2020-2024 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.

APAC

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growth rate in the terminal value with 1%, an impairment loss would have to be recognized respectively of € 45 million and € 26 million.

If we would lower the Sales growth in the assumptions used for the period 2020-2024 with an average of 1% or if we would lower the margin % by 1%, no impairment loss would have to be recognized with a lower Sales growth, but an impairment of € 24 million would have to be recognized with a lower margin%.

Overall

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growth rate in the terminal value with 1%, no impairment loss would have to be recognized on the other intangibles (brand value).

16. Property, plant and equipment - Right of use assets

16.1 Property, Plant and Equipment

	Land and buildings	Plant and equipment	Other	Total
Opening	**0**	**0**	**0**	**0**
Changes in 2018				
Acquisitions of business	18.441	2.954	10.285	**31.681**
Additions	1.212	1.256	495	**2.964**
Depreciation	-172	-217	-388	**-776**
Disposals	-387	-295	-101	**-783**
Reclassifications	-46	-9	-5.174	**-5.229**
Translation differences	-61	-10	-1	**-72**
Changes in the Period	***18.988***	***3.679***	***5.116***	***27.784***
At 31 December 2018				
Cost	19.160	3.896	5.504	**28.560**
Accumulated depreciation and impairment	-172	-217	-388	**-776**
	18.988	***3.679***	***5.116***	***27.784***
Changes in 2019				
Acquisitions of business	0	332	172	**504**
Additions	1.300	2.440	2.443	**6.182**
Depreciation	-818	-912	-1.874	**-3.603**
Disposals	-949	-32	-254	**-1.235**
Reclassifications	0	1	395	**396**
Translation differences	72	41	77	**190**
Changes in the Period	***-395***	***1.870***	***960***	***2.435***
At 31 December 2019				
Cost	19.583	6.677	8.338	**34.599**
Accumulated depreciation and impairment	-990	-1.128	-2.262	**-4.380**
	18.594	***5.549***	***6.076***	***30.219***

The reclassification relates mainly to internal project costs which are recognized at year-end as intangibles.

Security

At 31st December 2019, the Group pledged land and buildings, plant and equipment as security for the bank loans with a book value of € 30 million (2018: € 28 million). 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 non-cancellable operating leases with regard to the renting agreements for offices, warehouses and cars.

	Land and buildings	Other	Total
Changes in 2019			
Opening balances	36.480	8.054	**44.534**
Acquisitions of business	385	20	**404**
Additions	5.065	4.432	**9.496**
Depreciation	-7.720	-3.699	**-11.418**
Disposals	-24	-131	**-155**
Remeasurements	1.114	60	**1.174**
Translation differences	269	21	**290**
Changes in the Period	***35.569***	***8.756***	***44.325***
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***

17. Investments in associates

The summary of available aggregated figures of the associates, being a 50% investment in Chemlog S.A.S (see note 26.4) is:

	Assets	Liabilities	Equity	Revenue	Net result for the period
(in thousands of €)					
31 December 2019	647	297	350	1.569	74
31 December 2018	719	216	503	1.683	78

18. Inventories

Inventories usages is recorded in the cost of goods sold in the consolidated income statement.

In 2019 a write down on inventory of € 1.2 million (2018: € 0.4 million) is included in the 'cost of goods and consumables' in the income statement. This write down is based upon the Group accounting policies under IFRS.

19. Trade and other receivables

	2019	2018
(in thousands of €)		
Trade receivables	198.885	167.020
Other receivables	29.967	32.452
	228.852	***199.472***

See note 4 for ageing and allowance of these receivables. Other receivables relate mainly to prepayments.

20. Cash and cash equivalents and bank overdrafts

	2019	2018
(in thousands of €)		
Bank balances and cash on hand	102.575	79.391
Bank overdrafts (-)	-15.959	-1.139
Cash and cash equivalents (net) in the cash flow statement	***86.616***	***78.252***

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 and liability to shareholders

As per Luxembourg regulations and articles of incorporation of the Company, the Company 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 2019, the legal reserve amounts to € nil (2018: € nil).

21.1. Earnings per share

	2019	2018
Net Group profit/loss (-) attributable to shareholders *(in thousands of €)*	47.973	-21.497
Average number of shares (in thousand shares)	1.175.057	1.175.057
Earnings per share	***0,04***	***-0,02***

The average number of shares are calculated as:

	2019	2018
(in thousands)		
Ordinary shares issued (entitled to dividend) as at 1 January	1.175.057	0
Weighted effect of new ordinary shares issued	0	1.175.057
Average number of shares	***1.175.057***	***1.175.057***

No dilution effects will occur. The diluted earnings per share are equal to the ordinary earnings per share.

21.2. Share capital

No shares were issues during 2019. At 31 December 2019 and 2018, the fully paid subscribed share capital of € 11.8 million is divided into 1.175.058 thousand shares with a nominal value of € 0,01 each.

21.3. Share premium

The share premium consists of additional paid-in capital exceeding the par value of the outstanding shares. At 31st December 2019 the share premium amounts to € 1.184 million (2018: € 1.184 million).

22. Loans and borrowings

The Group's debt finance consists mainly of the following finance instruments:

2019	Interest rate	Duration	Notional amounts	Carrying amounts
(in thousands of €)				
First lien €	3,75%	2018-2025	635.000	621.151
First lien GBP	4,82%	2018-2025	239.948	235.954
Second lien €	7,00%	2018-2026	135.000	131.754
Second lien CAD	9,01%	2018-2026	99.386	97.121
Revolving Credit Facility	3,00%	2018-2024	0	0
Other bank loans	2,00%	2018-2020	37.890	37.890
Intrest accrual	0,00%	0	26.980	26.980
			1.174.204	***1.150.850***
Non-current borrowings and loans			1.109.334	1.085.980
Current borrowings and loans			64.870	64.870
			1.174.204	***1.150.850***

2018	Interest rate	Duration	Notional amounts	Carrying amounts
(in thousands of €)				
First lien €	4,00%	2018-2025	535.000	519.384
First lien GBP	5,10%	2018-2025	228.226	223.723
Second lien €	7,00%	2018-2026	135.000	131.339
Second lien CAD	9,21%	2018-2026	92.973	90.418
Revolving Credit Facility	3,00%	2018-2024	9.000	9.000
Other bank loans	2,00%	2018-2020	17.366	17.366
Interest accruals	0,00%	2018	7.572	7.572
			1.025.136	***998.802***
Non-current borrowings and loans			1.000.199	973.864
Current borrowings and loans			24.938	24.938
			1.025.136	***998.802***

22.1. Changes in loans and borrowings

(in thousands of €)	2019	2018
At 1 January	**998.802**	**-**
Cash flows from loans and borrowings	109.650	1.004.000
Transaction costs paid	-	-26.958
Changes arising from business combinations	-	17.366
Capitalized transactions cost amortized	-3.901	623
Changes in interest accruals	26.980	7.572
Currency translation differences	19.319	-3.801
At 31 December	***1.150.850***	***998.802***

22.2. Other facilities

In addition to cash balances, as of 31st December 2019, the Group maintained the following lines of credit:

- € 72.9 million (2018: € 71.4 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 2019, € 36 million (2018: € 18 million) was utilized.
- € 100 million total committed ancillary facility, of which € 0 million (2018: € 9 million) has been utilized. Therefore, per 31st December 2019, € 100 million (2018: € 91 million) committed ancillary facility was unused. Interest would be payable at the maximum rate of EURIBOR plus 3%.

22.3. Covenants

The credit agreements of Azelis Holding S.à r.l. and its subsidiaries contain a single financial maintenance covenant, being the Consolidated Senior Secured Net Leverage Ratio, which needs to be less than 9.0 to 1.0 and is tested quarterly solely when the revolving credit facility utilization (minus cash and cash equivalents) exceeds 40%. As this utilization per 31 December 2019 was below 0% (i.e. -82%), it was not required to test the financial covenant per that date.

Calculations per 31st December 2019:

- Consolidated Secured Net Leverage Ratio: 4.6 to 1.0 (2018: 4.9 to 1.0).
- Revolving Credit Facility Utilization (minus cash and cash equivalents): -82% (2018: -69%).

As at 31st December 2019, the Group complied with all 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
(in thousands of €)			
At 25 July 2018	**0**	**0**	**0**
Business combination	2.260	1.226	**3.486**
Provisions made during the period	1.055	325	**1.380**
Provisions used during the period	-50	-34	**-84**
Provisions released during the period	-954	-615	**-1.569**
Translation differences	-19	5	**-13**
As 31 December 2018	***2.292***	***907***	***3.199***
Non-current	2.292	800	**3.092**
Current	0	106	**106**
(in thousands of €)	***2.292***	***906***	***3.199***
2019			
Business combination	0	0	**0**
Provisions made during the period	278	118	**396**
Provisions used during the period	-19	-124	**-143**
Provisions released during the period	-429	-49	**-478**
Translation differences	42	6	**48**
As 31 December	***2.165***	***857***	***3.022***
Non-current	2.040	801	**2.842**
Current	125	56	**181**
Total	***2.165***	***857***	***3.022***

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

	2019	2018
(in thousands of €)		
Trade payables	227.588	248.599
Other taxes	6.030	7.781
Employee and social security payables	31.479	31.459
Derivatives	330	284
Other payables	10.991	11.281
	276.419	***299.404***

25. Operating leases, capital commitments and contingencies

25.1. Operating lease

With the implementation of IFRS 16 starting per financial year 2019, all non-cancellable operating lease rentals related to the next years are treated on-balance. We refer to note 2 Basis of preparation, section IFRS 16 "Leases".

As per 31 December 2018 (yet without impact of IFRS 16), the lease obligations were as follows:

	2019	2018
(in thousands of €)		
Less than one year	0	11.717
Between one and five years	0	19.889
More than five years	0	12.824
	0	***44.430***

The non-cancellable operating leases refer mainly to the renting agreements for offices, warehouses and cars.

25.2. Legal and Tax contingencies

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. Nevertheless, the Group is facing some tax

and other contingencies in two different jurisdictions. Total tax and other contingencies per the end of December 2019 amount to a maximum of € 1.1 million (for 2018 : € 1.7 million) and are considered to be contingencies rather than obligations for which provisions should be recognized.
The impact of implementing IFRIC 23 during 2019 has not led to additional tax obligations.

After in-depth analysis of the likelihood of aforementioned matters to materialize, it is not considered probable that an outflow of resources will be required to settle the possible obligations. Those cases and the corresponding amounts at risk are considered a contingent liability as confirmed by both the Group as well as external legal and tax advisors.

The Group monitors closely these 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 insignificant Non-Controlling Interest, see Note 17.

26.2. Loans to or from related parties

As per 31 December 2019, there are no outstanding loans to or from related parties.

26.3. Key personnel remuneration

	2019	2018
(in thousands of €)		
Board members (non-executive)	319	34
Other members of key management personnel		
Fixed remuneration	2.022	361
Variable remuneration	2.352	464
	4.693	***859***

Post-employment benefits: Details of the transactions between the Group and its pension plans are disclosed in Note 11.

The Group’s management has had and may in the future have the opportunity to co-invest via a so-called Management Participation Plan (“MPP”). These MPP investments do not take place directly into the Company itself but are invested into one of the ultimate parent entities of the Company. Management invests in ordinary shares and in preferred shares, investing at own risk and account, and at the same (market) conditions as invested by any other shareholders (EQT, PSP). For the ordinary shares, these plans qualify as equity settled under IFRS 2.

The Company has no obligations of whatever nature towards Azelis' management in respect of this MPP. As also the offered (market) conditions investing into one or the Company's ultimate parent entities are similar as offered to the other shareholders (EQT, PSP), meaning the grant-date fair value is nil. Therefore, no fair value adjustment is required, and no separate recognition takes place in the consolidated financial statements of the Company.

26.4. Group entities

The following table lists the Group's subsidiaries:

Name	Country of incorporation	% of interest 2019	% of interest 2018
Consolidated companies in full :			
Azelis Holding S.à r.l. (formerly Akita Midco S.à r.l.)	**Luxembourg**	**Parent company**	**Parent company**
Direct Investments:			
Azelis finance S.à r.l. (formerly Akita Bidco S.à r.l.)	Luxembourg	100	100
Indirect Investments:			
Azelis Australia Pty Ltd	Australia	100	100
Chemcolour Industries Australia Pty Ltd	Australia	100	100
TimTechChem Australia Pty Ltd	Australia	100	100
Azelis Benelux N.V.	Belgium	100	100
Azelis Corporate Services N.V.	Belgium	100	100
Azelis Bulgaria EAD	Bulgaria	100	100
Azelis Canada Inc.	Canada	100	100
Chemroy Canada Holding Inc.	Canada	100	0
Chemroy Canada Inc.	Canada	100	0
Azelis (Shanghai) Co. Ltd.	China	100	100
Azelis Hong Kong Ltd	China	100	100
Azelis Croatia D.O.O.	Croatia	100	100
Azelis CEE Holding A.S.	Czech Republic	100	100
Azelis Czech Republic S.R.O.	Czech Republic	100	100
Azelis Denmark A/S	Denmark	100	100
Azelis Finland OY	Finland	100	100
Azelis France S.A.S	France	100	100
Azelis France Holding S.A.S	France	100	100
Azelis Deutschland GmbH	Germany	100	100
Azelis Deutschland Holding GmbH	Germany	100	100
Azelis Deutschland Holding Beteiligungs GmbH	Germany	100	100
Azelis Deutschland Immobilien GmbH	Germany	100	100
Azelis Deutschland Kosmetik GmbH	Germany	90	90
Azelis Deutschland Pharma GmbH	Germany	100	100
Azelis Greece S.A.	Greece	100	100
Azelis Hungary Kft.	Hungary	100	100

Name	Country of incorporation	% of interest 2019	% of interest 2018
Azelis India Private Ltd	India	100	100
PT Azelis Indonesia Distribusi	Indonesia	67	67
Azelis Ireland Ltd.	Ireland	100	100
Ametech S.r.L	Italy	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	0
Azelis Côte d'Ivoire S.A.	Ivory Coast	100	100
Azelis Japan K.K.	Japan	100	100
SammiChem Co. Ltd	Korea	100	100
Antelope Topco S.A.	Luxembourg	100	100
Antelope GP S.à r.l.	Luxembourg	100	
Azelis S.A.	Luxembourg	100	100
Azelis Malaysia Sdn Bhd	Malaysia	100	100
Azelis Morocco Sarl	Morocco	100	100
Distralim Sarl	Morocco	100	100
Azelis Norway AS	Norway	100	100
Azelis New Zealand Ltd	New Zealand	100	100
TimTechChem International Ltd	New Zealand	100	100
Azelis Poland SP Z.o.o	Poland	100	100
Euroconsultant Sp. Z.o.o.	Poland	100	0
Azelis Romania SRL	Romania	100	100
Azelis Rus LLC	Russia	100	100
Azelis SRB d.o.o	Serbia	100	100
Azelis Singapore Pte. Ltd	Singapore	100	100
Azelis Slovakia S.R.O.	Slovakia	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	0
Azelis TR Kimya End. Ur.Ith.Ihr.Tic ve San A.S.	Turkey	100	100
Ekin Kimya Ticaret A.S.	Turkey	100	0

Name	Country of incorporation	% of interest 2019	% of interest 2018
Azelis Ukraine LLC	Ukraine	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	100	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	100	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 (formerly Ribelin LLC)	United States	100	100
Red River Specialties LLC	United States	100	100
C.L. Zimmerman Co. of Delaware LLC	United States	100	100
Ross Organic Specialty Sales Inc.	United States	100	100
Azelis Vietnam Company Ltd	Vietnam	100	100
Companies consolidated at equity			
Indirect Investments			
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 2019 the following transactions were signed during 2019 but closed (or expected to close) in 2020.

During December 2019, Azelis signed an agreement to acquire 100% of the outstanding shares of Megafarma, S.A. de C.V., Mexico. This transaction has been completed on 14 January 2020.

In October 2019, Azelis signed an agreement to acquire Orkila Holding S.A.L. and its subsidiaries (Orkila), a specialty chemicals and food ingredients distributor throughout Africa and the Middle East. This transaction has been completed on 5 February 2020.

Also in October 2019, Azelis signed an agreement to acquire 100% of the distribution and indent business of S. Zhaveri Pharmakem Pvt. Ltd., an Indian specialty distributor for the pharmaceutical industry. This transaction has been completed on 27 February 2020.

Furthermore, Azelis signed end of 2019 an agreement to acquire 100% of the shares of an Asian chemicals and food distributor, predominantly active in Personal Care and Food. The completion of this transaction is foreseen during the second quarter of 2020.

The funding of the acquisitions has been secured by Azelis' strong liquidity position as well as by an incremental facility of €75 million concluded in February 2020.

We are closely watching the developments around the Coronavirus COVID-19. We operate a very diversified business model across the market segments Life Sciences and Industrial Chemicals, that enables us to absorb related risks but also to identify and utilize possible opportunities. To date, the development of our financial results has not been impacted significantly. Additionally, we have mitigating action plans in place that will be used if needed.

No subsequent events in 2020 have been identified, that may have had a material or significant effect on the 2019 consolidated financial statements.

Luxembourg, 27 March 2020

T. Bakker

Manager Class A

G. Henry

Manager Class B

azelis

Akita Midco S.à r.l.

Annual Report 2018

Auditor's Report

Audit report

To the Partners of
Akita Midco S.à r.l.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Akita Midco S.à r.l. (the "Company") and its subsidiaries (the "Group") as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the period from 25 July 2018 (date of incorporation) to 31 December 2018 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statement for the period from 25 July 2018 (date of incorporation) to 31 December 2018;
- the consolidated statement of other comprehensive income for the period from 25 July 2018 (date of incorporation) to 31 December 2018;
- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of cash flows for the period from 25 July 2018 (date of incorporation) to 31 December 2018;
- the consolidated statement of changes in equity for the period from 25 July 2018 (date of incorporation) to 31 December 2018; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

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

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

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Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the report of the management but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers 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 Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, 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 Managers;

- conclude on the appropriateness of the Board of Managers' 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 audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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 those charged with governance 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.

Report on other legal and regulatory requirements

The report of the management is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 9 April 2019

Véronique Lefebvre

Consolidated Financial Statements 2018

Consolidated Income Statement

	Note	From 25 July till 31 December 2018
(in thousands of €)		
Revenue	8	256.852
Other operating income	9	1.207
Total income		***258.059***
Costs for goods and consumables	10	-204.067
Gross Profit		***53.992***
Employee benefits expenses	11	-21.001
External services and other expenses	12	-38.850
Depreciation, amortization and impairment expenses	15, 16	-5.288
Operating profit / loss (-)		***-11.148***
Financial income	13	188
Financial expenses	13	-12.616
Net financial expense		***-12.428***
Share of result of associates	17	0
Profit / loss (-) before tax		***-23.576***
Income tax income / expense (-)	14	2.026
Net profit / loss (-) for the period from continuing operations		***-21.551***
Attributable to:		
Equity holders of the parent		-21.497
Non-controlling interests		-54
Net profit / loss (-) for the period		***-21.551***
		in Euro's
Basic earnings per share	21	***-0,02***
Diluted earnings per share	21	*-0,02*

The notes are an integral part of these consolidated financial statements

Consolidated Statement of Other Comprehensive Income

	Note	From 25 July till 31 December 2018
(in thousands of €)		
Net profit / loss (-) for the period		**-21.551**
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations		5.448
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains / losses (-) on employee benefits	11	129
Income tax relating to these items		-28
Total other comprehensive income		***5.549***
Total comprehensive income for the period		***-16.002***
Attributable to:		
Equity holders of the parent		-15.948
Non-controlling interests		-54
Total comprehensive income for the period		***-16.002***

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

Consolidated Statement of Financial Position

	Note	31 December 2018
(in thousands of €)		
Assets		
Goodwill	15	1.263.684
Intangible assets	15	796.414
Property, plant and equipment	16	27.784
Investments in associates	17	108
Other financial assets	4	561
Deferred tax assets	14	4.458
Total non-current assets		***2.093.009***
Inventories	18	255.954
Trade and other receivables	19	199.472
Income tax receivables	14	3.831
Other financial assets	4	2.205
Cash and cash equivalents	20	79.391
Total current assets		***540.853***
Total assets		***2.633.861***
Equity	21	
Share capital		11.751
Share premium		1.183.789
Translation reserve		5.448
Unappropriated Result		-21.497
Total equity attributable to equity holders of the parent		***1.179.491***
Non-controlling interests		***859***
Total equity		***1.180.350***
Loans and borrowings	22	974.127
Employee benefits obligations	11	5.724
Provisions	23	3.092
Other non-current liabilities	4	3.242
Deferred tax liabilities	14	137.243
Other non-current liabilities		***1.123.428***
Bank overdrafts	20	1.139
Loans and borrowings	22	24.675
Provisions	23	106
Income tax payables	14	4.759
Trade and other payables	24	299.404
Total current liabilities		***330.084***
Total liabilities		***1.453.512***
Total equity and liabilities		***2.633.861***

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

Consolidated Statement of Cash Flows

	Note	From 25 July till 31 December 2018
(in thousands of €)		
Cash flows from operating activities		
Net profit / loss (-) for the period		-21.551
Adjustments for:		
Depreciation, amortisation and impairment expenses	15.16	5.288
Net financial expense	13	12.428
Transaction costs related to acquisitions		23.009
Income tax income / expense	14	-2.026
Change in inventories	18	-20.285
Change in trade and other receivables and other investments	19	54.768
Change in trade and other payables	24	17.085
Change in provisions	23	0
Cash flow from operating activities		***68.718***
Income tax paid		-6.119
Interest paid		-922
Net cash flow from operating activities		***61.677***
Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	15.16	-3.806
Acquisition of subsidiaries, net of cash acquired	7	-1.358.107
Transaction costs related to acquisitions and change of ownership	12	-23.009
Net cash flow from investing activities		***-1.384.922***
Cash flows from financing activities		
Proceeds from shareholders for issue of equity	21	1.195.527
Proceeds from loans and borrowings (net of transaction costs)	22	1.004.000
Repayments from loans and borrowings (net of transaction costs)	22	-768.868
Transaction costs related to re-financing	22	-26.958
Net cash flow from financing activities		***1.403.701***
Net (decrease) increase in cash and cash equivalents		***80.455***
Effect of exchange rate fluctuations on cash held		-2.202
Cash and cash equivalents net at beginning of the period	20	0
Cash and cash equivalents net at 31 December	20	**78.253**

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

Consolidated Statement of Changes in Equity

(in thousands of €)	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
	Share capital	Share premium	Translation Reserve	Unappropriated Result	Total equity holders of the parent	Non-controlling interests	Total equity
Balance as per 25 July 2018							
Capital paid	12				12		12
Capital increase 08/11/2018	11.738	1.183.789			1.195.527		1.195.527
Business combination					0	913	913
Net profit / loss (-) for the period				-21.598	-21.598	-54	-21.652
Comprehensive Income			5.448	101	5.549		5.549
Balance as per 31 December 2018	***11.750***	***1.183.789***	***5.448***	***-21.497***	***1.179.491***	***859***	***1.180.350***

The notes are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

1. General

Akita Midco S.à r.l. (the "Company"), was incorporated on 25th of July 2018 and is domiciled in Luxembourg. The address of the Company is 19 rue Gabriel Lippmann, 5365 Munsbach, Luxembourg. The Company is registered in Luxembourg under the number B 226269.

The Company is incorporated as part of the acquisition of Azelis Holding S.A. by EQT VIII Fund together with co-investor PSP Investments. After the incorporation of the Company, Azelis Holding S.A. was acquired on 8 November 2018.

A full new equity and external debt structure has been established: The syndicated credit agreements of Azelis Holding S.A. and its subsidiaries have been fully repaid as per 8 November 2018. Akita Midco S.à r.l. from Luxembourg currently holds (indirectly) 100% of the shares of Azelis Holding S.A. as well as a renewed syndicated credit arrangement, since 8 November 2018.

The consolidated financial statements of the Company for the period ended 31st December 2018 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, Essential and Fine Chemicals).

2. Basis of Preparation

The consolidated financial statements for the period ended December 31, 2018, were authorised for issue by the Board of Managers on 9 April 2019 and will be submitted for approval to the Shareholders' Meeting to be held on 25 April 2019.

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 25th July 2018 and do not materially affect the result and equity of the Group.

Endorsement status of the new standards as at 31 December 2018

A. The following amendments and annual improvements to standards are mandatory for the first time for the financial year beginning 1 January 2018 and have been endorsed by the European Union and have been implemented by the Company:

- **IFRS 9** 'Financial instruments. The standard addresses the classification, measurement, derecognition of financial assets and financial liabilities and general hedge accounting.The new standard introduces a new expected credit loss (ECL) model, which requires recognition of impairment based on ECL. For financial assets that do not have a significant financing component, e.g. trade receivables, a simplified approach is permitted. The loss should be measured on initial recognition and throughout the life of the receivable at an amount equal to lifetime ECL. The adoption of IFRS 9 resulted in changes in accounting policies regarding the classification of the financial instruments and the impairment of financial assets. Changes relating to classification did not impact the measurement of the financial instruments . The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The new expected credit loss model did not significantly impact the methodology used by the Group.

- **IFRS 15** 'Revenue from contracts with customers'. The standard will improve comparability of the top line in financial statements globally. In the new standard revenue is recognized based on a five step approach to determine the revenue of a performance obligation. For the sale of products revenue is recognized upon transfer of risks and rewards of ownership, which is mainly the point in time when goods are delivered to the customer. Revenue is only recognized at this moment after other requirement are also met, such as no continuing management involvement with goods, revenue and costs can be reliably measured and probable recovery of the considerations. Under IFRS 15, revenue is to be recognized upon transfer of control, whereby a customer obtains control of a good if he has the ability to direct the use of and obtain substantially all of the remaining benefits from that good. Under its distribution model the Company is considered by the customer as the primary obligor, often bearing inventory risk and with the latitude in establishing prices. The performance obligation is mainly in delivering the product, satisfied at a point in time, whereby transfer of control coincides with physical delivery (via sales from our warehouses, or via direct sales). In case the main promise in the contract is promoting and soliciting sales, only the commission or fee earned as an agent is recognized as revenue, this represents less than 1% of our total revenues. Revenue is recognized when control of a good or service transfers to a customer, which is for Azelis at the moment of delivery of the goods. The amount of revenue recognised is the amount allocated to the satisfied performance obligation taking into account variable consideration (i.e. trade discounts and volume rebates). The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

B. The following new standards, amendments and interpretation to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2018 and have not been endorsed by the European Union:

- **Amendments to IAS 19**, 'Plan Amendment, Curtailment or Settlement' (effective 1 January 2019). The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement. In addition, an entity will have to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendments will affect any entity that changes the terms or the membership of a defined benefit plan such that there is past service cost or a gain or loss on settlement. The Company does not expect any impact.

