IMCD

Building on Talent, Expertise, and Connectivity

Annual Report 2022

www.imcdgroup.com

Creating a world of opportunity

European single electronic reporting format (ESEF) and PDF version

This copy of the Annual Report is the PDF/printed version of the 2022 Annual Report of IMCD N.V. This version has been prepared for ease of use and does not contain ESEF information as specified in the Regulatory Technical Standards on ESEF (Delegated Regulation (EU) 2019/815).
The official ESEF reporting package is available via IMCD's website at www.imcdgroup.com.

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Foreword by the CEO

Dear Reader,

One cannot reflect on 2022 without thinking of the war in Ukraine. It has caused human suffering, geopolitical unrest and severely affected macroeconomic conditions, with soaring energy prices and steep inflation.

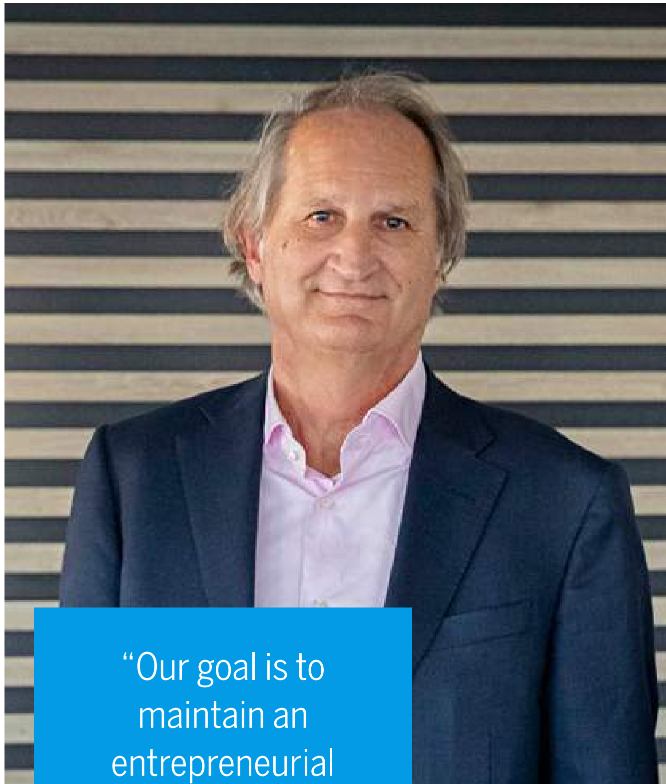
Still, despite difficult conditions - ongoing disruption of our supply chain, the shortage of raw materials, steep price increases and fluctuating demand - our results were exceptional. Building on long-standing partnerships with our suppliers, customers and logistics partners, the resilience and pro-activeness of our teams as well as our solution-oriented approach ensured business continuity and strengthened our performance.

Our growth was supported by business mergers and acquisitions. Improving our product portfolio, diversifying our offer and entering new markets is what drives our expansion. As we grew, we welcomed the following companies to the IMCD Group: in the Americas region we strengthened our Homecare, Pharma and Advanced Material distribution with Polyorganic, Quelaris and PromaPlast. In Asia we made a big step in growing our market share in Coatings & Constructions, Pharma, Industrial Solutions and Personal Care with Parkash Dychem, Kuni Chemical, Welex and Sanrise. In the UK we acquired Evenlode Foods, a Food and Nutrition specialist. Our diverse geographical presence allows us to make use of local knowledge and assures optimal customer service.

As a strong global distributor and formulator of speciality chemicals and ingredients, we help shape a sustainable future for all. We are convinced that the sustainability challenges we face today can only be tackled in collaboration. In 2022 we joined TfS, Together for Sustainability, a member-driven initiative that aims to raise CSR standards throughout the chemical industry. Our continuous efforts in this field have been acknowledged by EcoVadis with a gold rating.

We formulate with consciousness and execute with care. Our application laboratories are centres of excellence where we develop innovative and sustainable solutions for our customers' product challenges. In 2022, we continued to open new market-focused application laboratories. Today we have over 70 application laboratories globally. Our portfolio offers formulations, enabling our business partners to develop products that have a positive or reduced negative impact on the world we live in.
To support our ongoing growth, our qualified workforce is expanding rapidly. Our goal is to create a working environment which encourage partnership and entrepreneurship. We conducted a global employee survey in which the overall participation rate was 85%. We will use the results to further improve our working conditions and development opportunities.

One of the outcomes of our employee survey was their positive dedication to our IMCD Cares fund, a corporate social responsibility programme enabling our staff to make a difference in their local communities. In 2022, IMCD contributed to 18 projects in three impact areas: education & diversity, health & well-



"Our goal is to maintain an entrepreneurial spirit."

Piet van der Slikke
CEO IMCD

being, and climate. The STEM in the city project in Milan (science, technology, engineering, mathematics) showcases a wonderful programme to promote education and reduce the gender gap in science. The programme touches young people from age 4 to 14 and develops talent and innovation through education in an engaging way.

IMCD's digital transformation continues and will increasingly become a competitive advantage. It is part of our company culture and enhances the connection we make with our customers. Partnership remains paramount in everything we do; digitalisation does not replace personal relationships but supports and professionalises communication and connectivity. Today, our digital strategy is solid and the execution agile.

To conclude, 2022 was again a strong year, despite geopolitical and macroeconomic turmoil. Our teams demonstrated collaboration and entrepreneurship. I am confident that with our business foundation and proven strategy, IMCD is fit for the future.

Rotterdam, 23 February 2023
Piet van der Slikke

"With our business foundation and proven strategy, IMCD is fit for the future."

About IMCD

IMCD is a market leader in the marketing, sales, and distribution of speciality chemicals and ingredients. We began in 1995 as a small group of companies with a shared ambition and a harmonised business model. From there, we have grown to have a global footprint in over 60 countries on six continents. In 2022, our 4,323 employees generated revenues of over EUR 4.6 billion. Today, we are an increasingly digitised distributor unlike any other: we are formulation experts and solutions providers who continuously add value.

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

As a leading speciality chemicals distribution partner, we believe we have an important role to play in society by helping our principal partners to market, sell and distribute their products, and our customers to formulate products that create a more sustainable future.

That's why we are endlessly curious, staying ahead of industry trends and investing in new capabilities for our constantly evolving markets.

We strive to be the global sales partner of choice – trusted by suppliers and customers for first-class technical expertise and solutions that help them innovate and align their business operations to realise their goals.

We are creating a world of opportunity through the breadth of our technical expertise and high-quality portfolio of 48,000 products

2022 Highlights

IMCD has established a clear direction in taking responsibility and improving its sustainability performance, collaborating closely with business partners to accelerate the sustainability journey.

At the beginning of 2022, IMCD became an official signatory to the United Nations Global Compact (UNGC). Sharing information and being held accountable is an important step in creating a better planet.

IMCD was recognised by Sustainalytics as an ESG Industry Top Rated Company. With a low-risk score of 13.8, IMCD ranked first among over 180 international trading and distribution peers. Our ongoing efforts were rewarded with the inclusion in the Dutch ESG AEX index as one of 25 companies demonstrating best Environmental, Social and Governance (ESG) practices. Becoming a member of Together for Sustainability (TfS) was another important step to continue the journey towards a sustainable future. TfS is a member-driven initiative that aims to raise CSR standards throughout the chemical industry. IMCD Group retained its gold rating in the EcoVadis sustainability assessment, and improved its score from 66 to 70, mainly due to significant improvements in the Labour & Human Rights approach.

Committed to making a positive impact on society

IMCD is committed to creating a positive impact in the communities it serves. With a CSR strategy that complements and supports its business strategy, IMCD has addressed the needs of stakeholders, employees, customers, and the wider community. In 2022, the company proudly highlighted the numerous IMCD Cares projects in which it has contributed to the well-being of society through substantial programmes and initiatives. IMCD believes that it is important for companies and their employees to act responsibly and focuses on three main areas: Education & Diversity, Health & Wellbeing and Climate.

"I am proud of what we have achieved so far, and of our colleagues' efforts to unite around our sustainability performance. There is much more work still ahead to contribute to the world's net-zero targets, but I am confident that our strong team will lead from the front on sustainability in the years ahead."

Piet van der Slikke CEO

FOREWORD BY THE CEO

ABOUT IMCD

2022 HIGHLIGHTS

2022 FINANCIAL HIGHLIGHTS

GLOBAL PRESENCE

HISTORY

SHAREHOLDER INFORMATION

OUR BUSINESS

OUR BUSINESS GROUPS

STRATEGY & BUSINESS

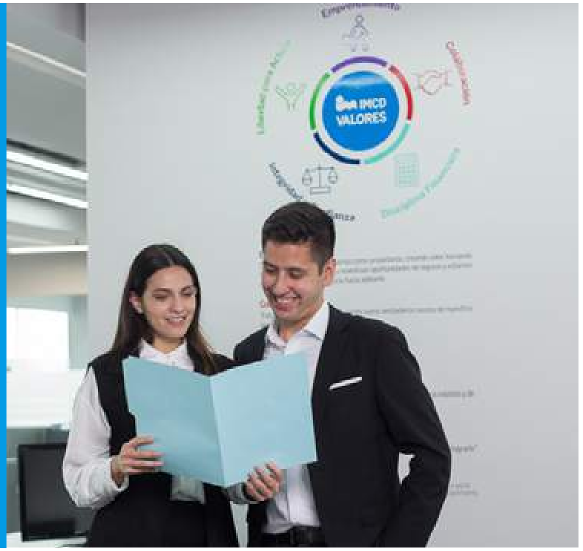
PERFORMANCE

GOVERNANCE

FINANCIAL STATEMENTS 2022

IMCD global employee engagement survey

IMCD launched a global employee engagement survey to gauge motivation and engagement levels and gather employee feedback on working at IMCD. With a participation rate of 85%, the results showed that 93% of employees are either positive (72%) or neutral (21%) about their engagement. The survey also found that 89% of employees understand IMCD's values. IMCD, a people-focused company, values its employees' input and will use the survey outcomes to build on strengths and address areas for improvement.



Industrial solutions, the new business group within IMCD

The establishment of Industrial Solutions as a new business group responds to key global trends, such as a rise in demand for products in applications like high-temperature, electronics, and batteries, as well as prioritising sustainability in the industry, with recycling and water treatment solutions top of mind for IMCD.

The new Business Group provides commercial and technical expertise in chemical intermediates, environmental technologies, material technologies, and processing technologies.

IMCD Cares in CSR 2022

More >

IMCD STEM Lab (Italy)

IMCD Italy and the BDC International Bilingual School joined forces to create IMCD STEM Lab, an environment that offers youngsters the opportunity to be in direct contact with science and business. It aims to narrow the gap between the academic and research worlds and the world of commerce, while supporting gender equality and promoting diversity. The STEM laboratory is structured in such a way as to provide students access to activities such as experiments and exercises in chemistry, biology, coding, and didactic robotics.

More >

Firefly Science Truck (Türkiye)

In collaboration with the Educational Volunteers Foundation of Türkiye (TEGV), IMCD Türkiye launched the 'Firefly Science Truck' project. This initiative, which supports equal opportunities in education, consisted of converting trucks into small laboratories and visiting village schools without lab facilities. The project enabled children to do experiments on numerous science-related subjects, with materials that were easy to find in their surroundings. It also encouraged them to consider the possibility of becoming scientists as part of their career choices.

More >

ColourUpMySchool (China)

A three-year project initiated by IMCD China aims to refurbish the interior and exterior walls of several primary schools in the Daliangshan area by using IMCD's waterborne coatings. This year, the initiative started at Shangcun Primary School, where IMCD also donated educational toys and care kits to the students and teachers.

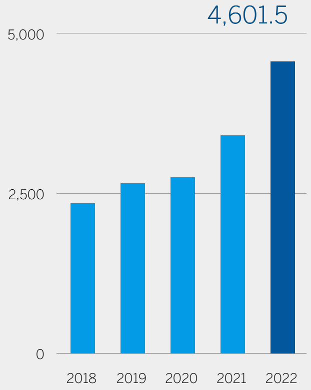
2022 Financial highlights

EUR MILLION, UNLESS STATED OTHERWISE

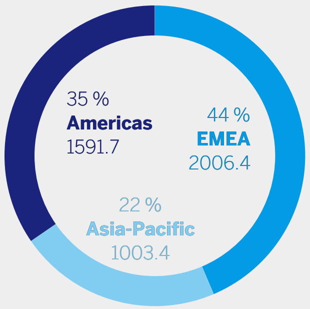
Revenue

34%

28% on a constant currency basis



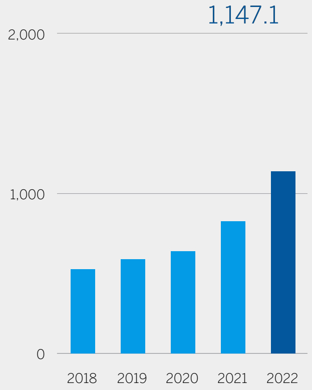
by region



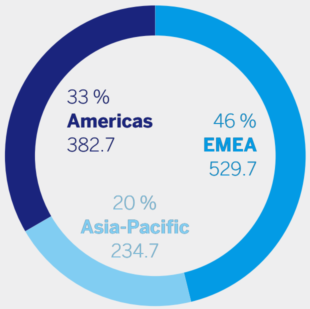
Gross profit

37%

31% on a constant currency basis



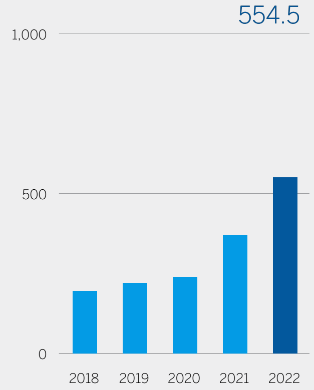
by region



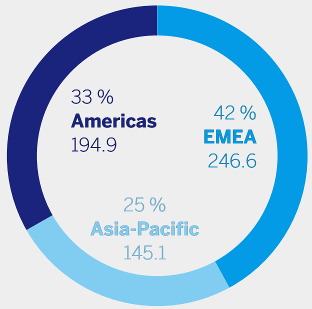
Operating EBITA

48%

42% on a constant currency basis



by region*

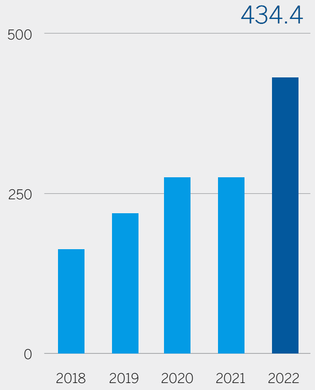


*excluding Holdings for which the net operating expenses are disclosed on page 59

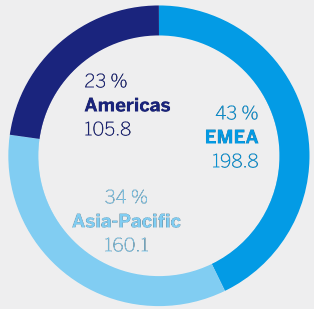
Free cash flow

56%

EUR +155.5 million
2021: EUR 278.9 million



by region*



*excluding Holdings

Net result

51%

EUR +313.0 million
2021: EUR 207.2 million

Cash earnings per share

46%

EUR 6.78
2021: EUR 4.64

Dividend proposal in cash per share

46%

EUR 2.37
2021: EUR 1.62

Key Figures

EUR MILLION	2022	2021	CHANGE
Results			
Revenue	4,601.5	3,435.3	34%
Gross profit[1]	1,147.1	836.3	37%
Gross profit as a % of revenue	24.9%	24.3%	0.6%
Operating EBITA[2]	554.5	373.6	48%
Operating EBITA as a % of revenue	12.0%	10.9%	1.1%
Conversion margin[3]	48.3%	44.7%	3.6%
Net result	313.0	207.2	51%
Cash flow			
Free cash flow[4]	434.4	278.9	56%
Cash conversion margin[5]	76.9%	72.6%	4.3%
Balance sheet			
Working capital	770.1	612.5	26%
Total equity	1,673.4	1,461.4	15%
Net debt	1,026.9	940.0	9%
Net debt / Operating EBITDA ratio[6]	1.7	2.3	(0.6)
Employees			
Number of full time employees end of period	4,323	3,740	16%
Shares			
Numbers of shares issued at year-end (x 1,000)	56,988	56,988	0%
Weighted average number of shares (x 1,000)	56,929	56,940	(0%)
Earnings per share	5.50	3.64	51%
Cash earnings per share[7]	6.78	4.64	46%
(Proposed) dividend per share	2.37	1.62	46%

[1] Revenue minus cost of materials and inbound logistics (non-IFRS measure)

[2] Result from operating activities before amortisation of intangibles and non-recurring items (non-IFRS measure). Non-recurring items are disclosed in note 11 to the consolidated financial statements.

[3] Operating EBITA as a percentage of gross profit

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

[5] Free cash flow as a percentage of adjusted operating EBITDA (Operating EBITDA plus non-cash share-based payment costs minus lease payments)

[6] Including full year impact of acquisitions

[7] Result for the year before amortisation (net of tax) divided by the weighted average number of outstanding shares

Global presence

Americas

Revenue
EUR MILLION
1,592

1 | 20 | 38 | 19
1,192 | 45% | 55%

EMEA

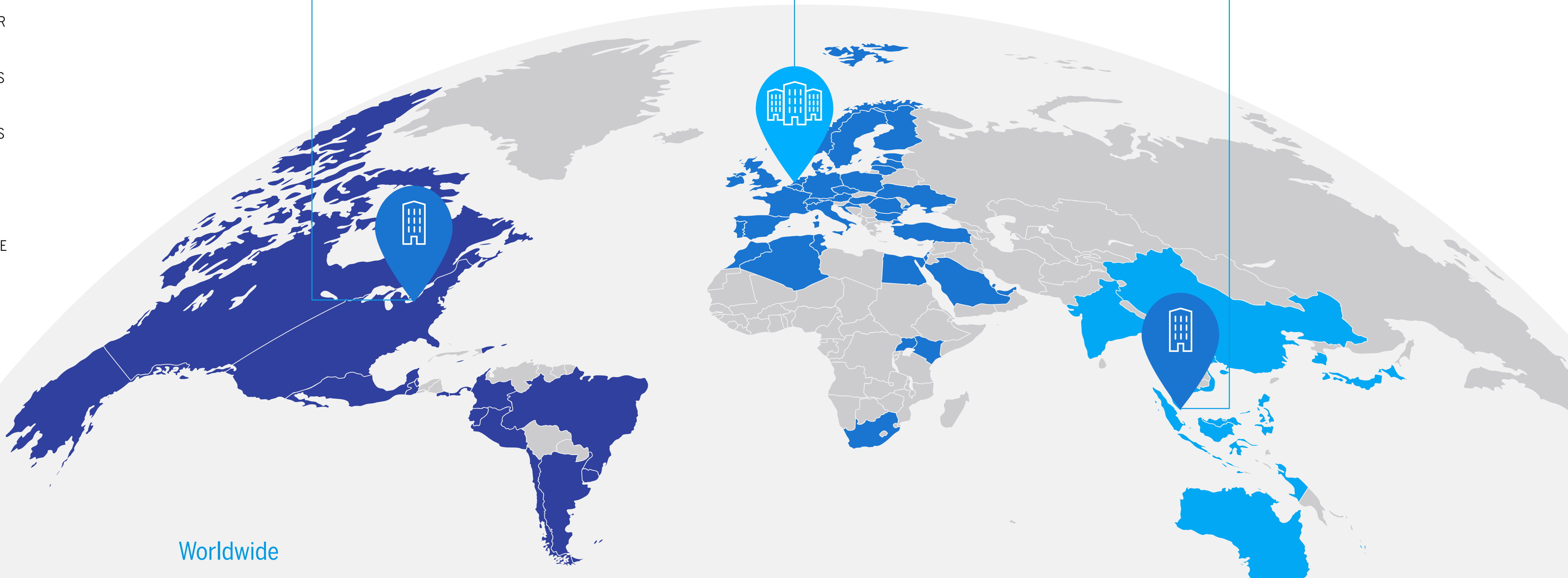
Revenue
EUR MILLION
2,006

1 | 56 | 50 | 26
1,868 | 44% | 56%

Asia-Pacific

Revenue
EUR MILLION
1,003

1 | 33 | 47 | 28
1,263 | 53% | 47%



Worldwide

Revenue
EUR MILLION
4,601

1 International HQ	109 Offices	73 Laboratories	47% Men
2 Regional HQ's	135 Warehouse locations	4,323 Employees	53% Women

History

1995 Under the management of Piet van der Slikke, several speciality chemical distribution companies within Internatio-Müller are combined into a separate division which starts to grow its activities in EMEA and Australia, establishing a new player in the field of speciality chemicals distribution.

2001 - 2004 Management and NIBC Private Equity acquire the company from Internatio-Müller. The name of the stand-alone company is changed to "IMCD". IMCD adopts a single IT platform in Europe and a matrix organisation along geographical lines and end markets, enabling distribution on a broad geographical basis. It also expands its services to regions such as Türkiye, and India.

2005 - 2014 Two rounds of private equity investments enable accelerated growth over this decade. IMCD strengthens its activities across EMEA, enabling its suppliers to achieve pan-European coverage, and enters new regions with acquisitions and greenfield operations in Africa, Latin-America, and Asia Pacific.

2014 Having become a global leader in distribution of specialty chemicals and ingredients, IMCD's shares are successfully listed on the Euronext stock exchange in Amsterdam.

2015 - 2019 IMCD expands further in North America and successfully establishes a national US footprint, providing suppliers and customers with coast-to-coast coverage and expertise. It also strengthens its presence in Latin America, adding Colombia to its geographical reach, and in Asia, with acquisitions in India, Singapore, and South Korea. During this period, IMCD develops its laboratories into a global network of technical centres that enable it to support business partners with high-quality technical advice and formulation expertise.

2019 In March, IMCD is included in the Dutch blue chip AEX index.

2020 This year marks IMCD's 25th anniversary, celebrating 25 years of innovation and value creation.

The acquisition of Signet in India provides a significant platform for further growth in India and the Asia Pacific region in the pharmaceutical sector. IMCD expands its footprint in Food & Nutrition in Brazil and Mexico, strengthens its Advanced Materials Business in Finland, and its Beauty and Personal Care business in Türkiye and Mexico.

Three new office locations are added in Cleveland, St Petersburg, and Bangkok, as well as enhanced technical centres for the Food & Nutrition and Personal Care businesses.

2021 Through the acquisition of several companies, IMCD accelerates its growth in the Personal Care market in the Asia Pacific region, and strengthens its portfolios in life sciences, home care, water treatment and waterborne coatings solutions through the acquisition of several companies.

Through acquisitions in the Americas region, IMCD grows its presence in the industrial markets segment. New territories are added to IMCD's geographical coverage, by entering Central America, Peru, and the Caribbean and entering new markets in Colombia.

In EMEA, IMCD acquires POLYchem Handelsges.m.b.H., providing an excellent platform to better serve customers and partners throughout Southeast Europe (SEE).

IMCD enhances its technical capabilities with the launch of an ultra-high temperature (UHT) pasteurisation laboratory in Jakarta, Indonesia, and hires chefs to join its technical team, making IMCD the first food ingredients distributor and formulator to offer customers chef-led concept development.

In 2021, IMCD Group obtains a Gold medal rating from EcoVadis, a trusted sustainability rating provider for global supply chains, for the first time.

2022 In view of the size of the Company and its ambition for further long-term growth and market leadership, IMCD strengthens its Management Board with a third member, taking up the position of COO (Chief Operations Officer).

With 11 acquisitions, IMCD successfully expands its global network and product portfolio in all its regions.

IMCD launches a new business group, Industrial Solutions, to build value through focused expertise, offering customers dedicated application experts in four key areas: chemical intermediaries, environmental technologies, material technologies and processing technologies.

The addition of nine new technical centres spanning EMEA, Americas and Asia Pacific regions enables IMCD to keep providing its business partners with the right formulations and dedicated support wherever they are in the world. And IMCD's global network keeps expanding with the addition of new offices in India, one in Switzerland and one in Sweden.

Increasing its sustainability efforts, IMCD formalises its commitment to the UN Global Compact Principles, and retains its Gold medal rating with EcoVadis by improving its score by four points to 70/100. The Company also joins Together for Sustainability, a member-driven initiative that aims to raise CSR standards throughout the chemical industry.

IMCD Group is also recognised by Sustainalytics as the 2022 ESG Industry Top Performer, ranking first among traders and distributors. In March 2022, IMCD is included in the newly launched Dutch ESG AEX index as one of 25 companies demonstrating best Environmental, Social and Governance (ESG) practices.

Shareholder information

IMCD N.V. shares are listed and traded on the Amsterdam Euronext Stock Exchange. Since 2019, IMCD shares are included in the Euronext Amsterdam AEX Index. In March 2022, IMCD was also included in a newly launched Dutch ESG AEX index, as one of 25 companies demonstrating best Environmental, Social and Governance (ESG) practices.

A total of 57 million (56,987,858) shares have been issued; this number did not change in 2022. IMCD's market capitalisation as per the end of 2022 was EUR 7.6 billion. As at 31 December 2022, IMCD held 101,275 treasury shares (31 December 2021: 44,300). In 2022, IMCD transferred 38,025 shares from own shares to settle its annual obligation under its long-term incentive plan and purchased 95,000 shares to fund its long-term incentive plan.

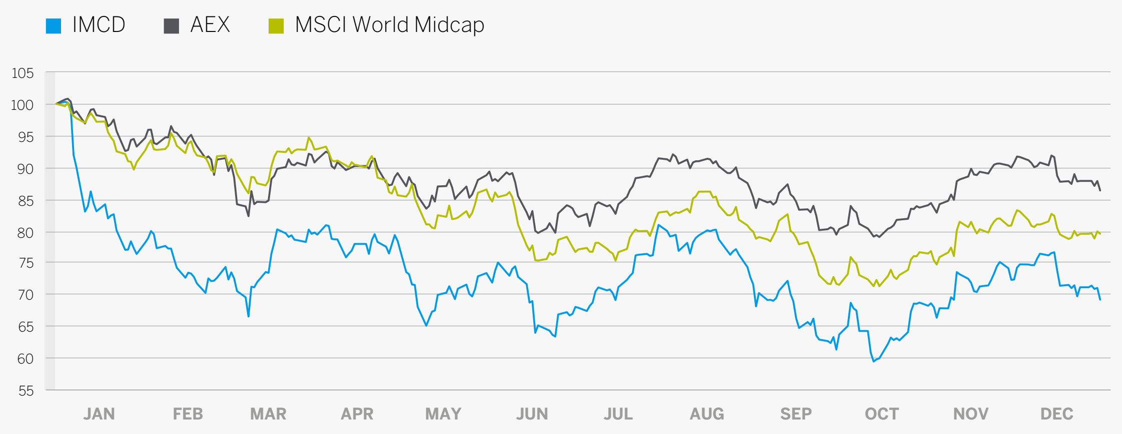
Share price performance in 2022

During 2022, 55.1 million IMCD shares were being traded, an increase of 14% compared to the 48.5 million shares traded in 2021. This number of shares represents the total lit consolidated market volume (European Composite All Lit, Bloomberg equity exchange code “EZ”, encapsulating all trading venues that operate a lit order book), which includes Euronext Amsterdam (39.1 million in 2022 vs. 35.4 million in 2021). The average daily lit consolidated trading volume was 212 thousand shares in 2022 versus 186 thousand in 2021. The total value of traded IMCD shares was EUR 7.8 billion, compared with EUR 7.6 billion in 2021.

For Euronext Amsterdam the average daily trading volume was 150 thousand in 2022 versus 136 thousand in 2021. The average daily value of the shares traded on the Euronext Amsterdam was EUR 21.3 million in 2022 (EUR 21.3 million in 2021).

In 2022, the share price decreased by 31.6% (30.8% total return if dividends were to be reinvested), from EUR 194.70 at the beginning of 2022, to a closing price at 31 December 2022 of EUR 133.15. As at the end of 2022, IMCD's market capitalisation was EUR 7.6 billion (EUR 11.1 billion at year-end 2021).

Share price performance 2022
In %



Shareholder engagement

IMCD values maintaining an active dialogue with its financial stakeholders, like its current and potential shareholders, brokers and the financial and other media. IMCD considers it very important to explain the IMCD business model and implementation so that stakeholders have the information they need to form an opinion on the company. IMCD releases financial results and/or a intermediate trading update four times a year. Upon each release, the CEO and CFO host a conference call for research analysts and institutional investors to discuss these results. Audio and webcast replays of these anaysts calls can be accessed and replayed from IMCD's website (Investors section).

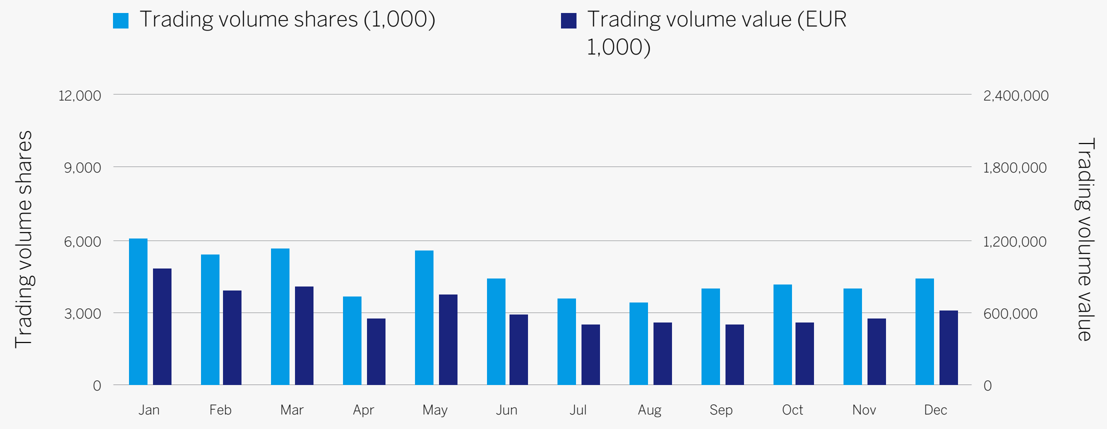
The Management Board members from time to time receive feedback from institutional shareholders and investors as well as equity analysts, giving them a clear understanding of shareholders' views and/or concerns. Analyst reports are also shared with IMCD's Supervisory Board to provide insight on financial stakeholders' views. IMCD is currently covered by 16 international analysts.

In 2022, IMCD's investor relation activities included participation in various physical and virtual roadshows and investor conferences, in which management of IMCD engaged with investors from across all regions. Also a considerable number of meetings with (potential) investors took place by means of video conferencing and visits at IMCD headquarters.

Dividend policy

Barring exceptional circumstances, under IMCD's dividend policy the intention is to pay an annual dividend in the range of 25% to 35% of the adjusted net income (reported result for the year plus amortisation charges, net of tax) to be paid out either in cash or in shares. A proposal will be submitted to the Annual General Meeting of Shareholders to pay a cash dividend of EUR 2.37 per ordinary share (2021: EUR 1.62), an increase of 46% compared with the previous year. This dividend represents a pay-out ratio of 35% of adjusted net income (2021: 35% of adjusted net income).

Trading volumes 2022



IMCD SHARE	2022	2021
Highest price	195.30	208.10
Lowest price	114.40	101.18
Year-end price	133.15	194.70
Earnings per share	5.50	3.64
Cash earnings per share[1]	6.78	4.64
Proposed dividend per share	2.37	1.62
Number of shares at year-end (x 1,000)	56,988	56,988
Weighted average number of shares (x 1,000)	56,929	56,940

[1] Result for the year before amortisation (net of tax) divided by the weighted average number of outstanding shares

Major shareholders

The register maintained by the Netherlands Authority for the Financial Markets (AFM) in connection with the disclosure of major holdings of (potential) capital and/or voting interest exceeding 3% or more in IMCD, contains details of the following investors as at 31 December 2022. There are no known holdings of short positions visible in the AFM register.

(IN % OF ISSUED CAPITAL)	TOTAL HOLDING POSITION	VOTING RIGHTS
Capital Research & Management Comp.	0.00	10.08
FMR, LLC	10.00	9.99
Baillie Gifford & Co	0.00	9.97
BlackRock Inc.	8.42	9.78
Smallcap World Fund Inc.	4.97	4.97
Ameriprise Financial Inc.	3.05	3.05

Ticker symbols

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

FINANCIAL CALENDAR	
24 February 2023	Full year 2022 results
26 April 2023	First three months 2023 results
26 April 2023	Annual General Meeting of shareholders
26 April 2023	Dividend announcement
1 May 2023	Ex-dividend date
2 May 2023	Dividend record date
4 May 2023	Dividend payment date
4 August 2023	First half-year 2023 results
10 November 2023	First nine months 2023 results

Investor relations

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

Talent

“Our IMCD combination of entrepreneurship, freedom to act and financial discipline is unique and strong and with so many different cultures, also enriching.”

Ralph van Erp
Process Improvement Manager

Talent on the move

Culture eats strategy for lunch is an often-used management statement. In IMCD both the Strategy of the company and the Culture have been consistent and go hand in hand. Part of the strategy is to acquire smaller companies and to integrate them quickly.

One of the first questions that come up are “how does it work in IMCD? What type of behavior does IMCD want and what not”. The answer is relatively straightforward. IMCD is an entrepreneurial principle-based company where highly capable leaders have the freedom to act and take decisions close to customers and local employees. However, this is always counter balanced with another IMCD value: Financial Discipline. This means amongst others that IMCD needs accurate transparent financial planning, accounting, and reporting via our Group IT systems for ERP, CRM, Business Intelligence, and more. It works better if an experienced IMCD professional moves to a recently acquired company and leads such transitions.

One of those internationally mobile professionals is Ralph van Erp, currently the IMCD Group Process Improvement Manager. He is a Dutch Certified Public Accountant who moved with his wife and young daughters to Bogota, Colombia to lead the Finance and Operations function for IMCD Mexico and Colombia and later Latin America North. Places where IMCD conducted a handful of acquisitions. Ralph and family spent 1.5 years on assignment there. One of his most important takeaways is the power and impact good leadership can bring in such a changing environment. Another important take away is that explaining and living IMCD’s culture / the way we do things was a much bigger part of the role than expected and fundamental for the integration success.

Our business

IMCD is committed to providing solutions and the best-in-class service to its customers across a diverse range of industries. In this chapter, we will explore the key aspects of our business, beginning with an overview of the markets we serve. We will then delve into our unique business model, which allows us to maintain our competitive edge while delivering exceptional value to our stakeholders. Finally, we will take a closer look at our organisational structure, highlighting the ways in which we leverage our global footprint to support our customers and drive growth.

Our market

The products in our portfolio are used in almost every aspect of daily life, ranging from Home, Industrial and Institutionalised care, Beauty & Personal care, Food & Nutrition and Pharmaceuticals to Lubricants & Energy, Coatings & Construction, Advanced Materials and Industrial Solutions.

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

The speciality chemicals distribution market is still made up of large global or pan-regional companies and a large number of local players, often family-owned. There is strong demand from major suppliers for pan-regional distributors who can streamline business operations and work as a strategic partner to support long-term growth.

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

Selective outsourcing

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

Preferred partnership

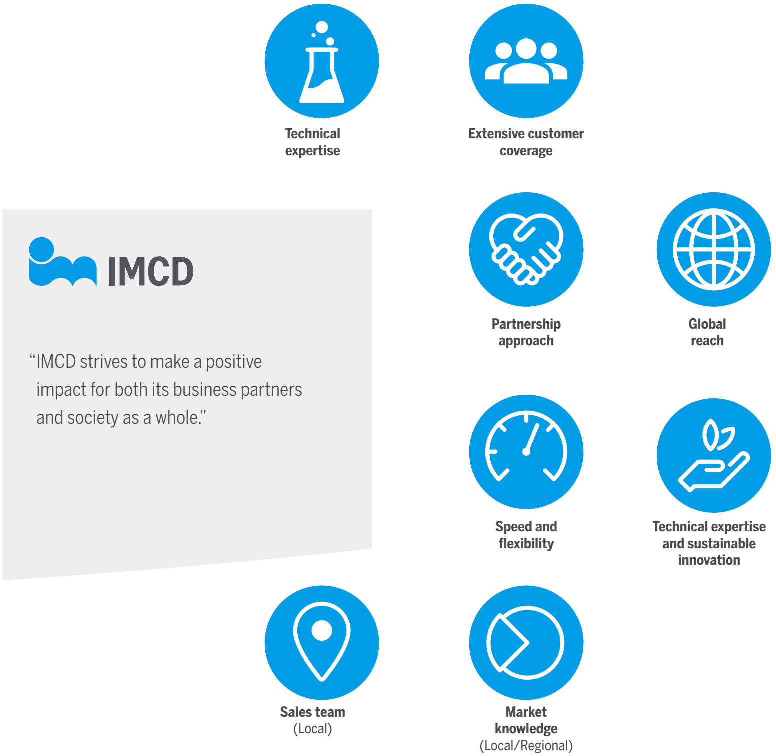
Suppliers in developed markets are generally looking for more structured pan-regional management of sales and distribution. By entering into a sole third-party rights of distribution relationship with a preferred distribution partner for multiple countries or regions, suppliers are able to significantly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

Increased regulation

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

Our business model

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



Core activities

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

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

Technical expertise

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

We continue to optimise our ways of working by focusing on the following areas:

A. New product analysis and development

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

B. Customer insight seminars

Across our global network, our commercial and technical teams organise online webinars, introducing new applications and share insights on the latest market trends. Furthermore, in our 73 technical centres and application labs, and with the support of our scientific and technical experts, our customers can test product performance, run stability and application tests and experience the finished products and end result.

C. Supplier workshops

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

D. Internal training

In 2022, we conducted more than 22,000 training sessions on site and through our e- learning platforms across all of our regions and countries. We continuously invest in our people in order to stay abreast with the latest market developments, gain deep knowledge of our portfolio so that we provide better services and support to our customers.

Our organisational structure

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

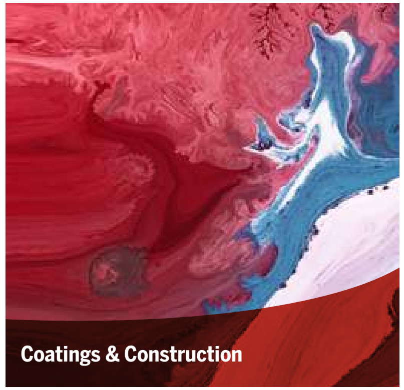
Each end market is managed by business group management to ensure the same high level performance across the IMCD organisation. In turn, IMCD's country management is responsible for the optimisation of our services to customers locally, throughout the various market segments.

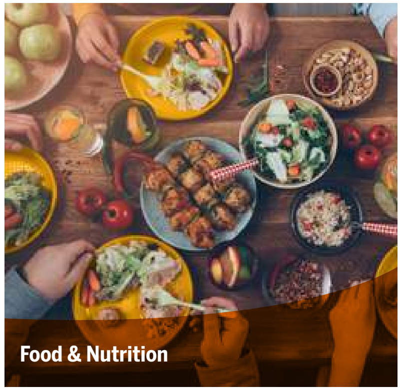
Our local activities are further strengthened by the support of our two regional headquarters in the Americas and Asia-Pacific. In addition, our global headquarters in the Netherlands provides guidance, alignment and central policies with regards to sustainability, digitalisation, IT, HR, finance & control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

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

Our business groups

IMCD has a strong position in EMEA, Asia-Pacific and Americas in several different life science and industrial end markets.





Home Care and I&I

IMCD Home Care and I&I* offers a comprehensive range of high-value speciality chemicals used for manufacturing household, industrial and institutional cleaning products.

We deliver high performance, premium ingredients which yield consistent results, sustainable solutions and ensure better cost-in-use through performance-driven products. Our high-quality portfolio includes bioactives, biocides, chelates, functional additives, rheology modifiers, silicones, solubilisers and solvents.

Our portfolio is constantly evolving to meet the latest technical requirements and market trends. Customers seeking germ and grease free surfaces, sanitised rooms and equipment, soft and spotless laundry, sparkling glasses and dishes, or conditioned and waxed floors or cars, know we are on hand to help.

Our application and regulatory expertise, dedicated technical centres offering on-site performance testing, and unrivalled industry knowledge and relationships enable us to elevate the performance of all our partners.

Our market segments

Laundry care

Dish washing

Cleaning & surface care

Automotive care

Air care

THE SUSTAINABILITY EQUATION

TRENDS THAT IMPACT OUR INDUSTRY

Tackling the Sustainability Premium
The entire industry is battling the desire to develop more sustainable products, against a tide of rising costs and customers who are facing increasing pressure on their cleaning budgets.

Formats for the Future
Increased innovation is required to develop new formulations and more sustainable product formats that will deliver the best results in a more sustainable way.

Responsible Raw Materials
Using the right ingredients in the right way can reduce the ecological impact and in turn help to deliver a more sustainable end product.

Read more >

* Home Care and Industrial & Institutional

IMCD HOME CARE AND I&I

CASE

Giving prized sneakers a future with a **sustainable protector**

The global sneaker market is a multi-billion-dollar industry, with enthusiasts regularly paying many times above market value to get their hands on a coveted design. However, once they have bought their collectable item, how do they balance their desire to wear the shoe out in public with a wish to maintain its pristine, box-fresh condition?

In partnership with a leading sneaker brand and our key principals, IMCD Home Care and I&I has been developing an effective treatment to protect sneakers from staining and water damage. While it has been possible in the past to create a product that would repel liquid and stains, these often-contained PFAS (per- and polyfluoroalkyl substances) and highly flammable VOCs (volatile organic compounds). On 13 January 2023, the national authorities of Denmark, Germany, the Netherlands, Norway, and Sweden submitted a proposal to ECHA to restrict PFASs under REACH, the European Union's chemicals regulation. This will lead to the quick removal of PFAS ingredients from formulations already on the market.

Planning for these anticipated rule changes our customer tasked us with sourcing ingredients and designing and testing formulations that would make their existing protector water-based, safer and more environmentally friendly. They wanted to remove PFAS, use water instead of flammable propellants and create a product that could sell in recyclable packaging, while maintaining its protective properties.

The solution needed to protect the shoe from water damage and reduce staining without affecting its appearance. The biggest challenge was to achieve a non-visible film on the plastic and rubber parts of the sneaker.

Our technical experts have worked closely in partnership with this leading brand to test the effectiveness of the solution against stains as diverse as wine, coffee, and tea. We were able to develop a solution that was effective at repelling all the test stains without marking the sneaker and maintaining the original appearance of the plastic parts. The final formulation will also comply with the anticipated update to REACH regulations regarding removal of PFAS.

"This project was a true partnership between IMCD, our customers and suppliers. Working so closely together has allowed us to develop a unique formulation that will deliver a truly sustainable solution that will enable sneaker collectors to enjoy wearing their prised possessions, rather than relegating them to a shoe box! We are positive that this solution will accelerate the adoption of PFAS free products."

Ron Vos
Account Manager

Pharmaceuticals

IMCD Pharmaceuticals has a network of six dedicated technical centres and more than 250 sales and marketing experts around the world. The business group supports its customers and partners at every stage of their product development cycle, from active ingredient synthesis to formulating with functional excipients to deliver the optimal final dosage.

We innovate to create a healthier world. Our unrivalled technical expertise in formulation, together with high quality, clinically proven active ingredients and regulatory and quality support, enable us to provide added value every step of the way.

IMCD Pharmaceuticals collaborates with customers and partners, sharing knowledge and expertise to advance ideas for a healthy future.

Our market segments

Agrochemicals

API

Biopharma

Excipients & formulation

Nutraceuticals

Regulated Synthesis

TOMORROW'S PHARMACEUTICAL INDUSTRY

TRENDS THAT IMPACT OUR INDUSTRY

Patient-friendly dosage forms
Innovation in delivery systems.

Pre-emptive healthy living
Changing consumer attitudes towards personal health.

Sustainable solutions
The importance of green solutions.

Pharma for the future
Why biopharmaceutical science is the future of pharma.

Read more >

IMCD PHARMACEUTICALS

CASE

Mucoadhesive formulations **backed by evidence**

Market interest in mucosal drug delivery has been trending upwards as patient centricity and patient-friendly dosage forms have gained more importance in drug development.

IMCD's Pharmaceutical Technical Centre has long been involved in formulating mucoadhesive lozenges. Now we wanted to develop additional formulations in the form of a vaginal gel and a nasal spray, and further substantiate that work with empirical data. Our experts started by identifying commonly reported process challenges, addressing these using their formulation knowledge and speciality ingredients. Attention then turned to specific issues.

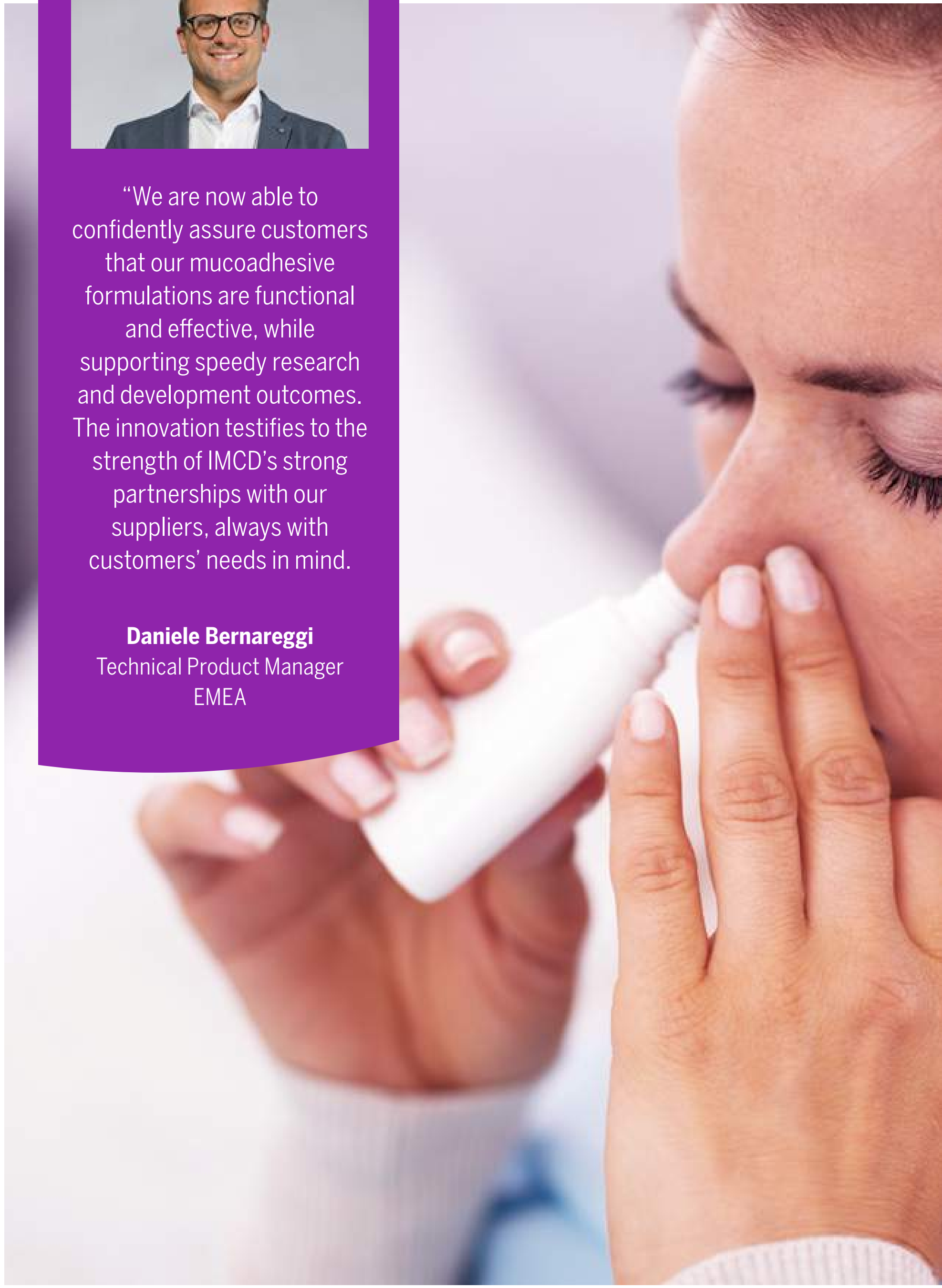
For example, the lozenge needed to taste pleasant yet demonstrate proven mucoadhesion properties. The nasal spray had to be finetuned for viscosity and sprayability without mucoadhesion being affected. For the vaginal gel, it was imperative to ensure product stability in a low pH environment. Overcoming these challenges required rigorous research and testing. The first step was running our own formulation trials. Next, we partnered with one of our key suppliers to run further tests in its laboratory.

Enabling customer innovation

After extensive experiments, IMCD's Pharmaceutical team developed three proven formulations for buccal, vaginal, and nasal delivery. We can now offer customers these starting formulations that can be used as a platform for their own preparations. Our active pharmaceutical ingredients (APIs) are easily replaceable with customers' own, providing they have similar properties. Detailed information on reference case studies is also available, supported by real concepts from our lab, which customers can touch, feel, and taste.

The new formulations benefit customers and suppliers alike. Customers receive a full formula for a lozenge and two types of gels – alongside the method of manufacture, tested parameters and mucoadhesion measurements. Suppliers gain new insights into synergistic ingredients that increase the efficiency of their own products.

Overall, the exercise will support the development of efficacious treatments created using evidence-based approaches. Together with the ready availability of ingredients, we have shortened the design frame and supported faster product development.



"We are now able to confidently assure customers that our mucoadhesive formulations are functional and effective, while supporting speedy research and development outcomes. The innovation testifies to the strength of IMCD's strong partnerships with our suppliers, always with customers' needs in mind.

Daniele Bernareggi
Technical Product Manager
EMEA

Beauty & Personal Care

At IMCD Beauty & Personal Care, we shape tomorrow's beauty through innovative ideas and concepts. Our expertise lies in our profound understanding of creative possibilities.
We recognise the needs and trends of the beauty & personal care market and help our customers empower people's beauty.

IMCD works with the world's leading suppliers to integrate an extensive portfolio of high-quality ingredients into our trend-based prototypes. Our technical and market segment experts working in our network of global application laboratories seek the most effective solutions with demonstrated performance and innovative ingredients. We turn valuable opportunities into commercial growth and success for our partners. Together we are shaping tomorrow's Beauty: a new kind of beauty that cares about people and the planet and creates value for everyone we work with.

We offer a wide range of specialities, with products to cover all functional and active needs in the personal care space:

- Actives
- UV sunscreens
- Rheology modifiers, thickeners
- Surfactants, emulsifiers
- Emollients, elastomers, humectants, waxes
- Film formers, functional powders
- Hair styling polymers, hair conditioners
- Solvents, solubilizers
- Pigments, pearls, colorants
- Opacifiers, pearlisers
- Preservatives, antioxidants, additives
- Fragrances, essential oils

Our market segments


Skin care


Sun care


Color cosmetics


Hair care


Toiletries


Oral care

TOMORROW'S BEAUTY
TRENDS THAT IMPACT OUR INDUSTRY

In transparency we trust
Accessing information to ensure a choice of healthy beauty products.

It's all about experiences
Sparking emotion and entertainment within beauty rituals.

Celebrating individuality
Offering beauty products that meet every skin and hair need.

Making a positive impact
Trusting committed beauty brands that care for people and planet.

Read more >

IMCD BEAUTY & PERSONAL CARE

CASE

Product innovation supports **business resilience** and drives **growth**

Supply chain challenges have threatened business operations in recent months. By tapping IMCD's expertise, one company has been able to innovate, support business continuity and assure its future.

Recent months have revealed supply chain weaknesses on several fronts. For one partner company in Indonesia, the sudden discontinuation of an essential ingredient threatened business continuity. Together with IMCD Indonesia, the company was able to find an alternative ingredient and create a new product line that led to a 35% increase in two-year CAGR.

The ingredient in question, a natural alpha-hydroxy acid (AHA), finds a wide range of applications in skin care.

But without it, the customer's business could be severely affected leading to a potential decline in revenue and a loss of market share.

It was therefore essential for the customer to find an alternative as quickly as possible.

IMCD Indonesia joined forces with its internal network to shortlist potential replacements. Using a new ingredient sourced from our global network, we suggested to one of our global suppliers to create a new product to leverage the market strengths of the existing formula while absorbing any business loss.

Win-win situation for all parties

The new product proved successful at every level of the value chain. For the customer, incorporating the new ingredient into its skincare range ensured business continuity and delivered new market share. Despite the impact of the pandemic, the company was able to launch several new products using the alternative ingredient. The move has led to a 35% compound annual growth rate in sales (CAGR) in volumes sold between 2020 and 2022.

The supplier, meanwhile, was able to strengthen its portfolio with a brand-new ingredient and grow its sales volumes via IMCD's distribution business. The supplier continues to sell the ingredient today.

For its part, IMCD Indonesia was able to distribute the new ingredient to ten new customers in the country, generating a 38% CAGR in total volumes sold, thus generating value for the supplier.

The case is a successful illustration of the role of partnerships in creating new business opportunities. IMCD is proud to have been able to provide a solution for its customer while generating new value for its supplier.

"IMCD has a demonstrated history of using cutting-edge ingredients to create value and drive sustainable growth for both customers and suppliers. Our recent project in Indonesia illustrates the strength of IMCD's global network, our team's collaborative spirit and the company's dedication to the satisfaction and success of our suppliers and customers."

Rizky Ramadhani
Business Unit Manager

Coatings & Construction

IMCD Coatings & Construction offers speciality raw materials to drive performance, innovation and sustainability of paints, coatings, construction, adhesives, printing inks, textile, leather, and paper formulations.

We are driving evolution by providing innovative thinking and customised solutions using our technical expertise and comprehensive portfolio of additives, functional fillers, pigments, resins, and speciality solvents.

Our skilled team of product, formulation and sales experts work to anticipate future needs and use their knowledge to seek out valuable opportunities for our customers. With a truly global presence, local market insights and in-depth technical understanding, we have the ideas and expertise to support customers in developing the forward-reaching innovations of tomorrow.

At IMCD Coatings & Construction, we focus on delivering the following future focused and sustainable solutions that are vital to the market, consumers, and society with our comprehensive and complete portfolio of:

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

Our market segments

Adhesives and sealants

Construction chemicals

Decorative paints

Industrial coatings

Printing inks

Textile & leather

Paper

BUILDING TOMORROW

TRENDS THAT IMPACT OUR INDUSTRY

Green & circular
Sustainability works when considering every stage of the life-cycle and ensuring all stakeholders can mutually benefit from one another's choices.

