Azelis Holding S.à r.l.

Annual Report 2020

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Report of the Management on the Financial Year 2020

1. Azelis' highlights in 2020

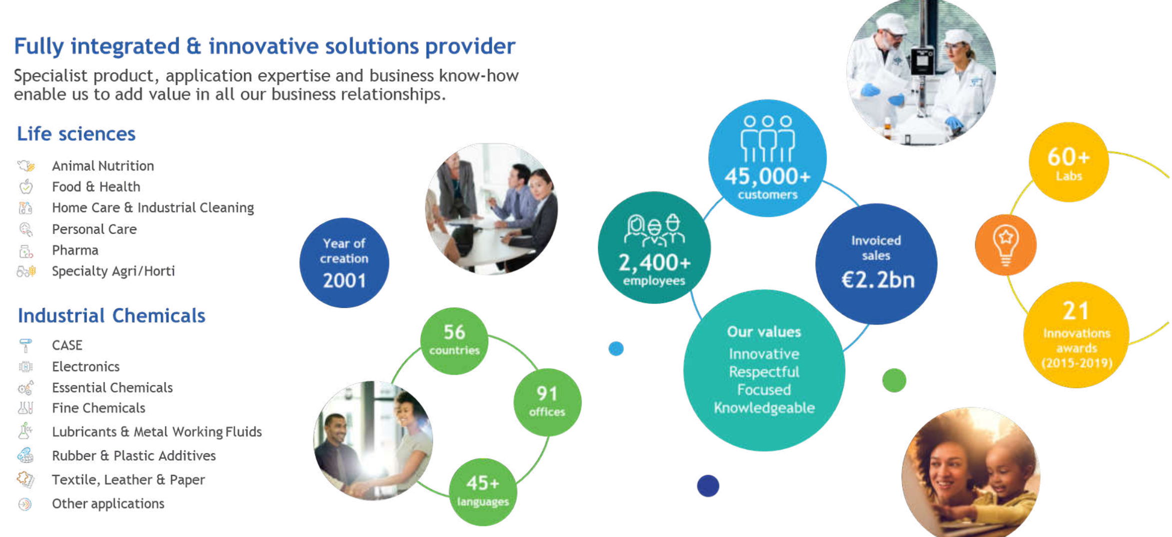
Strong performance in 2020 in spite of the pandemic

The Covid-19 Pandemic has had an unprecedented impact globally in 2020. Indeed, Azelis was affected, but was able to respond quickly to the crisis:

- Azelis immediately secured continuity of its supply chain, including warehousing and logistics.
- With its robust IT infrastructure, employees were able to continue the company's business processes while working remotely.
- Expenses were tightly managed, consistent with the contingency plans that were already in place as a result of the annual internal review cycle.

Azelis' business was well positioned for the pandemic given its diversified specialty chemicals portfolio, particularly in Life Sciences. With its significant investment in laboratories the Company was able to support its customers with many new formulations that were necessitated as a result of the changing conditions in 2020.

Azelis' revenues increased 6% to € 2.2 billion (2019: € 2.1 billion), while Operating EBITA[1] improved 16% to € 190 million in 2020 (2019: € 163 million).



Corporate strategy confirmed

Azelis strategy of organic growth, supporting its principals and customers along with targeted acquisitions, continued in 2020. Organic growth is achieved through the Company's commercial excellence programs utilizing its lateral value chain ("LVC") with its customers and leveraging the Company's technical infrastructure to provide solutions to its customers.

[1] Operating EBITA is defined as 'operating result', but before 'amortization and impairment expenses' and excluding one-off items.
The reconciliation from the IFRS consolidated financial statements towards Operating EBITA is explained in section 6 of this report, that also describes the results of the segment Group Holding.
The reconciliation from the IFRS consolidated financial statements towards Operating EBITA, and other alternative performance measures (non-GAAP) are explained in Note 2.19 to the Audited Financial Statements.

The Company continued its successful acquisition strategy during 2020, and was able to enter new geographies such as Latin America and the Middle East. The Company onboarded and integrated on its platform Megafarma in Mexico, Orkila in Africa and Middle East, Orokia in Israel, Zhaveri in India, Cosbond and Bronson & Jacobs in China and Primaditha in Indonesia. These acquisitions were predominantly in the Life Sciences area.

The Company's global expansion, through acquisitions which has resulted in improved scale and leadership positions in key markets, has also enabled it to grow organically with its principals as they rationalize their global speciality chemical distribution networks.

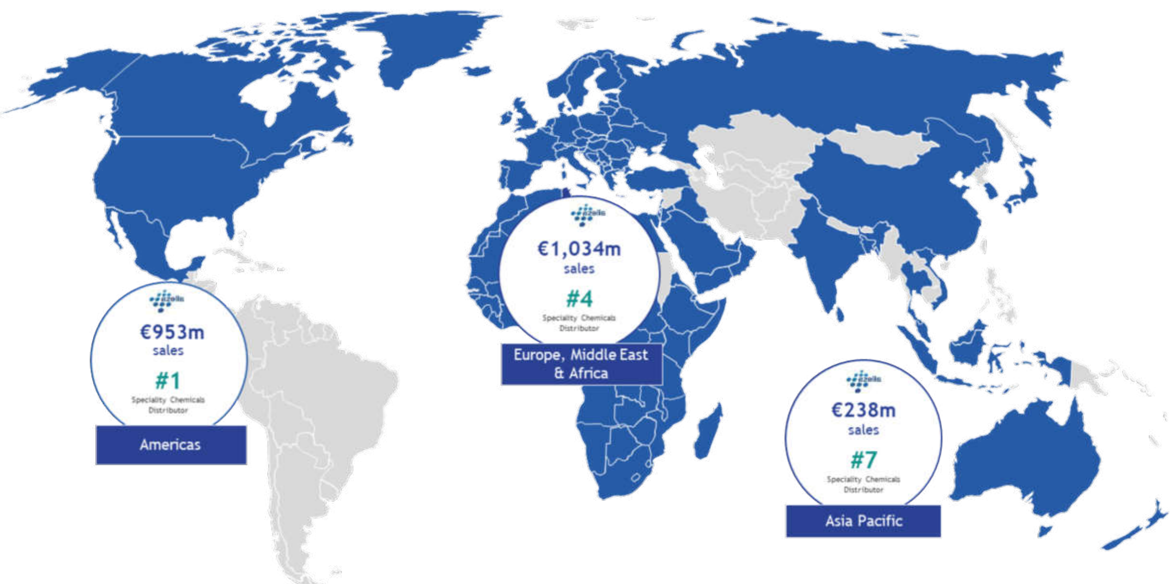
Azelis has also continued its operational efficiency initiatives, as well as increased its investments in systems and in digitalization to improve profitability.

Azelis' EBITA Margin (EBITA as % of revenue) increased from 7.8% in 2019 to 8.5% in 2020.

Diversified hence resilient business model

Azelis operates a diversified, balanced and resilient business model representing over 2,200 principals and serving more than 45,000 customers across 56 countries.

The Company's regional structure provides a global footprint supporting its principals and customers, with a growing presence in our Asia Pacific region: 46% Europe, the Middle East and Africa (EMEA), 43% Americas and 11% in Asia Pacific.



Corporate Social Responsibility

Azelis is acutely aware of the challenges posed by climate change, the depletion of natural resources and the ever-increasing global population. As a result of these significant issues, Azelis, along with the chemical industry as a whole, has aggressively moved towards sustainable solutions in all its activities. Azelis strives to align its values and business practices with the expectations and needs of its stakeholders as well as society. Furthermore, Azelis is convinced that sustainable business principles and good economic performance go hand-in-hand.

The Company's approach to Corporate Social Responsibility is guided by its value proposition: Innovation through formulation. Over the years, Azelis has continued to strengthen its capabilities to provide innovative solutions by investing in its laboratory resources. Currently Azelis is operating more than 60 laboratories and technical centers globally, which provide the technical means for Azelis to support the sustainability efforts of its principals and our customers.

This continuous drive and commitment to move the business towards sustainability is recognized by the group-wide EcoVadis Gold status. Azelis is the only Specialty Chemicals and Food Ingredients distributor in the Industry to have been awarded this status group wide.

2. History and Background

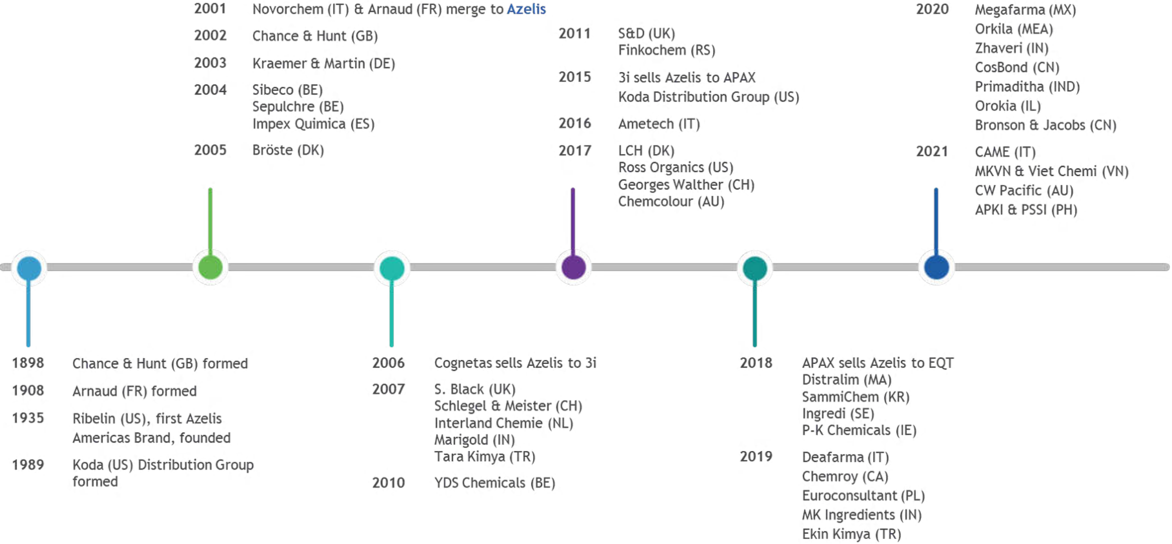
Azelis at a glance

Azelis is a global pure-play speciality chemicals distributor for Life Sciences and Industrial Chemicals applications, with a market-leading position in Europe and North America, and a growing presence in Asia Pacific (APAC).

In Life Sciences, Azelis covers several market segments, that include Personal Care, Pharma, Food & Health, Homecare and Speciality Agri/Horti. Industrial Chemicals covers the market segments of CASE, Rubber & Plastic Additives, Essential Chemicals, and Lubricants & Metal Working Fluids.

Through its holding company Azelis Holding S.à r.l., Azelis is registered and headquartered in Munsbach, Luxembourg. The Company operates globally in more than 56 countries, with over 2,400 employees. The vast majority of Azelis' staff are employed in principal and customer facing roles.

Azelis has more than 60 application laboratories, each dedicated to a market segment. This enables us to assist in customer specific product development, testing trials and performance, utilizing our principal's products.



Azelis roots date back to 1898 when Chance & Hunt was founded in the UK. Azelis' current structure was formed in 2001 through the merger of Novorchem and Arnaud. Azelis is participating in the consolidation of a highly fragmented chemical industry distribution network by partnering with long-established and reputable companies to create a leading chemical distribution network. This strategy has resulted in a global platform, which is well positioned to serve its principals and customers.

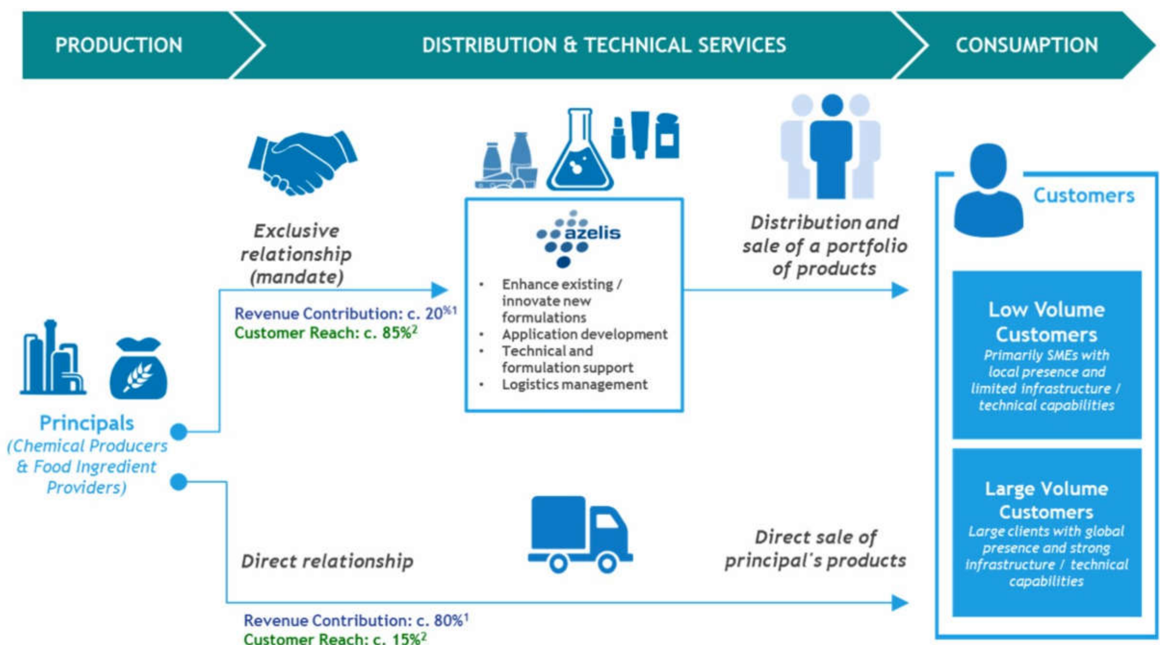
Azelis' expansion continued in 2020, with successful M&A across the globe

Azelis continued its acquisition activities in 2020, further complementing the product portfolio and strengthening its regional presence. The Company onboarded and integrated on its platform Megafarma in Mexico, Orkila in Africa and Middle East, Orokia in Israel, Zhaveri in India, Cosbond and Bronson & Jacobs in China, Primaditha in Indonesia. These acquisitions were predominantly in the Life Sciences area.