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 2018 and have been endorsed by the European Union. These changes to IFRS have not been applied in these consolidated financial statements as the Group does not plan to early adopt any of these new IFRS standards or amendments:

- **IFRIC 23**, 'Uncertainty over income tax treatments' (effective 1 January 2019). This interpretation clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The Company is currently in the progress of investigating the potential impact however expects these to be immaterial for the Group as a whole.

- **IFRS 16** 'Leases' (effective 1 January 2019). This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has performed an assessment of the potential impact on its consolidated financial statements. The most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of offices, certain warehouse facilities and company cars. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group will apply the standard using a modified retrospective approach with optional practical expedients. The Group has estimated this will have impact on the 2019 Annual Accounts as follows:

- Both Assets (right-of-use of the underlying asset) and Liabilities (the net discounted value of the future lease obligations) are expected to increase in the Opening Balance Sheet per 1 January 2019 with an amount of € 48 million.
- The external services and other expenses 2019 (if compared to 2018) will decrease with € 13 million, with an opposite expected impact in the 2019 income statement through increasing depreciation (€ 11 million) and increasing interest expenses (€ 2 million).

Should the new standard have been applicable, the net discounted value of these obligations would have been reported as a financial liability. On the other hand the related right to use the underlying asset would be reported at initial fair value minus depreciation.

A number of other amendments to IFRS standards that are not yet effective or will be effective in the subsequent years are not listed above because it is expected that they will not have a significant impact on the consolidated financial statements of the Group.

2.1. Financial Period

The financial period is the five months period starting as at 25 July 2018 and ending as at 31 December 2018 (further mentioned as 2018). The financial statements are reflecting the financial performance of Akita Midco S.à r.l. starting 25 July 2018, which had no activities until 8 November 2018. As from 8 November, Akita Midco S.à r.l. (and/or its subisdiaries) acquired Azelis Holding SA and its subidiaries, meaning that only the profit and loss over the period 8 November until 31 December 2018 is consolidated and reflected. Refer to note 7, Business Combinations.

This is the first financial period of the Company (and Group) and no comparative figures are included in the consolidated financial statements.

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 2018. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

I. **Subsidiaries**

Subsidiaries are entities controlled by the Group. Control is achieved when the Group 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 Group controls an investee if, and only if, the Group 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. 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 excesses of the aggregate consideration transferred this purchase bargain is included in the profit or loss, after the Group has re-assess 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 and functional 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 and expenses.

II. **Transactions and balances**

The Company, as parent of the Group, operates in the Euro-environment to a large extent. 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 losses 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 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 cash-generating units that are expected to benefit from the synergies of the combination.

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 or 10 years for local trademarks
Customer lists	5 to 10 years
Distribution rights	5 to 22 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 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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative 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**

Where the Group assumes substantially all the risks and rewards of ownership the leases are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized on the Group's balance sheet per 31 December 2018. The Group will apply the new lease-standard IFRS16 using a modified retrospective approach with optional practical expedients, that will have impact on Azelis' financial statements starting the financial year 2019. For estimated impact, see note 2 paragraph "IFRS 16".

2.7. Financial instruments

I. **Classification, recognition and initial measurement**

IFRS 9 contains a new classification and measurement guidance for financial assets and liabilities. Financial assets and liabilities are classified into three categories: Measured at amortized cost or at fair value through other comprehensive income and at fair value through Profit and Loss (FVTPL). The standard eliminated previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

Azelis has classified financial assets as measured at amortized costs and finacial liabilites as measured at amortized costs and at fair value through Profit and Loss.

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.

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 measurement at first recognition, 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
Fianancial assets are classified as trade and other receivables at the date they are originated. All other financial assets (inclusing assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Goup becomes a part to the contractual provisions of the instrument. Financial assets are measured at amortised costs.

Loans
Loans payable are classified in the valutation category other financial liabilities. They are measured intially at fair value, net of directly attributable transaction costs incurred.

An exchange between an existing borrower and lender of debt instruments 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 recognised 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

Derivatives are classified as FVTPL.

II. **Impairment of financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The imparment methodology applied depends on whether there has been a significant increase in credit risk. For Trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivalbes, see note 4.2 I for further details. While cash and cash equivalents aand other loans 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. For financial assets measured at amortized cost and AfS financial assets that are debt securities, the reversal is recognized in the income statement.

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 realisable value. The inventories are measured at their weighted average costs increased with cost comprises of direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Write-downs 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 written-down inventories increases the write-down will be reversed to the lowest of the increased net realisable 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 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.

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 is recognized when the performance obligation is satisfied, for the Group this is usually upon delivery. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

II. **Commissions**

When the outcome of a commission transaction can be estimated reliably, revenue associated with the transaction shall be recognised 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 t 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, organisation and management structure and commercial interdependencies.

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

The reporting segments used are defined as follows:

- EMEA: all operating companies in Europe and Africa
- Americas: all operating companies in the United States of America and Canada.
- Asia-Pacific: all operating companies in Asia, South-East Asia and the Pacific region.
- Group Holding & other

Group Holding consists of all non-operating companies, including the corporate service center in Belgium and the headquarter in Luxembourg.

"Other" may include income from non-core business transactions (such as agency commission, services and termination fees), whilst some 'other operating income' (Note 9) relating to trade related recharges of operating expenses (such as freight) is reported in the operating segments revenue.

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. Lease payments

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments arising under operating leases are recognized as an expense in the period in which they are incurred.

2.17. 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 including bank overdrafts as presented in the explanatory notes to the cash and cash equivalents and the interest-bearing borrowings. Cash flows are presented separately in the statement of cash flows as cash flows from operating activities, investing activities and financing activities.

2.18. 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 spreads 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 Company's credit risk. In respect of the liability component of convertible loans, the market rate of interest is determined by reference to similar liabilities that do not have a conversion 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.

2.19. Alternative performance measures

The following alternative performance measures (non-GAAP) have been included in the financial statements since management believes that they are widely used by certain investors, securities analysts and other interested parties as supplemental measure of performance and liquidity. The alternative performance measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results, our performance or our liquidity under IFRS.

Non-recurring (income and expenses) items
Non-recurring items are one-off of kind, and are not directly related to the daily performance of the Company and/or its Segments, like expenses of corporate restructurings and reorganizations including one-off costs with regard to acquisitions and with regard to the change of ownership.

Operating EBITDA
EBITDA is defined as 'operating result' (per face of the consolidated income statement under IFRS), but before 'depreciation, amortization and impairment expenses'.
Operating EBITDA is defined as EBITDA, but excluding Non-Recurring items.

Conversion margin
Conversion margin is defined as the ratio between Operating EBITDA and the gross profit.

Net working capital
The net working capital is defined as inventories plus trade receivables and minus trade payables.

Free cash flow
Free cash flow is defined as Operating EBITDA plus/less changes in working capital, less capital expenditures and less cash taxes paid.

Cash conversion margin
Cash conversion margin is defined as free cash flow as a percentage of Operating EBITDA.

3. Estimates and judgements

Use of estimates and judgements
The preparation of consolidated financial statements requires management to make 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. Actual amounts may differ from these estimates. The most critical accounting estimates in the consolidated financial statements are related to financial instruments, business combinations, goodwill impairment and deferred tax assets.

In a business combination the acquired assets and liabilities are measured at fair value (note 7). 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.

The Group tests whether goodwill has suffered any impairment on an annual basis (note 15). 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. 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. Refer to the note "Intangible assets" in the section "Impairment assessment" for more detailed information.

In assessing the realisation 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 realisation 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 become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

4. Financial Risk Management

4.1. Overview

The Group has exposure to credit, liquidity and market risks. The Board of Management has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Management 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.

4.2. 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 and investment securities.

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

	2018
(in thousands of €)	
Trade and other receivables	199.472
Cash and cash equivalents	79.391
Other financial assets	2.766
	281.629

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 analysed 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 operates a locally controlled credit insurance program for the majority of its revenue.

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 incurred 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. At year-end the aging of the allowance is analysed below:

2018	Gross	%	Impairment
(in thousands of €)			
Current and less than 1 month	113.480	**64,9%**	285
Between 1 month and less than 3 months	52.240	**29,9%**	125
From 3 months and less than 6 months	2.381	**1,4%**	666
More than 6 months	6.721	**3,8%**	6.721
	174.822	***100,0%***	***7.796***

ii. **Cash**

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

III. **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

4.3. 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. With the change of ownership, a new equity and debt structure has been established, that enables the Group to maintain its liquidity.

The Group ensures that it has sufficient cash on demand and unused credit facilities to meet expected operational expenses for the respective planning horizon, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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:

2018	Carrying amount	Undiscounted contractual Cash flows	Less than 1 Year	1 to 5 Years	More than 5 Years
(in thousands of €)					
Loans and borrowings	998.802	1.323.484	51.680	229.542	1.042.261
Trade and other payables	302.646	302.646	302.646	0	0
Bank Overdraft	1.139	1.139	1.139	0	0
	1.302.587	***1.627.269***	***355.466***	***229.542***	***1.042.261***

4.4. 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 optimising 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. The Group uses mainly forward exchange contracts to hedge its 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 liabilitiets is mainly related to balances denominated in USD, GBP and CAD, for which the notional amounts (stated in €) amount to :

	2018	2018	2018
(in thousands)	**USD**	**GBP**	**CAD**
Trade receivables	72.740	2.598	6.816
Cash and cash equivalents	16.283	1.410	2.856
Trade payables	-84.608	-3.080	-7.005
Gross balance sheet exposure	***4.415***	***928***	***2.667***

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.

	2018	
(in thousands of €)	**Profit or loss**	**Equity**
USD	-1.537	-1.537
CAD	-1.630	-1.630
GBP	150	150

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. The Board of Management regularly reviews the development of interest rates and the corresponding exposure of the Group. The Board of Management has set limits for certain interest rate 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 basis. The interest rate risk of the new syndicated external debt is partly covered through a swap transaction in which the floating interest rate has been capped until February 2022.

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:

	2018
(in thousands of €)	
Variable rate instruments	
Financial assets	79.391
Financial liabilities	-999.941
	-920.550

VI. **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 - 2018		Equity - 2018
(in thousands of €)	**100 bp**	**100 bp**	**100 bp**
	Increase	*Decrease*	*Increase*
Variable rate instruments	-9.999	9.999	-9.999
Cash flow sensitivity (net)	***-9.999***	***9.999***	***-9.999***

4.5. Other market price risk

The Group does not have any other significant market price risk.

4.6. Financial instruments: fair value and hierarchy

The Group has outstanding foreign exchange contracts to manage the exposure to foreign currency risk on its outstanding foreign currency receivables/payables and an interest rate swap relating to its variable rate interest risk . 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. The fair value of the forward exchange contracts is calculated as the discounted value of the difference between the contract rate and the current forward rate and is classified as Level 2 (see note 2.6 – Basis of preparation).

The carrying amount of the other financial assets and liabilities approximates the fair value (in this case no fair value hierarchy is included).

		Amount of financial instruments recognized in balance sheet				
2018	Note	Financial assets & liabilities at fair value through P&L	Financial assets measured at amortized cost	Investments measured at FVOCI	Other financial assets & liabilities	Total book value
(in thousands of €)						
Assets						
Non current assets						
Other Financial receivables	4				360	**360**
Other investments	4				201	**201**
Current assets						
Trade receivables	19		167.020			**167.020**
Other receivables	19		32.452			**32.452**
Derivatives	4	2.205				**2.205**
Cash & Cash equivalents	20		79.391			**79.391**
Total financial assets		***2.205***	***278.863***	***0***	***561***	***281.629***
Liabilities						
Non Current Liabilities						
Interest bearing	21				974.127	**974.127**
Non-interest bearing	21	-				**0**
Other Financial liabilities					3.242	**3.242**
Current liabilities						
Interest bearing	22				24.675	**24.675**
Overdraft	20				1.139	**1.139**
Trade payables	24				248.599	**248.599**
Other current payables excl derivatives	24				50.521	**50.521**
Derivatives	24		284			**284**
Total financial liabilities		***0***	***0***	***0***	***1.302.303***	***1.302.303***

Other investments comprise investments in debt and equity securities classified as Available for Sale. Derivatives comprise forward foreign exchange contracts maturing within one year and classified as Fair Value through Profit and Loss.

5. Capital Management

The Board of Managements' 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 of Management monitors the return on capital. The Board seeks to maintain a balance between the returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

(in thousands of €)	2018
Equity	1.180.350
Other interest borrowing loans	999.941
Less : Cash & Cash equivalent	-79.391
Total Capital	***2.100.899***

The Group is not exposed to external capital requirements other than covenant requirements from the new 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, that provides in all these regions its distribution services of specialty chemicals.

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

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 'Operating EBITDA' . Operating EBITDA is defined as 'operating result' (per face of the income statement under IFRS), but before 'depreciation, amortization and impairment expenses' and excluding non-recurring items. Non-recurring items are one-off of kind, and are not directly related to the daily performance of the segments, like expenses of corporate restructurings and reorganizations including one-off costs with regard to acquisitions.

While the amounts included in Operating EBITDA are derived from the Group's financial information, it is not a financial performance measure determined in accordance with adopted IFRS and should not be considered as the performance indicator as included in the Consolidated Income Statement. The Group currently uses Operating EBITDA 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 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 segments.

The reconciliation from the IFRS consolidated financial statements towards Operating EBITDA is summarised as follows:

	2018
(in € million)	
Operating Profit	**-11**
Depreciation, amortization and impairment expenses	5
Non-Recurring items	22
Operating EBITDA	***16***

Depreciation, amortization and impairment expenses mainly relate to the amortisation of intangible assets.

Non-recurring items are one-off costs not directly related to the performance of the Group, like expenses of corporate restructurings and reorganisations, and acquisitions. Non-recurring items mainly relate to the sale of the Azelis Group to a new shareholder, an amount of € 20.9 million, post-acquisition and integration costs of € 0.3 million. Non-recurring items relating to employment costs amount to € 0.6 million.

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

2018	EMEA	Americas	Asia-Pacific	Group Holding & other	Total
(in thousands of €)					
Revenue	**138.268**	**107.377**	**35.027**	**-23.235**	**257.437**
Gross profit	**29.234**	**22.731**	**6.338**	**0**	**58.304**
Operating EBITDA	**10.052**	**7.294**	**1.807**	**-3.340**	**15.813**
Operating profit					-11.148
Net Working Capital	47.365	97.355	53.559	-24.022	174.257

‘Other’ may include income from non-core business such as agency commissions (€ 0.6 million), whilst some ‘other operating income’ (see note 9) relating to recharges of trade related operating expenses (€ 0.8 million) is reported in the operating segments revenue; at gross profit level ‘other’ mainly relates to non trade related ‘other operating income’ such as services and termination fees.

The Group has a diverse customer base in all of its reportable segments and has no individual material customers which may be reported.

7. Business combinations

On 8 November 2018 Akita Midco S.à r.l. acquired 100% of the equity of Azelis Holding S.A. via an indirect shareholder of Azelis Holding S.A., refer to page 11 "New strong shareholder EQT, supporting Azelis' strategy".

After gaining control as of 8 November 2018, Azelis Holding S.A. contributed € 257 million to Group revenue and € -16 million operating loss, which includes one-off costs for the acquisition and re-financing.

Indentifiable assets and liabilities acquired:

2018	Azelis Holding SA
(in thousands of €)	
Assets acquired and liabilties assumed	
Trademarks	317.378
Distribution rights	472.888
Other intangible assets	4.540
Property, plant and equipment	31.681
Non-current financial asstes	877
Deferred tax assets	4.298
Inventories	236.141
Trade and other receivables	269.500
Cash and cash equivalents	35.241
Deferred tax liabilities	-138.939
Trade and other payables	-322.012
Loans and borrowings	-768.868
Provisions	-3.486
Employee benefit	-5.421
Other non-current liabilities	-3.235
Minority Interests	-922
	129.661
Total fair value identified assets acquired and liabilities assumed	
Consideration transferred	1.393.348
Goodwill	**1.263.688**

No indemnification assets or contingent liabilities had to be recognised in the business combinations. The fair values of the acquired net assets, based on a provisional assessment, are summarized in the table above. The considerations are paid for in cash. 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. The amortization of goodwill is not tax deductible. The trademark and the distribution rights have been valued based upon the expected return being generated through our strategic mandates.

If the above acquisition would have occurred at the start of 2018, the full year contribution would have been as follows:

2018	Revenues	Gross Profit	Operating EBITDA	Net Profit
(in € million)				
Total Azelis Group	1.898,1	392,6	137,1	-50,1
TOTAL	***1.898,1***	***392,6***	***137,1***	***-50,1***

Acquisition cost

During 2018, the Group incurred acquisition-related expenses of € 20.9 million in total in connection with the costs of external advisors, due diligence and fees paid to the institutions involved. These one-off costs are recognised in the consolidated income statement in the line external services.

8. Revenue

	2018
(in thousands of €)	
Revenue from sales, net of discounts	256.008
Revenue from commercial services	202
	256.210
Commissions received	643
	256.852

In the operating segments reporting (note 6), both the agency commissions received (€ 0.6 million in 2018) and revenue from commercial services, are not reported as segment revenue, but included in 'Group Holding & other'.

9. Other Operating Income

	2018
(in thousands of €)	
Recharge of expenses to customers	873
Other operating income	334
	1.207

10. Costs for goods and consumables

	2018
(in thousands of €)	
Purchase of goods including movement in inventory	198.852
Freight and additional charges on purchases	5.216
	204.067

11. Employee benefits

11.1. Expenses

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

	2018
(in thousands of €)	
Wages and salaries and other personnel related expenses	17.742
Social charges	3.260
	21.001

The average number of employees located in the geographical areas is set out below:

	2018
EMEA	1.076
Americas	520
Asia Pacific	317
	1.913

11.2. Defined obligation benefit schemes

During 2018, no material changes have occurred in Azelis' pension schemes. Therefore, the amounts per actuarial reports of 1 January 2018, have been considered as the amounts in the opening balances of Akita Midco Sarl as per 8 November 2018. Therefore the amounts per movement schedules below actually reflect full year amounts.

The Group is subject to the following defined benefit obligations:

	2018
(in thousands of €)	
German companies	771
Belgian companies	4.708
French companies	1.364
Italian companies	1.446
Total present value of unfunded obligations	***8.289***
Present value of funded obligations (Azelis UK)	7.352
Total present value of obligations	***15.641***
Fair value of plan assets	-10.791
Amounts not recognised as asset due to asset ceiling	0
Recognised liability for defined benefit obligations	***4.850***
Liability for long-service leave and other employees benefits	874
Total employee benefits recognised in the balance sheet	***5.724***

The Group recognised 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 € 0.4 million in the year included in 'Wages and 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 contributions 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. Law Vandenbroucke states that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions.

This law was amended as follows:

- 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 2018 and these were recognised in the balance sheet. For information, some key figures related to the plans are given below:

- Employer's contributions in the financial year: € 0.5 million
- Amount of the plan assets at 31st December 2018: € 4.6 million

United Kingdom
In the UK, the defined benefit pension plan is financed through the accumulation of plan assets held separately from those of the Company in an independently administered fund.

Actuarial calculations have been made per 31st December 2018 and these were recognised in the balance sheet. The duration of Scheme obligations at 31 December 2018 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: € 0.3 million
- Amount of the plan assets at 31st December 2018: € 6.2 million .

Actuarial assumptions
The actuarial calculations of the present value of defined benefit obligations were based on the following main assumptions:

	2018
Discount rate	1,5%-2,8%
Inflation	0,05
Future pensions increases	2,5%-4,5%
Future salary increases	0%-2,5%

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 € 15.7 million or € 17.2 million, respectively.

The benefits paid are mainly related to France, Italy and UK. The 2019 benefits to be paid are expected to be in line with the 2018 benefits.

The following table shows the changes in the present value of the defined benefit obligations:

(in thousands of €)	2018
Liability for defined benefit obligations at the beginning of period	**16.147**
Current service costs and interest	1.038
Benefits paid	-662
Remeasurement arising from changes in demographic assumptions	-35
Remeasurement arising from changes in financial assumptions	-714
Remeasurement arising from experience	-56
Exchange rate differences	-67
Liability for defined benefit obligations at 31 December	***15.651***

The following table shows the changes in the plan assets.

(in thousands of €)	2018
Fair value of plan assets at the beginning of the period	**11.129**
Contributions paid into the plan	361
Benefits paid by the plan	-115
Expected return on plan assets	163
Return on assets excluding amounts in net interests	-692
Exchange rate differences	-55
Fair value of plan assets at 31 December	***10.791***

At year-end, the plan assets consisted mainly of equity instruments.

The net periodic cost for defined benefit obligations recognised in the income statement is shown in the following table:

(in thousands of €)	2018
Current service costs	-678
Interest on obligation	-270
Interest on assets	163
	-785

The changes in actuarial gains and losses from defined benefit obligations and plan assets recognised in other comprehensive income are shown in the following table:

	2018
(in thousands of €)	
Return on assets, excluding amounts in net interests	-692
Actuarial gains and losses on benefit obligations	817
Effect of changes in asset ceiling	-1
	124

12. External services and other expenses

	2018
(in thousands of €)	
Distribution	6.636
Communication, information & travel	4.689
Commercial expenses	875
Professional service fees	21.949
Lease expenses	2.518
Other expenses	2.183
	38.850

There are one-off costs included under professional services & other expenses related to the Sale of the Group to EQT, for an amount of € 20.9 million.

Audit fees included under professional service fees in the above table:

	2018
(in thousands of €)	
Audit Fees :	
Total fees for the audit of the annual accounts	1.235
Total fees for audit by non-PWC companies	75
Non Audit fees paid to group auditor network :	
Total fees for other non-audit services	201
	1.511

13. Net financial expenses

(in thousands of €)	2018
Financial income	
Interest income	89
Other financial income	99
	188
Financial expenses	
Interest expense on bank loans and overdrafts	-7.924
Transaction costs for bank loans	-652
Foreign exchange losses	-3.073
Other financial expenses	-967
	-12.616

Transaction costs for bank loans includes the non-cash impact of expensing capitalised transaction costs, as a consequence of the changes in loans and borrowings (note 22).

The foreign exchange losses include for the majority unrealized translation of intercompany loans, mainly with regard to non-EUR nominated loans to subsidiaries.

Other financial expenses relate to other bank fees.

14. Income taxes

14.1. Income tax expense

I. Income tax expenses in consolidated income statement

The income tax expenses consist of:

	2018
(in thousands of €)	
Current period tax expense (-) / income	387
Adjustments to prior years income tax expense (-) / income	208
Provisions for tax risks	1.006
	1.601
Deferred tax income / loss (-)	425
Total income tax income / expense (-)	***2.026***

Income tax expense consists primarily of income taxes for the current period and prior period of Group companies.

The differences between the taxable income related to the Luxembourg tax rate 26.01 % and the effective tax rate are reconciled as follows:

	2018
(in thousands of €)	
Proft/loss (-) before tax	-23.576
Income tax using the domestic corporation tax rate (26,01%)	6.132
Impact of tax in different jurisdictions with difference to domestic rate	-356
Tax effect of expenses not deductible for tax purposes	-1.089
Tax losses for which no deferred income tax asset was recognized	-6.014
Adjustments on applicable tax rate	210
Deferred tax asset on stand-alone carry forward losses	3.142
Total income tax income / expense (-) in income statement	***2.026***

II. Income tax expenses in Consolidated Statement of Other Comprehensive Income

The tax included in other comprehensive income is related to:

(in thousands of €)	2018
Relating to actuarial gains and losses on pensions obligations	-28
	-28

14.2. Deferred taxes

1. **Deferred taxes**

Deferred tax assets and liabilities are attributable to the following:

2018	25 July	Business combinations	Income statement	OCI	Other	Trans lation differences	31 December
(in thousands of €)							
Property, plant and equipment	**0**	-686	59	0	0	-73	**-700**
Intangible assets	**0**	-189.147	815	0	0	544	**-187.788**
Inventories	**0**	2.948	-17	0	0	-143	**2.788**
Trade receivables	**0**	444	-12	0	0	0	**433**
Loans and borrowings, Preferred Equity Certificates	**0**	0	0	0	0	0	**0**
Employee benefits	**0**	1.055	-211	0	0	152	**996**
Provisions, derivatives and other items	**0**	25	29	0	0	-84	**-30**
Untaxed reserves	**0**	4.481	-60	0	0	31	**4.452**
Tax value of loss carry-forwards	**0**	46.238	209	0	0	616	**47.064**
	0	***-134.641***	***812***	***0***	***0***	***1.043***	***-132.785***
Deferred Tax liability	**0**						**-137.243**
Deferred Tax assets	**0**						**4.458**
	0						***-132.785***

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 realise the benefits of these deductible differences.

Deferred tax assets and liabilities are expected to be recovered or settled over time as follows :

(in thousands of €)	Deferred tax assets	Deferred tax liabilities
To be recovered after more then 12 months	3.995	137.243
To be recovered withing 12 months	463	0
	4.458	***137.243***

14.3. Unrecognised deferred income tax assets

The following deferred tax assets related to compensable losses of Group companies acquired have not been recognised :

	2018	
(in thousands of €)	Gross	Tax
Tax losses	64.460	16.766
	64.460	**16.766**

Unrecognised carry forward losses of € 56.2 million can be used unlimited in time, and € 8.2 million need to be used during the period 2019-2034.

No such deferred tax assets have been recognized due to the fact that they do not meet the recognition criteria to recognize a deferred tax asset.

The Group may have unrecognised 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

(in thousands of €)	Goodwill	Trade-marks	Distribution rights	Concessions and licenses	Develop-ment cost	Customer lists	Other	Intangibles in progress	Total
Opening	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Changes in 2018									
Business combination	1.263.686	317.378	472.888	1.446	444		1.346	1.304	**2.058.491**
Additions						39	798	5	**842**
Amortisation			-3.515	-143	-39		-84	-630	**-4.411**
Reclassifications				235	-44		106	4.936	**5.233**
Translation differences				2			-60		**-58**
Changes in the Period	***1.263.686***	***317.378***	***469.373***	***1.539***	***362***	***39***	***2.105***	***5.616***	***2.060.098***
At 31 December 2018									
Cost	1.263.686	317.378	472.888	1.682	400	39	2.190	6.246	**2.064.509**
Accumulated amortization and impairment	0	0	-3.515	-143	-39	0	-84	-630	**-4.411**
	1.263.686	***317.378***	***469.373***	***1.539***	***362***	***39***	***2.105***	***5.616***	***2.060.098***

The other intangibles include development costs and customers list.

See note 7 for the acquired businesses in the period.