Healthy future
The market is looking for solutions that are safe but that at the same time offer active health benefits.

Smart functionality
For innovators in the coatings and construction industry, it's essential to meet the growing demand for high-quality products and spaces.

Time for efficiency
Efficiency has always been a key consideration that ties everything together for the entire coatings and construction value chain.

Read more >

IMCD COATINGS & CONSTRUCTION

CASE

Innovative raw materials support the development of **sustainable marine coatings**

As fuel efficiency and reducing CO_2 emissions are becoming more important than ever, IMCD is supporting innovation in more sustainable coatings for the maritime sector.

A recent success story comes from Canada, where a customer has realised quantifiable benefits from a range of raw materials supplied by IMCD's local team.

Discussions began in 2019, when the customer was looking to develop more sustainable coatings formulations for shipping applications. These anti-fouling hull coatings needed to be hydrophobic, with a smooth glass-like surface. Such a surface helps ensure a low friction coefficient between the vessels and the water, minimises drag and prevents the growth of marine organisms on the ships' hulls. Overall, the goal was to comply with the International Marine Organization's 2023 regulations on CO_2 emissions of existing vessels.

Valuable partnerships and expertise

Over the two-year collaboration with our principal partners, IMCD Canada was able to procure and provide a range of raw materials that assisted the customer in obtaining the desired performance properties in their new, innovative coating system.

The raw materials from our best-in-class suppliers enabled the customer to develop new coatings with several market-leading features.

Fuel efficiency and sustainability gains

Shipping companies are now seeing real-world fuel efficiency gains of up to 20% with the customer's new marine coatings, as independently verified by a global professional services specialist in maritime engineering and technology.

On a single tanker, for example, using the customer's new coating instead of traditional anti-fouling hull coatings prevents approx. 2,000 kg of copper biocide from being released into the ocean. In addition, the vessel's durable ultra-low hull roughness means it uses significantly less fuel. Over a period of five years, the tanker will release approximately 11,000 metric tons less CO_2 equivalent, which in turn supports the customer's sustainability goals.

Not only does our comprehensive portfolio meet the specified technical expectations, but the customer is also seeing demand continuing to grow. With the new formulations supported by IMCD Canada, the customer has been able to successfully build important partnerships with global maritime leaders.

"Low friction coefficients can result in significantly less fuel being used and hundreds of thousands of dollars saved in costs. Our selected product offerings also support sustainability requirements across the maritime sector through carbon emission reductions."

Christian Ouellet
Principal Manager,
IMCD Canada

Food & Nutrition

At IMCD Food & Nutrition, we are committed to solving food & beverage formulation challenges. Our main focus is to inspire our customer to create healthy, convenient and consumer trend-led sustainable solutions.

Our specialists have an in-depth understanding of our customers' requirements. They contribute with insights, as well as a comprehensive understanding of recipes, applications, and processes. They can help create truly outstanding solutions, in turn inspiring the future`s menu.

With a global presence, we have access to all the ingredients needed to help our customers to grow and innovate in their local markets. At IMCD Food & Nutrition, we offer an extensive range of top quality functional and speciality ingredients and flavours, sourced from the world's leading manufacturers.

Our comprehensive portfolio spans four categories:

- Taste
- Texture
- Nutrition
- Function

Our market segments

Bakery & snacks

Beverages

Dairy & dairy alternatives

Nutrition

Savoury & meat alternatives

Confectionery & chocolate

TOMORROW'S MENU

TRENDS THAT IMPACT OUR INDUSTRY

Generation health
Healthy living focused on nutritional improvement and diet customisation.

Clean label goes global
A need for products that have the fewer and more natural ingredients.

Growing greener
Sustainability has become a mainstream consumer priority.

Feast for the senses
Health-conscious consumers are redefining indulgence.

Read more >

IMCD FOOD & NUTRITION

CASE

A proactive approach to emulsifiers in alternative beverages

As beverage consumers seek products that fit their changing lifestyles, food innovators are responding with vegan, plant-forward and other alternatives. However, new ingredients bring technical and formulation challenges. At the same time, supply chain issues make many established ingredients harder to source.

Developing palate-friendly prototypes
In anticipation of changing market dynamics, IMCD's food and nutrition team created the Coconut Beverage Emulsification Collection, a series of trend-forward beverage prototypes to showcase the company's various emulsifier solutions.

Among the ingredients are acacia gum, carrageenan, lecithin, pectin, alpha-dextrin and gellan gum. The collection showcases differences in the ingredient solutions' mouthfeel, colour, and flavour.

The emulsifiers are tested in a range of beverage products. Besides coconut-based beverages, they also work with oats or almond-based alternatives, which typically contain other fats or oils that must be stabilised for uniformity and consistency.

The collection showcases IMCD's technical capabilities, including our UHT Pilot Lab. It also serves as a proactive sales tool, enabling customers in the dairy alternatives segment to evaluate the best solution for their requirements in terms of texture and ingredient listing.

Supporting customer challenges
As a result, IMCD has been able to assist many customers across North America with a variety of solutions that would work in their specific formulations.

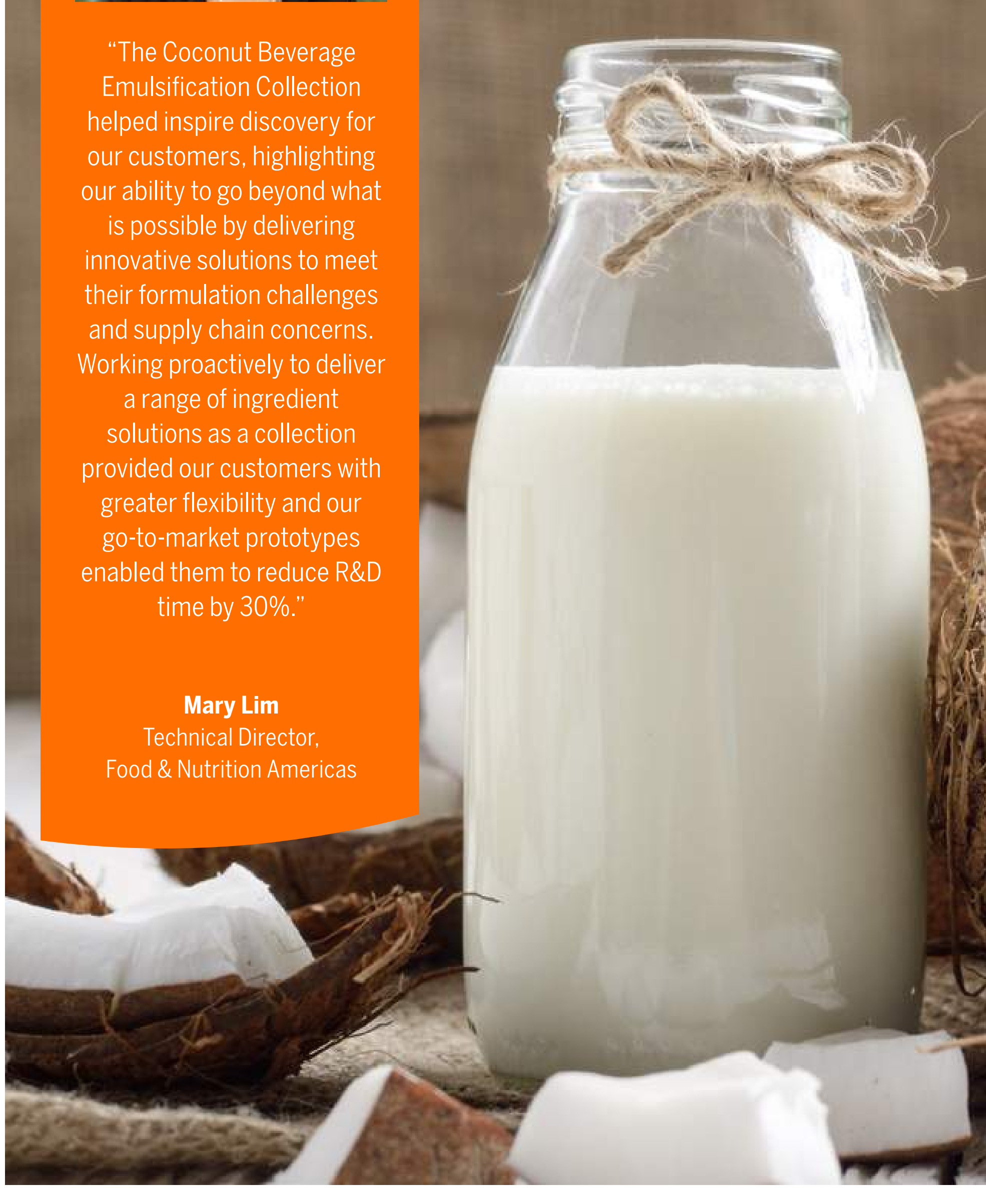
The team tested several ingredients in our UHT Pilot Lab to help customers solve specific challenges. Over the year, we helped different customers by creating a range of formulations, including solutions with acacia gum, carrageenan, pectin, and alternatives to sunflower lecithin.

Cyclically, the collection also supported process innovation for our testing team. For one customer looking at testing a range of different substances, for example, we batched the various solutions in our lab to reduce R&D time and development costs, support quicker plant trials, and shorten time-to-market.

Overall, we have delivered greater added value for our customers this year with our trend-forward concepts offering solutions to timely formulation, textural and supply chain challenges.

"The Coconut Beverage Emulsification Collection helped inspire discovery for our customers, highlighting our ability to go beyond what is possible by delivering innovative solutions to meet their formulation challenges and supply chain concerns. Working proactively to deliver a range of ingredient solutions as a collection provided our customers with greater flexibility and our go-to-market prototypes enabled them to reduce R&D time by 30%."

Mary Lim
Technical Director,
Food & Nutrition Americas



Lubricants & Energy

IMCD Lubricants & Energy serves the lubricants, fuels, oil & gas, and energy sectors. The business group offers base oils and additive components and packages used in automotive and industrial oils and greases.

We also supply speciality chemicals for use in all segments of the oil, gas and fuel markets, from upstream exploration, to midstream processing (storing and transportation), through to downstream refineries, petrochemical plants and final processing of the fuels used by consumers at the end of the supply chain.

To accelerate progress towards a sustainable future, we strive to supply more raw materials from renewable sources and with reduced environmental impact. We also focus on speciality chemicals that reduce the production of CO_2 in their application, reduce emissions, and/or decrease energy consumption.

We develop long-standing partnerships with leading suppliers, enabling us to offer a comprehensive portfolio.

Our market segments

Automotive lubricants

Industrial oils

Metalworking fluids

Fuels

Energy

Energy – Upstream
- Drilling fluids
- Wellbore cements
- Well stimulation

Energy – Midstream
- Storage
- Transportation
- Oil & gas processing

Energy – Downstream
- Refineries & petrochemicals
- Industrial processes
- Water treatment
- Filtration
- Heat transfer fluids
- Emerging energy markets

ACCELERATING PROGRESS

TRENDS THAT IMPACT OUR INDUSTRY

As qualified specialists in lubricants, fuels and oil and gas, IMCD Lubricants & Energy has been busy exploring the evolving ways in which we use energy, and how companies can lead that change.

Emissions reduction and sustainability are key issues for the lubricants & energy sectors. Our teams stay informed on these topics, to uncover innovative solutions for a cleaner future. We consider the latest developments that allow brands to future-proof their energy strategy in smart and, convenient ways.

Read more >

IMCD LUBRICANTS & ENERGY

CASE

Heavy-duty engine oil additives realise **sustainability gains in the Australian outback**

IMCD's partners know they can tap our global network for local solutions. When a multinational producer of chemical additive products wanted to see how its flagship range would perform under Australia's harshest weather, they contacted IMCD to facilitate a test.

We created a new opportunity for the company using local market expertise and existing relationships. The supplier wanted to assess the performance of its diesel engine lubricant additives in the unforgiving Australian outback. Specifically, the company wanted to know if engine oil change intervals could be extended without affecting lubricant performance. The trial required regular oil analyses and fuel consumption metrics. But with no presence in Australia, conducting the trial would have been extremely difficult. IMCD's response was twofold. We leveraged existing industry connections, while our local experts brought real-world experience to the table.

Local blending for trial formulations

Thanks to a strong relationship with a local heavy-duty truck fleet operator, our Australian team was able to bring them on board as a trial participant. The test fleet (two b-triple trucks) and operations matched the producer's requirements exactly. The b-triple rigs' engines were exposed to severe duty conditions with a load capacity exceeding 140 tonnes, whilst operating under extreme Australian outback conditions, where temperatures exceeded 40°C. So far, the trucks have travelled close to 400,000 km.

IMCD facilitated local trial formulations blending, supported regular used oil analysis, and co-ordinated engine changes and maintenance with the original equipment manufacturer (OEM). The candidate formulations used in the trial were custom-blended by a local IMCD partner, underscoring our strengths and connections in the region. Consequently, the producer witnessed how engine oils containing the additives performed at extreme loads in specific and very demanding conditions. In return, the whole heavy-duty diesel customer base in Australia will have access to local field trial data.

The trial continues, and initial findings indicate a success for all parties. Two additives show extended oil change intervals of over 80,000 km, far exceeding the OEM-recommended 30,000 km, with no decline in engine oil performance. The trial also delivered sustainability gains. One of the trial formulations was based on a re-refined grade of base oil. At the same time, extending oil drain intervals reduces overall engine oil waste.

"IMCD is pleased to have facilitated a technical trial that shows the performance of lubricant technology under the harshest conditions. We are now also able to assure Australian automotive lubricant customers that IMCD supplies quality products that have been locally tested. For the customer, the beneficial by-product is that the results support new product claims."

Alex Gitlits
General Manager
Lubricants & Energy
for IMCD Australia

Industrial Solutions

IMCD Industrial Solutions builds value through focused expertise to create opportunities that go beyond the possible.

Our team has a passion for excellence and extensive knowledge of the unique challenges across all aspects of industrial solutions. In every partnership, we bring a wide variety of chemistry options to the table to meet our customers specifications and exceed their goals.

With a strong understanding of industrial trends and applications, Industrial Solutions provides a broad range of products to four key areas of focus: chemical intermediates, environmental technologies, material technologies and processing technologies.
Across these, we offer:

- Additives
- Adhesives
- Binders
- Bio-based chemicals
- Biocides
- Catalysts
- Corrosion inhibitors
- Intermediates
- Minerals
- Monomers
- Organic building blocks
- Processing aids
- Reactive dilutants
- Solvents
- Surfactants
- And many more..

Our market segments

Chemical intermediates

Material technologies

Environmental technologies

Processing technologies

A CATALYST FOR CREATION

INDUSTRIAL EXPERTISE TO SHAPE TOMORROW

Spanning the chemical value chain from beginning to end, Industrial Solutions has a unique advantage when it comes to the market, products, and new innovations.

Our dedicated industrial experts combine industry and market intelligence with a passion for collaboration, approaching each challenge with solutions that reflect quality, sustainability, and simplified processes.

In partnership with the world's leading suppliers, we bring industry-leading specialty solutions to every customer that spark success and drive their business forward.

Read more >

IMCD INDUSTRIAL SOLUTIONS

CASE

A new product to **extend the life** of refractories

As supply chain issues and sustainability demands challenge businesses in new ways, disruptive tactics can support resilient operations. IMCD's industrial solutions team recently worked with a customer in Spain to improve plant lifecycles, extend the lifetime of kiln materials and assure production continuity. The customer came to IMCD to develop a disruptive solution for their industry.

Rotary kilns in use today are lined with refractory materials. A small but critical portion of these linings must be replaced more frequently than other parts due to wear and tear. Extremely high temperatures, chemical attacks and liquid infiltration can all affect kiln linings.

Factory operators must consequently stop production to repair their kilns. This in turn leads to downtime, productivity and revenue losses, and resource waste.

The customer asked IMCD to source materials for developing a lining that could withstand operational damage for a longer period, potentially saving energy costs and reducing maintenance requirements and asset downtime. The ideal product would treble the lifespan of refractory linings.

IMCD helped select materials whose grades matched the customer's density specifications, withstanding furnace pressures and assuring production continuity. After extensive testing, the product that worked best in lab trials was a unique mix of different alumina grades that would work together to create a more durable solution.

Along the way, the team addressed several challenges, including supply disruptions and material price volatility. To tackle the logistics issue, we sourced a consignment of refractory materials during the early days of the project to ensure the customer maintained peak production, thus bypassing supplier shortages.

IMCD's pathbreaking new product has been an unqualified success. It can extend the lifespan of refractory linings by up to six times – double the initial request.

Plants using the solution have been able to reduce maintenance downtime and record savings in energy and production costs. Many end-customers have reported significantly higher productivity ratios at their plants and are rolling out the solution to facilities across the globe.

The customer is now marketing the IMCD-developed product worldwide. Order volumes to IMCD have now grown to 2,000 tonnes a year and are projected to expand further over the coming years in line with demand increases across the sector through to 2050.

"Repairs to a small part of any kiln – covering 10% – can halt production and lead to expensive downtime. IMCD's innovative solution supports sustainability and value gains in terms of lower costs, better return on investment and less waste."

Adrian Alonso Garcia
IMCD Product Manager & Business Development Manager, Material Technologies

Advanced Materials

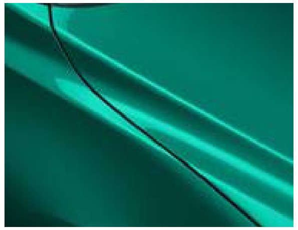
At IMCD Advanced Materials, we work with world-class suppliers to assist our customers in unlocking the potential of next generation materials and applications.

We serve three sectors: converters, compounders and composites. And work with customers in 23 market segments, including automotive, medical and packaging. Our team has extensive expertise in the nuances of each industry, enabling us to offer market insights, technical assistance, and application support tailored to each customer's unique needs.

At over 40 countries, 18 product categories, and 22,000 customers, we provide our partners with the competitive edge they need to succeed. With efficient, sustainable, and innovative solutions, we are committed to helping them reach their goals. Our expertise and presence give them the tools they need to take their products to the next level.

A selection of the market segments we serve

Building & construction



Automotive

Medical & healthcare

Wire & cables

Packaging

Marine

Transportation

Industrial

Sports & leisure

Consumer goods

Home appliances

Electronics

A SUSTAINABLE TOMORROW

TRENDS THAT IMPACT OUR INDUSTRY

Circular economy

Our industry is committed to transitioning to a more circular model, exploring alternative raw materials and investigating ways to reuse and recycle to reduce environmental footprints. We're joining forces with our partners to develop solutions which create products that are reusable, reducing waste, cutting down on weight. Making items more recyclable, reducing CO_2 output, and using renewable and bio-based materials.

Future of mobility

The automotive industry is undergoing a rapid transformation, driven by increasing energy efficiency, advances in Artificial Intelligence, changes in consumer preferences, and environmental concerns. We are confronting the challenges associated with new habits, applications, and technologies in order to deliver the most viable solutions for lightweighting and augmented mobility electrification.

Read more >

IMCD ADVANCED MATERIALS

CASE

How a new regulation became an **opportunity for growth**

As global awareness of health and environmental standards grow, we see increased demand for innovative products to comply with regulatory changes.

PVC – or polyvinyl chloride – is a one of the most widely used polymers. Although it has a variety of applications, stabilisers must be added during processing, so the end-products are resistant to external factors such as heat and sunlight.

Lead is a longstanding PVC stabiliser. It delivers excellent results and has a long service life. However, the metal's adverse effects on health and the environment have prompted policymakers to mandate alternative stabilisers for industrial and consumer use.

IMCD works to anticipate market trends and regulatory developments so that we can provide our customers with tailor-made solutions that address their needs.

Successfully implementing PVC stabiliser solutions
As the regulatory framework in Thailand evolves, our local team has been proactively developing alternative stabilisers for PVC products. Customers likewise want new product lines that assure business continuity, strengthen market share and improve their sustainability profile.

In this case, IMCD partnered with a key customer to develop regulatory-compliant PVC potable water pipe in the country.

At the outset, the customer was concerned about how new stabilisers might perform in the real world. Potentially higher prices for a new formulation could also dampen business demand that was already suffering from the impact of Covid-19.

The IMCD team worked to allay these apprehensions during product development. Due to coronavirus restrictions, we supported the customer remotely during product trials, offering assistance via video conferencing, whilst remaining on standby throughout.

Improved product performance
The resulting lead-free PVC stabilisers fare better than competitors' products, with dosages that are 15-20% lower. Our customer has received a new licence to produce TIS-compliant PVC drinking water pipes. End-customers have conveyed their satisfaction with the new product and are in a position to meet growing category demand.

We now aim to explore new opportunities for this stabiliser in other PVC applications as the market shifts towards sustainable solutions.

"Businesses must continually adapt to evolving market dynamics if they are to maintain their social licence to operate. We are proud to have been able to work alongside our customer to create a new opportunity for a product that respects the environment."

Wasan Pattarapuree
Senior Sales Manager,
IMCD Thailand

Strategy & Business

As a leader in global distribution and formulation of speciality chemicals and ingredients we take our responsibility in shaping a sustainable future for all very seriously.

IMCD is a trusted partner for major leading speciality chemical and ingredient producers. Our product portfolio is remarkably broad and deep, enabling us to offer a wide range of solutions to our customers. Our position in the supply chain and our broad access to knowledge and solutions enables us to accelerate innovation processes for our business partners.

Our culture

Governed by strong principles and driven by our company values we create an environment that allows all employees to excel. In an entrepreneurial business like IMCD, where freedom to act is key, we promote collaborative employee behaviour and open communication so that we can effectively and swiftly grasp opportunities. Our values cut across borders, languages and cultures and are the same everywhere, always.

Together we have defined our strong values. A recent employee survey showed that IMCD employees identify with entrepreneurship, freedom to act, integrity and trust, partnership, and financial discipline as drivers of their actions.

Entrepreneurship is one of our core values, which we apply in identifying business opportunities, attracting, and selecting employees and entering partnerships with new suppliers and customers.

Senior management fully supports a culture where freedom to act is encouraged. Clear business principles and an excellent cloud-based digital infrastructure foster sound decision-making. Our commercial, innovative mindset is nurtured by our value **freedom to act**.

IMCD enjoys longstanding relationships with speciality chemical and ingredients suppliers all over the world. The value of **partnership** is paramount to our business and enables us to create opportunities for our customers. This can only be done transparently, with mutual understanding, and acknowledging local culture and co-creating solutions to answer specific consumer needs. Our skilled employees are trained to listen and seize opportunities when they arise.

Integrity and trust are values we expect from ourselves and each other. Together with our partners we rigorously enforce ethical business practices and create a healthy diverse and safe work environment for all. Our global code of conduct ensures that we operate at the highest standards, always and everywhere.

Through financial discipline, we meet and exceed our financial goals. IMCD pursues accurate transparent financial reporting using a global integrated business information system, in which we rapidly integrate our newly acquired companies. We are aware of the financial impact of all our business decisions.

Value creation

As a global distributor and formulator of speciality chemicals and ingredients we add commercial and operational value to the company and its business partners. Our application laboratories are continuously developing sustainable solutions to answer customers' requirements. Adapting to their changing needs and embracing new technologies creates value for our partners.

On the next page, IMCD's value creation model shows how the group uses the resources, capabilities, and expertise at its disposal for the benefit of its stakeholders.

Our Value creation

Input

Financial

€ 770,1 million
Working capital

1.7
Net Debt / Operating EBITDA

Infrastructure

8 business groups
3 regions
109 offices
135 warehouses
73 laboratories

Intellectual

48,000
products

Human

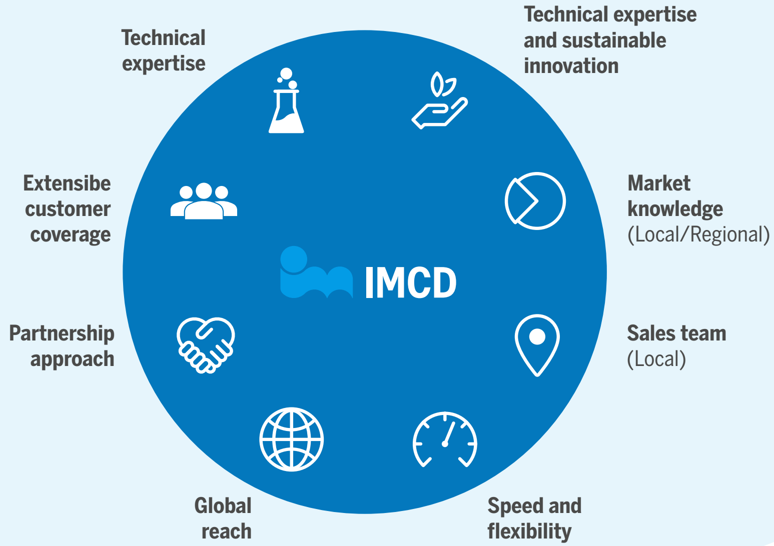
4,323
employees
47% men, **53%** women

Social & relational

60,000
customers

3,000
suppliers

Mission and Vision



Trends, Governance and Risks

Creating a world of opportunity

At IMCD, we create a world of opportunity for our partners. It is our way of being, working and why we are able to surpass expectation in everything we do. As our proposition, it encapsulates the diverse nature, breadth and depth of opportunities created for stakeholders when engaging with us. It is our purpose, our mission and connects us under one common goal – to see beyond what is, to what will be.

Output

26%
Organic gross profit growth

7%
Acquisition gross profit growth

12.0%
EBITA margin

28%
EBITA CAGR (5 years)

€ 4.6 billion
Revenue

51%
Earnings per share growth

€ 2.37
Dividend per share

Outcome

Environment

People

Product

Governance

Financial resilience

Impact

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Our strategy

IMCD creates value for its stakeholders through sustainable growth of its revenues. Results are driven by organic growth and by strategic acquisitions when opportunities arise.

First and foremost, IMCD strives to increase market share for the suppliers it represents. In addition, IMCD uses its market intelligence and technical expertise to identify opportunities to grow its business across different business sectors. Our long-term strategy is in line with the ongoing consolidation of our formulatory expertise and the distribution market of speciality chemicals and ingredients. Manufacturers are increasingly looking to outsource to a select number of multi-territory partners.

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

Growth strategy execution

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

- Diversified and resilient business model
- Commercial and operational excellence
- Skilled professional team of technical experts
- Technical centres and application laboratories
- Committed management team
- Cloud-based digital infrastructure
- Superior margin and cash conversion
- Ability to deliver organic and acquisition-led growth

Organic growth

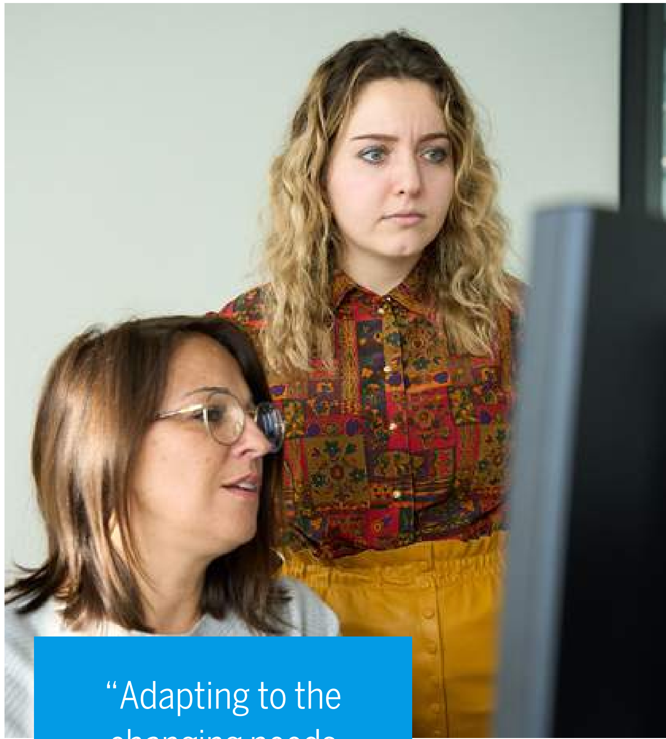
IMCD's organic growth strategy has four main drivers:

- Increasing market share by outperforming competitors through commercial and operational excellence
- Investing in product and formulation know-how
- Expanding with existing suppliers into additional geographies and adding new suppliers and products to the portfolio
- GDP growth in the different geographies where IMCD operates

Acquisition growth

IMCD benefits from a highly fragmented distribution market and continuing consolidation trend, largely driven by suppliers looking to optimise their sales channels. Since its formation, IMCD has acquired more than 70 companies, resulting in a broad global geographical footprint. Using its extensive network and in-depth market knowledge, IMCD pursues strategic acquisition opportunities to further expand and enhance its business model in both developed and emerging markets. Finding suitable acquisition targets is an ongoing process that involves ensuring the right cultural and business alignment.

IMCD has strict acquisition criteria that are based first and foremost on identifying a strategic fit that provides a platform for further growth, both geographical and in terms of complementary product markets. Acquisitions are always subject to sufficient management attention being available, and to IMCD's requirements for maintaining a strong balance sheet while limiting financial and operational risks.



"Adapting to the changing needs and embracing new technologies, create value for our partners."

The primary aim in all acquisitions is to support sustainable added-value growth for IMCD's suppliers and customers. Barring exceptional circumstances,

an acquired company should be able to contribute to IMCD's cash earnings per share from the date of acquisition. Most of our acquisitions are financed by our own strong cashflow and flexible loan facilities.

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

Opportunities, risks and resilience

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

Opportunities and focus areas

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

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

Equipped with the knowledge and formulation expertise of our suppliers we anticipate trends, challenges, and innovations. Marketing is closely connected with MyIMCD portal and IMCD's commercial teams to ensure adequate and quick response to the customers' needs.

Risks and resilience

The ability to pro-actively respond and adapt to changing circumstances and demands from both the market and society is a prerequisite for the success of IMCD's long-term strategy to create sustainable growth and value for its stakeholders. IMCD operates in different, often fragmented market segments in multiple geographic regions, connecting many customers and suppliers across a very diverse product range. In general, results are impacted by macroeconomic conditions and developments in specific industries, as well as by the ability to maintain and expand commercial relationships and the timing, scope, and impact of acquisitions.

IMCD is financially resilient because of its extensive geographical and market presence and its large number of suppliers, customers, and products. IMCD's resilience is enhanced by its outsourced supply chain infrastructure and asset-light business model. IMCD's financial resilience is backed by a capital structure that is focused on flexibility, a strong balance sheet, and limited risk.

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

Management approach

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

Sustainability approach

Our approach to sustainability responds to the global challenges for our planet and society as a whole and is embedded in IMCD's business model. It tackles the most material topics to our business and our stakeholders and translates our overall sustainability efforts into tangible goals.

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

In addition, IMCD's sustainability priorities support at least four of the United Nations Sustainable Development Goals (SDGs), in line with the Chemical Sector SDG Roadmap. We have incorporated clear targets into our sustainability reports and finalised our commercial approach related to these targets.

Since 2021, IMCD'S sustainability reporting is GRI compliant. In 2022 IMCD became a formal signatory to the UN Global Compact and our first Communication on Progress was published in in the same year. In 2022, IMCD became a member of Together for Sustainability (TfS), a joint sustainability initiative and global network of the chemical industry to shape the future of chemical supply chains.

IMCD has embarked on a journey to build a solid sustainability management system and has adopted the EcoVadis platform to engage with our supply chain partners, analyse our sustainability performance and identify areas for improvement. In 2022, IMCD Group was awarded a gold rating by EcoVadis for the second time. EcoVadis assessed the sustainability performance of the IMCD Group in four key areas, being Environment, Labour and Human Rights, Ethics and Sustainable Procurement. With this result, IMCD Group is in the top 5% of over 100,000+ active companies working with this programme. The gold rating reassures our business partners that IMCD meets the sustainability standards in all areas of its business. It also affirms that we are making progress in our sustainability effort for continuous improvement.

Furthermore, in 2022, IMCD expanded its collaboration with EcoVadis via TfS to implement tools for supplier evaluation and a framework of shared infrastructure which will add value to our business partnerships. We started engaging with our partners to build more sustainable, transparent, and resilient supply chains.

In 2022, IMCD received a Sustainalytics ESG Risk Rating of 13.8, ranking IMCD among the best of 180 international peer companies in trading and distribution.

IMCD has well-established sustainability governance structure. IMCD's sustainability agenda and strategy are set by its Management Board, which also reviews and approves the organisation's Sustainability Report and ensures that all material topics are covered. The Supervisory Board oversees, monitors, and advises the Management Board on the Environment, Social and Governance (ESG) issues that are relevant to the business and IMCD's strategy for achieving its sustainability agenda. The day-to-day sustainability aspects of IMCD's operational activities are managed by the business groups and the countries. Group Departments such as Health, Safety, Environment, Quality and Regulatory (HSEQR) & Sustainability, Global Supply Chain Management, Global Human Resources and Corporate Affairs & Compliance, led by the respective Directors, are responsible for coordination, global policies and the strategic direction, and they report directly to the Management Board. Key sustainability topics are identified in consultation with external and internal stakeholders, assessed by the Management Board, and monitored at group level by IMCD's Group Sustainability Task Force, which is responsible for matters related to the environment, safety, health, quality, regulatory compliance, sustainability, supply chain management, human resources, and legal and corporate affairs. The members of the Group Sustainability Task Force are functional leaders who work together to assure sustainability integration in all areas of our business and who advise the Management Board.

Key sustainability areas

Materiality assessment

In the end of 2021, IMCD renewed its materiality assessment to identify the most relevant environmental, social, and governance (ESG) topics for the organisation to manage, in accordance with GRI Standards. The materiality assessment was undertaken by engaging key internal and external stakeholders and applying the double materiality principle, which takes a forward-looking perspective. Topics were determined through desk research on ESG reporting frameworks, ESG ratings, disclosure standards, trend reports, and a comparison with IMCD's peers and current initiatives. The list of topics was refined through internal discussions on the topics' risks and opportunities.

Once the list of material topics was established, stakeholder relevance on the topics and business impacts was assessed. During all activities, feedback on the materialities was requested to validate the list of material topics and their definitions. The relevance to stakeholders was assessed in interviews with a selection of IMCD's senior management and principal partners, in a workshop with internal stakeholders who gave by-proxy insights for IMCD's stakeholders (customers, principal suppliers, IMCD staff, and investors) and through additional desk research on involving a selection of customers, principal partners, investors, public organisations and peers. The material topics' impacts were assessed in an additional workshop during which the working group members discussed and rated the outside-in and inside-out impacts. This latter step was performed to comply with the concept of double materiality in line with the GRI Standards. The material topics were mapped in IMCD's new materiality matrix.

The IMCD Sustainability Task Force identified four key pillars for promoting sustainable practices: Environment, People, Product, and Governance.

To ensure effective management, the material topics were organised under these four pillars. Each material topic was further classified and prioritised as:

- Core focus areas for acceleration
- Sustainability enablers
- Areas to monitor.

The identified focus areas for acceleration include Sustainable Solutions, Supply Chain Decarbonisation, and Talent Attraction and Retention.

IMCD continuously strives to improve and accelerate its sustainability efforts. As such, the company is constantly assessing and adjusting the relevance of its material topics to ensure they align with its business scope, the interests of its stakeholders, industry regulations and standards, and global trends. IMCD conducts updates of the materiality assessment every two-three years.

CATEGORIES FOR FOCUS AND EFFECTIVE MANAGEMENT

Core focus areas for acceleration
Materialities for strategic focus and differentiation

Sustainability enablers
Materialities that put the company in the right position to address the core focus areas

Areas that are important to monitor
Materialities that should be actively monitored in order to meet compliance standards and to mitigate risk

ENVIRONMENT
1. Supply Chain Decarbonisation (Core focus)
2. Climate Strategy
3. Eco-Efficient Operations

PEOPLE
4. Talent Attraction & Retention (Core focus)
5. OHS & Well-Being
6. Diversity, Equity & Inclusion
7. Community Care
8. Labor Practices & Human Rights

PRODUCT
9. Sustainable Solutions (Core focus)
10. Safe Handling & Distribution
11. Sustainable Procurement
12. Digitalisation

GOVERNANCE
13. Ethics & Governance
14. Cybersecurity

Sustainable Solutions

The Sustainable Solutions Framework Programme is IMCD's market-oriented programme to promote greener products through its supply chain. The programme leverages IMCD's market intelligence, technical expertise, extensive lab infrastructure, and product knowledge to create a comprehensive green products catalogue. With 70+ laboratories, IMCD further supports its suppliers and customers in product stewardship, and develops innovative, high-performance, sustainable formulations. IMCD's scientists and technical teams analyse market trends and new technologies, share their technical expertise and product formulations, process and application knowledge to support the sustainable innovations of both its suppliers and customers. The Sustainable Solutions Programme allows our customers, our suppliers, our team and our other stakeholders to make informed sustainable decisions throughout their product creation.

IMCD's goal is to roll out the programme to all Business Groups worldwide by the end of 2023. A pilot was successfully launched in the Advanced Materials Business Group in 2021. In 2022, the learnings were applied in the other Business Groups with focus on their market context and product nature. To achieve this, our eight Business Groups all conducted extensive research into the major trends, regulation, and opportunities relating to sustainable solutions.

Supply Chain Decarbonisation

To accelerate this focus area, IMCD launched its Supply Chain Decarbonisation Programme in 2022 with the aim of reducing GHG emissions across the supply chain. In IMCD's business model logistics are largely outsourced. Therefore, the Supply Chain Decarbonisation Programme is focused on our third-party logistics service providers (3PLs) because they make up the part of the supply chain that IMCD can influence. The Scope 3 emissions that we report are based on our 3PLs' carbon footprint. In close cooperation with our logistics service providers, we strive to reduce carbon emissions through efficient routing, optimisation of the volume-mileage ratio and implementation of sustainable transport modes.

IMCD's corporate supply chain team, in close cooperation with local supply chain managers, is dedicated to continuously optimising processes by means of advanced techniques such as mathematical modelling, statistical analysis, and data mining. By analysing and identifying areas for improvement, the team is able to implement changes that increase efficiency, reduce costs, and improve customer service. This holistic approach to supply chain management not only benefits the environment but also enhances the company's overall performance and competitiveness.

Talent attraction and retention

IMCD prioritises its people as its biggest asset and places strong emphasis on talent attraction and retention. The majority of IMCD's employees have expertise in industrial specialty chemicals or food/pharma/personal care ingredients and work in commercial roles such as sales, marketing, and product management. IMCD is a flat organisation with locally delegated decision-making. Talent attraction and retention is a core focus area for IMCD as it plays a crucial role in executing the company's business strategy and nurturing its core values.

To attract and retain top talent, IMCD focuses on providing opportunities for professional development and career advancement, as well as fostering a positive and inclusive work culture. The company also places great store by clear communication and transparency in its recruitment and retention efforts. Additionally, IMCD takes a broad approach to examining employee turnover, including all voluntary leavers, terminations, redundancies, retirements, and all other reasons for employee turnover except in the case of divestitures, to gain a better understanding of the company's turnover rate. With this approach, IMCD aims to continuously

Key pillars in which IMCD strives to stimulate sustainable practices

improve its talent attraction and retention strategies to ensure the company's long-term success.

Sustainability initiatives and collaborations

IMCD is a committed participant in various external sustainability initiatives, networks, and platforms. Some examples are listed below. A more extensive list of IMCD's main memberships of industry and other associations can be found on IMCD's website.

Together for Sustainability (TfS)

Together for Sustainability (TfS) is a joint sustainability initiative and global network of the chemical industry. Founded in 2011, and with members of world-leading chemical companies, it has grown into a global standard for ESG performance in chemical supply chains.

By having joined TfS in 2022, IMCD now has access to a procurement-driven network of global companies working together to create global solutions and robust tools that tackle sustainability issues in the supply chain. All members of TfS have full access to this global network of assessed and audited suppliers. TfS members benefit from efficiencies in sustainable procurement and towards their own sustainability goals. Suppliers benefit from exposure to a pool of chemicals buyers with an annual purchasing power of over EUR 300 billion.

As a new member, IMCD will contribute to TfS as an important link in the chemical supply chains between principal suppliers and customers. We bring knowledge of market trends and customer demands - especially the SMEs segment - and we work towards sustainable logistic services by providing input to the Product Carbon Footprint (PCF) data from the transport and logistics.

EcoVadis

As participant in TfS, IMCD Group and several group companies undergo annual assessments by EcoVadis, a leading sustainability rating provider that promotes transparency and sustainability in global supply chains. IMCD is proud to have achieved for the second time group-level Gold recognition in 2022.

In addition, 2022 was a year of growth and improvement for our sister companies, which were also able to increase or maintain their individual EcoVadis scores. In 2022, the outstanding efforts from IMCD France, Germany, and Italy were awarded with a platinum rating, placing them among the top 1% performers assessed by EcoVadis in the chemical distribution industry. IMCD Benelux, Canada, Finland, Poland, Spain, Sweden, UK, US, and Brazil were awarded with a gold level recognition. Moreover, our offices in Norway and South Africa achieved silver. Assessments of some other significant IMCD companies such as IMCD India are expected to further add to our honours list of sustainable offices.

Achievements by country

SILVER 2022 ecovadis Sustainability Rating — **Top 25%**

Norway
South Africa

GOLD 2022 ecovadis Sustainability Rating — **Top 5%**

Benelux
Brazil
Finland
Group
Poland
Spain
Sweden
U.K
US LLC

PLATINUM Top 1% 2022 ecovadis Sustainability Rating — **Top 1%**

Canada
France
Germany
Italy

Sustainalytics' ESG Risk Rating

Sustainalytics, a Morningstar Company, is a leading independent ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies.Its ESG Risk Ratings measure a company's exposure to material industry-specific ESG risks and how well a company is managing those risks.

In 2022, IMCD received a Sustainalytics ESG Risk Rating of 13.8, ranking IMCD among the best of 180 international peer companies in trading and distribution.

Roundtable on Sustainable Palm Oil

IMCD is a proud member of the Roundtable on Sustainable Palm Oil (RSPO), a non-profit organisation that unites stakeholders from seven sectors of the palm oil industry, aiming to develop and implement global standards for sustainable palm oil. In 2022, 40 IMCD entities had joined IMCD's group membership.

Responsible Care and Responsible Distribution

Most of IMCD's operating companies take part through local associations in the Responsible Care or Responsible Distribution programmes of the International Council of Chemical Associations (ICCA). These operating companies have stated that they are committed to the ongoing development and observance of the guidelines laid down in the global programme covering eight guiding principles.

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

United Nations Global Compact

IMCD supports the Ten Principles of the United Nations Global Compact (UNGC), the largest corporate sustainability initiative in the area of human rights, labour, environment, and anti-corruption. These principles are embedded in IMCD's culture and values and have been included in the Group's policies and procedures over the past years. As of February 2022, IMCD is a formal signatory to the UN Global Compact.

Sustainable Development Goals

A selection of leading chemical companies and industry associations initiated the process of translating the United Nations Sustainable Development Goals (SDGs) into a Chemical Sector SDG Roadmap (published in July 2018 under the guidance of the World Business Council for Sustainable Development). IMCD has aligned its sustainability priorities with targets related to at least four of the SDGs that the chemical sector identified, as summarised on this page.

To contribute to these goals, we focus on reshaping our product portfolio and optimising our own operations. In addition, we support local initiatives through which we can impact the daily lives and futures of the people who live in the local communities where IMCD operates. More information on this can be found in our Sustainability Report 2022.

3. Good Health and Well-Being
8. Decent Work and Economic Growth
12. Responsible Consumption and production
13. Climate Action

Formulatory expertise driving innovation

Our extraordinary team of scientists and chemists have decades of tenure and experience in application and product development – leading-edge experimentation and formulation is second nature to them.

They inspire customers and trend-setting brands with IMCD-created solutions powered by a product portfolio comprised of best-in-class materials and chemistries from our world-renowned supplier partners. There is a critical demand for constant innovation. Our application laboratories cultivate an environment for our technical experts to co-create with customers – thus enabling them to perceive our team as an extension of their business. This is a great differentiator.

Satisfying the demand for innovation

Staying ahead of trends is a must for the Beauty & Personal Care team. Their passion to serve the industry stems from the team's pursuit of shaping tomorrow's beauty. When embarking on a new project, market intelligence is critical, but as Danielle Wheeler, Americas Technical Director for Beauty & Personal Care passionately communicates, "I am constantly encouraging my team to look beyond what's being done in our industry."

One of the projects she is most proud of is the Biotech Beauty concept, inspired by the science applied in vegetable-based foods or, similarly, plant-based leather used in fashion. "We developed a series of prototypes that achieved sustainability through science and technology," Danielle adds.

In 2022, Biotech Beauty was adapted across the Americas. Technical experts in each country assessed local trends and demands, then deployed their technical abilities to bring the concept to life. The adaptation of Biotech Beauty displayed the breadth of IMCD's global network of experts and laboratories working collaboratively to satisfy the demand for innovation.

Performance

The year 2022 is characterised by difficult geopolitical and macroeconomic conditions. The business was impacted by increased volatilty in the customer demand, supply chain disruptions, shortages of materials and strong price increases. Nevertheless, we delivered strong results. All regions delivered double digit organic EBITA growth numbers in 2022.

In addition, we realised substantial acquisition EBITA growth, which is the result of acquisitons completed in 2022 and of the full year impact of acquisitions completed in 2021. We achieved successes in the further execution of our strategy, with acquisitions in Latin America, India, Mexico, Brazil, Japan, China, Australia/New Zealand, United Kingdom and Southeast Europe countries.

Developments 2022

The year 2022 was another challenging year, with strong growth in a volatile environment. Geopolitical tensions, including the war in Ukraine, are affecting the global economy, which just recovered from the COVID-19 impacts. The shock of the war is driving energy prices, causing uncertainty and depressing the growth of world trade. Global economic growth numbers were modest in 2022 and the global economic outlook for 2023 will remain challenging.

In 2022, inflation rates were initially high mainly due to exceptionally high energy prices, but more and more also driven by increased prices of other goods and services. Labour markets are tight again, immediately after the COVID-19 recession, with staff shortages being felt across the various economies.

Despite the continuing challenging market circumstances, the financial resilience provided by IMCD's multi-market and geographical coverage, combined with its diversified supplier and product portfolio, have enabled IMCD to deliver strong results in 2022. Our teams demonstrated collaboration and entrepreneurship and by further building on our long-standing partnerships with our suppliers, customers and logistics partners, further strengthened our performance.

Commercial and organisational

IMCD's strategy centres on deepening and extending its pan-European network and expanding its base in the America, Asia-Pacific and the Middle East & Africa. Part of this strategy is to strengthen and intensify the relationships with our major suppliers and to use our network to start-up new distributorships and offer pan-regional services. This strategy is supported by having operating companies with well-trained people in most countries we work in supported by technical application laboratories and an integrated and modern IT system (commercial, distribution and financial). We further continue to strengthen our market groups and technical capabilities to manage our strongly increasing business and to exploit group synergies.

The number of employees increased from 3,740 at the end of 2021 to 4,323 as at the end of 2022. The increase in our well diversified and highly qualified employee base further facilitated business growth in all regions. As IMCD considers its human capital as most valuable asset, we are closely monitoring staff attrition levels per region, per country, per function, per gender and per management level. Flight risk reduction is managed by attractive compensating schemes and career development opportunities.

As training and development opportunities are effective ways of realising employee engagement and commitment, we continue to enable our employees development via our digital e-learning platform as well as through business group specific courses in our offices and technical trainings, product seminars and formulation meetings in our laboratories.

To support customers' technical needs, IMCD operates 73 application laboratories, spread across the world, sharing detailed application knowledge relating to its comprehensive speciality ingredient portfolio from leading supplier partners. Together with IMCD's business partners, IMCD's technologists are developing innovative application concepts. IMCD's state-of-the-art laboratory facilities also play an important role in training and sharing knowledge with the IMCD sales force, ensuring they stay abreast of market trends and developments and fully understand the functionalities and characteristics of the products in the portfolio.

During 2022, IMCD opened a number of new technical centers supporting the various business groups, (Food & Nutrition, Beauty & Personal Care, Coatings and Construction, Lubricants & Energy, Home Care and I&I) in the different regions. Newly opened laboratory facilities are located in the UK, Sweden, Belgium, Türkiye, the USA, Mexico, India, Bangladesh and Malaysia.

Digitalisation and IT

In 2022, we made further progress with building on our omni-channel marketing approach and with the further digitalisation of our business processes. Digitalisation helps us increasing the value for customers, suppliers as well as for IMCD. Digitalisation changes the way we interact with customers, principals and how we work internally.

Digital marketing, nowadays, is a key element of our commercial activities supported by our digital tools. Through digital marketing, we reach prospects and customers looking for relevant products and services and we target prospective leads to promote our product portfolio and the technical services we offer. We measure customer behaviour and interests by using marketing automation tools and data analytics on our IMCD and affiliate websites.

This data is used to continuously improve our efforts and to serve our prospects and customers in the best possible way, while providing the sales teams with actionable insights.

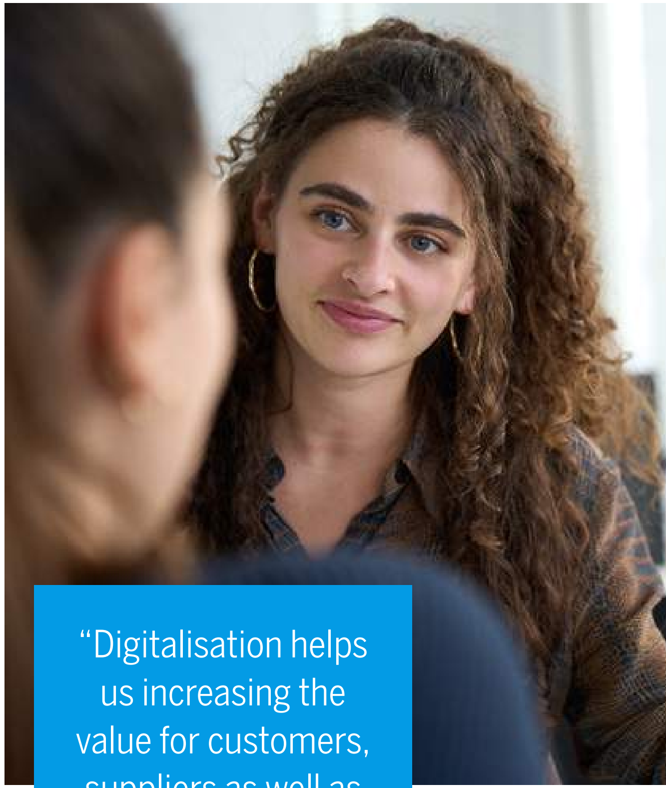
Leaded by the digital steering team, the global digital marketing team and the local digital marketing managers collaborate in IMCD's global marketing network, sharing best practises and learnings. In addition, various training programs for digital marketing managers have been rolled out.

In 2022, we continued the roll-out and the scale up of the MyIMCD portal, our commercial business platform. MyIMCD provides connectivity between systems and software internally and where possible with suppliers, customers and third party logistics service providers to exchange data and documents on real-time basis. The platform is available to all entities in the group which are on-boarded on our global ERP, global product information system and content management tool. We continue to focus on the further on-boarding of customers and expanding the (24/7) services offered by the platform. Improving data completeness, quality and enrichment, providing trainings and organising campaigns are topics which are high on our digitalisation agenda.

In addition, we further enhanced our Business Analytics tool (Tableau CRM) that makes data and information from all relevant business applications visible and actionable.

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

In addition to the roll-out and further enhancements of IT systems, we pursue to optimise our IT governance. In 2022, we further strengthened our back-up facilities, hardened systems, performed penetration tests and invested in additional security tools. We will continue to work on cyber security awareness, by means of mandatory trainings and awareness creation sessions, as well as phishing tests.



"Digitalisation helps us increasing the value for customers, suppliers as well as for IMCD."

Sustainability

In June 2022, IMCD published its fourth Sustainability Report, providing a comprehensive overview of its energy consumption, water and waste management, and greenhouse gas emissions for the year 2021. The report was GRI compliant and covered a wider geographical scope and utilised advanced methodologies and additional disclosures compared to the previous year. IMCD continues to improve its data recording and collection processes to provide a future integrated global report that is compliant with the Global Reporting Initiative (GRI) standards.

Additionally, IMCD became an official signatory to the UN Global Compact and our first Communication on Progress (CoP) was published. The Global Compact is the world's largest corporate sustainability initiative, and IMCD's participation in it is aimed at raising awareness and action in support of achieving the Sustainable Development Goals by 2030. Through the CoP, IMCD is transparently reporting on the progress it has made towards fulfilling its commitments and highlighting areas for further improvement.

In 2022, IMCD became member of Together for Sustainability (TfS), a joint sustainability initiative and global network of the chemical industry to shape the future of chemical supply chains. IMCD Group has been awarded for a second time a gold rating by EcoVadis, which placed us in the top 5% of over 100,000+ active companies working with this programme. The gold rating reassures our business partners that IMCD meets the sustainability standards in all areas of its business. It also affirms that we are making good progress in our sustainability effort for continuous improvement.

Furthermore, in 2022, IMCD expanded its collaboration with EcoVadis via TfS to implement tools for supplier evaluation and a framework of shared infrastructure across the globe which will add value to our business partnerships. We started an engagement with our partners to build more sustainable, transparent and resilient supply chains. In 2022, IMCD received a Sustainalytics ESG Risk Rating of 13.8, ranking IMCD among the best of 180 international peer companies in trading and distribution at that time.

Regarding IMCD's sustainability focus areas for acceleration, the Sustainable Solutions programme was further developed in 2022 through the research and definition of the product categories of each Business Group according to their market context and product nature. In addition, the Supply Chain Decarbonisation programme was launched with the aim of reducing IMCD's Scope 3 GHG emissions across its supply chain, and we strengthened our third-party screening by partnering with EcoVadis and TfS. Finally, in November 2022, we launched our first Global Pulse survey to measure the engagement levels of all our employees and seek for the continuous improvement of our Talent Attraction and Retention strategy.

Acquisitions

As a group we remain focused on aligning ourselves with industry leaders, grow our market share organically and through selected acquisitions, and continue to optimise our business model.

In the execution of its strategy to create sustainable growth for its stakeholders, IMCD completed the acquisition of eleven businesses in 2022. In addition to these closed transactions, IMCD signed two share purchase agreements which will be closed in 2023.

On 18 January 2022, IMCD acquired 100% of the shares in Shanghai Syntec Additive Limited and Shanghai Weike Additive Limited (jointly "Syntec"). Syntec provides market, technical and formulation expertise in China's personal care, cosmetics, and home care industries. Syntec generated a revenue of approximately EUR 17 million in 2021 and has 25 employees.