3. Azelis' strategy driving sustainable growth

An important participant in the speciality chemicals value chain

Azelis is the extended sales force of its speciality chemicals suppliers, offering a fully integrated marketing, sales and distribution platform to its customers. Azelis positions itself as a key participant in the Speciality Chemicals Value Chain. It is a sales enabler for medium to smaller sized companies, offering them a comprehensive portfolio of products.

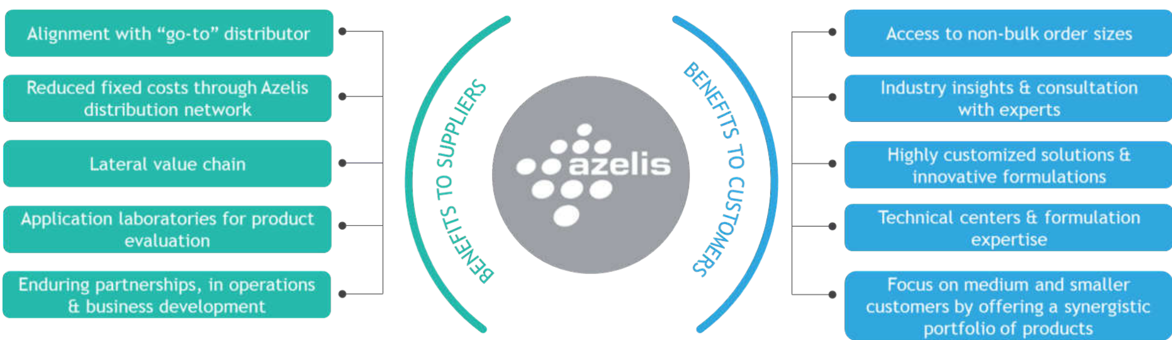


[1] Approximately 80% of principal revenue is via direct sales to customers; 20% of revenue via distributors.
[2] Approximately 15% of a principal's customers are direct; 85% of a principal's customers are reached via distributor relationships.

Serving both suppliers and customers

Azelis continues to have a strong focus on speciality chemicals and food ingredients sales. With innovative formulation and solution competencies through its state of the art laboratories along combined with its sales and marketing expertise, the Company has a distinctive difference from other distributors.

Azelis is building enduring partnerships with our strategic suppliers, by simplifying their business operations whilst supporting their business development. The Company provides valuable market intelligence and technical expertise via full transparency and the latest digital platforms, such as customer portals, e-lab and iChat.



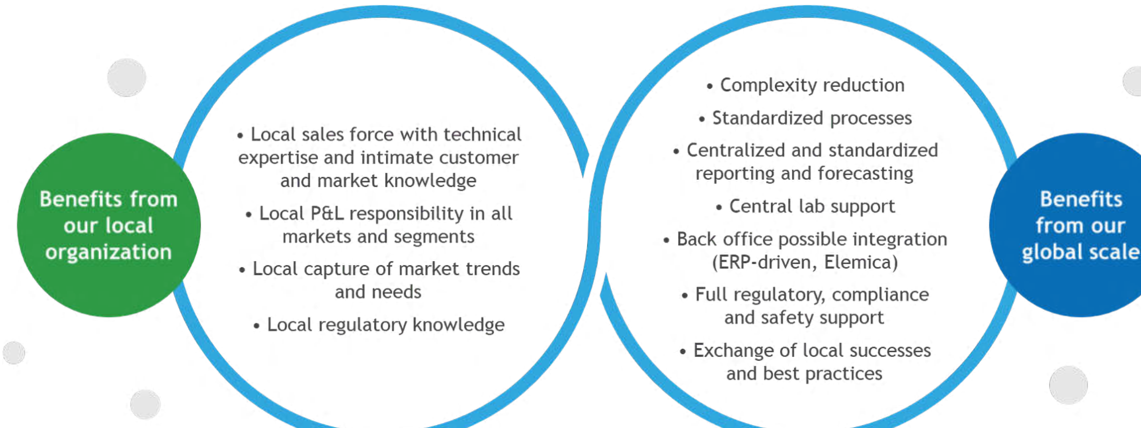
Customers demand comprehensive technical assistance, formulation support, and product quality assurance. With Azelis extensive platform, customers benefit not only from its global scale and its specialized local market knowledge, but also from its broad product offerings from multiple principals enabling one-stop shopping.

Azelis looks to continuously expand its platforms in Europe and the Americas, and this has proven to be a sound basis to further grow its presence in Asia Pacific, Africa and Middle East. With an ongoing focus on sales excellence programs, we create a coherent, value-added sales approach that increases customer intimacy.

Continued expansion strengthens Azelis' attractiveness for its strategic partners

Through targeted acquisitions Azelis is improving its global platform to serve its suppliers and customers. This better positions the Company to further expand and develop its presence in these markets where principals may be looking for new representation for their products. This approach has proven to be successful recently as the Company has picked up new mandates in new and existing geographies from principals with whom Azelis already has an established relationship.

This geographical expansion strengthens the benefits that Azelis is offering via its global scale. This improved global scale enables Azelis to continuously improve the business proposition to our customers via our local organizations, with better formulations and with more innovations.



At the same time, Azelis is continuously looking for possible acquisitions that complement the current product portfolio or gives additional critical mass. Furthermore, the Company is looking for expansion opportunities into regions, countries or markets where underlying growth fundamentals are strong. An example of geographical expansion is the acquisition early 2020 of Megafarma in Mexico, entering the Latin America region. In addition, with the acquisition in February 2020 of Orkila, Azelis has enlarged its presence across Africa and the Middle East.

Growing in a sustainable way

Azelis is committed to working with its partners to create value and grow together in a sustainable way. As a global business, with operations across America, Asia Pacific and EMEA, Azelis takes its responsibilities very seriously, always looking for new ways to make a positive impact on society and minimize its footprint, whilst delivering the best possible products and services.

A positive rating from EcoVadis is not only essential to Azelis, but also to its partners who often expect an independent and external review of Azelis' CSR performance. The Company has once again received the EcoVadis Gold rating in 2020, further demonstrating the commitment to be a transparent and sustainable partner for its employees, customers and suppliers.

4. Financial Position and Results 2020

Azelis has continued its growth trajectory during 2020. The Company's key financial performance metrics are summarized as follows:

Key figures 2020:

Azelis	2020	2019	change	change
(in € million)				
Revenue	2,223	2,095	128	6%
Gross profit	486	445	41	9%
Gross profit in % of revenue	*21.9%*	*21.2%*	*0.6%*	
Operating EBITA	**190**	**163**	**26**	***16%***
Operating EBITA in % of revenue	*8.5%*	*7.8%*	*0.7%*	
Conversion margin	*39.0%*	*36.7%*	*2.3%*	
Net working capital	250	235	15	6%
Net working capital in % of revenue	*11.3%*	*11.2%*	*0.0%*	

Revenue continued to increase during 2020, from € 2,095 million to € 2,223 million, an increase of over 6% (without impact FX-translation: +8%). This top-line growth is driven by a combination of organic growth, primarily in Life Sciences, as well as the positive impact of acquisitions (including full-year impact of the 2019- acquisitions), partially offset with a 2% decline due to FX-impact.

Operating EBITA[1] increased from € 163 million to € 190 million, an increase of +16% (without impact FX-translation: +18%). This strong performance is driven by the previously mentioned revenue growth combined with gross profit margin improvements and tight cost management partially offset by negative FX-translation of -2%.

Important drivers for this continued growth are:

- Organic growth driven by the increase in volumes and revenue, including expansion of key supplier relations in new geographies, and further growing the customer base.
- Azelis' successful growth trajectory enables improved scale opportunities in combination with continued efficiency programs targeting margin management. The Company is using its improving scale in sourcing services as well as optimizing its supply chain and streamlined in-house shared services.
- Continuation of value-accretive acquisitions. The 2020-growth of Operating EBITA includes the full-year impact of the acquisitions 2019 in Italy, Poland and Turkey (EMEA), Canada

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(Americas) and India (APAC), as well as the acquisitions during 2020 in Africa and the Middle East as well as in Israel (EMEA), in Mexico (America) and in India, Indonesia and China (APAC).

This strong operating performance is also reflected in the Company's Operating EBITA Margin (Operating EBITA / Revenues) and its Conversion Margin (Operating EBITA / Gross Profit), both of which hit new records at 8.5% and 39.2% respectively.

The Company's continued growth requires strategic investments in net working capital, an important component of our growth strategy, particularly when onboarding new principal relationships. Azelis continually monitors its working capital performance through standardized processes and tools. In spite of the growth the company has experienced this year, it has been able to maintain its working capital as percentage of revenues at the same levels as 2019 (11.2%).

Azelis generates strong cash flows

Azelis' business model generates strong cash-flows, based on an asset-light business model. Consistent with that profile during 2020 and 2019, only modest capital expenditures in tangible fixed assets were required (2020: €5 million; 2019: € 6 million), primarily driven by investing in equipment for laboratories and improvements in IT and digitalization platforms. Capital expenditures in intangible fixed assets of € 7 million (2019: € 6 million) relate to expansion of activities in dedicated market segments and countries.

(in € million)	2020	2019
Full Year Operating EBITA	**190**	**163**
Delta Net Working Capital	1	-18
Delta Other Assets, Liabilities, Provisions	7	2
Investments in Intangible Fixed Assets	-7	-6
Investments in Tangible Fixed Assets	-5	-6
Income taxes	-31	-32
Free Cash Flow	***155***	***102***

The full year free cash flow[2] improved during 2020 with € 53 million towards € 155 million (2019: € 102 million). This strong cash flow generation was primarily driven by a € 27 million higher Operating EBITA of € 190 million (+16% versus 2019).

The development of net working capital has been driven by the sales growth on the one hand (including investments end of 2019 with regard to expanded activities with some key supplier relationships), but also with further improved and effective monitoring controls on inventories and receivables reducing the related working capital investments accordingly.

On the basis of its asset light business model, Azelis cash flows going forward are largely determined by the development of Operating EBITA and by the investment in net working capital. Current available funds from shareholders and lenders enables the Company to further invest

[2] Free cash flow is defined as Operating EBITA plus/less changes in working capital, less capital expenditures and less cash taxes paid.

in net working capital, whilst identifying sufficient growth opportunities in specific products or markets.

Cash flows from investing and financing activities during 2020 relate mainly to the non-organic growth and to the funding.

Strong financial position maintained in 2020

Azelis has continued to improve its financial position, with a total equity that remained at € 1.2 billion in 2020. Azelis' total debt as of 31 December 2020 was € 1,091 million[1] (2019: € 1,086 million), and consists of senior facilities and second lien notes. Azelis' € 100 million revolving credit facility was fully unused as of December 31, 2020.

As a result of the Company's strong cash flow, total leverage ratio[2] has again declined in 2020 to 5.5x, a solid improvement compared to 6.1x in 2019 (and 6.7x over 2019).