15.1. Allocation of assets for impairment testing

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

	2018
(in thousands of €)	
APAC	208.818
EMEA	534.083
AMERICAS	520.786
Total Goodwill	**1.263.686**

All goodwill acquired in the business combinations has been allocated to a cash-generating unit at the end of the reporting period. The goodwill has been allocated to the cash-generating unit based upon the percentage of headroom before goodwill allocation.

Trademarks for an amount of € 317.4 million have an indefinite life. The impairment test on the recoverable amount show sufficient headroom over the carrying amounts of its indefinitely lived intangible assets.

15.2. Impairment assessment

A cash-generating unit (CGU) represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

The impairment tests have been determined by discounting future cash flows from continuing operations of the unit. The recoverable amount of the cash-generating unit as at 31st December 2018, has 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 Operating EBITDA'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 CGU.

The WACC and growth rates, part of the terminal value used per CGU are as follows:

Cash Generating Unit	2018		2019-2023 assumptions	
	WACC	**Growth rate for terminal value**	**Sales Growth**	**Margin % Growth**
APAC	9,31%	7%	15,7%	0,15%
EMEA	7,91%	2%	4,2%	0,25%
AMERICAS	7,43%	2%	5,6%	0,10%

The impairment test on the recoverable amount of afore mentioned CGU show sufficient headroom on the carrying amount of the Goodwill.

Sensitivity to changes in assumptions

EMEA

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growth rate in the terminal value with 1%, an impairment loss would have to be recognized respectively of € 11 million and no imparment loss.

If we would lower the Sales growth in the assumptions used for the period 2019-2023 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.

AMERICAS

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growth rate in the terminal value with 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 2019-2023 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.

APAC

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, or (b) a decreased growth rate in the terminal value with 1%, an impairment loss would have to be recognized of respectively € 56 million or € 36 million.

If we would lower the Sales growth in the assumptions used for the period 2019-2023 with an average of 1%, there is still sufficient headroom on the carrying amount. If we would lower the margin % by 1%, an impairment loss would have to be recognized of € 34 million.

Overall

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growht rate in the terminal value with 1%, an impairment loss would have to be recognized of € 60 million on the other intangibles (brand value).

16. Property, plant and equipment

	Land and buildings	Plant and equipment	Other	Total
Opening	**0**	**0**	**0**	**0**
Changes in 2018				
Acquisitions of business	18.441	2.954	10.285	**31.681**
Additions	1.212	1.256	495	**2.964**
Depreciation	-172	-217	-388	**-776**
Disposals	-387	-295	-101	**-783**
Reclassifications	-46	-9	-5.174	**-5.229**
Translation differences	-61	-10	-1	**-72**
Changes in the Period	***18.988***	***3.679***	***5.116***	***27.784***
At 31 December 2018				
Cost	19.160	3.896	5.504	**28.560**
Accumulated depreciation and impairment	-172	-217	-388	**-776**
	18.988	***3.679***	***5.116***	***27.784***

The reclassification relates mainly to internal project costs which are recognized at year-end as intangibles.

Security

At 31st December 2018, the Group pledged land and buildings, plant and equipment as security for the bank loans with a book value of € 28 million . Other restrictions are mainly related to leasehold improvements and leased machinery.

17. Investments in associates

The summary of available aggregated figures of the associates, being a 50% investment in Chemlog S.A.S (see note 26.4) is:

	Assets	Liabilities	Equity	Revenue	Net result for the period
(in thousands of €)					
31 December 2018	719	216	503	1.683	2

18. Inventories

Inventories usages is recorded in the cost of goods sold in the consolidated income statement.

In 2018 a write down on inventory of € 0.4 million is included in the 'cost of goods and consumables' in the income statement. This write down is based upon the Group accounting policies.

19. Trade and other receivables

	2018
(in thousands of €)	
Trade receivables	167.020
Other receivables	32.452
	199.472

See note 4 for ageing and allowance of these receivables. Other receivables relates mainly to prepayments.

20. Cash and cash equivalents and bank overdrafts

	2018
(in thousands of €)	
Bank balances and cash on hand	79.391
Bank overdrafts (-)	-1.139
Cash and cash equivalents (net) in the cash flow statement	***78.252***

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 and liability to shareholders

As per Luxembourg regulations and articles of incorporation of the Company, the Company 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 2018, the legal reserve amounts to € nil.

21.1. Earnings per share

	2018
Net Group profit/loss (-) attributable to shareholders *(in thousands of €)*	-21.497
Average number of shares (in thousand shares)	1.175.057
Earnings per share	***-0,02***

The average number of shares are calculated as:

	2018
(in thousands)	
Ordinary shares issued (entitled to dividend) as at 1 January	0
Weighted effect of new ordinary shares issued	1.175.057
Average number of shares	***1.175.057***

No dilution effects will occur. The diluted earnings per share are equal to the ordinary earnings per share.

21.2. Share capital

At 31 December 2018, the fully paid subscribed share capital of € 11.8 million is divided into 1.175.058 thousand shares with a nominal value of € 0,01 each.

21.3. Share premium

The share premium consists of additional paid-in capital exceeding the par value of the outstanding shares. At 31st December 2018 the share premium amounts to € 1.184 million.

22. Loans and borrowings

The Group's debt finance consists mainly of the following finance instruments:

2018	Interest rate	Duration	Notional amounts	Carrying amounts
(in thousands of €)				
First lien €	4,00%	2018-2025	535.000	519.384
First lien GBP	5,10%	2018-2025	228.226	223.723
Second lien €	7,00%	2018-2026	135.000	131.339
Second lien CAD	9,21%	2018-2026	92.973	90.418
Revolving Credit Facility	2,75%	2018-2024	9.000	9.000
Other bank loans	2,00%	2018-2020	17.366	17.366
Interest accruals	0,00%	2018	7.572	7.572
			1.025.136	***998.802***
Non-current borrowings and loans			1.000.199	973.864
Current borrowings and loans			24.938	24.938
			1.025.136	***998.802***

Following the change of ownership as at 8 November 2018, a full new equity and external debt structure has been established: The syndicated credit agreements of Azelis Holding S.A. and its subsidiaries have been fully repaid as per 8 November 2018.
As per 31 December 2018, Akita Midco S.à r.l. from Luxembourg currently holds (indirectly) 100% of the shares of Azelis Holding S.A. as well as a new syndicated external credit arrangements.

22.1. Changes in loans and borrowings

	2018
(in thousands of €)	
As 25 July	**-**
Cash flows from loans and borrowings	1.004.000
Transaction costs paid	-26.958
Changes arising from business combinations	17.366
Capitalized transactions cost amortized	623
Changes in interest accruals	7.572
Currency translation differences	-3.801
At 31 December	***998.802***

22.2. Other facilities

In addition to cash balances, as of 31st December 2018, the Group maintained the following lines of credit:

- € 71.4 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 2018, € 18.3 million was utilised.
- € 100 million total committed ancillary facility, of which € 9 million has been utilised. Therefore, per 31st December 2018, € 91 million committed ancillary facility was unused. Interest would be payable at the maximum rate of EURIBOR plus 3%.

22.3. Covenants

As per 8 November 2018, Akita Midco S.à r.l.. has concluded new syndicated exteral financing arrangements.

The credit agreements of Akita Midco S.à r.l.. and its subsidiaries contain a single financial maintenance covenant, being the Consolidated Senior Secured Net Leverage Ratio, which needs to be less than 9.0 to 1.0 and is tested quarterly solely when the revolving credit facility utilisation exceeds 40%.

Calculations per 31st December 2018 :

- Consolidated Secured Net Leverage Ratio: 4.9 to 1.0.
- Revolving Credit Facility Utilisation: 9%.

As at 31st December 2018, the Group complied with all 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
(in thousands of €)			
As 25th July 2018	**0**	**0**	**0**
Business combination	2.260	1.226	3.486
Provisions made during the period	1.055	325	1.380
Provisions used during the period	-50	-34	-84
Provisions released during the period	-954	-615	-1.569
Translation differences	-19	5	-13
As 31 December	**2.292**	**907**	**3.199**
Non-current	2.292	800	3.092
Current	0	106	106
Total	**2.292**	**906**	**3.199**

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

(in thousands of €)	2018
Trade payables	248.599
Other taxes	7.781
Employee and social security payables	31.459
Derivatives	284
Other payables	11.281
	299.404

25. Operating leases, capital commitments and contingencies

25.1. Operating lease

Non-cancellable operating lease rentals related to the next years are as follows:

(in thousands of €)	2018
Less than one year	11.717
Between one and five years	19.889
More than five years	12.824
	44.430

The non-cancellable operating leases refer mainly to the renting agreements for offices, warehouses and cars.

25.2. Legal contingencies

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.

All these structural improvements were made to the best efforts and taking into account to the maximum extent possible all legal and local tax matters. Nevertheless today, the Group is facing some tax and other contingencies in two different jurisdictions. Total tax and other contingencies per the end of December 2018 amount to a maximum of € 1.7 million and are considered to be contingencies rather than obligations for which provisions should be recognised; after in-depth analysis of the likelihood of these matters to materialise, it is not considered probable that an outflow of resources will be required to settle the possible obligations. Those cases and the corresponding amounts at risk are considered a contingent liability as confirmed by both the Group as well as external legal advisor.

The Group monitors closely these 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 insignificant Non Controlling Interest.

26.2. Loans to or from related parties

As per 31 December 2018, there are no outstanding loans to or from related parties.

26.3. Key personnel remuneration

	2018
(in thousands of €)	
Board members (non-executive)	34
Other members of key management personnel	
Fixed remuneration	361
Variable remuneration	464
	859

Post-employment benefits: Details of the transactions between the Group and its pension plans are disclosed in Note 11.

The Group's management has had and may in the future have the opportunity to co-invest via a so-called Management Participation Plan ("MPP"). These MPP investments do not take place directly into the Company itself, but are invested into one of the ultimate parent entities of the Company. Management invests in ordinary shares and in preferred shares, investing at own risk and account, and at the same (market) conditions as invested by any other shareholders (EQT, PSP). For the ordinary shares, these plans qualify as equity settled under IFRS 2.

The Company has no obligations of whatever nature towards Azelis' management in respect of this MPP. As also the offered (market) conditions investing into one or the Company's ultimate parent entities are similar as offered to the other shareholders (EQT, PSP), meaning the grant-date fair value is nil. Therefore, no fair value adjustment is required and no separate recognition takes place in the consolidated financial statements of the Company.

26.4. Group entitities

The following table lists the Group's subsidiaries:

Name	Country of incorporation	% of interest 2018
Consolidated companies in full :		
Akita Midco S.à r.l.	**Luxembourg**	**Parent company**
Direct Investments:		
Akita Bidco S.à r.l.	Luxembourg	100
Indirect Investments:		
Azelis Australia Pty Ltd	Australia	100
Azelis Austria GmbH	Austria	100
Chemcolour Industries Australia Pty Ltd	Australia	100
TimTechChem Australia Pty Ltd	Australia	100
Azelis Benelux N.V.	Belgium	100
Azelis Coporate Services N.V.	Belgium	100
Azelis Bulgaria EAD	Bulgaria	100
Azelis Canada Inc.	Canada	100
Azelis (Shanghai) Co. Ltd.	China	100
Azelis Hong Kong Ltd	China	100
Azelis Croatia D.O.O.	Croatia	100
Azelis CEE Holding A.S.	Czech Republic	100
Azelis Czech Republic S.R.O.	Czech Republic	100
Azelis Denmark A/S	Denmark	100
Azelis Finland OY	Finland	100
Azelis France S.A.S	France	100
Ametech France Sarl	France	100
Azelis France Holding S.A.S	France	100
Azelis Deutschland GmbH	Germany	100
Azelis Deutschland Holding GmbH	Germany	100
Azelis Deutschland Holding Beteiligungs GmbH	Germany	100
Azelis Deutschland Holding Verwaltungs GmbH & Co. KG	Germany	100
Azelis Deutschland Immobilien GmbH	Germany	100
Azelis Deutschland Kosmetik GmbH	Germany	90
Azelis Deutschland Pharma GmbH	Germany	100
Azelis Greece S.A.	Greece	100
Azelis Hungary Kft.	Hungary	100

Name	Country of incorporation	% of interest 2018
Azelis India Private Ltd	India	100
PT Azelis Indonesia Distribusi	Indonesia	67
Azelis Ireland Ltd.	Ireland	100
P-K Chemicals Ltd	Ireland	100
Ametech S.r.L	Italy	100
Azelis Italia Logistica S.r.L	Italy	100
Azelis Italia S.r.L	Italy	100
Azelis Côte d'Ivoire S.A.	Ivory Coast	100
Azelis Japan K.K.	Japan	100
SammiChem Co. Ltd	Korea	100
Antelope Topco S.A.	Luxembourg	100
Antelope GP S.à r.l.	Luxembourg	100
Antelope Midco 1 S.à r.l.	Luxembourg	100
Antelope Midco 2 S.à r.l.	Luxembourg	100
Azelis Holding S.A.	Luxembourg	100
Azelis Finance S.A.	Luxembourg	100
Azelis S.A.	Luxemburg	100
Azelis Malaysia Sdn Bhd	Malaysia	100
Azelis Morocco Sarl	Morocco	100
Distralim Sarl	Morocco	100
Azelis Norway AS	Norway	100
Azelis New Zealand Ltd	New Zealand	100
TimTechChem International Ltd	New Zealand	100
Azelis Poland SP Z.o.o	Poland	100
Azelis Romania SRL	Romania	100
Azelis Rus LLC	Russia	100
Azelis SRB d.o.o	Serbia	100
Azelis Singapore Pte. Ltd	Singapore	100
Azelis Slovakia S.R.O.	Slovakia	100
Azelis España S.A.	Spain	100
Azelis Iberia Holding SL.	Spain	100
Azelis Espana Holding SL	Spain	100
Azelis Sweden AB	Sweden	100
Azelis Switzerland AG	Switzerland	100
Azelis Thailand Ltd	Thailand	100
Azelis Netherlands B.V.	The Netherlands	100

Name	Country of incorporation	% of interest 2018
Azelis TR Kimya End. Ur.Ith.Ihr.Tic ve San A.S.	Turkey	100
Azelis Ukraine LLC	Ukraine	100
Azelis UK Holdings Ltd.	United Kingdom	100
Azelis UK Life Sciences Ltd.	United Kingdom	100
Azelis UK Ltd.	United Kingdom	100
Azelis UK Finance Holding Ltd	United Kingdom	100
Azelis UK Finance Ltd	United Kingdom	100
S&D Chemicals Ltd.	United Kingdom	100
ADAPCO LLC	United States	100
Azelis Americas LLC	United States	100
Azelis US Holding Inc.	United States	100
Azelis Solutions USA LLC	United States	100
Dewolf Chemical LLC	United States	100
Glenn LLC	United States	100
P.T. Hutchins Company LLC	United States	100
Marcor Development LLC	United States	100
Monson Companies LLC	United States	100
Precision Control Technology LLC	United States	100
Ribelin Sales LLC	United States	100
Red River Specialties LLC	United States	100
C.L. Zimmerman Co. of Delaware LLC	United States	100
Ross Organic Specialty Sales Inc.	United States	100
Azelis Vietnam Company Ltd	Vietnam	100
Companies consolidated at equity		
Indirect Investments		
Chemlog S.A.S.	France	50

27. Subsequent events

During December 2018, Azelis announced it has entered into exclusive discussion to acquire 100% of the shares of Deafarma S.r.l. (Deafarma), an Italian distributor of active pharmaceutical ingredients. This transaction has been completed on 6 February 2019.

Furthermore, Azelis announced in 2018 it has signed an agreement to acquire 100% of the shares of Euroconsultant Ltd. ("Euroconsultant"), a Polish distributor of flavours, shelf life extenders and other products predominantly for the meat segment. The transaction is completed on 28 March 2019.

Also in 2018, Azelis announced the proposed acquisition of 100% of the distribution activities of MK Ingredients & Specialties and SSD Industries in India. The acquisition has been completed on 28 February 2019, and brings improved product offering and customer reach to Azelis, enabling the company to grow its Food & Health business, a strategic focus area in India.

On 11 March 2019, Azelis announced the acquisition of 100% shares of Chemroy Canada Holdings Inc., a Canadian distributor of specialty chemicals and food ingredients. Chemroy is complementary to Azelis n terms of markets served, principal relationships and product offering. Furthermore, Azelis has well established relationships with the majority of Chemroy's principals.

The funding of the acquisitions has been secured amongst others by an incremental facility of € 100 million that has been utilized end of March 2019 under the existing Senior Facilities Agreement that was closed in November 2018.

All of this transactions are consistent with Azelis' corporate strategy of organic growth complemented by strategic acquisitions.

No subsequent events in 2019 have been identified, that may have had a material or significant effect on the 2018 consolidated financial statements.

Luxembourg, 9 April 2019

T. Bakker

Director Class A

G. Henry

Director Class B

Azelis Holding S.A.

Annual Report 2018

Auditor's Report

pwc

Audit report

To the Shareholders of
Azelis Holding S.A.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Azelis Holding S.A. (the "Company") and its subsidiaries (the "Group") as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statement for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

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

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the Report of the directors but does not include the consolidated financial statements and our audit report thereon.

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, 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.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, 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 audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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 those charged with governance 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.

Report on other legal and regulatory requirements

The Report of the directors is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 9 April 2019

Véronique Lefebvre

Consolidated Financial Statements 2018

Consolidated Income Statement

	Note	2018	2017
(in thousands of €)			
Revenue	8	1.898.175	1.730.531
Other operating income	9	6.798	6.064
Total income		***1.904.974***	***1.736.595***
Costs for goods and consumables	10	-1.508.957	-1.383.426
Gross Profit		***396.017***	***353.169***
Employee benefits expenses	11	-150.260	-139.036
External services and other expenses	12	-134.356	-106.594
Depreciation, amortization and impairment expenses	15.16	-24.253	-23.873
Operating profit / loss (-)		***87.148***	***83.666***
Financial income	13	793	756
Financial expenses	13	-154.152	-126.754
Net financial expense		***-153.359***	***-125.998***
Share of result of associates	17	0	11
Profit / loss (-) before tax		***-66.210***	***-42.322***
Income tax income / expense (-)	14	16.146	3.739
Net profit / loss (-) for the period from continuing operations		***-50.064***	***-38.583***
Attributable to:			
Equity holders of the parent		-49.863	-38.542
Non-controlling interests		-201	-41
Net profit / loss (-) for the period		***-50.064***	***-38.583***
		in Euro's	in Euro's
Basic earnings per share	21	***-11,82***	***-9,14***
Diluted earnings per share	21	*-11,82*	*-9,14*

The notes are an integral part of these consolidated financial statements

Consolidated Statement of Other Comprehensive Income

	Note	2018	2017
(in thousands of €)			
Net profit / loss (-) for the period		**-50.064**	**-38.583**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		7.039	-21.677
Items that will not be reclasified subsequently to profit or loss			
Actuarial gains / losses (-) on employee benefits	11	129	693
Income tax relating to these items		-28	-84
Total other comprehensive income		***7.140***	***-21.068***
Total comprehensive income for the period		***-42.924***	***-59.651***
Attributable to:			
Equity holders of the parent		-42.924	-59.662
Non-controlling interests		0	11
Total comprehensive income for the period		***-42.924***	***-59.651***

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

Consolidated Statement of Financial Position

	Note	2018	2017
(in thousands of €)			
Assets			
Goodwill	15	509.187	488.576
Intangible assets	15	365.132	352.799
Property, plant and equipment	16	27.784	31.043
Investments in associates	17	161	174
Other financial assets	4	1.000	2.122
Deferred tax assets	14	4.458	4.432
Total non-current assets		***907.721***	***879.147***
Inventories	18	255.954	207.643
Trade and other receivables	19	198.513	212.030
Income tax receivables	14	3.831	1.417
Other financial assets	4	212	92
Cash and cash equivalents	20	60.888	56.425
Total current assets		***519.398***	***477.606***
Total assets		***1.427.119***	***1.356.754***
Equity	21		
Share capital		4.217	4.217
Share premium		54.065	54.065
Other reserves		126.322	126.213
Translation reserve		-10.190	-17.230
Retained earnings		-104.906	-66.364
Unappropriated Result		-49.863	-38.542
Total equity attributable to equity holders of the parent		***19.645***	***62.359***
Non-controlling interests		***859***	***1.062***
Total equity		***20.504***	***63.422***
Non-current liability to Shareholders	21	768.086	194.310
Current liability to Shareholders	21	297.683	0
Total shareholder funds		***1.086.273***	***257.732***
Loans and borrowings	22	271	741.389
Employee benefits obligations	11	5.724	5.584
Provisions	23	3.092	3.302
Other non-current liabilities	4	3.242	1.719
Deferred tax liabilities	14	27.981	64.818
Other non-current liabilities		***40.310***	***816.813***
Bank overdrafts	20	1.139	3.744
Loans and borrowings	22	17.103	27.474
Provisions	23	106	259
Income tax payables	14	3.730	3.755
Trade and other payables	24	278.458	246.977
Total current liabilities		***300.537***	***282.209***
Total liabilities		***1.406.615***	***1.293.332***
Total equity and liabilities		***1.427.119***	***1.356.754***

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

Consolidated Statement of Cash Flows

	Note	2018	2017
(in thousands of €)			
Cash flows from operating activities			
Net profit / loss (-) for the year		-50.064	-38.583
Adjustments for:			
Depreciation, amortisation and impairment expenses	15.16	24.253	23.873
Net financial expense	13	153.359	125.998
Transaction costs related to acquisitions		23.009	813
Income tax income / expense	14	-16.146	-3.739
Share of result of associates	17	0	11
Change in inventories	18	-37.652	-22.344
Change in trade and other receivables and other investments	19	24.424	-10.698
Change in trade and other payables	24	18.451	16.156
Change in provisions	23	-1.419	-849
Cash flow from operating activities		***138.214***	***90.638***
Income tax paid		-23.569	-21.682
Interest paid		-44.854	-53.301
Net cash flow from operating activities		***69.791***	***15.655***
Cash flow from investing activities			
Acquisition of property, plant and equipment and intangible assets	15.16	-17.868	-5.956
Acquisition of subsidiaries, net of cash acquired	7	-23.016	-102.094
Transaction costs related to acquisitions and change of ownership	12	-23.009	-813
Net cash flow from investing activities		***-63.893***	***-108.863***
Cash flows from financing activities			
Proceeds from shareholders for issue of equity and PEC's	21	0	31.843
Proceeds from loans and borrowings	22	754.557	89.619
Repayments from loans and borrowings	22	-759.062	0
Transaction costs related to re-financing	22	-1.177	-3.897
Net cash flow from financing activities		***-5.682***	***117.565***
Net (decrease) increase in cash and cash equivalents		***216***	***24.357***
Effect of exchange rate fluctuations on cash held		6.852	-4.594
Cash and cash equivalents net at beginning of the year	20	52.681	32.918
Cash and cash equivalents net at 31 December	***20***	***59.749***	***52.681***

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

Consolidated Statement of Changes in Equity

(in thousands of €)	Share capital	Share premium	Other reserves	Translation Reserve	Retained earnings	Unappropriated Result	Total equity holders of the parent	Non-controlling interests	Total equity
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT								
Balance as per 31 December 2016	**3.392**	**43.390**	**119.487**	**4.499**	**-25.566**	**-41.408**	**103.794**	**1.052**	**104.846**
Net profit / loss (-) for the period				**0**	0	-38.542	-38.542	-41	-38.583
Other comprehensive income				-21.729	609		-21.120	52	-21.068
Total comprehensive income			***0***	***-21.729***	***609***	***-38.542***	***-59.662***	***11***	***-59.651***
Capital increase	825	10.675					11.500		11.500
Fair value Preferred equity certificates			**6.726**				6.726		6.726
Appropriation of result prior year					-41.408	41.408	0		0
Transactions with shareholders	***825***	***10.675***	***6.726***	***0***	***-41.408***	***41.408***	***18.226***	***0***	***18.226***
Balance as per 31 December 2017	***4.217***	***54.065***	***126.213***	***-17.230***	***-66.365***	***-38.542***	***62.358***	***1.063***	***63.421***
Net profit / loss (-) for the period				**0**	0	-49.862	-49.862	-15	-49.877
Other comprehensive income			**109**	7.039			7.149	-189	6.960
Total comprehensive income			***109***	***7.039***	***0***	***-49.862***	***-42.714***	***-204***	***-42.918***
Appropriation of result prior year					-38.542	38.542	0		0
Transactions with shareholders	***0***	***0***	***0***	***0***	***-38.542***	***38.542***	***0***	***0***	***0***
Balance as per 31 December 2018	***4.217***	***54.065***	***126.322***	***-10.190***	***-104.907***	***-49.862***	***19.645***	***859***	***20.504***

The notes are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

1. General

Azelis Holding S.A. (the "Company"), was incorporated on 21st January 2015 and is domiciled in Luxembourg. The address of the Company is 19 rue Gabriel Lippmann, 5365 Munsbach, Luxembourg. The Company is registered in Luxembourg under the number B 194.548.

The consolidated financial statements of the Company for the year ended 31st December 2018 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, Essential and Fine Chemicals).

On 8 November 2018, EQT VIII Fund ("EQT") together with co-investor PSP Investments acquired 100% of the outstanding shares of Azelis Holding S.A. (indirectly, through a chain of holding entities that do not have operational activities).
A full new equity and external debt structure has been established: The syndicated credit agreements of Azelis Holding S.A. and its subsidiaries have been fully repaid as per 8 November 2018. Akita Midco S.à r.l. from Luxembourg currently holds (indirectly) 100% of the shares of Azelis Holding S.A. as well as a renewed syndicated credit arrangement, since 8 November 2018.

The financial statements of Azelis Holding S.A. are incorporated in the 2018 Consolidated Financial Statements of Akita Midco S.à r.l. (prepared in accordance with IFRS), but only since the date of change of ownership 8 November 2018.

2. Basis of Preparation

The consolidated financial statements for the year ended December 31, 2018, were authorised for issue by the Board of Directors on 9 April 2019 and will be submitted for approval to the Shareholders' Meeting to be held on 25 April 2019.

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 2018 and do not materially affect the result and equity of the Group.

Endorsement status of the new standards as at 31 December 2018

A. The following amendments and annual improvements to standards are mandatory for the first time for the financial year beginning 1 January 2018 and have been endorsed by the European Union and have been implemented by the Company:

- **IFRS 9** 'Financial instruments. The standard addresses the classification, measurement, derecognition of financial assets and financial liabilities and general hedge accounting.

The new standard introduces a new expected credit loss (ECL) model, which requires recognition of impairment based on ECL rather than incurred losses as is the case under IAS 39. For financial assets that do not have a significant financing component, e.g. trade receivables, a simplified approach is permitted. The loss should be measured on initial recognition and throughout the life of the receivable at an amount equal to lifetime ECL.