On 31 January 2022, IMCD acquired 100% of the shares of RPL Trading Pty Ltd and RPL Trading New Zealand Ltd. (jointly "RPL Trading"), a speciality chemicals distributor focused on services and formulation expertise for customers and partners in the home care and water treatment markets. RPL Trading generated a revenue of approximately EUR 16 million for the fiscal year ended on 30 June 2021 and has 15 employees.

On 8 February 2022, IMCD acquired 100% of the shares in Polychem Handelsges.m.b.H. ("POLYchem"), a leading provider of chemical raw materials and additives in Austria and Southeast Europe. POLYchem offers a diverse portfolio of products for the coatings, construction, and composite industries. POLYchem has 65 employees and generated revenue of EUR 28 million in 2021.

On 28 February 2022, acquired 100% of the shares in Aquatech Speciality (Shanghai) International Trading Co., Ltd. and Aquatech Speciality (Guangzhou) Trading Co., Ltd. (jointly "Aquatech") in China. Aquatech is active in waterborne solutions in coatings, ink, and textile industries. Aquatech has 10 employees and generated a revenue of EUR 6 million in 2021.

On 2 March 2022, IMCD acquired 100% of the shares in Evenlode Foods Ltd ("Evenlode") in the UK. Evenlode is active in speciality food and beverage ingredients throughout the UK and Ireland. Evenlode has 5 employees and generated a revenue of EUR 8.5 million in 2021.

On 4 March 2022, IMCD acquired 100% of the shares in speciality chemicals and ingredients distributor Polyorganic® Tecnologia Ltda ("Polyorganic"). Headquartered in São Paulo, Brazil, Polyorganic is active in the household, industrial and institutional (HI&I), water treatment industry and other industrial markets segment in Brazil. In 2021, Polyorganic generated a revenue of approximately EUR 12 million.

On 22 March 2022, IMCD acquired 100% of the business and the subsidiaries of Quelaris Internacional S.A. ("Quelaris"). Quelaris is a Latin America regional raw material distributor with offices in Colombia, Costa Rica and Peru and has a strong presence in the polyurethane, coatings, adhesives, rubber and other industrial markets throughout the region. With 46 employees, Quelaris generated revenue of approximately EUR 44 million in 2021.

On 7 September 2022, IMCD acquired 100% of the shares in speciality distribution company, Kuni Chemical Co., Ltd ("Kuni Chemical"). Kuni Chemical specialises in industrial applications, ranging from coatings and construction to automotive and packaging materials. The company, based in Osaka, generated a revenue of approximately EUR 18 million in 2021 and has 28 employees.

On 15 September 2022, IMCD acquired 100% of the shares in PromaPlast Resinas, S.A. de C.V., Proveedora de Materiales Plásticos, S.A. de C.V. and PromaPlast USA Inc. (jointly "PromaPlast"). PromoPlast has a highly diversified product portfolio of resins and compounds to serve the Mexican and U.S. Markets. In 2021, PromaPlast generated a revenue of approximately EUR 65 million.

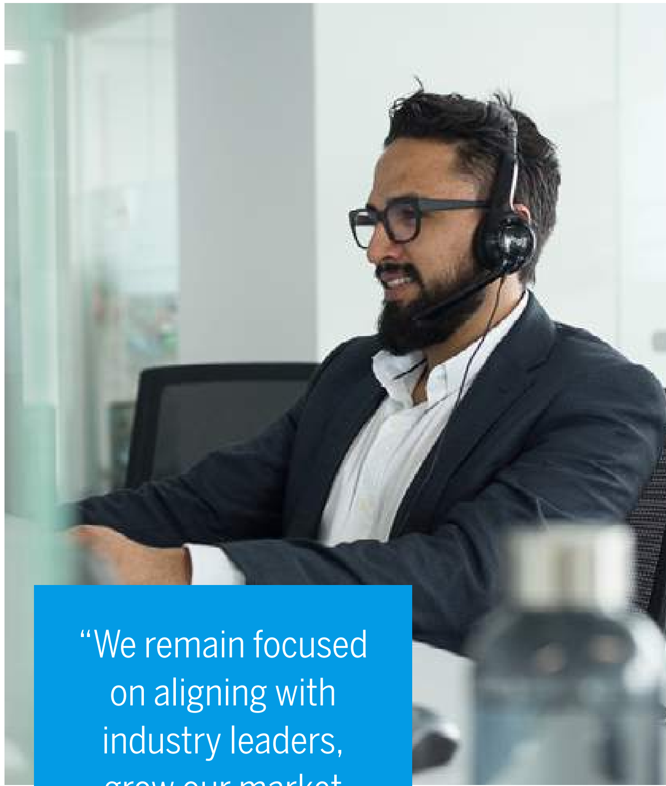
On 1 December 2022, IMCD acquired 100% of the shares of Welex S.A. Holdings Limited and certain related business ("Welex"), based in China. Welex focuses on industries covering coatings and inks, textiles, additives for speciality compounding, and agrochemicals. Welex generated a revenue of approximately EUR 39 million in 2021 and has 68 employees across China.

On 16 December 2022, IMCD acquired 100% of the shares of Parkash DyeChem Private Limited ("Parkash DyeChem), based in India. Parkash DyeChem is an asset light speciality chemical distributor serving the coatings and construction segments as well as personal care and advanced materials markets. Parkash DyeChem generated a revenue of approximately EUR 30 million in 2021 and has 60 employees in India.

In addition to the transactions closed in 2022, IMCD signed two agreements.

On 31 October 2022, IMCD signed an agreement to acquire 100% of the shares in Shanghai Sanrise Industries & Development Co., Ltd. ("Sanrise"), one of the leading distributors in the personal care markets in China. Sanrise offers a wide range of personal care and industrial solutions with a key focus on personal care applications. With approximately 60 employees, Sanrise generated a revenue of approximately EUR 90 million in 2021. The transaction will take place in two tranches, with first 70% of Sanrise's share capital and the remaining 30% to be acquired in 2025. The transaction is expected to be closed in the first quarter of 2023.

On 16 February 2023, IMCD signed an agreement to acquire 100% of the shares of CPS Chemical Oil-Tech (Pty) Ltd ("CPS Oil-Tech"), a distributor in South Africa of raw materials to the petroleum, additive, grease manufacturing and other industry related segments. With 8 employees, CPS Oil-Tech generated a revenue of approximately EUR 12 million in the financial year that ended on February 28, 2022. The closing of the transaction is subject to customary closing conditions and regulatory approval and is expected to take place in the second quarter of 2023.



"We remain focused on aligning with industry leaders, grow our market share organically and through selected acquisitions, and continue to optimise our business model."

Financial performance

General

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

Key performance indicators

In 2022, IMCD realised revenue growth of 34% (+28% on a constant currency basis) and gross profit growth of 37% (+31% on a constant currency basis). Operating EBITA increased by 48% from EUR 373.6 million in 2021 to EUR 554.5 million in 2022 (+42% on a constant currency basis). The operating EBITA margin improved by 1.1%-point to 12.0% (2021: 10.9%).

The cash conversion margin was 76.9% in 2022, compared with 72.6% in 2021. The cash earnings per share increased by EUR 2.14 from EUR 4.64 in 2021 to EUR 6.78 in 2022.

Key performance indicators for 2022

EUR MILLION	2022	2021	CHANGE	FX ADJ. CHANGE
Revenue	4,601.5	3,435.2	34%	28%
Gross profit	1,147.1	836.3	37%	31%
Gross profit in % of revenue	24.9%	24.3%	0.6%	
Operating EBITA[1]	554.5	373.6	48%	42%
Operating EBITA in % of revenue	12.0%	10.9%	1.1%	
Conversion margin	48.3%	44.7%	3.6%	
Cash conversion margin	76.9%	72.6%	4.3%	
Cash earnings per share	6.78	4.64	46%	

[1] Result from operating activities before amortisation of intangibles and non-recurring items (non-IFRS measure). Non-recurring items are disclosed in note 11 to the consolidated financial statements.

Revenue

Compared with 2021, revenue increased by 34% to EUR 4,601.5 million in 2022. The revenue growth is the result of organic growth (+21%), the impact of first-time inclusion of acquisitions (+8%) and a positive impact of foreign currency exchange differences (+5%).

Revenue

	EUR MILLION				GROWTH			
	2022	IN % TOTAL	2021	IN % TOTAL	ORGANIC	ACQUISITION	FOREIGN EXCHANGE	TOTAL
EMEA	2,006.4	43.6%	1,601.6	46.6%	24%	2%	(1%)	**25%**
Americas	1,591.7	34.6%	1,119.6	32.6%	19%	10%	13%	**42%**
Asia-Pacific	1,003.4	21.8%	714.1	20.8%	16%	20%	4%	**41%**
Total	**4,601.5**	**100.0%**	**3,435.2**	**100.0%**	**21%**	**8%**	**5%**	**34%**

Gross profit

	EUR MILLION				GROWTH			
	2022	IN % REVENUE	2021	IN % REVENUE	ORGANIC	ACQUISITION	FOREIGN EXCHANGE	TOTAL
EMEA	529.7	26.4%	411.7	25.7%	28%	2%	(1%)	**29%**
Americas	382.7	24.0%	250.5	22.4%	31%	9%	13%	**53%**
Asia-Pacific	234.7	23.4%	174.2	24.4%	15%	15%	5%	**35%**
Total	**1,147.1**	**24.9%**	**836.3**	**24.3%**	**26%**	**7%**	**5%**	**37%**

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

Revenue was positively impacted by acquisitions completed in 2022 (Syntec, RPL Trading, Polychem, Aquatech, Evenlode, Polyorganic, Quelaris, Promaplast, Kuni Chemical, Parkash and Welex) and acquisitions completed in 2021 (Siliconas y Químicos, AndesChemical, Yuanhe Chemicals, Maquimex and Megasetia). The total positive impact of the acquisitions on revenue in 2022 was 8%.

Gross profit

Gross profit, defined as revenue less cost of materials and inbound logistics, increased by 37% from EUR 836.3 million in 2021 to EUR 1,147.1 million in 2022. The increase in gross profit was the result of organic growth (+26%), the impact of the first-time inclusion of acquisitions (+7%) and the positive impact of foreign currency exchange rate developments (+5%).

Gross profit as a % of revenue increased by 0.6%-point from 24.3% in 2021 to 24.9% in 2022. The Amercas and EMEA regions contributed to the improved gross profit margin in 2022. Gross profit margins showed the usual level of differences in margins per region, margins per product and margins per product market combination. Differences between and within the regions are caused by local market circumstances, product mix variances, product availability, foreign currency fluctuations and the impact of newly acquired businesses.

Operating EBITA

EUR MILLION	2022	IN % REVENUE	2021	IN % REVENUE
EMEA	246.6	12.3%	180.3	11.3%
Americas	194.9	12.2%	113.0	10.1%
Asia-Pacific	145.1	14.5%	109.7	15.4%
Holding companies	(32.1)	-	(29.3)	-
Total	**554.5**	**12.0%**	**373.6**	**10.9%**

Operating EBITA

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

The bridge between result from operating activities and operating EBITA is as shown in the table "Bridge operating EBITA".

Operating EBITA increased by EUR 180.9 million (+48%) from EUR 373.6 million in 2021 to EUR 554.5 million in 2022. On a constant currency basis, the increase was 42%.

The growth in operating EBITA of 48% was the result of organic growth (+36%), the impact of the first-time inclusion of acquisitions completed in 2021 and 2022 (+8%) and the positive impact of foreign currency exchange differences (+4%).

The operating EBITA as a % of revenue increased by 1.1%-point from 10.9% in 2021 to 12.0% in 2022. The regions showed the following operating EBITA margins. In EMEA the EBITA margin increased by 1.0%-point, from 11.3% in 2021 to 12.3% in 2022. The America segment showed an improvement in EBITA margin of 2.1%-point from 10.1% in 2021 to 12.2% in 2022. In Asia-Pacific the EBITA margin decreased by 0.9%-point, from 15.4% in 2021 to 14.5% in 2022.

The conversion margin, defined as operating EBITA as a % of gross profit, increased by 3.6%-point from 44.7% in 2021 to 48.3% in 2022. The conversion margin was positively impacted by, amongst other things, efficiency improvement initiatives and the first-time inclusion of acquired companies with higher conversion margins than IMCD's average.

Operating EBITA by operating segment

IMCD distinguishes the following operating segments:
- EMEA: all operating companies in Europe, Türkiye, Israel, Egypt, United Arab Emirates, Saudi Arabia and Africa
- America: all operating companies in the United States of America, Canada, Brazil, Puerto Rico, Chile, Argentina, Uruguay, Colombia, Mexico, Peru, Costa Rica, Dominican Republic, Ecuador and Guatemala
- Asia-Pacific: all operating companies in Australia, New Zealand, India, Bangladesh, China, Malaysia, Indonesia, Philippines, Thailand, Singapore, Vietnam, Japan and South Korea
- Holding companies: all non-operating companies, including the head office in Rotterdam and the regional offices in Singapore and in the USA

Bridge operating EBITA

EUR MILLION	2022	2021	CHANGE
Result from operating activities	**461.8**	**305.5**	**156.3**
Amortisation of intangible assets	81.5	65.5	16.0
Non-recurring items	11.2	2.7	8.5
Operating EBITA	**554.5**	**373.6**	**180.9**

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

EMEA

In 2022, the revenue in the EMEA region increased by 25% compared with 2021. On a constant currency basis, the increase was 26% and consists of organic revenue growth (+24%) and the impact of the first-time inclusion of acquisitions completed in 2021 and 2022 (+2%). The acquisition impact of 2% relates to the acquisition of Polychem, and Evenlode in 2022. The unfavourable developments of foreign currency exchange rates in the EMEA region, resulted in a negative currency exchange impact of 1% on the revenues in 2022.

Gross profit increased by 29%, from EUR 411.7 million in 2021 to EUR 529.7 million in 2022. The gross profit increase of 29% is the balance of organic gross profit development (+28%), the impact of the first-time inclusion of acquisitions (+2%) and a negative currency exchange of 1%. Despite the challenging market conditions, including the global macroeconomic and geopolitical concerns, IMCD successfully added new suppliers and further expanded its relationships with existing suppliers in new territories and with additional business lines. Organic gross profit development further included the usual variations in the product and customer mix.

In 2022, IMCD successfully completed two acquisition transactions in the EMEA region.

On 8 February 2022, IMCD acquired 100% of the shares in POLYchem, a leading provider of chemical raw materials and additives in Austria and Southeast Europe. POLYchem offers a diverse portfolio of products for the coatings, construction, and composite industries. POLYchem has 65 employees and generated revenue of EUR 28 million in 2021.

On 2 March 2022, IMCD acquired 100% of the shares in Evenlode in the UK. Evenlode is active in speciality food and beverage ingredients throughout the UK and Ireland. Evenlode has 5 employees and generated a revenue of EUR 8.5 million in 2021.

In addition to the transactions closed in 2022, IMCD signed on 16 February 2023 an agreement to acquire 100% of the shares of CPS Oil-Tech, a distributor in South Africa, of raw materials to the petroleum, additive, grease manufacturing and other industry related segments. With 8 employees, CPS Oil-Tech generated a revenue of approximately EUR 12 million in the financial year that ended on February 28, 2022. The closing of the transaction is subject to customary closing conditions and regulatory approval and is expected to take place in the second quarter of 2023.

IMCD continued to optimise its supply chain network in 2022, in order to enhance customer service levels

and to reduce operating costs in the supply chain. System-to-system connectivity and process integration of the supply chain partners is crucial for achieving the optimisation.

IMCD operates 26 Technical Centres in EMEA. These Technical Centres are instrumental in exploring local markets and developing product applications for IMCD's business partners. In addition, in the various application laboratories market and product expertise is exchanged between IMCD, suppliers and customers on a local, regional and global level.

Operating EBITA increased by 37% from EUR 180.3 in 2021 to EUR 246.6 million in 2022. The realised operating EBITA growth is predominantly driven by organic business development. Operating EBITA as a % of revenue increased by 1.0%-point, from 11.3% in 2021 to 12.3% in 2022.

The conversion margin increased by 2.7%-points, from 43.8% in 2021 to 46.5% in 2022. The improvement of the conversion margin is the result of higher gross profit margins, offsetting higher own costs. IMCD continues to focus on revenue and gross profit growth, combined with strict cost control.

As at the end of 2022, the number of full-time employees in EMEA was 1,782 compared with 1,624 as at the end of 2021. The increase in the number of full-time employees is due to additional staff being hired to fill vacancies and to strengthen the technical expertise, and to the impact of acquisitions completed in 2022 (+70 full-time employees).

“IMCD successfully added new suppliers and further expanded its relationships with existing suppliers in new territories and with additional business lines.”

EMEA

EUR MILLION	2022	2021	CHANGE	FX ADJ. CHANGE
Revenue	2,006.4	1,601.6	25%	26%
Gross profit	529.7	411.7	29%	30%
Gross profit as a % of revenue	26.4%	25.7%	0.7%	
Operating EBITA	246.6	180.3	37%	39%
Operating EBITA as a % of revenue	12.3%	11.3%	1.0%	
Conversion margin	46.5%	43.8%	2.7%	

America

In the America segment, revenue was EUR 1,591.7 million in 2022 compared with EUR 1,119.6 million in 2021. In 2022, organic revenue growth was 19% and growth as a result of acquisitions completed in 2021 (Siliconas, Andes Chemical and Maquimex) and in 2022 (Polyorganic, Quelaris and Promaplast) was 10%. The favourable developments of foreign currency exchange rates in the America region, resulted in a positive currency exchange impact of 13% on revenues in 2022.

In 2022, the America segment reported a gross profit increase of EUR 132.2 million (+53%) to EUR 382.7 million, compared with EUR 250.5 million in 2021. The increase in gross profit was the result of organic growth (+31%), the impact of the first-time inclusion of acquired companies (9%) and positive foreign currency exchange results (+13%).

Gross profit margin increased by 1.6%-points, from 22.4% in 2021 to 24.0% in 2022. The gross profit margin improvements are the result of margin improvement initiatives and changes in the product mix.

In 2022, IMCD successfully completed three acquisitions in the America region.

On 4 March 2022, IMCD acquired 100% of the shares in speciality chemicals and ingredients distributor Polyorganic. Headquartered in São Paulo, Brazil, Polyorganic is active in the household, industrial and institutional (HI&I), water treatment industry and other industrial markets segment in Brazil. In 2021, Polyorganic generated a revenue of approximately EUR 12 million.

On 22 March 2022, IMCD acquired 100% of the business and the subsidiaries of Quelaris. Quelaris is a Latin American regional raw material distributor with offices in Colombia, Costa Rica and Peru and has a strong presence in the polyurethane, coatings, adhesives, rubber and other industrial markets throughout the region. With 46 employees, Quelaris generated revenue of approximately EUR 44 million in 2021.

On 15 September 2022, IMCD acquired 100% of the shares in PromaPlast. PromoPlast has a highly diversified product portfolio of resins and compounds to serve the Mexican and U.S. markets. In 2021, PromaPlast generated a revenue of approximately EUR 65 million.

In 2022, operating EBITA in the America segment increased by EUR 81.9 million to EUR 194.9 million, compared with EUR 113.0 million in 2021 (+ 73%).

America

EUR MILLION	2022	2021	CHANGE	FX ADJ. CHANGE
Revenue	1,591.7	1,119.6	42%	26%
Gross profit	382.7	250.5	53%	35%
Gross profit as a % of revenue	24.0%	22.4%	1.6%	
Operating EBITA	194.9	113.0	73%	52%
Operating EBITA as a % of revenue	12.2%	10.1%	2.1%	
Conversion margin	50.9%	45.1%	5.8%	

On a constant currency basis the operating EBITA increased by 52%. Apart from a modest impact of acquisitions completed in 2021 and 2022, the main drivers of the operating EBITA increase are the organic business developments.

Operating EBITA margin increased by 2.1%-point from 10.1% in 2021 to 12.2% in 2022. The conversion margin increased by 5.8%-points from 45.1% in 2021 to 50.9% in 2022. The improvement of the conversion margin is the result of higher gross profit margins offsetting higher own costs.

The number of full-time employees in the America increased from 1,005 as at the end of 2021 to 1,189 as at the end of 2022. This increase includes 178 additional full-time employees as a result of acquisitions in 2022 (Polyorganic: 23, Quelaris: 46, Promaplast: 109).

Asia-Pacific

The Asia-Pacific region delivered strong growth numbers in 2022. The operations in India, Australia and New Zealand, China, Indonesia and South Korea, these being the most significant contributors in the region, all delivered double digit revenue growth numbers and realised healthy margins.

In Asia-Pacific, revenue increased by 41% from EUR 714.1 million in 2021 to EUR 1,003.4 million in 2022. Revenue growth in 2022, consists of organic growth of 16%, growth as a result of acquisitions completed in 2021 (Yuanhe and Megasetia) and in 2022 (Syntec, RPL Trading, Aquatech, Kuni Chemical, Welex and Parkash) of 20%, and positive currency exchange rate developments of 4%.

In 2022, gross profit increased by 35%, of which 15% relates to organic growth and 15% is the result of the first time inclusion of businesses acquired in 2021 and 2022. The favourable developments of foreign currency exchange rates Asia-Pacific. resulted in a positive currency exchange impact of 4% on gross profit in 2022. The gross profit margin decreased by 1.0%-points from 24.4% in 2021 to 23.4% in 2022. The gross profit margin decrease is the result of gross margin improvement initiatives, changes in the product mix and the impact of the first time inclusion of acquired businesses with gross margins lower than IMCD's average.

In 2022, IMCD continued with the execution of its selective acquisition strategy, which led to seven acquisitions in the Asia-Pacific region, of which six transactions were closed in 2022.

On 18 January 2022, IMCD acquired 100% of the shares in Syntec. Syntec provides market, technical and formulation expertise in China's personal care, cosmetics, and home care industries. Syntec generated a revenue of approximately EUR 17 million in 2021 and has 25 employees.

On 31 January 2022, IMCD acquired 100% of the shares of RPL Trading, a speciality chemicals distributor focused on services and formulation expertise for customers and partners in the home care and water treatment markets. RPL Trading generated a revenue of approximately EUR 16 million for the fiscal year ended on 30 June 2021 and has 15 employees.

On 28 February 2022, acquired 100% of the shares in Aquatech in China. Aquatech is active in waterborne solutions in coatings, ink, and textile industries. Aquatech has 10 employees and generated a revenue of EUR 6 million in 2021.

On 7 September 2022, IMCD acquired 100% of the shares in speciality distribution company, Kuni Chemical. Kuni Chemical specialises in industrial applications, ranging from coatings and construction to automotive and packaging materials. The company, based in Osaka, generated a revenue of approximately EUR 18 million in 2021 and has 28 employees.

On 1 December 2022, IMCD acquired 100% of the shares of Welex, based in China. Welex focuses on industries covering coatings and inks, textiles, additives for speciality compounding, and agrochemicals. Welex generated a revenue of approximately EUR 39 million in 2021 and has 68 employees across China.

On 16 December 2022, IMCD acquired 100% of the shares of Parkash DyeChem , based in India. Parkash DyeChem is an asset light speciality chemical distributor serving the coatings and construction segments as well as personal care and advanced materials markets. Parkash DyeChem generated a revenue of approximately EUR 30 million in 2021 and has 60 employees in India.

Asia-Pacific

EUR MILLION	2022	2021	CHANGE	FX ADJ. CHANGE
Revenue	1,003.4	714.1	41%	35%
Gross profit	234.7	174.2	35%	29%
Gross profit as a % of revenue	23.4%	24.4%	(1.0%)	
Operating EBITA	145.1	109.7	32%	26%
Operating EBITA as a % of revenue	14.5%	15.4%	(0.9%)	
Conversion margin	61.8%	63.0%	(1.2%)	

In addition to the transactions closed in 2022, on 31 October 2022, IMCD signed an agreement to acquire 100% of the shares in Sanrise, one of the leading distributors in the personal care markets in China. Sanrise offers a wide range of personal care and industrial solutions with a key focus on personal care applications. With approximately 60 employees, Sanrise generated a revenue of approximately EUR 90 million in 2021. The transaction will take place in two tranches, with first 70% of Sanrise's share capital and the remaining 30% to be acquired in 2025. The transaction is expected to be closed in the first quarter of 2023.

Compared with 2021, operating EBITA in Asia-Pacific increased by EUR 35.4 million (+32%) to EUR 145.1 million in 2022. On a constant currency basis, the growth of operating EBITA was 26%.

Operating EBITA as a % of revenue decreased by 0.9%-points from 15.4% in 2021 to 14.5% in 2022. The conversion margin decreased by 1.2%-points to 61.8% in 2022. The decrease of the conversion margin is the result of lower gross margins and higher own costs. In addition, acquisitions completed had a negative impact on the development of the conversion margin in the Asia-Pacific segment in 2022, compared with 2021.

The number of full time employees in the Asia-Pacific region increased by +22%, from 1,017 at the end of 2021 to 1,245 at the end of 2022. Disregarding the impact of the acquisitions completed in 2022 (206 FTE), the number of full-time employees increased by 22.

Holding Companies

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

Operating costs increased by EUR 2.8 million (+9%) from EUR 29.3 million in 2021 to EUR 32.1 million in 2022. On a constant currency basis, the increase is 7%. The cost increase reflects the growth of IMCD and the corresponding need to strengthen the support functions in both Rotterdam and the regional head offices. Operating costs of the Holding Companies in percentage of consolidated revenue decreased by 0.2%-point to 0.7% in 2022.

As at the end of 2022, the number of full-time employees of the Holding Companies was 106 compared with 94 at year-end 2021.

Result for the year

The bridge between Operating EBITA, one of IMCD's key performance indicators used for monitoring the performance of the operating activities, the result from operating activities (based on IFRS) and result for the year (based on IFRS) is as shown in table "Result for the year".

Holding Companies

EUR MILLION	2022	2021	CHANGE	FX ADJ. CHANGE
Operating EBITA	(32.1)	(29.3)	(9%)	(7%)
Operating EBITA in % of total revenue	(0.7%)	(0.9%)	0.2%	

Result for the year

EUR MILLION	2022	2021
Operating EBITA	**554.5**	**373.6**
Amortisation of other intangible assets	(81.5)	(65.4)
Non-recurring income and expenses	(11.2)	(2.7)
Result from operating activities	**461.8**	**305.5**
Net finance costs	(25.9)	(21.7)
Share of profit of equity-accounted investees, net of tax	0.0	(0.0)
Result before income tax	**435.9**	**283.7**
Recurring income tax expenses	(124.8)	(77.4)
Non-recurring income tax income	2.0	0.8
Result for the year	**313.0**	**207.2**

Amortisation of intangible assets

Amortisation of intangible assets refers to non-cash expenses, relating to the amortisation of supplier relationships, distribution rights and other intangible assets.

The amortisation of other intangible assets increased from EUR 65.4 million in 2021 to EUR 81.5 million in 2022 as a result of the acquisitions completed in 2021 and 2022.

Non-recurring income and expenses

In 2022, non-recurring income and expenses amounted to EUR 11.2 million compared with EUR 2.7 million in 2021. The non-recurring expenses in 2022 relate to the costs of realised and non-realised acquisitions, net result on the sale of the warehouse in Indonesia, costs related to the winding down of the operations in Russia and costs of one-off adjustments to the organisation.

Net finance costs

The net finance costs consist of the following items:

Net finance costs

EUR MILLION	2022	2021
Interest income on loans and receivables	2.8	1.8
Interest expenses on financial liabilities	(23.9)	(15.0)
Changes in deferred considerations	6.9	(1.2)
Amortisation of finance costs	(0.9)	(0.6)
Interest costs re employee benefits	(0.3)	(0.4)
Interest expenses on lease liabilities	(2.5)	(2.5)
Foreign currency exchange results	(8.0)	(3.8)
Net finance costs	**(25.9)**	**(21.7)**

Net finance costs were EUR 25.9 million in 2022 compared with EUR 21.7 million in 2021. The main drivers of the increase in net finance costs of EUR 4.2 million were increased interest expenses on financial liabilities (EUR 8.9 million) and increased negative foreign currency exchange results (EUR 4.2 million), partly offset by increased interest income (EUR 1.0 million) and positive results related to adjustments to the fair value of contingent consideration (EUR 8.1 million). The main drivers of the positive results related to the changes in the deferred considerations relate to Signet and Megasetia. More favourable result developments of Signet have resulted in an increase of the fair value of the deferred consideration related to the remaining shares in this company. This is offset by the lower than expected operating results of Megasetia that have led to a decrease of the fair value of the deferred consideration.

Income tax

In 2022, corporate income tax expenses increased by EUR 46.3 million, from EUR 76.6 million in 2021 to EUR 122.9 million in 2022.

Income tax expenses

EUR MILLION	2022	2021
Regular income tax expenses	(130.4)	(85.0)
Adjustments for prior years	(3.7)	(0.8)
(De-)recognition of previously (un)recognised tax losses	0.4	(0.2)
Tax credits related to amortisation of intangible assets	8.5	8.5
Changes in tax rates	0.4	0.1
Non-recurring income tax	2.0	0.8
Income tax expenses	**(122.9)**	**(76.6)**

Regular corporate income tax expenses increased from EUR 85.0 million in 2021 to EUR 126.5 million in 2022. Regular tax as a percentage of result before income tax and amortisation of intangibles (EUR 517.4 million in 2022 and EUR 349.3 million in 2021) was 24.4% compared with 24.3% in 2021.

The increase in income tax expenses in 2022 is mainly due to the higher profitability of the group. The restructuring and integration of acquired businesses led to a non-recurring income tax benefit of EUR 2.0 million in 2022.

Earnings per share and cash earnings per share

Earnings per share increased by EUR 1.86 (+51%) from EUR 3.64 in 2021 to EUR 5.50 in 2022. Cash earnings per share, calculated as earnings per share before amortisation of intangible assets, net of tax, divided by the weighted average number of outstanding shares, increased by EUR 2.14 (+46%) from EUR 4.64 in 2021 to EUR 6.78 in 2022.

Cash earnings per share

EUR MILLION	2022	2021
Result for the year	313.0	207.2
Amortisation of intangible assets	81.5	65.5
Tax credits related to amortisation of intangible assets	(8.5)	(8.5)
Result for the year before amortisation (net of tax)	**386.0**	**264.2**
Weighted average number of shares (x million)	56.9	56.9
Cash earnings per share (weighted)	**6.78**	**4.64**

Dividend

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

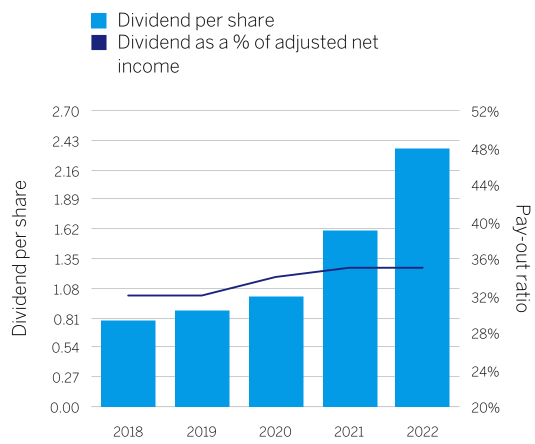
In 2022, IMCD realised adjusted net income of EUR 386.0 million (EUR 6.78 per share), compared with EUR 264.2 million (EUR 4.64 per share) in 2021.

The dividend proposal of IMCD is based on a combination of maintaining room for further acquisition growth combined with assuring reasonable leverage levels, facilitating IMCD's long-term growth strategy. For the financial year 2022 a dividend of EUR 2.37 in cash per share will be proposed to the Annual General Meeting. Compared with EUR 1.62 per share for the financial year 2021, this means an increase of EUR 0.75 per share (+46%).

Approval of the dividend proposal by the Annual General Meeting will lead to a dividend distribution of EUR 135.1 million in cash (2021: EUR 92.3 million), which is 35% of the net result for 2022 adjusted for non-cash amortisation charges, net of tax (2021: 35%).

The development of the dividend per share and the dividend as a percentage of the adjusted net income for the last five years is shown in the following graph.

Development dividend per share



Cash flow

EUR MILLION	2022	2021
Operating EBITA	**554.5**	**373.6**
Depreciation	30.0	27.4
Operating EBITDA	**584.5**	**401.0**
Lease payments	(23.5)	(22.2)
Share based payments	4.3	5.3
Adjusted Operating EBITDA	**565.3**	**384.1**
Inventories	(61.4)	(110.4)
Trade and other receivables	(32.5)	(86.8)
Trade and other payables	(29.3)	97.0
Change operational working capital	**(123.1)**	**(100.3)**
Capital expenditure	(7.7)	(5.0)
Free cash flow	**434.4**	**278.9**
Cash conversion margin	76.9%	72.6%

Free cash flow is defined as operating EBITDA excluding non-cash share-based payment expenses, less lease payments, plus or less changes in working capital, less capital expenditures. Free cash flow increased by EUR 155.5 million from EUR 278.9 million in 2021 to EUR 434.4 million in 2022. The cash conversion margin is defined as free cash flow as a percentage of adjusted operating EBITDA; adjusted operating EBITDA is the operating EBITDA adjusted for non-cash share-based payments and lease premiums. The cash conversion margin increased by 4.3%-points from 72.6% in 2021 to 76.9% in 2022.

The increase in the cash conversion margin in 2022 is the result of a combination of higher adjusted operating EBITDA (EUR 181.2 million), higher capital expenditures (EUR 2.7 million) and higher working capital investments (EUR 22.9 million) compared with 2021. The investment in operational working capital in 2022, which excludes additional working capital as a result of acquisitions completed in 2022, amounts to EUR 123.1 million (2021: EUR 100.3 million). The consolidated change in operational working capital is the accumulated total of the monthly operational working capital changes in local currencies translated into EUR, using the monthly average exchange rates.

The increased investment in net working capital in 2022 is the result of the strong business development in 2022. IMCD continues to maintain stringent net working capital management.

Capital expenditure was mainly related to investments in the ICT infrastructure, office furniture and technical, warehouse and office equipment and amounted to EUR 7.7 million in 2022 (2021: EUR 5.0 million). The increase is driven by the increased size of the overall operations. IMCD continues to maintain an asset-light business model.

Balance sheet

EUR MILLION	31 DECEMBER 2022	31 DECEMBER 2021
Property, plant and equipment	113.3	97.9
Intangible assets	1,941.1	1,808.1
Financial assets	42.7	40.9
Non-current assets	**2,097.1**	**1,946.9**
Net working capital	**770.1**	**612.5**
Provisions and deferred tax liabilities	**(166.9)**	**(158.0)**
Total capital employed	**2,700.3**	**2,401.4**
Equity	**1,673.4**	**1,461.4**
Net debt	1,026.9	**940.0**
Total financing	**2,700.3**	**2,401.4**

Non-current assets

The total non-current assets, consisting of property, plant and equipment, intangible assets and financial assets increased by EUR 150.2 million in 2022.

The net increase in property, plant and equipment of EUR 15.4 million relates to ICT infrastructure, office furniture and technical, warehouse and office equipment (EUR +1.8 million) and right-of-use assets as a result of new and renewed office, warehouse and car lease contracts (EUR +13.6 million).

The net increase in intangible assets is the result of new supplier relationships and other intangible assets (EUR 9.2 million), additional goodwill and other intangible assets acquired as a result of acquisitions completed in 2022 (EUR 200.8 million), the regular amortisation of intangible assets (EUR -81.5 million) and positive foreign currency impacts (EUR 4.5 million).

Working capital

Net working capital is defined as inventories, trade and other receivables less trade payables and other payables. Net working capital increased by EUR 157.6 million (26%) from EUR 612.5 million as at the end of 2021 to EUR 770.1 million as at 31 December 2022. The increase in net working capital of EUR 157.6 million is the result of the higher level of business activities in 2022, and impacts of external factors including global macroeconomic factors, leading to higher working capital levels (EUR +88.4 million), as well as by the impact of exchange rate differences on year-end balance sheet positions (EUR +21.1 million) and the impact of acquisitions completed in 2022 (EUR +48.1 million).

Working capital development

EUR MILLION	2022	2021
Inventories	**622**	**526**
Inventories in days of revenue[1]	48	54
Trade and other receivables	**702**	**619**
Trade and other receivables in days of revenue[1]	54	63
Trade payables	**(389)**	**(403)**
Trade payables in days of revenue[1]	30	41
Other payables	**(165)**	**(130)**
Other payables in days of revenue[1]	13	13
Total working capital	**770**	**612**
Total working capital in days of revenue[1]	59	63

1 Revenue normalised for full year impact acquisitions

Working capital days as at the end of 2022 (59 days) were lower compared to the end of 2021 (63 days). This decrease was driven by high sales volumes and a full order book anticipating supply chain disruption by customer around year-end 2021. resulting in a relatively higher working capital level as at year-end 2021.

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

Financing

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

In March 2022, IMCD was assigned a Baa3 investment grade rating by Moody's Investors Services and BBB- by FitchRatings, both with a stable outlook. In the same month, IMCD issued an EUR 300 million rated corporate bond loan with institutional investors. This five-year senior unsecured bond loan, maturing in March 2027, has a fixed coupon of 2.125%. The bond loan is listed on the Luxembourg Stock Exchange MTF market. The proceeds of the bond loan issue have been used for general corporate purposes, including the refinancing of existing indebtedness.

On 22 November 2022, IMCD concluded a senior unsecured bridge loan facility for an amount of EUR 200 million, for a period of 12 months, with an extension option of 6 months (at borrower's discretion).

As at the end of 2022, net debt was EUR 1,026.9 million compared with EUR 940.0 million as at 31 December 2021. The increase in net debt is predominantly the balance of positive and healthy cash flows from operating activities, more than offset by cash outflows as a result of acquisition-related payments of EUR 237.2 million and a dividend payment of EUR 92.2 million in 2022. Furthermore, net debt includes EUR 273.6 million deferred and contingent considerations related to acquisitions (31 December 2021: EUR 308.9 million).

As at 31 December 2022, the leverage ratio (net debt/operating EBITDA ratio including full-year impact of acquisitions) was 1.7 times EBITDA (31 December 2021: 2.3). Actual leverage, calculated on the basis of the definitions used in the IMCD loan documents as at 31 December 2022, was 1.2 times EBITDA (31 December 2021: 1.5).

Two leverage covenants apply to the Group, as per 31 December 2022:
- For the 'Schuldscheindarlehen' of EUR 40 million, a maximum leverage of 3.5 times EBITDA applies (with a spike period maximum of 4.0), tested annually.
- For the revolving credit facilities of EUR 500 million, a maximum leverage of 3.75 times EBITDA is applicable (with a spike period maximum of 4.25), tested semi-annually.

As at 31 December 2022, the actual leverage of 1.2 times EBITDA is well below the applicable maximum leverages.

The interest cover, calculated based on the definitions used in the Schuldscheindarlehen document, is 26.5 times EBITDA (31 December 2021: 29.1), which is well above the required minimum of 4.0 times EBITDA.

On 13 February 2023, IMCD completed the refinancing of its multi-currency revolving credit facility. The new facility, with a maturity date of 8 February 2028, amounts to EUR 600 million and can be drawn in EUR and USD as well as, to an agreed sublimit, in AUD and GBP. The credit revolving facility has an interest margin that is dependent on credit ratings (S&P, Moody's or Fitch).

The new revolving credit facility is subject to a maximum leverage of 3.75 times EBITDA (with a spike period maximum of 4.25), tested semi-annually. The calculation of the leverage covenant for the new facility is based on the prevailing accounting standards as of 31 December 2022. Calculated on the basis of the definitions used in the IMCD loan documents of the new revolving facility, the actual leverage as at 31 December 2022, was 1.3 times EBITDA, which is well below the applicable maximum of 4.25.

Equity

Total equity increased by EUR 212.1 million from EUR 1,461.4 million as at 31 December 2021 to EUR 1,673.4 million as at 31 December 2022. The increase in total equity is the balance of the addition of the net profit for the year of EUR 313.1 million, other comprehensive income of EUR 5.6 million, dividend payments in cash of EUR 92.2 million, transactions related to the group's share-based payment programme of EUR 14.3 million and movements in the non-controlling interest of EUR -0.1 million. The increase in equity resulted in a solid ratio at year-end with total equity covering 45.9% of the balance sheet total (31 December 2021: 44.7%).

During 2022, the Group transferred 38,025 shares to fulfil its annual obligation from the long-term incentive plan and purchased 95,000 shares to fund its long-term incentive plan.

Connectivity

"Our cutting edge integration platform allows IMCD to offer a wide range of secure connectivity options to our business partners across the globe."

James Gibbons
Integration Manager

Integration is a key pillar of our digital transformation journey

In an increasingly interlinked world, strong connectivity and integrations play a vital role in modern companies and are pivotal in IMCD's ongoing digital transformation. Our modern integration layer draws together IMCD's systems to create a unified digital platform. Connecting that platform to our business partners across the world allows IMCD to work seamlessly in our role as a distributor – bringing efficiency and value for our suppliers and customers alike.

Over the past three years we have implemented a new integration suite from the ground up. Using best-in-class tools, our cutting-edge platform allows us to offer a wide range of secure connectivity options to our business partners – connecting IMCD to our suppliers, customers, banks, warehouses, and more. Integration methods such as APIs, RPA and EDI empower IMCD and the organisations we work with to automate processes, reduce manual errors, improve visibility, and increase operational efficiency.

We designed our integration platform with scalability in mind – supporting both IMCD's growth as an organisation and IMCD's ongoing digital transformation. As we continue to promote and roll out many more integrations, we will bring further automation and further efficiency, and provide a foundation that will support our organisation going forward.

Non-financial performance

On page 41 and following in this Annual Report, IMCD sets out its group-wide sustainability approach, in which four pillars are identified where IMCD strives to promote sustainability practices through its business activities.

In the following paragraphs, we report on the key actions taken in these four areas in 2022, in accordance with the EU Non-Financial Reporting Directive (NFRD).

Further details as well as figures relating to our environmental, social and governance impact will be included in IMCD's 2022 Sustainability Report to be published in April 2023. Preparations are being made to align the internal non-financial reporting processes in anticipation of future integrated reporting.

Key developments related to sustainability performance in 2022 are presented in the section Developments 2022 (see page 47).

Environment

IMCD takes climate protection seriously and proactively responds to risks and opportunities relating to climate change together with suppliers and customers and in its logistics. IMCD continuously seeks to reduce the environmental impact of its operations, We endeavour to optimise daily operations, focusing on reducing the greenhouse gas emissions from our activities and in the supply chain. We engage with third-party logistics providers to reduce Scope 3 emissions. IMCD ensures that the highest standards are applied in its waste handling and disposal to avoid environmental pollution.

Greenhouse gas emissions

IMCD is dedicated to reducing the greenhouse gas emissions of the products and services it offers and is constantly exploring new ways to further reduce its carbon footprint together with its suppliers and customers along the supply chain. In IMCD's business model warehouse operations and transport are outsourced to considerable degree, and we work closely with our third-party logistics service providers ('3PLs') to make a difference. In 2022, we worked on a Supply Chain Decarbonisation Programme consisting of two pillars: optimisation of our own transport and order management, and engaging with third-party logistics service providers to encourage further improvements.

In 2022, IMCD increased its operational and organisational measures and partnered with EcoVadis to implement its sustainable procurement policy, carefully selecting logistics partners based on industry and geographical socio-environmental risks, sustainable activities, capabilities, and quality management systems. Additionally, IMCD ensures that every new 3PL is aligned with our sustainability efforts by signing the ESG standards for IMCD Business Partners. By the end of 2022, over 95% of IMCD's existing 3PL's had committed to this initiative. In addition, a commitment to the ESG Standards is included in our contract templates for new suppliers, as well as in procurement conditions for third-party services to be used going forward.

IMCD also made significant progress in 2022 in terms of operational and organisational measures for reporting on greenhouse gas emissions, enabling it to include more of its group companies in its 2022 Sustainability Report.

Supply chain optimisation

IMCD's centralised supply chain team and local supply chain managers, in partnership with our 3PLs are working to decrease carbon emissions, through efficient routing, optimisation of volume-mileage ratio and implementation of sustainable transport modes and support. In 2022, IMCD developed the CO_2 dashboard to provide a real-time insight into the carbon footprint of our 3PLs. Shipment information is broken down by transport company, supplier, customer, or territory level in order to realise optimisation and reduction of the company's scope 3 emissions. The dashboard is available company-wide, and management, in particular supply chain managers, can check the performance and can thus focus on areas for improvement. The dashboard enables more accurate and timely decisions, further improving the company's sustainability efforts.

Third-party screening

IMCD takes the selection of a suitable third-party logistics service providers seriously, ensuring they meet the company's high standards for health, safety, environment, quality, and regulatory compliance. To this end, IMCD employs a multi-criteria decision-making process (MCDM), which includes ESG screening and evaluations based on environmental, social, and governance factors. The company also requires quality and environmental management certifications (such as ISO 9001, ISO 14001, and Responsible Care) and closely monitors its vendors' sustainability performance through quarterly business reviews and a non-conformance reporting process.

In 2022, IMCD strengthened its approach by working with EcoVadis and TfS to assess the sustainability performance of our business partners, both up and downstream. By engaging with our business partners through EcoVadis, IMCD has gained greater insight into their ESG performance and raised awareness among both its suppliers and internal supply chain managers and buyers. Additionally, the company has improved its non-conformance reporting policy and performance dashboard, ensuring a focus on continuous improvement through regular business reviews.

People

IMCD is proud of its entrepreneurial culture and considers people as its most valuable asset by far. Here's why. We have no factories and do not make any products of our own. That means that the value of the company lies in our brand, in our commercial partnerships with suppliers and customers, and in the quality of the people who manage these commercial relationships and the people who lead and support them in various functions.

IMCD operates in the technical world of chemicals and ingredients, in which highly qualified people working together in a flat organisational structure are making a real difference. Our culture is the glue that keeps the talent together: it cuts across geographies and helps to integrate newly acquired businesses quickly.

In 2022, we conducted a global engagement survey and asked all staff to participate, and we were pleased with a very high 85% participation rate, but also that the questions regarding our company values came out on top. A stunning 89% of our staff know our values, and only 2% don't know them. This is especially important given the fact that we onboarded 1,271 new employees in 2022.

Here's the description of our culture and values.

Our talent base is commercially and technically strong

IMCD defines itself as a global professional services company active in the sales and distribution of speciality chemicals and ingredients. The quality of our offerings to customers and suppliers is to a large extent driven by the knowledge, capabilities, and specialities of our employees. In the recently renewed IMCD sustainability materiality matrix, the most relevant and impactful ESG topics were defined. Internal stakeholders such as management and employees, but also external ones –customers, suppliers, and investors – defined the Talent Attraction & Retention topic as a core for us. IMCD's staff needs to be highly educated, technically qualified and well trained in order to deliver superb commercial services to customers and suppliers.

Therefore, the internal people goals are organised around developing and maintaining a technically strong and commercially astute talent base. IMCD's yearly goals are (1) to have a highly educated workforce where more than 70% of staff hold a bachelor's, master's or PhD degree, of which (2) at least 33% hold a technical or technological degree and (3) to assign at least 60% of our staff to customer-facing positions such as customer service and sales.

IMCD operates in EMEA, the Americas and Asia-Pacific with 4,323 FTEs at year-end 2022 and is a commercially driven business where 2,741 (63%) of the FTEs work in inside and outside sales functions supporting customers and suppliers. Education levels are understandably high to very high, as is substantiated by the fact that 71% of the employees either have a bachelor's (1,981) or a master's (1,083) degree. Furthermore, 1,551 (36%) of our people hold a technical or technological degree.

Recruitment and retention are monitored closely

As in previous years, IMCD has continued growing the company; not only in terms of revenue, margin and EBITA, but also in number of employees. The FTE headcount went up from 3,740 at the beginning of 2022 to 4,323 FTEs at the end of December 2022, or 16% growth year-on-year.

The company had a record of 1,271 new FTEs joining IMCD, either through acquisitions (339 FTEs), organic business growth or to replace leavers. The latter group comprised 639 FTEs, excluding divestitures and discontinued operations in Russia, Canada, and Indonesia (48 leavers).

The percentage of joiners was 31% (versus 30% in 2021), and IMCD had an overall attrition rate of 16% (versus 15% in 2021), as in worldwide and all positions, calculated over the average number of FTEs in 2022. The highest attrition rate was in the Americas region where it was 18.8% (18.5% in 2021) and the lowest in EMEA at 13.3% (13.8% in 2021) and Asia-Pacific at 16.9% (13.2% in 2021). Compared to last year, the attrition rate rose in Asia-Pacific, the difference in the Americas was small and attrition in EMEA declined slightly.

The 2022 attrition rate increase in the Asia-Pacific region was mainly a result of country-specific reorganisations following five new business acquisitions and integrations.

In order to reduce the flight risk of key staff, IMCD constantly monitors attrition levels by region, by country, by function, by gender and management level. Part of the flight risk reduction is realised by compensating key staff in line with the market or slightly above. Another key retention measure is that IMCD employs 98% of all global staff on permanent contracts. Temporary employees are less secure and have a higher flight risk. IMCD commits to and offers fixed employment contracts or arrangements to retain staff on all levels.

In the management subtop of 370 individuals (per year-end 2022) we had only 5% attrition which was less than one third of IMCD's 16% overall attrition rate. The conclusion is that IMCD has a reduced flight risk for senior managerial staff.

Diversity, Equity & Inclusion shows progression towards goals

IMCD's commitment to all employees is to provide equal opportunities to all, irrespective of gender, race, disability, ethnicity, nationality, age, religion, and LBGTQ status. This principle is applicable to recruitment, job assignments, promotions, rewards, and benefits. Discrimination on any of the above grounds is not tolerated and there is a widely communicated internal alert procedure and IMCD Ethics and Compliance Hotline in place to report, escalate and investigate grievances, if desired anonymously. Also, employees know that they can escalate violations of the IMCD values via the regular management and HR channels. As a global company, IMCD is not allowed to track & monitor all employee categories such as disability or LBGTQ, since local laws do not always permit it. IMCD management therefore focuses on two topics that we are allowed to monitor: (1) gender and (2) nationality.

IMCD's Management Board consists of three members, two of whom are Dutch and one British. The Supervisory Board has five members of four nationalities (German, American, Dutch, and Swiss), and our Executive Committee consists of six senior leaders, again of four distinct nationalities (Dutch, French, German and British).

The goal is to have more nationalities employed than active IMCD businesses in a country. Overall, the

"Connectivity and digitalisation mean that we dedicate ourselves to the aspects of our work that further enhance the real customer and supplier experience and automate all repetitive tasks as far as possible through modern connectivity technologies."

Jan Hostettler
International Principal Manager, Advanced Materials France

employee base consists of more than 65 different nationalities spread over 62 country operations. In its Global HQ IMCD employs 87 individuals with 22 different nationalities.

The gender distribution of the workforce is very balanced with 2,288 women (52.9% versus 51.4% in 2021) and 2,035 men (47.1% versus 48.6% in 2021). With a F:M ratio of 1.12 IMCD has a very different gender distribution, with far more women, than the Chemical and Ingredient industry average and this is a testament to IMCD's attractiveness to women. IMCD can attract and retain female professionals for several reasons. As a professional services company, IMCD has most of its offices in large cities, provides career opportunities in a values-driven business culture and offers career development initiatives such as the IMCD Women in Leadership programme.

The Supervisory Board's composition is 40% female and 60% male. As such, IMCD complies with Dutch legislation on gender diversity in the board room, which calls for at least 1/3 women on Supervisory Boards.

The IMCD Executive Committee has 6 members, who are all male. The IMCD Diversity strategy aims on the one hand to maintain the positive near equal gender balance for the company as a whole and on the other hand to accelerate the development of women in commercial and/or digital positions especially in the sub top of the company - the management teams of all the countries and regions we operate in. IMCD's Management Board monitors female appointments in these senior teams and in a total pool of 370 positions IMCD had in 2022 a total of 78 openings and appointed 36 women (46%). These local country management teams are key talent feeders for the future executive talent pipeline. IMCD is pleased with the balance of appointments in these key roles however there are still opportunities to improve. The goal is getting more women in commercial management roles. In IMCD's internal annual Diversity analysis, which was discussed at Board level, the conclusion was that women were well represented in country management teams especially in roles such as Marketing, HR, Legal and Finance but less so in commercial and digital leadership roles. That is one of the reasons why the successful IMCD Women in Leadership programme will be continued in 2023/24. This women-only development programme aims to accelerate the training and development of women in the Americas, EMEA and Asia-Pacific region, and to better prepare them for future leadership roles.

IMCD has the overall goal to get more women in commercial management roles and a specific target to annually appoint at least 40% of women in all open positions in the managerial subtop. This is the group of 370 most senior roles in all regions and countries combined. The 40% target was in place for 2022 and will be continued for 2023.

The age profile of IMCD staff also underlines the fact that IMCD is an equal opportunities company for all ages. IMCD had 6 employees under the age of 20, mainly working students, interns, and other entry-level workers. At the other end of the spectrum, IMCD employed 193 people over 60 (4.5% of the total workforce at year-end 2022 – same as in 2021). The 20 - 30 age group grew to 715 (16.5% versus 15.9% the year before) and the vast majority (2,636 employees or 60.7%) was in the 30 - 50 age group. The number of employees between 50 and 60 was 773 (17.8% versus 18.5% in 2021). The overall IMCD age profile has become more youthful over the last few years, especially due to developments in two groups. Firstly, the under-30 group continues to grow year-on-year and secondly the 50+ age group shrank from 25% in 2019 and 23% at year-end 2021 to 22% in 2022.

"With IMCD's Taste Account Manager Graduate Trainee programme, Food Science graduates have a unique opportunity to develop expert taste and commercial skills for a bright future of personal growth in IMCD."

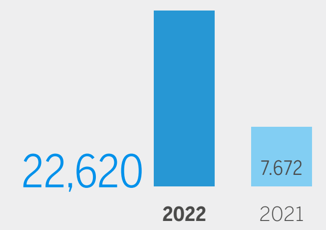
Loretta Furniss
Taste Manager EMEA, Food & Nutrition

Human capital development via training and development

After the Covid restrictions on travel and on face-to-face meetings were removed IMCD stepped up the training activities, especially the technical and product training delivered by IMCD's technical Business Group experts. The 73 laboratories have organised hundreds of technical trainings, product seminars and formulation meetings with the aim to deploy the technical and formulation expertise for the benefit of customers and to train IMCD's own staff. Such Business Group specific training is one of the core elements of our business and underlines the expertise that is present in the company. Most of these trainings are conducted classroom style in 73 globally dispersed labs and technical centres, delivery and attendance are not yet recorded centrally.