Azelis financial position is summarized in the following table:

(in € million)	2020	%	2019	%
Non-current assets and Deferred taxes	2,153	92%	2,145	91%
Net working capital, Other assets/liabilities	194	8%	200	9%
	2,347	***100%***	***2,344***	***100%***
Total Equity	1,218	52%	1,235	53%
Loans and borrowings minus Cash	1,129	48%	1,110	47%
	2,347	***100%***	***2,344***	***100%***

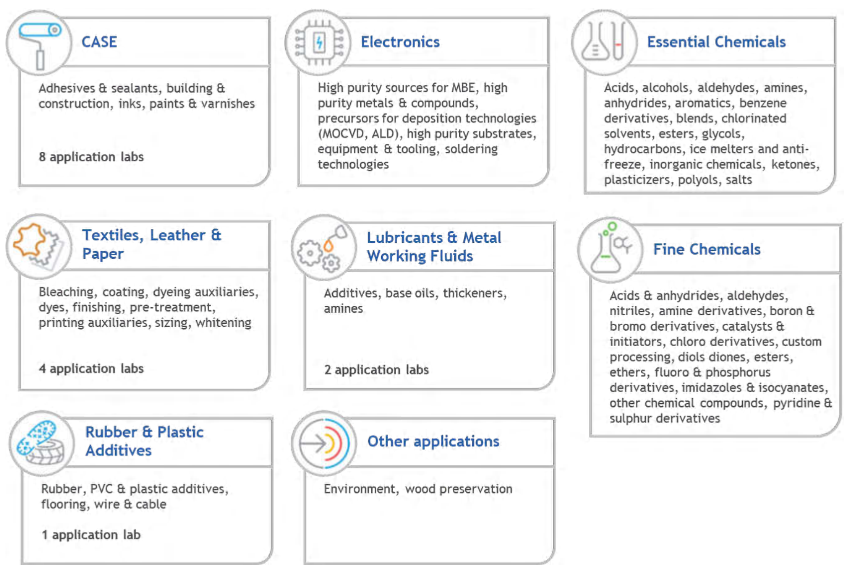
2020 Results by End-Markets

Azelis has a diversified portfolio in the Life Sciences and Industrial Chemicals end markets. During 2020 the Company's acquisition activity further strengthened its Life Science end market in all regions and it now makes up over 60% of global revenues. The table that follows summarizes Azelis' performance by end market.

[1] Net Debt per definition of the facility agreement from November 2018, i.e. impact IFRS16 disregarded.
[2] Net Debt vs. Operating EBITDA, under the definition of the facility agreement from November 2018, i.e. impact IFRS16 disregarded.

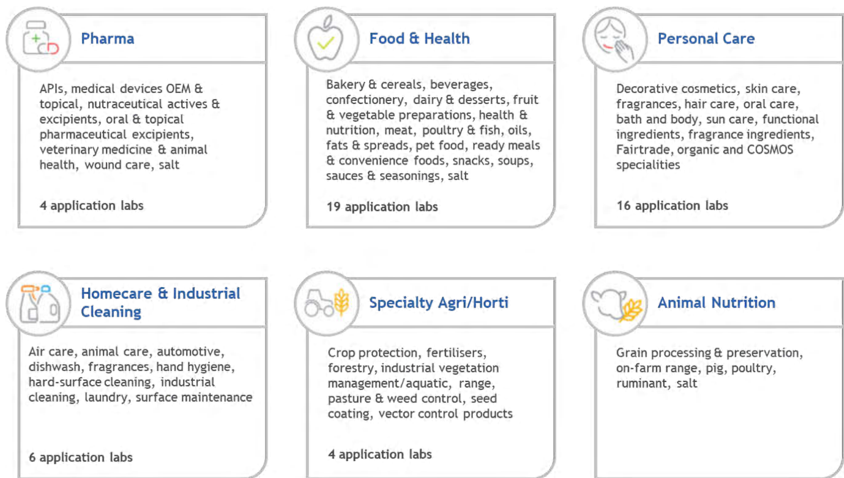
Azelis	2020		2019		change	
(in € million)						
Revenue						
Industrial Chemicals	840	38%	902	43%	-62	-7%
Life Sciences	1,383	62%	1,193	57%	190	16%
Total	**2,223**	**100%**	**2,095**	**100%**	**128**	**6%**
Gross profit						
Industrial Chemicals	170	35%	179	40%	-9	-5%
Life Sciences	316	65%	266	60%	50	19%
Total	**486**	**100%**	**445**	**100%**	**41**	**9%**
Gross Profit %						
Industrial Chemicals	20.3%		19.9%			
Life Sciences	22.8%		22.3%			
Total	**21.9%**		**21.2%**			

Industrial Chemicals' revenues decreased 7%, and the related gross profit decreased 5% compared to 2019. The Essential Chemicals Market was negatively impacted as a result of the pandemic, particularly in the second quarter of 2020, but the trend improved some in the second half year. Both revenue and gross profit were also negatively impacted by a 2% decline from FX translation. Importantly, Industrial Chemical's gross profit margin has improved from 19.9% last year to 20.3% in 2020 as a result of positive mix shifts within the various markets.



The **Life Sciences** end market clearly showed its resilience during 2020, as revenues increased by 16%, and gross profit by 19% (both net of the negative impact of 2% FX translation). This growth was driven by underlying organic growth, some of which was driven by the pandemic created demand and, to a lesser extent, the impact of acquisitions. In addition, the gross profit margin

improved from 22.3% in 2019 to 22.8% in 2020, benefitting from the Company's margin improvement initiatives as well as strong demand for safe and sanitary products in the marketplace due to the pandemic.



Improved results in 2020 across all regions

All our three regions have shown growth during the year and Azelis has been able to also expand via strategic acquisitions further strengthening its global platform.

2020 Results of EMEA

The performance by the EMEA operating segment in 2020 is as follows:

Emea	2020	2019	change	change
(in € million)				
Revenue	1,034	943	91	*10%*
Gross profit	239	210	29	*14%*
Gross profit in % of revenue	*23.1%*	*22.2%*	*0.8%*	
Operating EBITA	**98**	**84**	**14**	***17%***
Operating EBITA in % of revenue	*9.5%*	*8.9%*	*0.6%*	
Conversion margin	*41.2%*	*40.2%*	*1.0%*	
Net working capital	84	56	28	*50%*
Net working capital in % of revenue	*8.2%*	*6.0%*	*2.2%*	

EMEA continued to grow during 2020, in spite of the headwinds created by the pandemic with a negative EU GDP. Revenues and gross profit grew 10% and 14% respectively, driven by strong performance in Life Sciences, and to a lesser extent by the impact of acquisitions made in Africa and the Middle East,

Gross profit margins improved from 22.2% to 23.1% in 2020, driven by continued implementation of pricing and margin enhancement programs. EMEA's margins also benefitted from exiting some low margin activities, with limited impact on gross profit.

As noted above the acquisitions during 2020 have contributed to the growth trajectory of EMEA. The acquisition of Orkila in February 2020 is an important regional expansion into Africa, which has recently been experiencing economic acceleration, a growing middle class and improved business environment, thus providing Azelis and its principals with the opportunity to accelerate growth in the region. The acquisition has created a unique combination of Azelis' innovation & formulation potential and international reach on one side and the strong local presence, regional expertise and excellent reputation of Orkila on the other.

With the acquisition in July 2020 of Orokia in Israel, Azelis entered into a highly attractive market that will allow to expand its global coverage and serve the local Israeli market. Being part of Azelis, Orokia will benefit from an increased geographic market coverage, robust international structure, large customer, and supplier base as well as award-winning formulation and application development capabilities.

EMEA's Operating EBITA increased 17% to € 98 million driven by that revenue growth, improved gross profit margins scale and strict cost control during the pandemic. Furthermore, the Operating EBITA Margin increased to 9.5% (2019: 8.9%) and Conversion Margin improved 100 bps to 41.2%.

Given the strong growth and the acquisitions in new geographies, EMEA strategically invested in net working capital in support of that expansion.

EMEA now operates in 43 countries and has more than 20 application laboratories. EMEA is well positioned to continue its growth, driven by expanding enduring partnerships with its strategic suppliers, whilst offering a broad portfolio of products to its customers across all market segments.

2020 Results of Americas

Americas	2020	2019	change	change
(in € million)				
Revenue	953	916	37	*4%*
Gross profit	199	185	14	*8%*
Gross profit in % of revenue	*20.9%*	*20.2%*	*0.7%*	
Operating EBITA	**95**	**81**	**14**	***17%***
Operating EBITA in % of revenue	*10.0%*	*8.9%*	*1.1%*	
Conversion margin	*47.8%*	*43.9%*	*3.9%*	
Net working capital	115	123	-8	*-7%*
Net working capital in % of revenue	*12.1%*	*13.4%*	*-1.4%*	

The growth of Azelis Americas is driven by a solid top-line improvement of 4%, which is net of growth driven by strong performance in Life Sciences due to the pandemic and to a lesser extent the impact of acquisitions, partially offset by the negative impact of a 2% decrease from FX translation.

Key drivers of revenue growth include the acquisition of Megafarma in Mexico during the first quarter of 2020. With this acquisition, Azelis entered into Latin America and gained a strong position in the pharma and food segments in Mexico. Furthermore, this provides a platform for growth in other market segments, such as plastics, CASE, personal care, and household & industrial cleaning.

Gross profit grew was 8% (net of the 2% decrease from FX translation), and gross profit margins increased 70 bps to 20.9% in 2020 driven by the expansion in the higher margin Life Sciences segment, as well as by continued pricing and margin initiatives across all segments..

In 2020, the Americas region achieved an Operating EBITA growth of +17% (net of negative FX impact of 2%). Azelis Americas implemented strict cost controls during the pandemic, but also realized efficiency gains from key strategic initiatives related to operations, supply chain and business process optimization. As a result, EBITA Margins increased 110 bps to 10.0% in 2020, while the Conversion Margin increased 390 bps to 47.8%.

Net working capital as percentage of revenues improved from 13.4% in 2019 to 12.1% during 2020. This improvement is partly due to strict control measures around working capital, but also due to the reversal of investments made at the end of 2019 in support of geographic expansion with some of our key strategic principals.

2020 Results of APAC

Apac	2020	2019	change	change
(in € million)				
Revenue	238	237	1	*0%*
Gross profit	45	43	2	*4%*
Gross profit in % of revenue	*19.0%*	*18.3%*	*0.7%*	
Operating EBITA	**15**	**13**	**2**	***16%***
Operating EBITA in % of revenue	*6.3%*	*5.4%*	*0.9%*	
Conversion margin	*33.1%*	*29.7%*	*3.4%*	
Net working capital	56	58	-1	*-2%*
Net working capital in % of revenue	*23.8%*	*24.4%*	*-0.6%*	

Azelis' expansion in the Asia Pacific Region over the past few years has created a solid platform for further growth through tuck-in acquisitions as well as expanding partnerships with global suppliers. Azelis maintains its regional headquarter in Singapore and has 25 offices across the region, and more than 20 application laboratories. In each of these countries the Company has industry-dedicated sales staff.

Revenues were flat for the period as growth from acquisitions was offset by the impact of the pandemic as well as a 3% negative FX translation. Gross profit improved 4% versus 2019. This growth was mainly driven by Life Sciences and the impact from acquisitions, partially offset by the negative impact from FX translation of 3%.

Acquisition activity in APAC was significant during the year. In all cases Azelis is targeting businesses with a solid reputation in the market, a technically proficient sales organization, representing strong principals in geographies that have strong growth potential due to population growth and an expanding middle class.

In February 2020, Azelis acquired 100% of the distribution and indent business of S. Zhaveri Pharmakem Pvt. Ltd., an Indian specialty distributor for the pharmaceutical industry. This acquisition has improved Azelis' presence in the pharmaceutical market in India, and will serve as a platform to further expand its pharma activities in India.

With the acquisition of Cosbond, in April 2020, and the acquisition in December 2020 of Bronson & Jacobs, Azelis enhanced its position in the Chinese personal care market. With the rapidly increasing middle class population and a fast-growing personal care industry, China is a key strategic market for Azelis.

In July 2020, Azelis acquired the distribution assets of the Indonesian company PT Primaditha Jaya Mandiri ('Primaditha'), which specialized in import and distribution of food ingredients for processed meat, beverage and food segments in the greater Jakarta area. This has improved the position of Azelis on the Indonesian food market, and will provide a platform for accelerated growth in this market.

Operational EBITA increased by 16% vs 2019 and EBITA Margin increased from 5.4% in 2019 to 6.3% in 2020 driven by the gross profit performance as well as implementation of tight cost measures. This improved performance was evident in the Conversion Margin which grew 340 bps to 33.1%. APAC's investment in Net working Capital was stable in total and improved slightly as a percentage of revenues.

5. Innovation through formulation

Innovation through formulation: This is not just our tagline. It is our purpose, passion and promise to every colleague, customer and contact around the world. It is a reminder that ideas and expertise can change lives. That a world of discoveries still awaits. And that with open and collaborative minds, the future is ours to imagine.

With Azelis' own brands, we aim to accelerate market penetration for selected speciality products. With our know-how, we develop formulations of tailored products that are blended in our own laboratories.

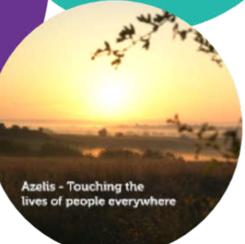
From being a distributor of specialty chemicals and food ingredients, we're now a fully integrated and innovative solutions provider.

We move markets forward, breaking new ground in our technical laboratories by **combining ingredients with ideas and creating opportunities** through expertise.

The spirit of Azelis lies in the **passion** of our **people**.

Impact through ideas.