The adoption of IFRS 9 resulted in changes in accounting policies regarding the classification of the financial instruments and the impairment of financial assets. Changes relating to classification did not impact the measurement of the financial instruments and no adjustments were made to the opening balance. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The new expected credit loss model did not significantly impact the methodology used by the Group. In accordance with the transitional provisions, comparative figures have not been restated.

- **IFRS 15** 'Revenue from contracts with customers'. The standard will improve comparability of the top line in financial statements globally. In the new standard revenue is recognized based on a five step approach to determine the revenue of a performance obligation. For the sale of products revenue is recognized upon transfer of risks and rewards of ownership, which is mainly the point in time when goods are delivered to the customer. Revenue is only recognized at this moment after other requirements are also met, such as no continuing management involvement with goods, revenue and costs can be reliably measured and probable recovery of the considerations. Under IFRS 15, revenue is to be recognized upon transfer of control, whereby a customer obtains control of a good if he has the ability to direct the use of and obtain substantially all of the remaining benefits from that good. Under its distribution model the Company is considered by the customer as the primary obligor, often bearing inventory risk and with the latitude in establishing prices. The performance obligation is mainly in delivering the product, satisfied at a point in time, whereby transfer of control coincides with physical delivery (via sales from our warehouses, or via direct sales). In case the main promise in the contract is promoting and soliciting sales, only the commission or fee earned as an agent is recognized as revenue, this represents less than 1% of our total revenues. Revenue is recognized when control of a good or service transfers to a customer, which is for Azelis at the moment of delivery of the goods. The amount of revenue recognised is the amount allocated to the satisfied performance obligation taking into account variable consideration (i.e. trade discounts and volume rebates). The estimated amount of variable consideration is included in the transaction price only to the extent that it is highy probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Applying IFRS 15 did not have significant impact on the financial statements of Azelis.

B. The following new standards, amendments and interpretation to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2018 and have not been endorsed by the European Union:

- **Amendments to IAS 19**, 'Plan Amendment, Curtailment or Settlement' (effective 1 January 2019). The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement. In addition, an entity will have to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendments will affect any entity that changes the terms or the membership of a defined benefit plan such that there is past service cost or a gain or loss on settlement. The Company does not expect any impact.

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 2018 and have been endorsed by the European Union. These changes to IFRS have not been applied in these consolidated financial statements as the Group does not plan to early adopt any of these new IFRS standards or amendments:

- **IFRIC 23**, ‘Uncertainty over income tax treatments’ (effective 1 January 2019). This interpretation clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The Company is currently in the progress of investigating the potential impact however expects these to be immaterial for the Group as a whole.

- **IFRS 16** ’Leases’ (effective 1 January 2019). This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has performed an assessment of the potential impact on its consolidated financial statements. The most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of offices, certain warehouse facilities and company cars. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group will apply the standard using a modified retrospective approach with optional practical expedients. The Group has estimated this will have impact on the 2019 Annual Accounts as follows:

- Both Assets (right-of-use of the underlying asset) and Liabilities (the net discounted value of the future lease obligations) are expected to increase in the Opening Balance Sheet per 1 January 2019 with an amount of € 48 million.
- The external services and other expenses 2019 (if compared to 2018) will decrease with € 13 million, with an opposite expected impact in the 2019 income statement through increasing depreciation (€ 11 million) and increasing interest expenses (€ 2 million).

Should the new standard have been applicable, the net discounted value of these obligations would have been reported as a financial liability. On the other hand the related right to use the underlying asset would be reported at initial fair value minus depreciation.

A number of other amendments to IFRS standards that are not yet effective or will be effective in the subsequent years are not listed above because it is expected that they will not have a significant impact on the consolidated financial statements of the Group.

2.1. 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 2018. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

I. **Subsidiaries**

Subsidiaries are entities controlled by the Group. Control is achieved when the Group 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 Group controls an investee if, and only if, the Group 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. 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 excesses of the aggregate consideration transferred this purchase bargain is included in the profit or loss, after the Group has re-assess 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.

2.2. Foreign currency translation

I. **Functional and presentation currency**

The consolidated financial statements are presented in Euro, which is the Group's presentation and functional 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 and expenses.

II. **Transactions and balances**

The Company, as parent of the Group, operates in the Euro-environment to a large extent. 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 losses 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.

2.3. 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 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 cash-generating units that are expected to benefit from the synergies of the combination.

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.

2.4. 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 or 10 years for local trademarks
Customer lists	5 to 10 years
Distribution rights	5 to 22 years
Other intangible assets	3 to 7 years

2.5. 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 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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative 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**

Where the Group assumes substantially all the risks and rewards of ownership the leases are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized on the Group's balance sheet per 31 December 2018. This is similar as previous year, as the Group will apply the new lease-standard IFRS16 using a modified retrospective approach with optional practical expedients, that will have impact on Azelis' financial statements starting the financial year 2019. For estimated impact, see note 2 paragraph "IFRS 16".

2.6. Financial instruments

I. **Classification, recognition and initial measurement**

IFRS 9 contains a new classification and measurement guidance for financial assets and liabilities. Financial assets and liabilities are classified into three categories: Measured at amortized cost or at fair value through other comprehensive income and at fair value through Profit and Loss (FVTPL).The standard eliminated previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

Azelis has classified financial assets as measured at amortized costs and financial liabilities as measured at amortized costs and at fair value through Profit and Loss.

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.

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 measurement at first recognition, 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
Financial assets are classified as trade and other receivables at the date they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a part to the contractual provisions of the instrument. Financial assets are measured at amortised costs.

Loans
Loans payable are classified in the valutation category other financial liabilities and are measured at amortised costs

An exchange between an existing borrower and lender of debt instruments 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, 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 recognised 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
Derivatives are classified as FVTPL.

Preferred Equity Certificates
Azelis S.A. has issued Preferred Equity Certificates (PECs) to its shareholders, which qualified as compound instrument with an equity and a debt portion. These PECs bear no interest.

The PECs issued are financial instruments comprising a host contract (debt instrument) and embedded derivatives (voluntary redemption and term extension options). The host contract is a financial liability since it includes a contractual obligation to deliver cash or another financial asset to another entity that cannot be avoided. Should the Company want to make payments other than in cash, they would need the consent of the Subscriber ("Holders" of the PECs). The PECs provides mandatory redemption by the Company for a fixed amount (redemption price) at the maturity date (in the year 2045). The PECs are fair valued every year, based on assumptions of management (including expected maturity).

The fair value of the PECs at initial recognition differs from the cash received by the Company. The difference is recognised in equity as a capital contribution from the parent, net of the related deferred tax charge. This amount recorded within equity is not re-measured subsequently. The remaining portion of the PEC's is classified within 'Non-current liability to shareholders' and the whole instrument is fair valued every year end. The impact of this revaluation is recorded as financial expenses/gains (FVTPL).

A deferred tax liability is recognised for the taxable temporary difference arising from the difference between the accounting treatment of the PECs (FVTPL) and the tax base of the PECs. The tax base of the PECs under Luxembourg tax law is the nominal (par) value.

The classification is made at the time of the original acquisition based on the objective of the business model and the characteristics of contractual cash flows of the investment

II. **Impairment of financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

IFRS 9 did not significantly modify the impairment methodology applied by the Group under IAS39 for financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 4.2 I for futher details. While cash and cash equivalents and other loans receivables are also subject to the impairment requirments 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. For financial assets measured at amortized cost, the reversal is recognized in the income statement.

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.

2.7. 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 year, 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.

2.8. Inventories

Inventories are measured at the lower of cost and net realisable value. The inventories are measured at their weighted average costs increased with cost comprises of direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Write-downs 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 written-down inventories increases the write-down will be reversed to the lowest of the increased net realisable value and the original weighted average cost.

2.9. 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.

2.10. 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 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.

2.11. 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 on the basis of expected future cash flows.

2.12. Revenue

I. **Goods sold (sales)**

Revenue is recognized when the performance obligation is satisfied, for the Group this is usually upon delivery.Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Applying IFRS 15 did not have significant impact on the financial statements of Azelis.

II. **Commissions**

When the outcome of a commission transaction can be estimated reliably, revenue associated with the transaction shall be recognised 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 and when the selling prices are set by the suppliers.

2.13. Segment reporting

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

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

The reporting segments used are defined as follows:

- EMEA: all operating companies in Europe and Africa
- Americas: all operating companies in the United States of America and Canada.
- Asia-Pacific: all operating companies in Asia, South-East Asia and the Pacific region.
- Group Holding & other

Group Holding consists of all non-operating companies, including the corporate service center in Belgium and the headquarter in Luxembourg.

"Other" may include income from non-core business transactions (such as agency commission, services and termination fees), whilst some 'other operating income' (Note 9) relating to trade related recharges of operating expenses (such as freight) is reported in the operating segments revenue.

2.14. 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.

2.15. Lease payments

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments arising under operating leases are recognized as an expense in the period in which they are incurred.

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 including bank overdrafts as presented in the explanatory notes to the cash and cash equivalents and the interest-bearing borrowings. 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 spreads 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 Company's credit risk. In respect of the liability component of convertible loans, the market rate of interest is determined by reference to similar liabilities that do not have a conversion 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.

2.18. Alternative performance measures

The following alternative performance measures (non-GAAP) have been included in the financial statements since management believes that they are widely used by certain investors, securities analysts and other interested parties as supplemental measure of performance and liquidity. The alternative performance measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results, our performance or our liquidity under IFRS.

Non-recurring (income and expenses) items
Non-recurring items are one-off of kind, and are not directly related to the daily performance of the Company and/or its Segments, like expenses of corporate restructurings and reorganizations including one-off costs with regard to acquisitions and with regard to the change of ownership.

Operating EBITDA
EBITDA is defined as 'operating result' (per face of the consolidated income statement under IFRS), but before 'depreciation, amortization and impairment expenses'.
Operating EBITDA is defined as EBITDA, but excluding Non-Recurring items.

Conversion margin
Conversion margin is defined as the ratio between Operating EBITDA and the gross profit.

Net working capital
The components of our Net working capital are inventories plus trade receivables and minus trade payables.

Free cash flow
Free cash flow is defined as Operating EBITDA plus/less changes in working capital, less capital expenditures and less cash taxes paid.

Cash conversion margin
Cash conversion margin is defined as free cash flow as a percentage of Operating EBITDA.

3. Estimates and judgements

Use of estimates and judgements

The preparation of consolidated financial statements requires management to make 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. Actual amounts may differ from these estimates. The most critical accounting estimates in the consolidated financial statements are related to financial instruments, business combinations, goodwill impairment and deferred tax assets.

The preferred equity certificates, as recorded under the financial instruments and measured at fair value (see Note 2.6), involve critical estimates and judgement from management on key parameters, being the maturity date and the discount rate. These are re-assessed each year. For 2018, management believes that the PEC's will be settled within one year.

In a business combination the acquired assets and liabilities are measured at fair value (note 7). 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.

The Group tests whether goodwill has suffered any impairment on an annual basis (note 15). 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. 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. Refer to the note "Intangible assets" in the section "Impairment assessment" for more detailed information.

In assessing the realisation 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 realisation 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 become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

4. Financial Risk Management

4.1. Overview

The Group has exposure to credit, liquidity and market risks. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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.

4.2. 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 and investment securities.

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

	2018	2017
(in thousands of €)		
Trade and other receivables	198.513	212.030
Cash and cash equivalents	60.888	56.425
Other financial assets	1.212	2.214
	260.613	***270.669***

I. **Trade and other receivables**

The Group applies the IFRS 9 simplified approach, refer to p 40.

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 analysed 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 operates a locally controlled credit insurance program for the majority of its revenue.

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 incurred 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. At year-end the aging of the allowance is analysed below:

2018	Gross	%	Impairment
(in thousands of €)			
Current and less than 1 month	113.480	**64,9%**	285
Between 1 month and less than 3 months	52.240	**29,9%**	125
From 3 months and less than 6 months	2.381	**1,4%**	666
More than 6 months	6.721	**3,8%**	6.721
	174.822	***100,0%***	***7.796***

2017	Gross	%	Impairment
(in thousands of €)			
Current and less than 1 month	134.871	**70,5%**	192
Between 1 month and less than 3 months	43.577	**22,8%**	602
From 3 months and less than 6 months	6.415	**3,4%**	1.793
More than 6 months	6.562	**3,4%**	6.562
	191.426	***100,0%***	***9.149***

The movement of the impairment allowance in the year is:

	2018	2017
(in thousands of €)		
Balance at 1 January	9.149	7.253
Provisions made in the year	695	2.538
Decrease on impairment losses	-1.983	-275
Exchange rate differences	-64	-367
Balance at 31 December	***7.797***	***9.149***

ii. **Cash**

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

III. **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

4.3. 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. With the change of ownership, a new equity and debt structure has been established, that enables the Group to maintain its liquidity.

The Group ensures that it has sufficient cash on demand and unused credit facilities to meet expected operational expenses for the respective planning horizon, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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:

2018	Carrying amount	Undiscounted contractual Cash flows	Less than 1 Year	1 to 5 Years	More than 5 Years
(in thousands of €)					
Shareholder funds	1.065.769	1.231.222	297.683	933.539	0
Loans and borrowings	17.374	19.111	347	18.764	0
Derivatives	0	0	0	0	0
Trade and other payables	281.700	281.700	281.700	0	0
Bank Overdraft	1.139	1.139	1.139	0	0
	1.365.982	***1.533.172***	***580.870***	***952.302***	***0***

2017	Carrying amount	Undiscounted contractual Cash flows	Less than 1 Year	1 to 5 Years	More than 5 Years
(in thousands of €)					
Shareholder funds	194.310	297.683	0	0	297.683
Loans and borrowings	768.863	960.446	34.287	790.150	136.009
Derivatives	1.719	1.719	0	1.719	0
Trade and other payables	246.977	246.977	246.977	0	0
Bank Overdraft	3.744	3.744	3.744	0	0
	1.215.613	***1.510.569***	***285.008***	***791.869***	***433.692***

4.4. 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 optimising 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. The Group uses mainly forward exchange contracts to hedge its 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 liabilitiets is mainly related to balances denominated in USD, GBP and CAD, for which the notional amounts (stated in €) amount to :

	2018	2018	2018	2017	2017	2017
(in thousands)	**USD**	**GBP**	**CAD**	**USD**	**GBP**	**CAD**
Trade receivables	72.740	2.598	6.816	69.846	2.068	9.215
Cash and cash equivalents	16.283	1.410	2.856	18.298	649	9.291
Trade payables	-84.608	-3.080	-7.005	-70.386	-6.542	-8.445
Gross balance sheet exposure	***4.415***	***928***	***2.667***	***17.758***	***-3.825***	***10.061***

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.

	2018		2017	
(in thousands of €)	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
USD	-1.537	-1.537	-5.108	-5.108
CAD	-1.630	-1.630	-2.938	-2.938
GBP	150	150	-699	-699

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. The Board of Directors regularly reviews the development of interest rates and the corresponding exposure of the Group. The Board of Directors has set limits for certain interest rate 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 (of the - indirect - parent company Akita Midco S.à. r.l.) are on a floating basis. The interest rate risk of the new syndicated external debt (of Akita Midco S.à. r.l.) is partly covered through a swap transaction in which the floating interest rate has been capped until February 2022.

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:

(in thousands of €)	2018	2017
Fixed rate instruments		
Financial liabilities	-297.683	-194.310
	-297.683	***-194.310***
Variable rate instruments		
Financial assets	60.888	56.425
Financial liabilities	-786.599	-772.607
	-725.710	***-716.182***

VI. **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.
This sensitivity excludes the impact of an interest rate swap embedded euribor floor (of 1,00%), relating to a notional amount of € 140 million at a fixed rate of 1,4868%, that has been terminated in the course of 2018.

	Profit or loss - 2018		Equity - 2018	
(in thousands of €)	**100 bp**	**100 bp**	**100 bp**	**100 bp**
	Increase	*Decrease*	*Increase*	*Decrease*
Variable rate instruments	-7.866	7.866	-7.866	7.866
Cash flow sensitivity (net)	***-7.866***	***7.866***	***-7.866***	***7.866***

	Profit or loss - 2017		Equity - 2017	
(in thousands of €)	**100 bp**	**100 bp**	**100 bp**	**100 bp**
	Increase	*Decrease*	*Increase*	*Decrease*
Variable rate instruments	-7.726	7.726	-7.726	7.726
Cash flow sensitivity (net)	***-7.726***	***7.726***	***-7.726***	***7.726***

4.5. Other market price risk

The Group does not have any other significant market price risk.

4.6. Financial instruments: fair value and hierarchy

The Group has outstanding foreign exchange contracts to manage the exposure to foreign currency risk on its outstanding foreign currency receivables/payables and an interest rate swap relating to its variable rate interest risk . 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. The fair value of the forward exchange contracts is calculated as the discounted value of the difference between the contract rate and the current forward rate and is classified as Level 2 (see note 2.6 – Basis of preparation).

The carrying amount of the other financial assets and liabilities approximates the fair value (in this case no fair value hierarchy is included).

		Amount of financial instruments recognized in balance sheet				
2018	Note	Financial assets & liabilities at fair value through P&L	Financial assets measured at amortized cost	Investments measured at FVOCI	Other financial assets & liabilities	Total book value
(in thousands of €)						
Assets						
Non current assets						
Other Financial receivables	4				860	**860**
Other investments	4				140	**140**
Current assets						
Trade receivables	19		167.025			**167.025**
Other receivables	19		31.488			**31.488**
Derivatives	4	212				**212**
Cash & Cash equivalents	20		60.888			**60.888**
Total financial assets		***212***	***259.401***	***0***	***1.000***	***260.613***
Liabilities						
Non Current Liabilities						
Interest bearing	21				768.356	**768.356**
Non-interest bearing	21					**0**
Other Financial liabilities					3.242	**3.242**
Current liabilities						
Non-interest bearing	21	297.683				**297.683**
Interest bearing	22				17.103	**17.103**
Overdraft	20				1.139	**1.139**
Trade payables	24				229.951	**229.951**
Other current payables excl derivatives	24				48.223	**48.223**
Derivatives	24		284			**284**
Total financial liabilities		***297.683***	***0***	***0***	***1.068.014***	***1.365.697***

2017	Note	Financial assets & liabilities at fair value through P&L	Financial assets measured at amortized cost	Investments measured at FVOCI	Other financial assets & liabilities	Total book value
		Amount of financial instruments recognized in balance sheet				
(in thousands of €)						
Assets						
Non current assets						
Other Financial receivables	4				1.969	**1.969**
Other investments	4				154	**154**
Current assets						
Trade receivable	19		182.277			**182.277**
Other receivables	19		29.753			**29.753**
Derivatives	4	92				**92**
Cash & Cash equivalents	20		56.425			**56.425**
Total financial assets		***92***	***268.455***	***0***	***2.122***	***270.669***
Liabilities						
Non Current Liabilities						
Interest bearing	21				741.389	**741.389**
Non-interest bearing	21	194.310				**194.310**
Other Financial liabilities					1.719	**1.719**
Current liabilities						
Interest bearing	22				27.474	**27.474**
Overdraft	20				3.744	**3.744**
Trade payables	24				200.744	**200.744**
Other current payables excl derivatives	24				46.093	**46.093**
Derivatives	24		140			**140**
Total financial liabilities		***194.310***	***0***	***0***	***1.021.163***	***1.215.473***

Other investments comprise investments in debt and equity securities classified as Available for Sale. Derivatives comprise forward foreign exchange contracts maturing within one year and classified as Fair Value through Profit and Loss.
The derivatives 2017 related to an Interest Rate Swap that was classified as Fair Value through Profit and Loss, and has been terminated in the course of 2018.

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 of Directors monitors the return on capital. The Board seeks to maintain a balance between the returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

	2018	2017
(in thousands of €)		
Equity	20.504	63.422
Preferred Equity Certificates	297.683	194.310
Deferred tax related to PECs	0	26.877
Other interest borrowing loans	488.916	772.607
Less : Cash & Cash equivalent	-60.888	-56.425
Total Capital	***746.214***	***1.000.791***

The Group is not exposed to external capital requirements other than covenant requirements from the new syndicated external debt of its (indirect) parent company Akita Midco S.à r.l., Luxembourg (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, that provides in all these regions its distribution services of specialty chemicals.

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

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 'Operating EBITDA' . Operating EBITDA is defined as 'operating result' (per face of the income statement under IFRS), but before 'depreciation, amortization and impairment expenses' and excluding non-recurring items. Non-recurring items are one-off of kind, and are not directly related to the daily performance of the segments, like expenses of corporate restructurings and reorganizations including one-off costs with regard to acquisitions.

While the amounts included in Operating EBITDA are derived from the Group's financial information, it is not a financial performance measure determined in accordance with adopted IFRS and should not be considered as the performance indicator as included in the Consolidated Income Statement. The Group currently uses Operating EBITDA 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 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 segments.

The reconciliation from the IFRS consolidated financial statements towards Operating EBITDA is summarised as follows:

	2018	2017
(in thousands of €)		
Operating profit	**87.148**	**83.666**
Depreciation, amortization and impairment expenses	24.253	23.873
Non-recurring items	25.925	8.677
Operating EBITDA	***137.326***	***116.216***

Depreciation, amortization and impairment expenses mainly relate to the amortisation of intangible assets.

Non-recurring items are one-off costs not directly related to the performance of the Group, like expenses of corporate restructurings and reorganisations, and acquisitions. Non-recurring items mainly relate to the sale of the Azelis Group to a new shareholder, an amount of € 22.9 million in 2018 and to the expansion of Azelis, comprising acquisition transaction costs of € 0.4 million (2017: € 0.8 million), post-acquisition and integration costs of € 0.3 million (2017 : € 3 million). Non-recurring items relating to employment costs amount to € 1.1 million in 2018 (2017 : € 1.3 million). The remainder of the 2018 one-off costs related to reorganization costs. Other one-off costs in 2017 related to exposure on disposed historical product lines.

2018	EMEA	Americas	Asia-Pacific	Group Holding & other	Total
(in thousands of €)					
Revenue	**920.769**	**770.264**	**206.724**	**394**	**1.898.151**
Revenue Industrial Chemicals					*836.969*
Revenue Life Science					*1.061.181*
Gross profit	**199.771**	**155.378**	**37.484**	**0**	**392.633**
Gross profit Industrial Chemicals					*159.804*
Gross profit Life Science					*232.829*
Operating EBITDA	**77.177**	**65.054**	**10.517**	**-15.422**	**137.326**
Operating profit					87.148
Net Working Capital	47.365	97.355	53.559	-5.374	192.906

2017	EMEA	Americas	Asia-Pacific	Group Holding & other	Total
(in thousands of €)					
Revenue	**868.043**	**751.141**	**108.359**	**0**	**1.727.543**
Revenue Industrial Chemicals					*794.413*
Revenue Life Science					*933.130*
Gross profit	**184.532**	**151.092**	**15.545**	**0**	**351.169**
Gross profit Industrial Chemicals					*150.700*
Gross profit Life Science					*200.468*
Operating EBITDA	**64.163**	**63.357**	**2.751**	**-14.055**	**116.216**
Operating profit					83.666
Net Working Capital	61.390	92.527	38.427	-26.610	165.735

‘Other’ may include income from non-core business such as agency commissions (€ 5.7 million in 2018 and € 7.4 million in 2017), whilst some ‘other operating income’ (see note 9) relating to recharges of trade related operating expenses (€ 5.4 million in 2018 and € 4.7 million in 2017) is reported in the operating segments revenue; at gross profit level ‘other’ mainly relates to non trade related ‘other operating income’ such as services and termination fees.

The Group has a diverse customer base in all of its reportable segments and has no individual material customers which may be reported.

7. Business combinations

During the year the Group acquired the following companies, specified to their indentifiable assets, liabilities and resulting goodwill:

2018	Distralim	SammiChem	PK Chemicals	Total
(in thousands of €)				
Assets acquired and liabilties assumed				
Distribution rights	-	4.588	2.652	7.240
Property, plant and equipment	57	130	40	228
Inventories	2.489	3.650	372	6.512
Trade and other receivables	3.523	2.288	1.233	7.043
Cash and cash equivalents	1.097	3.644	758	5.499
Deferred tax liabilities	80	-1.038	-332	-1.289
Trade and other payables	-1.672	-1.248	-1.345	-4.265
Provisions	-	-77	-	-77
Total fair value identified assets acquired and liabilities assumed	***5.575***	***11.937***	***3.378***	***20.890***
Consideration transferred	7.788	14.968	5.200	27.956
Goodwill	***2.213***	***3.031***	***1.822***	***7.066***

No indemnification assets or contingent liabilities had to be recognised in the business combinations. The fair values of the acquired net assets, based on a provisional assessment, are summarized in the table above. The considerations are paid for in cash. 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. The amortization of goodwill is not tax deductible. The acquired trade receivables are being recognized at amortized cost of € 6.1 million (gross value:€ 6,4 million).

Distralim

On 18 June 2018 the Group gained control of Distralim Sarl after acquiring all outstanding shares and voting rights. At that date a business combination was realised and reported accordingly within the consolidated Group. The Group expands its activities mainly in Morocco. This acquisition will allow the Azelis Group to expand business in the African region.
After gaining control, Distralim contributed € 6.2 million to the Group's revenue, € 1.2 million of gross profit, € 0.8 million of Operating EBITDA and a positive € 0.2 million to the Group's net result.

SammiChem

On 14 June 2018 the Group gained control of SammiChem Co after acquiring all outstanding shares and voting rights. At that date a business combination was realised and reported accordingly within the consolidated Group. The Group expands its activities mainly in Korea. The SammiChem portfolio will enable the Group to further expand business in this region within personal care & cosmetics market.

After gaining control, SammiChem contributed for € 11.1 million to the Group's revenue, € 2.7 million of gross profit, € 1.7 million of Operating EBITDA and a positive € 1.2 million to the Group's net result.

P-K Chemicals Ltd

On 3 September 2018 the Group gained control of P-K Chemicals Ltd after acquiring all outstanding shares and voting rights. At that date a business combination was realised and reported accordingly within the consolidated Group. The Group expands its activities mainly in Ireland. The portfolio of P-K Chemicals will enable the Group to further expand business in this region within a broad line of products.
P-K Chemicals contributed for the period after acquisition € 2.0 million to the Group's revenue, € 0.4 million of gross profit, and a positive € 0.2 million to the Group's Operating EBITDA and € 0.1 million net result.