IMCD aims to start recording all training delivered to all employees in one central Learning Management System (LMS), the 'IMCD Digital campus', powered by Cornerstone software. By the end of 2024 all training will be entered into it, including the technical and Business group training courses referred to above.

Training hours



IMCD continued human capital development by offering non-technical online training such as Antitrust, Fraud, Cybersecurity, Compliance, Salesforce, and Digital Transformation; compared to last year, we had more focused and concentrated training usage with 4,149 employees registered, who completed tens of thousands short courses and spent 22,620 hours (versus 7,672 hours in 2021) in our Global Cornerstone learning management system. The average user spent 5.45 hours following training sessions and taking tests.

Labour practices and human rights

IMCD's management approach is to act in line with OECD guidelines for Multinational Enterprises and the three UN Guiding Principles on Business and Human Rights; Protect, Respect, Remedy. IMCD's values are also clear guidelines for conduct of employees, and we hold all employees accountable, from high-ranking leaders to the rank and file. IMCD management expects more than lip service. Conduct is what counts. Observed violations of IMCD values by employees or unacceptable behaviour can be reported via the IMCD internal alert procedure/anonymous ethical hotline, but also via regular management and HR channels.

IMCD has zero tolerance for forced labour and/or child labour. They have no place in IMCD. The Chemical distribution Industry is not high-risk in this respect, since most of IMCD employees are highly-skilled workers active in office environments. Also, IMCD respects the right of employees to organise and to join trade unions and representative bodies such as works councils and Health Safety & Environment Committees. All employees have the right of collective bargaining. When IMCD acquires companies, these sometimes come with unionised employees and IMCD respects this and nurtures existing relationships.

Management measures annually how many workers are subject to a collective labour agreements (CLAs). At year-end 2022 IMCD employed 1,121 employees in this category, i.e. 26% of the total workforce. The number fell slightly due to business growth in Asia-Pacific and the Americas where CLAs are less prevalent than in EMEA. Management also tracks formal employee

"As a young Digital Marketing professional you get countless opportunities at IMCD to grow in the job. The entrepreneurial spirit of the company facilitates trying out new roles and developing additional skills."

Anastasiia Pankratova
Digital Transformation Manager Switzerland

representation on an annual basis. In 2022, IMCD had 2,223 employees (51.4% of the workforce) worldwide who were represented in formal joint management and employee Health & Safety Committees and 1,154 employees (26.7% of workforce) covered by formally elected employee representatives such as works councils, most of them in the EMEA region.

In 2022, IMCD encountered zero employee strikes. No industrial action against the company was reported.

Social dialogue, enhanced via global engagement survey

Dialogue between employees and management takes multiple forms. The IMCD management approach uses the following three communication channels:

1. Global town hall meetings with all staff
2. Employee opinion surveys
3. Regular dialogue between management and employees

IMCD conducted two town halls for all employees in 2022, one in March and one in October. Examples of topics on the agenda were: digitalisation, people statistics, the financial results, IMCD cares, the sales excellence project and sustainability. All staff are invited to all town halls, which are live events with presenters who take questions. Remaining questions are answered offline.

In 2022, the first Global Engagement survey was conducted, the IMCD Pulse. A remarkably high participation rate of 85% underlined the willingness of employees to share their opinions. Outcomes were positive: 72% of all participants are favourable to very favourable about their overall engagement levels, 21% neutral and only 7% unfavourable. All global results have been shared with all employees via local country specific town-halls and global communications on OneIMCD the intranet of the company. The three themes that came out on top were:

1. Values –79% favourable
2. Management –77% favourable
3. Alignment & Involvement –77% favourable

A global three-point action plan was developed and shared with the Management Board and the IMCD Supervisory Board.

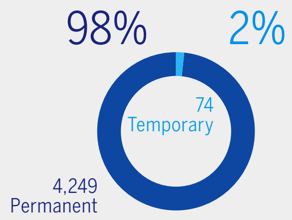
Type of employment & employment security, key for retention

The overwhelming majority of IMCD's employment contracts are permanent: 4,249 or 98% of the year-end workforce. Only 74 (<2%) of the employees were on a temporary contract. IMCD believes that offering regular, indefinite contracts or job offers provides employees with more security and a decent living and this is what employees value the most. It is also a differentiator in competitive labour markets. There is hardly any difference between men and women in this respect. Only 21 of the 2,012 (1%) men are on a temporary contract and 52 of the 2,237 women (2%).

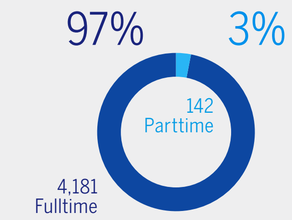
A comparable pattern applies to full-time versus part-time staff. IMCD employed 4,181 or 97% full-timers (up from 96% the year before) and 142 or 3% part-time employees. The latter group has requested flexibility in their work patterns to fit their work-life balance or family needs. There is a difference between male part-time workers (21 total) and female part-timers (121 employees). That suggests more women have asked and been granted flexible working arrangements.

IMCD offers the same benefits for full-timers, part-timers, and temporary workers. Employees who do work part-time, have generally requested flexible arrangements themselves.

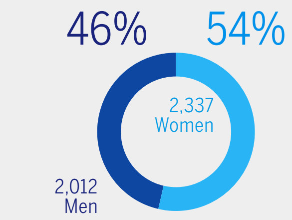
Contract type



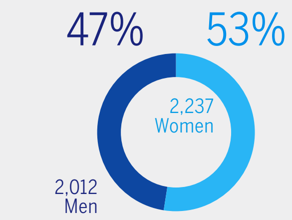
Fulltime/ Parttime



Permanent contract per gender



Permanent contract per gender



Responsible restructuring, remains an exception

In 2022, IMCD neither carried out any large-scale redundancies nor implemented workforce reductions/restructurings/job cuts of more than 5% of the global employee base. IMCD completed a relatively small business divestment in Russia where the business was wound down, and a post-acquisition business restructuring in Indonesia. Overall, the company continued on a growth path and the employee base rose from 3,740 to 4,323 FTEs in 2022, creating new jobs and opportunities.

Living wage

IMCD is committed to ensuring that all workers are paid a 'living wage' (i.e. the minimum remuneration to support basic needs) in accordance with applicable local laws. Indeed, a living wage is strongly supported by the 98% of employees on permanent contracts referred to above. The average salary & wages IMCD paid per employee in 2022 was EUR 68,800 per employee (EUR 65,560 in 2021), up 4.9% year-on-year. This excludes social security, taxes, benefits, and pensions. The year-on-year increase was due to many variables, such as merit increases, promotions, new employees, retirements, and business acquisitions. See the Note to the financial statements for more information on employee costs. Furthermore, in the absence of applicable laws or collectively bargained labour agreements, working hours may not exceed 60 hours per week, including overtime, and a minimum of one rest day per week is provided in all our countries.

Board discussions

People, social, talent, management succession, and labour matters are discussed with the IMCD Management Board and the Supervisory Board on a regular basis throughout the year, both on an individual level and business wide topics. More information is available in the Supervisory Board report (see page 85) in cluded in this Annual Report.

The topics employee health & safety and well-being will be detailed in the IMCD sustainability report 2022.

Our people

FTE

Total

4,323

Growth

+583 FTE

339 Acquisition
244 Organic

+16%

9% Acquisition
7% Organic

Turnover[1]

In

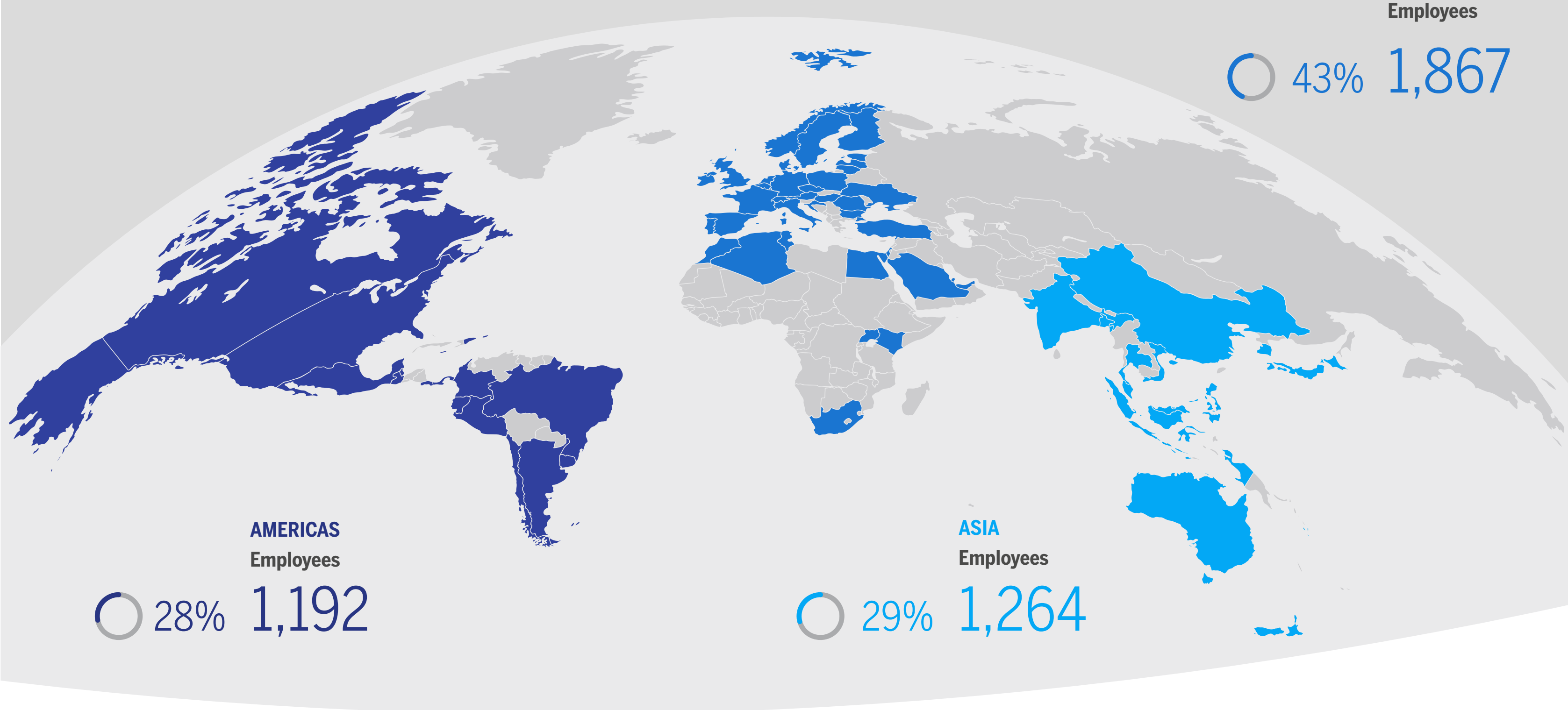
1,271
32%

Out

639
16%

1 FTE's leaving due to one-off divestitures and work hoursadjustments excluded

Numbers of FTE per region



Our people

Gender diversity

Woman 2,288 — 53%

Men 2,035 — 47%

Women's achievements

	Women	Men	%
Women in senior country/region teams	155	215	42%
Women appointed in senior region/country management roles	36	42	46%
Women in P&L roles	63	152	29%
Women appointed in P&L roles	11	28	28%

Different nationalities

Total

>65

Type of function

Commercial/ Technical

63%

Social dialogue

Employees subject to collective labour agreement: 26% — 1,121 Employees

Employees represented by health & safety cie: 51% — 2,223 Employees

Employees represented by workcouncils: 27% — 1,154 Employees

Headcount by age

<30: 721 | 17%

30-50: 2,636 | 61%

>50: 966 | 22%

Educational level

Master or higher: 1,083 — 25%

Bachelor or equivalent: 1,981 — 46%

of which a technical degree: 1,551 — 36%

Training

Training hours delivered: 22,620

Number of people trained: 4,149

Product

As a leader in the distribution of speciality chemicals and ingredients, IMCD is equipped with market intelligence, technical expertise, application laboratories and product know-how to push forward the Sustainable Solutions that should be at the forefront of the industry. IMCD promotes Sustainable Solutions on the market when it champions the journey of its suppliers and de-complexifies the market and the sustainability landscape for its customers. IMCD is dedicated to the safe and reliable handling of chemicals, ensuring its warehouse operations and transport comply with all relevant standards. IMCD safeguards ethical and sustainable sourcing from its suppliers and service providers to ensure responsible ESG practices

Regulatory compliance

As a globally operating distributor of speciality chemicals and ingredients, IMCD encounters many chemical and market specific regulatory requirements (relating to pharmaceutical, food and personal care products for example) that it needs to comply with.

To ensure compliance, IMCD has a team of global regulatory affairs and quality specialists in place as part of its HSEQR (Health Safety, Environment, Quality and Regulatory) organisation, both at its headquarters in Rotterdam and in each region and in individual countries. These teams continuously work to advance procedures and trainings so that awareness and up-to-date knowledge of regulatory compliance and export control are maintained in its global organisation.

In addition to the principles, instructions and prohibitions covered in the Code of Conduct and IMCD Business Principles discussed above, a more detailed HSEQR Policy and further screening procedures are in place to ensure regulatory compliance.

IMCD does not conduct animal testing and its scientists and technical teams support sustainable innovation through market analysis, technical expertise and product formulation.

Quality management and accreditation

As a company, IMCD prioritises the growth and development of its suppliers and customers. To achieve this, it provides ongoing training through learning seminars and our internal e-learning programme entitled Cornerstone. Since 2021, IMCD has been developing the Global Women in Leadership programme to encourage personal growth and ensure high-quality service.

IMCD also attaches importance to quality and environmental management systems through the implementation of ISO 9001 and ISO 14001. These standards are integrated into the company's business processes and help align management systems with the company's strategic direction.

IMCD's operating companies implement local quality management systems based on these standards as well as other systems relevant to the products they distribute, such as ISO 22000, HACCP, BRC (food safety management), RSPO (Roundtable of Sustainable Palm Oil), ISSC+ (International Sustainability & Carbon Certification), OHSAS 18001 / ISO 45001 (Occupational Health and Safety), GMP+ (Good Manufacturing Practices for food, Pharmaceutical and Cosmetic products), GDP (Good Distribution Practices for Pharmaceutical products) and ECO (for organic products).

In 2022, IMCD continued working towards its group wide accreditation for ISO 9001 and ISO 14001 standards, and the alignment and prioritisation of its operational sites towards these certifications.

Product and services safety

IMCD takes product safety seriously. Several programmes and initiatives have been established in recent years are being carried out by HSEQR staff and are monitored by management.

Every product that IMCD adds to its extensive product portfolio is assessed for safety, both in regards to environmental and to physical hazards. Based on the assessment and its outcome, a product may for example only be stored in warehouses that are certified to handle it and have expertise on the potential hazards related to it.

The product assessment process starts by training the HSEQR employees, which takes place regularly. Only trained HSEQR employees are allowed to assess products and accept them into the IMCD product portfolio.

To ensure ongoing compliance with current regulations, management is responsible for example for checking the presence of Safety Data Sheets (SDS, mandatory product documentation for safety) with dashboards specifically designed for this purpose, which measure the presence or absence of required safety documentation in real time.

IMCD's target is to always have all SDSes for all hazardous products available, in all languages required for the business. This statement on product safety has been published as a commitment in the company's sustainability report and therefore serves as a product safety target.

Next to the extensive product safety documentation management, IMCD embedded its incident investigation and corrective action tool into its global CRM system. The idea behind the implementation was that all employees, regardless of level and position can report incidents and non-conformances, which are then followed up by management.

Sustainable Solutions

The Sustainable Solutions Framework Programme is IMCD's market-oriented programme to promote greener products through its supply chain. The programme leverages IMCD's market intelligence, technical expertise, extensive lab infrastructure, and product knowledge to create a comprehensive green products catalogue. Via 70+ laboratories, IMCD further supports its suppliers and customers in product stewardship, and develops innovative, high-performance, sustainable formulations. IMCD's scientists and technical teams analyse market trends and new technologies, share their technical expertise and product formulations, process and application knowledge to support the sustainable innovations of both its suppliers and customers. The Sustainable Solutions Programme allows our customers, our suppliers, our team and our other stakeholders to make informed sustainable decisions throughout their product creation.

IMCD's goal is to roll out the programme in all Business Groups on a global scale by the end of 2023. A pilot was successfully launched in the Advanced Materials Business Group in 2021. In 2022, the learnings were applied in the remaining Business Groups with focus on their market context and product nature. To achieve this, each of our eight Business Groups conducted extensive research into the major trends, regulations, and opportunities relating to sustainable solutions.

Governance

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

Ethics and Governance

Being a global company, subject to both international as well as many different local laws, strong ethics and governance are of particular importance to IMCD. Breaches of laws and regulations, and even internal procedures or voluntary codes can have a major impact on IMCD's reputation as well as on its financial results.

With transparency on all aspects of our ethics and compliance framework and our performance, IMCD aims to build trust with our employees, our external business partners and other stakeholders and enable future regulatory compliance.

Compliance management

Ethical business conduct is a responsibility shared by all IMCD employees. In our company culture, we promote trust, confidence and respect. By giving people the freedom to act and empowering them to drive business forward, IMCD has established a dynamic and entrepreneurial culture that embeds integrity, transparency, and compliance as core business values.

With a group-wide compliance organisation, we aim to reinforce this culture so that our people can work in stimulating work environments where working conditions are safe and respectful. We aim to ensure at all times an atmosphere in which people feel confident to make decisions, raise concerns and seek advice when in doubt.

Having a strong reputation in business ethics is part of IMCD's social licence to operate. We require our employees to adhere to all applicable international and local laws and regulations and apply a zero-tolerance approach to unethical business conduct.

Compliance organisation

IMCD's compliance programme is supported by a compliance function throughout the Group organisation. This function is headed by the Group Compliance Officer, supported by regional compliance officers as well as country compliance representatives, either in stand-alone roles or combined with a senior management position.

In line with best practices for good corporate governance, the Group Compliance Officer reports to the CEO, and has access to the chair of IMCD's Supervisory Board.

In day-to-day management, there is close collaboration between the compliance function and IMCD's legal department, as well as with dedicated roles in other group departments for specific topics. Examples of this include collaboration with the HSEQR department on trade sanctions and export control, with the HR department on on-boarding and training efforts, and with the Internal Audit and Corporate Control functions on actions for topics such as anti-bribery, anti-corruption, fraud prevention, and internal investigations.

IMCD's internal control and risk management systems are used to assess risks relating to ethics and compliance and is used by the Management Board and Supervisory Board, as well as local management to continuously monitor performance.

Code of Conduct and Business Principles

IMCD's Code of Conduct summarises IMCD's group policies and business principles that set out the framework for ethical decision-making by employees when representing IMCD in dealings with business partners and other stakeholders.

The Code of Conduct and IMCD Business Principles, which contain a clear set of values and shared standards, are intended to guide our employees in their behaviour and interactions, and support the desired ethical conduct in our organisation. The also contain explicit prohibitions. On issues that the Code of Conduct and IMCD Business Principles do not answer directly, our employees are encouraged to consult with local management and/or the Group Compliance Officer.

The Code of Conduct and IMCD Business Principles apply to all employees of IMCD globally. They are kept up to date regularly, so that they maintain their relevance as guidance and as a true reflection of IMCD's culture. The latest version of the Code of Conduct was published in June 2022. It is available in English and in ten other languages.

The Code of Conduct is available to all stakeholders on IMCD's corporate website. IMCD employees receive the latest version of the Code of Conduct and IMCD Business Principles in the course of their global compliance training programme and have access to all group policies in a dedicated compliance section on IMCD's intranet, through which they are also informed of any changes.

Combating corruption, bribery and fraud

Prevention of corruption, bribery and fraud is a key element of IMCD's compliance framework. All IMCD employees must strictly adhere to all anti-bribery and anti-corruption laws in force nationally and internationally.

IMCD employees are prohibited from making, offering or authorising bribes or facilitation payments. Breaches of the policies in place to prevent corruption, bribery or fraud can potentially damage IMCD's reputation and present a financial risk. IMCD therefore applies a zero-tolerance approach, which is detailed in our Code of Conduct.

IMCD has group-wide policies and guidelines in place to support and guide employees on these topics. These policies include clear examples of behaviour that must be avoided and cover instructions on gifts, hospitality, donations and political involvement, and avoiding conflicts of interest. The anti-corruption guidance applies to all employees equally.

Our employees always have access to the latest versions of company policies via a dedicated Compliance section in IMCD's intranet. Training on corruption, bribery and fraud prevention is a mandatory part of IMCD's online e-learning programme, which supports the compliance framework.

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

However, three internal employee fraud incidents occurred during the reporting year. Two cases involved an attempt to falsify travelling expenses. The third incident concerned unauthorised movement of product from an IMCD warehouse. In all three cases, the incident led to disciplinary action, resulting in termination of employment.

Internal controls and procedures were reviewed and updated to prevent similar incidents in the future. None of the incidents reported led to significant costs or damages for IMCD.

Preventing anti-competitive behaviour

IMCD supports the principle of free market competition and aims to ensure that all IMCD employees comply with competition and antitrust laws. Given the potentially significant financial and reputation damage of a breach, a zero-tolerance approach applies. IMCD expects its business partners to embrace a framework where the standards of fair business and competition are upheld, similar to that at IMCD, as formalised in 2021 with the implementation of the ESG Standards for IMCD Business Partners.

To guide employees in their behaviour, IMCD Group policies includes a Competition Law Code of Conduct. This Code includes examples of behaviour that may pose a risk and must be avoided. In cases of any doubt, IMCD encourages employees to consult management and/or IMCD's Group Compliance Officer for further advice.

Training on antitrust law is a mandatory part of IMCD's online e-learning programme, which supports the compliance framework. As a further means to ensure compliance by all IMCD subsidiaries, employees can report suspected irregularities or behaviour that may constitute a breach of IMCD's antitrust policies through

IMCD's Internal Alert Procedure and IMCD Ethics and Compliance Hotline.

In the year under review, IMCD did not learn of any violation in respect of competition or anti-trust laws in the corporate group.

Trade sanctions and export control

IMCD's global trade sanction policy and guideline on restrictive measures and export control were updated again in 2022 and key employees received refresher training on the revisions.

The procedures described are used in combination with automated software to screen business partners against various sanctions-related lists. Training material on trade sanctions and export control developed by external experts is available in several languages in the course offering on IMCD's e-learning platform, and is included in the global compliance training programme.

In 2022, further steps were taken to increase the effectiveness of automated third-party screening. Through a new global risk and compliance screening tool, IMCD increased the number of databases against which its contacts are screened, and added screening on adverse media.

This allows IMCD to do a more in-depth screening with respect to anti-competitive behaviour, financial difficulties, fraud or corruption, environmental, product or supply chain issues, and potential human rights violations.

Human rights in business

IMCD recognises its responsibility under the United Nations Universal Declaration of Human Rights to respect human rights in its activities, as well as its responsibility to ensure that IMCD's business operations and employees do not contribute, either directly or indirectly, to human rights violations. This key principle is embedded in IMCD's Code of Conduct and Business Principles.

Through its vendor code of conduct, the ESG Standards for IMCD Business Partners, IMCD applies the same human rights standards as it does for its own operations, to its third party business partners. The improvements in IMCD's automated screening, allow for a more thorough evaluation of human rights performance by third parties. For more information also see the information on third party screening on page 63.

Ethics & compliance training

A continuous compliance training programme is in place to create and maintain awareness of ethical business practices and to ensure compliance with applicable trade restrictions, anti-fraud, anti-bribery and antitrust laws, market abuse rules and other compliance regulations, and more. Through its global e-learning platform, IMCD offered in 2022 an expanded library of almost 2.400 compliance-related courses in over twenty languages, available to all employees worldwide (supporting local compliance efforts and ensuring a better understanding of the material).

In a standardised global compliance training curriculum the essential pillars of IMCD's compliance programme are covered by anti-bribery, fraud prevention, export control and antitrust training material. Local countries can add material on specific topics as they see fit. After initial roll-out, continuous training is now ongoing in the Middle East, North America, Latin America and the APAC region. Roll-out in EMEA is ongoing and expected to be completed in the first half of 2023.

Internal alerts and whistleblower system

Our employees have a channel to seek advice and report their concerns about unethical and unlawful behaviour in IMCD's Internal Alert Procedure.

This procedure enables IMCD employees worldwide to report any irregularities or deviations in IMCD's operations from the IMCD Business Principles as described in our Code of Conduct. The Internal Alert Procedure includes a direct link to the IMCD Ethics and Compliance Hotline as an additional tool for internal reporting.

24-hour hotlines

The IMCD Ethics and Compliance Hotline is a global hotline to further support its Internal Alert Procedure. It offers a web portal in 15 languages as well as local staffed telephone hotlines in multiple countries. The hotline is available 24/7 to report any ethics concerns or breaches (or potential breaches) of IMCD's Code of Conduct, Business Principles or other group policies in a confidential and, if desired, anonymous manner.

The hotline is included in the ESG Standards for IMCD Business Partners and therefore open to reports by third party stakeholders.

Awareness for the hotline is created through poster material that provides examples of situations that warrant reporting, on-boarding training, management attention in town-halls and through standardised slides that can be included in group presentations. IMCD's Intranet has a separate section explaining to employees how to use the hotline, offering a direct URL-link.

In 2022, two reports were made through the IMCD hotline. The reports received were examined and appropriate action was taken in case of a compliance breach. The incoming reports in 2022 concerned cases of suspected violation of the IMCD Code of Conduct and/or Business Principles.

IMCD also has a 24-hour emergency service hotline in place, facilitated by independent external experts, to report any product spills or related incidents.

Tax strategy and tax transparency

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

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

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

The company's genuine commercial activities are leading when setting up international structures. Profits are declared and taxes are paid where the economic activity occurs. Acquisitions are a significant part of IMCD's business strategy to achieve growth. The various acquisition structures and tax consequences of such transactions are considered and evaluated before carrying out an acquisition in order to minimise the potential tax risks and tax cost. IMCD does not make use of tax havens or non-cooperative jurisdictions for the avoidance of tax. In accordance with its tax strategy, IMCD takes a conservative approach to tax risk, as it does to other risks in the business.Tax risks can arise from unclear laws and regulations as well as differences in interpretation. There is always some level of risk on taxation because of the complexity of taxes (including frequent changes in laws), variety and volume of different taxes that affect the company's business and differences in the interpretation of regulations or at arm's-length concepts meaning tax authorities may take a different view. Tax risks IMCD is exposed to include, among others, acquisition and integration risk, non-compliance risk, legislative risk,operational risk, financial risk and reputation risk.

To manage its tax risks, the Corporate Tax Department cooperates with all internal and external stakeholders to ensure it complies with these regulations with the general objective of mitigating these risks while at the same time aiming to be tax-efficient and, by thismeans, cost-effective.IMCD has a tax control framework in place describing the tax risks and controls in detail ensuring that the tax risks are known and controlled. Potential tax-related risks are assessed by IMCD's Management Board and discussed with the Audit Committee of the Supervisory Board to ensure a sustainable and viable tax strategy that is compliant with IMCD's business principles and enhances long-term profitability.

IMCD seeks to maintain an open, honest and constructive dialogue with tax authorities based on transparency, respect and trust. Where appropriate IMCD may enter into agreements with the tax authorities to ensure upfront clarity and eliminate uncertainty about tax implications of certain positions.As part of the OECD country-by-country regulations, IMCD annually files a country-by-country report with the Dutch tax authorities in which it provides on a by country basis information on matters like profit before income tax, accrued corporate income tax, taxes paid, accumulated earnings and number of FTEs.

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

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

EU Taxonomy

The EU Taxonomy Regulation (EU 2020/852) that entered into force on 12 July 2020 is a classification system establishing a list of environmentally sustainable economic activities. The aim is to scale up sustainable investments by providing a common European definition of what can be deemed as a "sustainable" activity.

The applicable Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 consists of the following six annexes, each covering an objective that makes a substantial contribution to the environmental sustainability:
- climate change mitigation,
- climate change adaptation,
- sustainable use and protection of water and marine resources,
- transition to a circular economy,
- pollution prevention, and control, and
- protection and restoration of biodiversity and ecosystems.

For 2022, companies falling under the scope of the EU NFRD (Directive 2014/95/EU), which is the case for IMCD, shall report the share of activities eligible to and the alignment with the EU Taxonomy in their annual or sustainability report against the parts of the Taxonomy which have been finalised at this stage: Annex 1 (Climate Change Mitigation) and Annex 2 (Climate Change Adaptation). An activity is 'Taxonomy-aligned' when it meets the technical screening criteria, the do no significant harm principle (DNSH), and complies with the minimum safeguards associated with the economic activity in the EU Taxonomy.

An assessment of Annexes 1 and 2 of the Commission Delegated Regulation 2021/2139

IMCD distinguishes six main economic activities. This list of our activities was cross-checked with the list of eligible economic activities in Annex 1 (Climate Change Mitigation) and Annex 2 (Climate Change Adaptation) of the Commission Delegated Regulation (EU) 2021/2139 to examine whether IMCD's economic activities were included.

Three of IMCD's economic activities are currently not included in Annex 1 or Annex 2. These are:

- sales & marketing of speciality chemicals and ingredients,
- customer, supplier and employee development services, and
- supply chain added value services.

The economic activity of "Product manufacturing" is included in the EU Taxonomy, however, entails only a certain set of chemical products, none of which IMCD produces. Additionally, this activity is financially immaterial (less than 0.1% of total turnover). This means that all the turnover, CapEx, and OpEx linked to these four activities is non-eligible for the EU Taxonomy.

IMCD's two remaining activities, "Distribution of speciality chemicals and ingredients", and "Product analysis and development", could be paired with activities in the EU Taxonomy, however, IMCD's specific execution of these activities does not allow this.

With regards to "Distribution of speciality chemicals and ingredients", the transport element of this activity could be eligible under the EU Taxonomy. However, IMCD outsources almost all of the transport activities to third parties. Hence, IMCD has no operational control over the transport, rendering the activities non-eligible for the EU Taxonomy.

For the few instances where IMCD has operational control over the transport, the cost of transport is also included in the product price, leaving no room for separating the turnover. Additionally, these instances are not financially material (compile to less than 1% of our turnover).

With regards to the 'Product analysis and development' activity, we analysed a link with our Sustainable Solutions Programme. This is a R&D programme that has the potential to be covered by one or more of the environmental objectives of the EU Taxonomy. At this time, however, it does not generate a separate revenue stream, nor can CapEx or OpEx be linked to the'Product analysis and development' activity, or the Sustainable Solutions programme to any of the activities in the EU Taxonomy. IMCD will, going forward, work towards setting up a registration system to attribute the different aspects of the Sustainable Solutions Programme to each of the different environmental objectives.

This means that also for the economic activities of "Distribution of speciality chemicals and ingredients", and "Product analysis and development" all the revenue, CapEx, and OpEx linked to these activities are non-eligible for the EU Taxonomy.

For the reasons above none of IMCD's activities are currently eligible for the environmental objectives climate change adaptation and climate change mitigation. This means that Taxonomy eligibility of IMCD's revenue, CapEx and OpEx currently is 0%.

EUR MILLION		ELIGIBILITY	ALIGNMENT
Revenue	4,601.5	0%	0%
Operating expenses	1.8	0%	0%
Capital expenditures	135.6	0%	0%

The table above contains all information required to indicate IMCD's eligibility and alignment for its economic activities. It is a simplified version of the tables included in Annex II of the Regulation EU 2020/852, which provide a template for disclosing the KPI's for non-financial undertakings. For IMCD, the eligibility and alignment is zero for the environmental objectives Climate Change Mitigation and Climate Change Adaptation. Eligibility and alignment for the remaining four environmental objectives have not yet been determined and are not compulsory for this financial year. DNSH and minimum safeguards are therefore not relevant to report on. Consequently, IMCD has opted for including a simplified table.

We have decided not to include voluntary CapEx disclosures for 2022, given that IMCD has not made any material financial investments in activities 7.3 to 7.6 of Annex 1 to the Climate Delegated Act in 2022. In the coming years, IMCD will take these into consideration as well.

Qualitative information referred to in delegated act article 8 (Section 1.2 of Annex I)

IMCD intends to be fully transparent on its approach with regard to the EU Taxonomy, in the qualitative information accompanying its disclosures on revenue, CapEx, and OpEx.

Accounting policy

For the revenue, the numerator of each of the above-mentioned activities was compiled by taking the total eligible revenue for that activity for the reporting year 2022. The total denominator was equal to the combined total revenue of the six activities mentioned above. Please refer to Note 8 of the Annual Report for further disclosure on revenue.

For the CapEx, the numerator was compiled by taking the total eligible CapEx for the reporting year 2022. This is the CapEx that is:

- related to assets or processes that are associated with Taxonomy-eligible economic activities
- part of a 'CapEx-plan' to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions, notably activities listed in points 7.3 to 7.6 of Annex I to the Climate Delegated Act, as well as other economic activities listed in the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) and Article 15(2) of Regulation (EU) 2020/852 and provided that such measures are implemented and operational within 18 months. For the CapEx, the total denominator was equal to the total CapEx combined for all of the six activities of IMCD.

For the OpEx, the numerator of each of the activities was compiled by taking the total eligible OpEx for the reporting year 2022. This is the OpEx that is:

- related to assets or processes associated with Taxonomy-eligible economic activities
- part of the CapEx plan to expand Taxonomy-aligned economic activities or allow Taxonomy-eligible economic activities to become Taxonomy-aligned within a predefined time frame
- related to the purchase of output from Taxonomy-aligned economic activities and to individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions as well as individual building renovation measures as identified in the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) or Article 15(2) of Regulation (EU) 2020/852 and provided that such measures are implemented and operational within 18 months.

For the OpEx, the total denominator includes costs relating to R&D, renovation, short term leases, maintenance, renovation, and any other direct expenditures relating to the day- to- day servicing of assets of property, plant and equipment both by the undertaking itself or any third party linked to the operations.

Assessment of compliance with Regulation (EU) 2020/852

In our assessment of the eligibility of our business activities, we used the definitions included in the Delegated Acts published by the European Commission on 6 July 2021 and applicable to all companies falling under the NFRD as of 1 January 2022.

Per activity included in the EU Taxonomy, a precise definition is provided, describing the economic activities that fall within the scope of this precise EU Taxonomy eligible activity. We have acted in good conscience and have rigorously followed the scope provided by the definitions. We have also considered further guidance of the EU via FAQs and other official policy documents to come to our conclusions.

We have not included any activities as eligible if they were not deemed to fall within scope of these definitions. If in the future doubts should arise, or new insights should teach us that any of our activities were eligible, we will include these activities in our Taxonomy disclosures in the following reporting years.

Outlook 2023

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

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

Despite the difficult geopolitical and macroeconomic conditions, including increased volatility in the customer demand, supply chain disruptions, shortages of materials and steep price increases, IMCD delivered unprecedented results in 2022. IMCD proofs to be a strong, resilient and well diversified business with a robust liquidity position and capital structure.

IMCD sees interesting opportunities to further increase its global footprint and expand its product portfolio both organically and by acquisitions.

Other than in the ordinary course of the business, IMCD does not foresee significant investments or changes to the organisation in 2023.

Governance

Management Board

The Management Board manages IMCD's day-to-day operations and is responsible for designing and achieving the company's objectives and strategy. As of 2 May 2022, the Management Board consists of three members holding joint responsibility.

The Management Board acts in accordance with the articles of association and the Management Board Rules, as published on the company's website.

Marcus Jordan Piet van der Slikke Hans Kooijmans

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

Chief Executive Officer since 1995

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

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

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

Chief Financial Officer since 1996

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

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

M.C. (Marcus) Jordan
1974, British

Chief Operating Officer since 2022

- Since 2016 President Americas IMCD.
- Since 2014 Executive Committee IMCD.

Mr. Jordan started his career as a formulation and application chemist in 1995 at Carrington Performance Fabrics.
He holds a Chemistry degree from the University of East Anglia, UK.

Executive Committee

The Management Board is supported by an Executive Committee. The Executive Committee consists of six members, including the three members of the Management Board.

The Executive Committee members that are not part of the Management Board are responsible for various issues including, regional operations and certain general group-level management activities.

Piet van der Slikke | John Robinson | Olivier Champault | Marcus Jordan | Hans Kooijmans | Frank Schneider

John Robinson
1966, British

Business Group Director Pharmaceutical
since 2000

Executive Committee member since 2011

He started his career with GSK, where he held a postdoctoral research position. Mr Robinson holds a PhD in Biochemistry.

Olivier Champault
1967, French

Business Group Director Advanced Materials | President IMCD France
since 2018

Executive Committee member since 2018

Before joining IMCD, he held senior positions in several large speciality chemicals companies.
Mr. Champault graduated from EDHEC and holds an MBA from INSEAD.

Frank Schneider
1959, German

Business Group Director Coatings and Construction
since 2006

Executive Committee member since 2011

Before joining IMCD, Mr. Schneider held senior positions in leading global industrial adhesives providers. Mr. Schneider studied law at the University of Freiburg, Germany and Business Administration at the University of Ludwigshafen.

Supervisory Board

The Supervisory Board monitors and supervises the activities of the Management Board and IMCD's general course of business. It also supports the Management Board with advice. The Supervisory Board, in the two-tier corporate structure under Dutch law, is a separate body that is independent of the Management Board.

The Supervisory Board Rules are available on the company's website. For details on the activities of the Supervisory Board in 2022 see the Supervisory Board report
and the Remuneration report, included in the Governance chapter in this Annual Report.

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

- **Supervisory Board Chair**
- **Chair of the Nom. & App. Committee**
- **Member of the Remuneration Committee;**

first appointed on 2 May 2016,
Chair since 26 February 2021,
current term expiring in 2024

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

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

- **Supervisory Board Member**
- **Chair of the Remuneration Committee**
- **Member of the Nom. & App. Committee**

first appointed on 9 May 2018,
current term expires in 2026

Most important positions
- Member of the Supervisory Board of Cabka N.V.
- Member of the Supervisory Board of CM.com N.V.
- Non-executive Director of Bunzl Plc.
- Former CEO of SHV Holdings N.V. and former director on the board of Dutch Star Companies One N.V. and Dutch Star Companies Two B.V.

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

- **Supervisory Board Member**
- **Member of the Remuneration Committee**
- **Member of the Nom. & App. Committee**

first appointed on 30 June 2020,
current term expires in 2024

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

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

- **Supervisory Board Member**
- **Member of the Audit Committee**

first appointed on 30 June 2020,
current term expires in 2024

Most important positions
- CEO of Arcadia eFuels.
- Former CCO of Haldor Topsoe A.S.
- Former member of the board of Cefic (the European Chemical Industry Council).
- Formerly held international management positions at Celanese Corporation and Albemarle Cooperation.

W. (Willem) Eelman
(1964 male, Dutch nationality)

- **Supervisory Board Member**
- **Chair of the Audit Committee**

first appointed on 2 May 2022,
current term expires in 2026

Most important positions
- Former CFO of Grandvision.
- Formerly held management positions in C&A Europe (CFO and Chief Transformation Officer) and Unilever N.V. (roles in finance and IT, including the role of CIO)

Supervisory Board report

The Supervisory Board supervises the policies pursued by the Management Board and its performance, and the general course of affairs within the company. The Supervisory Board also advises the Management Board and supervises the dynamics and relationship between the Management Board and the other members of the Executive Committee.

This report provides information on the activities of the Supervisory Board during 2022.

Introduction by the Chair

Under the leadership of a strengthened three memberManagement Board, IMCD achieved exceptionally strong results for another year.

The Supervisory Board was impressed by the fact that, despite challenging conditions, healthy organic growth was achieved in all regions. Supported by strategic acquisitions, this led to increased revenue of over EUR 4.6 billion (up 34%), and 37% gross profit growth.

Cash earnings per share increased by 44% to EUR 6.78. Operating EBITA increased by 48% with an operating EBITA margin of 12.0% (up from 10.9% last year).

This is even more a strong performance, given the various challenges that 2022 imposed on the company. IMCD was again faced shortages of raw materials and disruption of supply chains. In addition, it had to deal with steep price increases, inflation and fluctuating demand. Geopolitical tensions and the war in Ukraine clouded visibility of the future.

However, IMCD's business model proved resilient again. By focusing on long-standing partnerships, improving the product portfolio and pursuing further expansion in strategic markets, IMCD was able to strengthen its organisation, geographical presence and overall performance.

In 2022, the Supervisory Board paid particular attention to succession planning. In line with the Dutch Corporate Governance Code, the Supervisory Board installed a separate Nomination and Appointment Committee and, considering the size of the organisation and its ambitions, the Management Board was strengthened with a third member. Anticipating the retirement of IMCD's CEO in 2024, a robust succession planning process is in place.

IMCD's Supervisory Board was pleased to see that IMCD 's efforts to embed sustainability in its business model, processes and procedures was recognised by various external parties and included a place in the newly launched AEX ESG index in the Netherlands, placing IMCD among the top 25 companies showing best-in-class ESG practices.

By joining Together for Sustainability, IMCD has taken a further step in external stakeholder engagement and will work with chemical industry partners to improve sustainability in the supply chains of which it forms a part.

The Supervisory Board discussed many other developments throughout the year, which are described in more detail in in this report. Looking ahead, the Supervisory Board is confident that IMCD remains in a good position to continue the successful execution of its long-term growth strategy and remain a leader in the global landscape of speciality chemicals and food ingredient distribution.

Janus Smalbraak

Composition, diversity and independence

During 2022, the Supervisory Board consisted of five members. The details of the five members by year end 2022, are provided in this Annual Report on page 83. The tables on the right provide an overview of the composition, attributes and skills of the Supervisory Board members.

Changes in 2022

In a press release published on 25 February 2022, the Supervisory Board announced its decision to nominate Stephan Nanninga for a second four-year term and nominate Willem Eelman for a first four-year term, to fill the anticipated vacancy arising from the retirement of Arjan Kaaks, whose second and final term on the board finished at the end of the 2022 AGM.

Changes foreseen in 2023

The current retirement rota for the Supervisory Board shows that no terms of office expire in 2023, so no changes to the composition of the Supervisory Board in 2023 are expected at present.

Diversity on the Supervisory Board

The Supervisory Board strives to have a diverse composition to ensure that the knowledge, skills and experience present are complementary, enabling each member to make a valuable contribution to the duties of the board or committee.

In addition, the Supervisory Board strives for diversity in the scheduled retirements of its members. When considering vacancies, achieving and/or maintaining an appropriate balance in gender, age and geographic background are important aspects that will be taken into account.

Composition Supervisory Board

NAME + POSITION (AT END OF YEAR 2022)	NATIONALITY	GENDER	YEAR OF BIRTH	INITIAL APPOINTMENT	TERM EXPIRES IN	NUMBER OF TERMS	INDEPENDENT (DCGC)
Janus Smalbraak - Chair of the SB - Chair of the NAC - Member of the RC	Dutch	male	1967	2016	2024	second	yes
Stephan Nanninga - Member of the SB - member of the NAC - Chair of the RC	Dutch	male	1957	2018	2026	second	yes
Valerie Diele-Braun - Member of the SB - Member of the NAC - Member of the RC	German Swiss	female	1971	2020	2024	first	yes
Amy Hebert - Member of the SB - Member of the AC	American	female	1972	2020	2024	first	yes
Willem Eelman - Member of the SB - Chair of the AC	Dutch	male	1964	2022	2026	first	yes

In 2022, there was one vacancy on the Supervisory Board, for which Willem Eelman was nominated. In the search to fill this position, the Supervisory Board took the diversity policy into account. The board believes the experience and skills of Willem Eelman complement the knowledge present in the current composition of the Supervisory Board and add financial expertise as well as experience in the management and governance of Dutch listed companies.

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

Independence/No conflicts of interest

Throughout 2022, all Supervisory Board members qualified as independent within the meaning of best-practice provision 2.1.8 of the Dutch Corporate Governance Code. IMCD has not granted any loans, advances, guarantees, shares or options to its Supervisory Board members. Their remuneration is not dependent on the company's results.

At the end of 2022, one Supervisory Board member, Janus Smalbraak, owned shares in IMCD. In line with the Dutch Corporate Governance Code, these shares are held as a long term investment. No Supervisory Board members entered into transactions in 2022 where there was an actual or potential conflict of interest.

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

Supervision in 2022

In performing their duties, the members of the Supervisory Board are guided by the interests of IMCD and all its stakeholders. The activities the Supervisory Board engaged in as well as the material matters on which its supervision was focused in the course of 2022 are described in the following sections.

Meetings and attendance

In 2022, the Supervisory Board returned to its regular meeting schedule of previous years and primarily met face-to-face, in line with the recommendations that were concluded in the 2021 self-evaluation. However, as a result of the disruptions due to Covid-19-related lock-downs and travelling restrictions, the Supervisory Board has found that virtual meetings can be an efficient way to catch up in between meetings, or meet in smaller settings, such as Supervisory Board committees. Hence a combination of physical and virtual meetings will be continued.

Skills & attributes of IMCD Supervisory Board members

	JANUS SMALBRAAK	STEPHAN NANNINGA	VALERIE DIELE-BRAUN	AMY HEBERT	WILLEM EELMAN
Skills					
Managing large organisations	x	x	x	x	x
International business experience	x	x	x	x	x
Industry knowledge: chemicals (speciality, or other) and/or ingredients		x	x	x	
Market knowledge: distribution	x	x	x	x	
M&A experience	x	x	x	x	x
Finance, audit & risk				x	x
Governance, regulatory compliance & legal	x	x	x	x	x
People, culture and HR expertise	x	x	x	x	
Sustainability & CSR	x		x	x	
Investor relations	x	x	x		x
ICT and cyber security					x
Other attributes					
Currently active in an executive position at another company	x		x	x	
Mainly non-executive role		x			x

The Supervisory Board met face-to-face in its full composition on three occasions, in May, November and December. All other regular meetings were held with some of the members attending in person in Rotterdam and other members attending via video-conferencing. In addition to the regular scheduled meetings, the Supervisory Board held several fully virtual update calls, for example in March, April, October and December.

In total, nine Supervisory Board meetings (of which four update calls) took place. All meetings were held with the Management Board members also present. Two Supervisory Board meetings included a closed session without the Management Board members attending.

Between meetings, the members of the Supervisory Board were in regular contact with each other, by telephone and e-mail. To prepare for meetings and to discuss the current state of affairs, the Chair regularly spoke with the CEO. The full Executive Committee was present during the Supervisory Board meeting in December 2022, after which all present had dinner together, allowing the Supervisory Board to get more insight in the dynamics and the relationship between the Management Board and the Executive Committee members.

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

Attendance record for SB and committee meetings

MEMBER	SB	AC	RC	NAC
Janus Smalbraak (Chair)	9/9	-	2/2	2/2
Stephan Nanninga	9/9	-	2/2	2/2
Valerie Diele-Braun	8/9[1]	1/4	2/2	2/2
Amy Hebert	9/9	4/4	-	-
Willem Eelman	5/9[2]	2/4	-	-
Arjan Kaaks	4/9[3]	2/4	-	-

1 Valerie Diele-Braun could not attend the SB meeting in February, but instead attended the AC meeting in preparation of the SB meeting to engage with the external auditor on the 2021 Annual Report.

2 Willem Eelman attended all SB meetings held in 2022 as of his appointment on 2 May 2022.

3 Arjan Kaaks attended all SB meetings and calls held in 2022 until his scheduled retirement from the Supervisory Board.

Supervisory Board working visit

After the Supervisory Board's working visit to IMCD Germany in Cologne in 2021, the Board initially planned to visit the US regional head office in the second half 2022. However, due to management changes in the region upon the appointment and subsequent move of Marcus Jordan to the Netherlands, and the setting up of a regional head office in Miami still underway, it was decided to postpone the US visit for the time being. Instead, the Executive Committee members travelled to Rotterdam for the Supervisory Board's December meeting and dinner.

For 2023, a Supervisory Board working visit to Dubai is scheduled in the first half of the year, during which the Supervisory Board will discuss the strategy, risks and opportunities for IMCD in the Middle East and APAC regions, and have an opportunity to interact with the management teams of both regions.

Topics of discussion and advice

Regular items on the Supervisory Board agenda were the development of results, the financial position, acquisition projects and evaluations, and reports on any matters relating to material risks, claims and compliance issues.

To provide more insight, some matters of material significance relating to the supervision in 2022 by the Supervisory Board are discussed in more detail in the following sections.

Strategy

On various occasions, the Management Board and the Supervisory Board discussed the company strategy for long-term value creation and its implementation. In 2022, time was again spent on regional aspects and developments, in particular in Latin America and Asia, the discussion of which was closely connected to potential acquisitions or other business opportunities as presented by the Management Board. The Management Board made good progress in the execution of IMCD's growth strategy in all regions.

In November, Marcus Jordan presented an update on the growth of the Americas region, the footprint accomplished in Latin America, the organisational developments to support the business and further growth, competitor landscape and various opportunities identified in the region for the years ahead.

The annual report by the Management Board on the general strategy and associated risks was discussed with the full Executive Committee present, providing the Supervisory Board with thorough insight into the ambitions of the company and the state of play. In the same meeting, IMCD's Business Group Director

Pharmaceuticals presented a strategy update of the pharmaceuticals business group.

Acquisitions

In 2022, the Supervisory Board gave due consideration to a number of potential acquisitions and approved a total of eleven acquisitions, one of which is expected to be completed in the course of 2023. This year acquisitions were spread across regions, and offered the strategic benefit of building economies of scale, strengthening IMCD's presence in certain business segments and/or eliminating product portfolio gaps.

In the APAC region, the Supervisory Board approved acquisitions in China (Syntec, Aquatech and Welex), Australia and New Zealand (RPL Trading), Japan (Kuni Chemical) and India (Parkash DyeChem). In EMEA, the Supervisory Board considered and approved the smaller add-on acquisition of Evenlode Foods in the UK.

In Latin America, further acquisitions took place in Brazil (Polyorganic), in Colombia, Costa Rica and Peru (Quelaris) and in Mexico (PromaPlast), serving both the Mexican and US markets. Many of these acquisitions were smaller companies that will be integrated in IMCD's existing local operations. More information on the acquisitions is available in the Performance Chapter in this Annual Report.

In addition, the Supervisory Board approved of the acquisition of Sanrise in China, for which a share purchase agreement was signed on 31 October 2022. The transaction will take place in two tranches, with first 70% and a remainder of 30% of shared to be acquired in 2025 and is expected to close in the first quarter of 2023.

Of course, not all acquisition opportunities actually come to fruition. The Supervisory Board and Management Board regularly discuss projects and

opportunities in which, for example, the strategic fit was ultimately deemed insufficient or conflicts were believed to be too material to close the deal.

Operational performance and budget planning

During all meetings, those present discussed in detail the company's recent operational performance and the development of the results, of the company as a whole and by region, as well as by country if there were grounds to do so. During such updates, the Management Board informs the Supervisory Board

"In May 2022, IMCD's AGM convened in Rotterdam with all Supervisory and Management Board members attending. Senior management from abroad attended as well, which gave them an opportunity for informal interaction."

about material developments in the markets, or any changes in economic circumstances relevant to IMCD.

Furthermore, important organisational changes per region and important developments concerning IMCD's relationship with its major suppliers and/or customers are reported and the opportunities or risks to be expected from such developments are discussed.

During the Supervisory Board's meeting in December 2022, the budget for 2023 was presented and approved. The budget is the outcome of an extensive internal process of local and regional budget discussions.

The budget presentation was discussed with the full Executive Committee present, providing an opportunity for the Supervisory Board members to discuss market conditions, competitors, opportunities and risks as well as other developments within specific regions and IMCD's business groups in greater depth.

Global developments

In 2022, the impact of the Covid-19 pandemic on IMCD gradually stopped being a recurring topic of discussion. Instead, as from February 2022, the war in Ukraine and its impact on IMCD became a regular topic on a regular basis. In early March 2022, IMCD suspended its import and export operations in Russia and scaled down the local business. In April, the Management Board decided, with approval of the Supervisory Board, to discontinue all business in Russia and close offices in St. Petersburg and Moscow.

Geopolitical and macroeconomic developments caused various commercial challenges, including increased costs and product prices, as well as continued supply chain disruptions and uncertainty in product availability or allocation. In its meetings, the Supervisory Board discussed the challenges IMCD encountered or anticipated as a consequence of such developments, the impact on the organisation, IMCD's people, and the financial results.

Sustainability

In May 2022, the Supervisory Board discussed IMCD's strategic update for HSEQR and Sustainability with the Director HSEQR and Sustainability. IMCD's efforts to improve sustainability performance are picking up speed. During 2022, IMCD also received various external recognitions, confirming that the company is leading in ESG practices. Examples hereof are a second Gold rating by EcoVadis, with an improved score, a 'top rated badge' from Sustainalytics on ESG risks, placing IMCD among the best performer in a group of over 180 industry peers, and the copany's inclusion in the AEX ESG index launched by Euronext in 2022.

IMCD also worked hard on new projects that will improve sustainability performance further in thenext few years. It formalised its commitment to the UN Global Compact and was approved as member of the chemical industry's leading round-table initiative 'Together for Sustainability'. Internally, IMCD worked on improving its data collection processes and set up assessment and monitoring programmes focused on ESG performance of upstream and downstream partners. The Supervisory Board was positive on the developments and awarded the full STI bonus opportunity for this performance.

Part of the personal bonus KPIs of the Management Board members was connected to IMCD's ambition to achieve a 15% reduction in emissions intensity by 2024, compared to the baseline year 2019. In 2021, IMCD reported an increase of emissions intensity compared to the year 2019. Although this trend was reversed in the period under review, the progress is deemed insufficient to make the 2024 target. Hence, the Supervisory Board decided not to award the STI bonus attached to this target. More information is provided in the Remuneration Report included in this Annual Report.

Employee engagement & diversity

As IMCD keeps growing, talent development, diversity and inclusion in the company remain important topics for the Supervisory Board. The execution of the HR strategy was discussed in detail in the presence of the Global HR Director. Special attention was given to IMCD's culture and values, and the way that IMCD ensures that this culture is also shared with and embraced by new employees joining after acquisitions. In 2022, IMCD conducted a worldwide employee engagement study for the first time. The high return rate of 85% demonstrated strong interest from employees. The study showed that 93% of employees are either positive (72%) or neutral (21%) about their engagement, which the Supervisory Board views as a positive outcome, in particular in the first year of the study.

In 2021, IMCD started a special programme for the development of female talent and leadership, which was continued in 2022. In February 2022, Amy Hebert an Valerie Diele-Braun, together with IMCD's CEO, engaged with the participants in a mid-programme event, in which they answered questions on career advancement in the chemical industry, the benefit of mentors and sponsors, and the value of international experience and executive education.