Innovation through formulation

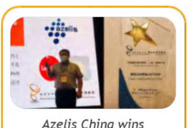


What distinguishes Azelis from other players in the chemical distribution business is our strength in innovation. A large part of our daily work includes developing formulations and innovative solutions in our application laboratories. We combine raw materials of our principals in formulations that create added value for our customers. We are breaking new ground in our technical laboratories by combining ingredients with ideas and creating opportunities through expertise.

We do the research, together with our customers. We do not perform development activities of the end-products, as that is usually done by our customers on the basis of our innovative formulations and collaboration.

To further expand our strength in innovation, we have increased the number of laboratories from 12 in 2012 to (currently) more than 60. This allows us to serve the local market needs and it helps our customers to shorten their time to market.

We have award-winning teams working with both suppliers and customers to help innovative market solutions that set them apart. Our strength in innovation is also rewarded by the industries that is shown by the following examples:



Azelis China wins ***2020 Ringier Technology Innovation Award for F&H***

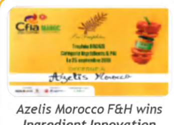
Azelis China wins ***2020 Ringier Technology Innovation Award for PC***

Azelis wins ***Best Partner*** *awards from customer Amore Pacific 2019*

Azelis China wins ***Ringier Technology Innovation Award 2019***

Azelis wins silver at the ***Make Up Bar Awards*** *at in-cosmetics Global 2019*

Azelis China wins ***PCHi 2019 Fountain Award***



Azelis Morocco F&H wins ***Ingredient Innovation Award*** *at CFIA 2016 and receives bronze in 2018*

Azelis China wins the ***PC & Cosmetics Innovation Award 2018***

Azelis China wins the ***PCHi 2018 Fountain Award***

Azelis UK wins ***Laura Marshall Memorial Award*** *at SCS Formulate 2017*

Azelis France wins ***Gold*** *at Cosmetagora 2017*

6. Risk Factors and Assessment

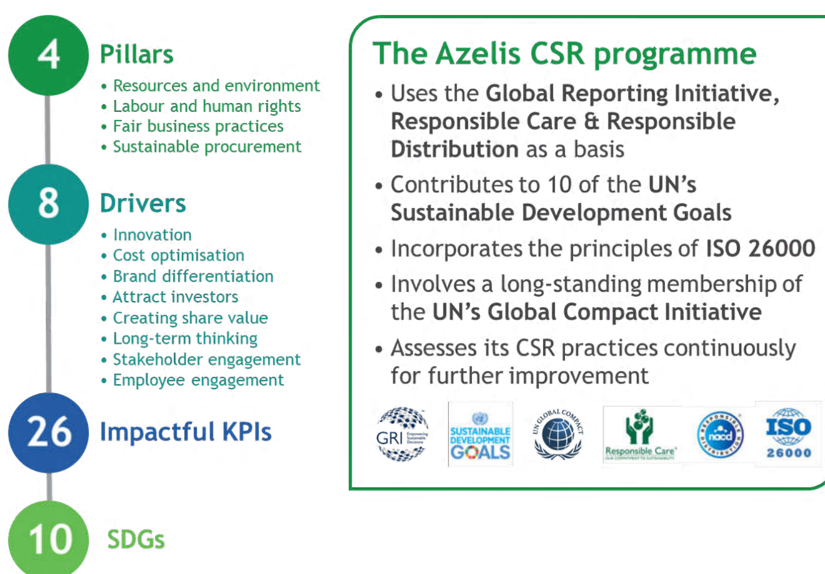
Integrated Control & Compliance Framework

The Azelis group faces various risks and uncertainties that may affect turnover, earnings and receivables, the simultaneous loss of several key suppliers, and the breach of safety, health and environmental regulations (SHEQ). All those possible risks are being monitored via several strict reporting structures. Azelis is managing these strategic risks via an integrated Control & Compliance Framework.

Corporate Social Responsibility

Azelis is committed to maintaining the highest human, environmental and ethical values. That is only possible thanks to the cooperation with local communities, with industry bodies, authorities and/or regulators and with its suppliers and customers.

As a global service provider with a strongly-held spirit of innovation, sustainability has always been at the heart of the Company's identity, and Azelis' ambitions to be a benchmark for sustainable and responsible behavior continue to grow. Azelis has long been committed to the participation of its operating companies in Responsible Care® or Responsible Distribution® programs through national associations. These are voluntary initiatives developed by the chemical industry for the continuous improvement of Health, Safety and Environment (HSE) standards.



Throughout its CSR program, Azelis has relied on the wisdom of experts and leading organizations to develop a thoughtful and comprehensive platform. The Company has based its CSR program on the United Nations Global Compact (UN GC) initiative, ISO 26000 and the Global Reporting Initiative (GRI).

Responsible Care®, Responsible Distribution® and CSR together provide a framework for all of the sustainability efforts that Azelis makes throughout the entire supply chain and beyond. None of this would be possible without the fundamental promise: to embrace innovation through formulation; exploring new opportunities with the courage to create its own path.

Assessment of possible external risks integrated in Azelis' business model

The future political and economic development in some of Azelis' markets is hard to predict. Currencies and business environment in several of the markets are volatile. In most cases, Azelis' business model is enabling to pass on any price increases for speciality chemicals to its customers. Azelis is actively managing its cyclicality and supply uncertainties through a broad diversification of its product and geographic portfolio, as well as a continuous development of its control systems and procedures.

The Company operates a central integrated enterprise risk management process for addressing financial, operational and compliance risks, including ownership and actions to mitigate the exposure with regard to these identified risks. Azelis is continuously monitoring and updating its group-wide Enterprise Risk Management concept.

High standards

All Azelis employees have agreed to the Company's Code of Conduct and that agreement is verified annually. Furthermore, its Internal Rules of Procedure are in place on a global basis, and have been proven to be a strong guide for all employees in their daily activities.

To monitor and control its activities across the globe, Azelis has established Anti-bribery Policies and Export Control Policies to assure that Azelis continues to apply the highest standards. The monitoring of such controls is supported by up-to-standard software tools, that enables the Company to screen business partners against sanctions.

Financial and operational risks monitored within our framework

Foreign exchange, debtors and liquidity as key financial risks are controlled by the Group Finance team in conjunction with the local finance and business managers.

The interest rate risk of the new syndicated external debt is partly covered through a swap transaction in which the (floating) interest rate has been capped until February 2022, protecting the Company against financial exposure in case of increasing interest rates going forward.

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

Most of Azelis' IT systems are cloud-based, which enabled to continue working from the respective home offices during the Covid19-period. Azelis has strengthened its efforts in Information Security, with the onboarding of a security operations team. The Company has improved its "detect" capabilities through the implementation of a security platform, and established a security organization including a security & compliance council.

Furthermore Azelis has rolled-out (mandatory) trainings for all its employees across the globe, to further increase the users' awareness on any potential cyber crimes. With all of the combined efforts, Azelis has been able to secure continuity of its IT operations and its IT infrastructure.

Corporate Governance

In order to ensure the long-term success and sustainability of the Group and long-term value for its stakeholders, Azelis maintains a professional corporate governance structure. In addition to the Board of Directors, the governance model includes a formal remuneration committee and audit committee. Each of those committees consist of non-executive members of the Board. In addition, an advisory board has been established with representation of management, shareholders and independent directors. Finally, the Azelis' internal auditor reports directly and independently to the audit committee. To further improve the alignment with Azelis' corporate structure, Azelis moved its intellectual property from Luxembourg to Antwerp (Belgium) during 2020.

Internal audit function

Azelis established its Internal Control Program during 2019. The mission of internal audit is to enhance and protect organizational value by providing risk based and objective assurance, advice, and insight. The internal audit activity helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. Audit plans have been developed, and the first audits have been executed during 2020.

The Head of Internal Audit is an independent function within Azelis, with a direct reporting line to the Audit Committee. The internal audit activity provides independent, objective assurance and consulting services designed to add value and improve the Company's operations.

The findings and recommendations of the internal auditor together with the recommendations of the external auditor are included in a Control Self Assessment Tool that is being used across the globe by all of Azelis' legal entities. Via this cloud-based solution, the progress of mitigating possible risks are being monitored closely.

Uniform standards are centrally steered around the operating models, compliance and control environment. Azelis has further strengthened its corporate governance, shared corporate values and enhanced its internal control environment. The Company's group wide internal controls compliance tool focuses on general compliance, IT compliance and financial controls compliance, and is being embedded in all of its subsidiaries. The software supporting this enables to track and trace improvement initiatives to further strengthen the in-control and compliance framework. Additionally, a so-called Quarterly Quality Assurance is performed to assess the effectiveness and efficiency of the quarterly closing processes by applying Azelis' standard accounting processes and guidelines throughout the Azelis Group.

The aforementioned Control & Compliance Framework is also part of the onboarding process for acquisitions. Whilst being gradually onboarded onto its platform, it is being assured that Azelis' standard systems and processes are being adhered to.

Own Shares and Branches

At 31st December 2020 and 2019, Azelis Holding S.à r.l. did not have own shares.
The Group holds a branch in China via its subsidiary Azelis (Shanghai) Co Ltd as well as one via its subsidiary Bronson & Jacobs International Trading Co Ltd, and a branch office in Switzerland via its subsidiary Deafarma S.r.l (Italy).

7. Future developments

This Management Report has been prepared by the Board of Management to provide information to the shareholders to assess how Management has performed their duties to promote the success of Azelis. Where the report contains forward-looking statements, the management makes these in good faith based on information available to them at the date of approval of the report.

Azelis is well positioned to continue of its growth strategy. In 2020 we made important steps in our acquisition strategy, with expansion in all regions particularly in Life Sciences. Also in 2021 Azelis continued to do so, and to-date the Company has signed and/or closed several additional acquisitions.
All of its acquisitions are consistent with Azelis' strategy of complementing organic growth with strategic acquisitions. The funding of the acquisitions has been secured by Azelis' strong liquidity position, resulting from its ability of strong cashflow generation, as confirmed by the deleveraging that occurred during 2020. Based on its lowered leverage ratios, the applicable interest rates of the Senior Euro Debt will be further lowered in 2021, reducing the interest charges accordingly.

Azelis' growth will continue organically as well as through acquisitions of speciality chemical distributors. This will enable the Company to further create value, and to sustain a worldwide leading position in speciality chemicals distribution. Azelis will continue to pursue market leadership by executing its strategy and focus on cementing its leadership during the growth journey for its staff, principals and for its customers.

With its many locations, Azelis is well positioned to follow both global and local developments, as well as to see the impact it may have on Azelis' stakeholders. The Company continues to follow the possible risks (as we did in 2020 with regard to for example the developments around Covid19), but given its widely spread involvement in the countries being present, Azelis moreover will continue to grab the opportunities that are arising on the basis of those uncertainties.

Azelis' business model is very well positioned to deal with adversity, as demonstrated with the challenges faced in 2020 due to the pandemic. Azelis strong performance was enabled by its diversified portfolio of products, market segments and geographies which support its resilient business model.

Azelis is looking forward to continuing the roll-out of its successful strategy, and to further expand and grow its activities together with suppliers and customers.

Luxembourg, 19 April 2021

T. Bakker
Manager Class A

G. Henry
Manager Class B

Auditor's Report

Audit report

To the Partners of
Azelis Holding SARL

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Azelis Holding SARL (the "Company") and its subsidiaries (the "Group") as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statement for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

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

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the report of the management but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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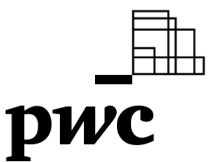

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers;

- conclude on the appropriateness of the Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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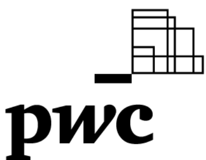

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

The report of the management is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 20 April 2021

Véronique Lefebvre

Consolidated Financial Statements 2020

Consolidated Income Statement

	Note	2020	2019
(in thousands of €)			
Revenue	8	2,222,896	2,095,009
Other operating income	9	10,468	10,342
Total income		***2,233,364***	***2,105,350***
Costs for goods and consumables	10	-1,747,285	-1,660,646
Gross Profit		***486,080***	***444,704***
Employee benefits expenses	11	-181,169	-161,007
External services and other expenses	12	-106,785	-109,061
Depreciation of property, plant and equipment	16	-17,622	-15,135
Amortization & impairment of intangible assets	15	-33,305	-30,608
Operating profit / loss (-)		***147,198***	***128,892***
Financial income	13	4,892	682
Financial expenses	13	-73,004	-71,382
Net financial expense		***-68,112***	***-70,700***
Share of result of associates	17	-	38
Profit / loss (-) before tax		***79,086***	***58,230***
Income tax income / expense (-)	14	-8,075	-10,253
Net profit / loss (-) for the period from continuing operations		***71,012***	***47,978***
Attributable to:			
Equity holders of the parent		70,962	47,973
Non-controlling interests		50	5
Net profit / loss (-) for the period		***71,012***	***47,978***
		in Euro's	in Euro's
Basic earnings per share	21	***0.06***	***0.04***
Diluted earnings per share	21	*0.06*	*0.04*

The notes are an integral part of these consolidated financial statements

Consolidated Statement of Other Comprehensive Income

	Note	2020	2019
(in thousands of €)			
Net profit / loss (-) for the period		**71,012**	**47,978**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	21.4	-92,695	7,451
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains / losses (-) on employee benefits	11	-817	-1,334
Income tax relating to these items		167	177
Total other comprehensive income		***-93,345***	***6,294***
Total comprehensive income for the period		***-22,333***	***54,272***
Attributable to:			
Equity holders of the parent		-22,378	54,267
Non-controlling interests		45	5
Total comprehensive income for the period		***-22,333***	***54,272***

Azelis Deutschland Kosmetik GmbH and PT Azelis Indonesia Distribusi are the main contributors for the Non-controlling interests, see also note 26.4.