If the above acquisitions would have occurred at the start of 2018 (or 2017 respectively), the full year contributions would have been as follows :

2018	Revenues	Gross Profit	EBITDA	Net Profit
(in € million)				
Distralim	11,2	1,9	1,3	0,7
SammiChem Co Ltd	21,7	4,7	2,7	1,7
P-K Chemicals	7,9	1,3	0,8	0,7
TOTAL	***40,8***	***8,0***	***4,8***	***3,1***

2017	Revenues	Gross Profit	EBITDA	Net Profit
(in € million)				
Distralim	11,0	1,6	1,0	0,6
SammiChem Co Ltd	18,9	3,7	1,9	1,4
P-K Chemicals	9,0	1,5	1,0	0,8
TOTAL	***38,9***	***6,8***	***3,9***	***2,8***

Acquisition cost

During 2018, the Group incurred acquisition-related expenses of € 0.1 million in total in connection with the costs of external advisors, due diligence and fees paid to the institutions involved. These one-off costs are recognised in the consolidated income statement in the line external services.

8. Revenue

(in thousands of €)	2018	2017
Revenue from sales, net of discounts	1.891.316	1.722.587
Revenue from commercial services	1.091	538
	1.892.407	***1.723.125***
Commissions received	5.769	7.406
	1.898.175	***1.730.531***

In the operating segments reporting (note 6), both the agency commissions received (€ 5.8 million in 2018 and € 7.4 million in 2017) and revenue from commercial services, are not reported as segment revenue, but included in 'Group Holding & other'.

9. Other Operating Income

(in thousands of €)	2018	2017
Recharge of expenses to customers	5.376	4.681
Other operating income	1.423	1.383
	6.798	***6.064***

10. Costs for goods and consumables

(in thousands of €)	2018	2017
Purchase of goods including movement in inventory	1.478.387	1.357.602
Freight and additional charges on purchases	30.571	25.824
	1.508.957	***1.383.426***

11. Employee benefits

11.1. Expenses

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

	2018	2017
(in thousands of €)		
Wages and salaries and other personnel related expenses	132.186	122.001
Social charges	18.074	17.035
	150.260	***139.036***

The average number of employees located in the geographical areas is set out below:

	2018	2017
EMEA	1.076	1.016
Americas	520	512
Asia Pacific	317	271
	1.913	***1.799***

11.2. Defined obligation benefit schemes

The Group is subject to the following defined benefit obligations:

	2018	2017
(in thousands of €)		
German companies	771	790
Belgian companies	4.708	4.439
French companies	1.364	1.201
Italian companies	1.446	1.497
Total present value of unfunded obligations	***8.289***	***7.927***
Present value of funded obligations (Azelis UK)	7.352	8.220
Total present value of obligations	***15.641***	***16.147***
Fair value of plan assets	-10.791	-11.129
Amounts not recognised as asset due to asset ceiling	0	-239
Recognised liability for defined benefit obligations	***4.850***	***4.779***
Liability for long-service leave and other employees benefits	874	806
Total employee benefits recognised in the balance sheet	***5.724***	***5.585***

The Group recognised 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 € 2.6 million in the year (2017: € 3.1 million) included in 'Wages and 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 contributions 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. Law Vandenbroucke states that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions.

This law was amended as follows:

- 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.

Until 2015 the Company did not apply the defined benefit accounting for these plans because higher discount rates were applicable and the return on plan assets provided by insurance companies was sufficient to cover the minimum guaranteed return. As a result of continuous low interest rates offered by the European financial markets, the employers in Belgium effectively assumed a higher financial risk related to the pension plans with a minimum fixed guaranteed return than in the past, requiring them to measure the potential impact of defined benefit accounting for these plans.

Actuarial calculations have been made per 31st December 2018 and these were recognised in the balance sheet. For information, some key figures related to the plans are given below:

- Employer's contributions in the financial year: € 0.5 million (2017: € 0.5 million)
- Amount of the plan assets at 31st December 2018: € 4.6 million (31 December 2017: € 4.3 million)

United Kingdom

In the UK, the defined benefit pension plan is financed through the accumulation of plan assets held separately from those of the Company in an independently administered fund.

Actuarial calculations have been made per 31st December 2018 and these were recognised in the balance sheet. The duration of Scheme obligations at 31 December 2018 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: € 0.3 million (2017: € 0.3 million)
- Amount of the plan assets at 31st December 2018: € 6.2 million (31 December 2017: € 6.8 million).

Actuarial assumptions

The actuarial calculations of the present value of defined benefit obligations were based on the following main assumptions:

	2018	2017
Discount rate	1,5%-2,8%	0,8% - 2,6%
Inflation	0,05	1,5% - 2,5%
Future pensions increases	2,5%-4,5%	1,5 %- 2,6%
Future salary increases	0%-2,5%	0 %- 2,5%

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 € 15.7 million (2017: € 14.9 million) or € 17.2 million (2017: € 17.5 milion), respectively.

The benefits paid are mainly related to France, Italy and UK. The 2019 benefits to be paid are expected to be in line with the 2018 benefits.

The following table shows the changes in the present value of the defined benefit obligations:

	2018	2017
(in thousands of €)		
Liability for defined benefit obligations at 1 January	**16.147**	**15.988**
Current service costs and interest	1.038	842
Benefits paid	-662	-920
Remeasurement arising from changes in demographic assumptions	-35	-113
Remeasurement arising from changes in financial assumptions	-714	849
Remeasurement arising from experience	-56	-286
Exchange rate differences	-67	-213
Liability for defined benefit obligations at 31 December	***15.651***	***16.147***

The following table shows the changes in the plan assets.

	2018	2017
(in thousands of €)		
Fair value of plan assets at 1 January	**11.129**	**10.333**
Contributions paid into the plan	361	764
Benefits paid by the plan	-115	-945
Expected return on plan assets	163	162
Return on assets excluding amounts in net interests	-692	1.051
Exchange rate differences	-55	-236
Fair value of plan assets at 31 December	***10.791***	***11.129***

At year-end, the plan assets consisted mainly of equity instruments (2017: mainly equity instruments).

The net periodic cost for defined benefit obligations recognised in the income statement is shown in the following table:

	2018	2017
(in thousands of €)		
Current service costs	-678	-521
Interest on obligation	-270	-322
Interest on assets	163	162
	-785	***-681***

The changes in actuarial gains and losses from defined benefit obligations and plan assets recognised in other comprehensive income are shown in the following table:

	2018	2017
(in thousands of €)		
Return on assets, excluding amounts in net interests	-692	1.051
Actuarial gains and losses on benefit obligations	817	-473
Effect of changes in asset ceiling	-1	-1
	124	***577***

12. External services and other expenses

	2018	2017
(in thousands of €)		
Distribution	46.147	38.455
Communication, information & travel	25.586	23.702
Commercial expenses	4.191	3.829
Professional service fees	31.149	12.843
Lease expenses	13.808	12.618
Other expenses	13.476	15.147
	134.356	***106.594***

There are one-off costs included related to the Sale of the group to EQT for an amount of € 22.0 million. A positive impact of € 0.6 million is included under professional services for a repayment received from our insurance on professional fees paid during 2017 on a claim we had in the US. In 2017 an amount of € 5 million was included under professional services , related to post-acquisition and integration € 3 million / acquisition transaction costs € 0.8 million).

The remainder of the one-off other expenses in 2018 relate for some € 1 million in relation to accruals taken on some reorganization projects within the EMEA region (2017: € 1.2 million for one-off exposure on disposed historical product lines and € 1.7 million for other one-off expenses).

Audit fees included under professional service fees in the above table:

	2018	2017
(in thousands of €)		
Audit Fees :		
Total fees for the audit of the annual accounts	1.072	1.051
Total fees for audit by non-PWC companies	75	54
Non Audit fees paid to group auditor network :		
Total fees for other non-audit services	201	41
	1.348	***1.146***

13. Net financial expenses

	2018	2017
(in thousands of €)		
Financial income		
Interest income	315	198
Gains on changes in fair value of derivatives	394	540
Other financial income	85	17
	793	***756***
Financial expenses		
Interest expense on bank loans and overdrafts	-34.597	-47.322
Loss on changes in fair value of Preferred Equity Certificates	-103.913	-29.629
Transaction costs for bank loans	-2.313	-35.951
Losses on changes in fair value of derivatives	394	8
Foreign exchange losses	-2.165	-8.669
Other financial expenses	-11.557	-5.191
	-154.152	***-126.754***

The decrease of interest expenses bank loans is due to the early repayment of the external debt as per 8 November 2018, at which date a new debt and equity structure has been established following the change of ownership .

The changes in fair value of Preferred Equity Certificate (PECs) only include non-cash movements. It is expected that the PECs will be settled within one year, on which basis management considers the fair value as per 31 December 2018 to be close to the nominal value as per that date (note 21.4).

Transaction costs for bank loans includes the non-cash impact of expensing previously capitalised transaction costs, as a consequence of the changes in loans and borrowings (note 22).

The foreign exchange losses include for the majority unrealized translation of intercompany loans, mainly with regard to non-EUR nominated loans to subsidiaries.

Other financial expenses relate to other bank fees, and include interest expenses on the new intercompany loan with the parent company since 8 November 2018 (that has replaced the external debt).

14. Income taxes

14.1. Income tax expense

I. **Income tax expenses in consolidated income statement**

The income tax expenses consist of:

	2018	2017
(in thousands of €)		
Current year tax expense (-) / income	-23.127	-22.890
Adjustments to prior years income tax expense (-) / income	668	54
Provisions for tax risks	201	-939
	-22.259	***-23.775***
Deferred tax income / loss (-)	38.405	27.513
Total income tax income / expense (-)	***16.146***	***3.739***

Income tax expense consists primarily of income taxes for the current year and prior period of Group companies.

The differences between the taxable income related to the Luxembourg tax rate 26.01 % (2016: 27.08%) and the effective tax rate are reconciled as follows:

	2018	2017
(in thousands of €)		
Proft/loss (-) before tax	-66.210	-42.322
Income tax using the domestic corporation tax rate (26,01%)	17.221	10.990
Impact of tax in different jurisdictions with difference to domestic rate	-228	-7.479
Tax effect of expenses not deductible for tax purposes	-3.550	-1.525
Tax effect of income not subject to tax	-319	1.039
Recognition of previously unrecognised tax losses	86	1.976
Tax losses for which no deferred income tax asset was recognized	-1.827	-7.190
Adjustments on applicable tax rate	668	8.955
Deferred tax asset on stand-alone carry forward losses	3.142	-
Other	952	-3.027
Total income tax income / expense (-) in income statement	***16.146***	***3.739***

Adjustments during 2017 on applicable tax rate and ‘other’ related mainly to the US tax reform in 2017.

II. **Income tax expenses in Consolidated Statement of Other Comprehensive Income**

The tax included in other comprehensive income is related to:

	2018	2017
(in thousands of €)		
Relating to actuarial gains and losses on pensions obligations	-28	-84
	-28	***-84***

14.2. Deferred taxes

1. **Deferred taxes**

Deferred tax assets and liabilities are attributable to the following:

2018	1 January	Business combinations	Income statement	OCI	Other	Trans lation differences	31 December
(in thousands of €)							
Property, plant and equipment	**718**	0	115	0	8	50	**891**
Intangible assets	**-85.229**	-1.260	7.466	0	478	-1.472	**-80.017**
Inventories	**3.096**	0	-50	0	-465	73	**2.654**
Trade receivables	**617**	0	-197	0	0	21	**440**
Loans and borrowings, Preferred Equity Certificates	**-26.877**	0	26.883	0	-6	0	**0**
Employee benefits	**1.187**	0	-211	0	0	187	**1.162**
Provisions, derivatives and other items	**12**	0	40	0	0	0	**52**
Untaxed reserves	**3.494**	0	785	0	0	174	**4.453**
Tax value of loss carry-forwards	**42.597**	0	4.121	0	58	67	**46.842**
	-60.386	***-1.260***	***38.950***	***0***	***73***	***-901***	***-23.523***
Deferred Tax Liability on Preferred Equity Certificates	**-26.877**						**0**
Deferred Tax liability	**-37.941**						**-27.981**
Deferred Tax assets	**4.432**						**4.458**
	-60.386						***-23.523***

2017	1 January	Business combinations	Income statement	OCI	Other	Trans lation differences	31 December
(in thousands of €)							
Property, plant and equipment	**-915**	0	1.631	0	0	2	**718**
Intangible assets	**-103.385**	-1.451	13.850	0	0	5.757	**-85.229**
Inventories	**3.388**	764	-641	0	0	-415	**3.096**
Trade receivables	**482**	32	163	0	0	-60	**617**
Loans and borrowings, Preferred Equity Certificates	**-32.319**	0	5.448	0	0	-6	**-26.877**
Employee benefits	**708**	296	285	-84	0	-19	**1.186**
Provisions, derivatives and other items	**-45**	-179	215	0	0	21	**12**
Untaxed reserves	**1.589**	0	2.206	0	0	-301	**3.494**
Tax value of loss carry-forwards	**40.491**	0	2.468	0	0	-362	**42.597**
	-90.006	***-538***	***25.625***	***-84***	***0***	***4.617***	***-60.386***
Deferred Tax Liability on Preferred Equity Certificates	**-32.319**						**-26.877**
Deferred Tax liability	**-62.534**						**-37.941**
Deferred Tax assets	**4.847**						**4.432**
	-90.006						***-60.386***

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 realise the benefits of these deductible differences.

Deferred tax assets and liabilities are expected to be recovered or settled over time as follows :

	Deferred tax assets	Deferred tax liabilities
(in thousands of €)		
To be recovered after more then 12 months	3.995	27.981
To be recovered withing 12 months	463	0
	4.458	***27.981***

14.3. Unrecognised deferred income tax assets

The following deferred tax assets related to compensable losses of Group companies acquired have not been recognised :

	2018		2017	
(in thousands of €)	**Gross**	**Tax**	**Gross**	**Tax**
Tax losses	39.260	10.212	49.062	12.761
	39.260	***10.212***	***49.062***	***12.761***

Unrecognised carry forward losses of € 31.0 million (2017: € 41 million) can be used unlimited in time, and € 8.2 million (2017: € 8.1 million) need to be used during the period 2019-2034.

No such deferred tax assets have been recognized due to the fact that they do not meet the recognition criteria to recognize a deferred tax asset.

The Group may have unrecognised 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
(in thousands of €)									
At 1 January 2017									
Cost	490.381	93.230	255.309	14.664	826	7.643	4.397	6.457	**872.907**
Accumulated amortization and impairment	0	0	-12.843	-3.745	-368	-2.420	-905	-1.570	**-21.851**
	490.381	***93.230***	***242.466***	***10.919***	***458***	***5.223***	***3.492***	***4.887***	***851.056***
Changes in 2017									
Acquisitions of business	35.673		25.887	4.594			44		**66.198**
Additions			706	848	111	480	111	28	**2.284**
Amortisation			-12.320	-2.535		-1.317	-1.544	-1.922	**-19.637**
Reclassifications	592		-310	211	-287	-450	292	-48	**0**
Translation differences	-38.070		-19.009	-1.281		-165			**-58.525**
Changes in the Year	***-1.805***	***0***	***-5.047***	***1.837***	***-176***	***-1.452***	***-1.097***	***-1.941***	***-9.681***
At 31 December 2017									
Cost	488.576	93.230	262.583	19.036	650	7.508	4.844	6.437	**882.864**
Accumulated amortization and impairment	0	0	-25.163	-6.280	-368	-3.737	-2.449	-3.492	**-41.488**
	488.576	***93.230***	***237.419***	***12.756***	***282***	***3.771***	***2.395***	***2.946***	***841.375***
Changes in 2018									
Acquisitions of business	7.066	0	7.240	1	0	0	213	0	**14.521**
Additions	0	0	2.249	306	99	4.167	4.996	121	**11.938**
Amortisation	7	0	-13.130	-2.163	-103	-527	-2.213	-2.620	**-20.749**
Reclassifications	11	0	0	235	84	-5	929	5.170	**6.423**
Translation differences	13.527	0	6.667	469	0	117	32	0	**20.812**
Changes in the Year	***20.611***	***0***	***3.026***	***-1.153***	***79***	***3.752***	***3.958***	***2.671***	***32.944***
At 31 December 2018									
Cost	509.180	93.230	278.739	20.047	832	11.787	11.014	11.727	**936.556**
Accumulated amortization and impairment	7	0	-38.293	-8.443	-471	-4.263	-4.661	-6.111	**-62.237**
	509.187	***93.230***	***240.445***	***11.604***	***361***	***7.524***	***6.353***	***5.616***	***874.319***

The other intangibles include development costs and customers list.

See note 7 for the acquired businesses in the year.

15.1. Allocation of assets for impairment testing

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

	2018	2017
(in thousands of €)		
APAC	43.112	23.415
EMEA	168.196	180.772
AMERICAS	297.878	284.389
Total Goodwill	***509.187***	***488.576***

All goodwill acquired in the business combinations has been allocated to a cash-generating unit at the end of the reporting period.

Trademarks for an amount of € 93.2 million have an indefinite life. The impairment test on the recoverable amount show sufficient headroom over the carrying amounts of its indefinitely lived intangible assets.

15.2. Impairment assessment

A cash-generating unit (CGU) represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

The impairment tests have been determined by discounting future cash flows from continuing operations of the unit. The recoverable amount of the cash-generating unit as at 31st December 2018, has 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 Operating EBITDA'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 CGU.

The WACC and growth rates, part of the terminal value used per CGU are as follows:

Cash Generating Unit	2018		2019-2023 assumptions	
	WACC	**Growth rate for terminal value**	**Sales Growth**	**Margin % Growth**
APAC	9,31%	7%	15,7%	0,15%
EMEA	7,91%	2%	4,2%	0,25%
AMERICAS	7,43%	2%	5,6%	0,10%

The impairment test on the recoverable amount of afore mentioned CGU show sufficient headroom on the carrying amount of the Goodwill.

Sensitivity to changes in assumptions

EMEA

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growth rate in the terminal value with 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 2019-2023 with an average of 1% or if we would lower the margin % by 0.5%, there is still sufficient headroom on the carrying amount of the Goodwill.

AMERICAS

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growth rate in the terminal value with 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 2019-2023 with an average of 5% or if we would lower the margin % by 0.5%, there is still sufficient headroom on the carrying amount of the Goodwill.

APAC

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growth rate in the terminal value with 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 2019-2023 with an average of 5% or if we would lower the margin % by 0.5%, there is still sufficient headroom on the carrying amount of the Goodwill.

16. Property, plant and equipment

	Land and buildings	Plant and equipment	Other	Total
(in thousands of €)				
At 1 January 2017				
Cost	19.177	3.261	10.508	**32.946**
Accumulated depreciation and impairment	-1.063	-868	-2.828	**-4.759**
	18.114	***2.393***	***7.680***	***28.187***
Changes in 2017				
Acquisitions of business	2.171	1.199	634	**4.004**
Additions	640	332	2.940	**3.912**
Depreciation	-1.108	-702	-1.874	**-3.684**
Disposals		-22	-275	**-297**
Translation differences	-513	-227	-339	**-1.079**
Changes in the Year	***1.189***	***580***	***1.086***	***2.856***
At 31 December 2017				
Cost	21.474	4.543	13.469	**39.486**
Accumulated depreciation and impairment	-2.171	-1.570	-4.702	**-8.443**
	19.303	***2.973***	***8.766***	***31.043***
Changes in 2018				
Acquisitions of business	3	31	193	**228**
Additions	1.868	1.960	3.517	**7.345**
Depreciation	-883	-733	-1.908	**-3.524**
Disposals	-1.378	-588	-115	**-2.081**
Reclassifications	50	35	-5.388	**-5.302**
Translation differences	24	1	51	**76**
Changes in the Year	***-315***	***706***	***-3.649***	***-3.258***
At 31 December 2018				
Cost	22.042	5.982	11.727	**39.751**
Accumulated depreciation and impairment	-3.053	-2.304	-6.610	**-11.967**
	18.988	***3.679***	***5.117***	***27.784***

Security

At 31st December 2018, the Group pledged land and buildings, plant and equipment as security for the bank loans of its (indirect) shareholder Akita Midco S.à r.l. and its subsidiaries, with a book value of € 33 million (2017: € 31 million). Other restrictions are mainly related to leasehold improvements and leased machinery.

17. Investments in associates

The summary of available aggregated figures of the associates , being a 50% investment in Chemlog S.A.S. (see note 26.4) is:

	Assets	Liabilities	Equity	Revenue	Net result for the year
(in thousands of €)					
31 December 2018	719	216	503	1.683	78
31 December 2017	719	256	425	1.577	107

18. Inventories

Inventories usages is recorded in the cost of goods sold in the consolidated income statement.

In 2018 a write down on inventory of € 3.6 million (2017: € 3.5 million reversal write down) is included in the 'cost of goods and consumables' in the income statement. This write down is based upon the Group accounting policies.

19. Trade and other receivables

	2018	2017
(in thousands of €)		
Trade receivables	167.025	182.277
Other receivables	31.488	29.753
	198.513	***212.030***

See note 4 for ageing and allowance of these receivables. Other receivables relates mainly to prepayments.

20. Cash and cash equivalents and bank overdrafts

	2018	2017
(in thousands of €)		
Bank balances and cash on hand	60.888	56.425
Bank overdrafts (-)	-1.139	-3.744
Cash and cash equivalents (net) in the cash flow statement	***59.749***	***52.681***

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 and liability to shareholders

As per Luxembourg regulations and articles of incorporation of the Company, the minimal share capital requirement for a Company is € 30.000 and a company 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 December2018, the legal reserve amounts to € nil.

21.1. Earnings per share

	2018	2017
Net Group profit/loss (-) attributable to shareholders *(in thousands of €)*	-49.863	-38.542
Average number of shares (in thousand shares)	4.217	4.217
Earnings per share	***-12***	***-9***

The average number of shares are calculated as:

	2018	2017
(in thousands)		
Ordinary shares issued (entitled to dividend) as at 1 January	4.217	3.392
Weighted effect of new ordinary shares issued	0	825
Average number of shares	***4.217***	***4.217***

No dilution effects will occur. The diluted earnings per share are equal to the ordinary earnings per share.

21.2. Share capital

No shares were issued in 2018 (2017: 825 thousand shares). At 31st December 2018, the fully paid subscribed share capital of € 4.2 million (2017: € 4.2 million) is divided into 4,217 thousand shares (2017: 4.217 thousand shares) with a nominal value of € 1.00 each (2017: € 1.00 each).

21.3. Share premium

The share premium consists of additional paid-in capital exceeding the par value of the outstanding shares. At 31st December 2018 the share premium amounts to € 54.1 million (2017: € 54.1 million).

21.4. Liability to shareholders (current and non-current)

The liability to shareholders relates to the current (2017: non-current) Preferred Equity Certificates (PECs) with a nominal value of € 298 million, as well as to the non-current intercompany loan that was concluded to repay the external debt at 8 November 2018 (following the change of ownership) amounting to € 768 million as per 31 December 2018.

Per initial agreement, the PECs would be repaid in 2045 or earlier in case an event occurs that triggers earlier repayment. However, as it is currently expected that the PECs will be finally settled during 2019, the fair value as per 31st December 2018 equals the nominal amount of € 298 million (2017: fair value € 194 million, nominal value € 298 million).

	Interest rate	Maturity	Principal	Carrying amount
(in thousands of €)				
Preferred Equity Certificates 2018 (current)	0%	2045	297.683	297.683
Preferred Equity Certificates 2017 (non-current)	0%	2045	297.683	194.310

The changes in the liabilities to shareholders can be specified as follows:

	2018	2017
(in thousands of €)		
At 1 January	**194.310**	**153.426**
Cash flows from loans and borrowings	-	20.343
Fair value revaluations in profit or loss	103.373	29.629
Other non-cash movements	-	-9.088
Intercompany loans	768.086	-
At 31 December	***1.065.769***	***194.310***

The adjustment of fair value in 2018 of € 103 million brings the total fair value of the PECs to the nominal value of € 298 million, under the assumption that the PECs will be settled within one year.

The non-cash movement in 2017 relates a fair value adjustment of PECs that were issued early 2017 (see also note 7 'business combinations'). Per 31 December 2017, the fair value of the liability to shareholders excluded the applicable deferred taxes of € 27 million, which amount is accounted for as deferred tax liabilities (note 14.2, regarding Preferred Equity Certificates).

We refer in this respect to the accounting policy as explained in note 2.6.

22. Loans and borrowings

The Group's debt finance consists mainly of the following finance instruments:

2018	Interest rate	Duration	Notional amounts	Carrying amounts
(in thousands of €)				
Other bank loans	2,00%	2018-2019	17.374	17.374
			17.374	***17.374***
Non-current borrowings and loans			271	271
Current borrowings and loans			17.103	17.103
			17.374	***17.374***

2017	Interest rate	Duration	Notional amounts	Carrying amounts
(in thousands of €)				
First lien	3,5 - 4,75 %	2017-2022	598.696	596.770
Second lien	8,00%	2017-2023	115.901	115.528
RCF	2,75%	2017-2020	33.000	33.000
Other bank loans	2,00%	2017	22.542	22.542
Other interest borrowing loans	0,00%	2018	567	567
Intrest accrual	0,00%	2017	456	456
			771.162	***768.863***
Non-current borrowings and loans			743.688	741.389
Current borrowings and loans			27.474	27.474
			771.162	***768.863***

Following the change of ownership as at 8 November 2018, a full new equity and external debt structure has been established: The syndicated credit agreements of Azelis Holding S.A. and its subsidiaries have been fully repaid as per 8 November 2018.
As per 31 December 2018, Akita Midco S.à r.l. from Luxembourg currently holds (indirectly) 100% of the shares of Azelis Holding S.A. as well as a new syndicated external credit arrangements.

22.1. Changes in loans and borrowings

	2018	2017
(in thousands of €)		
At 1 January	**768.863**	**688.026**
Cash flows from loans and borrowings	-759.062	89.619
Transaction costs	2.313	33.595
Changes arising from business combinations	-	2.062
Currency translation differences	5.259	-44.439
At 31 December	***17.374***	***768.863***

22.2. Other facilities

In addition to cash balances, as of 31st December 2018, the Group maintained the following lines of credit:

- € 71.4 million uncommitted local credit facility (2017: € 62.7 million), 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 2018, € 18.3 million (2017: € 3.5 million) was utilised.
- Via the (indirect) parent company Akita Midco: € 100 million (2017 : USD 109 million or € 91 million) total committed ancillary facility, of which € 9 million (2017: € 33 million) has been utilised by Akita Midco. Therefore, per 31st December 2018, € 91 million (2017: € 58 million) committed ancillary facility was unused. Interest would be payable at the maximum rate of EURIBOR plus 3%.

22.3. Covenants

As per 8 November 2018, the parent company Akita Midco S.à r.l. has concluded new syndicated exteral financing arrangements. Azelis Holding S.A. and its subsidiaries form part of this.

The credit agreements of Akita Midco S.à r.l. and its subsidiaries contain a single financial maintenance covenant, being the Consolidated Senior Secured Net Leverage Ratio, which needs to be less than 9.0 to 1.0 and is tested quarterly solely when the revolving credit facility utilisation exceeds 40%.