As part of the Management Board's non-financial KPIs for 2022, the Supervisory Board reiterated a target to appoint at least 40% women in vacancies or new positions for senior management during the year. The Supervisory Board received regular updates on leadership changes and new (senior) hires in the organisation and waspleased to see that IMCD again exceeded the set target. To support this positive development going forward, the target will beset again for 2023, and a new target will be included regarding the appointment of women in senior management positions with P&L responsibility.

Management Board composition and succession planning

Management succession was again discussed on multiple occasions throughout the year. Having announced his intention to retire in 2024, CEO Piet van der Slikke was reappointed for a further two-year term by the 2022 AGM. CFO Hans Kooijmans was reappointed for another four-year term. As announced by the Supervisory Board, Marcus Jordan was nominated in the role of COO to strengthen the Management Board as a third member. The Supervisory Board is glad to see that support in the General Meeting for all three appointment was high, almost unanimous, with 99.94% of votes cast in favour.

IT infrastructure and controls

An annually recurring topic of great importance is the operation and management of IMCD's IT infrastructure. IMCD's operations are supported by sophisticated and modern IT solutions, which play an important role in the further digitalisation of the business model.

An annual review and strategy update took place with the Audit Committee in July 2022 and the Supervisory Board as a whole discussed the progress made with IMCD's external auditor in December.Particular attention was given to the topic of cyber security and IMCD's actions to counter and protect against cyber threats. It was established that good progress has been made on all strategic objectives of IMCD's IT strategy.

Ongoing training and performance assessment

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

In a closed session in November, the Supervisory Board members discussed the outcome of its self-assessment concerning the functioning of the Supervisory Board, its members and its committees, including topics such as the interaction between the Supervisory Board and the Management Board and information provision to the Supervisory Board. This year, the process included individual feedback meetings between the Chair and all Supervisory Board members. The overall feedback from the 2022 evaluation was positive.

The Supervisory Board concluded that five members allow for a balanced compositions and sufficed to have adequate task allocation in the various committees. The composition of the committees will be reviewed again in 2024. The Supervisory Board was positive about the level of industry knowledge and the specific functional domain knowledge gathered within it ranks, welcoming again, with Willem Eelman, a financial expert as well as additional knowledge and experience in the field of digital, IT and information security.

The Supervisory Board also evaluated practical matters, such as the balance between meetings and calls, and the level of preparation of participants. Annual work visits or other forms of offsites are deemed a valuable tool for the Supervisory Board to connect with the organisation, get to know IMCD's senior managers, and increase in-depth understanding of the relevant topics impacting IMCD. The conclusions drawn by the Supervisory Board were shared with the Management Board.

As part of the continuous Supervisory Board training programme, the Supervisory Board was informed of developments in relevant legislation, for example in the field of gender diversity in the Netherlands, the anticipated revision of the Corporate Governance Code, and the broad spectrum of sustainability and reporting legislation, standards and requirements that is or will come into force and with which MCD is preparing to comply.

The Supervisory Board members furthermore have access to market reports covering IMCD and/or its competitors, which they can use to inform themselves and develop more in-depth knowledge of relevant market conditions, opportunities and the challenges that IMCD faces.

Supervisory Board committees

During 2022, the Supervisory Board worked with three committees: an Audit Committee (AC), a Remuneration Committee (RC) and a Nomination and Appointment Committee (NAC). The division in tasks and responsibilities and the working methods of the Supervisory Board and its committees are described in more detail in the Corporate Governance chapter.

Audit Committee (AC)

The Audit Committee held four meetings in 2022., all of which were attended by IMCD's CFO, the Director of Corporate Control, the Director Internal Audit and representatives of the external auditor, Deloitte Accountants B.V. On 2 May 2022, Arjan Kaaks retired from the Supervisory Board and, consequently, from the Audit Committee, and was succeeded by Willem Eelman, who took over the role of Chair for the remainder of the year.

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

The Audit Committee discussed IMCD's accounting policies and valuation methods as used in the preparation of its quarterly, semi-annual and annual financial reports for the full Supervisory Board. In addition, post-acquisition reviews of recent acquisitions, IMCD's IT infrastructure and strategy and internal control, governance and related risks, were on the agenda.

In **February**, the Audit Committee discussed the financial statements and 2021 audit in detail with the external auditor. All other Supervisory Board members and IMCD's CEO also joined, so the full Supervisory Board and Management Board were present to discuss the 2021 Audit and draft Annual Report. Further topics discussed were the dividend proposal and the process of obtaining a rating for the anticipated corporate bond loan issue. In March, IMCD was assigned a Baa3 investment grade rating by Moody's Investors Services and a BBB- rating by Fitch Ratings, and issued an EUR 300 million corporate bond loan placed with institutional investors.

In **May**, the internal auditor presented his findings for the period up to and including March 2022, and the Audit Committee discussed the post-acquisitions review, the 2021 external audit evaluation and the external audit plan for 2022. During May and June, several introduction meetings took place between Willem Eelman and leaders of group functions a part of the new Supervisory Board member's induction programme. Meetings included presentations by the Director Corporate Control, the Director Internal Audit, the Director Group Tax &Treasury, and IMCD's Information Security Officer.

A separate session was held to discuss in more detail the sustainability data collection process, ESG target setting and reporting requirements, in which the Group Director HSEQR and Sustainability, the Director Corporate Control and Group Compliance Officer participated.

In **July**, the Audit Committee discussed IMCD's internal control and risk management system and the risk assessment cycle. with the Director of Corporate Control. In addition the Director Internal Audit discussed the internal audit reporting topics and the ongoing external quality assessment of the Internal Audit department. Finally, IMCD's Group IT Director presented an update of the IT landscape and strategic developments, as well as lessons learned and actions to come in the field of cybersecurity. The external auditor presented its report of the audit of the 2021 Sustainability Report, on which Deloitte provided limited assurance.

After this meeting, the Audit Committee reported its findings to the Supervisory Board and the board concluded that all required and desirable internal control elements were still effectively subsumed within the agenda, programme and tasks of the internal auditor and the corporate (control) team.

In **November**, the internal audit plan for 2022 was presented to the Audit Committee and subsequently approved by the full Supervisory Board in its December meeting. The Director Internal Audit reported on the positive outcome of the external quality assessment and the certification received. The Audit Committee furthermore discussed the internal audit findings up to and including September 2022, and received a thorough update on IMCD's tax strategy and tax and treasury development impacting the company.

External auditor

The Supervisory Board is responsible for engaging and supervising the performance of the external auditor. Deloitte Accountants B.V. (Deloitte) was reappointed as IMCD's external auditor for the financial years 2022 and 2023 at the 2022 AGM. The Audit Committee and the Management Board reported to the Supervisory Board on Deloitte's envisaged audit plan for 2022, the relationship with and functioning of Deloitte as external auditor, as well as on other audit and non-audit services provided to IMCD by Deloitte.

Deloitte attended the meetings of the Supervisory Board in February and December 2022, in which discussions were held on the financial statements and the key audit points, and observations and recommendations as presented in the auditor's management letter.

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

Remuneration Committee (RC)

The Remuneration Committee convened twice in 2022 (in February and December), with IMCD's Global HR Director attending both meetings. The members also held regular consultations to discuss, amongst other matters, the proposals for the remuneration of the individual members of the Management Board. The Remuneration Committee's members throughout the year were Stephan Nanninga (Chair), Janus Smalbraak and Valerie Diele-Braun.

The Chair of the Remuneration Committee provided regular updates to the Supervisory Board of the discussions that took place. The Remuneration

Committee presented its findings and proposals to the Supervisory Board and prepared the Supervisory Board's Remuneration Report for 2022, which is included in this Annual Report.

MB and SB remuneration

The remuneration policy for the Management Board was last amended in 2020 to bring it in line with the new legal requirements applicable as a result of the implementation of the Revised Shareholders' Rights Directive. The revisions were approved by the General Meeting on 30 June 2020. No changes took place during 2022.

The 2022 Remuneration Report contains further details on how the remuneration policies were implemented in 2022. Detailed information on the compensation of the Management Board and Supervisory Board in 2022 is set forth in note 53 to the financial statements.

The format of the Remuneration Report follows the recommendations included in the Revised Shareholders' Rights Directive, of 2020. In 2022, the 2021 Remuneration report was submitted to the General Meeting for an advisory vote. It was again well received with 91.01% of the votes cast in favour of approval (2021: 94.09%).

Nomination and Appointment Committee (NAC)

The Nomination and Appointment Committee was newly established in 2022, bringing the corporate governance structure of IMCD more in line with the recommendations in the Dutch Corporate Governance Code. The members were the same as the members of the Remuneration Committee. The Supervisory Board's Chair, Janus Smalbraak, is also Chair of the NAC. The committee convened twice in 2022 (February and November), with IMCD's Global HR Director attending both meetings.

In its meetings, the NAC evaluated the size and composition of the Management Board and Supervisory Board, attended to succession planning, prepared nominations for the vacancies on the Supervisory Board and the expansion of the Management Board with a third member, and discussed the senior management appointments that took place in the group over the year.

In between formal meetings, consultations took place between the Chair of the NAC and other member of the Supervisory Board, IMCD management and IMCD's Global HR Director in relation to steps and actions concerning NAC matters.

The Chair of the Nomination and Appointment Committee provided regular updates to the Supervisory Board of the discussions that took place.

Financial statements 2022 and profit appropriation

The Supervisory Board reviewed and discussed the annual report and the financial statements for 2022 with all parties involved in the preparations. Based on these discussions the Supervisory Board concludes that the annual report provides a solid basis for the Supervisory Board's accountability for its supervision in 2022.

The financial statements for the financial year 2022 were prepared by the Management Board and audited by Deloitte Accountants B.V. The financial statements and the outcome of the audit performed by the external auditor were discussed by the Supervisory Board in the presence of the external auditor in February 2023.

The financial statements 2022 were endorsed by all Management Board and Supervisory Board members and are included, together with Deloitte's auditor's report, under Other information on page 216 of this annual report. The Management Board will present the 2022 financial statements and its report at the AGM.

The Supervisory Board recommends that the AGM adopt the 2022 financial statements, including a proposed dividend of EUR 2.37 in cash per share.

In addition, the Supervisory Board recommends that the members of the Management Board and Supervisory Board will be discharged from liability in respect of their respective management and supervisory activities performed in 2022.

The Supervisory Board would like to thank all IMCD employees, under the strong leadership of the Management Board and Executive Committee, for their continued hard work and commitment shown in the year 2022, which proved to be another excellent year of growth.

Rotterdam, 23 February 2023

Supervisory Board
Janus Smalbraak
Stephan Nanninga
Valerie Diele-Braun
Amy Hebert
Willem Eelman

Sustainability

"IMCD's commitment to sustainability benefits the environment and contributes to the company's success while allowing me to play a role in creating a better future."

Antoinette Nieuwland Venero
HSEQR & Sustainability Projects Specialist

Advocating for a greener future

The chemicals industry is at the forefront of addressing some of the most pressing societal challenges, such as climate change, food scarcity, and plastic pollution. This comes with high expectations as it is not only responsible for reducing its own environmental impact, but also for promoting sustainable solutions and cutting-edge strategies across their customer industries.

For IMCD, sustainability is vital as it impacts not only the environment, but also the company's reputation and long-term success. IMCD has a responsibility to ensure that the products it distributes are produced and delivered in an environmental, social, and ethical manner, and do not cause harm to society and the environment. Additionally, sustainability practices can improve IMCD's bottom line by reducing waste and increasing efficiency. Consumers and stakeholders are becoming more aware of the importance of sustainability and are more likely to support companies that embrace environmental and social responsibility.

As a young professional, I appreciate the intellectual challenge of working in the field of sustainability. It is constantly evolving, and new technologies and approaches are always being developed to accelerate our fight against climate change. This means that there is always something new to learn and explore, and I find this a rewarding and fulfilling aspect of my job. By working in this field, I have the opportunity to contribute to the development of new and innovative ways to reduce resource consumption, increase circularity, and promote sustainability among IMCD's internal and external stakeholders.

A huge aspect of working in IMCD that gives me a sense of purpose is the great working environment that surrounds me. As a foreigner in the Netherlands, it has been challenging to find a group of people with whom I feel comfortable to share my own customs and work ethics, and my colleagues at IMCD encourage me to freely share my ideas in an engaging, flat, and diverse network.

Remuneration report

The Remuneration Committee of the Supervisory Board is responsible for assessing and preparing the remuneration policy and remuneration proposals concerning the members of the Management Board and the Supervisory Board. The Supervisory Board assesses the proposals and, in the event of proposed policy changes, submits the remuneration policy to the General Meeting for adoption.

This remuneration report provides an overview of the remuneration policy for IMCD's Management Board and its implementation in 2022.

Key highlights – 2022 performance

2022 was not a year without challenges. IMCD experienced ongoing disruption of its supply chain, was faced with shortages of raw materials, steep price increases and fluctuating demand. In addition, geopolitical turmoil led to further economic uncertainties.

Despite these challenging conditions, IMCD's performance was exceptional. Under the leadership of the Management Board, all regions delivered healthy organic growth, supported by business mergers and acquisitions. Revenue increased by 34% to over EUR 4.6 billion, with gross profit growth of 37%.

Cash earnings per share increased by 44% to EUR 6.78. Operating EBITA increased by 48% with a 12.0% operating EBITA margin (up from 10.9% last year).

IMCD's Management Board was strengthened with a third member in May 2022 to ensure the group is well equipped to deliver on future ambitions. With Marcus Jordan on board, the Management Board has increased its sustainability efforts. Stakeholder engagement was enhanced with the commitment to the UN Global Compact, and membership of Together for Sustainability, a member-driven initiative that aims to raise CSR standards throughout the chemical industry.

Management delivered on its personal KPIs to improve the robustness of sustainability data collecting, monitoring and reporting, with the set-up of upstream and downstream ESG assessment and audit programmes, and delivering a GRI compliant Sustainability Report with assurance by the company's independent auditor.

External recognition of IMCD's progress was evidenced by a 'top-rated' ESG risk rating by Sustainalytics, a Morningstar company, acknowledging IMCD as a top performer amongst peers, and the inclusion of IMCD in the newly launched Dutch ESG AEX index, which illustrates that IMCD is one of the top 25 companies demonstrating best ESG practices. At year-end, IMCD improved its EcoVadis score and retained its Gold rating status for another year.

The Management Board also delivered once more on its diversity target by appointing 46% women in senior management vacancies in 2022, again improving the male/female ratio in senior positions. To increase gender diversity in the internal pool for senior management appointments, the IMCD Women in Leadership Programme was continued in 2022 with a second class.

The Supervisory Board was pleased to see that IMCD's first global employee engagement survey had a high response rate (85%) and a good result, with 93% of employees who responded showing positive (72%) or neutral (21%) engagement. The study provides valuable data to support the Management Board's efforts to promote IMCD's values and create and maintain a healthy company culture.

Remuneration Policies

The Remuneration Policy for the Management Board was last amended in 2020, to align it with new requirements in the Dutch Civil Code following the implementation of the Revised Shareholders' Rights Directive. The policy was approved by the AGM with 94.85% of the votes cast in favour.

At the same time, a separate Remuneration Policy for the Supervisory Board was adopted (99.49% of votes cast in favour). In 2022, the AGM approved a revision of the fixed fees for the Supervisory Board members (99.58% of votes cast in favour). No further changes took place in 2022.

Objective and principles

The objective of both remuneration policies is to attract, motivate and retain highly qualified executives by providing them with a balanced and competitive remuneration package that is focused on sustainable results and is aligned with IMCD's long-term strategy.

For the remuneration of the Supervisory Board the guiding principle is that the (amount and) level should reflect the time spent by, and the responsibilities of the Supervisory Board members. Given the nature of responsibilities of the Supervisory Board, the remuneration is not dependent on the results of IMCD; it consists of a fixed compensation only.

Although the company's strategy is primarily set by the Management Board, the remuneration policy

Summarised overview of IMCD's remuneration policy and application in 2022

	POLICY SUMMARY	APPLICATION IN 2022[1]
Base salary	• A fixed annual cash compensation, paid in 12 equal monthly instalments • Aim for the median level of the labour market peer group • Reviewed annually, against external market developments and internal relativity to other employees	• Base salary paid as follows: ◦ Piet van der Slikke: EUR 709,542 ◦ Hans Kooijmans: EUR 552,731 ◦ Marcus Jordan: EUR 323,333[2] • The 2022 base salaries include an adjustment for inflation on the basis of the Dutch Consumer Price Index (*CPI*) determined by Statistics Netherlands (*Centraal Bureau voor de Statistiek*) and, for Piet van der Slikke and Hans Kooijmans, a 5% increase as of May 2022.
Short-term incentive	• A variable pay-out in cash based on annual performance conditions set by the SB • 'At target' level: 50% of base salary • Maximum opportunity: 75% of base salary • No pay-out in case performance is below pre-determined minimum thresholds	• Applicable criteria and their weight: ◦ non-financial targets: 30% ◦ organic growth (operating EBITA): 60% ◦ M&A growth (acquired EBITA): 10% • Actual pay-out was 95% of the maximum opportunity, resulting in a cash pay-out equalling 71.25% of base salary for all three Management Board members. • The SB did not use its discretionary powers to deviate from the results calculated on the bases of the performance criteria
Long-term incentive	• Annual grant of conditional shares that vest after three years • 'At target' level: 100% of base salary • Maximum opportunity: 150% of base salary • Performance targets and their weight: ◦ cash earnings per share (EPS): 50% ◦ relative total shareholder return (TSR): 50%	• In 2022, the SB decided on unconditional share vesting for the 2019 LTI Plan. The 3-year performance period under this plan included financial years 2019, 2020 and 2021 • Both targets (Cash EPS and relative TSR) were met at or above the maximum pay-out threshold. Hence, shares vested as follows: ◦ Piet van der Slikke: 16,971 shares ◦ Hans Kooijmans:13,220 shares representing a realised LTI bonus of 150% of base salary applicable at the time of the conditional grant. • The SB did not use its discretionary powers to deviate from the results calculated on the bases of the performance criteria.
Pension	• Participation in the general IMCD pension scheme that also applies to other IMCD employees in the Netherlands. • No additional contributions are paid above the (statutory) capped pensionable salary.	• For the year 2022, the pensionable salary was capped at EUR 114,866 (in accordance with Dutch law). • Pension contributions were paid as follows: ◦ Piet van der Slikke: EUR 42,344 ◦ Hans Kooijmans: EUR 40,346 ◦ Marcus Jordan: EUR 32,333

[1] Details of the actual costs pertaining to the remuneration of the members of the Management Board and the Supervisory Board in the financial year 2022 are also included in Note 53 of the financial statements to the Annual Report 2022.

[2] Marcus Jordan was appointed to the Management Board as of 2 May 2022. All elements of his remuneration included in this Remuneration Report reflect the pro rata remuneration paid/received for the period of his Management Board membership (May up to and including December 2022).

is designed in such a way that the Supervisory Board can ensure, by defining the performance criteria and (operational and financial) targets under the remuneration policy, that the remuneration of the Management Board is linked to and supports the company's strategic priorities. It enables the Supervisory Board to encourage actions focused on long-term value creation and a sustainable contribution to all stakeholders.

Market positioning / peer review

The remuneration of the members of the Management Board is set around the median of remuneration levels payable within a peer group of comparable Dutch stock exchange listed companies, relevant to IMCD from a labour market perspective.

The Supervisory Board takes into account the internal ratio to the positions below the Management Board as well. All components of the remuneration packages are reviewed annually. On the initiative of the Remuneration Committee this review may include an external benchmark evaluation. The peer group taken into account for a remuneration benchmark consists of AEX and AMX companies in the Netherlands with similar revenues and similar market capitalisation. Substantially smaller or larger companies, financial institutions and real estate companies are excluded from the peer group, as well as companies with poor disclosure in respect of remuneration details.

A benchmark study was performed by EY in 2021, whereby the peer group comprised 16 companies, as listed in the following table.

REMUNERATION PEER GROUP COMPANIES 2022	INDEX
Koninklijke DSM	AEX
AkzoNobel	AEX
Just Eat Takeaway.com	AEX
Koninklijke KPN	AEX
ASM International	AEX
Grandvision	AMX
Konklijke Vopak	AMX
Signify	AMX
Aalberts Industries	AMX
OCI	AMX
Koninklijke Boskalis	AMX
Corbion	AMX
SBM Offshore	AMX
Arcadis	AMX
PostNL	AMX
Koninklijke BAM Groep	AMX

Application of Remuneration Policy in 2022

Base salary

The base salary for the members of the Management Board is determined by the Supervisory Board. At the start of 2022, the base salaries of Piet van der Slikke and Hans Kooijmans were adjusted for inflation on the basis of the Dutch Consumer Price Index (CPI) determined by Statistics Netherlands (*Centraal Bureau voor de Statistiek*).

Upon reappointment of Piet van der Slikke and Hans Kooijmans as CEO and CFO during the 2022 AGM, their base salaries were increased by an additional 5%.

EUR	2022	2021
Piet van der Slikke	709,542	668,732
Hans Kooijmans	552,731	520,940
Marcus Jordan[1]	323,333	-

[1] Marcus Jordan was appointed to the Management board as per 2 May 2022. The remuneration included herein is the pro rata remuneration for the period as of May up to and including December 2022.

Short term incentive (STI)

The objective of the Management Board's short-term incentive plan, is to ensure that the members of the Management Board prioritise defined short-term operational objectives, leading to longer term value creation.

STI structure and value

The short-term incentive consists of a (potential) cash bonus payment, depending on the level of achievements of pre-set targets. This applies equally to all three members of the Management Board. The short-term incentive structure is as follows:

STI VARIABLE PAY STRUCTURE (% OF BASE SALARY)	
Under performance (below set threshold)	0%
At target performance	50%
Maximum opportunity (capped)	75%

Every year, the Supervisory Board selects financial and non-financial targets for the Management Board's short-term incentive plan and determines their weight.

STI performance criteria 2022

The following table shows the selected criteria, their weight and the performance ranges (minimum, at target and maximum pay-out levels) that applied to the 2022 short-term bonus.

CRITERIA	PERFORMANCE THRESHOLDS		WEIGHT
Non-financial criteria	Performance and pay-out is assessed by the Supervisory Board per individual criteria		30%
Organic growth (operating EBITA)	• 10% ≤ budget • at target level • 5% ≥ budget	- no award - 2/3rds - full award	60%
M&A growth (acquired EBITA)	• no added EBITA • target level • 50% ≥ target	- no award - 2/3rds - full award	10%

For commercial and strategic reasons, the actual EBITA target numbers are not disclosed.

Non-financial STI criteria

For 2022, three non-financial criteria were set on the topics (i) social / employee engagement (ii) diversity, and (iii) sustainability. The targets on employee engagement and diversity each had a weight of 25%, and the sustainability targets were assigned a weight of 50%. The metrics and performance review by the Supervisory Board for the three topics selected for 2022 are explained in more detail below.

(i) Social / employee engagement

For 2022, the target was to conduct a global employee engagement survey and develop an action plan for improvement, especially in countries or areas that scored below average. The survey was conducted in the course of the year and the Supervisory Board was pleased to see a high response rate of 85% and a solid engagement score (72% positive and 21% neutral). The results of the study, along with the plan for improvements and actions already executed were shared with the Supervisory Board. The survey was executed well and delivered clear and valuable information, on which the Management Board acted proactively. Hence, Supervisory Board decided to award the maximum opportunity for this KPI.

(ii) Diversity

Last year, the Supervisory Board set a metric target in respect of diversity for the first time. To encourage further progress of female leadership, the Supervisory Board decided to maintain this metric target as KPI for 2022. The Management Board was asked again to realise at least 40% female appointments in vacancies for senior management roles throughout the year. In a group of 370 senior management positions identified globally by year-end (2021: 339), 78 appointments were made during 2022, for which 36 (46%) women were appointed (2021: 50%). Hence, the Supervisory Board also awarded the maximum opportunity for this KPI.

The details of the appointments in the past two years were evaluated by the Remuneration Committee in discussions with IMCD's Group HR Director. For 2023, it was decided to maintain the diversity target of at least 40% female appointments in vacancies for senior management, and to introduce a second target of at least 33% female appointments in senior management positions with P&L responsibility.

(iii) Sustainability metrics

In respect of sustainability, performance indicators were set for three topics: emission reduction, supply chain management and sustainable procurement.

Emissions reduction

For emissions reduction, the Supervisory Board reiterated its 2021 target to realise satisfactory progress towards the set goal of 15% emissions intensity reduction in 2024 against baseline year 2019. The progress was evaluated on the basis of the 2021 Sustainability Report, published in July 2022. It is positive that IMCD was able to report both an absolute and intensity reduction for Scope 1 and Scope 2 GHG emissions. However, the pace of the reduction achieved seems insufficient to meet the reduction itargeted for 2024, against the 2019 baseline. Therefore, the Supervisory Board decided to not award any bonus for this performance.

In November 2022, TfS published its Product Carbon Footprint Guideline for the Chemical Industry (the PCF Guideline). This guideline aims to develop a gold standard for the industry as a whole to work on real and meaningful emissions reductions. In 2023, IMCD will focus on renewing its emissions data collection and calculation methodology, in preparation for reporting in line with the PCF Guideline. The Supervisory Board has therefore decided to include the set-up and renewal of data collection and methodology as a decarbonisation target for 2023.

Supply chain management

For this topic, the target was to roll out IMCD's ESG Standards for Business Partners and cover at least 80% of IMCD's downstream supply chain partners (by cost spend) through signature for commitment and internal audits. This target was met and indeed exceeded. In addition to signatures covering more than 80%, IMCD set up an ESG assessment and monitoring programme for third-party logistic suppliers using the EcoVadis platform. The Supervisory Board is of the opinion that these actions and the progress made, justify a maximum bonus award.

Sustainable procurement

For the upstream partners, the Supervisory Board included a target to set up a program to identify and monitor IMCD's suppliers rated or audited for ESG topics, with a target to bring at least 80% (by revenue) into scope in the first year. The target was exceeded, with (suppliers responsible for) well over 80% of revenue being reviewed through use of the EcoVadis assessment platform. Considering the additional commitment by the company, by becoming a TfS member, in pursuing active engagement with principals in the chemical industry on ESG practices, the Supervisory Board awards the maximum opportunity for this component.

In total, the Supervisory Board has granted 2.25 months of base salary as a cash bonus for the non-financial KPIs under review.

Financial STI criteria

Both the organic growth and M&A growth exceeded the targets' threshold for maximum pay-out . Based on this performance, the Supervisory Board granted the maximum award for these two components, of 5.4 and 0.9 months of base salary, respectively.

Hence, the total STI bonus for 2022 granted to each of the Management Board members amounted to 95% of the maximum (equal to 8.55 months of base salary). This resulted in a gross cash bonus payment of EUR 505,549 to the CEO, EUR 393,821 to the CFO and, pro rata, EUR 230,375 to the COO.

Long-term incentive (LTI)

The members of the Management Board receive a share based bonus, for which the conditions are defined in the long-term incentive plan for the Management Board. The purpose of the LTI plan is to drive long-term performance, support retention and to further strengthen alignment with shareholders' interests.

LTI structure and value

The LTI plan is structured in such a way as to contribute to the simplicity and transparency of IMCD's overall remuneration policy. Under the LTI plan the Management Board members are eligible for annual awards of conditional performance shares, that vest after a three-year performance period. Vesting depends on achievement levels of pre-set targets and is subject to continued employment. An additional two-year holding periodapplies to vested shares so that shared are held for a minimum period of 5 years from the grant date.

The long-term incentive structure applies equally to all Management Board Members as follows:

LTI VARIABLE PAY STRUCTURE (% OF BASE SALARY)	
Under performance (below set threshold)	0%
At target performance	100%
Maximum opportunity (capped)	150%

The conditional shares are awarded at the beginning of the first year of the performance period (usually in the first quarter). The number of shares is calculated by dividing the value of the maximum (150% of base salary) by the average IMCD share price in the month of December of the preceding year.

The Supervisory Board annually sets the targets for the Management Board's long-term incentive plan and determines their weight. The long-term incentive plan for the Management Board members does not include an award in the form of (share) options. Further details on the conditional shares awarded are presented below in the section "Actual remuneration paid in 2022".

LTI performance criteria for 2022

The following table shows the selected criteria and their weight, together with the performance ranges and pay-out levels that were set for the 2022 LTI plan.

CRITERIA	PERFORMANCE THRESHOLDS	WEIGHT
Cash EPS growth[1]	< 10% below target - 0% ≥ 5-10% below target - 50% ≤ > 5% range of target - 100% ≥ 5% above target - 150%	50%
Relative TSR in peer group[2]	• Fourth quartile - 0% • Third quartile - 50% • Second quartile - 100% • First quartile - 150%	50%

1 EPS: Earnings per share
2 TSR: Total Shareholder Return

The performance parameters for the 2022 LTI Plan are measured over a three year performance period (financial years 2022-2024). For commercial and strategic reasons, the actual EPS target number is not disclosed. In 2022, Marcus Jordan did not participate in the LTI plan for the Management Board members, due to his appointment in the course of the year. He will participate as of the 2023.

TSR peer group

The peer group used for the calculation of the outcome of the TSR component under the 2022 LTI plan comprises 11 companies, and IMCD itself. The TSR peer group is reviewed and updated annually, if necessary. For the 2022 LTI plan, the following companies were included in the TSR peer group.

COMPANY	STOCK EXCHANGE
Aalberts Industries NV	Euronext Amsterdam
Azelis Group N.V.	Euronext Brussels
Brenntag AG	Frankfurt Stock Exchange
B&S Group S.A.	Amsterdam Stock Exchange
Bunzl Plc	London Stock Exchange
DKSH Holding AG	SIX Swiss Exchange
Electrocomponents Plc	London Stock Exchange
Essentra Plc	London Stock Exchange
Ferguson Plc	London Stock Exchange
Rexel SA	Euronext Paris
Univar Inc	Nasdaq

Pensions and other benefits

In 2022, Piet van der Slikke and Hans Kooijmans participated in the "IMCD pension scheme", a collective career average defined benefit plan, insured by AEGON Levensverzekering N.V. In accordance with Dutch pension legislation, the pensionable salary is capped. In 2022, the cap was EUR 114,866. In lieu of a Dutch pension plan, Marcus Jordan receives a cash allowance equal to 10% of his base salary,with a cap at EUR 50,000 per year.

As in previous years, the pension premiums for the participation of the Management Board members due in 2022 were paid by the company. Pension rights are accrued for in the financial statements in accordance with IFRS/IAS 19.

Pursuant to their service agreements, the Management Board members receive customary fringe benefits including a fixed expense allowance, fixed contribution to healthcare insurance and a company car. In addition, Marcus Jordan received an allowance to cover international schooling and temporary housing, due to the relocation of his family to the Netherlands.

Actual remuneration paid in 2022

REMUNERATION COSTS MB MEMBERS			FIXED RENUMERATION		VARIABLE REMUNERATION			
(EUR1,000)	YEAR	SALARY	PENSION	OTHER	STI BONUS	SHARE BASED PAYMENT	TOTAL[1]	PROPORTION OF FIXED AND VARIABLE REMUNERATION[2]
Piet van der Slikke, CEO	**2022**	**710**	**42**	**51**	**506**	**759**	**2,068**	**39% / 61%**
	2021	669	36	48	468	835	2,056	37% / 63%
Hans Kooijmans, CFO	**2022**	**553**	**40**	**50**	**394**	**591**	**1,628**	**39% / 61%**
	2021	521	37	49	365	650	1,622	37% / 63%
Marcus Jordan, COO	**2022**	**323**	**32**	**237**[3]	**230**	**365**	**1,187**	**50% / 50%**
Total	**2022**	**1,586**	**114**	**338**	**1,130**	**1,715**	**4,883**	**42% / 58%**
	2021	1,190	73	97	833	1,485	3,678	37% / 63%

[1] The amounts presented in this table are included in Note 53 of the financial statements to the Annual Report 2022.

[2] The relative proportion of fixed / variable remuneration is calculated by dividing the sum of the fixed / variable components by the amount of total remuneration, multiplied by 100.

[3] In addition to customary fringe benefits, this amount for Marcus Jordan includes temporary housing allowance and an allowance to cover international schooling, due to the relocation of his family to the Netherlands.

Total remuneration in 2022

The table above summarises the costs for the remuneration of the Management Board members charged to IMCD and its group companies in the financial year 2022.

5-year comparison with company performance

The table to the right presents the annual change of Management Board remuneration, company performance and the average remuneration of IMCD's employees in a comparative manner. As the COO position was created only in May 2022, no comparative year-on-year data is available. Hence, Marcus Jordan is excluded from the below overview this year.

The remuneration of a Management Board member used for this comparison includes the fixed remuneration elements paid in each of the years 2017 up to and including 2022, as reported on an IFRS basis in the annual report. The STI pay-out is included in the year that also comprises the performance period (year 1). The value of vested LTI shares is included in the year in which the performance period ended (year 3).

5 YEAR COMPARISON OF MB AND EMPLOYEE REMUNERATION AND COMPANY PERFORMANCE

	2022 vs 2021	2021 vs 2020	2020 vs 2019	2019 vs 2018	2018 vs 2017	CAGR
MB remuneration[1]						
Piet van der Slikke CEO	5%	6%	45%[2]	(7%)	19%	12%
Hans Kooijmans, CFO	5%	7%	46%[2]	(5%)	21%	13%
IMCD Performance indicators						
Gross profit	37%	29%	8%	12%	25%	22%
Cash EPS (weighted)	46%	44%	13%	13%	23%	27%
Net Result (before amortisation / non-recurring items)	48%	50%	14%	11.8%	26.9%	29%
Number of customers	7%	12%	2%	14%	16%	10%
Average number of employees	16%	13%	9%	18%	18%	14%
Employee remuneration[3]						
Average wages and salaries IMCD employees[4]	5%	4%	0.4%	(3%)	10%	3%

1 For Management Board members the remuneration includes the base salary, pension and other benefits paid in each of the years included in the comparison, as provided in Note 53 of the financial statements to the Annual Report 2022. The STI pay-out is included in the year that also comprises the performance period (year 1). The value of vested shared under the LTI is included in the year in which the performance period ended (year 3).

2 Reported increase in 2020 compared to 2019 is a combination of inflation adjustment base salary (+1% of total), more STI (+10% of total) and revised LTIP conditions (+34% of total).

3 The average total compensation for IMCD employees was calculated with the numbers as reported in Note 10 (Personnel expenses) of the financial statements to the Annual Report 2022 (wages and salaries / total average number of employees, excluding the members of the Management Board).

4 Acquisitions and recruitment activities in different regions, including emerging markets, have a significant effect on the annual fluctuation of the average total compensation for IMCD employees. For example, in 2018, large acquisitions in the US and EMEA contributed to an increase of the average employee compensation, whilst in 2019 and 2020, an increase of the number of employees in APAC and LATAM in the global mix, had a downward effect on the average total compensation of IMCD employees.

Movements in share positions (five year overview)

	MAIN CONDITIONS OF LTI PLANS					INFORMATION REGARDING THE REPORTED FINANCIAL YEAR		
	plan year	3 year performance period[1]	Date of conditional award	(scheduled) Vesting date[2]	End of holding period[3]	Gross # of conditional shares awarded[4]	Gross # of shares vested[5]	Shares subject to a holding period
Piet van der Slikke, CEO	**2022**	**2022-2024**	**2 May 2022**	**Q1 2025**	**Q1 2027**	**5,445**	**-**	**5,445**
	2021	2021-2023	25 Feb 2021	Q1 2024	Q1 2026	9,698	-	9,698
	2020	2020-2022	26 Feb 2020	24 Feb 2023	26 Feb 2025	12,694	12,694	6,744
	2019	2019-2021	28 Feb 2019	25 Feb 2022	28 Feb 2024	16,971	16,971	9,017
	2018	2018-2020	9 May 2018	25 Feb 2021	9 May 2023	16,518	16,518	8,776
Total							**46,183**	**39,680**
Hans Kooijmans, CFO	**2022**	**2022-2024**	**2 May 2022**	**Q1 2025**	**Q1 2027**	**4,242**	**-**	**4,242**
	2021	2021-2023	25 Feb 2021	Q1 2024	Q1 2026	7,554	-	7,554
	2020	2020-2022	26 Feb 2020	24 Feb 2023	26 Feb 2025	9,889	9,889	5,254
	2019	2019-2021	28 Feb 2019	25 Feb 2022	28 Feb 2024	13,220	13,220	7,024
	2018	2018-2020	9 May 2018	25 Feb 2021	9 May 2023	12,533	12,533	6,659
Total							**35,642**	**30,733**

1 The LTI performance period spans the period from 1 January in the first performance year up to and including 31 December of the third year thereafter.

2 The vesting date under any LTI plan is equal to the date of the Supervisory Board's decision that establishes the number of performance shares that make up the unconditional award. This decision is usually taken during the first or second Supervisory Board meeting in the year that follows the expiration of the performance period.

3 Management Board members are allowed to sell shares that vested after such shares have been retained for a five-year period from the date of the conditional award.

4 The number of shares provided in this column represents the maximum opportunity.

5 The number of shares provided in this column represents the gross number of shares vested under the respective LTI plan for the listed year, before deduction of personal income taxes.

Movements in share positions

The table above depicts the movements in the Management Board's share position due to the share-based remuneration awarded to the Management Board members in the past five years. Marcus Jordan will participate in the Management Board's LTI Plan for the first time as of 2023, hence, no share position for 2022 is included in the above overview.

2022 long-term incentive award

Under the 2022 LTI Plan the members of the Management Board were granted 5,445 and 4,242 conditional performance shares respectively, as set out in the table above. This number represents the maximum opportunity for each member. At the beginning of 2025, the Supervisory Board will review the outcome of performance in the three year performance period 2022-2024 and determine the number of conditional shares that will vest.

2023 long-term incentive award

In response to the 2021 Remuneration Report, IMCD received feedback that it would be appreciated if decisions were included on share awards and vesting that take place after the end of the reporting period, but ahead of the publication of the Annual Report. As the decision on the 2023 LTI Plan conditional grants had already been made ahead of the publication of this Annual Report, the information on the grants can be included herein.

Under the 2023 LTI Plan the members of the Management Board are granted (as of today's date) 8,140 (CEO), 6,341 (CFO) and 5,418 (COO) conditional performance shares respectively. This number represents the maximum opportunity for each member. The outcome of performance for this LTI Plan will be reviewed at the beginning of 2026.

Vesting of 2019 long-term incentive

At the beginning of 2022, conditional performance shares vested under the 2019 LTI plan. The three-year performance period for this plan ended at the close of the calendar year 2021. The 'at-target' opportunity equalled 100% of the Management Board members' annual base salary. The maximum opportunity was capped at 150%.

The Cash EPS target was met above the level of the maximum pay-out threshold. The TSR target was met at the maximum level (with IMCD ranking in the first quartile). Hence, 16,971 shares vested for the CEO and 13,220 shares vested for the CFO, having a corresponding value of 150% of their applicable annual base salary at the time of granting in 2019.

Vesting of 2020 long-term incentive

In response to the 2021 Remuneration Report, IMCD received feedback that it would be appreciated if decisions were included on share awards and vesting that take place after the end of the reporting period, but ahead of the publication of the Annual Report. The decision on vesting of the 2020 long-term incentive had been made ahead of the publication of this Annual Report, hence the information can be included herein.

The 'at-target' opportunity under the 2020 LTI Plan equalled 100% of the Management Board members' annual base salary. The maximum opportunity was capped at 150%. It is noted that only the CEO and CFO participated in the 202 LTI Plan for the Management Board.

On the basis of performance as described in this Annual Report, the Cash EPS target was met above the level of the maximum pay-out threshold. The TSR target was met at the maximum level (with IMCD ranking in the first quartile). Hence, 12,694 shares vested (as of today's date) for the CEO and 9,889 shares vested for the CFO, at a corresponding value of 150% of their applicable annual base salary at the time of granting in 2020.

Other remuneration information

Compliance with the remuneration policy

In 2022, the application of the remuneration policy for the Management Board was consistent with the policies included therein. No deviation or derogation took place. The Supervisory Board did not use its discretionary power to deviate from the mathematical outcomes based on the pre-set metrics and targets for the 2022 compensation.

Long-term value creation

Both the structure for the Management Board's remuneration as well as the targets set by the Supervisory Board for the 2022 remuneration contributed to a focus on long-term value creation. A substantial part of the 2022 remuneration was made up of variable components, based on performance (61% and 60% respectively for the CEO and CFO, and 59% on average for the full Management Board, as shown in the table "Remuneration costs of individual MB members'" on page 101).

60% of the 2022 STI bonus was made dependent on organic growth, ensuring a long-term mindset focused on sustainable growth. The non-financial KPIs set for the 2022 STI bonus were also geared to ensure progress on topics that benefit the company's organisation in the long-term with, in 2022, a focus on employee engagement, diversity and sustainability.

Finally, the 2022 LTI programme uses a three-year period and financial targets that contribute to a focus on long term value growth for IMCD's shareholders.

Internal pay ratio

As per the guidance issued by the monitoring committee for the Dutch Corporate Governance Code, the pay-ratio used by IMCD reflects the annual remuneration of all IMCD employees worldwide relative to the total remuneration for the CEO, including all elements (fixed and variable) as included in the financial statements on an IFRS basis. The calculation of the pay-ratio follows the guidance provided by the Monitoring Committee for the Dutch Corporate Governance Code.

	YEAR	TOTAL MB MEMBER REMUNERATION (X EUR1,000)[1]	AVERAGE TOTAL COMPENSATION (EUR, ALL EMPLOYEES)[2]	PAY RATIO
CEO	2022	2,068	87,299	23.7
	2021	2,056	82,680	24.9

1 The total compensation for the MB member includes all fixed and variable elements as reported in Note 53 of the financial statements to the Annual Report 2022.

2 The average employee remuneration is calculated with the numbers as reported in Note 10 (Personnel Expenses), as follows: total employee expenses / total average FTE.

IMCD monitors the development of the internal pay ratio over multiple years and, to the extent possible, compares the outcome with the published pay ratio's of industry peers, as well as other companies included in the AEX and AMX indices. Compared to these companies, IMCD's internal pay ratio is at the lower end of the spectrum. Whilst the Supervisory Board has not set a specific range for the pay ratio, it feels that the current pay ratio is reasonable.

Information on shareholder advisory vote

At the 2022 AGM, the 2021 Remuneration Report was subject to an advisory vote for the second time since the implementation of the Revised Shareholders' Rights Directive. The 2021 Remuneration Report was received well, with 91.01% of votes cast in favour of approval (2020: 94.09%).

It is considered a positive sign that the report again received a high approval rate. Still, when engaging with stakeholders, IMCD received suggestions for further improvements. Having taken some of these suggestions on board, this Remuneration Report now also included the LTI grants and vesting decisions formalised after the end of the reporting year, but ahead of the publication hereof. Additionally, an effort was made to include clear metrics for the non-financial bonus criteria and provide more insight in the target setting for the upcoming year.

Remuneration of the Supervisory Board

Compliance with the remuneration policy

In 2022, the application of the remuneration policy for the Supervisory Board was consistent with the policies included therein. No deviation or derogation took place.

The remuneration of the members of the Supervisory Board is determined by the General Meeting. It is not dependent on the company's results and none of the members of the Supervisory Board receive shares, options for shares or similar rights to acquire shares as part of their remuneration.

The General Meeting of Shareholders approved a revision of the annual fixed fees for the Supervisory Board's remuneration in 2022. The fees are listed in the following table and applied during the year.

Supervisory Board fees

FUNCTION	ANNUAL FEE (EUR)
Supervisory Board - chair	85,000
Supervisory Board - member	55,000
Audit Committee - chair	15,000
Audit Committee - member	10,000
Remuneration Committee - chair	12,500
Remuneration Committee - member	7,500
App. and Nom. Committee - chair	12,500
App. and Nom. Committee - member	7,500

The costs for the remuneration of the Supervisory Board members charged to IMCD in the financial year 2022 are set out in the table below.

Remuneration costs for SB members

EUR 1,000	2022	2021
Janus Smalbraak	105	75
Stephan Nanninga	75	68
Valerie Diele-Braun	70	63
Amy Hebert	65	65
Willem Eelman	47	-
Arjan Kaaks	23	70
Michel Plantevin	-	28
Total SB remuneration	**385**	**368**

Other policy information

Scenario analysis

Scenarios concerning the possible outcomes of the variable components and their impact on the remuneration of the Management Board members are analysed annually and taken into consideration by the Remuneration Committee and the Supervisory Board. The scenarios reviewed include minimum (0%), at target (100%) and maximum (150%) variable pay-out achievement.

Views of Management Board members

The chair of the Remuneration Committee discusses the Management Board members' own views on their remuneration package annually and/or in case of any proposed changes to the remuneration packages.

Term of appointment

Management Board members are, in principle, appointed for a term of four years. The (total) term of employment of Management Board members is not limited in any way. The terms of the CEO and CFO expired in 2022 and both were reappointed. Hans Kooijmans was appointed for another four-year term. Piet van der Slikke announced his decision to retire in 2024 and hence was appointed for a term of two more years. Marcus Jordan was appointed as new member to the Management Board in the role of COO, for a first term of four years.

Revision and claw back of variable pay

The Supervisory Board may adjust the amount or value of an STI or LTI awarded to a Management Board member to a suitable level if payment or fulfilment of that award would be unacceptable under the standards of reasonableness and fairness.

There is also a claw-back provision in place which may be applied to payments made to members of the Management Board (in cash, in kind or in the form of securities) under an STI or LTI award. In 2022, no adjustment or claw-back occurred.

Severance compensation

In accordance with Dutch law and the Code, the service agreements with the Management Board members contain provisions related to severance arrangements with a maximum payment of the gross fixed annual salary, subject to a fairness review.

In case of retirement, any outstanding LTI plan for the respective Management Board member shall be settled within two months after termination of the management agreement, on a pro rata basis. The Supervisory Board will assess the pro rata fulfilment of the performance conditions for the performance period up to the date of termination, to determine the number of shares that vest.

Supervisory Board members are appointed or reappointed in accordance with applicable legal and regulatory requirements. Their engagement does not include any severance payment, claw-back or change in control provisions.

Notice period

The service agreements with the members of the Management Board can be terminated by both parties, subject to a six-month notice period.

No loans

IMCD nor any of its group companies has provided any loans, advances or guarantees for the benefit of the members of the Management Board or the members of the Supervisory Board.

Looking ahead to 2023

In January 2023, the base salaries of the members of the Management Board were corrected for inflation. Based on the provisions of the management contracts, this correction is equal to the inflation rate in the Dutch Consumer Price Index (CPI) set by Statistics Netherlands (*Centraal Bureau voor de Statistiek*), which rose sharply in 2022. Upon their request, the index was not followed and the Supervisory Board decided upon a 6% correction of the base salaries of the CEO and CFO, and 4.9% for the COO (taking account of the inflation rate during his Management Board membership period).

On 20 December 2022, the Dutch Monitoring Committee Corporate Governance published an updated version of the Dutch Corporate Governance Code. The updated Code is expected to apply to IMCD for the full year 2023. IMCD will review and consider any changes needed to comply with the revisions, including in remuneration policies and/or reporting.

No other changes or amendments are expected to take place in 2023.

Corporate governance

IMCD N.V., a public company with limited liability (*naamloze vennootschap*) organised under Dutch law, is the parent company of the IMCD group. IMCD N.V. has a two-tier board structure, consisting of a Management Board under the supervision of a Supervisory Board. The two boards are independent of each other and are accountable to the Annual General Meeting of Shareholders (General Meeting) for the performance of their duties. The Management Board has chosen to work with an Executive Committee.

Governance structure

IMCD N.V.'s corporate governance framework is regulated by the company's Articles of Association (available on the company's website), the requirements of the Dutch Civil Code, the Dutch Corporate Governance Code (the 'Code'), the Dutch Financial Markets Supervision Act and any other applicable laws and regulations. The Dutch 'large company regime' (*structuurregime*) does not apply to IMCD.

IMCD's corporate governance structure was formalised and approved by the General Meeting at the time of IMCD's listing, on 26 June 2014. After the revision of the Code in December 2016, the revised Code applying to IMCD for the first full year in 2017 and the key aspects of IMCD's corporate governance structure and compliance with the Code were discussed during the 2018 Annual General Meeting (AGM).

IMCD is committed to a governance structure that best and most effectively supports its business, meets the needs of its stakeholders and complies with all relevant rules and regulations. In 2022, IMCD implemented certain changes to its coporate governance structure, which were presented and discussed at the 2022 AGM on 2 May 2022.

In this section, the company addresses the main elements of its corporate governance structure, reports on how it applies the principles and best practices of the Dutch Corporate Governance Code and provides the information required by the Dutch government's decrees on Corporate Governance and Article 10 Takeover Directive. Deviations from aspects of the corporate governance structure of the company, when deemed necessary in the interests of the company, will be disclosed in this section as well.

Management Board

The Management Board manages the day-to-day operations of IMCD and is responsible for designing and achieving the company's objectives and strategy. Whilst doing so, the Management Board focuses on long-term value creation for the company and its business, and takes the relevant stakeholders' interests into account.

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

Appointment

Management Board members are appointed (and may be reappointed) for a term of up to four years by the General Meeting in accordance with a binding nomination by the Supervisory Board. The General Meeting can overrule the binding character of the nomination by an absolute majority of votes cast that represent at least one-third of the issued share capital.

The Management Board has been designated, most recently by the 2022 AGM, as the corporate body authorised to issue shares and/or grant rights to acquire shares up to 10% of the total number of issued shares, and to restrict or exclude pre-emptive rights pertaining to such issue of shares, subject to the prior approval of the Supervisory Board.

The AGM also authorised the Management Board to purchase shares in the company up to a maximum of 10% of the issued shares, subject to the prior approval of the Supervisory Board.

Both authorisations are given for a period of 18 months. No authorisation from the General Meeting is required for the acquisition of fully paid-up shares for the purpose of transferring these shares to employees of the company or of an IMCD group company under any employee share plan.

Composition

The Supervisory Board determines the number of members in the Management Board. In view of the size of the company reached over the past years, and the ambition for further long-term growth and market leadership, the Supervisory Board in 2022 decided to expand the Management Board with a third member.

Marcus Jordan was appointed as a third member in the position of COO as of 2 May 2022.

The members of the Management Board hold joint responsibility. The Management Board is supported by an Executive Committee, which is responsible for, among other things, regional operations and certain general group-level management activities.

Diversity

The company's diversity objectives described on page 110 apply (section Diversity Supervisory Board, Management Board, Executive Committee).

The appointment of Marcus Jordan contributed to further diversity in the Management Board in terms of age, nationality, education, geographic background and working experience. However, the Management Board in its current composition does not meet the set gender diversity objective of at least 30% men and at least 30% women. This target will be considered again upon succession of the current Management Board members.

Remuneration

The remuneration of the individual members of the Management Board is determined by the Supervisory Board based on the remuneration policy adopted by the General Meeting. The remuneration policy for the Management Board was lastly reviewed and adopted by the AGM in 2020, with 94.85% of votes cast in favour. No changes have taken place since. The remuneration policy for the Management Board is available on the company's website.

The composition of the remuneration of the members of the Management Board and the remuneration policy are described in the Remuneration report included in this Annual Report on page 95 and onwards.

In compliance with the Code, the service agreements with Management Board members contain provisions on severance arrangements, claw-back and public offering consequences. An overview of the key terms of each Management Board member's contract was shared with the 2022 AGM and remains available on the company's website.

Conflicts of interest

All legal transactions where a conflict of interest exists or could arise with regards to members of the Management Board must be handled on arm's-length terms and must be approved by the Supervisory Board. Each Management Board member or Supervisory Board member is required to immediately disclose any potential direct or indirect personal conflict of interest to the Chair of the Supervisory Board, providing all relevant information.

If the Chair of the Supervisory Board determines that there is a conflict of interest, the member of the Management Board or the Supervisory Board with the conflict of interest may not take part in any discussion or decision-making that involves a subject or transaction relating to the conflict of interest.

In 2022, no transactions were reported or identified involving actual or potential conflicts of interests involving a member of the Management Board or Supervisory Board, nor were there any transactions with shareholders owning more than 10% of the shares.

Outside positions

Members of the Management Board must inform the Supervisory Board before accepting positions outside of the company. Acceptance by a member of the Management Board of a position as supervisory director of a listed company requires the approval of the Supervisory Board.

Executive Committee

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

Responsibilities

The responsibilities of the Executive Committee include group performance, realisation of operational and financial objectives, people strategy and identification and management of risks connected to the business activities. The non-Management Board members of the Executive Committee may take on certain management activities at group level in addition to their specific Managing Director or Business Group Director roles and support the Management Board in the implementation of the company's group policies throughout the organisation. IMCD's Executive Committee also takes on an active role in promoting and shaping the company's culture, and by play a vital role in shaping and maintaining IMCD's culture and communicating and promoting the company's values across the organisation.

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

Composition and diversity

During 2022, IMCD's Executive Committee was composed of six members: these include the three members of the Management Board (as of 2 May 2022) and three managing and/or business group directors.

The company's diversity objectives described on page 110 also apply to the Executive Committee. (section Diversity Supervisory Board, Management Board, Executive Committee). The Executive Committee members are included in the sub-top of senior managers in IMCD, which, at the end of 2022, consisted of 370 positions, for which IMCD has defined a separate (gender) diversity target in line with applicable Dutch legislation. By end of year, the sub-top included 155 women, i.e. 42% (2021: 39%).

The Supervisory Board engages with the members of the Executive Committee during its Supervisory Board meetings and/or work visits, as well as in informal contact outside of such meetings. In December 2022, all members of the Executive Committee were present during the Supervisory Board meeting, where, amongst other things, budget, strategy and risk management were discussed.

Supervisory Board

The Supervisory Board monitors and supervises the activities of the Management Board and the general course of business within IMCD. It also supports the Management Board with advice. In performing their duties, the Supervisory Board members are guided by the interests of the company and the business of the group, taking into consideration the relevant interests of stakeholders.

The members of the Supervisory Board are jointly responsible for the functioning of the Supervisory Board and assess its performance internally on a regular basis.

Appointment

The members of the Supervisory Board are appointed by the General Meeting in accordance with a binding nomination by the Supervisory Board. The General Meeting may overrule the binding character of the nomination by an absolute majority of the votes cast, representing at least one-third of the issued share capital.

Members of the Supervisory Board are appointed for a term of four years and may be reappointed for a second term of four years. Thereafter, two additional extensions are possible of two years each, bringing the total term of office to a maximum of 12 years.

Composition

The composition of the Supervisory Board is such that the combined experience, expertise and independence of its members enables the Supervisory Board to best carry out the full scope of the Supervisory Board's responsibilities. The profile for Supervisory Board members is available on the company's website.