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

Consolidated Statement of Financial Position

	Note	31 December 2020	31 December 2019
(in thousands of €)			
Assets			
Goodwill	15	1,345,938	1,357,237
Intangible assets	15	821,359	840,113
Property, plant and equipment	16.1	32,304	30,219
Right of Use assets	16.2	55,657	44,325
Investments in associates	17	221	148
Other financial assets	4	775	2,597
Deferred tax assets	14	6,419	5,317
Total non-current assets		***2,262,674***	***2,279,955***
Inventories	18	267,780	262,414
Trade and other receivables	19	258,632	228,852
Income tax receivables	14	2,011	5,089
Other financial assets	4	238	1,442
Cash and cash equivalents	20	163,255	102,575
Total current assets		***691,917***	***600,370***
Total assets		***2,954,591***	***2,880,326***
Equity	21		
Share capital		11,751	11,751
Share premium		1,189,405	1,183,789
Other reserves		24,669	-22,654
Translation reserve		-80,958	12,925
Unappropriated Result		70,962	47,973
Total equity attributable to equity holders of the parent		***1,215,829***	***1,233,783***
Non-controlling interests		***2,072***	***839***
Total equity		***1,217,900***	***1,234,622***
Loans and borrowings	22	1,145,092	1,086,792
Lease obligations	22.1b	45,708	35,013
Employee benefits obligations	11	7,684	6,794
Provisions	23	3,215	2,842
Other non-current liabilities	4	7,922	8,427
Deferred tax liabilities	14	109,993	135,154
Other non-current liabilities		***1,319,614***	***1,275,022***
Bank overdrafts	20	23,560	15,959
Loans and borrowings	22	65,725	64,057
Lease Obligations	22.1b	12,351	10,504
Provisions	23	1,646	181
Income tax payables	14	5,325	3,562
Trade and other payables	24	308,471	276,419
Total current liabilities		***417,077***	***370,682***
Total liabilities		***1,736,691***	***1,645,704***
Total equity and liabilities		***2,954,591***	***2,880,326***

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

Consolidated Statement of Cash Flows

	Note	2020	2019
(in thousands of €)			
Cash flows from operating activities			
Net profit / loss (-) for the period		71,012	47,978
Adjustments for:			
Depreciation, amortisation and impairment expenses	15.16	50,927	45,744
Net financial expense	13	68,112	70,700
Income tax income / expense	14	8,075	10,253
Change in inventories	18	1,224	13,327
Change in trade and other receivables and other investments	19	4,185	1,321
Change in trade and other payables	24	-414	-39,259
Change in provisions	23	2,193	567
Cash flow from operating activities		***205,314***	***150,592***
Income tax paid		-30,722	-32,493
Interest paid		-57,574	-42,210
Net cash flow from operating activities		***117,018***	***75,889***
Cash flow from investing activities			
Acquisition of property, plant and equipment and intangible assets	15.16	-12,072	-12,296
Acquisition of subsidiaries, net of cash acquired	7	-103,279	-147,024
Net cash flow from investing activities		***-115,351***	***-159,320***
Cash flows from financing activities			
Payments of lease obligation	16b	-15,857	-12,825
Proceeds from loans and borrowings	22	78,311	118,650
Repayments from loans and borrowings	22	-	-9,000
Net cash flow from financing activities		***62,454***	***96,825***
Net (decrease) increase in cash and cash equivalents		***64,121***	***13,394***
Effect of exchange rate fluctuations on cash held		-11,041	-5,031
Cash and cash equivalents net at beginning of the period	20	86,616	78,253
Cash and cash equivalents net at 31 December	***20***	***139,695***	***86,616***

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

Consolidated Statement of Changes in Equity

(in thousands of €)	Share capital	Share premium	Other reserves	Translation Reserve	Unappropriated Result	Total equity holders of the parent	Non-controlling interests	Total equity
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
Balance as per 31 December 2018	**11,751**	**1,183,789**	**-**	**5,448**	**-21,497**	**1,179,491**	**859**	**1,180,350**
Appropriation of result prior year			-21,497		21,497	-		-
Net profit / loss (-) for the period					47,973	47,973	5	47,977
Comprehensive income			**-1,157**	7,476		6,319	**-25**	6,295
Total comprehensive income	***-***	***-***	***-1,157***	***12,924***	***101***	***11,868***	***-25***	***11,844***
Balance as per 31 December 2019	***11,751***	***1,183,789***	***-22,654***	***12,924***	***47,973***	***1,233,782***	***839***	***1,234,621***
Appropriation of result prior year			47,973		-47,973	-		-
Capital increase		5,617				5,617		5,617
Net profit / loss (-) for the period					70,962	70,962	45	71,007
Comprehensive income			**-650**	-93,883		-94,533	**1,188**	-93,345
Total comprehensive income	***-***	***-***	***-1,807***	***-86,407***	***-***	***-88,214***	***1,164***	***-87,051***
Balance as per 31 December 2020	***11,751***	***1,189,405***	***24,669***	***-80,959***	***70,962***	***1,215,828***	***2,072***	***1,217,900***

The notes are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

1. General

Azelis Holding S.à r.l. (the “Company”), formerly named Akita Midco S.à r.l., was incorporated on 25th of July 2018 and is domiciled in Luxembourg. The address of the Company is 19 rue Gabriel Lippmann, 5365 Munsbach, Luxembourg. The Company is registered in Luxembourg under the number B 226269.

The parent company of Azelis Holding S.à r.l. is Akita Topco S.à r.l., 26A Boulevard Royal, 2449 Luxembourg,

The consolidated financial statements of the Company for the period ended 31st December 2020 comprise the Company and its subsidiaries (together referred to as the “Group” or as “Azelis” being the trade name of the Group) and the Group’s interest in associates.

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

Azelis' business is well positioned for the Covid-19 Pandemic given its diversified specialty chemicals portfolio, particularly in Life Sciences. With its laboratories the Company was able to support its customers with many new formulations that were necessitated as a result of the changing conditions in 2020. Azelis was able to respond quickly to the crisis, and secured continuity of its supply chain. Employees were able to continue the company’s business processes while working remotely, and expenses were tightly managed consistent with the contingency plans that were already in place as a result of the annual internal review cycle. Azelis continues to watch closely the developments around Covid-19.

2. Basis of Preparation

The consolidated financial statements for the period ended December 31, 2020, were authorized for issue by the Board of Managers on 19 April 2021 and will be submitted for approval to the Shareholders' Meeting to be held on 21 April 2021.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted in the European Union (IFRS). The Group has consistently applied the accounting policies as set out below to all periods presented in these consolidated financial statements. Changes to the accounting policies in the current year are limited to the changes in IFRS below and are applied starting as per 1st January 2020.

Endorsement status of the new standards as at 31 December 2020

A. The following amendments and annual improvements to standards are mandatory for the first time for the financial year beginning 1 January 2020 and have been endorsed by the European Union and have been implemented by the Company:
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance—in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
- **Amendments to the definition of material in IAS 1 and IAS 8** (effective 1 January 2020). The amendments clarify the definition of material and make IFRSs more consistent. The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The amendments are not expected to have a significant impact on the preparation of financial statements.
- **Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform** (effective 1 January 2020). The amendments require qualitative and quantitative disclosures to enable users of financial statements to understand how an entity's hedging relationships are affected by the uncertainty arising from interest rate benchmark reform.
- **Amendments to the guidance of IFRS 3 Business Combinations**, that revises the definition of a business (effective 1 January 2020). The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions across all industries, particularly real estate, pharmaceutical, and oil and gas. Application of the changes would also affect the accounting for disposal transactions.

B. The following **new amendments** have been issued, is **not mandatory** for the first time for the financial year beginning 1 January 2020 but have **been endorsed by the European Union**:
- **Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions** (effective 01/06/2020, with early application permitted). If certain conditions are met, the Amendment would permit lessees, as a practical expedient, not to assess whether particular covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications.
- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9** (effective 01/01/2021). This amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2** (effective 01/01/2021). These amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted

The amendments are not expected to have a significant impact on the preparation of financial statements.

C. The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2020 and have not been endorsed by the European Union.

- **Amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as current or non-current'** (effective 1 January 2022)**,** affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The IASB has issued an exposure draft to defer the effective date to 1 January 2023. They:
- Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.
- **Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements** (effective 01/01/2022). The package of amendments includes narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.
  - **Amendments to IFRS 3 Business Combinations** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **Amendments to IAS 16 Property, Plant and Equipment** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets** specify which costs a company includes when assessing whether a contract will be loss-making.
  - **Annual Improvements** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

  The amendments are not expected to have a significant impact on the preparation of financial statements.

IFRS 16 "Leases", implemented per 1 January 2019

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

The Group has applied IFRS 16 using a modified retrospective approach with optional practical expedients. The group has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligation were recorded as of 1 January 2019 for an amount of € 44.5 million. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate. The initial rate applied in 2019 was 5%. During 2020, the incremental borrowing rate has been lowered to 4.4% for new contracts, mainly due to the lower funding costs that Azelis has as a result of its decreased leverage ratios.
The Group has elected to apply the optional exemption for low-value assets on a lease-by-lease basis. The Group has elected not to apply the optional recognition exemptions for short term leases and not for leases ending within 12 months of the date of initial application.

Implementing IFRS 16 has had a material impact on the Group's financial statements 2019, in particular:

- Lease agreements gave rise to the recognition of an asset representing the right of use for the leased item and a liability for future lease payments (€ 44.5 million as per 1 January 2019). The liability recorded for future lease payments relates to amounts payable for the "reasonably certain" period of the lease, which may include future lease periods for which the Group has extension options.
- Lease costs (around € 13 million) are being recognized as depreciation of the right of use of the asset (€ 11 million) and interest on the lease liability (€ 2 million) which will generally be discounted at the incremental borrowing rate of the Group. Interest charges will typically be higher in the early stages of a lease and will reduce over the term.
- Net Cash inflows from operating activities and payments classified within cash flow from financing activities will both increase, as those payments are made at lease inception and subsequently will be characterized as repayments of lease liabilities and interest. Net cash flows are not being impacted by IFRS 16.

The lease obligation on 1 January 2019, reported in note 25 reconciles with the recognized lease obligation as follows:

Reconciliation Operating lease Commitment

(in thousands of €)	
Operating lease commitments at 31 December 2018	0
Allowed exclusion of low-value assets	-382
Extension and termination options reasonably certain to be exercised	5,635
Effect discounting using the incremental borrowing rate	-5,082
Non lease components	-287
Lease obligations recognized at 1 January 2019	***44,314***

The adjustment on adoption of IFRS 16 as per 1 January 2019 has had the following impact on assets and liabilities.