Calculations per 31st December 2018 :

- Consolidated Secured Net Leverage Ratio: 4.9 to 1.0.
- Revolving Credit Facility Utilisation: 9%.

As at 31st December 2018, the Group complied with all 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
(in thousands of €)			
At 1 January 2018	**2.206**	**1.355**	**3.562**
Business combination	77	0	77
Provisions made during the year	984	329	1.314
Provisions used during the year	-50	-144	-194
Provisions released during the year	-1.008	-638	-1.646
Translation differences	82	4	86
At 31 December 2018	**2.291**	**907**	**3.198**
Non-current	2.292	800	3.092
Current	0	106	106
Total	**2.291**	**907**	**3.198**

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

	2018	2017
(in thousands of €)		
Trade payables	229.951	200.744
Other taxes	5.484	5.094
Employee and social security payables	31.459	27.004
Derivatives	284	140
Other payables	11.281	13.995
	278.458	***246.977***

25. Operating leases, capital commitments and contingencies

25.1. Operating lease

Non-cancellable operating lease rentals related to the next years are as follows:

	2018	2017
(in thousands of €)		
Less than one year	11.717	11.323
Between one and five years	19.889	20.928
More than five years	12.824	8.773
	44.430	***41.024***

The non-cancellable operating leases refer mainly to the renting agreements for offices, warehouses and cars.

25.2. Legal contingencies

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.

All these structural improvements were made to the best efforts and taking into account to the maximum extent possible all legal and local tax matters. Nevertheless today, the Group is facing some tax and other contingencies in two different jurisdictions. Total tax and other contingencies per the end of December 2018 amount to a maximum of € 1.7 million (2017: € 1.7 million) and are considered to be contingencies rather than obligations for which provisions should be recognised; after in-depth analysis of the likelihood of these matters to materialise, it is not considered probable that an outflow of resources will be required to settle the possible obligations. Those cases and the corresponding amounts at risk are considered a contingent liability as confirmed by both the Group as well as external legal advisor.

The Group monitors closely these 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, directors, executive officers and associates. The Group has one insignificant Non Controlling Interest.

26.2. Loans to or from related parties

As per 31 December 2018, there are no outstanding loans to or from related parties, other than described in paragraph 21.4. These shareholders loans have a duration of 8 years, with an interest rate of 5.25 %.

26.3. Key personnel remuneration

	2018	2017
(in thousands of €)		
Board members (non-executive)	206	220
Other members of key management personnel		
Fixed remuneration	2.168	1.898
Variable remuneration	2.781	2.142
	5.155	***4.260***

Post-employment benefits: Details of the transactions between the Group and its pension plans are disclosed in Note 11.

The Group's management has had and may in the future have the opportunity to co-invest via a so-called Management Participation Plan ("MPP"). These MPP investments do not take place directly intothe Company itself, but are invested into one of the ultimate parent entities of the Company. Management invests in ordinary shares and in preferred shares, investing at own risk and account, and at the same (market) conditions as invested by any other shareholders (EQT, PSP). For the ordinary shares, these plans qualify as equity settled under IFRS 2.

The Company has no obligations of whatever nature towards Azelis' management in respect of this MPP. The offered (market) conditions investing into one or the Company's ultimate parent entities are similar as offered to the other shareholders (EQT, PSP), meaning the grant-date fair value is nil. Therefore, no fair value adjustment is required and no separate recognition takes place in the consolidated financial statements of the Company.

26.4. Group entitities

The following table lists the Group's subsidiaries:

Name	Country of incorporation	% of interest 2018	% of interest 2017
Consolidated companies in full :			
Azelis Holding S.A.	**Luxembourg**	**Parent company**	**Parent company**
Direct Investments:			
Azelis Finance S.A.	Luxembourg	100	100
Indirect Investments:			
Azelis Australia Pty Ltd	Australia	100	100
Azelis Austria GmbH	Austria	100	100
Chemcolour Industries Australia Pty Ltd	Australia	100	-
TimTechChem Australia Pty Ltd	Australia	100	-
Azelis Benelux N.V.	Belgium	100	100
Azelis Coporate Services N.V.	Belgium	100	100
Azelis Bulgaria EAD	Bulgaria	100	100
Azelis Canada Inc.	Canada	100	100
Azelis (Shanghai) Co. Ltd.	China	100	100
Azelis Hong Kong Ltd	China	100	100
Azelis Croatia D.O.O.	Croatia	100	100
Azelis CEE Holding A.S.	Czech Republic	100	100
Azelis Czech Republic S.R.O.	Czech Republic	100	100
Azelis Denmark A/S	Denmark	100	100
Azelis Finland OY	Finland	100	100
Azelis France S.A.S	France	100	100
Ametech France Sarl	France	100	100
Azelis Deutschland GmbH	Germany	100	100
Azelis Deutschland Holding GmbH	Germany	100	100
Azelis Deutschland Holding Beteiligungs GmbH	Germany	100	100
Azelis Deutschland Holding Verwaltungs GmbH & Co. KG	Germany	100	100
Azelis Deutschland Immobilien GmbH	Germany	100	100
Azelis Deutschland Kosmetik GmbH	Germany	90	90
Azelis Deutschland Pharma GmbH	Germany	100	100
Azelis Greece S.A.	Greece	100	100
Azelis Hungary Kft.	Hungary	100	100

Name	Country of incorporation	% of interest 2018	% of interest 2017
Azelis India Private Ltd	India	100	100
PT Azelis Indonesia Distribusi	Indonesia	67	67
Azelis Ireland Ltd.	Ireland	100	100
P-K Chemicals Ltd	Ireland	100	-
Ametech S.r.L	Italy	100	100
Azelis Italia Logistica S.r.L	Italy	100	100
Azelis Italia S.r.L	Italy	100	100
Azelis Côte d'Ivoire S.A.	Ivory Coast	100	100
Azelis Japan K.K.	Japan	100	100
SammiChem Co. Ltd	Korea	100	-
Azelis S.A.	Luxemburg	100	100
Azelis Malaysia Sdn Bhd	Malaysia	100	100
Azelis Morocco Sarl	Morocco	100	100
Distralim Sarl	Morocco	100	100
Azelis Norway AS	Norway	100	100
Azelis New Zealand Ltd	New Zealand	100	100
TimTechChem International Ltd	New Zealand	100	-
Azelis Poland SP Z.o.o	Poland	100	100
Azelis Romania SRL	Romania	100	100
Azelis Rus LLC	Russia	100	100
Azelis SRB d.o.o	Serbia	100	100
Azelis Singapore Pte. Ltd	Singapore	100	100
Azelis Slovakia S.R.O.	Slovakia	100	100
Azelis España S.A.	Spain	100	100
Azelis Iberia 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 TR Kimya End. Ur.Ith.Ihr.Tic ve San A.S.	Turkey	100	100
Azelis Ukraine LLC	Ukraine	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
S&D Chemicals Ltd.	United Kingdom	100	100
ADAPCO LLC	United States	100	100

Name	Country of incorporation	% of interest 2018	% of interest 2017
Azelis Americas LLC	United States	100	100
Azelis US Holding Inc.	United States	100	100
Azelis Solutions USA LLC	United States	100	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
Ribelin Sales LLC	United States	100	100
Red River Specialties LLC	United States	100	100
C.L. Zimmerman Co. of Delaware LLC	United States	100	100
Ross Organic Specialty Sales Inc.	United States	100	-
Azelis Vietnam Company Ltd	Vietnam	100	100
Companies consolidated at equity:			
Indirect Investments:			
Chemlog S.A.S.	France	50	50

27. Subsequent events

During December 2018, Azelis announced it has entered into exclusive discussion to acquire 100% of the shares of Deafarma S.r.l. (Deafarma), an Italian distributor of active pharmaceutical ingredients. This transaction has been completed on 6 February 2019.

Furthermore, Azelis announced in 2018 it has signed an agreement to acquire 100% of the shares of Euroconsultant Ltd. ("Euroconsultant"), a Polish distributor of flavours, shelf life extenders and other products predominantly for the meat segment. The transaction is completed on 28 March 2019.

Also in 2018, Azelis announced the proposed acquisition of 100% of the distribution activities of MK Ingredients & Specialties and SSD Industries in India. The acquisition has been completed on 28 February 2019, and brings improved product offering and customer reach to Azelis, enabling the company to grow its Food & Health business, a strategic focus area in India.

On 11 March 2019, Azelis announced the acquisition of 100% of the shares of Chemroy Canada Holdings Inc., a Canadian distributor of specialty chemicals and food ingredients. Chemroy is complementary to Azelis in terms of markets served, principal relationships and product offering. Furthermore, Azelis has well established relationships with the majority of Chemroy's principals.

The funding of the acquisitions has been secured amongst others by an incremental facility of € 100 million that has been utilized end of March 2019 under the existing Senior Facilities Agreement that was closed in November 2018.

All of this transactions are consistent with Azelis' corporate strategy of organic growth complemented by strategic acquisitions.

No subsequent events in 2019 have been identified, that may have had a material or significant effect on the 2018 consolidated financial statements.

Luxembourg, 9 April 2019

T. Bakker

Director Class A

G. Henry

Director Class B

Vigon International, Inc. and Subsidiaries and Affiliates

Consolidated Financial Report
December 31, 2020

Contents

RSM US LLP

Independent Auditor's Report

Stockholders
Vigon International, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Vigon International, Inc. and its subsidiaries and affiliates (the Company), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the related consolidated statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vigon International, Inc. and its subsidiaries and affiliates as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual companies and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Blue Bell, Pennsylvania
May 17, 2021

Vigon International, Inc. and Subsidiaries and Affiliates

Consolidated Balance Sheets
December 31, 2020 and 2019

		2020		2019
Assets				
Current assets:				
Cash and cash equivalents	$	650,725	$	44,692
Trade accounts receivable, net		14,788,283		14,146,012
Inventories, net		25,685,950		25,554,509
Prepaid expenses and other current assets		2,245,161		1,704,671
Total current assets		43,370,119		41,449,884
Property and equipment, net		10,467,482		11,533,754
Goodwill		895,905		895,905
Other		280,953		231,354
Total assets	$	55,014,459	$	54,110,897
Liabilities and Stockholders' Equity				
Current liabilities:				
Line of credit	$	11,689,971	$	16,199,550
Current portion of long-term debt		4,447,969		17,358,207
Trade accounts payable		7,342,829		5,059,510
Accrued expenses and other liabilities		2,751,595		1,064,799
Total current liabilities		26,232,364		39,682,066
Long-term debt, net of current portion		25,281,856		3,882,101
		51,514,220		43,564,167
Commitments and contingencies (Notes 7 and 8)				
Stockholders' equity:				
Series A common stock, $1 par value, voting; 100 shares authorized; 10 shares issued and outstanding		10		10
Series B common stock, $1 par value, non-voting; 10,000 shares authorized; 990 shares issued and outstanding		990		990
Paid-in capital		1,674,000		1,674,000
(Accumulated deficit) retained earnings		(477,059)		6,884,681
Stockholders' equity attributable to Vigon International, Inc. and Subsidiaries		1,197,941		8,559,681
Noncontrolling interests		2,302,298		1,987,049
Total stockholders' equity		3,500,239		10,546,730
Total liabilities and stockholders' equity	$	55,014,459	$	54,110,897

See notes to consolidated financial statements.

Vigon International, Inc. and Subsidiaries and Affiliates

Consolidated Statements of Income
Years Ended December 31, 2020 and 2019

	2020	%	2019	%
Net sales	$133,253,076	100.00	$120,097,052	100.00
Cost of sales	86,970,695	65.27	80,667,308	67.17
Gross profit	46,282,381	34.73	39,429,744	32.83
Selling, general and administrative expenses	11,480,519	8.61	9,342,880	7.78
Operating income	34,801,862	26.12	30,086,864	25.05
Other expenses:				
Interest expense	835,654	0.63	1,159,079	0.97
Loss on swap agreements	1,043,725	0.78	-	-
Other	64,974	0.04	6,667	-
	1,944,353	1.45	1,165,746	0.97
Net income	32,857,509	24.67	28,921,118	24.08
Noncontrolling interests	(385,249)	(0.29)	(359,003)	(0.30)
Net income attributable to Vigon International, Inc. and Subsidiaries	$ 32,472,260	24.38	$ 28,562,115	23.78

See notes to consolidated financial statements.

Vigon International, Inc. and Subsidiaries and Affiliates

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2020 and 2019

	Common Stock	Series A Common	Series B Common	Paid-In Capital	Retained Earnings (Deficit)	Vigon International, Inc. and Subsidiaries	Noncontrolling Interests	Total
Balance, January 1, 2019	$ -	$ 10	$ 990	$ 1,674,000	$ 1,197,566	$ 2,872,566	$ 1,778,046	$ 4,650,612
Net income	-	-	-	-	28,562,115	28,562,115	359,003	28,921,118
Distributions	-	-	-	-	(22,875,000)	(22,875,000)	(150,000)	(23,025,000)
Balance, December 31, 2019	-	10	990	1,674,000	6,884,681	8,559,681	1,987,049	10,546,730
Net income	-	-	-	-	32,472,260	32,472,260	385,249	32,857,509
Distributions	-	-	-	-	(39,834,000)	(39,834,000)	(70,000)	(39,904,000)
Balance, December 31, 2020	**$ -**	**$ 10**	**$ 990**	**$ 1,674,000**	**$ (477,059)**	**$ 1,197,941**	**$ 2,302,298**	**$ 3,500,239**

See notes to consolidated financial statements.

Vigon International, Inc. and Subsidiaries and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Net income	$ 32,857,509	$ 28,921,118
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	825,161	835,741
Loss on disposal or abandonment of property and equipment	1,299,536	21,223
LIFO reserve adjustment	(625,573)	160,896
Loss on swap agreements	1,043,725	-
Change in operating assets and liabilities:		
(Increase) decrease in assets:		
Trade accounts receivable	(642,271)	(1,048,622)
Inventories	494,132	(2,338,642)
Prepaid expenses and other assets	(609,283)	(755,574)
Increase (decrease) in liabilities:		
Trade accounts payable	2,283,319	(1,287,833)
Accrued expenses and other liabilities	643,071	140,465
Net cash provided by operating activities	37,569,326	24,648,772
Cash flows from investing activities:		
Purchase of property and equipment	(1,039,231)	(1,350,605)
Net cash used in investing activities	(1,039,231)	(1,350,605)
Cash flows from financing activities:		
Net (repayments) borrowings on line of credit	(4,509,579)	1,220,525
Proceeds from long-term debt	11,657,740	1,399,102
Payments on long-term debt	(3,168,223)	(2,903,792)
Distributions to stockholders	(39,834,000)	(22,875,000)
Distribution to a noncontrolling interest	(70,000)	(150,000)
Net cash used in financing activities	(35,924,062)	(23,309,165)
Net increase (decrease) in cash and cash equivalents	606,033	(10,998)
Cash and cash equivalents:		
Beginning	44,692	55,690
Ending	$ 650,725	$ 44,692
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 829,550	$ 1,169,424

See notes to consolidated financial statements.

Note 1. Nature of Business and Summary of Significant Accounting Policies

Vigon International, Inc. (Vigon) is a specialized manufacturer and value added reseller of flavor, fragrance, and personal care ingredients marketed to manufacturers of food and consumer products, primarily in the United States. Its wholly owned Subsidiaries, Vigon International Sales Corporation and Vigon International U.K. (currently inactive) represent Vigon in certain foreign markets. RR2 Airport Road, LLC and Yipppeee 1, LLC, both Pennsylvania limited liability companies (collectively referred to as the Affiliates), are primarily engaged in leasing facilities to Vigon. Vigon, Vigon International Sales Corporation, Vigon International U.K. and the Affiliates are collectively referred to as the Company.

A summary of the significant accounting policies is as follows:

Principles of consolidation: The accompanying consolidated financial statements include the accounts of Vigon, its wholly owned Subsidiaries and the Affiliates. All significant intercompany balances and transactions have been eliminated in consolidation. The Affiliates have been consolidated based upon their classification as variable interest entities (VIE) of Vigon and its Subsidiaries. Accounting principles generally accepted in the United States of America require a company to consolidate a VIE under certain conditions having to do with the VIE's activities, the related risks and rewards, and the equity investment of the VIE's owners.

Use of estimates: The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash and cash equivalents: The Company considers all highly liquid securities purchased with original maturities of three months or less to be cash equivalents.

Accounts receivable: Accounts receivable are carried at their estimated collectible amounts. The receivables are periodically evaluated based upon past credit history with customers, the customers' current financial condition and current market conditions. When necessary, the Company records an allowance for doubtful accounts that it believes is adequate to provide for credit losses inherent in the receivables. Such determination is based upon estimates and judgments as to the outcome of collection efforts. The allowance for doubtful accounts was $2,295 at December 31, 2020 and 2019. The Company considers accounts past due after the stated due date. The Company does not accrue interest income on its past due accounts receivable.

Inventories: Inventories are stated at the lower of cost and net realizable value. The cost is determined by using the last-in, first-out method (LIFO) under an Inventory Price Index Computation (IPIC) calculation using latest acquisition cost for the annual index calculations.

Property and equipment and depreciation and amortization: Property and equipment is stated at cost. Depreciation and amortization is provided on the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	15-39
Machinery and equipment	15-20
Automotive equipment	5
Furniture and fixtures	7
Computer equipment	5

Depreciation and amortization related to property and equipment was $805,967 and $816,547 for the years ended December 31, 2020 and 2019, respectively.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Impairment of long-lived assets: Long-lived assets are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of the long-lived assets is assessed by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. During the year ended December 31, 2020, the Company abandoned a project that resulted in the full impairment of certain assets not yet placed in service. The impairment charge related to this project approximated $1,174,000 and is recorded in selling, general and administrative expenses in the consolidated statements of income. No other impairments have occurred through December 31, 2020.

Goodwill: The Company records as goodwill the excess of purchase price over the fair value of the identifiable net assets acquired. The Company performed the qualitative impairment assessment for the years ended December 31, 2020 and 2019 and determined that there was no impairment.

Revenue recognition: The Company recognizes revenue in accordance with Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Company's revenue is primarily derived from sales of flavor, fragrance and personal care ingredients. The Company's products are marketed and sold primarily to commercial customers in the United States and certain international markets. Sales of products are subject to economic conditions and may fluctuate based on changes in the industry, trade policies and financial markets.

The Company records revenue from the sale of products at a point in time upon shipment of the goods to the customer, which is when the performance obligation is satisfied. The Company has elected to treat shipping and handling activities related to contracts with customers as costs to fulfill the promise to transfer the associated product and not as a separate performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration and estimates of variable consideration such as early payment discounts, volume discounts, rebates, rights of return and other allowances.

The timing of revenue recognition aligns with the right to invoice the customer. The Company records accounts receivable when it has the unconditional right to issue an invoice and receive payment, which is upon shipment of the product to the customer. Payment terms on invoiced amounts are typically 30 days after the month-end in which delivery takes place. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing the products and not to provide financing to the customer.

The Company excludes from revenue sales taxes and other government-assessed and imposed taxes on revenue-generating activities that are invoiced to customers.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

The Company has elected to apply the practical expedient to expense sales commissions and associated costs as incurred when the expected amortization period is one year or less, which applies to all customer contracts.

Income taxes: The stockholders of Vigon and Subsidiaries have elected to be treated as S corporations under the provisions of the Internal Revenue Code and applicable state statutes. Under this election, the Company's income or loss is passed through to the stockholders and taxed at the individual level. Consequently, no federal or state income taxes have been provided in the consolidated financial statements.

The Affiliates are treated as partnerships for federal and state tax purposes. Accordingly, no provisions for federal and state tax have been provided in the consolidated financial statements, as such taxes are the responsibility of the individual members.

The Company's tax filings for the years 2017 through 2020 remain subject to examination. The Company's management believes that there are no uncertain tax positions.

Shipping and handling: The Company records shipping and handling charges billed to customers as revenue and the related cost as cost of goods sold.

Derivatives: The Company uses interest-rate swaps to convert floating-rate loans to a fixed rate. All derivative financial instruments are recognized as either assets or liabilities at their fair value in the consolidated balance sheets with the changes in the fair value reported in current-period earnings. For the years ended December 31, 2020 and 2019, a swap liability totaling $1,043,725 and $0, respectively, is included in accrued expenses and other liabilities in the consolidated balance sheets.

Subsequent events: The Company has evaluated subsequent events (events occurring after December 31, 2020) through May 17, 2021, which represents the date the consolidated financial statements were issued. See Note 9.

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard provides a number of practical expedients. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The Company does not intend to early adopt. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

Note 2. Inventories

Inventories at December 31, 2020 and 2019 are comprised of the following:

	2020	2019
Finished goods	**$ 8,633,746**	$ 9,006,642
Inventory purchased for resale	**11,879,197**	13,456,663
Work in process	**376,254**	365,819
Raw materials	**6,507,122**	5,061,327
LIFO reserve	**(1,710,369)**	(2,335,942)
	$ 25,685,950	$ 25,554,509

Net income increased by $625,573 in 2020 and decreased by $160,896 in 2019, as compared to what would have been reported under the first-in, first-out method.

Note 3. Property and Equipment

Property and equipment at December 31, 2020 and 2019 are summarized as follows:

	2020	2019
Land	**$ 450,327**	$ 450,327
Buildings and improvements	**9,441,113**	9,516,856
Machinery and equipment	**5,752,029**	5,472,328
Automotive equipment	**438,721**	438,720
Furniture and fixtures	**390,179**	382,927
Computer equipment	**470,958**	603,912
Assets not placed in service	**444,422**	1,230,968
	17,387,749	18,096,038
Less accumulated depreciation and amortization	**6,920,267**	6,562,284
	$ 10,467,482	$ 11,533,754

Note 4. Debt

Line of credit: On December 21, 2017, the Company entered into a credit agreement with a bank for a line of credit of $20,500,000 that was scheduled to mature on December 31, 2020. On December 18, 2020, the Company and the bank amended the agreement to extend the maturity date of the facility to December 21, 2021. The line of credit was reduced to $15,500,000 on December 18, 2020. The credit agreement also provides for the issuance of standby letters of credit of up to $1,000,000. The amount available under the line of credit is reduced by outstanding letters of credit. Interest on outstanding borrowings is payable monthly at (i) the London Interbank Offered Rate (LIBOR) Advantage Rate (as defined), (ii) the LIBOR Adjusted Rate (as defined), or (iii) the Prime Rate (as defined), plus 1.20% in each case. As of December 31, 2020 and 2019, the Company had outstanding borrowings under the line of credit of $11,689,971 and $16,199,550, respectively. As of December 31, 2020 the interest rate was 1.50%.

Long-term debt: Long-term debt is comprised of the following:

	Rate	Maturity	2020	2019
Note payable, Pennsylvania Industrial Development Authority (PIDA)	3.25% (a)	2023	$ 236,401	$ 332,362
Notes payable, bank	(b)	2022 - 2025	29,239,815	20,554,367
Note payable, stockholder	5% (c)	2023	253,609	353,579
			29,729,825	21,240,308
Less current portion			(4,447,969)	(17,358,207)
			$ 25,281,856	$ 3,882,101

(a) Proceeds were used to finance the construction of a new warehouse facility. This obligation is secured by a first mortgage on the real estate owned by a consolidated Affiliate.

(b) On December 21, 2017, the Company entered into a credit agreement with a bank and obtained a term loan in the amount of $20,000,000. The term loan was originally set to mature on December 21, 2020. On December 18, 2020, the Company and the bank amended the agreement to provide for an additional term loan borrowing of $10,834,000 and to extend the maturity date of the initial term loan. The initial term loan requires monthly principal payments of $166,667 with a final payment of the then outstanding principal balance due on December 21, 2023. The additional term loan requires monthly principal payments of $90,283 commencing on February 1, 2021 with a final payment of the then outstanding principal balance due on December 21, 2023. Interest on the portion of term loans that is not hedged is payable monthly at (i) the LIBOR Advantage Rate (as defined), (ii) the LIBOR Adjusted Rate (as defined), or (iii) the Prime Rate (as defined), plus 1.40% in each case (1.35% at December 31, 2020). The fixed rate of interest paid on the hedged portion of the term loans ranged from 1.355% to 2.907% at December 31, 2020. Outstanding indebtedness related to the term loans as of December 31, 2020 and 2019 was $25,000,667 and $16,166,667, respectively.

On December 21, 2017, the Company's consolidated Affiliates obtained term loans with a bank in the aggregate amount of $810,529. The balance of the term loans was $472,807 and $588,599 as of December 31, 2020 and 2019, respectively. The loans require, in the aggregate, 59 monthly principal payments of $9,649 commencing on February 1, 2018, with a final payment of the then outstanding principal balance due on December 21, 2022. Interest is payable monthly at (i) the LIBOR Advantage Rate (as defined), (ii) the LIBOR Adjusted Rate (as defined), or (iii) the Prime Rate (as defined), plus 1.40% in each case (1.40% at December 31, 2020).

Note 4. Debt (Continued)

On December 21, 2017, the Company obtained a $2,000,000 convertible equipment line of credit with a bank. On December 18, 2018, this facility was amended to provide up to $3,000,000 in borrowing capacity and converted to a term loan. As of December 31, 2020 and 2019, outstanding borrowings amounted to $1,800,000 and $2,400,000, respectively. Interest on outstanding borrowings is payable monthly at (i) the LIBOR Advantage Rate (as defined), (ii) the LIBOR Adjusted Rate (as defined), or (iii) the Prime Rate (as defined), plus 1.35% in each case (1.344% at December 31, 2020). The outstanding balance is payable in monthly installments of $50,000 of principal plus interest over a five-year period.

On December 17, 2019, the Company entered into a convertible equipment loan note with a bank and obtained a $3,000,000 line of credit. As of December 31, 2020 and 2019, outstanding borrowings amounted to $1,142,600 and $1,399,101, respectively. Interest on outstanding borrowings is payable monthly at (i) the LIBOR Advantage Rate (as defined), (ii) the LIBOR Adjusted Rate (as defined), or (iii) the Prime Rate (as defined), plus 1.35% in each case (1.355% at December 31, 2020). The outstanding balance is payable in monthly installments of $23,318 of principal plus interest over a five-year period.

On December 18, 2020, the Company entered into a convertible equipment loan note with a bank and obtained a $3,000,000 line of credit. As of December 31, 2020, outstanding borrowings amounted to $823,741. Interest on outstanding borrowings is payable monthly at (i) the LIBOR Advantage Rate (as defined), (ii) the LIBOR Adjusted Rate (as defined), or (iii) the Prime Rate (as defined), plus 1.35% in each case (1.344% at December 31, 2020). The outstanding balance is payable in monthly installments of $13,729 of principal plus interest over a five-year period.

On December 18, 2020, the bank implemented a 30 BPS LIBOR Floor on all outstanding debts.

The bank obligations are subject to various financial covenants, which include a restriction on dividends.