The composition of the Supervisory Board shall also be in accordance with the best practice provisions on independence of the Code as well as Dutch statutory restrictions on the overall number of other positions that Supervisory Board members may hold.

During 2022, the Supervisory Board consisted of five members, in accordance with IMCD's articles of association.

Supervisory Board committees

In 2022, the Supervisory Board was supported by three committees: the Audit Committee, the Remuneration Committee and the Nomination and Appointment Committee.
Each of the committees has a preparatory and/or advisory role for the Supervisory Board. They report their findings to the full Supervisory Board, which is ultimately responsible for all decision-making. Information on the work and composition of the committees during 2022 is set out in the relevant section Supervisory Board committees (see page 91) of the Supervisory Board report (see page 85) of this Annual Report. Each committee has established rules describing its role, responsibilities and functioning. These committee rules are published on the company's website (as annex to the Supervisory Board Rules). Each committee is composed of at least two Supervisory Board members.

Diversity

The company's diversity objectives described on page 110 also apply to the Supervisory Board. (section Diversity Supervisory Board, Management Board, Executive Committee).In line with the company's gender diversity objectives, the Supervisory Board is currently comprised of two women and three men. With this composition, IMCD's Supervisory Board meets the binding quota for gender diversity in supervisory boards (at least 1/3 women and 1/3 men) imposed by the new Dutch legislation on gender diversity in boardrooms that entered into force on 1 January 2022.

Remuneration of the Supervisory Board

The General Meeting determines the remuneration of the members of the Supervisory Board. To comply with the Revised Shareholders' Rights Directive, a written remuneration policy for the Supervisory Board was adopted by the General Meeting in 30 June 2020, with 99.94% of votes cast in favour.

With the Remuneration Policy for the Supervisory Board, the company aims to attract, motivate and retain highly skilled individuals with the right balance of qualities, capabilities, profile and experience, as may be needed from time to time to oversee the company's strategy, strategy implementation and performance, as well as to act as advisors to the members of the Management Board in support of their focus on long-term growth and sustainable success of the company and its business.

The guiding principle remained that remuneration of the Supervisory Board may not be made dependent on the company's results. No member of the Supervisory Board shall receive shares, share options or similar rights to acquire shares as part of their remuneration.

The Remuneration Policy for the Supervisory Board is available on the company's website.

Diversity on the Supervisory Board, Management Board and Executive Committee

IMCD recognises the importance of diversity throughout its organisation and believes that the company's business activities benefit from a wide range of skills and a variety of backgrounds and nationalities. This principle also applies to the senior management of the company. A diverse composition contributes to a well-balanced decision-making process and the proper functioning of the respective board or committee.

In respect of the Supervisory Board, Management Board and Executive Committee, IMCD aims for a diverse composition that ensures complementarity of knowledge, skills and experience, enabling each of the members to make a valuable contribution to achieving the company's strategic and business objectives. When considering candidates for positions in these bodies, IMCD will take into account gender, age and geographic background or nationality, as well as complementary expertise and experience, and the (expected) team dynamics. These principles are included in IMCD's diversity policy for the Supervisory Board, Management Board and Executive Committee that is available on the company's website.

In line with Dutch legislation on gender diversity in boardrooms, which entered into force on 1 January 2022, IMCD has set appropriate and ambitious targets for gender diversity on its Management Board and among its senior management. For the Supervisory Board, Management Board and Executive Committee, IMCD aims for a composition including at least 1/3 men and at least 1/3 women.

At the end of 2022, the Supervisory Board's composition was in line with the set target. For the Management Board and Executive Committee, the target on gender diversity will be taken into account if and when vacancies arise in the future.

Of the senior management positions identified below the Management Board, consisting of a group of 370 employees at year-end 2022, 42% were held by women. Of the senior management roles with P&L

responsibility, 29% were held by women. The target is to improve this ratio to at least 1/3 by 2025.

General Meeting of Shareholders

IMCD shareholders may exercise their rights through annual and extraordinary general meetings of shareholders (the General Meeting). The Annual General Meeting (AGM) is held each year before July. In 2022, it took place on 2 May 2022.

Extraordinary General Meetings (EGM) are held as often as the Management Board and/or the Supervisory Board deem desirable. In addition, one or more shareholders, who solely or jointly represent at least one-tenth of the issued capital, may request that a General Meeting be convened. Notice of General Meetings is given no later than 42 days before the day of the meeting through the publication of a convocation notice on the IMCD website.

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

Each shareholder may attend General Meetings, address the General Meeting and exercise voting rights pro rata to their shareholding, either in person or by proxy. Shareholders may exercise these rights if they are the holders of shares on the record date, which is the 28th day before the date of the General Meeting, and provided they or their proxy have notified the company of their intention to attend the General Meeting.

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

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

Shares

The authorised capital of the company comprises a single class of registered shares. All shares are traded via the giro-based securities transfer system and are registered under the name and address of Euroclear. All issued shares are fully paid up and each share confers the right to cast a single vote in the General Meeting.

Shares held by IMCD are non-voting shares and do not count when calculating the amount to be distributed on shares or the attendance at a General Meeting. IMCD purchases shares to hedge its obligations arising from conditionally awarded performance shares under IMCD's long-term incentive plan.

Authorisations relating to share issuance and purchase

The Management Board has been designated, most recently by the 2022 AGM, as the corporate body authorised to issue shares and/or grant rights to acquire shares up to 10% of the total number of issued shares, and to restrict or exclude pre-emptive rights pertaining to such issue of shares, subject to the prior approval of the Supervisory Board.

The AGM also authorised the Management Board to purchase shares in the company, up to a maximum of 10% of the issued shares, subject to the prior approval of the Supervisory Board. Both authorisations are given for a period of 18 months.

No authorisation from the General Meeting is required for the acquisition of fully paid up shares for the purpose of transferring these shares to employees of the company or of an IMCD group company under any employee share plan.

Anti-takeover mechanisms

IMCD respects the one-share/one-vote principle and did not have any anti-takeover or control mechanisms in place in 2022.

Rules regarding inside information

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

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

External auditor

Under Dutch law, the external auditor of the company is appointed by the General Meeting. In accordance with the Dutch Corporate Governance Code and Regulation (EU) 537/2014, the Supervisory Board selects and nominates an external auditor for appointment, upon advice from the Audit Committee. The Supervisory Board and the Audit Committee assess the functioning of the external auditor, taking the observations of the Management Board into account. In 2022, the General Meeting re-appointed Deloitte Accountants B.V. as the external auditor of the company for the financial years 2022 and 2023.

In principle, the external auditor attends all meetings of the Audit Committee. The findings of the external auditor, the audit approach and the risk analysis are also discussed at these meetings. The external auditor attends the meeting of the Supervisory Board in which the report of the external auditor on the audit of the financial accounts is discussed, and in which the annual accounts are approved.

Auditor independence

The Audit Committee evaluates the external auditor's independenceat least annually . The lead auditor of the IMCD account is changed at least every five years. Such a change took place with effect from the financial year 2021. Furthermore, Dutch law requires a mandatory rotation of the external audit firm after it has performed the statutory audits of the company for a period of 10 consecutive years.

Prohibition on non-audit services

The Audit Committee reviews the proposed audit scope, approach and fees as well as the services that the external auditor provides to the company. Dutch law requires the separation of audit and non-audit services, meaning that the company's external auditor is not allowed to provide prohibited non-audit services.

Accountability Dutch Corporate Governance Code

In 2022 IMCD complied with the principles and best practices of the Code with the exception of the following deviation.

Retirement rota

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

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

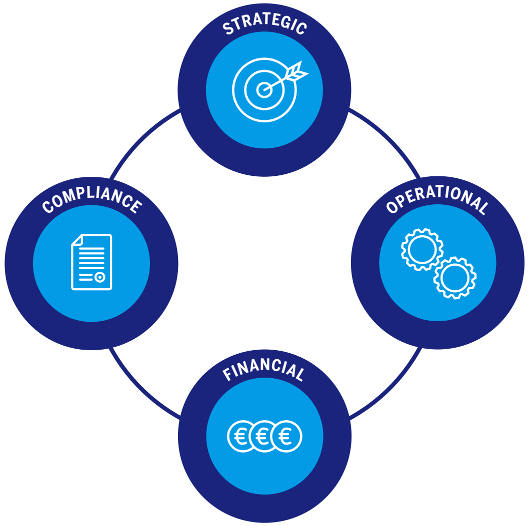
Risk factors and risk management

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

Although the company recognises the risks and uncertainties associated with its business activities, IMCD believes that the broad diversity of its business in terms of product portfolio, geographies, suppliers, end-market sectors and customers can lessen the impact of local and regional economic changes. However, if adverse circumstances are pronounced and/or long lasting, they can have a significant impact on the company's business and the results of its operations. IMCD is affected by demand fluctuations and other developments in the broader economy and weak economic conditions may have a material adverse effect on the group.

IMCD's risk management policy is aimed at striking the best balance between maximisation of business opportunities in the context of the company's strategy, and managing the risks involved.

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



Risk appetite

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

STRATEGIC	Moderate
OPERATIONAL	Low
COMPLIANCE	Low
FINANCIAL	Low

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

Risk management framework

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

In 2021, Corporate Control in cooperation with Internal Audit completely reworked the IMCD risk and control framework by means of a bottom-up approach. Meetings were held with all department leaders to identify all potential risks that each department is subject to. This included the identification of climate change-related risks and the impact of (future) regulations with regard to climate change. This risk overview was shared with a group of key internal stakeholders to rate the risks for the probability of each risk occurring and its potential impact at various levels. Furthermore, the risks were classified in the respective categories (strategic, operational, compliance and financial). The key risks resulting from this review were added to the framework and appropriate control measures were allocated or redefined for risk mitigation purposes.

The resulting revised IMCD risk and control framework was put in place at the end of 2021. In 2022, the ri sk and control framework was further updated as part of continuous improvements of IMCD's risk and control management.

Risk management tasks and responsibilities

IMCD's risk management and control systems are designed to identify and analyse the risks faced by the group at various levels, to determine and implement appropriate risk controls, and to monitor risks and the way the risks are controlled. Climate change risks are identified and managed using the same risk management process.

Key activities in IMCD's risk management and control systems are:
- identification of key business risks, based on their probability and their potential impact
- setting and maintaining key controls for managing and preventing the key risks

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

Risk management elements

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

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

2. Risk assessment and control procedures, including:
- identification of risks via risk self-assessments, coordinated by Corporate Control and Corporate Health, Safety, Environment, Quality and Regulatory (HSEQR) and Sustainability
- implementation and optimisation of effective and efficient control procedures at various levels of the organisation

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

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

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

Significant risks and uncertainties

In the following section, the main risks and the way IMCD manages these risks are described. None of the significant risks and uncertainties materially affected IMCD's position. We decided not to include the pandemic risk separately, as we perceive this as an important factor affecting the risks that have already been identified in the past.

Task Force on Climate-related Financial Disclosures (TCFD)

IMCD is proactively considering the impact of climate change and is developing a strategy to transition to a low-carbon economy. IMCD is in the process of finalising its assessment of physical risks and opportunities against the Task Force on Climate-related Financial Disclosures (TCFD) to understand its business' resilience to the impacts of climate change. The assessment looked at both physical and transition risks up to 2050 to understand how the risks and opportunities develop across future scenarios. As climate scenarios are inherently uncertain, the scenario analysis considered the full range of potential impacts associated with each item, identifying those items that could have a high impact and high uncertainty.

The methodology and detailed set of KPI's and metrics will be included in the 2022 IMCD Sustainability report which is set to be published in April 2023.

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

Strategic

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

Operational

RISK	RISK DESCRIPTION	RISK MEASURES
Dependence on key personnel	IMCD relies to a significant extent on the skills and experience of its managerial staff and technical and sales personnel. Loss of such individuals or the failure to recruit high-quality managers and other key personnel, both when expanding the group's operations and when replacing people who leave IMCD, could have a material adverse effect on the performance of the group.	IMCD limits these risks by providing an inspiring and entrepreneurial working environment, offering international career opportunities, performance-based incentive schemes and long-term succession planning. In addition, in order to secure the valuable relationships with key suppliers and key customers, these relationships are maintained by commercial teams rather than by individual commercial staff members.
Cybercrime and ICT continuity	IMCD's information technology infrastructure including its information and communication technology systems are key for managing and operating the business. Severe damage to and interruptions of those systems caused by natural disasters, software viruses, malware, cyberattacks or other threats disrupt our business and could result in downtime or breaches of sensitive information such as personal data or company records. This continues to be a risk for IMCD, which requires a stable and agile ICT environment, especially when working remotely as in recent periods during this pandemic crisis.	IMCD enhances its ICT security and further develops its business processes as part of its ICT governance improvement programme. IMCD continuously invests in its IT infrastructure by timely implementation of new techniques, software and systems to protect its systems and data and to limit any down time of its systems. IMCD focuses on improving its cybersecurity by raising awareness among employees and enhancing the security protocols for its systems. A wide range of new and existing security measures such as access and authorisation controls and back-up and recovery systems help IMCD to protect the quality and integrity of information in a continuously changing ICT landscape. These measures are monitored by the central ICT team on an ongoing basis.
Health / safety / environmental incidents	Marketing, sales and distribution of specialty chemicals, food and pharmaceutical ingredients entails exposure to health, safety and environmental risks which could potentially lead to reputational and financial damage. Examples of such exposures are: • employees and logistic service providers who are not properly trained/ informed on handling of products • products used for illegal purposes • lack of quality management • missing permits and notifications • product disposal not being properly controlled, leading to pollution and environmental damage	The majority of IMCD's subsidiaries have implemented certified quality systems and make use of monitoring systems for recording and analysing any non-conformities in order to further optimise their business processes. IMCD has a Corporate HSEQR policy in place. IMCD has outsourced the majority of its logistics operations to reputable third-party logistics service providers, who are carefully selected and continually monitored by the supply chain team to ensure quality standards and optimum performance. Employees, customers and logistics service providers are issued with adequate safety instructions and operating procedures for handling chemical products. Critical product data is managed by a team of experienced specialists. Yearly training programmes are established and implemented to ensure both employees and logistics service providers are aware of recent and future developments and changes in laws and regulations.
Climate change	It is widely recognised that climate change poses significant risks to natural, social and economic systems across the globe. The range of hazards is broad, from slow onset weather pattern changes to sudden extreme events. The consequent potential impacts affect ecosystems and natural environments, and therefore might directly or indirectly cause serious technical, financial, geopolitical and other changes in society. Some of these risks might impact IMCD's activities, for example disruptions to transportation infrastructures due to extreme weather events, or shortages of some feedstock due to agricultural losses.	Potential climate factors are considered in the selection process of logistics service providers, addressing accessibility and back-up procedures in the event of environmental incidents. In 2023, IMCD will finalise its assessment of risks and opportunities against the TCFD to understand its business' resilience to the impacts of climate change. The assessment focuses on both physical and transition risks up to 2050. As climate scenarios are inherently uncertain, the scenario analysis considers the full range of potential impacts associated with each item, identifying those items that could have a high impact and high uncertainty.

Compliance

RISK	RISK DESCRIPTION	RISK MEASURES
Non-compliance with laws and regulations	Being present in various countries across the globe, IMCD is exposed to local and international legal and compliance risks. As a matter of principle, IMCD complies with all applicable national and international laws and regulations (including legislation, standards and requirements in the field of trade sanctions and export control, environment, health and safety, competition and tax).	IMCD has set up an internal competition compliance framework and trains its employees by means of a compliance programme to observe national and international antitrust laws. In this way, IMCD makes its employees aware of potential conflicts with competition law and actively helps them to avoid any potential adverse consequences of competition law breaches. IMCD neither engages in nor supports the use of forced labour, bonded or involuntary labour or child labour. IMCD therefore complies with the standards of the International Labour Organization and the minimum age requirements in all countries in which IMCD conducts business. Taxes are paid where the economic activity occurs. In cases when there is insufficient local knowledge of tax issues, the company makes use of external advisors to ensure compliance with local tax requirements.
Anti-corruption and bribery	Non-compliance with anti-corruption and anti-bribery laws could lead to fines and potential prosecution of employees, and could substantially harm the company's reputation.	Specific internal anti-corruption and anti-bribery policies are in place, offering our employees clear examples of conduct that should be avoided. A continuous compliance training programme is in place to create and maintain awareness of ethical business practices and to ensure compliance with applicable trade restrictions, antitrust and anti-bribery laws, market abuse rules and other compliance regulations and more. IMCD uses an online learning (e-learning) platform and a standardised group compliance training curriculum as part of the IMCD compliance programme.

Financial

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

Statement of the Management Board

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

1. the financial statements, which have been prepared in accordance with IFRS-EU and Part 9 of Book 2 of the Dutch Civil Code, and are included in the annual report, provide a true and fair view of the assets, liabilities and financial position of IMCD as at 31 December 2022 as well as of the profit or loss of IMCD N.V. and its consolidated enterprises;
2. this report provides a true and fair view of the position as at 31 December 2022 and of the business performance during the 2022 financial year of IMCD N.V. and the companies associated with it, the results of which are included in the financial statements; and
3. the key material risks to which IMCD N.V. is exposed are described in the annual report.

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

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

Rotterdam, 23 February 2023

Management Board
Piet van der Slikke
Hans Kooijmans
Marcus Jordan

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Consolidated statement of financial position as of 31 December 2022

EUR 1,000	NOTE	31 DECEMBER 2022	31 DECEMBER 2021
Assets			
Property, plant and equipment	17	113,327	97,932
Goodwill		1,386,552	1,257,011
Other intangible assets		554,552	551,088
Intangible assets	18	**1,941,104**	**1,808,099**
Equity-accounted investees	21	71	71
Other financial assets	22	7,016	5,422
Deferred tax assets	23	35,614	35,393
Non-current assets		**2,097,132**	**1,946,917**
Inventories	24	622,098	526,300
Trade and other receivables	25	702,275	619,462
Cash and cash equivalents	26	222,005	177,879
Current assets		**1,546,378**	**1,323,641**
Total assets		**3,643,510**	**3,270,558**

The notes are an integral part of these consolidated financial statements

EUR 1,000	NOTE	31 DECEMBER 2022	31 DECEMBER 2021
Equity	27		
Share capital		9,118	9,118
Share premium		1,051,438	1,051,438
Reserves		(69,511)	(63,895)
Retained earnings		367,839	255,888
Unappropriated result		313,081	207,276
Total shareholders' equity		**1,671,965**	**1,459,825**
Non-controlling interests	28	1,451	1,529
Total equity		**1,673,416**	**1,461,354**
Liabilities			
Loans and borrowings	29	912,889	666,853
Employee benefits	30	22,254	29,258
Provisions	31	13,814	6,494
Deferred tax liabilities	23	130,819	122,251
Total non-current liabilities		**1,079,776**	**824,856**
Loans and borrowings	29	40,000	-
Short-term financial liabilities	29	296,042	451,050
Trade payables	32	389,021	403,010
Other payables	32	165,255	130,288
Total current liabilities		**890,318**	**984,348**
Total liabilities		**1,970,094**	**1,809,204**
Total equity and liabilities		**3,643,510**	**3,270,558**

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Consolidated statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2022

EUR 1,000	NOTE	2022	2021
Revenue	8	4,601,493	3,435,250
Other income	9	24,822	24,254
Operating income		**4,626,315**	**3,459,504**
Cost of materials and inbound logistics	24	(3,454,345)	(2,598,934)
Cost of warehousing, outbound logistics and other services		(131,653)	(101,880)
Wages and salaries	10, 12	(278,144)	(228,739)
Social security and other charges	10	(74,980)	(59,731)
Depreciation of property, plant and equipment	17, 19	(30,008)	(27,403)
Amortisation of intangible assets	18, 19	(81,478)	(65,460)
Other operating expenses	13	(113,981)	(71,892)
Operating expenses		**(4,164,589)**	**(3,154,039)**
Result from operating activities		**461,726**	**305,465**
Finance income	14	22,849	1,803
Finance costs	14	(48,726)	(23,473)
Net finance costs		**(25,877)**	**(21,670)**
Share of profit of equity-accounted investees, net of tax	21	0	32
Result before income tax		**435,849**	**283,827**
Income tax expense	15	(122,846)	(76,591)
Result for the year		**313,003**	**207,236**
Result for the year attributable to the shareholders of the Company		**313,081**	**207,276**
Result for the year attributable to non-controlling interest	28	**(78)**	**(40)**
Result for the year		**313,003**	**207,236**
Gross profit[1]		1,147,148	836,316
Gross profit as a % of revenue		24.9%	24.3%
Operating EBITA[2]	6	554,453	373,629
Operating EBITA as a % of revenue		12.0%	10.9%

The notes are an integral part of these consolidated statements.

EUR 1,000	NOTE	2022	2021
Result for the year		**313,003**	**207,236**
Defined benefit plan actuarial gains/(losses)	30	7,229	684
Related tax	15	(1,007)	(272)
Items that will never be reclassified to profit or loss		**6,222**	**412**
Foreign currency translation differences related to foreign operations		(446)	56,529
Effective portion of changes in fair value of cash flow hedges		(110)	106
Related tax	15	(30)	(485)
Items that are or may be reclassified to profit or loss	14	**(586)**	**56,150**
Other comprehensive income for the period, net of income tax		**5,636**	**56,562**
Total comprehensive income for the period		**318,639**	**263,798**
Attributable to:			
Shareholders of the Company		318,717	263,838
Non-controlling interests	28	(78)	(40)
Total comprehensive income for the period		**318,639**	**263,798**
Weighted average number of shares	16	56,928,982	56,939,895
Basic earnings per share	16	5.50	3.64
Diluted earnings per share	16	5.49	3.63

The notes are an integral part of these consolidated statements.

1 Revenue minus cost of materials and inbound logistics (non-IFRS measure)

2 Result from operating activities before amortisation of intangibles and non-recurring items (non-IFRS measure). Non-recurring items are disclosed in note 11 to the consolidated financial statements.

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2022

EUR1,000	NOTE	SHARE CAPITAL	SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	RESERVE OWN SHARES	OTHER RESERVES	RETAINED EARNINGS	UNAPPRO-PRIATED RESULT	TOTAL SHAREHOLDERS' EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance as at 1 January 2022	27	**9,118**	**1,051,438**	**(58,285)**	**(100)**	**(2,172)**	**(3,337)**	**255,888**	**207,276**	**1,459,825**	**1,529**	**1,461,354**
Appropriation of prior year's result		-	-	-	-	-	-	115,047	(115,047)	**-**	**-**	**-**
		9,118	**1,051,438**	**(58,285)**	**(100)**	**(2,172)**	**(3,337)**	**370,935**	**92,229**	**1,459,825**	**1,529**	**1,461,354**
Result for the year		-	-	-	-	-	-	-	313,081	**313,081**	**(78)**	**313,003**
Total other comprehensive income		-	-	(476)	(110)	-	6,222	-	-	**5,636**	**-**	**5,636**
Total comprehensive income for the year		**-**	**-**	**(476)**	**(110)**	**-**	**6,222**	**-**	**313,081**	**318,717**	**(78)**	**318,639**
Cash dividend	27	-	-	-	-	-	-	-	(92,229)	**(92,229)**	**-**	**(92,229)**
Issue of shares minus related costs	27	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Share based payments	27	-	-	-	-	-	156	(7,777)	-	**(7,621)**	**-**	**(7,621)**
Transfer of own shares	27	-	-	-	-	(11,408)	-	4,681	-	**(6,727)**	**-**	**(6,727)**
Non-controlling interest	28	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Total contributions by and distributions to owners of the Company		**-**	**-**	**-**	**-**	**(11,408)**	**156**	**(3,096)**	**(92,229)**	**(106,577)**	**-**	**(106,577)**
Balance as at 31 December 2022		**9,118**	**1,051,438**	**(58,761)**	**(210)**	**(13,580)**	**3,041**	**367,839**	**313,081**	**1,671,965**	**1,451**	**1,673,416**

The notes are an integral part of these consolidated statements.

EUR1,000	NOTE	SHARE CAPITAL	SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	RESERVE OWN SHARES	OTHER RESERVES	RETAINED EARNINGS	UNAPPRO-PRIATED RESULT	TOTAL SHAREHOLDERS' EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance as at 1 January 2021	27	**9,118**	**1,051,438**	**(114,329)**	**(206)**	**(3,893)**	**(4,774)**	**194,927**	**120,128**	**1,252,408**	**-**	**1,252,408**
Appropriation of prior year's result		-	-	-	-	-	-	62,000	(62,000)	-	**-**	**-**
		9,118	**1,051,438**	**(114,329)**	**(206)**	**(3,893)**	**(4,774)**	**256,927**	**58,128**	**1,252,408**	**-**	**1,252,408**
Result for the year[1]		-	-	-	-	-	-	-	207,276	207,276	**(40)**	**207,236**
Total other comprehensive income		-	-	56,044	106	-	412	-	-	56,562	**-**	**56,562**
Total comprehensive income for the year		**-**	**-**	**56,044**	**106**	**-**	**412**	**-**	**207,276**	**263,838**	**(40)**	**263,798**
Cash dividend	27	-	-	-	-	-	-	-	(58,128)	(58,128)	**-**	**(58,128)**
Issue of shares minus related costs	27	-	-	-	-	-	-	-	-	-	**-**	**-**
Share based payments	27	-	-	-	-	-	1,025	(4,130)	-	(3,105)	**-**	**(3,105)**
Transfer of own shares	27	-	-	-	-	1,721	-	3,091	-	4,812	**-**	**4,812**
Non-controlling interest	28	-	-	-	-	-	-	-	-	-	**1,569**	**1,569**
Total contributions by and distributions to owners of the Company		**-**	**-**	**-**	**-**	**1,721**	**1,025**	**(1,039)**	**(58,128)**	**(56,421)**	**1,569**	**(54,852)**
Balance as at 31 December 2021		**9,118**	**1,051,438**	**(58,285)**	**(100)**	**(2,172)**	**(3,337)**	**255,888**	**207,276**	**1,459,825**	**1,529**	**1,461,354**

[1] The result for the year has been restated as a result of a change in accounting policy detailed in Note 2 to the Financial statemens

The notes are an integral part of these consolidated statements.

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2022

EUR1,000	NOTE	2022	2021
Cash flows from operating activities			
Result for the year		313,003	207,236
Adjustments for:			
Depreciation of property, plant and equipment	17	30,002	27,403
Amortisation of intangible assets	18	81,478	65,460
Net finance costs excluding currency exchange results	14	17,846	17,893
Currency exchange results	14	8,031	4,089
Non-recurring operating income	9	(21)	(6,224)
Cost of share based payments	12	4,324	5,295
Share of profit of equity-accounted investees, net of tax	21	-	(32)
Income tax expense	15	122,846	76,591
		577,509	**397,712**
Change in:			
Inventories	24	(61,393)	(110,432)
Trade and other receivables	25	(32,486)	(86,809)
Trade and other payables	32	(29,254)	96,980
Provisions and employee benefits	30, 31	(5,189)	(1,728)
Cash generated from operating activities		**449,185**	**295,724**
Interest paid		(20,652)	(15,796)
Income tax paid		(129,691)	(83,664)
Net cash from operating activities		**298,843**	**196,263**

The notes are an integral part of these consolidated statements.

EUR1,000	NOTE	2022	2021
Net cash from operating activities		**298,843**	**196,263**
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired and divestures	7, 33	(237,248)	(180,047)
Acquisition of intangible assets	18	(10,382)	(12,604)
Acquisition of property, plant and equipment	17	(10,877)	(6,113)
Proceeds from disposals of (in)tangible assets	17 , 18	3,353	1,196
Acquisition of other financial assets		(203)	1,436
Net cash used in investing activities		**(255,357)**	**(196,132)**
Cash flows from financing activities			
Dividends paid	27	(92,229)	(58,128)
Purchase and transfer of own shares	27	(13,260)	-
Share based payments	27	(5,410)	(3,590)
Payment of transaction costs related to loans and borrowings	27	(2,171)	-
Movements in bank loans and other short-term financial liabilities	27	63,126	704
Proceeds from issue of current and non-current loans and borrowings	27	579,251	335,509
Repayment of loans and borrowings		(508,937)	(249,582)
Repayment of lease liabilities		(20,391)	(20,183)
Net cash from financing activities		**(20)**	**4,729**
Net increase in cash and cash equivalents		**43,466**	**4,860**
Cash and cash equivalents as at 1 January	26	177,879	169,008
Effect of exchange rate fluctuations		660	4,011
Cash and cash equivalents as at 31 December	26	**222,005**	**177,879**

Notes to the Consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Reporting entity

IMCD N.V.(the 'Company') is a public limited company domiciled in the Netherlands and registered in The Netherlands Chamber of Commerce Commercial register under number 21740070. The address of the Company's registered office is Wilhelminaplein 32, Rotterdam. The consolidated financial statements of the Company as at and for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Company is acting as the parent company of the IMCD Group, a group of leading companies in sales, marketing and distribution of speciality chemicals and pharmaceutical and food ingredients. The Group has offices and warehouses in Europe, Asia-Pacific, Africa, and in North and Latin America.

2 Basis of preparation

2.a Statement of compliance

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

The consolidated financial statements were authorised for publication by all members of the Management Board and the Supervisory Board on 23 February 2023.

2.b Basis of measurement

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

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

2.c Functional and presentation currency

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

2.d Use of estimates and judgements

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

In preparing the consolidated financial statements, management considered its climate change and sustainability ambitions. In light of this, management reviewed the significant accounting estimates and judgments. This review did not lead to significant changes in these accounting estimates and judgments.

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

Judgements

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

- Notes 7 , 28 and 35: whether the Group has (de facto) control over an investee and whether a non-controlling interest is recognised.
- Note 19 – lease term: whether the Group is reasonably certain to exercise extension options

Assumptions and estimation uncertainties

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

- Note 7 – acquisition of subsidiaries: fair value measured on a provisional basis
- Note 18 – impairment test for intangible assets: key assumptions underlying recoverable amounts
- Note 23 – recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used
- Note 30 – measurement of defined benefit obligations: key actuarial assumptions
- Note 31 and 34: Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
- Note 33 –measurement of deferred consideration as part of the financial instruments: key assumptions about the future cash flows and expected returns

Measurement of fair values

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

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

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

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

- **level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- **level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

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

Further information about the assumptions made in measuring fair values is included in the following notes:
- Note 7: acquisition of subsidiaries
- Note 12: share-based payment arrangements
- Note 30: employee benefits
- Note 33: financial instruments

2.e Changes in accounting policies
Except for the change in accounting referred to hereafter, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements.

IAS 29 Financial Reporting in Hyperinflationary Economies
As per April 2022, Türkiye has been added to the list of countries with a hyperinflation economy on which IAS 29 Financial Reporting in Hyperinflationary Economies has to be applied for reporting periods ending on or after 30 June 2022. IMCD has applied IAS 29 to its operation in Türkiye.

As a consequence, the balance sheet of IMCD Türkiye has been restated which resulted in a positive adjustment of the opening balance sheet. IMCD restated intangible fixed assets with EUR 5.2 million, tangible fixed assets with EUR 0.3 million, deferred tax liabilities with EUR 0.5 million and its retained earnings opening balance with EUR 5.0 million.

IMCD applied the consumer price index tables as reported by the Turkish government for the calculation of its restated balance sheet. The indexes used present 2003 as base index (2003 = 100), year-end 2021 = 686.95 and year-end 2022 = 1,128.45, which IMCD subsequently applied as such for the restatements.

Standards and amendments to IFRS effective as of 1 January 2022
The Group has not early adopted any standards or amendments that have been issued but are not yet effective.

The following new standards and amendments became effective as of 1 January 2022:
- Annual Improvements Cycle -2018-2020;
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before intended Use;
- Amendments to IFRS 3 Business Combinations - References to the Conceptual Framework;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of fullfilling a Contract.

These amendments do not have a material impact on the financial statements of the Group.

New standards and amendments not yet effective

Below the standards and amendments that are issued, but not yet effective as of 31 December 2022. The Group intends to adopt these standards and amendments, if applicable, when they become effective:
- IFRS 17 and amendments to IFRS 17 - Insurance Contracts, effective 1 January 2023;
- Amendments to IFRS 4 Insurance Contracts - Extension of the Temporary Exemption from Applying IFRS 9, effective 1 January 2023;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 - Disclosure of Accounting Policies, effective 1 January 2023;
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors -Definition of Accounting Estimates, effective 1 January 2023;
- Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction, effective 1 January 2023;
- Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current, effective 1 January, 2024;
- Amendments to IAS 1 Presentation of Financial Statements - Non-current Liabilities with Covenants, effective 1 January 2024, although not yet endorsed by the EU;
- Amendments to IFRS 16 Leases - Lease Liability in a Sale and Leaseback, effective 1 January 2024, although not yet endorsed by the EU.

The Group is reviewing the impact of these standards and amendments on the Group's consolidated financial statements. The changes to those standads are not expected to have a material impact on the Group's financial statements.

3 Significant accounting policies

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

3.a Basis of consolidation

Business combinations

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

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

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

The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred

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

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

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

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

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

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

3.b Foreign currency

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

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

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

Foreign operations

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

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

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

3.c Financial instruments

Non-derivative financial assets

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

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

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

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Non-derivative financial liabilities

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

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

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

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

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

Share capital

Ordinary shares

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

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

Derivative financial instruments, including hedge accounting

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

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

• there is an economic relationship between the hedged item and the hedging instrument;

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

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

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

Cash flow hedges

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

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

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

Other non-trading derivatives

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

3.d Property, plant and equipment

Recognition and measurement

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

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

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

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

Subsequent expenditure

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

Depreciation

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

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

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

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

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

3.e Intangible assets

Goodwill

Goodwill arising on the acquisition of subsidiaries is included in intangible assets. Goodwill is measured at cost less accumulated impairment losses. On disposal of a business, business segment or cash generating unit, the attributable amount of goodwill is assessed and included in the determination of the profit and loss on disposal.

Other intangible assets

Supplier relations

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

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

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

Subsequent expenditure

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

Amortisation

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

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

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

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

3.f Leases

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

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

Lease payments included in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

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

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

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

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

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

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

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

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

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

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

3.g Inventories

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

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

3.h Impairment

Financial assets

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

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

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

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

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

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

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

Equity accounted investees

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

Non-financial assets

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

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

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

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

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

Impairment losses are recognised in profit or loss and recorded as part of amortisation of intangible assets in the consolidated statement of profit or loss and other comprehensive income. Subsequently, impairment losses are separately disclosed in the intangible assets movement schedule in Note 18. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

3.i Employee benefits

Defined contribution plans

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

Defined benefit plans

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

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

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

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

Other long-term employee benefits

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

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

Termination benefits

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

Share based payment transactions

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

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

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

Short-term employee benefits

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

3.j Provisions

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

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

3.k Revenue

Sale of goods

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

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

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

Commissions

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

3.l Finance income and expenses

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

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

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

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

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

3.m Income tax

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

Current tax

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

Deferred tax

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

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

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

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

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

3.n Segment reporting

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

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

The reporting segments used are defined as follows:
- EMEA: all operating companies in Europe, Türkiye, Israel, Egypt, United Arab Emirates, Saudi Arabia and Africa
- Americas: all operating companies in the United States, Canada, Brazil, Puerto Rico, Chile, Argentina, Uruguay, Colombia, Mexico, Ecuador, Peru, Costa Rica, Guatemala, Dominican Republic
- Asia-Pacific: all operating companies in Australia, New Zealand, India, Bangladesh, China, Malaysia, Indonesia, Philippines, Thailand, Singapore, Vietnam, Japan and South Korea
- Holding companies: all non-operating companies, including the head office in Rotterdam and the regional offices in Singapore and in the USA.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability and in Note 33 Financial Instruments.

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

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

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

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

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

Other non-derivative financial liabilities

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

Contingent considerations

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

Defined benefit plans

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

5 Financial risk management

5.a Risk management framework

Risk management tasks and responsibilities

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

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

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

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

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

Risk management elements

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

Control environment, including:

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

Risk assessment and control procedures, including:
- identification of risks via risk self-assessments coordinated by Corporate Control and Corporate Health, Safety, Environment, Quality and Regulatory (HSEQR)
- implementing and optimisation of effective and efficient control procedures on various levels in the organisation

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

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

5.b Overview financial risks

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

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

5.c Credit risk

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

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

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

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

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

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

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

5.d Liquidity risks

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

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

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

- EUR 500 million revolving facility. Interest would be payable at the rate of EURIBOR plus the currently applicable 85 base points for amounts drawn in EURO, LIBOR plus currently applicable 85 base points for amounts drawn in USD and BBSW plus currently applicable 85 base points for amounts drawn in AUD. As of 31 December 2022, the Group had an undrawn revolving facility of EUR 295 million.
- Several credit facilities available to the subsidiaries, mainly in Spain, Italy, Australia, India, Indonesia, United States and South Africa.

On 13 February 2023, IMCD completed the refinancing of its multi-currency revolving credit facility. The new facility, with a maturity date of 13 February 2028, amounts to EUR 600 million and can be drawn in EUR and USD as well as, to an agreed sublimit, in AUD and GBP. The credit revolving facility has interest margin dependent on credit ratings (S&P, Moody's or Fitch).

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

31 DECEMBER 2022

EUR1,000		CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	12 MONTHS OR LESS	1 - 2 YEARS	2 - 5 YEARS	>5 YEARS
Non-derivative non-current financial liabilities							
Bond loan	EUR	594,867	654,750	13,950	13,950	626,850	-
Contingent consideration	INR	197,865	201,407		201,407		-
	IDR	39,389	41,910			41,910	
	CNY	8,821	8,956			8,956	
	MXN	4,012	4,065		4,065		-
	USD	229	248		248		-
Lease liabilities	[1]	65,782	71,055		19,273	34,577	17,206
Other liabilities	EUR	1,923	1,923		571	1,353	
Total		**912,889**	**984,314**	**13,950**	**239,513**	**713,646**	**17,206**
Non-derivative current financial liabilities							
Schuldscheindarlehen	EUR	40,000	41,162	41,162	-	-	-
Contingent consideration	INR	11,686	11,686	11,686	-	-	-
	EUR	10,460	10,460	10,460	-	-	-
	COP	612	612	612	-	-	-
	USD	459	459	459	-	-	-
	CLP	45	45	45	-	-	-
	AUD	32	32	32	-	-	-
Lease liabilities	[1]	20,028	22,333	22,333	-	-	-
Other short-term financial liabilities	[1]	252,720	252,720	252,720	-	-	-
Trade payables	[1]	389,021	389,020	389,020	-	-	-
Other payables	[1]	165,255	165,255	165,255	-	-	-
Total		**890,318**	**893,784**	**893,784**	**-**	**-**	**-**

[1] Various currencies

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EUR1,000		CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	12 MONTHS OR LESS	1 - 2 YEARS	2 - 5 YEARS	>5 YEARS
Non-derivative non-current financial liabilities							
Schuldscheindarlehen	EUR	39,942	41,209	605	40,605		
Bond loan	EUR	297,586	330,000	7,500	7,500	315,000	
Contingent consideration	INR	213,772	218,214	-	-	218,214	-
	IDR	59,386	59,386	-	-	59,386	-
	CNY	2,085	2,085	-	2,085	-	-
Lease liabilities	[1]	52,712	57,625		15,767	25,967	15,891
Other liabilities	EUR	1,369	1,369		1,369		
Total		**666,853**	**709,888**	**8,105**	**67,326**	**618,567**	**15,891**
Non-derivative current financial liabilities							
Contingent consideration	COP	4,942	4,942	4,942	-	-	-
	MXN	1,607	1,607	1,607	-	-	-
	KRW	15,916	16,084	16,084	-	-	-
	IDR	10,160	10,160	10,160	-	-	-
	EUR	989	989	989	-	-	-
Lease liabilities	[1]	18,017	20,187	20,187			
Other short-term financial liabilities	[1]	399,420	399,420	399,420	-	-	-
Trade payables	[1]	403,010	403,010	403,010	-	-	-
Other payables	[1]	130,093	130,093	130,093	-	-	-
Total		**984,153**	**986,491**	**986,491**	**-**	**-**	**-**

[1] Various currencies

Estimated interest payments are based on the EURIBOR, LIBOR and BBSW rates and margins prevailing at 31 December 2022 and 2021. Further details of the non-derivative financial liabilities can be found in Note 29.

5.e Market risks

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

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

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Euro (EUR), United States of America Dollar (USD) and the Pound Sterling (GBP).

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

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily EUR and USD. This provides an economic hedge without derivatives being entered into. Hedge accounting is not applied in these circumstances.

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

Exposure to currency risk

The Group's net exposure to foreign currency risk based on notional and hedged amounts of monetary assets and liabilities was as follows:

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EUR 1,000	USD	CAD	BRL	AUD	INR	CNY	KRW	MXN	GBP	IDR	OTHER	TOTAL
Non-current assets	120	243	-	-	1,571	228	319	1,207	-	42	835	**4,566**
Current assets	248,724	18,602	47,429	32,438	105,661	33,815	21,625	1,806	29,095	29,102	134,615	**702,912**
												-
Non-current liabilities	(10,798)	(6,496)	(1,590)	(4,895)	(199,092)	(9,362)	(64)	(1,933)	(295)	(40,065)	(11,398)	**(285,988)**
Current liabilities	(312,104)	(13,746)	(13,009)	(44,888)	(25,555)	(13,761)	(3,728)	(10,750)	(14,186)	(3,376)	(75,900)	**(531,002)**
Net statement of currency risk exposure	**(74,058)**	**(1,398)**	**32,830**	**(17,345)**	**(117,414)**	**10,920**	**18,153**	**(9,670)**	**14,614**	**(14,296)**	**48,152**	**(109,512)**

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EUR 1,000	USD	CAD	BRL	AUD	INR	CHF	KRW	ZAR	GBP	IDR	OTHER	TOTAL
Non-current assets	126	360	371	-	997	5	318	6	-	33	810	**3,027**
Current assets	207,766	9,252	33,363	29,735	100,188	(2,813)	22,780	17,758	25,484	31,382	114,167	**589,062**
												-
Non-current liabilities	(12,510)	(7,097)	(965)	(5,825)	(215,295)	(400)	(77)	(12)	(465)	(60,385)	(9,332)	**(312,363)**
Current liabilities	(322,526)	(16,197)	(12,301)	(16,125)	(6,813)	(2,831)	(2,710)	(5,588)	(19,817)	(15,870)	(73,938)	**(494,715)**
Net statement of currency risk exposure	**(127,143)**	**(13,682)**	**20,468**	**7,786**	**(120,923)**	**(6,039)**	**20,310**	**12,164**	**5,202**	**(44,840)**	**31,707**	**(214,990)**

The risk exposure above includes the mitigating effects of hedged net liability positions in USD to the amount of EUR 0.4 million (2021: EUR 1.4 million).

The following significant exchange rates applied during the year:

	2022	2021	2022	2021
	AVERAGE RATE		REPORTING DATE SPOT RATE	
USD	0.952017	0.843998	0.937559	0.882924
CAD	0.730563	0.673515	0.692521	0.694782
BRL	0.184733	0.157066	0.179598	0.158232
AUD	0.660255	0.633271	0.635900	0.640410
INR	0.012122	0.011427	0.011342	0.011872
CNY	0.141556	0.130965	0.135903	0.138991
KRW	0.000739	0.000739	0.000744	0.000743
MXN	0.047341	0.041409	0.048121	0.043018
GBP	1.172905	1.161915	1.127485	1.190080
IDR	0.000064	0.000059	0.000061	0.000062

Sensitivity analysis

A 10% strengthening of the EUR, as indicated below, against the USD, CAD, BRL, AUD, INR, CNY, KRW, MXN, GBP and IDR at 31 December 2022 and 2021 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	2022	2022	2021	2021
EUR1,000	**EQUITY**	**PROFIT OR LOSS**	**EQUITY**	**PROFIT OR LOSS**
USD	(49,580)	12,762	(45,917)	15,838
CAD	(8,382)	(12)	(7,131)	(14)
BRL	(10,730)	-	(7,544)	-
AUD	(10,241)	1,868	(7,529)	-
INR	(44,041)	-	(41,382)	-
CNY	(7,292)	-	(4,126)	208
KRW	(3,514)	-	(3,870)	-
MXN	(5,694)	-	(2,638)	-
GBP	(4,942)	(825)	(4,278)	(345)
IDR	(12,632)	-	(10,768)	-

A 10% weakening of the EUR against the above currencies at 31 December 2022 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Group pursues a policy of ensuring that a substantial part of its exposure to changes in interest rates on long-term financing is on a fixed rate basis, taking into account assets with exposure to changes in interest rates. If required the Group makes uses of interest rate swap contracts.

Interest rate profile

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

EUR1,000	2022	2021
Carrying amounts		
Fixed rate instruments		
Financial liabilities	(594,867)	(312,564)
Total	**(594,867)**	**(312,564)**
Variable rate instruments		
Financial assets	222,005	177,879
Financial liabilities	(403,748)	(530,096)
Total	**(181,743)**	**(352,217)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial asset and liability at fair value through profit and loss.

Fair value sensitivity analysis for variable rate instruments

Note 29 details the variable interest rates applicable for the non-current loans.

5.f Operational risks

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

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

5.g Capital management

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

The Group's net liabilities and adjusted equity at the reporting date are as follows:

EUR1,000	2022	2021
Total liabilities	1,970,094	1,809,204
Less: Cash and cash equivalents	(222,005)	(177,879)
Net liabilities	**1,748,089**	**1,631,325**
Total equity	1,673,416	1,461,354
Less: Amounts accumulated in equity relating to cash flow hedges	210	100
Adjusted equity	**1,673,626**	**1,461,454**

6 Operating segments

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

Transactions between companies within an operating segment have been eliminated. Transactions between operating segments are based on arm's-length principle and are not included in the reported revenue per segment as the reported revenue per segment relates to revenue with third parties.

A key performance indicator for controlling the results of the operating segments is Operating EBITA.

Operating EBITA is defined as the sum of the result from operating activities, amortisation of intangible assets, and non-recurring items. Non-recurring items include:
• cost of corporate restructurings and reorganisations
• cost related to realised and non-realised acquisitions

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

The bridge from result from operating activities to operating EBITA is as follows:

EUR1,000	2022	2021
Result from operating activities	**461,757**	**305,466**
Amortisation of intangible assets	81,478	65,460
Non-recurring items	11,218	2,703
Operating EBITA	**554,453**	**373,629**

The non-recurring income and expenses included in the result from operating activities of 2022 and 2021 mainly relate to income from divestments of business and assets, costs of acquisitions of businesses and costs related to one-off adjustments to the organisation, including the winding down of the operations in Russia in 2022.

Operating expenses of non-operating companies are reported in the segment Holding companies. Inter-segmented amounts receivable and amounts payable are not considered in the value of the total assets and total liabilities of each segment. The results of the operating segments are as follows:

EMEA

EUR1,000	2022	2021
Revenue	2,006,391	1,601,587
Gross profit	529,731	411,670
Operating EBITA	246,554	180,268
Result from operating activities	215,810	154,378
Total Assets	1,074,358	1,024,665
Total Liabilities	338,321	340,380

AMERICAS

EUR1,000	2022	2021
Revenue	1,591,720	1,119,584
Gross profit	382,680	250,482
Operating EBITA	194,882	112,960
Result from operating activities	175,249	102,927
Total Assets	801,789	639,807
Total Liabilities	241,934	211,483

ASIA-PACIFIC

EUR1,000	2022	2021
Revenue	1,003,382	714,079
Gross profit	234,736	174,164
Operating EBITA	145,094	109,712
Result from operating activities	107,081	80,468
Total Assets	1,346,433	1,251,011
Total Liabilities	473,076	482,432

HOLDING COMPANIES

EUR1,000	2022	2021
Operating EBITA	(32,078)	(29,310)
Result from operating activities	(36,414)	(32,308)
Total Assets	420,930	355,075
Total Liabilities	916,763	774,909

Reported revenue per segment relates to revenue with third parties, hence no inter-segment revenues are included. IMCD and its operating segments have a diverse customer base of about 60,000 customers in many countries and of various sizes. IMCD and its segments do not rely on a single customer or a single group of customers for its operations. With a supplier base of approximately 3,000 suppliers and product portfolio of about 48,000 products, the same applies with regard to the reliance on a single supplier or a single group of suppliers and a single product or range of products.

7 Acquisition of subsidiaries

The Group completed eleven acquisitions during the financial year 2022 (numbers are local GAAP):

On 18 January 2022, IMCD acquired 100% of the shares in Shanghai Syntec Additive Limited and Shanghai Weike Additive Limited (jointly “Syntec”). Syntec provides market, technical and formulation expertise in China's personal care, cosmetics, and home care industries. Syntec generated a revenue of approximately EUR 17 million in 2021 and has 25 employees.

On 31 January 2022, IMCD acquired 100% of the shares of RPL Trading Pty. Ltd. and RPL Trading New Zealand Ltd. (jointly “RPL Trading”), a speciality chemicals distributor focused on services and formulation expertise for customers and partners in the home care and water treatment markets. RPL Trading generated a revenue of approximately EUR 16 million for the fiscal year ended on 30 June 2021 and has 15 employees.

On 8 February 2022, IMCD acquired 100% of the shares in Polychem Handelsges.m.b.H. ("POLYchem"), a leading provider of chemical raw materials and additives in Austria and Southeast Europe. POLYchem offers a diverse portfolio of products for the coatings, construction, and composite industries. POLYchem has 65 employees and generated revenue of EUR 28 million in 2021.

On 28 February 2022, acquired 100% of the shares in Aquatech Speciality (Shanghai) International Trading Co., Ltd. and Aquatech Speciality (Guangzhou) Trading Co., Ltd. ("Aquatech") in China. Aquatech is active in waterborne solutions in coatings, ink, and textile industries. Aquatech has 10 employees and generated a revenue of EUR 6 million in 2021.

On 2 March 2022, IMCD acquired 100% of the shares in Evenlode Foods Ltd ("Evenlode") in the UK. Evenlode is active in speciality food and beverage ingredients throughout the UK and Ireland. Evenlode has 5 employees and generated a revenue of EUR 8.5 million in 2021.

On 4 March 2022, IMCD acquired 100% of the shares in speciality chemicals and ingredients distributor Polyorganic® Tecnologia Ltda ("Polyorganic"). Headquartered in São Paulo, Brazil, Polyorganic is active in the household, industrial and institutional (HI&I), water treatment industry and other industrial markets segment in Brazil. In 2021, Polyorganic generated a revenue of approximately EUR 12 million.

On 22 March 2022, IMCD acquired 100% of the business and the subsidiaries of Quelaris Internacional S.A. ("Quelaris"). Quelaris is a Latin America regional raw material distributor with offices in Colombia, Costa Rica and Peru and has a strong presence in the polyurethane, coatings, adhesives, rubber and other industrial markets throughout the region. With 46 employees, Quelaris generated revenue of approximately EUR 44 million in 2021.

On 7 September 2022, IMCD acquired 100% of the shares in speciality distribution company, Kuni Chemical Co., Ltd ("Kuni Chemical"). Kuni Chemical specialises in industrial applications, ranging from coatings and construction to automotive and packaging materials. The company, based in Osaka, generated a revenue of approximately EUR 18 million in 2021 and has 28 employees.

On 15 September 2022, IMCD acquired 100% of the shares in PromaPlast Resinas, S.A. de C.V., Proveedora de Materiales Plásticos, S.A. de C.V. and PromaPlast USA Inc. (jointly "PromaPlast"). PromoPlast has a highly diversified product portfolio of resins and compounds to serve the Mexican and U.S. Markets. In 2021, PromaPlast generated a revenue of approximately EUR 65 million.

On 1 December 2022, IMCD acquired 100% of the shares of Welex S.A. Holdings Limited and certain related business ("Welex"), based in China. Welex focuses on industries covering coatings and inks, textiles, additives for speciality compounding, and agrochemicals. Welex generated a revenue of approximately EUR 39 million in 2021 and has 68 employees across China.

On 16 December 2022, IMCD acquired 100% of the shares of Parkash DyeChem Private Limited ("Parkash DyeChem"), based in India. Parkash DyeChem is an asset light speciality chemical distributor serving the coatings and construction segments as well as personal care and advanced materials markets. Parkash DyeChem generated a revenue of approximately EUR 30 million in 2021 and has 60 employees in India.

The aforementioned transactions added EUR 131.2 million of revenue and EUR 2.0 million of result for the year to the Group's results in 2022. If the acquisitions had occurred on 1 January 2022, management estimates that the consolidated revenue would have been EUR 4,728.4 million and the consolidated net profit would have been EUR 319.9 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

The total consideration related to the aforementioned transactions, transferred in cash in 2022, amounts to EUR 206.4 million. As of 31 December 2022, the deferred and contingent considerations payable amount to EUR 27.8 million and accounts payable includes EUR 2.7 million, related to the acquisitions completed in 2022.

In addition to the transactions closed in 2022, signed two agreements.

On 31 October 2022, IMCD signed an agreement to acquire 100% of the shares in Shanghai Sanrise Industries & Development Co., Ltd. ("Sanrise"), one of the leading distributors in the personal care markets in China. Sanrise offers a wide range of personal care and industrial solutions with a key focus on personal care applications. With approximately 60 employees, Sanrise generated a revenue of approximately EUR 90 million in 2021. The transaction will take place in two tranches, with first 70% of Sanrise's share capital and the remaining 30% to be acquired in 2025. The transaction is expected to be closed in the first quarter of 2023.

On 16 February 2023, IMCD signed an agreement to acquire 100% of the shares of CPS Chemical Oil-Tech (Pty) Ltd ("CPS Oil-Tech"), a distributor of raw materials to the petroleum, additive, grease manufacturing and other industry related segments. With 8 employees, CPS Oil-Tech generated a revenue of approximately EUR 12 million in the financial year that ended on February 28, 2022. The closing of the transaction is subject to customary closing conditions and regulatory approval and is expected to take place in the second quarter of 2023.

Identifiable assets recognised and liabilities assumed

The identifiable assets recognised and liabilities assumed are recognised on the basis of provisional purchase price allocation. Based on the information currently available we do not anticipate significant adjustments to the purchase price allocation. At the acquisition dates the recognised amounts are as follows:

EUR 1,000	NOTE	PARKASH DYECHEM PVT LTD	PROMAPLAST	OTHER ACQUISITIONS	TOTAL
Property, plant and equipment	17	264	284	2,853	**3,401**
Intangible assets	18	19,231	16,339	38,783	**74,353**
Equity-accounted investees				71	**71**
Deferred tax assets	23	505	239	1,825	**2,569**
Other financial assets		11	1,176	125	**1,312**
Inventories		6,917	10,701	21,351	**38,968**
Trade and other receivables		3,415	12,674	39,973	**56,062**
Cash and cash equivalents		1,101	500	15,167	**16,769**
Loans and borrowings		(45)	(2,691)	(4,608)	**(7,343)**
Other short-term financial liabilities		(1,511)	(88)	(6,813)	**(8,412)**
Employee benefits and other provisions	30, 31	(53)	(1,061)	(7,149)	**(8,263)**
Deferred tax liabilities	23	(4,840)	(4,856)	(9,426)	**(19,122)**
Trade and other payables		(3,904)	(15,341)	(27,695)	**(46,939)**
Total net identifiable assets		**21,092**	**17,877**	**64,457**	**103,426**

The intangible assets recognised primarily relate to supplier relationships acquired.