As at 31 December	31 December 2018	Recognized on adoption of IFRS 16	1 January 2019
(in thousands of €)			
Assets			
Goodwill	1,263,684		1,263,684
Intangible assets	796,414		796,414
Property, plant and equipment	27,784		27,784
Right of Use	-	44,534	44,534
Investments in associates	108		108
Other financial assets	561		561
Deferred tax assets	4,458		4,458
Total non-current assets	***2,093,009***	***44,534***	***2,137,542***
Inventories	255,954		255,954
Trade and other receivables	199,472		199,472
Income tax receivables	3,831		3,831
Other financial assets	2,205		2,205
Cash and cash equivalents	79,391		79,391
Total current assets	***540,853***	***-***	***540,853***
Total assets	***2,633,861***	***44,534***	***2,678,395***
Equity			
Share capital	11,751		11,751
Share premium	1,183,789		1,183,789
Other reserves	0		0
Translation reserve	5,448		5,448
Unappropriated Result	-21,497		-21,497
Total equity attributable to equity holders of the parent	***1,179,491***	***-***	***1,179,491***
Non-controlling interests	***859***		***859***
Total equity	***1,180,350***	***-***	***1,180,350***
Loans and borrowings	974,127		974,127
Lease Obligations	-	35,071	35,071
Employee benefits obligations	5,724		5,724
Provisions	3,092		3,092
Other non-current liabilities	3,242		3,242
Deferred tax liabilities	137,243		137,243
Other non-current liabilities	***1,123,428***	***35,071***	***1,158,500***
Bank overdrafts	1,139		1,139
Loans and borrowings	24,675		24,675
Lease Obligation	-	9,242	9,242
Provisions	106		106
Income tax payables	4,759		4,759
Trade and other payables	299,404	220	299,624
Total current liabilities	***330,084***	***9,462***	***339,546***
Total liabilities	***1,453,512***	***44,534***	***1,498,045***
Total equity and liabilities	***2,633,861***	***44,534***	***2,678,395***

Consolidated income statement	31-12-2019	31-12-2019	31-12-2019
For the period ended 31 December	**Before IFRS 16**	**IFRS 16 impact**	**Final IFRS**
(in thousands of €)			
Revenue	2,095,009	0	2,095,009
Other operating income	***10,342***	***0***	***10,342***
Total income	2,105,350	0	2,105,350
Costs for goods and consumables	***-1,660,646***	***0***	***-1,660,646***
Gross Profit	444,704	0	444,704
Employee benefits expenses	-161,007	0	-161,007
External services and other expenses	-121,886	12,825	-109,061
Depreciation of property, plant and equipment	-3,660	-11,476	-15,135
Amortization and impairment of intangible assets	***-30,608***	***0***	***-30,608***
Operating profit / loss (-)	127,543	1,350	128,892
Financial Income	26,660	0	26,660
Financial expenses	***-95,183***	***-2,177***	***-97,361***
Net financial expense	-68,523	-2,177	-70,700
Share of result of associates	***38***		***38***
Profit / loss (-) before tax	59,058	-828	58,230
Income tax income / expense (-)	***-10,253***	***0***	***-10,253***
Net profit / loss (-) for the period from continuing operations	***48,806***	***-828***	***47,978***

Operating EBITA	161,990	1,350	163,340
Depreciation tangible assets	3,660		3,660
Depreciation Right-of-use assets		11,476	11,476
Operating EBITDA	***165,650***	***12,825***	***178,475***
IAS17 lease payments		-12,825	

Cash flows from operating activities	Before IFRS 16	IFRS 16 impact	Final IFRS
Net profit / loss (-) for the period	48,806	-828	47,978
Adjustments for:			
Depreciation, amortisation and impairment expenses	34,268	11,476	45,744
Net financial expense	68,523	2,177	70,700
Income tax income / expense	10,253		10,253
Share of result of associates	-38		-38
Change in inventories	13,327		13,327
Change in trade and other receivables and other investments	1,321		1,321
Change in trade and other payables	-39,259		-39,259
Change in provisions	567		567
Cash flow from operating activities	***137,767***	***12,825***	***150,592***
Income tax paid	-32,493		-32,493
Interest paid	-42,210		-42,210
Net cash flow from operating activities	***-74,703***	***0***	***-74,703***
Cash flow from investing activities			
Acquisition of property, plant and equipment and intangible assets	-12,296		-12,296
Acquisition of subsidiaries, net of cash acquired	-147,024		-147,024
Net cash flow from investing activities	***-159,320***	***0***	***-159,320***
Cash flows from financing activities			
Payments of lease obligation	0	-12,825	-12,825
Proceeds from loans and borrowings	118,650		118,650
Repayments from loans and borrowings	-9,000		-9,000
Net cash flow from financing activities	***109,650***	***-12,825***	***96,825***
Net (decrease) increase in cash and cash equivalents	***13,394***	***0***	***13,394***
Effect of exchange rate fluctuations on cash held	-5,031		-5,031
Cash and cash equivalents net at beginning of the period	78,253		78,253
Cash and cash equivalents net at 31 December	***86,616***	***0***	***86,616***

2.1. Financial Period

The financial period is the calendar year starting as at 1 January 2020 and ending as at 31 December 2020 (further mentioned as 2020).

The comparative period is reflecting the financial performance of the Group starting 1 January 2019 and ending at 31 December 2019.

2.2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all entities controlled by the Company made up to 31st December 2020. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

I. **Subsidiaries**

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

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

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

II. **Non-controlling interests**

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

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

III. **Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred for each acquisition is measured at the aggregate of the fair values at the date

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

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

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

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

IV. **Associates**

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

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

2.3. Foreign currency translation

I. **Functional and presentation currency**

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

II. **Transactions and balances**

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

III. **Foreign operations**

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

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

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

2.4. Impairment of non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

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

2.5. Intangible assets

I. **Goodwill**

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

II. **Research and development**

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

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

III. **Other intangible assets**

Other intangible assets with finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date when the asset is ready for use. The estimated useful lives of intangible assets and their residual value (if applicable) are reviewed every year.

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

Intangibles asset	**Economic lifetime**
Trademarks	Indefinite or 10 years for local trademarks
Customer lists	5 to 10 years
Distribution rights	5 to 22 years
Other intangible assets	3 to 7 years

2.6. Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the

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

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

I. **Depreciation**

Depreciation is recognized in the income statement on a straight-line basis over the estimated useful lives of each component of property, plant and equipment to their residual values. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

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

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

II. **Leased assets**

As of 1 January 2019, the Group is applying the new lease-standard IFRS16 using a modified retrospective approach with optional practical expedients.

On initial application, the Group has elected to record right-of-use assets based on the corresponding lease liability. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate 4.4% (during 2019 the rate applied was 5%).

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

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

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

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

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

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

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

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

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

2.7. Financial instruments

I. **Classification, recognition and initial measurement**

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

Azelis classifies its debt financial instruments as at amortized costs and its financial liabilities either at amortized costs or at FVTPL. Azelis does not hold any equity instruments.

The Group recognizes financial instruments when it enters into a contract. Financial instruments are derecognized when the contractual rights to the cash flows of the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

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

Financial assets

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

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

Financial liabilities

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

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

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash

flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. However, costs or fees that are incremental and directly related to the issue of the new debt instrument are treated as transaction costs of the new liability, and hence are spread forward by adjusting the effective interest rate.

Derivatives
Derivatives are classified as FVTPL.

II. **Impairment of financial assets**

Other than the ones recognized at FVTPL, a financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For Trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see note 4.2 I for further details. While cash and cash equivalents and other loans receivables are also subject to the impairment requirements of IFRS 9, no impairment loss was identified as these assets are considered as low-credit risk.

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

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

III. **Netting**

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

Cash & cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.8. Income tax

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

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

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

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2.9. Inventories

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

2.10. Equity

I. **Ordinary shares**

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

II. **Share premium**

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

2.11. Employee benefits

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

The Group operates several defined benefit pension plans.

The liability or asset recognized in the balance sheet of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan

assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The calculation of the defined benefit obligations is performed by qualified actuaries on an annual basis.

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

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

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

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

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

2.12. Provisions

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

2.13. Revenue

I. **Goods sold (sales)**

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

II. **Commissions**

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

2.14. Segment reporting

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

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

The reporting segments used are defined as follows:

- EMEA: all operating companies in Europe, Middle-East and Africa
- Americas: all operating companies in the United States of America, Canada and Mexico.
- Asia-Pacific: all operating companies in Asia, South-East Asia and the Pacific region.
- Group Holding & other

Group Holding consists of all non-operating companies, including the corporate service center in Belgium and the headquarter in Luxembourg.

"Other" may include income from non-core business transactions (such as agency commission, services and termination fees), whilst some 'other operating income' (Note 9) relating to trade related recharges of operating expenses (such as freight) is reported in the operating segments revenue.

2.15. Government grants

Government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related expenses for which the grants are intended to

compensate. Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

2.16. Consolidated statements of cash flows

The consolidated statement of cash flows is prepared using the indirect method. Cash is defined as cash and cash equivalents including bank overdrafts as presented in the explanatory notes to the cash and cash equivalents and the interest-bearing borrowings. Cash flows are presented separately in the statement of cash flows as cash flows from operating activities, investing activities and financing activities.

2.17. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

I. **Property, plant and equipment**

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

II. **Intangible assets**

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

III. **Inventories**

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

IV. **Investments in equity and debt securities**

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

V. **Trade and other receivables**

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

VI. **Derivatives**

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate increased by an appropriate additional spread related to the credit risk of the Group and the risk of the counterparty.

VII. **Non-derivative financial liabilities**

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

VIII.**Fair value hierarchy**

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

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

2.18. Alternative performance measures

The following alternative performance measures (non-GAAP) have been included in the financial statements since management believes that they are widely used by certain investors, securities analysts and other interested parties as supplemental measure of performance and liquidity. The alternative performance measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results, our performance or our liquidity under IFRS.

One-Off items

One-off items are not directly related to the daily performance of the Company and/or its Segments, like expenses of corporate restructurings and reorganizations, one-off costs with regard to acquisitions and mergers, financing and capital restructuring and gains or losses on sale of fixed assets.

Operating EBITA

EBITA is defined as 'operating profit' (per face of the consolidated income statement under IFRS), but before 'amortization and impairment of intangible assets'.
Operating EBITA is defined as EBITA less any One-off items.

(in € million)	2020	2019
Operating Profit per P&L according to IFRS	**147**	**129**
Add back amortization	33	31
One-off expenses	9	4
Full Year Operating EBITA	***190***	***163***

Conversion margin

Conversion margin is defined as the ratio between Operating EBITA and the gross profit.

Net working capital

The net working capital is defined as inventories plus trade receivables and less trade payables.

Free cash flow

Free cash flow is defined as Operating EBITA, plus/less changes in working capital, capital expenditures and cash taxes paid.

Cash conversion margin

Cash conversion margin is defined as free cash flow as a percentage of Operating EBITA.

3. Estimates and judgements

Use of estimates and judgements

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the measurement and presentation of reported figures. Estimates are based on past experience and on additional knowledge obtained on transactions to be reported. Actual amounts may differ from these estimates. The most critical accounting estimates in the consolidated financial statements are related to :

Note 7 - Business combinations:

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

Note 15 - Intangible assets:

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. Refer to the note “Intangible assets” in the section “Impairment assessment” for more detailed information.

Note 14.2 - Deferred taxes:

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

Note 16.2 - Right of Use assets:

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

Note 11.2 - Defined obligation benefit schemes:

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

4. Financial Risk Management

4.1. Overview

The Board of Managers has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and to analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Managers oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Risk management elements

Control environment:

- Organizational culture based on ethical conduct and compliance
- Clear responsibilities and internal rules of procedures
- Azelis' policies, management instructions and manuals
- Risk management embedded in the business processes
- In 2019 an Internal Auditor has been appointed, independently and directly reporting to the Chairman of the Audit Committee. During 2020 internal audits were performed and will be continued in 2021 according to the audit plan.

Risk assessment and control procedures:

- Identification of risks via risk self-assessment tool
- Implementing and optimization of effective and efficient control procedures on various levels of the organization

Information, communication and monitoring:

- Harmonized reporting on operations and financial results
- Monthly reviews of financial results coordinated by the Corporate Controlling
- Regular review meetings between Group and local Management

Overview financial risks

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

4.2. Credit risk

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

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

	2020	2019
(in thousands of €)		
Trade and other receivables	258,632	228,852
Cash and cash equivalents	163,255	102,575
Other financial assets	1,013	4,039
	422,901	***335,466***

I. **Trade and other receivables**

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

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

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

Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. The Group's credit policy includes suspension of further deliveries, if customers fail to pay their debts on time. Moreover, the Group operates a locally controlled credit insurance program for the majority of its revenue.

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

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets, adjusted for forward-looking information through an assessment of both the current and projected direction of economic conditions at the reporting date.

At year-end the aging of the allowance is analyzed below:

2020	Gross	%	Impairment	%
(in thousands of €)				
Current and less than 1 month	171,387	**73.1%**	411	**2.6%**
Between 1 month and less than 3 months	48,027	**20.5%**	517	**3.3%**
From 3 months and less than 6 months	2,955	**1.3%**	2,720	**17.3%**
More than 6 months	12,115	**5.2%**	12,115	**76.9%**
	234,483	***100.0%***	***15,763***	***100.0%***

2019	Gross	%	Impairment	%
(in thousands of €)				
Current and less than 1 month	149,524	**72.4%**	5	**0.1%**
Between 1 month and less than 3 months	48,742	**23.6%**	60	**0.8%**
From 3 months and less than 6 months	2,283	**1.1%**	1,599	**20.9%**
More than 6 months	5,972	**2.9%**	5,972	**78.2%**
	206,521	***100.0%***	***7,636***	***100.0%***

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

	2020	2019
(in thousands of €)		
Balance at 1 January	7,636	7,797
Business combinations	6,948	466
Provisions made in the year	2,354	98
Decrease on impairment losses	-486	-748
Exchange rate differences	-690	24
Balance at 31 December	***15,763***	***7,636***

II. Cash

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

III. Guarantees

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

4.3. Liquidity risk

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

The Group ensures that it has sufficient cash on demand and unused credit facilities to meet expected operational expenses for the respective planning horizon, including the servicing of financial obligations: this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Maturities of financial liabilities

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

2020	Carrying amount	Undiscounted contractual Cash flows	Less than 1 Year	1 to 5 Years	More than 5 Years
(in thousands of €)					
Loans and borrowings	1,210,817	1,495,351	74,980	1,175,900	244,472
Lease obligation (IFRS16)	58,058	58,058	12,457	30,134	15,467
Trade and other payables	316,393	316,393	316,393	-	-
Bank Overdraft	23,560	23,560	23,560	-	-
	1,608,828	***1,893,362***	***427,390***	***1,206,034***	***259,939***

Loans and borrowings mainly to be repaid in 2025.