(c) This obligation is unsecured and subordinate to the bank obligations. Principal and interest payments are allowable assuming that there are no events of default as defined in the bank loan agreements.

Aggregate annual maturities on long-term debt as of December 31, 2020 are as follows:

Years ending December 31:	
2021	$ 4,447,971
2022	4,697,846
2023	19,951,373
2024	444,569
2025	188,066
	$ 29,729,825

Substantially all of the assets of Vigon and its subsidiaries are pledged as collateral on the bank obligations.

Note 4. Debt (Continued)

Paycheck Protection Program loan: The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted on March 27, 2020 in the United States. On April 23, 2020, the Company received a loan from the U.S. Small Business Administration (SBA) to fund the Company's request for a loan under the SBA's Paycheck Protection Program (PPP and PPP Loan) created as part of the recently enacted CARES Act administered by the SBA. In connection with the PPP Loan, the Company entered into the promissory note with a lender. Pursuant to the terms of the PPP Loan, the Company received total proceeds of $1,781,700 from the lender. After the issuance of the PPP Loan, the U.S. Treasury Department issued new guidance on the PPP program, including clarification of eligibility. Accordingly, in light of this new guidance, the Company repaid the loan in full on May 7, 2020. The proceeds from and repayment of the PPP loan are not reflected in the Company's consolidated statements of cash flows.

Note 5. Profit Sharing Plan

Vigon has a 401(k) profit sharing plan that covers employees who have attained the age of 21 and have completed one year of service. Eligible participants can contribute up to 100% of their compensation subject to statutory limitations. Vigon's contributions to the plan are based on a 100% match of the employee's elected salary reduction up to the first 3% of compensation, plus a 50% match on deferrals that exceed 3% of compensation, but do not exceed 5% of compensation, for a combined effective maximum match of compensation of 4%. Profit-sharing expense was $295,520 and $260,387 in 2020 and 2019, respectively.

Note 6. Concentrations

Financial instruments that potentially subject the Company to concentrations of risk consist principally of cash and cash equivalents and trade accounts receivable. The Company regularly maintains amounts on deposit with various financial institutions in excess of that insured by the Federal Deposit Insurance Corporation (FDIC). The Company believes that it limits its credit exposure by placing its temporary cash investments with what management believes to be high credit quality financial institutions.

The Company's customer base is comprised principally of companies within the food and consumer products manufacturing industries. The Company does not require collateral from its customers. The Company believes that it has established credit and collection policies to mitigate this credit risk. In 2020, no single customer accounted for more than 10% of the Company's sales. During 2019, one customer accounted for approximately 12% of sales.

During 2020 and 2019, the Company purchased approximately 51% of its total inventory purchases from six suppliers. The Company has distribution agreements with certain of these suppliers.

Note 7. Related Party Transactions

The Company, through a noncontrolling interest entity, has historically leased certain real estate from the Company's principal stockholder for its administrative building.

Note 8. Commitments and Contingencies

Risk and uncertainty: During the year ended December 31, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a pandemic. COVID-19 could negatively impact the Company's operations. The extent to which COVID-19 impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain it or its impact, among other factors.

Note 8. Commitments and Contingencies (Continued)

Litigation: The Company is involved in certain legal proceedings and claims arising in the ordinary course of business. While the outcome of such matters cannot be predicted with certainty, management does not believe that an unfavorable outcome, in excess of any insurance recoveries, will have a material adverse effect on the consolidated financial statements.

Leasing: The Company executed a non-cancellable lease agreement for space to be utilized for additional inventory storage and distribution. The amended lease expires on November 2021 and includes the option to extend the lease monthly. Rent expense was approximately $184,000 and $156,000 in 2020 and 2019, respectively. Future commitments under the agreement amount to approximately $229,000 in 2021.

Note 9. Fair Value Measurements

Fair value measurements for financial assets and liabilities are re-measured and reported at fair value at each reporting period.

These financial assets and liabilities have been classified as Level 1, 2 or 3 within the fair value hierarchy as described in the accounting standards for fair value measurements.

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The table below presents the balances of liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as of December 31, 2020:

	2020			
	Total	Level 1	Level 2	Level 3
Interest rate swap liability	$ 1,043,725	$ -	$ 1,043,725	$ -

There were no assets or liabilities measured at fair value on a recurring basis as of December 31, 2019.

The Company's interest rate swaps are pay-fixed, receive-variable interest rate swaps based on the LIBOR swap rate. The LIBOR swap rate is observable at commonly quoted intervals for the full term of the swaps and therefore is considered a Level 2 item. For interest rate swaps in an asset position, the credit standing of the counterparty is analyzed and factored into the fair value measurement of the asset. The fair value measurement of a liability reflects nonperformance risk of the entity. The impact of the Company's creditworthiness has also been factored into the fair value measurement of the interest rate swaps in a liability position.

Note 10. Subsequent Event

On April 30, 2021, the Company's stockholders executed an agreement with an unrelated third party to sell 100% of Vigon's outstanding shares. The transaction has not yet closed as of the date of these consolidated financial statements.

Vigon International, Inc. and Subsidiaries and Affiliates

Consolidating Balance Sheet
December 31, 2020

	Vigon International Inc.	Vigon International Sales Corporation	Eliminations	Vigon International, Inc. Consolidated	RR2 Airport Road, LLC	Yipppeee 1, LLC	Eliminations	Total
Assets								
Current assets:								
Cash and cash equivalents	$ 459,852	$ 5,577	$ -	$ 465,429	$ 149,339	$ 35,957	$ -	$ 650,725
Trade accounts receivable, net	14,788,283	-	-	14,788,283	-	-	-	14,788,283
Inventories, net	25,685,950	-	-	25,685,950	-	-	-	25,685,950
Prepaid expenses and other current assets	2,244,161	-	-	2,244,161	1,000	-	-	2,245,161
Total current assets	43,178,246	5,577	-	43,183,823	150,339	35,957	-	43,370,119
Property and equipment, net	7,393,645	-	-	7,393,645	2,461,148	612,689	-	10,467,482
Goodwill	895,905	-	-	895,905	-	-	-	895,905
Other	283,541	-	(7,570)	275,971	4,982	-	-	280,953
Total assets	$ 51,751,337	$ 5,577	$ (7,570)	$ 51,749,344	$ 2,616,469	$ 648,646	$ -	$ 55,014,459

(Continued)

Vigon International, Inc. and Subsidiaries and Affiliates

Consolidating Balance Sheet (Continued)
December 31, 2020

	Vigon International Inc.	Vigon International Sales Corporation	Eliminations	Vigon International, Inc. Consolidated	RR2 Airport Road, LLC	Yipppeee 1, LLC	Eliminations	Total
Liabilities and Stockholders' Equity								
Current liabilities:								
Line of credit	$ 11,689,971	$ -	$ -	$ 11,689,971	$ -	$ -	$ -	$ 11,689,971
Current portion of long-term debt	4,127,968	-	-	4,127,968	243,407	76,594	-	4,447,969
Trade accounts payable	7,342,829	-	-	7,342,829	-	-	-	7,342,829
Accrued expenses and other liabilities	2,751,595	-	-	2,751,595	-	-	-	2,751,595
Total current liabilities	25,912,363	-	-	25,912,363	243,407	76,594	-	26,232,364
Long-term debt, net of current portion	24,639,040	-	-	24,639,040	406,648	236,168	-	25,281,856
	50,551,403	-	-	50,551,403	650,055	312,762	-	51,514,220
Stockholders' equity:								
Series A common stock	10	-	-	10	-	-	-	10
Series B common stock	990	-	-	990	-	-	-	990
Paid-in capital	1,674,000	5,577	(5,577)	1,674,000	-	-	-	1,674,000
Accumulated deficit	(475,066)	-	(1,993)	(477,059)	-	-	-	(477,059)
Stockholders' equity attributable to Vigon International, Inc. and Subsidiaries	1,199,934	5,577	(7,570)	1,197,941	-	-	-	1,197,941
Noncontrolling interests	-	-	-	-	1,966,414	335,884	-	2,302,298
Total stockholders' equity	1,199,934	5,577	(7,570)	1,197,941	1,966,414	335,884	-	3,500,239
Total liabilities and stockholders' equity	$ 51,751,337	$ 5,577	$ (7,570)	$ 51,749,344	$ 2,616,469	$ 648,646	$ -	$ 55,014,459

Vigon International, Inc. and Subsidiaries and Affiliates

Consolidating Statement of Income
Year Ended December 31, 2020

	Vigon International Inc.	Vigon International Sales Corporation	Eliminations	Vigon International, Inc. Consolidated	RR2 Airport Road, LLC	Yipppeee 1, LLC	Eliminations	Total
Net sales	$ 133,253,076	$ -	$ -	$133,253,076	$ 434,400	$ 105,000	$ (539,400)	$133,253,076
Cost of sales	87,510,095	-	-	87,510,095	-	-	(539,400)	86,970,695
Gross profit	45,742,981	-	-	45,742,981	434,400	105,000	-	46,282,381
Selling, general and administrative expenses	11,699,170	-	(336,938)	11,362,232	98,543	19,744	-	11,480,519
Operating income	34,043,811	-	336,938	34,380,749	335,857	85,256	-	34,801,862
Other (income) expenses:								
Interest expense	799,790	-	-	799,790	28,538	7,326	-	835,654
Loss on swap agreements	1,043,725	-	-	1,043,725	-	-	-	1,043,725
Other	(271,964)	(336,938)	673,876	64,974	-	-	-	64,974
	1,571,551	(336,938)	673,876	1,908,489	28,538	7,326	-	1,944,353
Net income	32,472,260	336,938	(336,938)	32,472,260	307,319	77,930	-	32,857,509
Noncontrolling Interests	-	-	-	-	-	-	(385,249)	(385,249)
Net income attributable to Vigon International, Inc. and Subsidiaries	$ 32,472,260	$ 336,938	$ (336,938)	$ 32,472,260	$ 307,319	$ 77,930	$ (385,249)	$ 32,472,260

Vigon International, Inc. and Subsidiaries and Affiliates

Consolidated Financial Report
December 31, 2019

Contents

RSM US LLP

Independent Auditor's Report

Stockholders
Vigon International, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Vigon International, Inc. and its subsidiaries and affiliates (the Company), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the related consolidated statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vigon International, Inc. and its subsidiaries and affiliates as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual companies and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Blue Bell, Pennsylvania
May 29, 2020

Vigon International, Inc. and Subsidiaries and Affiliates

Consolidated Balance Sheets
December 31, 2019 and 2018

		2019		2018
Assets				
Current assets:				
Cash and cash equivalents	$	44,692	$	55,690
Trade accounts receivable, net		14,146,012		13,097,390
Inventories, net		25,554,509		23,376,763
Prepaid expenses and other current assets		1,704,671		1,103,403
Total current assets		41,449,884		37,633,246
Property and equipment, net		11,533,754		11,020,919
Goodwill		895,905		895,905
Other		231,354		96,242
Total assets	$	54,110,897	$	49,646,312
Liabilities and Stockholders' Equity				
Current liabilities:				
Line of credit	$	16,199,550	$	14,979,025
Current portion of long-term debt		17,358,207		2,903,791
Trade accounts payable		5,059,510		6,347,343
Accrued expenses and other liabilities		1,064,799		924,334
Total current liabilities		39,682,066		25,154,493
Long-term debt, net of current portion		3,882,101		19,841,207
		43,564,167		44,995,700
Commitments and contingencies (Notes 1, 4, 7 and 8)				
Stockholders' equity:				
Series A common stock, $1 par value, voting; 100 shares authorized; 10 shares issued and outstanding		10		10
Series B common stock, $1 par value, non-voting; 10,000 shares authorized; 990 shares issued and outstanding		990		990
Paid-in capital		1,674,000		1,674,000
Retained earnings		6,884,681		1,197,566
Stockholders' equity attributable to Vigon International, Inc. and Subsidiaries		8,559,681		2,872,566
Noncontrolling interests		1,987,049		1,778,046
Total stockholders' equity		10,546,730		4,650,612
Total liabilities and stockholders' equity	$	54,110,897	$	49,646,312

See notes to consolidated financial statements.

Vigon International, Inc. and Subsidiaries and Affiliates

Consolidated Statements of Income
Years Ended December 31, 2019 and 2018

	2019	%	2018	%
Net sales	$120,097,052	100.00	$119,425,475	100.00
Cost of sales	80,667,308	67.17	78,550,910	65.77
Gross profit	39,429,744	32.83	40,874,565	34.23
Selling, general and administrative expenses	9,342,880	7.78	6,777,570	5.68
Operating income	30,086,864	25.05	34,096,995	28.55
Other (income) expenses:				
Interest expense	1,159,079	0.97	995,163	0.83
Other	6,667	-	48,548	0.04
	1,165,746	0.97	1,043,711	0.87
Net income	28,921,118	24.08	33,053,284	27.68
Noncontrolling interests	(359,003)	(0.30)	(322,928)	(0.27)
Net income attributable to Vigon International, Inc. and Subsidiaries	$ 28,562,115	23.78	$ 32,730,356	27.41

See notes to consolidated financial statements.

Vigon International, Inc. and Subsidiaries and Affiliates

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2019 and 2018

	Common Stock	Series A Common	Series B Common	Paid-In Capital	Retained Earnings (Deficit)	Vigon International, Inc. and Subsidiaries	Noncontrolling Interests	Total
Balance, January 1, 2018	$ -	$ 10	$ 990	$ 1,674,000	$ (1,732,790)	$ (57,790)	$ 1,515,118	$ 1,457,328
Net income	-	-	-	-	32,730,356	32,730,356	322,928	33,053,284
Distributions	-	-	-	-	(29,800,000)	(29,800,000)	(200,000)	(30,000,000)
Contribution of property	-	-	-	-	-	-	140,000	140,000
Balance, December 31, 2018	-	10	990	1,674,000	1,197,566	2,872,566	1,778,046	4,650,612
Net income	-	-	-	-	28,562,115	28,562,115	359,003	28,921,118
Distributions	-	-	-	-	(22,875,000)	(22,875,000)	(150,000)	(23,025,000)
Balance, December 31, 2019	**$ -**	**$ 10**	**$ 990**	**$ 1,674,000**	**$ 6,884,681**	**$ 8,559,681**	**$ 1,987,049**	**$ 10,546,730**

See notes to consolidated financial statements.

Vigon International, Inc. and Subsidiaries and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Net income	$ 28,921,118	$ 33,053,284
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	835,741	686,385
Loss on disposal of property and equipment	21,223	34,166
LIFO reserve adjustment	160,896	339,720
Change in operating assets and liabilities:		
(Increase) decrease in assets:		
Trade accounts receivable	(1,048,622)	(237,586)
Inventories	(2,338,642)	(7,239,824)
Prepaid expenses and other assets	(755,574)	68,504
Increase (decrease) in liabilities:		
Trade accounts payable	(1,287,833)	(1,209,189)
Accrued expenses and other liabilities	140,465	(94,273)
Net cash provided by operating activities	24,648,772	25,401,187
Cash flows from investing activities:		
Purchase of property and equipment	(1,350,605)	(3,802,832)
Net cash used in investing activities	(1,350,605)	(3,802,832)
Cash flows from financing activities:		
Net borrowings on line of credit	1,220,525	7,702,957
Proceeds from long-term debt	1,399,102	2,374,297
Payments on long-term debt	(2,903,792)	(2,119,880)
Payment of deferred finance costs	-	(4,922)
Distributions to stockholders	(22,875,000)	(29,800,000)
Distribution to a noncontrolling interest	(150,000)	(200,000)
Net cash used in financing activities	(23,309,165)	(22,047,548)
Net decrease in cash and cash equivalents	(10,998)	(449,193)
Cash and cash equivalents:		
Beginning	55,690	504,883
Ending	$ 44,692	$ 55,690
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 1,169,424	$ 985,822
Supplemental disclosure of non-cash investing and financing activities:		
Contribution of property	$ -	$ 140,000

See notes to consolidated financial statements.

Note 1. Nature of Business and Summary of Significant Accounting Policies

Vigon International, Inc. (Vigon) is a specialized manufacturer and value added reseller of flavor, fragrance, and personal care ingredients marketed to manufacturers of food and consumer products, primarily in the United States. Its wholly-owned Subsidiaries, Vigon International Sales Corporation and Vigon International U.K. (currently inactive) represent Vigon in certain foreign markets. RR2 Airport Road, LLC and Yipppeee 1, LLC, both Pennsylvania limited liability companies (collectively referred to as the Affiliates), are primarily engaged in leasing facilities to Vigon. Vigon, Vigon International Sales Corporation, Vigon International U.K. and the Affiliates are collectively referred to as the Company.

A summary of the significant accounting policies is as follows:

Principles of consolidation: The accompanying consolidated financial statements include the accounts of Vigon, its wholly-owned Subsidiaries and the Affiliates. All significant intercompany balances and transactions have been eliminated in consolidation. The Affiliates have been consolidated based upon their classification as variable interest entities (VIE) of Vigon and its Subsidiaries. Accounting principles generally accepted in the United States of America require a company to consolidate a VIE under certain conditions having to do with the VIE's activities, the related risks and rewards, and the equity investment of the VIE's owners.

Use of estimates: The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash and cash equivalents: The Company considers all highly liquid securities purchased with original maturities of three months or less to be cash equivalents.

Accounts receivable: Accounts receivable are carried at their estimated collectible amounts. The receivables are periodically evaluated based upon past credit history with customers, the customers' current financial condition and current market conditions. When necessary, the Company records an allowance for doubtful accounts that it believes is adequate to provide for credit losses inherent in the receivables. Such determination is based upon estimates and judgments as to the outcome of collection efforts. The allowance for doubtful accounts was approximately $2,000 at December 31, 2019 and 2018. The Company considers accounts past due after the stated due date. The Company does not accrue interest income on its past due accounts receivable.

Inventories: Inventories are stated at the lower of cost and net realizable value. The cost is determined by using the last-in, first-out method (LIFO) under an Inventory Price Index Computation (IPIC) calculation using latest acquisition cost for the annual index calculations.

Property and equipment and depreciation: Property and equipment is stated at cost. Depreciation is provided on the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	15-39
Machinery and equipment	15-20
Automotive equipment	5
Furniture and fixtures	7
Computer equipment	5

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Impairment of long-lived assets: Long-lived assets are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of the long-lived assets is assessed by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. At December 31, 2019 and 2018, the Company believes its long-lived assets were not impaired.

Goodwill: The Company records as goodwill the excess of purchase price over the fair value of the identifiable net assets acquired. The Company performed the qualitative impairment assessment for the years ended December 31, 2019 and 2018 and determined that there was no impairment.

Revenue recognition: On January 1, 2019, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Company's revenue is primarily derived from sales of flavor, fragrance and personal care ingredients. The Company's products are marketed and sold primarily to commercial customers in the United States and certain international markets. Sales of products are subject to economic conditions and may fluctuate based on changes in the industry, trade policies and financial markets.

The Company records revenue from the sale of products at a point in time upon shipment of the goods to the customer, which is when the performance obligation is satisfied. The Company has elected to treat shipping and handling activities related to contracts with customers as costs to fulfill the promise to transfer the associated product and not as a separate performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration and estimates of variable consideration such as early payment discounts, volume discounts, rebates, rights of return and other allowances.

The timing of revenue recognition aligns with the right to invoice the customer. The Company records accounts receivable when it has the unconditional right to issue an invoice and receive payment, which is upon shipment of the product to the customer. Payment terms on invoiced amounts are typically 30 days after the month-end in which delivery takes place. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing the products and not to provide financing to the customer.

The Company excludes from revenue sales taxes and other government-assessed and imposed taxes on revenue generating activities that are invoiced to customers.

The Company has elected to apply the practical expedient to expense sales commissions and associated costs as incurred when the expected amortization period is one year or less, which applies to all customer contracts.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Income Taxes: The stockholders of Vigon and Subsidiaries have elected to be treated as S corporations under the provisions of the Internal Revenue Code and applicable state statutes. Under this election, the Company's income or loss is passed through to the stockholders and taxed at the individual level. Consequently, no Federal or state income taxes have been provided in the consolidated financial statements.

The Affiliates are treated as partnerships for federal and state tax purposes. Accordingly, no provisions for federal and state tax have been provided in the consolidated financial statements, as such taxes are the responsibility of the individual members.

The Company's tax filings for the years 2016 through 2019 remain subject to examination. The Company's management believes that there are no uncertain tax positions.

Shipping and handling: The Company records shipping and handling charges billed to customers as revenue and the related cost as cost of goods sold.

Derivatives: The Company uses interest-rate swaps to convert a floating-rate loan to a fixed rate. All derivative financial instruments are recognized as either assets or liabilities at their fair value in the consolidated balance sheets with the changes in the fair value reported in current-period earnings. The fair value of the interest-rate swaps as of December 31, 2019 and 2018 is insignificant to the consolidated financial statements.

Litigation: The Company is involved in certain legal proceedings and claims arising in the ordinary course of business. While the outcome of such matters cannot be predicted with certainty, management does not believe that an unfavorable outcome, in excess of any insurance recoveries, will have a material adverse effect on the consolidated financial statements.

Subsequent events: The Company has evaluated subsequent events (events occurring after December 31, 2019) through May 29, 2020, which represents the date the consolidated financial statements were issued. See Note 9.

Recent accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard provides a number of practical expedients. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The Company does not intend to early adopt. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

Note 2. Inventories

Inventories at December 31, 2019 and 2018 are comprised of the following:

	2019	2018
Finished goods	$ 8,191,620	$ 7,701,629
Inventory purchased for resale	14,271,685	12,166,949
Work in process	365,819	566,296
Raw materials	5,061,327	5,116,935
LIFO reserve	(2,335,942)	(2,175,046)
	$ 25,554,509	$ 23,376,763

Net income decreased by $160,896 in 2019 and $339,720 in 2018, as compared to what would have been reported under the first-in, first-out method.

Note 3. Property and Equipment

Property and equipment at December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Land	$ 450,327	$ 450,327
Buildings and improvements	9,516,856	8,133,800
Machinery and equipment	5,472,328	4,604,146
Automotive equipment	438,720	408,786
Furniture and fixtures	382,927	345,059
Computer equipment	603,912	518,382
Assets not placed in service	1,230,968	2,405,484
	18,096,038	16,865,984
Less accumulated depreciation and amortization	6,562,284	5,845,065
	$ 11,533,754	$ 11,020,919

Note 4. Debt

Line of credit: On December 21, 2017, in connection with the termination of the then existing $8,500,000 line of credit, the Company entered into a credit agreement with a new bank for a line of credit of $20,500,000 that is scheduled to mature on December 31, 2020. The credit agreement also provides for the issuance of standby letters of credit of up to $1,000,000. The amount available under the line of credit is reduced by outstanding letters of credit. Interest on outstanding borrowings is payable monthly at (i) the London Interbank Offered Rate (LIBOR) Advantage Rate (as defined), (ii) the LIBOR Adjusted Rate (as defined), or (iii) the Prime Rate (as defined), plus 1.00% in each case. As of December 31, 2019, the Company had outstanding borrowings under the line of credit of $16,199,550 and the interest rate was 2.76%.

Long-term debt: Long-term debt is comprised of the following:

	Rate	Maturity	2019	2018
Note payable, Pennsylvania Industrial Development Authority (PIDA)	3.25% (a)	2023	$ 332,362	$ 425,259
Notes payable, bank	(b)	2020 - 2022	20,554,367	21,871,056
Note payable, stockholder	5% (c)	2023	353,579	448,683
			21,240,308	22,744,998
Less current portion			(17,358,207)	(2,903,791)
			$ 3,882,101	$ 19,841,207

(a) Proceeds were used to finance the construction of a new warehouse facility. This obligation is secured by a first mortgage on the real estate owned by a consolidated Affiliate.

(b) On December 21, 2017, the Company refinanced the then existing notes payable and obtained a term loan with a new bank in the amount of $20,000,000. The loan requires 35 monthly principal payments of $166,667 commencing on February 1, 2018, with a final payment of the then outstanding principal balance due on December 21, 2020. Interest on the portion of term loan that is not hedged is payable monthly at (i) the LIBOR Advantage Rate (as defined), (ii) the LIBOR Adjusted Rate (as defined), or (iii) the Prime Rate (as defined), plus 1.20% in each case (2.91% at December 31, 2019). The fixed rate of interest paid on the hedged portion of the term loan ranged from 2.33% to 2.85% at December 31, 2019.

On December 21, 2017, the Company refinanced the then existing bank term loans to consolidated Affiliates and obtained term loans with a new bank in the aggregate amount of $810,529. The balance of the term loans was $588,599 as of December 31, 2019. The loans require, in the aggregate, 59 monthly principal payments of $9,649 commencing on February 1, 2018, with a final payment of the then outstanding principal balance due on December 21, 2022. Interest is payable monthly at (i) the LIBOR Advantage Rate (as defined), (ii) the LIBOR Adjusted Rate (as defined), or (iii) the Prime Rate (as defined), plus 1.25% in each case (2.96% at December 31, 2019).

On December 21, 2017, the Company refinanced the then existing convertible line of credit term loans and obtained a $2,000,000 convertible equipment line of credit with a new bank. On December 18, 2018, this facility was amended to provide up to $3,000,000 in borrowing capacity and converted to a term loan. As of December 31, 2019, outstanding borrowings amounted to $2,400,000. Interest on outstanding borrowings is payable monthly at (i) the LIBOR Advantage Rate (as defined), (ii) the LIBOR Adjusted Rate (as defined), or (iii) the Prime Rate (as defined), plus 1.20% in each case (2.96% at December 31, 2019). The outstanding balance is payable in monthly installments of $50,000 of principal plus interest over a five-year period.

Note 4. Debt (Continued)

On December 17, 2019, the Company entered into a convertible equipment loan note with a bank and obtained a $3,000,000 line of credit. As of December 31, 2019, outstanding borrowings amounted to $1,399,104. Interest on outstanding borrowings is payable monthly at (i) the LIBOR Advantage Rate (as defined), (ii) the LIBOR Adjusted Rate (as defined), or (iii) the Prime Rate (as defined), plus 1.20% in each case (2.89% at December 31, 2019).

The bank obligations are subject to various financial covenants, which include a restriction on dividends.

(c) This obligation is unsecured and subordinate to the bank obligations. Principal and interest payments are allowable assuming that there are no events of default as defined in the bank loan agreements.

Aggregate annual maturities on long-term debt as of December 31, 2019 are as follows:

Years ending December 31:	
2020	$ 17,358,209
2021	1,199,823
2022	1,449,698
2023	952,760
2024	279,818
	$ 21,240,308

Substantially all of the assets of Vigon and its subsidiaries are pledged as collateral on the bank obligations.