The supplier relations have been determined by applying the multi-period excess earnings method. This method considers the present value of net cash flows expected to be generated by the supplier relationships, by excluding any cash flows related to contributory assets. The cash flows which have been used as input were based on the projections made by the sellers, adjusted for future supplier losses due to exclusivity conflicts, projected market developments based on external sources and our own expectations based on our extensive market knowledge. Furthermore, attrition rates are determined based on the annual decrease in revenues related to suppliers (when applicable) in the most recent financial years, adjusted for annual inflation. These attrition rates have been applied in the projections.

The gross contractual value of the trade and other receivables acquired amounts to EUR 50.9 million of which EUR 11.1 million relates to Promaplast and EUR 3.4 million to Parkash DyeChem.

Goodwill

Goodwill recognised as a result of the acquisitions in the financial year is as follows.

EUR 1,000	NOTE	PARKASH DYECHEM PVT LTD	PROMAPLAST	OTHER ACQUISITIONS	TOTAL
Total considerations		49,401	45,544	139,250	**234,196**
Less: Fair value of identifiable net assets		21,092	17,877	64,457	**103,426**
Goodwill	18	**28,309**	**27,668**	**74,793**	**130,769**

Goodwill recognised as a result of the acquisitions in the financial year relates to Syntec, RPL Trading, POLYchem, Aquatech, Evenlode, Polyorganic, Quelaris, PromaPlast, Kuni Chemical, Welex and Parkash DyeChem. The goodwill is mainly attributable to the skills and technical talent of the workforce, the commercial relationships, the international network and the synergies expected to be achieved from integrating the acquired companies into the Group's existing distribution business.

Of the total recognised goodwill, 22% relates to Parkash, 21% to Promaplast, 14% to Syntec and 43% to the other acquired businesses.

Amortisation of the acquisitions are not eligible for deduction from taxable income

Acquisition-related costs

In 2022, the Group incurred acquisition-related costs of EUR 4.5 million (2021: EUR 4.4 million) predominantly related to external legal fees and due diligence costs for completed and non-completed acquisitions. The acquisition-related costs are included in other operating expenses.

8 Revenue

The Group generates revenue primarily from the sale and distribution of specialty chemicals and ingredients. Other sources of revenue include revenue from commission where the Group acts as agent in the sale and distribution of specialty chemicals and ingredients.

EUR1,000	2022	2021
Sales of goods	4,587,514	3,423,611
Commissions	13,979	11,638
Total Revenue	**4,601,493**	**3,435,250**

In the following tables, revenue from contracts with customers is disaggregated by primary geographical market and their market segments, being Life Science and Industrial.

Geographical Market

The breakdown of revenue by geographical market is as follows:

EUR1,000	2022	2021
Netherlands	85,581	69,789
Rest of EMEA	1,920,810	1,531,798
EMEA	**2,006,391**	**1,601,587**
North America	1,157,248	892,885
Latin America	434,472	226,699
Asia-Pacific	1,003,382	714,079
Total Geographical Market	**4,601,493**	**3,435,250**

Market segments

IMCD's business model is based on long lasting relationships with suppliers of speciality chemicals and ingredients. In order to provide more insight in the segmentation per market, IMCD has decided to break down the sales in the market segments Life Science and Industrial.

Life Science consists of the following lines of business: Pharmaceuticals, Beauty & Personal Care, Food & Nutrition and Home Care and I&I. In general, the lines of business within Life Science historically have been less sensitive to economic fluctuations. Furthermore, the Life Science segment consists of lower order volumes and higher margins than the Industrials market segment.

The Industrial segment contains the lines of business of Coatings & Construction, Lubricants & Energy, Industrial Solutions and Advanced Materials. This segment has a more cyclical nature as the performance is dependent on the developments of, amongst others, the housing and real estate, automotive and oil & gas markets.

The breakdown of sales of goods per market segment is as follows:

EUR 1,000	2022	2021
Life Science	2,290,944	1,694,649
Industrial	2,296,570	1,728,962
Total Market Segments	**4,587,514**	**3,423,611**

Performance obligations

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. The nature and timing of the fulfilment of performance obligations is disclosed in contracts with customers upon the sale and distribution of speciality chemicals and ingredients. The Group recognizes revenue when control is transferred which is at the moment that ownership is transferred to the customer, primarily based on agreed incoterms.

9 Other income

EUR 1,000	2022	2021
Other income	24,822	24,254
Total Other income	**24,822**	**24,254**

Other income primarily relates to logistic and other services charged separately to customers. In 2022, other income included non-recurring income of EUR 3.4 million related to the sale of a warehouse in Indonesia. Other income of 2021 includes non-recurring income of EUR 6.2 million related to the divestment of the Nutri Granulations business in the USA.

10 Personnel expenses

EUR1,000	NOTE	2022	2021
Wages and salaries	12	278,144	228,739
Social security contributions		38,297	32,086
Contributions to defined contribution plans		10,944	9,683
Expenses related to defined benefit plans	30	1,403	199
Expenses related to termination and other long-term employee benefit plans	30	1,393	1,827
Other personnel expenses		22,943	15,936
Total Personnel expenses		**353,124**	**288,470**

The personnel expenses 2022 include non-recurring severance costs of EUR 3.3 million (2021: EUR 4.8 million).

The average number of employees in the financial year by region and by function, measured in full-time equivalents, is as follows:

FTE	2022	2021
The Netherlands (excluding Dutch Holding companies)	74	65
Rest of EMEA	1,649	1,500
EMEA	1,723	1,565
Americas	1,104	928
Asia-Pacific	1,117	903
Holding companies	101	93
Total average FTE	**4,045**	**3,489**
Management and administration	627	519
Sales	2,547	2,235
ICT/HSEQ/Warehouse/Other	871	735
Total average FTE	**4,045**	**3,489**

11 Non-recurring income and expenses

The non-recurring income and expenses are recognised in profit or loss and are summarised as follows:

EUR1,000	NOTE	2022	2021
Other income	9	4,291	6,807
Personnel expenses and other operating expenses	10, 13	(15,540)	(9,512)
Finance costs	14	31	-
Impact on result before income tax		**(11,218)**	**(2,705)**

EUR 1,000	NOTE	2022	2021
Non-recurring income tax expenses	23, 41	1,952	(779)
Impact on result for the year		**(9,266)**	**(3,484)**

The non-recurring income for 2022 includes income related to the sale of a warehouse in Indonesia of EUR 3.4 million. The other operating income of 2021 includes income related to the divestment of the Nutri Granulations business in the USA of EUR 6.2 million.

The non-recurring personnel expenses and other operating expenses for 2022 include severance costs of EUR 3.3 million (2021: EUR 4.8 million) and other operating expenses of EUR 12.2 million (2021: EUR 4.7 million) of which EUR 6.5 million (2021: nil) relates to the financial impact of the winding down of the operations in Russia. The remaining expenses mainly relate to professional services fees incurred during acquisition projects and subsequent integration processes.

12 Share based payment arrangements

Description of the share based payment arrangement

As of 1 January 2015, the Group established a long-term incentive plan (LTIP) for the Management Board, the Executive Committee and certain senior managers. Under this equity settled LTIP, performance shares are awarded based on certain performance conditions. Aims of the LTIP are long-term value creation, motivation and sharing of success and the retention of key employees.

The applicable performance conditions for the Management Board are:
- relative Total Shareholder Return performance (market-related condition) compared with a selected group of peer companies and
- cash earnings per share (internal performance condition)

The performance period starts every year on 1 January and lasts three financial years. After vesting, the unconditional shares are subject to a holding period of two years and become unrestricted five years after grant date.

The performance conditions for the Executive Committee and for senior managers are solely internal performance conditions and include:
- growth in cash earnings per share (only for the Executive Committee)
- operating EBITA
- discretionary assessment by the Management Board

The performance period starts every year on 1 January and lasts one year. The shares become unconditional after a service period of three years, i.e. two years after the performance period.

Reconciliation of outstanding performance shares

The number of performance shares granted is as follows:

	2022		2021	
	NUMBER OF SHARES	BASED ON SHARE PRICE	NUMBER OF SHARES	BASED ON SHARE PRICE
Shares granted to the Management Board	6,458	195.45	11,501	103.43
Shares granted to Executive Committee and certain senior managers	19,821	195.45	30,055	103.43

The total number of performance shares granted in 2022 is based on a target performance (100 per cent) with an upward and downward potential for the Management Board and the Executive Committee. The expected total number of performance shares is 134,329 with vesting dates in 2023, 2024 and 2025.

Marcus Jordan will participate in the Management Board's LTI Plan for the first time as of 2023. Hence, the shares related to Marcus Jordan are currently included in the shares granted to Executive Committee and certain senior managers.

The weighted average share price and the number of performance shares are as follows:

	2022		2021	
	WEIGHTED AVERAGE SHARE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE SHARE PRICE	NUMBER OF SHARES
Outstanding as at 1 January	**85.78**	**172,209**	**62.12**	**193,506**
Forfeited during the year	105.05	(8,679)	-	-
Exercised during the year	65.18	(70,542)	50.35	(79,971)
Granted during the year	149.98	26,279	145.84	41,556
Performance adjustment	-	15,063	-	17,118
Outstanding as at 31 December	**102.56**	**134,329**	**85.78**	**172,209**

The weighted average share price of granted shares is equal to the share price at the grant date adjusted for the expected retention and expected dividends, based on the Company's dividend policy, during the vesting period. In addition, the weighted average share price of shares granted to the Management Board is adjusted for market-related performance conditions and for the impact of the restriction period.

Expenses recognised in profit or loss

EUR1,000	2022	2021
Shares granted	4,324	5,295

13 Other operating expenses

The other operating expenses are as follows:

EUR 1,000	2022	2021
Accommodation and other rental costs	9,954	7,658
Other office expenses	36,112	26,724
Car expenses	7,036	4,851
Business travel and representation expenses	18,724	5,711
Professional service fees	24,900	15,053
Credit sales expenses	1,351	1,325
Insurance costs	5,256	3,995
Other operating expenses	10,648	6,575
Total Other operating expenses	**113,981**	**71,892**

The other operating expenses include an amount of EUR 12.2 million (2021: EUR 4.7 million) related to non-recurring items. The non-recurring items in 2022 include the financial impact related to the winding down of the operations in Russia (EUR 6.5 million). The remaining non-recurring items in 2022 and 2021 include professional services fees incurred during acquisition projects and subsequent integration processes and costs related to one-off adjustments to the organisation.

14 Net finance costs

The following finance income and finance costs are recognised in profit or loss:

EUR 1,000	2022	2021
Interest income on loans and receivables	2,836	1,803
Change in fair value of contingent considerations	20,013	-
Finance income	**22,849**	**1,803**
Interest expenses on financial liabilities measured at amortised cost	(24,765)	(15,658)
Interest expenses on provisions for pensions and similar obligations	(326)	(403)
Interest expenses on lease liabilities	(2,534)	(2,475)
Change in fair value of contingent considerations	(13,070)	(1,151)
Currency exchange results	(8,031)	(3,786)
Finance costs	**(48,726)**	**(23,473)**
Net finance costs recognised in profit or loss	**(25,877)**	**(21,670)**

The net finance costs recognised in profit or loss include the results of the fair value adjustments in the deferred considerations related to Megasetia (income EUR 18.6 million) and Signet (expenses of EUR 8.7 million).

Finance income and expenses recognised in other comprehensive income are as follows:

EUR 1,000	2022	2021
Foreign currency translation differences of foreign operations	(446)	56,529
Effective portion of changes in fair value of cash flow hedges	(110)	106
Tax on foreign currency translation differences and changes in fair value of cash flow hedges recognised in other comprehensive income	(30)	(485)
Finance income recognised in other comprehensive income, net of tax	**(586)**	**56,150**

15 Income tax expense

Income tax expenses recognised in profit or loss

EUR1,000	2022	2021
Current tax expense		
Current year	123,744	79,879
Adjustment for prior years	3,747	753
	127,491	**80,632**
Deferred tax expense		
Reduction in tax rate	(358)	(132)
Origination and reversal of temporary differences	(3,644)	(2,892)
Recognition of previously unrecognised tax losses	(247)	(214)
Recognition of current year tax losses	(997)	(843)
Derecognition of previously recognised tax losses	601	39
	(4,645)	**(4,041)**
Total income tax expense	**122,846**	**76,591**

The reported tax expenses include an amount of negative EUR 5.3 million (2021: EUR 7.5 million) related to temporary differences regarding amortisation of intangible assets.

Income tax recognised in other comprehensive income and expenses

	2022			2021		
EUR1,000	BEFORE TAX	TAX BENEFIT/(EXPENSE)	NET OF TAX	BEFORE TAX	TAX BENEFIT/(EXPENSE)	NET OF TAX
Foreign currency translation differences for foreign operations	(446)	(30)	**(476)**	56,529	(485)	**56,044**
Cash flow hedges	(110)	-	**(110)**	106	-	**106**
Defined benefit plan actuarial gains/(losses)	7,229	(1,007)	**6,221**	684	(272)	**412**
	6,673	**(1,037)**	**5,635**	**57,319**	**(757)**	**56,562**

The reconciliation between the Company's domestic income tax rate and related tax charge and the effective income tax rate and related effective income tax charge is as follows:

Reconciliation effective tax rate

EUR 1,000	2022		2021	
	%		%	
Profit for the year		313,003		207,236
Total income tax expense	28%	122,846	27%	76,591
Profit before income tax		**435,849**		**283,827**
Income tax using the Company's domestic tax rate	26%	112,449	25%	70,956
Effect of tax rates in foreign jurisdictions	1%	4,946	1%	3,612
Effect of change in tax rate	0%	(358)	0%	(132)
Tax effect of:				
Non-deductible expenses	0%	1,556	1%	2,115
Tax incentives and tax exempted income	0%	(471)	0%	(715)
Utilisation of tax losses	0%	(35)	0%	(288)
Recognition of previously unrecognised tax losses	0%	(247)	0%	(214)
Derecognition of previously recognised tax losses	0%	601	0%	40
Current year losses for which no deferred tax asset was recognised	0%	-	0%	59
(De)recognition of previously (un)recognised temporary differences	0%	658	0%	406
Under provided in prior years	1%	3,747	0%	752
	28%	**122,846**	**27%**	**76,591**

The following countries within the IMCD Group were subject to changes in the applicable corporate income tax rates in the financial year compared with the previous financial year: Netherlands 25.8% (2021: 25%), France 25% (2021: 26.5%) and Colombia 35% (2021: 31%).

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16 Earnings per share

Basic earnings per share

The basic earnings per share of EUR 5.50 (2021: EUR 3.64) is determined by dividing the result for the year due to the owners of the Company of EUR 313.1 million (2021: EUR 207.3 million) by the weighted average number of shares in circulation amounting to 56.9 million (2021: 56.9 million). As of 31 December 2022, the number of ordinary shares outstanding was 57.0 million (31 December 2021: 57.0 million).

Profit attributable to ordinary shareholders

EUR 1,000		2022	2021
Profit/(loss) for the year, attributable to the owners of the Company (basic)	(A)	313,081	207,276

Weighted average number of ordinary shares

IN THOUSAND SHARES	NOTE		2022	2021
Issued ordinary shares as at 1 January	27		56,987	56,987
Effect of purchase or transfer of own shares	27		(58)	(47)
Weighted average number of ordinary shares as at 31 December		(B)	**56,929**	**56,940**
Earnings per share (A/B)			5.50	3.64

Diluted earnings per share

The calculation of the diluted earnings per share of EUR 5.49 (2021: EUR 3.63) has been based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

The total number of shares granted based on the Group's share based payment scheme are included in the calculation of the diluted weighted average number of shares.

Weighted average number of ordinary shares (diluted)

IN THOUSAND SHARES	NOTE		2022	2021
Weighted average number of ordinary shares (basic) as at 31 December	27		56,929	56,940
Effect of share based payments			99	121
Weighted average number of ordinary shares (diluted) at 31 December		(C)	**57,028**	**57,061**
Diluted earnings per share (A/C)			5.49	3.63

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17 Property, plant and equipment

Property, plant and equipment comprises of owned and leased assets:

EUR1,000	NOTE	2022	2021
Property, plant and equipment owned		30,385	28,623
Right-of-use assets	19	82,942	69,309
		113,327	**97,932**

The movements for the financial year of the property, plant and equipment are as follows:

EUR1,000	NOTE	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	HARDWARE & SOFTWARE	OTHER ASSETS	TOTAL
Cost						
Balance as at 1 January 2022		**22,344**	**15,093**	**12,804**	**12,186**	**62,427**
Acquisitions through business combinations	7	161	1,109	390	1,473	**3,133**
Additions for the year		1,684	3,283	2,457	3,453	**10,877**
Disposals		(3,125)	(1,546)	(2,838)	(84)	**(7,593)**
Effect of movements in exchange rates		819	211	(72)	(42)	**916**
Balance as at 31 December 2022		**21,883**	**18,150**	**12,741**	**16,986**	**69,760**
Depreciation and impairment losses						
Balance as at 1 January 2022		**6,633**	**9,045**	**9,019**	**9,107**	**33,804**
Acquisitions through business combinations	7	116	929	345	958	**2,348**
Depreciation for the year		1,975	2,072	1,836	1,270	**7,153**
Disposals		(1,746)	(1,271)	(1,751)	528	**(4,240)**
Effect of movements in exchange rates		263	158	(52)	(59)	**310**
Balance as at 31 December 2022		**7,241**	**10,933**	**9,397**	**11,804**	**39,375**
Carrying amounts						
As at 1 January 2022		**15,711**	**6,048**	**3,785**	**3,079**	**28,623**
As at 31 December 2022		**14,642**	**7,217**	**3,344**	**5,182**	**30,385**

EUR1,000	NOTE	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	HARDWARE & SOFTWARE	OTHER ASSETS	TOTAL
Cost						
Balance as at 1 January 2021		**20,650**	**12,823**	**13,467**	**11,374**	**58,314**
Acquisitions through business combinations		2,212	1,200	812	1,079	**5,303**
Additions for the year		904	1,815	1,816	1,626	**6,161**
Disposals		(2,296)	(1,277)	(3,652)	(1,983)	**(9,208)**
Effect of movements in exchange rates		874	532	361	90	**1,857**
Balance as at 31 December 2021		**22,344**	**15,093**	**12,804**	**12,186**	**62,427**
Depreciation and impairment losses						
Balance as at 1 January 2021		**5,935**	**7,076**	**10,013**	**8,547**	**31,571**
Acquisitions through business combinations		547	1,055	680	803	**3,085**
Depreciation for the year		1,797	1,718	1,653	1,029	**6,197**
Disposals		(1,949)	(1,100)	(3,611)	(1,353)	**(8,013)**
Effect of movements in exchange rates		303	296	284	81	**964**
Balance as at 31 December 2021		**6,633**	**9,045**	**9,019**	**9,107**	**33,804**
Carrying amounts						
As at 1 January 2021		**14,715**	**5,747**	**3,454**	**2,827**	**26,743**
As at 31 December 2021		**15,711**	**6,048**	**3,785**	**3,079**	**28,623**

18 Intangible assets

The movements of the intangible assets are as follows:

EUR 1,000	NOTE	GOODWILL	INTELLECTUAL PROPERTY RIGHTS	DISTRIBUTION RIGHTS	BRAND NAMES	SUPPLIER RELATIONS	OTHER INTANGIBLES	TOTAL
Cost								
Balance as at 1 January 2022		**1,262,434**	**104**	**36,811**	**25,000**	**795,858**	**35,537**	**2,155,744**
Acquisitions through business combinations	7	-	-	180	-	74,353	93	**74,626**
Additions for the year		130,769	-	3,766	-	-	5,400	**139,935**
Disposals		-	-	(546)	-	-	3	**(543)**
Effect of movements in exchange rates		(1,342)	-	391	-	4,281	196	**3,526**
Balance as at 31 December 2022		**1,391,861**	**104**	**40,602**	**25,000**	**874,492**	**41,229**	**2,373,288**
Amortisation and impairment losses								
Balance as at 1 January 2022		**5,423**	**67**	**19,575**	**-**	**297,258**	**25,322**	**347,645**
Acquisitions through business combinations	7	-	-	118	-	-	91	**209**
Amortisation for the year		-	-	4,993	-	62,815	7,275	**75,083**
Impairment loss		-	-	-	-	6,395	-	**6,395**
Disposals		-	-	(473)	-	-	(75)	**(548)**
Effect of movements in exchange rates		(114)	-	252	-	3,163	99	**3,400**
Balance as at 31 December 2022		**5,309**	**67**	**24,465**	**-**	**369,631**	**32,712**	**432,184**
Carrying amounts								
As at 1 January 2022		**1,257,011**	**37**	**17,236**	**25,000**	**498,600**	**10,215**	**1,808,099**
As at 31 December 2022		**1,386,552**	**37**	**16,137**	**25,000**	**504,861**	**8,517**	**1,941,104**

During 2022, IMCD impaired a part of the supplier relationships of Megasetia in Indonesia for an amount of EUR 6.4 million.

EUR 1,000	NOTE	GOODWILL	INTELLECTUAL PROPERTY RIGHTS	DISTRIBUTION RIGHTS	BRAND NAMES	SUPPLIER RELATIONS	OTHER INTANGIBLES	TOTAL
Cost								
Balance as at 1 January 2021		**1,027,915**	**104**	**26,737**	**25,000**	**714,012**	**30,889**	**1,824,657**
Acquisitions through business combinations		-	-	-	-	57,989	2,285	**60,274**
Additions for the year		194,750	-	9,366	-	-	3,251	**207,367**
Disposals		-	-	(115)	-	(2)	(1,489)	**(1,606)**
Effect of movements in exchange rates		39,769	-	823	-	23,859	601	**65,052**
Balance as at 31 December 2021		**1,262,434**	**104**	**36,811**	**25,000**	**795,858**	**35,537**	**2,155,744**
Amortisation and impairment losses								
Balance as at 1 January 2021		**5,322**	**67**	**14,886**	**-**	**238,550**	**18,917**	**277,742**
Acquisitions through business combinations		**-**	**-**	**-**	**-**	-	4	**4**
Amortisation for the year		-	-	4,439	-	53,608	7,390	**65,437**
Impairment loss		-	-	-	-	-	-	**-**
Disposals		-	-	(115)	-	(143)	(1,473)	**(1,731)**
Effect of movements in exchange rates		101	-	365	-	5,243	484	**6,193**
Balance as at 31 December 2021		**5,423**	**67**	**19,575**	**-**	**297,258**	**25,322**	**347,645**
Carrying amounts								
As at 1 January 2021		**1,022,593**	**37**	**11,851**	**25,000**	**475,462**	**11,972**	**1,546,915**
As at 31 December 2021		**1,257,011**	**37**	**17,236**	**25,000**	**498,600**	**10,215**	**1,808,099**

Goodwill impairment testing

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

EUR1,000	2022	2021
EMEA	386,793	361,272
Americas	376,058	318,207
Asia-Pacific	623,701	577,532
	1,386,552	**1,257,011**

A cash generating unit (CGU) represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Key assumptions used in discounted cash flow projections

The recoverable amount per CGU is based on its value in use and is determined by discounting the future cash flows to be generated from the continued use of the CGUs. The cash flow forecasts were derived from the budget for 2023 and the plan years 2024 and 2025 which were established at the legal entity level and approved by Management Board and Supervisory Board. The forecasted cash flows have been extrapolated to the years 2026 and 2027. For the period after 2027 a growth rate equal to the weighted average of the forecasted annual real GDP growth rate for the period 2027-2052 is taken into account.

The pre-tax weighted average cost of capital (WACC) is estimated per CGU and varies mainly due to differences in risk free rates. The risk-free rates per CGU are equal to the weighted average of the rate of return on local sovereign bonds or strips. The WACC has predominately increased due to higher risk-free rates. The main assumptions used to determine the WACC were provided by an external certified valuation expert.

The key assumptions for 2022 and 2021 for each CGU are as follows:

	2022		2021	
	PRE-TAX WACC	TERMINAL GROWTH RATE	PRE-TAX WACC	TERMINAL GROWTH RATE
EMEA	11.0%	2.4%	10.0%	2.2%
Americas	14.2%	2.4%	11.5%	2.5%
Asia-Pacific	15.5%	3.5%	15.0%	3.5%

Sensitivity to changes in assumptions

No impairment of goodwill was necessary following impairment tests on all cash generating units within the Group. The discounted future cash flows from all cash generating units exceed the value of the goodwill and other relevant net assets.

It is inherent in the method of computation used that a change in the assumptions may lead to a different conclusion. Therefore, a sensitivity analysis is performed based on a change in a key assumption while keeping all other assumptions unchanged.

The following changes in assumptions are assessed:
• Decrease of the average growth rate 2023-2027 to the terminal growth rate
• Decrease of the terminal growth rate by 1.0%
• Increase of the WACC by 1.0%

The conclusion based on the sensitivity analysis performed is that any reasonable change in the key assumptions would not lead to an impairment. For Asia-Pacific the break-even point is reached earlier than the other segments, but taking into account the considerable growth of the region and the expansion by means of the recent acquisition of Signet this scenario is highly unlikely.

Amortisation and impairment testing of supplier relationships

The supplier relationships consist of supplier bases within the following regions and remaining useful lives (RUL):

EUR1,000	RUL	2022	2021
EMEA	4-13	106,307	116,641
Americas	5-16	129,088	115,497
Asia-Pacific	4-16	269,467	266,462
		504,861	**498,600**

The remaining useful lives of supplier bases are assessed at each reporting date and adjusted if appropriate. Furthermore, triggering events for a possible impairment are evaluated annually by means of assessing the potential impact of available internal and external information sources.

Impairment testing for cash-generating units containing intangible assets with indefinite useful lives other than goodwill

Brand names relate to the IMCD brand. As no assumption can be made about the durability of its economic use, the brand name has an indefinite useful life. The IMCD brand name is considered as a corporate asset and hence allocated to the individual CGUs for goodwill impairment testing purposes. The carrying amount of the brand name has been allocated to the CGUs as follows: EMEA: EUR10.9 million (2021: EUR11.7 million), Asia-Pacific: EUR5.5 million (2021: EUR5.2 million) and Americas: EUR8.6 million (2021: EUR8.1 million).

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19 Leases

Right-of-use assets

Right-of-use assets carrying amounts comprise:

EUR1,000	PROPERTY, PLANT AND EQUIPMENT LAND AND BUILDINGS	CARS	OTHER ASSETS	TOTAL	INTANGIBLE ASSETS SOFTWARE	TOTAL
Balance as at 1 January 2022	**60,812**	**7,809**	**688**	**69,309**	-	-
Acquisitions through business combinations	2,435	170	12	**2,617**	-	-
Depreciation and amortisation for the year	(17,751)	(4,735)	(368)	**(22,854)**	-	-
Additions for the year	29,230	5,754	189	**35,173**	-	-
Disposals	(2,510)	(140)	(18)	**(2,668)**	-	-
Effect of movements in exchange rates	1,177	138	50	**1,365**	-	-
Balance as at 31 December 2022	**73,393**	**8,996**	**553**	**82,942**	**-**	**-**

EUR1,000	PROPERTY, PLANT AND EQUIPMENT LAND AND BUILDINGS	CARS	OTHER ASSETS	TOTAL	INTANGIBLE ASSETS SOFTWARE	TOTAL
Balance as at 1 January 2021	**59,864**	**7,174**	**1,169**	**68,207**	**23**	**23**
Acquisitions through business combinations	1,930	383	8	**2,321**	-	-
Depreciation and amortisation for the year	(16,123)	(4,445)	(638)	**(21,206)**	(23)	**(23)**
Additions for the year	13,225	4,271	264	**17,760**	-	-
Disposals	(354)	456	(147)	**(45)**	-	-
Effect of movements in exchange rates	2,270	(30)	32	**2,272**	-	-
Balance as at 31 December 2021	**60,812**	**7,809**	**688**	**69,309**	**-**	**-**

The Group leases several assets including offices, warehouses and cars.

Lease liabilities

The balance sheet shows the following lease liabilities:

EUR1,000	NOTE	2022	2021
Current	29	20,028	18,017
Non-current	29	65,782	52,712
Total lease liabilities		**85,811**	**68,987**

The undiscounted lease liabilities are as follows:

EUR 1,000	2022	2021
Less than one year	22,333	20,187
One to five years	53,850	41,734
More than 5 years	17,206	15,891
Total undiscounted lease liabilities at 31 December	**93,388**	**77,811**

The weighted average discount rate as of 31 December 2022 is 3.32% (2021: 3.53%).

If it is reasonably certain that enforceable extension options will be used, these have been included in the lease.

Amounts recognised in profit and loss

EUR 1,000	2022	2021
Depreciation	22,849	21,206
Amortisation	-	22
Interest on lease liabilities	2,531	2,475
Variable lease payments not included in the measurement of lease liabilities	281	193
Income from sub-leasing right-of-use assets	122	115
Expense related to short-term leases	879	549
Expense related to leases of low-value assets, excluding short-term leases of low-value assets	388	256

Amounts recognised in the statement of cash flows

EUR 1,000	2022	2021
Total cash flows for leases (including short-term and low-value leases)	20,397	20,183

20 Non-current assets by geographical market

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

EUR 1,000	PROPERTY, PLANT AND EQUIPMENT	OTHER INTANGIBLE ASSETS	EQUITY-ACCOUNTED INVESTEES
Netherlands	6,298	111,312	-
Rest of EMEA	48,773	39,440	71
EMEA	**55,071**	**150,753**	**71**
Americas	37,188	133,499	-
Asia-Pacific	21,068	270,300	-
Total	**113,327**	**554,552**	**71**

21 Equity-accounted investees

The equity accounted investees relate to the 49% share in SARL IMCD Group Algerie and the 50% share in Velox China.

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

EUR1,000	2022	2021
Balance as at 1 January	**71**	**39**
Capital contributions	-	-
Acquisitions through business combinations	71	-
Divestment	(71)	
Result for the year	0	32
Balance as at 31 December	**71**	**71**

The net assets of SARL IMCD Group Algerie consist of current assets amounting to EUR520 thousand (2021: EUR619 thousand) and current liabilities of EUR434 thousand (2021: EUR533 thousand). The net result for the financial year amounted amounted to 0 thousand. The net result for the year 2021 amounted to EUR89 thousand. As of 31 December 2022 net equity value of SARL IMCD Group Algerie was EUR86 thousand (2021: EUR87 thousand).

The net assets of Velox China consist of current assets amounting to EUR70 thousand (2021: EUR66 thousand) and current liabilities of EUR15 thousand (2021: EUR11 thousand). The net result for the year 2022 is nil (2021: net loss of EUR23 thousand). Net equity value was EUR55 thousand (2021: EUR55 thousand).

22 Other financial assets

The other financial assets relate to receivables with a remaining term exceeding one year and includes rent and other deposits.

23 Deferred tax assets and liabilities

Unrecognised deferred tax assets

The Group has unrecognised deferred tax assets of EUR10.5 million (2021: 10.9 million), consisting of unrecognised deferred tax asset of entities in EMEA EUR0.2 million (2021: EUR0.1 million) and entities in Asia-Pacific EUR10.3 million (2021: EUR10.8 million). The amount in Asia-Pacific mainly relates to unrecognised capital losses in Australia with an infinite carry forward period.

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Unrecognised deferred tax liabilities

As of 31 December 2022, the group has unrecognised deferred tax liabilities to the amount of EUR 39.4 million (2021: EUR 32.8 million) for potential withholding tax liabilities related to investments in subsidiaries. The liabilities are not recognised because the Company controls the dividend policy of the subsidiaries and does not foresee reversal of the temporary differences in the foreseeable future.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

EUR 1,000	2022	2021	2022	2021	2022	2021
	Assets		Liabilities		Net	
Property, plant and equipment	387	288	814	416	**(427)**	(128)
Intangible assets	2,137	5,342	129,465	122,067	**(127,328)**	(116,725)
Right-of-use assets	496	458	15,524	11,893	**(15,028)**	(11,435)
Financial fixed assets	1,284	1,500	168	147	**1,117**	1,353
Trade debtors and other receivables	2,405	2,225	367	116	**2,038**	2,109
Inventories	4,584	3,161	929	526	**3,655**	2,635
Share based payment reserve	660	675	154	18	**506**	657
Loans and borrowings	271	197	-	-	**271**	197
Lease Liabilities	15,992	12,773	124	80	**15,868**	12,693
Employee benefits and other provisions	4,996	5,806	1,452	1,303	**3,544**	4,503
Trade and other payables	8,706	3,791	1,002	134	**7,704**	3,657
Other items	3,350	3,014	21	(11)	**3,329**	3,025
Tax loss carry-forwards	9,545	10,226	-	(375)	9,545	10,601
Tax assets/(liabilities)	**54,814**	**49,456**	**150,017**	**136,314**	**(95,204)**	**(86,858)**
Set off of tax	(19,201)	(14,062)	(19,201)	(14,062)	**-**	-
Net tax assets/(liabilities)	**35,613**	**35,394**	**130,817**	**122,252**	**(95,204)**	**(86,858)**

The unused tax losses and unused tax credits include EUR 5.9 million of tax credits (2021: EUR 5.9 million) related to foreign withholding taxes.

Movement in temporary differences during the year

EUR 1,000	BALANCE AS AT 1 JANUARY 2022	RECOGNISED IN PROFIT OR LOSS	RECOGNISED DIRECTLY IN EQUITY	RECOGNISED IN OTHER COMPREHENSIVE INCOME	ACQUIRED IN BUSINESS COMBINATIONS (NOTE 7)	OTHER	BALANCE AS AT 31 DECEMBER 2022
Property, plant and equipment	**(128)**	(301)	-	-	2	-	**(427)**
Intangible assets	**(116,725)**	5,346	-	-	(18,663)	2,713	**(127,328)**
Right-of-use-assets	**(11,435)**	(3,596)	-	-	(84)	87	**(15,028)**
Financial fixed assets	**1,353**	(235)	-	-	-	(1)	**1,117**
Trade debtors and other receivables	**2,109**	(506)	-	-	346	89	**2,038**

EUR1,000	BALANCE AS AT 1 JANUARY 2022	RECOGNISED IN PROFIT OR LOSS	RECOGNISED DIRECTLY IN EQUITY	RECOGNISED IN OTHER COMPREHENSIVE INCOME	ACQUIRED IN BUSINESS COMBINATIONS (NOTE 7)	OTHER	BALANCE AS AT 31 DECEMBER 2022
Inventories	**2,635**	116	-	-	799	105	**3,655**
Share based payment reserve	**658**	(165)	-	-	-	13	**506**
Loans and borrowings	**197**	468	-	(606)	-	213	**1,560**
Lease liability	**12,693**	3,230	-	-	-	(55)	**15,868**
Employee benefits and other provisions	**4,503**	(463)	(610)	(583)	610	87	**3,544**
Trade and other payables	**3,657**	2,010	-	-	316	1,722	**7,704**
Other items	**3,025**	1	-	-	119	184	**2,040**
Tax losses carried forward	**10,601**	(1,260)	-	-	-	204	**9,545**
Net tax assets/(liabilities)	**(86,858)**	**4,644**	**(609)**	**(1,189)**	**(16,554)**	**5,361**	**(95,204)**

The group utilised deferred tax assets related to unused tax losses and unused tax credits to an amount of EUR 0.1 million in the financial year (2021: EUR 0.3 million).

Movement in temporary differences during the year (continued)

EUR 1,000	BALANCE AS AT 1 JANUARY 2021	RECOGNISED IN PROFIT OR LOSS	RECOGNISED DIRECTLY IN EQUITY	RECOGNISED IN OTHER COMPREHENSIVE INCOME	ACQUIRED IN BUSINESS COMBINATIONS	OTHER	BALANCE AS AT 31 DECEMBER 2021
Property, plant and equipment	**(285)**	139	-	-	-	18	**(128)**
Intangible assets	**(110,073)**	7,507	-	-	(12,668)	(1,491)	**(116,725)**
Right-of-use assets	**(11,513)**	708	-	-	(58)	(572)	**(11,435)**
Other financial assets	**1,712**	(339)	-	-	-	(20)	**1,353**
Trade and other receivables	**1,716**	(39)	-	-	385	47	**2,109**
Inventories	**1,946**	364	-	-	282	43	**2,635**
Share-based payment reserve	**589**	14	-	-	-	54	**657**
Loans and borrowings	**82**	16	-	84	-	15	**197**
Lease liabilities	**12,629**	(583)	-	-	6	641	**12,693**
Employee benefits and other provisions	**4,872**	(353)	-	(518)	193	309	**4,503**
Trade and other payables	**2,863**	804	-	-	87	(97)	**3,657**
Other items	**3,011**	(58)	-	-	23	48	**3,024**
Unused tax losses and unused tax credits	**14,976**	(4,138)	-	-	-	(237)	**10,601**
Net tax assets/(liabilities)	**(77,476)**	**4,041**	**-**	**(434)**	**(11,750)**	**(1,237)**	**(86,859)**

24 Inventories

The value of the inventory is as follows:

EUR 1,000	2022	2021
Trade goods	622,098	526,300
Total Trade goods	**622,098**	**526,300**

Cost of materials and inbound logistics included in profit or loss of 2022 amounted to EUR 3,454.3 million (2021: EUR 2,598.9 million). This cost includes write-downs of inventories to net realisable value of EUR 14.1 million (2021: EUR 6.1 million). The reversal of write-downs amounted to EUR 2.6 million (2021: EUR 1.7 million). The write-down of inventories is mainly due to inventories past their expiration dates or inventories which are not marketable.

25 Trade and other receivables

All trade and other receivables are current.

EUR1,000	2022	2021
Trade receivables	661,902	588,598
Other receivables	40,373	30,864
Total Trade and other receivables	**702,275**	**619,462**

The composition of the other receivables is as follows:

EUR1,000	2022	2021
Derivatives used for hedging	180	61
Taxes and social securities	16,677	8,482
Receivables from employees	316	182
Prepaid expenses	15,856	17,256
Other receivables	7,344	4,883
Total other receivables	**40,373**	**30,864**

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

The ageing of trade and other receivables at the reporting date was as follows:

EUR1,000	2022		2021	
	Gross	**Impairment**	**Gross**	**Impairment**
Current 0 - 30 days past due	671,877	1,672	600,723	1,115
Past due 30 - 60 days	19,228	819	13,695	1,062
Past due 60 - 90 days	6,529	1,044	4,903	593
More than 90 days	20,470	12,293	15,803	12,892
Total	**718,104**	**15,829**	**635,124**	**15,662**

Impairment losses

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

EUR1,000	2022	2021
Balance at 1 January	**15,662**	**13,418**
Acquisitions through business combinations	3,143	2,318
Impairment loss recognised	2,276	1,908
Impairment loss reversed	(2,986)	(1,657)
Trade receivables written-off	(2,662)	(424)
Currency exchange result	395	99
Total	**15,829**	**15,662**

As at 31 December 2022, the total impairment includes an amount of EUR1,956 thousand (2021: EUR2,030 thousand) related to customers declared insolvent. The remainder of the impairment loss as at 31 December 2022 relates to several customers who are expected to be unable to pay their outstanding balances, mainly due to economic circumstances, and the general provision for expected credit losses for trade and other receivables. The Group believes that the majority of the receivables that are past due by more than 30 days are still collectable, based on historic payment behaviour and analyses of the underlying customers' creditworthiness.

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was as follows:

EUR1,000	2022	2021
Carrying amount		
EMEA	288,275	273,090
Americas	217,557	175,074
Asia-Pacific	196,441	171,298
Total Carrying amount	**702,274**	**619,462**

26 Cash and cash equivalents

The cash and cash equivalents are as follows:

EUR1,000	2022	2021
Cash and cash equivalents	222,005	177,879
Cash and cash equivalents in the statement of cash flows	**222,005**	**177,879**

An amount of EUR5.2 million IMCD Rus LLC is not freely available for use by the Group. The remaining cash and cash equivalent balances are available for use by the Group.

27 Capital and reserves

Share capital and share premium

As of 31 December 2022, the authorised share capital comprised 150,000,000 ordinary shares of which 56,987,858 shares have been issued. The shares have a nominal value of EUR 0.16 each and all shares rank equally with regard to the Company's residual assets.

The shareholders are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. Following the resolution of the Annual General Meeting in 2022, the Company distributed a dividend in cash of EUR 92.2 million (2021: EUR 58.1 million).

The share premium as of 31 December 2022 amounted to EUR 1,051.4 million (31 December 2021: EUR 1,051.4 million).

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in foreign subsidiaries.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Reserve own shares

The reserve own shares comprises the cost of the Company's shares held by the Group to fund its long-term incentive plan. At 31 December 2022, the Group held 101,275 of the Company's shares (as at 31 December 2021: 44,300 shares). During 2022 the Group transferred 38,025 shares (EUR 1,9 million) to fulfil its annual obligation from the long-term incentive plan and purchased 95,000 shares (EUR 13.3 million) to fund its long-term incentive plan.

Other reserve

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

Other comprehensive income

EUR 1,000	ATTRIBUTABLE TO OWNERS OF THE COMPANY			
	Translation reserve	Hedging reserve	Other reserves	Total other comprehensive income
2022				
Foreign currency translation differences for foreign operations, net of tax	(476)	-	-	**(476)**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	(110)	-	**(110)**
Defined benefit plan actuarial gains and losses net of tax	-	-	6,222	**6,222**
Total other comprehensive income	**(476)**	**(110)**	**6,222**	**5,636**
2021				
Foreign currency translation differences for foreign operations, net of tax	56,044	-	-	**56,044**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	106	-	**106**
Defined benefit plan actuarial gains and losses net of tax	-	-	412	**412**
Total other comprehensive income	**56,044**	**106**	**412**	**56,562**

28 Non-controlling interest

The non-controlling interest relates to the 75% share in IMCD Arabia Trading LLC. Profit sharing is determined on a 90%-10% basis.

As at 31 December 2022, the non-controlling interest amounts to EUR 1,451 thousand. The net loss for the financial year attributed to the non-controlling interest amounts to EUR 78 thousand.

29 Loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortised cost. In addtion this note also includes deferred & contingent considerations, which are measured at fair value to profit and loss. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 5.

Non-current liabilities

EUR 1,000	NOTE	2022	2021
Bank loans		**594,867**	**337,528**
Deferred and contingent considerations	7, 33	250,316	275,243
Lease liabilities		65,782	52,712
Other liabilities		1,923	1,369
Total non-current liabilities		**912,889**	**666,853**

Terms and debt repayment schedule

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

EUR1,000	CURR	NOTE	NOMINAL INTEREST RATE	YEAR OF MATURITY	FACE VALUE 2022	CARRYING AMOUNT 2022	FACE VALUE 2021	CARRYING AMOUNT 2021
Schuldscheindarlehen (fix rate)	EUR		1.58%	2023	-	-	15,000	14,978
Schuldscheindarlehen (floating rate)	EUR		1.45%	2023	-	-	25,000	24,964
Bond loan (fix rate)	EUR		2.50%	2025	300,000	298,334	300,000	297,586
Bond loan (fix rate)	EUR		2.13%	2027	300,000	296,533		
Profit sharing arrangements	EUR		1.53%	2023-2027	1,923	1,923	1,369	1,369
Lease liabilities[1]			0.0% - 22.70%	2023-2058	71,055	65,782	57,625	52,712
Total interest-bearing liabilities					**672,979**	**662,572**	**398,994**	**391,610**
Deferred and contingent considerations		7, 33			256,586	250,316	279,685	275,243
Total non-current liabilities					**929,564**	**912,889**	**678,679**	**666,853**

[1] Various currencies

The total non-current lease liabilities face value of EUR 71.1 million consist of lease liabilities denominated in various currencies, of which EUR 30.0 million in EUR, EUR 11.7 million in USD, EUR 7.3 million in CAD, EUR 5.4 million in AUD and EUR 1.9 million in SEK. The remaining amount of EUR 14.8 million is denominated in various currencies.

In March 2022, IMCD was assigned investment grade rating of Baa3 by Moody's Investors Services and BBB- by FitchRatings, both with a stable outlook. In the same month, IMCD issued an EUR 300 million rated corporate bond loan with institutional investors. This five-year senior unsecured bond loan, maturing in March 2027, has a fixed coupon of 2.125%. The bond loan is listed on the Luxembourg Stock Exchange MTF market. The proceeds of the bond loan issue have been used for general corporate purposes, including the refinancing of existing indebtedness.

On 22 November 2022, IMCD concluded a senior unsecured bridge loan facility for an amount of EUR 200 million, for a period of 12 months, with an extension option of 6 months (at borrower's discretion).

The first senior unsecured fixed rates note, issued by IMCD N.V. on 26 March 2018, had a closing price of EUR 97,08 at 31 December 2022 (31 December 2021: EUR 104,40). The second senior unsecured fixed rates note, issued by IMCD N.V. on 31 March 2022, had a closing price of EUR 88.50 at 31 December 2022. The bonds are listed on the Luxembourg Euro MTF market and matures on respectively 26 March 2025 and 31 March 2027.

The Group is obliged to meet requirements from the covenants in connection with the interest bearing loan facilities. These requirements relate to ratios for interest cover and maximum leverage.

Two leverage covenants apply to the Group as at 31 December 2022:
- For the Schuldscheindarlehen of EUR 40 million a maximum leverage of 3.5 times EBITDA applies (with a spike period maximum of 4.0), tested annually.
- For the revolving credit facilities of EUR 500 million, a maximum leverage of 3.75 times EBITDA applies (with a spike period maximum of 4.25), tested semi-annually.

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	2022		2021	
	OUTCOME	COVENANT	OUTCOME	COVENANT
Reported leverage	1.8		2.3	
Leverage including pro-forma results	1.7		2.3	
Leverage loan documentation	1.2	max. 3.5	1.5	max. 3.5
Interest cover	26.5	min. 4.0	29.1	min. 4.0

The actual reported leverage ratio as at 31 December 2022 was 1.8 times EBITDA (31 December 2021: 2.3 times EBITDA). Including the full year impact of acquisitions completed in 2022, the leverage at the end of the financial year is 1.7 times EBITDA (31 December 2021: 2.3 times EBITDA). The leverage ratio calculated on the basis of the definitions used in the loan documentation applicable as at 31 December 2022 was 1.2 times EBITDA (31 December 2021: 1.5 times EBITDA), which is well below the defined maximum of 3.5 times EBITDA.

The actual interest cover covenant for the financial year, based on the definitions used in the Schuldschein Darlehen documentation, was 26.5 times EBITDA (2020: 29.1 times EBITDA) and was well above the required minimum of 4.0.

On 13 February 2023, IMCD completed the refinancing of its multi-currency revolving credit facility. The new facility, with a maturity data of 13 February 2028, amounts to EUR 600 million and can be drawn in EUR and USD as well as, to an agreed sublimit, in AUD and GBP. The credit revolving facility has interest margin dependent on credit ratings (S&P, Moody's or Fitch).

For the new revolving credit facility a maximum leverage of 3.75 times EBITDA (with a spike period maximum of 4.25), tested semi-annually is applicable. The calculation of the leverage covenant for the new facility is based on the prevailing accounting standards as of 31 December 2022. Calculated on the basis of the definitions used in the IMCD loan documents of the new revolving facility, the actual leverage was 1.3 times EBITDA, which is well below the applicable maximum of 4.25.

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

Current liabilities

EUR 1,000	NOTE	2022	2021
Loans and borrowings		**40,000**	**-**
Deferred and contingent considerations	7, 33	23,294	33,614
Lease liabilities		20,028	18,017
Other short term financial liabilities		252,720	399,420
Total Short-term financial liabilities		**296,042**	**451,050**

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

The following table provides an overview of the cash flow and non-cash flow movements of the non-current and current financial liabilities.

Movements financial liabilities

EUR 1,000	2021	CASH FLOW	ACQUISITIONS	RECLASSES	OTHER NON-CASH MOVEMENTS	EFFECT OF MOVEMENTS IN EXCHANGE RATES	2022
Non-current							
Bank Loans	337,528	295,149	2,413	(40,000)	(490)	267	594,867
Deferred and contingent considerations	275,243	-	19,299	(13,408)	(18,107)	(12,711)	250,316
Lease liabilities	52,712	-	2,119	(12,393)	22,800	543	65,782
Other liabilities	1,369	(584)	1,092	-	6	40	1,923
Total non-current	**666,852**	**294,565**	**24,924**	**(65,800)**	**4,209**	**(11,860)**	**912,889**
Current							
Bank Loans	-	-	-	40,000	-	-	40,000
Deferred and contingent considerations	33,614	(47,265)	11,182	13,408	11,164	1,191	23,294
Lease liabilities	18,017	(20,391)	509	12,393	10,804	(1,304)	20,028
Other liabilities	399,420	(163,295)	9,621		-	6,976	252,722
Total current	**451,051**	**(230,951)**	**21,313**	**65,801**	**21,969**	**6,863**	**336,042**

The other non-cash movements include fair value adjustments related to a net reduction in the estimated deferred consideration, consisting of Megasetia (Indonesia) of EUR -18.6 million and Signet (India) of EUR 8.7 million.

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30 Employee benefits

The liabilities associated with employee benefits consist of net defined benefit liabilities (pension schemes), termination benefits and other long-term employee benefits.

EUR1,000	2022	2021
Net defined benefit liability	7,665	13,475
Termination benefits and other long-term employee benefits	14,589	15,783
Total employee benefit liabilities	**22,254**	**29,258**

The Group supports defined benefit plans in the Netherlands, the United Kingdom, Canada, Germany, Switzerland, Austria, the United States and the Philippines. The net defined benefit liability has decreased as a result of the significant increases in the discount rates.

Movement in net defined benefit liability/(asset)

EUR1,000	2022	2021	2022	2021	2022	2021
	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
Balance as at 1 January	**82,271**	**81,109**	**68,797**	**66,382**	**13,475**	**14,727**
Included in profit or loss						
Current service cost	1,492	1,271	-	-	1,492	1,271
Past service cost	6	(975)	-	-	6	(975)
Settlements	(95)	(96)	-	-	(95)	(96)
Interest cost/(income)	1,360	1,142	1,053	816	307	326
	2,764	**1,341**	**1,053**	**816**	**1,711**	**525**
Included in OCI						
Remeasurement; loss/(gain):						
Actuarial loss/(gain) arising from changes in:						
- Demographic assumptions	110	(450)	-	-	110	(450)
- Financial assumptions	(25,504)	(2,205)	-	-	(25,504)	(2,205)
- Experience	981	48	-	-	981	48
Return on plan assets excluding interest income	-	-	(19,712)	212	19,712	(212)
Asset ceiling	-	-	(18)	(2,726)	18	2,726
Effect of movements in exchange rates	(593)	3,714	(858)	2,686	264	1,028
	(25,007)	**1,107**	**(20,587)**	**171**	**(4,420)**	**936**
Other						
Business combinations	-	-	-	-	-	-
Contributions paid by the employer	-	-	2,714	2,434	(2,714)	(2,434)
Contributions paid by the plan members	792	1,815	792	1,815	-	-
Benefits paid	(3,184)	(3,101)	(2,798)	(2,822)	(386)	(280)
	(2,392)	**(1,286)**	**708**	**1,427**	**(3,100)**	**(2,713)**
Balance as at 31 December	**57,636**	**82,271**	**49,971**	**68,797**	**7,665**	**13,475**

Plan assets

EUR1,000	2022	2021
Equity securities	7,648	24,181
Government bonds	1,311	1,361
Qualifying insurance policies	28,328	35,885
Other plan assets	15,284	10,095
Asset Ceiling	(2,601)	(2,726)
Total plan assets	**49,970**	**68,796**

Due to the asset ceiling applicable to the UK pension plan, in 2022 the actual fair value of the plan assets (EUR 50.0 million) exceeded the recognised plan assets (EUR 50.0 million) by EUR 16 thousand.

Expense recognised in profit or loss

EUR1,000	2022	2021
Current service costs	1,492	1,270
Past service costs	6	(975)
Settlements	(95)	(96)
Expense recognised in the line item 'Social security and other charges'	**1,403**	**199**
Interest cost	308	326
Expense recognised in the line item 'Finance costs'	**308**	**326**
Total expense recognised in profit or loss	**1,711**	**525**

Actuarial assumptions

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

	2022	2021
Discount rate as at 31 December	4.03%	1.66%
Future salary increases	1.66%	1.74%
Future pension increases	1.30%	1.46%
Price inflation	2.09%	2.23%

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

- The Netherlands: AGPrognose2022Hoog 7 based on income class high-medium
- The United Kingdom: before retirement – as per post retirement, after retirement: S3PXA_L CMI 2021 model [1.25%]
- Canada: CPM 2014 Public & Private with 2D projections using Scale B
- Germany: Richttafel 2018G Klaus Heubeck
- Switzerland: BVG 2020 Generational
- Austria: AVÖ 2018-P 'Angestellte' –Rechnungsgrundlagen für die Pensionsversicherung-Pagler & Pagler

The Group expects EUR 3,264 thousand in contributions to be paid into its defined benefit plans in 2023. The Canadian pension plans are partially unfunded. The duration of the funded obligation based on expected cash flows is 11 years, the unfunded plans have an expected duration of 12 years.

Sensitivity analysis

The defined benefit plans in Austria, Germany, the Philippines, The United States relate to a limited number of (retired) employees. For that reason, sensitivity analyses for these plans are not provided. The four significant defined benefit plans are the schemes in The Netherlands, The United Kingdom, Switzerland and Canada.

The plan in the Netherlands was an average salary defined benefit plan until 31 December 2016. The plan is financed through an insurance policy. There are no specific material entity risks to which the plan is exposed and the plan assets are not invested in a single class of investments. From 2016 onwards no additional retirement benefits accrue in the defined benefit plan. The retirement benefits related to employee services in 2017 and onwards accrued in a new pension plan, effective from 1 January 2017. As a result of the parameters in the new pension contract, it classifies as a defined contribution plan.

The plan in the United Kingdom has 29 members and is a final salary defined benefit plan. The plan is financed through a pension fund. The plan assets are not invested in a single class of investments.