2019	Carrying amount	Undiscounted contractual Cash flows	Less than 1 Year	1 to 5 Years	More than 5 Years
(in thousands of €)					
Shareholder funds	1,150,850	1,355,534	54,551	137,855	1,163,128
Lease obligation (IFRS16)	45,517	45,517	11,424	22,694	11,399
Trade and other payables	284,846	284,846	284,846	-	-
Bank Overdraft	15,959	15,959	15,959	-	-
	1,497,172	***1,701,856***	***366,780***	***160,549***	***1,174,527***

4.4. Market risk

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

I. **Currency risk**

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

At any point in time, the Group hedges a significant part of its foreign currency exposure in respect of sales and purchases orders via natural hedges within its operational portfolio. The Group uses mainly forward exchange contracts to hedge its remaining currency risk, all with a maturity of less than one

year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity. The Group has not applied hedge accounting.

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

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

II. Exposure to currency risk

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

	2020	2020	2020	2019	2019	2019
(in thousands)	**USD**	**GBP**	**CAD**	**USD**	**GBP**	**CAD**
Trade receivables	95,289	1,820	41,973	91,858	2,822	7,540
Cash and cash equivalents	27,396	1,122	6,954	17,249	2,759	745
Trade payables	-82,067	-2,710	-27,384	-94,072	-4,524	-2,083
Gross balance sheet exposure	***40,618***	***232***	***21,543***	***15,035***	***1,057***	***6,202***

III. Sensitivity analysis of currency risk

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

	2020		2019	
(in thousands of €)	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
USD	-3,693	-3,693	-1,367	-1,367
CAD	-1,958	-1,958	-564	-564
GBP	-21	-21	-96	-96

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

IV. **Interest rate risk**

The Group adopts a policy of carefully managing its interest rate risk. The Board of Management assesses on a regular basis it's interest rates versus external benchmarks, ensuring that management will effect financial transactions resulting in fixed borrowing interest rates in case limits are exceeded. As of the reporting date, the external bank borrowings are on a floating basis. The interest rate risk of the new syndicated external debt is partly covered through a swap transaction in which the floating interest rate has been capped until February 2022.

The changed interest rates in 2020 versus 2019 have been achieved on the basis of Azelis' improved leverage ratio's during 2020, resulting into lower interest rates, and in accordance with the existing agreements with the Lenders' Syndicate.

V. **Interest profile**

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

	2020	2019
(in thousands of €)		
Variable rate instruments		
Financial assets	163,255	102,575
Financial liabilities	-1,292,435	-1,212,325
	-1,129,180	***-1,109,751***

The interest rate risk of the new syndicated external debt is covered for ca. 50% through a swap transaction in which the floating interest rate has been capped until February 2022. The changed interest rates in 2020 versus 2019 have been achieved on the basis of Azelis' improved leverage ratio's during 2020, resulting into lower interest rates, and in accordance with the existing agreements with the Lenders' Syndicate.

VI. **Cash flow sensitivity analysis for variable rate instruments**

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

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

	Profit or loss - 2019		Equity - 2019	
(in thousands of €)	**100 bp**	**100 bp**	**100 bp**	**100 bp**
	Increase	*Decrease*	*Increase*	*Decrease*
Variable rate instruments	-12,123	12,123	-12,123	12,123
Cash flow sensitivity (net)	***-12,123***	***12,123***	***-12,123***	***12,123***

4.5. Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

4.6. Financial instruments: fair value and hierarchy

On a selective basis, the Group has outstanding foreign exchange contracts to manage the exposure to foreign currency risk on outstanding foreign currency receivables/payables, as well as an interest rate swap relating to its variable rate interest risk. The Group’s financial instruments per category are shown below including the fair value and hierarchy information.

All derivatives outstanding per balance sheet date measured at fair value relate to forward exchange contracts. The fair value of the forward exchange contracts is calculated as the discounted value of the difference between the contract rate and the current forward rate and is classified as Level 2 (see note 2.18 – Basis of preparation).

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

Amount of financial instruments recognized in balance sheet

2020	Note	Financial assets & liabilities at fair value through P&L	Financial assets/ liabilities measured at amortized cost	Financial asset at FVOCI	Total book value	Level 1	Level 2	Level 3	TOTAL FAIR VALUE
(in thousands of €)									
Assets									
Non current assets									
Other Financial receivables	4		624		**624**		624		**624**
Other investments	4		151		**151**		151		**151**
Current assets									**0**
Trade receivables	19		218,721		**218,721**		218,721		**218,721**
Other receivables	19		39,912		**39,912**		39,912		**39,912**
Derivatives	4	238			**238**		238		**238**
Cash & Cash equivalents	20		163,255		**163,255**		163,255		**163,255**
Total financial assets		***238***	***422,663***	***0***	***422,901***	***0***	***422,901***	***0***	***422,901***
Liabilities									
Non Current Liabilities									
Interest bearing	21		1,145,092		**1,145,092**		1,145,092		**1,145,092**
Non-interest bearing	21				**0**				**0**
Derivatives	4				**0**				**0**
Other Financial liabilities			7,922		**7,922**		7,922		**7,922**
Current liabilities									**0**
Interest bearing	22		65,725		**65,725**		65,725		**65,725**
Overdraft	20		23,560		**23,560**		23,560		**23,560**
Trade payables	24		236,969		**236,969**		236,969		**236,969**
Other current payables excl derivatives	24		71,278		**71,278**		71,278		**71,278**
Derivatives	24		224		**224**		224		**224**
Total financial liabilities		***0***	***1,550,770***	***0***	***1,550,770***	***0***	***1,550,770***	***0***	***1,550,770***

2019	Note	Financial assets & liabilities at fair value through P&L	Financial assets/ liabilities measured at amortized cost	Financial asset at FVOCI	Total book value	Level 1	Level 2	Level 3	TOTAL FAIR VALUE
(in thousands of €)									
Assets									
Non current assets									
Other Financial receivables	4		2,477		**2,477**		2,477		**2,477**
Other investments	4		120		**120**		120		**120**
Current assets									**0**
Trade receivables	19		198,885		**198,885**		198,885		**198,885**
Other receivables	19		29,967		**29,967**		29,967		**29,967**
Derivatives	4	1,442			**1,442**		1,442		**1,442**
Cash & Cash equivalents	20		72,086		**72,086**		72,086		**72,086**
Total financial assets		***1,442***	***303,535***	***0***	***304,977***	***0***	***304,977***	***0***	***304,977***
Liabilities									
Non Current Liabilities									
Interest bearing	21		1,086,792		**1,086,792**		1,086,792		**1,086,792**
Non-interest bearing	21				**0**				**0**
Other Financial liabilities			8,427		**8,427**		8,427		**8,427**
Current liabilities									**0**
Interest bearing	22		64,057		**64,057**		64,057		**64,057**
Overdraft	20		15,959		**15,959**		15,959		**15,959**
Trade payables	24		227,588		**227,588**		227,588		**227,588**
Other current payables excl derivatives	24		48,501		**48,501**		48,501		**48,501**
Derivatives	24		330		**330**		330		**330**
Total financial liabilities		***0***	***1,451,655***	***0***	***1,451,655***	***0***	***1,451,655***	***0***	***1,451,655***

Derivatives comprise forward foreign exchange contracts maturing within one year and classified as Fair Value through Profit and Loss.

5. Capital Management

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

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

	2020	2019
(in thousands of €)		
Equity	1,217,900	1,234,622
Other interest borrowing loans	1,292,435	1,212,325
Less : Cash & Cash equivalent	-163,255	-102,575
Total Capital	***2,347,080***	***2,344,372***

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

6. Operating segments

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

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

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

The performance of the operating segments is assessed based on a measure of 'Operating EBITA'. Operating EBITA is defined as 'operating result' (per face of the income statement under IFRS), but before 'amortization and impairment expenses' and excluding One-off items. One-off items are not directly related to the daily performance of the segments, like expenses of corporate restructurings and reorganizations including one-off costs with regard to acquisitions.

While the amounts included in Operating EBITA are derived from the Group's financial information, it is not a financial performance measure determined in accordance with adopted IFRS and should not

be considered as the performance indicator as included in the Consolidated Income Statement. The Group currently uses Operating EBITA in its business operations to, among others, develop budgets, measure its performance against those budgets and evaluate the performance of its operations.

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

Total assets per segment are not being measured and/or reported to the key decision makers on a regular basis, whereas Net Working Capital is used as a major performance indicator of the operating segments. [3]

The reconciliation from the IFRS consolidated financial statements towards Operating EBITA is summarized as follows:

	2020	2019
(in € million)		
Operating Profit per P&L according to IFRS	**147**	**129**
Add back amortization	33	31
One-off expenses	9	4
Full Year Operating EBITA	***190***	***163***

Amortization and impairment expenses mainly relate to the amortization of intangible assets.

The One-off items of € 9 million are not directly related to the performance of the Group, like expenses of corporate restructurings and reorganizations, and acquisition-related expenses in connection with costs of due diligence and external advisors.
In 2019 the One-off items mainly related to post-acquisition and integration costs (€ 4 million).

[3] Alternative performance measures (non-GAAP) such as EBITA and Net Working Capital included in this report, we refer to Note 2.19 of the financial statements.

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

2020	EMEA	Americas	Asia-Pacific	Group Holding & other	Total
(in thousands of €)					
Revenue	**1,034,249**	**952,573**	**237,726**	**-1,653**	**2,222,896**
Gross profit	**238,602**	**199,365**	**45,272**	**2,840**	**486,080**
Operating EBITA	**98,410**	**95,239**	**14,978**	**-19,074**	**189,553**
Operating profit					147,198
Net Working Capital	84,457	114,838	56,497	-5,434	250,357

2019	EMEA	Americas	Asia-Pacific	Group Holding & other	Total
(in thousands of €)					
Revenue	**942,907**	**915,845**	**237,003**	**-746**	**2,095,009**
Gross profit	**209,614**	**185,291**	**43,482**	**6,317**	**444,704**
Operating EBITA	**84,263**	**82,535**	**12,900**	**-16,358**	**163,340**
Operating profit					128,892
Net Working Capital	56,420	123,033	57,757	-1,832	235,377

'Other' includes income from non-core business such as agency commissions (€6.8 million in 2020 and € 5.2 million in 2019), as well as the operating expenses for the Group Holding activities.

The Group has a diverse customer base in all of its reportable segments and has no individual material customers which may need to be reported.

7. Business combinations

The Group completed the below acquisitions during the financial year 2020:

On 13 January 2020, Azelis acquired 100% of the shares of Megafarma S.A, a Mexican distributor in the pharma and food segment. Megafarma contributed € 27 million to the Group's revenue, € 6.3 million of gross profit, € 2.4 million of Operating EBITA and a positive € 1.2 million to the Group's net result.

On 5 February 2020, Azelis acquired 100% of the shares of the Orkila Group, a specialty distributor in Africa and Middle East. Orkila contributed € 74.2 million to the Group's revenue, € 15.2 million of gross profit, € 2.9 million of Operating EBITA and a positive € 2.6 million to the Group's net result.

On 27 February 2020, Azelis acquired the distribution activities of S. Zhaveri Pharmakem Pvt. Ltd. in India for the pharmaceutical industry. This acquisition meets the definition of a business combination. Zhaveri contributed € 9 million to the Group's revenue, € 1.9 million of gross profit, € 1.4 million of Operating EBITA and a positive € 1.4 million to the Group's net result.

On 1 April 2020, Azelis acquired 100% of the shares of Cosbond China Limited, Beijing Cosbond Trading Co, Ltd and Cosbond International Trading, a distributor group in the personal care market in China. Cosbond contributed € 16.8 million to the Group's revenue, € 3.2 million of gross profit, € 1.4 million of Operating EBITA and a positive € 1.4 million to the Group's net result.

On 1 July 2020, Azelis acquired the distribution activities of PT Primaditha Jaya Mandiri in Indonesia. They are specialized in import and distribution of food ingredients for processed meat, beverage and other food segments. This acquisition meets the definition of a business combination. Primaditha contributed € 1.4 million to the Group's revenue, € 0.3 million of gross profit, € 0.2 million of Operating EBITA and a positive € 0.2 million to the Group's net result.

On 31 July 2020, Azelis acquired 100% of the shares of the Orokia Israel Ltd, a specialty chemical distributor in Israel. Orokia contributed € 2.5 million to the Group's revenue, € 0.9 million of gross profit, € 0.2 million of Operating EBITA and a positive € 0.1 million to the Group's net result.

On 1 December 2020, Azelis acquired 100% of the shares of Bronson & Jacobs Limited and Bronson & Jacobs International Trading, a distributor in the personal care market in China. Bronson & Jacobs contributed € 1.4 million to the Group's revenue, € 0.3 million of gross profit, € 0.1 million of Operating EBITA.