Note 5. Profit-Sharing Plan

Vigon has a 401(k) profit-sharing plan that covers employees who have attained the age of 21 and have completed one year of service. Eligible participants can contribute up to 100% of their compensation subject to statutory limitations. Vigon's contributions to the plan are based on a 100% match of the employee's elected salary reduction up to the first 3% of compensation, plus a 50% match on deferrals that exceed 3% of compensation, but do not exceed 5% of compensation, for a combined effective maximum match of compensation of 4%. Profit sharing expense was $260,387 and $229,306 in 2019 and 2018, respectively.

Note 6. Concentrations

Financial instruments that potentially subject the Company to concentrations of risk consist principally of cash and cash equivalents and trade accounts receivable. The Company regularly maintains amounts on deposit with various financial institutions in excess of that insured by the Federal Deposit Insurance Corporation (FDIC). The Company believes that it limits its credit exposure by placing its temporary cash investments with what management believes to be high credit quality financial institutions.

Note 6. Concentrations (Continued)

The Company's customer base is comprised principally of companies within the food and consumer products manufacturing industries. The Company does not require collateral from its customers. The Company believes that it has established credit and collection policies to mitigate this credit risk. During 2019, one customer accounted for approximately 12% of sales. Accounts receivable from this customer represented approximately 6% of total accounts receivable as of December 31, 2019. During 2018, one customer accounted for approximately 11% of sales. Accounts receivable from this customer represented approximately 4% of total accounts receivable as of December 31, 2018.

During 2019, the Company purchased approximately 51% of its total inventory purchases from six suppliers. During 2018, the Company purchased approximately 49% of its total inventory purchases from six suppliers. The Company has distribution agreements with certain of these suppliers.

Note 7. Related Party Transactions

The Company, through a noncontrolling interest entity, has historically leased certain real estate from the Company's principal stockholder for its administrative building. During 2018, the stockholder contributed the property, with a carrying value of $140,000, to the noncontrolling interest entity.

Note 8. Lease Commitments

On December 4, 2018, the Company executed a non-cancellable lease agreement for space to be utilized for additional inventory storage and distribution. Rent expense was approximately $170,000 in 2019. Future commitments under the agreement amount to approximately $156,000 in 2020, with an expiration date of November 30, 2020.

Note 9. Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates, primarily the United States. It is unknown how long these conditions will last and what the complete financial effect will be to the Company. While the Company is unable to predict the ultimate impacts from these conditions, it is reasonably possible that the Company is vulnerable to the risk of a near-term severe impact. Revenue and the continued collections from clients are considered the primary risks, although other risks may exist currently and in the future.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted on March 27, 2020 in the United States. On April 23, 2020, the Company received a loan from the U.S. Small Business Administration ("SBA") to fund the Company's request for a loan under the SBA's Paycheck Protection Program ("PPP" and "PPP Loan") created as part of the recently enacted CARES Act administered by the SBA. In connection with the PPP Loan, the Company entered into the promissory note with a lender. Pursuant to the terms of the PPP Loan, the Company received total proceeds of $1,781,700 from the lender. After the issuance of the PPP Loan, the U.S. Treasury Department issued new guidance on the PPP program, including clarification of eligibility. Accordingly, in light of this new guidance, the Company repaid the loan in full on May 7, 2020.

Vigon International, Inc. and Subsidiaries and Affiliates

Consolidating Balance Sheet
December 31, 2019

	Vigon International Inc.	Vigon International Sales Corporation	Eliminations	Vigon International, Inc. Consolidated	RR2 Airport Road, LLC	Yipppeee 1, LLC	Eliminations	Total
Assets								
Current assets:								
Cash and cash equivalents	$ (24,956)	$ 5,577	$ -	$ (19,379)	$ 49,193	$ 14,878	$ -	$ 44,692
Trade accounts receivable, net	14,146,012	-	-	14,146,012	-	-	-	14,146,012
Inventories, net	25,554,509	-	-	25,554,509	-	-	-	25,554,509
Prepaid expenses and other current assets	1,703,671	-	-	1,703,671	1,000	-	-	1,704,671
Total current assets	41,379,236	5,577	-	41,384,813	50,193	14,878	-	41,449,884
Property and equipment, net	8,344,355	-	-	8,344,355	2,556,966	632,433	-	11,533,754
Goodwill	895,905	-	-	895,905	-	-	-	895,905
Other	231,807	-	(7,570)	224,237	7,117	-	-	231,354
Total assets	$ 50,851,303	$ 5,577	$ (7,570)	$ 50,849,310	$ 2,614,276	$ 647,311	$ -	$ 54,110,897

(Continued)

Vigon International, Inc. and Subsidiaries and Affiliates

Consolidating Balance Sheet (Continued)
December 31, 2019

	Vigon International Inc.	Vigon International Sales Corporation	Eliminations	Vigon International, Inc. Consolidated	RR2 Airport Road, LLC	Yipppeee 1, LLC	Eliminations	Total
Liabilities and Stockholders' Equity								
Current liabilities:								
Line of credit	$ 16,199,550	$ -	$ -	$ 16,199,550	$ -	$ -	$ -	$ 16,199,550
Current portion of long-term debt	17,046,487	-	-	17,046,487	235,126	76,594	-	17,358,207
Trade accounts payable	5,059,510	-	-	5,059,510	-	-	-	5,059,510
Accrued expenses and other liabilities	1,064,799	-	-	1,064,799	-	-	-	1,064,799
Total current liabilities	39,370,346	-	-	39,370,346	235,126	76,594	-	39,682,066
Long-term debt, net of current portion	2,919,283	-	-	2,919,283	650,055	312,763	-	3,882,101
	42,289,629	-	-	42,289,629	885,181	389,357	-	43,564,167
Stockholders' equity:								
Series A common stock	10	-	-	10	-	-	-	10
Series B common stock	990	-	-	990	-	-	-	990
Paid-in capital	1,674,000	5,577	(5,577)	1,674,000	-	-	-	1,674,000
Retained earnings	6,886,674	-	(1,993)	6,884,681	-	-	-	6,884,681
Stockholders' equity attributable to Vigon International, Inc. and Subsidiaries	8,561,674	5,577	(7,570)	8,559,681	-	-	-	8,559,681
Noncontrolling interests	-	-	-	-	1,729,095	257,954	-	1,987,049
Total stockholders' equity	8,561,674	5,577	(7,570)	8,559,681	1,729,095	257,954	-	10,546,730
Total liabilities and stockholders' equity	$ 50,851,303	$ 5,577	$ (7,570)	$ 50,849,310	$ 2,614,276	$ 647,311	$ -	$ 54,110,897

Vigon International, Inc. and Subsidiaries and Affiliates

Consolidating Statement of Income
Year Ended December 31, 2019

	Vigon International Inc.	Vigon International Sales Corporation	Eliminations	Vigon International, Inc. Consolidated	RR2 Airport Road, LLC	Yipppeee 1, LLC	Eliminations	Total
Net sales	$ 120,097,052	$ -	$ -	$120,097,052	$ 434,400	$ 105,000	$ (539,400)	$120,097,052
Cost of sales	81,206,708	-	-	81,206,708	-	-	(539,400)	80,667,308
Gross profit	38,890,344	-	-	38,890,344	434,400	105,000	-	39,429,744
Selling, general and administrative expenses	9,562,666	-	(343,920)	9,218,746	104,390	19,744	-	9,342,880
Operating income	29,327,678	-	343,920	29,671,598	330,010	85,256	-	30,086,864
Other (income) expenses:								
Interest expense	1,102,816	-	-	1,102,816	40,689	15,574	-	1,159,079
Other	(337,253)	(343,920)	687,840	6,667	-	-	-	6,667
	765,563	(343,920)	687,840	1,109,483	40,689	15,574	-	1,165,746
Net income	28,562,115	343,920	(343,920)	28,562,115	289,321	69,682	-	28,921,118
Noncontrolling Interests	-	-	-	-	-	-	(359,003)	(359,003)
Net income attributable to Vigon International, Inc. and Subsidiaries	$ 28,562,115	$ 343,920	$ (343,920)	$ 28,562,115	$ 289,321	$ 69,682	$ (359,003)	$ 28,562,115

25. GLOSSARY

"**2018 Azelis Holding S.A. Financial Statements**"	Consolidated financial statements of Azelis Holding S.A. and its subsidiaries as at and for the year ended December 31, 2018.
"**2018 Azelis Holding S.à r.l. Financial Statements**"	Consolidated financial statements of Akita Midco S.à r.l. (now Azelis Holding S.à r.l.) and its subsidiaries as at December 31, 2018 and for the period from its incorporation on July 25, 2018 to December 31, 2018.
"**2019 Azelis Holding S.à r.l. Financial Statements**"	Consolidated financial statements of Azelis Holding S.à r.l. and its subsidiaries as at and for the year ended December 31, 2019.
"**2019 Vigon Financial Statements**"	Consolidated financial statements of Vigon International, Inc. and its subsidiaries and affiliates as at and for the year ended December 31, 2019.
"**2020 Azelis Holding S.à r.l. Financial Statements**"	Consolidated financial statements of Azelis Holding S.à r.l. and its subsidiaries as at and for the year ended December 31, 2020.
"**2020 Vigon Financial Statements**"	Consolidated financial statements of Vigon International, Inc. and its subsidiaries and affiliates as at and for the year ended December 31, 2020.
"**Adjusted EBITA**"	Operating profit or loss before amortization and impairment of intangible assets and excluding Adjustments.
"**Adjusted EBITA Margin**"	Adjusted EBITA divided by revenue.
"**Adjusted EBITDA**"	Adjusted EBITA before depreciation of property, plant and equipment.
"**Adjusted EBITDA Margin**"	Adjusted EBITDA divided by revenue.
"**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.
"**Admission**"	Admission to trading on the regulated market of Euronext Brussels.
"**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.
"**Akita Topco**"	Akita Topco S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg.
"**Alternative Performance Measures**" or "**APMs**"	Adjusted EBITA, Adjusted EBITA Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Adjustments, Conversion Margin, EBITA, Financing EBITDA, Free Cash Flow, Free Cash Flow Conversion, growth from acquisitions, Net Indebtedness, Net Leverage, Net Working Capital, Net Working Capital/Revenue, organic growth and ROTIC, each as further described in section 2.11 (*Important Information—Alternative Performance Measures*).
"**Articles of Association**"	The articles of association of the Company as at the closing of the Offering.

"**Azelis**"	Prior to the Reorganization, Akita Topco and its consolidated subsidiaries, and following the Reorganization, the Company and its consolidated subsidiaries, as the context requires.
"**Azelis Annual Financial Statements**"	Collectively, the 2018 Azelis Holding S.A. Financial Statements and the Azelis Holding S.à r.l. Financial Statements.
"**Azelis Data Analysis**"	Market, economic and industry data as well as certain statistics, information relating to Azelis' business and markets and other industry data, that Azelis derived or extrapolated from multiple sources such as industry publications, generated through internal estimates, its review and analysis of market conditions and/or its review and analysis of services and materials as well as surveys, industry publications, customer feedback and reports provided by various statistics providers and market research organizations and others.
"**Azelis Financial Statements**"	Collectively, the Azelis Annual Financial Statements and the Azelis Holding S.à r.l. Interim Financial Statements.
"**Azelis Finco**"	Akita Midco 2 NV (which will be renamed Azelis Finance NV with effect from the closing of the Offering).
"**Azelis Holding S.à r.l. Financial Statements**"	Collectively, the 2018 Azelis Holding S.à r.l. Financial Statements, the 2019 Azelis Holding S.à r.l. Financial Statements and the 2020 Azelis Holding S.à r.l. Financial Statements.
"**Azelis Holding S.à r.l. Interim Financial Statements**"	Condensed consolidated interim financial statements of Azelis Holding S.à r.l. and its subsidiaries as at and for the six-month periods ended June 30, 2021 and 2020.
"**Barclays**"	Barclays Bank Ireland PLC, One Molesworth Street, Dublin 2, Ireland D02RF29.
"**BCCA**"	Belgian Code of Companies and Associations.
"**BNP Paribas Fortis SA/NV**"	BNP Paribas Fortis SA/NV, Montagne du Parc 3, 1000 Brussels, Belgium.
"**Board of Directors**"	The board of directors (*raad van bestuur / conseil d'administration*) of the Company.
"**British pounds sterling**," "**pounds sterling**," "**£**" and "**GBP**"	The lawful currency of the United Kingdom.
"**CAGR**"	Compound annual growth rate.
"**Canadian dollars**," "**C$**" and "**CAD**"	The lawful currency of Canada.
"**CET**"	Central European Time or Central European Summer Time, as applicable.
"**Chemroy**"	Chemroy Canada Holdings Inc.
"**Chief Executive Officer**"	The chief executive officer of the Group.
"**Chief Financial Officer**"	The chief financial officer of the Group.
"**Closing Date**"	The date on which delivery of the Offer Shares is expected to take place in book-entry form against payment therefor in immediately available funds to investors' securities accounts via Euroclear Belgium, the Belgian central securities depository, which is expected to be on or about September 24, 2021.

"**Co-Lead Managers**"	Landesbank Baden-Württemberg and Rabobank.
"**Company**"	Azelis Group NV (currently existing as Akita Midco 1 NV, to be renamed on the Closing Date), a limited liability company organized under the laws of Belgium with its registered office at Posthofbrug 12, box 6, B-2600 Antwerp, Belgium and registered with the Register of Legal Entities (Antwerp, division Antwerp) under number 0769.555.240.
"**Conversion Margin**"	Adjusted EBITA as a percentage of gross profit.
"**Corporate Governance Charter**"	The Company's corporate governance charter.
"**Corporate Governance Code**"	2020 Belgian Code on Corporate Governance.
"**Coseal**"	Coseal Co. Ltd.
"**Directors**"	Members of the Board of Directors.
"**EBITA**"	Operating profit before amortization and impairment of intangible assets.
"**EEA**"	European Economic Area.
"**EQT**"	EQT AB, a limited company (*Aktiebolag*) organized under the laws of the Kingdom of Sweden.
"**EQT VIII Fund**"	EQT VIII SCSp, a special limited partnership (*société en commandite spéciale*) organized under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B217293.
"**EQT/PSP Acquisition**"	The indirect acquisition of 100% of the outstanding shares of Azelis Holding S.A. by the EQT VIII Fund and PSP Europe on November 8, 2018.
"**ERP**"	Enterprise resource planning.
"**ESG**"	Environmental, social and governance.
"**ESMA**"	The European Securities and Markets Authority.
"**euro**," "**€**" and "**EUR**"	The single European currency adopted by certain participating member states of the European Union.
"**Executive Committee**"	The executive committee of the Company.
"**Existing CAD Second Lien Notes**"	C$145.1 million CAD-denominated second lien notes issued and outstanding pursuant to the Existing Second Lien Notes Purchase Agreement.
"**Existing EUR Second Lien Notes**"	€135.0 million EUR-denominated second lien notes issued and outstanding pursuant to the Existing Second Lien Notes Purchase Agreement.
"**Existing EUR Term Loan Facility**"	€1,040.0 million EUR-denominated term loan facility available under the Existing Senior Facilities Agreement.
"**Existing Facilities Agreements**"	The Existing Senior Facilities Agreement and the Existing Second Lien Notes Purchase Agreement.
"**Existing GBP Term Loan Facility**"	£204.1 million GBP-denominated term loan facility available under the Existing Senior Facilities Agreement.
"**Existing Indebtedness**"	The Existing Senior Facilities and the Existing Second Lien Notes.

"**Existing Offer Shares**"..	Up to 25,396,424 existing shares in the share capital of the Company (excluding any Over-Allotment Shares).
"**Existing RCF**"	The €100.0 million (equivalent) multicurrency revolving credit facility available under the Existing Senior Facilities Agreement.
"**Existing Second Lien Notes**"	The Existing CAD Second Lien Notes and the Existing EUR Second Lien Notes.
"**Existing Second Lien Notes Purchase Agreement**"	Second lien notes purchase agreement dated November 2, 2018, which certain Group entities entered into, with, among others, certain original notes purchasers, Wilmington Trust (London) Limited, as agent, and Wilmington Trust (London) Limited, as security agent.
"**Existing Senior Facilities**"	The Existing RCF and the Existing Term Loan Facilities.
"**Existing Senior Facilities Agreement**"................................	Senior facilities agreement dated November 2, 2018, which certain Group entities entered into, with, among others, J.P. Morgan Europe Limited, as agent, and Wilmington Trust (London) Limited, as security agent (as amended and/or amended and restated from time to time).
"**Existing Term Loan Facilities**"	The Existing GBP Term Loan Facility and the Existing EUR Term Loan Facility.
"**Extraordinary Shareholders' Meeting**"	The extraordinary Shareholders' Meeting held on September 10, 2021.
"**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.
"**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.
"**Free Cash Flow Conversion**"	Free Cash Flow divided by Adjusted EBITDA less lease payments.
"**FSMA**"	Belgian Financial Services and Markets Authority.
"**German Individual Selling Shareholders**"	Individual Selling Shareholders resident in Germany.
"**Goldman Sachs Bank Europe SE**"	Goldman Sachs Bank Europe SE, Marienturm Taunusanalage 9-10, 60329, Frankfurt am Main, Germany.
"**Gross Profit Margin**"..	Gross profit divided by revenue.
"**Group**"	Prior to the Reorganization, Akita Topco and its consolidated subsidiaries, and following the Reorganization, the Company and its consolidated subsidiaries, as the context requires.
"**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.

"**HSBC**"	HSBC Continental Europe, 38, avenue Kléber, 75116 Paris, France.
"**IAS**"	International Accounting Standards.
"**ICT**"	Information communication technology.
"**IECSC**"	The Inventory of Existing Chemical Substances in China of 2000.
"**IFRS**"	International Financial Reporting Standards as adopted by the European Union.
"**Individual Selling Shareholders**"	The following Directors and members of the Executive Committee of the Company: 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.
"**Ingredients Plus China**"	Ingredients Plus (Hong Kong) Limited.
"**ING**"	ING Belgium SA/NV, Marnixlaan 24, 1000 Brussels, Belgium.
"**Institutional Investors**"	(i) qualified investors (as defined in article 2(e) of the Prospectus Regulation) in Belgium; (ii) persons in the United States who are reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act")), in reliance on Rule 144A or another exemption from, or transaction not subject to, the U.S. Securities Act; and (iii) certain qualified and/or institutional investors in the rest of the world.
"**ISIN**"	International Securities Identification Number.
"**ISO**"	International Organization for Standardization.
"**J.P. Morgan**"	J.P. Morgan AG, Taunustor 1 (TaunusTurm), 60310 Frankfurt am Main, Germany.
"**Joint Bookrunners**"	Barclays, BNP Paribas Fortis SA/NV, HSBC, ING and the Joint Global Coordinators.
"**Joint Global Coordinators**"	Goldman Sachs Bank Europe SE and J.P. Morgan.
"**Landesbank Baden-Württemberg**"	Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Germany.
"**LEI**"	Legal entity identifier.
"**Listing**"	Trading of the Shares on the regulated market of Euronext Brussels under the trading symbol "AZE."
"**Listing Date**"	The date on which trading of the Shares on the regulated market of Euronext Brussels is expected to commence on an "if-and-when-delivered" basis, which is expected to be on or about September 22, 2021.
"**LTM Period**"	The twelve months ended June 30, 2021.
"**Market Abuse Regulation**"	Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.
"**Megafarma**"	Megafarma S.A. de C.V.

"**MH**"	MH Co. Ltd.
"**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.
"**Net Leverage**"	Net Indebtedness divided by Financing EBITDA for the preceding twelve months.
"**Net Working Capital**"	Inventories plus trade receivables (as adjusted for advances to suppliers), less trade payables (as adjusted for advances from customers).
"**Net Working Capital/Revenue**"	Net Working Capital as at the end of a period divided by revenue for the period (with revenue amounts for periods of less than one year being annualized).
"**New Debt Facilities**"	The New Term Loan and the New RCF.
"**New Facilities Agreement**"	The senior facilities agreement dated September 6, 2021 among Azelis Finco, the agents, arrangers and the other financial institutions party thereto.
"**New Managers**"	Certain managers of businesses recently acquired by the Group.
"**New Offer Shares**"	Up to 40,000,000 newly issued shares in the share capital of the Company.
"**New EUR Term Loan**"	The EUR-denominated €640.0 million term loan facility to be entered into on or around the completion of the Offering among Azelis Finco, the agents, the mandated lead arrangers named therein and the other financial institutions named therein as lenders.
"**New GBP Term Loan**"	The GBP-denomination €150.0 million (equivalent) term loan facility to be entered into on or around the completion of the Offering among Azelis Finco, the agents, the mandated lead arrangers named therein and the other financial institutions named therein as lenders.
"**New RCF**"	The multi-currency €260.0 million (equivalent) revolving credit facility to be entered into on or around the completion of the Offering among Azelis Finco, the agents, the mandated lead arrangers named therein and other financial institutions named therein as lenders.
"**New Term Loan**"	The New EUR Term Loan and the New GBP Term Loan.
"**Offer Price**"	The placement price to be set jointly by the Company, the Principal Selling Shareholders and the Underwriters on or around September 21, 2021 on the basis of the purchase orders submitted.
"**Offer Shares**"	Each newly issued and existing Share offered by the Company and the Selling Shareholders.
"**Offering**"	Private placements of the Offer Shares to: (i) qualified investors (as defined in article 2(e) of the Prospectus Regulation) in Belgium; (ii) persons in the United States who are reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or transaction not subject to, the U.S. Securities Act; and (iii) certain qualified and/or institutional investors in the rest of the world, in compliance with Regulation S.

"**Offering Period**"	The period during which investors may submit purchase orders for the Offer Shares, which is expected to begin on September 14, 2021 and is expected to end no later than 4:00 p.m. (CET) on September 21, 2021.
"**Organic growth**"	The increase or decrease for a period, excluding the impact of acquisitions until the first anniversary of their consolidation, and excluding the impact of foreign currency translation.
"**Orkila**"	Orkila (Holding) S.A.L. and its subsidiaries.
"**Over-Allotment Option**"	The option that has been granted by the Principal Selling Shareholders and is exercisable by the Stabilization Manager for a period of 30 calendar days following the Listing Date to purchase Over-Allotment Shares to cover over-allotments or short positions in connection with the Offering.
"**Over-Allotment Period**"	A period of 30 calendar days from the date of the Listing Date.
"**Over-Allotment Shares**"	Existing Shares of the Company (representing up to a maximum of 15% of the total number of Offer Shares sold in the Offering) that the Principal Selling Shareholders are expected to grant an option to the Stabilization Manager to purchase pursuant to the Over-Allotment Option.
"**Partnerships**"	Akita Management Participation 1 SCSp and Akita Management Participation 2 SCSp, each a special limited partnership (*société en commandite spéciale*) organized under the laws of the Grand Duchy of Luxembourg.
"**Price Range**"	The price range within which purchase orders may be placed, which is €22.00 to €26.00 per Offer Share.
"**Pricing Date**"	The date of determination of the Offer Price.
"**Primary Tranche**"	Up to 40,000,000 newly issued Shares offered by the Company pursuant to the Offering.
"**Principal Selling Shareholders**"	Akita and PSP Europe.
"**Prospectus**"	This prospectus, as approved by the FSMA.
"**Prospectus Regulation**"	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended.
"**Prospectus Supplement**"	Any supplement to the Prospectus prepared in accordance with Article 23 of the Prospectus Regulation.
"**PSP Europe**"	PSP Investments Holding Europe Limited, a private limited company incorporated under the laws of England and Wales.
"**PSP Investments**"	The Public Sector Pension Investment Board, a Crown corporation of the Government of Canada.
"**QIBs**"	Qualified institutional buyers as defined in Rule 144A.
"**Quimdis**"	Quimdis S.A.S.
"**Rabobank**"	Coöperatieve Rabobank U.A., Croeselaan 18, 3521 CB Utrecht, Netherlands.

"**REACH**"	Regulation (EC) 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals.
"**Refinancing**"	The repayment of the Existing Indebtedness using the net proceeds from the Primary Tranche and borrowings under the New Term Loan.
"**Register of Legal Entities**"	The Belgian register of legal entities (*rechtspersonenregister / registre des personnes morales*).
"**Regulation S**"	Regulation S promulgated under the U.S. Securities Act.
"**Relevant State**"	Member states of the EEA that are subject to the Prospectus Regulation and the United Kingdom.
"**Reorganization**"	A series of transactions pursuant to which the Company will become, subject to and with effect immediately prior to the closing of the Offering, the new ultimate parent company of the operational activities of the Group, and the shareholders of Akita Topco will become the shareholders of the Company.
"**ROTIC**"	Adjusted EBITA for a period (with Adjusted EBITA amounts for periods of less than one year being annualized) as a percentage of 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.
"**Rule 144A**"	Rule 144A promulgated under the U.S. Securities Act.
"**SDSs**"	Safety data sheets, which are documents that provide information on chemical products that help users of those chemicals to make a risk assessment. They describe the hazards the chemical presents, and give information on handling, storage and emergency measures in case of accident.
"**Secondary Tranche**"	Up to 25,396,424 existing Shares offered by the Selling Shareholders.
"**Selling Shareholders**"	The Principal Selling Shareholders and the Individual Selling Shareholders.
"**Shareholders' Meeting**"	The shareholders' meeting (*algemene vergadering / assemblée générale*) of the Company.
"**Shares**"	Each ordinary share without nominal value of the Company.
"**SHEQ**"	Safety, health, environment and quality.
"**Stabilization Manager**"	Goldman Sachs Bank Europe SE, acting as the Stabilization Manager.
"**Stabilization Period**"	Up to 30 calendar days from the Listing Date.
"**Stabilizing Regulation**"	Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programs and stabilization of financial instruments.
"**Transparency Law**"	The Belgian Law of 2 May 2007 on the disclosure of significant shareholdings in issuers whose securities are admitted to trading on a regulated market and containing various provisions.

"**TSCA**"	The U.S. Toxic Substances Control Act of 1976, 15 U.S.C. 2601 *et seq*.
"**Unaudited *Pro Forma* Financial Information**"	Unaudited *pro forma* consolidated income statement of the Group for the year ended December 31, 2020 and for the six-month period ended June 30, 2021.
"**Underwriters**"	The Joint Global Coordinators, the other Joint Bookrunners and the Co-Lead Managers.
"**Underwriting Agreement**"	Underwriting Agreement among the Underwriters, the Company and the Selling Shareholders, expected to be entered into on the Pricing Date.
"**U.S. dollars**," "**U.S.$**" and "**USD**"	The lawful currency of the United States.
"**U.S. GAAP**"	U.S. Generally Accepted Accounting Principles.
"**U.S. Securities Act**"	The U.S. Securities Act of 1933, as amended.
"**Vigon**"	Vigon International, LLC.
"**Vigon Financial Statements**"	The 2019 Vigon Financial Statements and the 2020 Vigon Financial Statements.

THE COMPANY

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to Azelis Group NV

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