The plan in Canada consists of three separate plans: a pension and supplementary retirement pension plan for certain (former) executive members (9 members) and a non-pension post-retirement benefit plan providing extended health, dental, life insurance and accidental death and dismemberment benefits. The supplementary plan and non-pension plan are unfunded.

The pension plans of IMCD Switzerland were revised and harmonised due to the merger between IMCD Switzerland AG and DCS Pharma AG. The revised plan was put in to effect as at 1 January 2022. The plan is financed through a pension fund and the plan assets are not invested in a single class of investments.

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

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

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations of the three significant defined benefit plans by the amounts shown in the following section.

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EUR1,000	2022		2021	
	Increase	Decrease	Increase	Decrease
Defined benefit plan The Netherlands				
Discount rate (1% point movement)	(2,035)	2,564	(4,175)	5,519
Defined benefit plan The United Kingdom				
Discount rate (1% point movement)	(2,029)	2,255	(4,284)	5,593
Future salary growth (1% point movement)	56	(56)	119	(119)
Future pension growth (1% point movement)	2,029	(1,917)	4,998	(4,046)
Future inflation (1% point movement)	2,029	(1,917)	4,046	(3,808)
Future mortality (1 year)	451	(451)	1,071	(1,071)
Defined benefit plan Canada				
Discount rate (1% point movement)	(829)	456	(1,308)	1,277
Future salary growth (1% point movement)	27	(26)	32	(30)
Future inflation (1% point movement)	257	(126)	404	(199)
Future mortality (1 year)	(208)	204	(326)	270
Defined benefit plan Switzerland				
Discount rate (1% point movement (2021: 0.5%))	(1,406)	(2,246)	(238)	274
Future salary growth (1% point movement (2021: 0.5%))	-	-	18	(18)
Future mortality (1 year)	305	101	48	(48)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Termination benefits and other long-term employee benefits

The movements in the termination benefits and other long-term employee benefits are as follows:

EUR1,000	NOTE	2022	2021
Liabilities as at 1 January		**15,783**	**14,809**
Assumed in business combinations	7	1,132	421
Additions (excluding interest cost)		1,805	2,430
Interest cost		18	77
Withdrawals		(644)	(1,013)
Releases		(412)	(603)
Actuarial results		(2,455)	(591)
Effect of movement in exchange rates		(639)	253
Liabilities as at 31 December		**14,589**	**15,783**

The termination and other long-term employee benefits comprises statutory imposed obligations for long or after-service benefits. The main obligations relate to the IFC retirement indemnity benefits in France and the legally required leaving-service indemnity TFR in Italy.

31 Provisions

The movements in provisions are as follows:

EUR1,000	NOTE	2022	2021
Balance as at 1 January		**6,494**	**4,449**
Assumed in business combinations	7	7,262	2,040
Provisions made during the year		1,725	1,247
Provisions used during the year		(390)	(1,017)
Provisions released during the year		(836)	(180)
Effect of movement in exchange rates		(441)	(45)
Balance as at 31 December		**13,814**	**6,494**

The provision used in 2022 mainly relates to organisational changes.

32 Trade and other payables

The trade and other payables are as follows:

EUR1,000	2022	2021
Trade payables	389,021	403,010
Total Trade payables	**389,021**	**403,010**

EUR1,000	2022	2021
Derivatives used for hedging	1,030	195
Taxes and social securities	34,311	27,729
Pension premiums	1,821	1,486
Current tax liability	17,270	14,239
Other creditors	10,191	3,664
Accrued interest expenses	10,961	6,000
Liabilities to personnel	54,657	45,320
Other accrued expenses	35,015	31,655
Total Other payables	**165,255**	**130,288**

At 31 December 2022, with the exception of some derivatives used for hedging, all trade and other payables have a term of less than one year.

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

33 Financial Instruments

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 DECEMBER 2022		CARRYING AMOUNT					FAIR VALUE			
EUR1,000	NOTE	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Forward exchange contracts used for hedging	25	180	-	-	-	180	-	180	-	180
Forward exchange contracts used for hedging	32	-	-	1,030	-	1,030	-	1,030	-	1,030
Contingent consideration	29	-	-	273,610	-	273,610	-	-	273,610	273,610

31 DECEMBER 2021		CARRYING AMOUNT					FAIR VALUE			
EUR1,000	NOTE	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Forward exchange contracts used for hedging	25	61	-	-	-	61	-	61	-	61
Forward exchange contracts used for hedging	32	-	-	195	-	195	-	195	-	195
Contingent consideration	29	-	-	308,856	-	308,856	-	-	308,856	308,856

Measurement of fair values

Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value

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

Financial instruments not measured at fair value

There were no financial instruments that are measured at amortised cost but for which fair value was disclosed classified as Level 3 either in the current year or in the prior year.

Level 3 fair values

Reconciliation of Level 3 fair values

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

EUR1,000	NOTE	CONTINGENT CONSIDERATION
Balance as at 1 January 2022		**308,856**
Assumed in a business combination	7	30,481
Paid contingent consideration		(47,265)
Loss / (Gain) included in profit or loss		(6,943)
Loss / (Gain) included in equity		-
Effect of movement in exchange rates		(11,519)
Balance as at 31 December 2022		**273,610**
Balance as at 1 January 2021		**193,544**
Assumed in a business combination		121,382
Paid contingent consideration		(20,735)
Loss / (Gain) included in profit or loss		1,151
Loss / (Gain) included in equity		-
Effect of movement in exchange rates		13,514
31 December 2021		**308,856**

The amount assumed in business combinations relates to the deferred purchase prices for the acquisitions of RPL Trading, Aquatech, Syntec, Welex, Promaplast and Parkash Dyechem.

The net gain included in profit and loss of EUR 6,943 thousand (2021: loss of EUR 1,151 thousand) is the result of remeasuring contingent considerations. The main fair value adjustments in 2022 relate to a reduction in the estimated deferred consideration, consisting of Megasetia (Indonesia) of EUR -18.6 million and Signet (India) of EUR 8.7 million.

Sensitivity analysis

The fair value of contingent considerations is subject to two principal assumptions. The effects of reasonable changes to these assumptions, keeping other assumptions constant, are set out below.

31 DECEMBER 2022	PROFIT OR LOSS	
EUR 1,000	INCREASE	DECREASE
EBITDA margin (10% movement)	(23,881)	25,522
Risk-adjusted discount rate (discount rate 1% point movement)	3,036	(2,995)

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31 DECEMBER 2021	PROFIT OR LOSS	
EUR1,000	INCREASE	DECREASE
EBITDA margin (10% movement)	(23,509)	22,068
Risk-adjusted discount rate (discount rate 1% point movement)	5,899	(4,092)

Offsetting financial assets and liabilities

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

31 DECEMBER 2022

EUR1,000	GROSS AMOUNT OF FINANCIAL ASSETS AND LIABILITIES	OFFSETTING	GROSS CARRYING AMOUNTS IN THE BALANCE SHEET	ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR ARRANGEMENTS	31 DECEMBER 2022 NET AMOUNT
Trade and other receivables	723,299	(21,024)	702,275	-	702,275
Cash and cash equivalents	222,005	-	222,005	-	222,005
Other financial assets	7,016	-	7,016	-	7,016
Trade payables	390,845	(1,824)	389,021	-	389,021
Other payables	183,992	(18,737)	165,255	-	165,255
Other short term financial liabilities	296,505	(463)	296,042	-	296,042

31 DECEMBER 2021

EUR1,000	GROSS AMOUNT OF FINANCIAL ASSETS AND LIABILITIES	OFFSETTING	GROSS CARRYING AMOUNTS IN THE BALANCE SHEET	ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR ARRANGEMENTS	31 DECEMBER 2021 NET AMOUNT
Trade and other receivables	641,189	(21,727)	619,462	-	619,462
Cash and cash equivalents	179,417	(1,538)	177,879	-	177,879
Other financial assets	5,310	112	5,422	-	5,422
Trade payables	406,613	(3,603)	403,010	-	403,010
Other payables	148,335	(18,047)	130,288	-	130,288
Other short term financial liabilities	452,665	(1,615)	451,050	-	451,050

34 Off-balance sheet commitments

Operating leases

Commitments for minimum lease payments, which include short-term lease payments, in relation to operating leases are payable as follows:

EUR 1,000	2022	2021
Within one year	769	1,848
Later than one year but not later than five years	9,836	7,214
Later than five years	3,916	2,888
Total Operational leases	**14,520**	**11,951**

Guarantees

As at 31 December 2022, the Group has granted guarantees of EUR 95.7 million (31 December 2021: EUR 79.6 million) in total. Those guarantees mainly consist of bank guarantees to customs and tax authorities of EUR 2.9 million (31 December 2021: EUR 0.9 million), office rental guarantees of EUR 2.5 million (31 December 2021: EUR 1.1 million), guarantees for goods and services of EUR 88.7 million (31 December 2021: EUR 62.3 million), letters of credit EUR 0.3 million (31 December 2021: EUR 1.2 million) and other guarantees of EUR 1.3 million (31 December 2021: EUR 1.0 million).

Claims

The Group is a party to a limited number of legal proceedings incidental to its business. As is the case with other companies in similar industries, the Company faces exposures from actual or potential claims and legal proceedings. Although the ultimate result of legal proceedings cannot be predicted with certainty, it is the opinion of the Company's management that the outcome of any claim which is pending or threatened, either individually or on a combined basis and considering the insurance cover available, will not have a material effect on the financial position of the Company, its cash flows and result of operations.

On 21 December 2021, PT IMCD Indonesia acquired 70% of the shares in PT Megasetia Agung Kimia ("Megasetia") in Indonesia. Since the end of 2022, the Indonesian National Agency of Food and Drug Control ('BPOM') is investigating suspected contamination of syrup medicines in Indonesia. As part of its investigation, BPOM has decided to revoke several licences of companies, including Megasetia's license to distribute pharmaceutical materials for alleged breach of Good Distribution Practices. Megasetia has started administrative procedures against the decision of BPOM to revoke its license.

On January 2023, in relation to the syrup contamination, a class action procedure was filed against eight Indonesian companies and three Indonesian governmental institutions, including BPOM, the Indonesian Ministry of Health and the Ministry of Finance. Megasetia is one of the companies included in the procedure. According to the Indonesian Court regulations, the Court will first have to conduct a preliminary examination of the lawsuit formalities. This will define whether the formal requirements are met, and a lawsuit may proceed or not.

Should a class action claim be allowed by the Court, the total amount of damages claimed from all defendants could be up to EUR 58 million. Considering the facts and based on legal advice, Megasetia believes a potential claim should not result in Megasetia being liable as an outcome of a case against several parties.

35 Related parties

Identity of related parties

The Group has related party relationships with its shareholders, subsidiaries, Management Board and Supervisory Board and post-employment benefit plans. For an overview of the group companies, reference is made to the List of group companies as per 31 December 2022 on page 213.

Transactions with subsidiaries

The financial transactions between the Company and its subsidiaries comprise financing related transactions and operational transactions in the normal course of business. Transactions within the Group are not included in these disclosures as these are eliminated in the consolidated financial statements.

Transactions with key management personnel

The members of the Management Board and the Supervisory board are considered key management personnel as defined in IAS 24 'Related party disclosures'. For details on their remuneration, reference is made to Note 53.

Transactions with associates

The Group owns 49% of the shares in SARL IMCD Group Algerie. At 31 December 2022 the Group has outstanding receivables from SARL IMCD Group Algerie of EUR 457 thousand (2021: EUR 478 thousand) and no outstanding payables to Velox China (2021: EUR 20 thousand).

Transactions with post-employment benefit plans

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

In the financial year, the contributions to the defined benefit plans were EUR 2,714 thousand (2021: EUR 2,434 thousand). There is no outstanding payable to the defined benefit plans as at the year-end 2022 (2021: EUR 3 thousand).

36 Subsequent events

In addition to the acquisitions completed in 2022, IMCD signed on 16 February 2023 an agreement to acquire 100% of the shares of CPS Chemical Oil-Tech (Pty) Ltd ("CPS Oil-Tech"), a distributor in South Africa of raw materials to the petroleum, additive, grease manufacturing and other industry related segments. With 8 employees, CPS Oil-Tech generated a revenue of approximately EUR 12 million in the financial year that ended on February 28, 2022. The closing of the transaction is subject to customary closing conditions and regulatory approval and is expected to take place in the second quarter of 2023.

On 13 February 2023, IMCD completed the refinancing of its multi-currency revolving credit facility. The new facility, with a maturity date of 13 February 2028, amounts to EUR 600 million and can be drawn in EUR and USD as well as, to an agreed sublimit, in AUD and GBP. The credit revolving facility has interest margin dependent on credit ratings (S&P, Moody's or Fitch).

Apart from the refinancing of the revolving credit facility, there were no material events after 31 December 2022 that would have changed the judgement and analysis by management of the financial position as of 31 December 2022 or the result for the year of the Group.

Company balance sheet as of 31 December 2022

BEFORE PROFIT APPROPRIATION

EUR1,000	NOTE	31 DECEMBER 2022	31 DECEMBER 2021
Fixed assets			
Participating interest in group company	42	2,310,547	1,797,333
Deferred tax assets	43	10,218	13,102
Total fixed assets		**2,320,765**	**1,810,435**
Current assets			
Trade and other receivables	44	153	(10)
Accounts receivable from subsidiary	45	1,595	1,834
Cash and cash equivalents		706	255
Total current assets		**2,455**	**2,079**
Total assets		**2,323,220**	**1,812,514**
Shareholders' equity	46		
Issued share capital		9,118	9,118
Share premium		1,051,438	1,051,438
Translation reserve		(58,761)	(58,285)
Hedging reserve		(210)	(100)
Other reserves		(10,539)	(5,509)
Retained earnings		367,839	255,888
Unappropriated result		313,081	207,276
Total shareholders' equity		**1,671,965**	**1,459,825**
Non-current liabilities	47	595,948	338,529
Loans and borrowings	48	40,000	-
Accounts payable to subsidiaries	48	2,282	6,781
Other current liabilities	48	13,025	7,380
Current liabilities		**55,307**	**14,160**
Total equity and liabilities		**2,323,220**	**1,812,514**

Company income statement

FOR THE YEAR ENDED 31 DECEMBER 2022

EUR1,000	NOTE	2022	2021
Operating income	39	3,522	3,573
Wages and salaries	40	(3,969)	(4,016)
Social security and other charges	40	(146)	(129)
Other operating expenses		(1,406)	(1,108)
Operating expenses		**(5,521)**	**(5,253)**
Net finance costs		(15,090)	(10,194)
Share in results from participating interests, after taxation	42	331,870	221,117
Result before income tax		**314,780**	**209,243**
Income tax expense	41	(1,699)	(1,967)
Result for the year		**313,081**	**207,276**

Notes to the Company financial statements

FOR THE YEAR ENDED 31 DECEMBER 2022

37 General

The company financial statements are part of the 2022 financial statements of IMCD N.V. (the 'Company').

38 Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the Company makes use of the option provided in Section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of the Company are the same as those applied for the consolidated EU-IFRS financial statements. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and endorsed by the European Union (hereinafter referred to as EU-IFRS). Reference is made to the notes to the consolidated financial statements.

Participating interests are valued on the basis of the equity method.

The share in results from participating interests, after taxation consists of the share of the Company in the results of these participating interests. Results on transactions, where the transfer of assets and liabilities is between the Company and its participating interests and mutually between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealised.

39 Operating income

Other operating income predominantly relates to management service fees charged to IMCD Group B.V.

40 Personnel expenses

The personnel expenses 2022 comprise the wages and salaries including bonuses, cost related to the employee benefit plan and social security expenses. Further details are provided in Note 53.

41 Income tax expenses

The reconciliation between the Company's domestic income tax rate and related tax charge and the effective income tax rate and related effective income tax charge is as follows:

Reconciliation effective tax rate

EUR1,000	2022		2021	
	%		%	
Profit for the year		313,081		207,276
Total income tax expense	0.5	1,699	0.9	1,987
Profit before income tax		**314,777**		**209,263**
Income tax using the Company's domestic tax rate	25.8	81,215	25.0	52,316
Adjustments in respect of tax exempt income	(23.7)	(74,614)	(22.8)	(47,758)
Effect of change in tax rate	0.0	45	(0.1)	(131)
Tax effect of:				
Non-deductible expenses	0.2	613	0.3	553
Tax incentives and tax exempted income	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
(De)recognition of previously (un)recognised temporary differences	0.1	434	-	-
Tax charge other members fiscal unity	(1.9)	(5,915)	(1.4)	(3,028)
Under provided in prior years	(0.0)	(80)	0.0	35
	0.5	**1,699**	**0.9**	**1,987**

Except for withholding taxes, corporate income tax expenses of the Dutch subsidiaries are allocated to the Company as head of the fiscal unity.

42 Participating interest in group companies

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

EUR1,000	2022	2021
Balance as at 1 January	**1,797,333**	**1,663,068**
Changes:		
Investments in participating interests	205,000	-
Impact of change in accounting policy	-	-
Share in results from participating interest after taxation	331,870	221,117
Dividends declared	(19,000)	(147,550)
Movement hedging reserve	(110)	106
Exchange rate differences	1,048	56,963
Movement other reserves	(5,593)	3,628
Balance as at 31 December	**2,310,547**	**1,797,333**
Accumulated impairments at 31 December	-	-

The Company, statutorily seated in Rotterdam, owns the Group through a 100% share in the issued capital of IMCD Finance B.V., statutorily seated in Rotterdam.

43 Deferred tax assets

In 2022 the Company did not recognise previously unrecognised deferred tax assets related to tax losses carried forward (2021: nil). The Company utilised deferred tax assets of EUR 1.0 million in the financial year (2021: EUR 3.1 million), EUR 1.0 million new tax credits (2021: EUR 0.8 million), nil changes in tax rates (2021: EUR 0.1 million) and EUR 0.4 million prior year adjustments (2021: nil).

The deferred tax asset relates to unused tax losses, unused tax credits and share issuance expenses.

EUR 1,000	NOTE	2022	2021
Balance as at 1 January		13,102	15,513
Impact of change in accounting policy		-	-
Movements during the year	41	(2,884)	(2,411)
Balance as at 31 December		**10,218**	**13,102**

44 Trade and other receivables

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

45 Accounts receivable from subsidiary (current)

The accounts receivable from subsidiary relates to a receivable from IMCD Group B.V. regarding management service fees.

46 Shareholders' equity

Reconciliation of movement in capital and reserve

EUR 1,000	ISSUED SHARE CAPITAL	SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	RESERVE OWN SHARES	OTHER RESERVES	RETAINED EARNINGS	UNAPPRO-PRIATED RESULT	TOTAL SHAREHOLDERS' EQUITY
Balance as at 1 January 2022	**9,118**	**1,051,438**	**(58,285)**	**(100)**	**(2,172)**	**(3,337)**	**255,888**	**207,276**	**1,459,825**
Appropriation of prior year's result	-	-	-	-	-	-	115,047	(115,047)	-
	9,118	**1,051,438**	**(58,285)**	**(100)**	**(2,172)**	**(3,337)**	**370,935**	**92,229**	**1,459,825**
Total recognised income and expense	-	-	-	-	-	-	-	313,081	313,081
Share based payments	-	-	-	-	-	156	(7,777)	-	(7,621)
Issue of shares minus related costs	-	-	-	-	-	-	-	-	-
Transfer of own shares	-	-	-	-	(11,408)	-	4,681	-	(6,727)
Cash dividend	-	-	-	-	-	-	-	(92,229)	(92,229)
Movement in other reserves	-	-	(476)	(110)	-	6,222	-	-	5,636
Balance as at 31 December 2022	**9,118**	**1,051,438**	**(58,761)**	**(210)**	**(13,580)**	**3,041**	**367,839**	**313,081**	**1,671,965**
Balance as at 1 January 2021	**9,118**	**1,051,438**	**(114,329)**	**(206)**	**(3,893)**	**(4,774)**	**194,927**	**120,128**	**1,252,408**
Appropriation of prior year's result	-	-	-	-	-	-	62,000	(62,000)	-
	9,118	**1,051,438**	**(114,329)**	**(206)**	**(3,893)**	**(4,774)**	**256,927**	**58,128**	**1,252,408**
Total recognised income and expense	-	-	-	-	-	-	-	207,276	207,276
Share based payments	-	-	-	-	-	1,025	(4,130)	-	(3,105)
Issue of shares minus related costs	-	-	-	-	-	-	-	-	-
Transfer of own shares	-	-	-	-	1,721	-	3,091	-	4,812
Cash dividend	-	-	-	-	-	-	-	(58,128)	(58,128)
Movement in other reserves	-	-	56,044	106	-	412	-	-	56,562
Balance as at 31 December 2021	**9,118**	**1,051,438**	**(58,285)**	**(100)**	**(2,172)**	**(3,337)**	**255,888**	**207,276**	**1,459,825**

Share capital and share premium

EUR 1,000	2022	2021
	Ordinary shares	
In issue at 1 January	**1,060,556**	**1,060,556**
Issue of shares minus related cost	-	-
In issue at 31 December - fully paid	**1,060,556**	**1,060,556**

Ordinary shares

At 31 December 2021, the authorised share capital comprised 150,000,000 ordinary shares of which 56,987,858 shares have been issued. All shares have a par value of EUR 0.16 each and are fully paid.

The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Translation reserve

The translation reserve (legal reserve) comprises all exchange rate differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in foreign subsidiaries.

Hedging reserve

The hedging reserve (legal reserve) comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Reserve own shares

The reserve own shares comprises the cost of the Company's shares held by the Group. At 31 December 2022, the Group held 101,275 of the Company's shares (31 December 2021: 44,300 shares).

Other reserves

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

Unappropriated result

At the Annual General Meeting the following appropriation of the result for 2022 will be proposed: an amount of EUR 135,061 thousand to be paid out as dividend (EUR 2.37 per share) and EUR 177,942 thousand to be added to the retained earnings.

47 Non-current liabilities

The movement in the non-current liabilities during 2022 is as follows:

EUR1,000	2022	2021
Balance as at 1 January	**338,529**	**337,917**
Additions	296,044	(224)
Redemptions	-	
Classified as current liability	(40,000)	
Transaction and other finance costs paid	502	
Amortisation of transaction and other finance costs	873	836
Effect of movements in exchange rates		-
Balance as at 31 December	**595,948**	**338,529**

The non-current liabilities consist of the carrying value of the debt capital market issuance ("Schuldscheindarlehen") with notional values of EUR 40 million and the carrying value of the Bond loans issued in 2018 and 2022, net of capitalised finance costs.

EUR1,000	CURR	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	12 MONTHS OR LESS	1 - 2 YEARS	2 - 5 YEARS	>5 YEARS
Bond loan	EUR	594,867	654,750	13,950	13,950	626,850	-
Loans from subsidiaries	EUR	1,081	-	-	848	233	-
Total		**595,948**	**654,750**	**13,950**	**14,798**	**627,083**	**-**

The first senior unsecured fixed rates note, issued by IMCD N.V. on 26 March 2018, had a closing price of EUR 97,08 at 31 December 2022 (31 December 2021: EUR 104,40). The second senior unsecured fixed rates note, issued by IMCD N.V. on 31 March 2022, had a closing price of EUR 88.50 at 31 December 2022. The bonds are listed on the Luxembourg Euro MTF market and matures on respectively 26 March 2025 and 31 March 2027

Further details of the Schuldscheindarlehen and the bond loan are provided in Note 29 of the consolidated financial statements.

48 Current liabilities

The Company's current liabilities as of 31 December 2022 amounts to EUR 55.3 million (31 December 2021: EUR 14.2 million) and consists of a short-term liability to IMCD Finance B.V. and other current liabilities.

EUR 1,000	2022	2021
Loans and borrowings	40,000	-
Accounts payable to subsidiaries	2,282	6,781
Other current liabilities		
Creditors	636	293
Liabilities to personnel	950	833
Accrued interest expenses	10,759	5,878
Other accrued expenses	680	376
	13,025	**7,380**
Current liabilities	**55,307**	**14,160**

49 Financial instruments

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

In note 5 to the consolidated financial statements information is included about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

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

50 Off-balance sheet commitments

The Company is head of a tax entity for corporate income tax. The Company together with other Dutch group companies form part of this fiscal unity. As a consequence, the Company is jointly and severally liable for the corporate income taxes due by these tax entities.

51 Fees of the auditor

With reference to Section 2:382a(1) and (2) of The Netherlands Civil Code, the following fees for the financial year have been charged by Deloitte Accountants B.V. and other Deloitte member firms and affiliates to the Company, its subsidiaries and other consolidated entities.

EUR1,000	2022			2021		
	Deloitte Accountants B.V.	Other Deloitte member firms and affiliates	Total Deloitte	Deloitte Accountants B.V.	Other Deloitte member firms and affiliates	Total Deloitte
Statutory audits of annual reports	1,069	1,666	2,736	761	1,190	1,952
Other assurance services	170	-	170	56	-	56
Tax advisory services	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-
	1,239	**1,666**	**2,906**	**817**	**1,190**	**2,008**

52 Related parties

Transactions with key management personnel
The members of the Management Board and the Supervisory board are considered key management personnel as defined in IAS 24 'Related party disclosures'. For details on their remuneration, reference is made to Note 53.

Other related party transactions
The Company, as service provider, maintains a management service agreement with IMCD Group B.V. for services rendered by the Management Board to the group. The total management service fees charged in 2022 amounted to EUR 3,522 thousand (2021: EUR 3,573 thousand). All related party transactions were priced on an at arm's-length basis.

53 Compensation of the Management Board and the Supervisory Board

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

Compensation Management Board

EUR 1,000	YEAR	SALARY	BONUS	SHARE BASED PAYMENT	PENSION	OTHER	TOTAL
P.C.J. van der Slikke	**2022**	**710**	**506**	**759**	**42**	**51**	**2,068**
	2021	669	468	835	36	48	2,056
H.J.J. Kooijmans	**2022**	**553**	**394**	**591**	**40**	**50**	**1,628**
	2021	521	365	650	37	49	1,622
M.C. Jordan[1]	**2022**	**323**	**230**	**365**	**32**	**237**	**1,187**
	2021	-	-	-	-	-	-
Total	**2022**	**1,586**	**1,130**	**1,715**	**114**	**338**	**4,883**
	2021	1,190	833	1,485	73	97	3,678

[1] Remuneration costs since 2/5/2022

As of 31 December 2022, the total number of shares conditionally granted to the Management Board is as follows:
- P.C.J. van der Slikke: 22,288 (31 December 2021: 31,898)
- H.J.J. Kooijmans: 17,363 (31 December 2021: 24,848)
- M.C. Jordan: 15,160 (31 December 2021: 18,040)

The reported bonus and share based payment amounts include adjustments related to prior years. The other remunerations include health insurance premiums, business expense allowances, social security premiums and company car expenses. Further details of the Management Board compensation are provided in the Remuneration Report (see page 95).

Compensation Supervisory Board

EUR1,000	2022	2021
J. Smalbraak	105	75
W. Eelman	47	-
V. Diele-Braun	70	63
S.R. Nanninga	75	68
A.E. Hebert	65	65
A.J.Th. Kaaks	23	70
M.G.P. Plantevin	-	28
Total	**385**	**369**

In addition to the aforementioned compensation, the Management Board and Supervisory Board members receive reimbursements for out-of-pocket expenses. Since these benefits serve to cover actual costs incurred and are not considered to form part of the remuneration as such, they have not been included in the above totals.

54 Provision regarding the appropriation of profit

At the Annual General Meeting the following appropriation of the result for 2022 will be proposed: an amount of EUR135.061 thousand to be paid out as dividend (EUR2.37 per share) and EUR177.942 thousand to be added to the retained earnings.

55 Subsequent events

On 13 February 2023, IMCD completed the refinancing of its multi-currency revolving credit facility. The new facility, with a maturity data of 8 February 2028, amounts to EUR600 million and can be drawn in EUR and USD as well as, to an agreed sublimit, in AUD and GBP. The credit revolving facility has interest margin dependent on credit ratings (S&P, Moody's or Fitch).

Apart from the refinancing of the revolving credit facility, there were no material events after 31 December 2022 that would have changed the judgement and analysis by management of the financial condition at 31 December 2022 or the result for the year of the Company.

Rotterdam, 23 February 2023

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

The Supervisory Board:
J. Smalbraak
W. Eelman
V. Diele-Braun
S.R. Nanninga
A.E. Hebert

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List of group companies as per 31 December 2022

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

IMCD Finance B.V.	Rotterdam	The Netherlands
IMCD Group B.V.	Rotterdam	The Netherlands
IMCD Participations II B.V.	Rotterdam	The Netherlands
Internatio Special Products B.V.	Rotterdam	The Netherlands
IMCD Benelux B.V.	Rotterdam	The Netherlands
IMCD Benelux N.V.	Mechelen	Belgium
IMCD France Investments S.A.S.	Paris	France
IMCD Holding France S.A.S.	Paris	France
IMCD France S.A.S.	Paris	France
IMCD Espanã Especialidadis Quimicas S.A.	Madrid	Spain
IMCD Portugal Produtos Quimicos Lda	Lisbon	Portugal
IMCD Maroc S.a.r.l.	Casablanca	Morocco
IMCD Tunisia S.a.r.l.	Tunis	Tunisia
S.a.r.l. IMCD Group Algerie (49% of the shares)	Algiers	Algeria
IMCD Deutschland GmbH	Cologne	Germany
Otto Aldag Handel GmbH	Cologne	Germany
DCS Pharma GmbH[1]	Lüneberg	Germany
IMCD UK Acquisitions Ltd.	Sutton	United Kingdom
IMCD Holding UK Ltd.	Sutton	United Kingdom
IMCD UK Investments Ltd.	Sutton	United Kingdom
IMCD UK Ltd.	Sutton	United Kingdom
Evenlode Foods Ltd.	Milton Keynes	United Kingdom
IMCD Ireland Ltd.	Dublin	Ireland
IMCD Italia S.p.A.	Milan	Italy
IMCD Norway AS	Ski	Norway
IMCD Nordic AB	Malmö	Sweden
IMCD Sweden AB	Malmö	Sweden
IMCD Finland Oy	Helsingfors	Finland
IMCD Danmark AS	Helsingør	Denmark
IMCD Baltics UAB	Vilnius	Lithuania
IMCD South East Europe GmbH	Vienna	Austria
Polychem Handelsges.m.b.H[2]	Allhau	Austria
IMCD Czech Republic s.r.o.	Prague	Czech Republic
Polychem composite CS s.r.o.[3]	Brno-Trnitá	Czech Republic
IMCD Romania srl	Bucarest	Romania
Polychem Chemicals srl[4]	Bucarest	Romania
Polychem d.o.o.[5]	Zagreb	Croatia

IMCD Hungary Kft[6]	Budaörs	Hungary
IMCD Bulgaria EOOD[7]	Sofia	Bulgaria
IMCD Switzerland AG	Zürich	Switzerland
IMCD Polska Sp.z.o.o.	Warsaw	Poland
IMCD Rus LLC	Saint-Petersburg	Russia
IMCD Ukraine LLC	Kiev	Ukraine
IMCD Ticaret, Pazarlama ve Danişmanlik Limited Şirketi	Istanbul	Türkiye
Zifroni Chemicals Suppliers Ltd	Rishon LeZion	Israel
Internatio Special Products Egypt LLC	Cairo	Egypt
IMCD Egypt LLC	Cairo	Egypt
IMCD Middle East FZCO	Dubai	United Arab Emirates
IMCD Middle East Trading LLC	Dubai	United Arab Emirates
IMCD Arabia Trading LLC (75% of the shares)	Riyadh	Saudi Arabia
IMCD South Africa Pty. Ltd.	Isando	South Africa
Chemimpo South Africa Pty. Ltd.	Randburg	South Africa
IMCD Kenya Ltd.	Nairobi	Kenya
IMCD Uganda SMC Ltd.	Kampala	Uganda
IMCD Holdings US, Inc.	Jersey City	United States of America
IMCD US LLC	Cleveland	United States of America
MJS Sales Inc.	Cleveland	United States of America
IMCD US Food Inc.	Washington	United States of America
Andes Chemical LLC	Miami	United States of America
Gateway Warehouse & Consolidators LLC[8]	Miami	United States of America
Promaplast USA Inc.[9]	Houston	United States of America
IMCD Puerto Rico Inc.	Cayey	Puerto Rico
IMCD Canada Limited	Brampton	Canada
IMCD Mexico S.A. de C.V.	Miguel Hidalgo	Mexico
International Chemical Product Services Mexico S. de RL de CV	Miguel Hidalgo	Mexico
Materias Químicas de México S.A. de C.V.	Mexico City	Mexico
Pluralmex S.A de C.V.	Mexico City	Mexico
Proveedora de Materiales Plásticos S.A. de C.V.[9]	Lerma	Mexico
Promaplast Resinas S.A. de C.V.[9]	Lerma	Mexico
Andes Chemical Dominicana SRL	Santo Domingo	Dominican Republic
Quelaris Dominicana SRL[10]	Santo Domingo	Dominican Republic
Andes Chemical Peru SRL	Lima	Peru
IMCD Costa Rica SRL[11]	San José	Costa Rica
Quelaris Costa Rica SA[10]	Cartago	Costa Rica
IMCD Brasil Comércio e Indústria de Produtos Quimicos Ltda.	São Paulo	Brazil
IMCD Brasil Farmacêuticos Importação, Exportação e Representações Ltda	São Paulo	Brazil
Vitaqualy Comercio de Ingredientes LTDA	São Paulo	Brazil
Polyorganic Tecnologia Ltda[10]	São Paulo	Brazil
IMCD Chile SpA	Santiago	Chile
Quelaris Chile SPA[10]	Santiago	Chile

IMCD Argentina SRL	Buenos Aires	Argentina
IMCD Uruguay SA	Montevideo	Uruguay
IMCD Ecuador SAS[12]	Quito	Ecuador
IMCD Colombia SAS	Bogota	Colombia
Siliconas y Químicos SAS	Bogota	Colombia
Quelaris Colombia SAS[10]	Bogota	Colombia
Quelaris Peru SAC[10]	Lima	Peru
IMCD Guatemala SRL[13]	Guatemala City	Guatemala
IMCD Australasia Investments Pty. Ltd	Melbourne	Australia
IMCD Australia Pty Ltd.	Melbourne	Australia
RPL Trading Pty Ltd[14]	Melbourne	Australia
IMCD New Zealand Ltd.	Auckland	New Zealand
RPL Trading NZ Ltd.[14]	Auckland	New Zealand
IMCD Asia Pacific Sdn Bhd	Shah Alam	Malaysia
IMCD Malaysia Sdn Bhd	Shah Alam	Malaysia
IMCD Asia Pte. Ltd.	Singapore	Singapore
IMCD Singapore Pte. Ltd.	Singapore	Singapore
IMCD (Thailand) Co., Ltd.	Bangkok	Thailand
IMCD (China) Co. Ltd.	Shanghai	China
IMCD International Trading (Shanghai) Co. Ltd.	Shanghai	China
IMCD Plastics (Shanghai) Co. Ltd.	Shanghai	China
Shanghai Yuanhe Chemicals Co. Ltd.	Shanghai	China
Aquatech Speciality (Shanghai) International Trading Co. Ltd[5]	Shanghai	China
Guangzhou Aquatech Speciality Trading Co. Ltd[5]	Guangzhou	China
Shanghai Syntec Additive Limited[14]	Shanghai	China
Shanghai Weike Additive Limited[14]	Shanghai	China
Velox China Ltd (50% of the shares)	Shanghai	China
Velox China HK Co. Ltd (50% of the shares)	Hong Kong	Hong Kong
Yuanhe HK Ltd.	Hong Kong	Hong Kong
Welex S.A. Holdings (China) Ltd.[15]	Kowloon	Hong Kong
Whawon Pharm Co. Ltd.	Seoul	South Korea
IMCD Japan Godokaisha	Tokyo	Japan
Kuni Chemical Co. Ltd.[9]	Osaka	Japan
IMCD Vietnam Company Ltd	Ho Chi Minh City	Vietnam
IMCD Philippines Corporation	Manila	Philippines
PT IMCD Indonesia	Jakarta	Indonesia
PT Sapta Permata	Surabaya	Indonesia
PT Megasetia Agung Kimia (70% of the shares)	Jakarta	Indonesia
IMCD India Pvt. Ltd.	Mumbai	India
Signet Excipients Pvt. Ltd (70% of the shares)	Mumbai	India
Parkash Dyechem Pvt. Ltd[15]	Delhi	India
IMCD Bangladesh Pvt. Ltd.	Dhaka	Bangladesh

1 In liquidation
2 Since February 2022, merged with IMCD South East Europe GmbH
3 Since February 2022, merged with IMCD Czech Republic s.r.o.
4 Since February 2022, merged with IMCD Romania srl
5 Since February 2022
6 Since February 2022, formerly known as Polychem Ipari Kereskedelmi es Szolgaltato Kft
7 Since February 2022, formerly known as Polychem BD EOOD
8 Liquidated October 2022
9 Since September 2022
10 Since March 2022
11 Formerly known as Andes Chemical Centro America SRL
12 Since July 2022
13 Since March 2022 formerly known as Quelaris Guatemala SA
14 Since January 2022
15 Since December 2022

Other information

Provisions in the Articles of Association governing the appropriation of profit

Article 22 of the Company's articles of association stipulates the following with regard to the appropriation of the profit: The Management Board, with the approval of the Supervisory Board, decides how much of the freely distributable profit will be reserved. The remaining profit shall be at the free disposal of the Annual General Meeting.

Independent auditor's report

To the Shareholders and the Supervisory Board of IMCD N.V.,

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements for the year ended 31 December 2022 of IMCD N.V. ("the Company"), based in Rotterdam, the Netherlands. The financial statements comprise the consolidated financial statements and the Company financial statements.

In our opinion:
- The accompanying consolidated financial statements give a true and fair view of the financial position of IMCD N.V. as at 31 December 2022, and of its result and its cash flows for the year ended 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying Company financial statements give a true and fair view of the financial position of IMCD N.V. as at 31 December 2022, and of its result for the year ended 31 December 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
1. The consolidated statement of financial position as at 31 December 2022.
2. The following statements for the year ended 31 December 2022: the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The Company financial statements comprise:
1. The Company balance sheet as at 31 December 2022.
2. The Company profit and loss account for the year ended 31 December 2022.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of IMCD N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at €30 million (2021: €20 million). The materiality is based on 7% (2021: 7.3%) of result before income tax excluding non-recurring items. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Component audits are performed using materiality levels determined by the judgement of the group audit team, considering materiality for the consolidated financial statements as a whole and the reporting structure of the group. Component materialities did not exceed EUR 14.4 million.

We agreed with the Supervisory Board that misstatements in excess of €1.5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

IMCD N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of IMCD N.V.

Because we are ultimately responsible for the opinion, we are directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for components. The extent of the procedures has been determined based on the size of components and a number of qualitative considerations. Such considerations include the financial performance of the foreign entities and the maturity of markets these entities are operating in. On this basis, we selected components for which a full audit (10), specified audit of balances/transactions (14) or analytical review (remainder) was carried out on the component financial information. None of the components represented more than 1.6% of total group revenue or total group assets. For those remaining components we performed, among others, analytical procedures to corroborate our assessment that there were no significant risks of material misstatement within those components.

CONSOLIDATED
FINANCIAL
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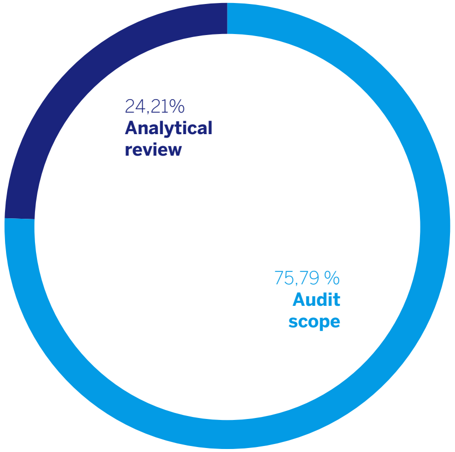
FINANCIAL
STATEMENTS

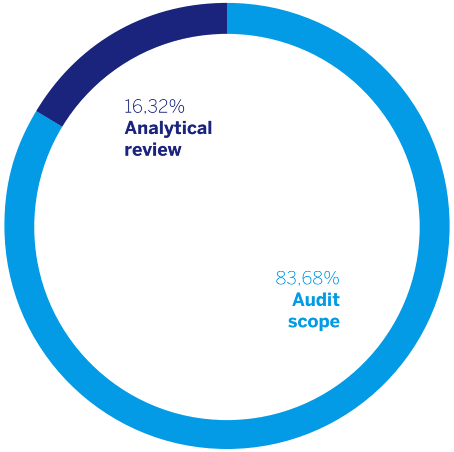
OTHER
INFORMATION

This resulted in the coverage as presented thereafter:

Scoping on revenue



Scoping on assets



We have performed audit procedures ourselves at IMCD N.V. corporate entities and operations in the Netherlands. Among others we have assessed group-wide internal controls that have been implemented by the Management Board to monitor and manage the financial and operating performance of the various operating segments. Furthermore, the group audit team performed audit procedures on the consolidation, the IT environment, impairment testing for goodwill and impairment (trigger) testing for supplier relations, purchase price allocation of acquisitions and audit procedures on sales, costs of goods sold, loans and borrowings and designed the testing approach of manual journal entries.

We have used the work of component audit teams for all significant component entities. The group audit team provided detailed written instructions to all component auditors to communicate requirements and significant audit areas and (fraud) risks related to management override of controls. Furthermore, we developed a plan for overseeing each component audit team based on its relative significance to the group and other risk characteristics. Our oversight included regular update meetings, performing file reviews, performing on-site visits in Italy and India, attending management closing meetings and reviewing component audit team deliverables. For out-scoped components, we performed analytical procedures.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Audit approach fraud risks

In accordance with Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error.Inherent to our responsibilities for the audit of the financial statements, there is an unavoidable risk that material misstatements go undetected, even though the audit is planned and performed in accordance with Dutch law.

The risk of undetected material misstatements due to fraud is even higher, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Also, we are not responsible for the prevention and detection of fraud and non-compliance with all laws and regulations. Our audit procedures differ from a forensic or legal investigation, which often have a more in-depth character.

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes. We refer to section Risk factors and risk management of the annual report for management's (fraud) risk assessment and section Audit Committee of the Supervisory Board report in which the Supervisory Board reflects on this fraud risk assessment. We note that management has implemented updates on its risk assessment including fraud and updated its risk and control framework.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

Following these procedures, and the presumed risks under the prevailing audit standards, we considered fraud risks related to management override of controls. Our audit procedures to respond to these fraud risks include, amongst others, an evaluation of relevant internal controls and supplementary substantive audit procedures, including detailed testing of journal entries and post-closing adjustments based on supporting documentation. Data analytics, including selection of journal entries based on risk-based characteristics, form part of our audit approach to address the identified fraud risks.

Additionally, we performed further procedures including, among others, the following:
- We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.
- We considered available information and made inquiries of the Management Board and the Supervisory Board.
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- We evaluated whether the selection and application of accounting policies by the group, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.
- We evaluated whether the judgements and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in Note 2 of the financial statements. We performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in prior year financial statements. Certain

management estimates and judgements are considered most significant to our audit. Reference is made to the section 'Our key audit matters' for further details on those estimates and judgements.

For significant transactions such as various business acquisitions during the year, we evaluated whether the business rationale of the transactions suggest that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

This did not lead to indications for fraud potentially resulting in material misstatements.

Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the Company through discussion with, amongst others, management, corporate general counsel and those charged with governance, reading minutes of board meetings and reports of internal audit.

We involved our forensic specialists in this evaluation.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements.

We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the IMCD N.V. is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation.

Given the nature of IMCD N.V.'s business, we considered the risk of non-compliance in the areas of health, safety, environment and quality (HSEQ), data protection, tax and other applicable laws and regulations. In addition, we considered major laws and regulations applicable to listed companies.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to IMCD N.V. 's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits to conduct business for certain industries or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Our procedures are limited to (i) inquiry of the Supervisory Board, the Management Board and others within IMCD N.V.'s as to whether IMCD N.V. is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

We remained alert to indications of (suspected) non-compliance throughout the audit.

Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Audit approach going concern

Our responsibilities, as well as the responsibilities of the Management Board and the Supervisory Board, related to going concern under the prevailing standards are outlined in the "Description of responsibilities regarding the financial statements" section below. In fulfilling our responsibilities, we performed procedures including evaluating management's assessment of the Company's ability to continue as a going concern and considering the impact of financial, operational, and other conditions. Based on these procedures, we did not identify any reportable findings related to the entity's ability to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

In determining our key audit matters, we have reconsidered those included in the previous years and these are still relevant for the current year. Below identified key audit matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER DESCRIPTION	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN THE AUDIT AND OUR OBSERVATION
Impairment of goodwill and supplier relations – Refer to Note 18 to the financial statements IMCD N.V. grows its business organically and through acquisitions. As a result of these acquisitions, the balance sheet as at December 31, 2022 carries goodwill of EUR 1.387 million and supplier relations of EUR 505 million. In 2022, goodwill and supplier relations increased due to acquisitions, with the acquisition of Syntec, RPL Trading, Quelaris, Promaplast and Parkash DyeChem (see key audit matter 'Business Combinations') being the most substantial ones for the year. For purposes of impairment testing, IMCD allocates goodwill to three cash-generating units (CGU's). Suppliers relations are grouped to the smallest CGUs. For goodwill, IMCD tests its CGU's annually and upon the existence of a triggering event, by comparing the recoverable amounts of the individual CGU's, being the higher of value-in-use and fair value less cost of disposal, to the carrying amounts in accordance with IAS 36. For supplier relations, the recoverable amounts are assessed upon the existence of a triggering event since these are definite life time assets. In 2022, IMCD identified a triggering event regarding the supplier base of one of its CGUs which includes Indonesia and recorded an impairment of EUR 6.4 million. IMCD discloses the key assumptions used in determining the recoverable amounts and the sensitivity of the impairment test for changes in those assumptions in Note 18 of the financial statements. We identified the risk of impairment of goodwill and supplier relations as a key audit matter because of the amounts involved, the complexity of the assessment process and the significance of management estimates for key assumptions used, including projections of future cash flows, discount rates and (terminal) growth rates. In addition, macroeconomic developments related to inflation and interest rates are adding uncertainty to the projection of future operating cash flows, even though the portfolio has proven to be rather robust and not overly sensitive to the results of the pandemic and Russia – Ukraine war, thus far.	As part of our audit, we conducted a risk assessment by identifying and assessing risk of material misstatements for each of the CGU's. We also evaluated the historical accuracy of budgeting and the sensitivities in management estimates for key assumptions, including projections of future cash flows, discount rates and long term growth rates. We focused our substantive audit procedures on the assumptions to which the value in use are most sensitive and for which a change could potentially cause a decline in headroom and trigger an impairment. We obtained an understanding of management's process over the impairment test and the impairment trigger test. We verified whether projections were based on internal budgets and financial plans approved by the Supervisory Board. Furthermore, we challenged and compared revenue projections to, for example, external economic outlook data and expected inflation rates in which we focused on those estimates that could cause a change in the outcome of impairment testing. With the involvement of Deloitte valuation experts, we evaluated the appropriateness and accuracy of the impairment models used by IMCD, the discount rates and long term growth rates applied and compared the methodology and outcomes to relevant industry and capital market information. Additionally, we assessed the various scenarios applied in impairment testing as disclosed in Note 18 to the consolidated financial statements in view of the current market conditions, trends in financial performance and the uncertainty around recovery of the industries in which IMCD operates in view of the COVID-19 pandemic and Russia – Ukraine war. **Key observations** IMCD identified an impairment of the supplier relationships of EUR 6.4 million. Within the context of our audit on the financial statements as a whole and based on the materiality applied, we have no observations regarding the assumptions used in the impairment calculations. Furthermore, we have no observations regarding the disclosure (Note 18 to the consolidated financial statements) of the sensitivity of the impairment test to changes in the most critical assumptions used.

CONSOLIDATED FINANCIAL STATEMENTS

COMPANY FINANCIAL STATEMENTS

OTHER INFORMATION

KEY AUDIT MATTER DESCRIPTION	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN THE AUDIT AND OUR OBSERVATION
Business Combinations – Refer to note 7 to the financial statements IMCD completed business acquisitions throughout the year. The largest acquisitions were Promaplast on September 15, 2022 and Parkash DyeChem on December 16, 2022. IFRS 3 requires management to determine the fair value of identified assets and liabilities and to determine the resulting goodwill to be recognized. This requires management to apply judgement and to use assumptions. Business acquisitions in 2022 resulted to a total increase of goodwill and other intangibles by EUR 128 million and EUR 77 million, respectively. We identified the allocation of the purchase price and the valuation of these assets to be an audit area of focus considering the amounts involved, prevailing uncertainties in global economies and the extent of management judgement involved to estimate the fair values of assets and assumptions such as the discount rate, attrition rate and (terminal) growth rate.	The Management Board of IMCD engaged a valuation expert to assist them in performing the purchase price allocations of Syntec, RPL Trading, Quelaris, Promaplast and Parkash Dyechem. We evaluated competence and objectivity of the management's expert and used their work in our audit. We also obtained an understanding of management's process and controls over their assessment and performed testing on the reliability of the key assumptions used in the purchase price allocation, data and outputs used by the management expert. Furthermore, we performed substantive audit procedures on the purchase price allocation. We evaluated whether the preparation of the purchase price allocation was in line with IFRS 3. We inspected the Share Purchase Agreement and other relevant legal documents, evaluated management's identification of assets and liabilities acquired, tested the reliability of data used and challenged management's key assumptions in determining the fair value of the supplier relations. For the acquisition of Promaplast, we involved a Deloitte valuation expert to help us evaluate the work prepared by the management's expert in terms of appropriateness and accuracy of the models used, discount rates/ growth rates/ attrition rates applied and benchmark certain assumptions (including cash flow projections). In addition, we validated the appropriateness and completeness of disclosures related to IMCD's acquisitions, as included in Note 7 to the consolidated financial statements. **Key observations** Based on our materiality and procedures performed and in the context of the audit of the consolidated financial statements as a whole, we have no observations regarding management's application of IFRS 3 requirements for the recognition and valuation of assets and liabilities in the purchase price allocation of Syntec, RPL Trading, Quelaris, Promaplast and Parkash DyeChem. These are appropriately disclosed in Note 7 to the consolidated financial statements.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contain other information that consists of:

- Report of the Management Board.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
- Other information included in the Annual Report.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the Supervisory Board as auditor of IMCD N.V. on July 20, 2022, for the audit of the year 2022. Since 2016, we have operated as statutory auditor.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Format (ESEF)

IMCD N.V. has prepared its annual report in ESEF. The requirements for this are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in XHTML-formaat, including the (partly) marked-up consolidated financial statements, as included in the reporting package by IMCD N.V. complies in all material respects with the RTS on ESEF.

Management is responsible for preparing the annual report including the financial statements in accordance with the RTS on ESEF, whereby management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting).

Our examination included amongst others:

- Obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package.
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance and the XBRL extension taxonomy files has been prepared in accordance with the technical specifications as included in the RTS on ESEF;
  - examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of Management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

• Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

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

Amsterdam, February 23, 2023

Deloitte Accountants B.V.

C. Binkhorst

Other information not forming part of the financial statements

Ten-year summary

EUR MILLION	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
RESULTS										
Revenue	4,601.5	3,435.3	2,774.9	2,689.6	2,379.1	1,907.4	1,714.5	1,529.8	1,358.3	1,233.4
Year on year revenue growth	66%	24%	3%	13%	25%	11%	12%	13%	10%	10%
Gross profit	1,147.1	836.3	647.5	599.3	536.1	428.7	381.6	332.8	287.6	261.3
Gross profit as a % of revenue	24.9%	24.3%	23.3%	22.3%	22.5%	22.5%	22.3%	21.8%	21.2%	21.2%
Result from operating activities	461.7	305.5	190.4	176.1	162.6	125.2	107.5	91.2	82.4	73.4
Operating EBITDA[1]	584.5	401.0	268.8	246.8	207.5	166.0	152.1	131.8	112.7	99.0
Operating EBITA[2]	554.5	373.6	243.2	224.8	202.1	161.7	147.8	128.3	110.0	96.6
Year on year Operating EBITA growth	128%	54%	8%	11%	25%	9%	15%	17%	14%	7%
Operating EBITA as a % of revenue	12.0%	10.9%	8.8%	8.4%	8.5%	8.5%	8.6%	8.4%	8.1%	7.8%
Conversion margin[3]	48.3%	44.7%	37.6%	37.5%	37.7%	37.7%	38.7%	38.5%	38.2%	37.0%
CASH FLOW										
Free cash flow[4]	434.4	278.9	277.4	222.2	166.5	161.3	140.4	119.3	94.6	80.5
Cash conversion margin[5]	76.9%	72.6%	109.4%	97.4%	79.3%	97.2%	92.3%	90.5%	83.9%	81.3%
BALANCE SHEET										
Working capital	770.1	612.5	443.7	435.9	399.8	314.3	248.4	227.8	179.7	150.7
Total equity	1,673.4	1,461.4	1,252.4	866.5	786.3	729.2	722.1	653.8	530.8	(67.1)
Net debt	1,026.9	940.0	727.0	735.2	610.7	490.0	397.6	437.5	266.6	823.5
Net debt/operating EBITDA ratio[6]	1.7	2.3	2.3	2.8	2.8	2.8	2.6	2.9	2.4	8.3
EMPLOYEES										
Number of full time employees end of period	4,323	3,740	3,298	2,991	2,799	2,265	1,863	1,746	1,512	1,452
SHARES										
Number of shares issued at year-end (x 1,000)	56,988	56,988	56,988	52,592	52,592	52,592	52,592	52,592	50,000	
Weighted average number of shares (x 1,000)	56,929	56,940	53,750	52,475	52,443	52,425	52,477	51,612	25,118	
Earnings per share	5.50	3.64	2.24	2.06	1.91	1.47	1.39	1.20	0.8	
Cash earnings per share[7]	6.78	4.64	3.03	2.85	2.53	2.06	2.01	1.79	1.4	
(Proposed) dividend per share	2.37	1.62	1.02	0.90	0.80	0.62	0.55	0.44	0.2	

1 Result from operating activities before depreciation of tangible assets and amortisation of intangible assets and non-recurring items

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

3 Operating EBITA as percentage of gross profit

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

5 Free cash flow as a percentage of adjusted operating EBITDA (operating EBITDA plus non-cash share-based payment costs minus lease payments); before 2018 calculated as free cash flow as percentage of operating EBITDA

6 Including full year impact of acquisitions

7 Result for the year before amortisation (net of tax) divided by the weighted average number of outstanding shares

Colophon

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