2020	Megafarma, S.A. de C.V.	Zhaveri	Primaditha	Cosbond	Orkila Group	Orokia Israel Ltd.	Bronson & Jacobs	Total
(in thousands of €)								
Assets acquired and liabilities assumed								
Distribution rights	11,738	3,911	-	7,306	2,281	2,484	-	27,720
Other intangible assets	-	-	2,616	0		-	-	2,616
Property, plant and equipment	89	4	85	40	1,357	66	64	1,705
Deferred tax assets	222	95	-	-	-	6	280	604
Inventories	4,185	596	323	4,419	11,913	571	1,217	23,224
Trade and other receivables	6,607	2,983	-	12,725	17,102	2,256	3,108	44,780
Cash and cash equivalents	1,541	-	-	1,383	4,220	1,057	2,847	11,048
Loans and borrowings current	-1,230	-	-	-	-	-	-	-1,230
Deferred tax liabilities	-3,521	-	-	-1,616	-535	-540	-	-6,212
Trade and other payables	-6,037	-1,436	-	-10,789	-14,478	-642	-1,728	-35,110
Loans and borrowings	-	-	-	-	-15,996	-	-	-15,996
Provisions	-	-	-	-	-1,275	-	-	-1,275
Total fair value identified assets acquired and liabilities assumed	***13,593***	***6,154***	***3,024***	***13,469***	***4,589***	***5,258***	***5,788***	***51,960***
Consideration transferred	26,472	12,051	3,024	20,057	30,532	6,581	6,614	105,331
Goodwill	***12,880***	***5,898***	***-***	***6,588***	***25,943***	***1,323***	***826***	***53,456***

No indemnification assets or contingent liabilities had to be recognized in the business combinations. The fair values of the acquired net assets, based on a provisional assessment, are summarized in the table above. The considerations are paid for in cash or as deferred payments for earn out, this contingent consideration amounts to € 4.8 million . Acquisitions are accounted for using the acquisition method. Goodwill represents the excess of acquisition cost over the fair values of identified acquired assets and liabilities, and mainly represents the business knowledge and the qualified staff. The amortization of goodwill is not tax deductible. The trademark and the distribution rights have been valued based upon the expected return being generated through our strategic mandates. In the line Trade and other receivables an amount of € 6.7 million is included for expected credit loss provisions. Certain transactions relating to key employees' compensation plans are considered as separate transactions and are not included in the business combination accounting in accordance with IFRS 3. In 2020, an amount of € 0.8 million has been directly recognised in profit or loss.

If the above share acquisitions would have occurred at the start of 2020, management estimates that the consolidated revenue would have been € 2.258 million, the consolidated EBITA would have been € 193 million and the consolidated result for the year would have been € 71 million.

During 2020, the Group incurred acquisition-related expenses of € 7.1 million (2019: € 3.4 million) in total in connection with the costs of external advisors, due diligence and fees paid to the institutions involved. These one-off costs are recognized in the consolidated income statement under the line external services.

2019	Deafarma S.r.l.	Euroconsultant Sp.z.o.o	Chemroy Canada Holdings Inc.	Ekin Kimya Ticaret S.A.	MK ingredients	Total
(in thousands of €)						
Assets acquired and liabilities assumed						
Distribution rights	5,380	7,286	36,187	8,515	3,341	60,709
Other intangible assets	1	-	-	34	-	35
Property, plant and equipment	75	4	295	120	10	504
Deferred tax assets	68	-	-	-	-	68
Inventories	149	431	9,005	5,418	1,171	16,174
Trade and other receivables	2,348	418	14,085	8,237	1,005	26,093
Cash and cash equivalents	3,027	362	218	5,152	-	8,759
Deferred tax liabilities	-1,532	-1,384	-9,392	-1,866	-901	-15,075
Trade and other payables	-3,321	-761	-6,241	-5,661	-652	-16,636
Loans and borrowings	-27	-	-10,203	-	-	-10,230
Employee benefit	-168					-168
Total fair value identified assets acquired and liabilities assumed	***6,000***	***6,356***	***33,955***	***19,949***	***3,975***	***70,235***
Consideration transferred	10,461	9,786	75,477	46,084	5,394	147,201
Goodwill	***4,461***	***3,430***	***41,521***	***26,135***	***1,419***	***76,966***

During the financial year 2019 the Group acquired the below entities :

On 6 February 2019, Azelis acquired 100% of the shares of Deafarma S.r.l. (Deafarma), an Italian distributor of active pharmaceutical ingredients. Deafarma contributed € 14 million to the Group's revenue, € 2.5 million of gross profit, € 1.6 million of Operating EBITA and a positive € 0.9 million to the Group's net result.

On 28 February 2019, Azelis acquired the distribution activities of MK Ingredient & Specialties and SSD Industries in India (MK). This acquisition meets the definition of a business combination. MK contributed € 6.4 million to the Group's revenue, € 1.3 million of gross profit, € 0.8 million of Operating EBITA and a positive € 0.8 million to the Group's net result.

On 7 March 2019, Azelis acquired 100% of the shares of Chemroy Canada Holdings Inc. through the acquisition of all shares and so acquired indirectly 100% of the shares of Chemroy Canada Inc. Chemroy is a Canadian specialty chemical distributor, predominantly active in the Case, Food and Nutraceutical segments. Chemroy contributed € 69.8 million to the Group's revenue, € 13.6 million of gross profit, € 8.3 million of Operating EBITA and a positive € 4.6 million to the Group's net result.

On 28 March 2019, Azelis acquired 100% of the shares of Euroconsultant S.C. (Euroconsultant). Euroconsultant is a Polish distributor of smoke condensates and flavours, predominantly for the meat market. After gaining control, Euroconsultant contributed € 3.4 million to the Group's revenue. € 1.0 million of gross profit, € 0.6 million of Operating EBITA and a positive € 0.2 million to the Group's net result.

On 16 December 2019, Azelis acquired 100% of the shares of Ekin Kimya Ticaret (Ekin). Ekin is a Turkish specialty chemical distributor of pharma chemicals.

No indemnification assets or contingent liabilities had to be recognized in the business combinations. The fair values of the acquired net assets are summarized in the table above. The considerations are paid for in cash or as deferred payments for earn out. Acquisitions are accounted for using the acquisition method. Goodwill represents the excess of acquisition cost over the fair values of identified acquired assets and liabilities, and mainly represents the business knowledge and the qualified staff. The amortization of goodwill is not tax deductible. The trademark and the distribution rights have been valued based upon the expected return being generated through our strategic mandates.

If the above share acquisitions would have occurred at the start of 2019, management estimates that the consolidated revenue would have been € 2.159 million, the consolidated EBITA would have been € 178 million and the consolidated result for the year would have been € 53.2 million.

8. Revenue

	2020	2019
(in thousands of €)		
Revenue from sales, net of discounts	2,213,601	2,087,750
Revenue from commercial services	2,496	2,055
	2,216,097	***2,089,806***
Commissions received	6,800	5,203
	2,222,896	***2,095,009***

In the operating segments reporting (note 6), the classification on Revenue is as follows: Commission income and services recharged to customers that are directly related to the revenue are shown as Revenue in Note 6. In the IFRS statements this is part of Note 9, Other operating income for an amount of € 8.5 million.

9. Other Operating Income

(in thousands of €)	2020	2019
Recharge of expenses to customers	8,551	6,000
Other operating income	1,917	4,342
	10,468	***10,342***

The other operating income 2019 includes a one-off insurance income of € 2.5 million.

10. Costs for goods and consumables

(in thousands of €)	2020	2019
Purchase of goods including movement in inventory	1,711,602	1,629,363
Freight and additional charges on purchases	35,683	31,283
	1,747,285	***1,660,646***

11. Employee benefits

11.1. Expenses

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

(in thousands of €)	2020	2019
Wages and salaries and other personnel related expenses	161,317	141,219
Social charges	19,852	19,788
	181,169	***161,007***

The average number of employees located in the geographical areas is set out below:

	2020	2019
EMEA	1,391	1,123
Americas	613	574
Asia Pacific	426	365
	2,430	***2,062***

11.2. Defined obligation benefit schemes

The Group is subject to the following defined benefit obligations:

	2020	2019
(in thousands of €)		
German companies	856	855
Belgian companies	6,706	5,942
French companies	1,244	1,290
Italian companies	1,740	1,666
Total present value of unfunded obligations	***10,546***	***9,753***
Present value of funded obligations (Azelis UK)	9,107	8,592
Total present value of obligations	***19,653***	***18,345***
Fair value of plan assets	-12,839	-12,184
Recognised liability for defined benefit obligations	***6,814***	***6,161***
Liability for long-service leave and other employees benefits	870	633
Total employee benefits recognised in the balance sheet	***7,684***	***6,794***

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

Both defined benefit plans and defined contribution plans are in place. Charges for defined contribution schemes amount to € 2.4 million (€ 1.7 million in 2019) in the year included in 'Wages and salaries and other personnel related expenses'.

Belgium Pension plans

There are four pension plans in place in Belgium which are all legally structured as defined contribution plans.

Because of the Belgian legislation applicable to 2nd pillar pension plans (so-called "Law Vandenbroucke"), all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans. Law Vandenbroucke states that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions.

This law was amended as follows:

- The employer must continue to guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions made until 31st December 2015;
- As from 2016 the employer must guarantee a minimum return ranging between 1.75% and 3.75% for all contributions, depending on the development of the average interest on OLO 10 years over a period of 24 months. The current guaranteed minimum return is 1.75%.

Because of this minimum guaranteed return for defined contribution plans in Belgium, the employer is exposed to a financial risk (there is a legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods). These plans should therefore be classified and accounted for as defined benefit plans under IAS 19.

Actuarial calculations have been made per 31st December 2020 and these were recognized in the balance sheet. For information, some key figures related to the plans are given below:

- Employer's contributions in the financial year: € 0.5 million (€ 0.5 million in 2019)
- Amount of the plan assets at 31st December 2020: € 6.4 million (€ 5.7 million in 2019)

United Kingdom

In the UK, the defined benefit pension plan is financed through the accumulation of plan assets held separately from those of the Company in an independently administered fund.

Actuarial calculations have been made per 31st December 2020 and these were recognized in the balance sheet. The duration of Scheme obligations at 31 December 2020 is 20 years; plan assets are primarily invested in equity instruments. For information, some key figures related to the plans are given below:

- Employer's contributions in the financial year: € 0.3 million (€ 0.2 million in 2019)
- Amount of the plan assets at 31st December 2020 : € 6.5 million (€ 6.4 million in 2019).

Actuarial assumptions

The actuarial calculations of the present value of defined benefit obligations were based on the following main assumptions:

	2020	2019
Discount rate	0.3%-1.5%	0.4% - 2.1%
Inflation	5%	5%
Future pensions increases	2.5% - 2.9%	2.0 %- 2.5%
Future salary increases	0% - 2.4%	0 %- 2.5%

In the event that the discount rate were to be raised or lowered by 0.5% in the context of a sensitivity analysis, the obligation ensuring from the defined benefit plan would amount to € 19.7 million or € 21.6 million, respectively.

The benefits paid are mainly related to France, Italy and UK. The 2021 benefits to be paid are expected to be in line with the 2020 benefits.

The following table shows the changes in the present value of the defined benefit obligations:

(in thousands of €)	2020	2019
Liability for defined benefit obligations at the beginning of period	**18,333**	**15,651**
Current service costs and interest	1,001	911
Benefits paid	-360	-1,711
Remeasurement arising from changes in demographic assumptions	72	1,235
Remeasurement arising from changes in financial assumptions	1,144	1,841
Remeasurement arising from experience	-84	-127
Business combination	-	166
Exchange rate differences	-446	367
Liability for defined benefit obligations at 31 December	***19,660***	***18,333***

The following table shows the changes in the plan assets.

(in thousands of €)	2020	2019
Fair value of plan assets at the beginning of the period	**12,184**	**10,791**
Contributions paid into the plan	902	252
Benefits paid by the plan	-115	-954
Expected return on plan assets	173	173
Return on assets excluding amounts in net interests	41	1,601
Exchange rate differences	-347	321
Fair value of plan assets at 31 December	***12,838***	***12,184***

At year-end, the plan assets consisted mainly of equity instruments.

The net periodic cost for defined benefit obligations recognized in the income statement is shown in the following table:

(in thousands of €)	2020	2019
Current service costs	-735	-594
Interest on obligation	-46	-318
Interest on assets	173	173
	-608	***-739***

The changes in actuarial gains and losses from defined benefit obligations and plan assets recognized in other comprehensive income are shown in the following table:

(in thousands of €)	2020	2019
Return on assets, excluding amounts in net interests	41	1,601
Actuarial gains and losses on benefit obligations	-1,033	-2,995
	-992	**-1,394**

12. External services and other expenses

(in thousands of €)	2020	2019
Distribution	50,507	50,111
Utilities, communication, insurance and administrative expenses	21,911	27,334
Commercial expenses	2,882	5,011
Professional service fees	19,210	13,304
Lease expenses	1,885	2,264
Other expenses	10,390	11,037
	106,785	***109,061***

The professional services & other expenses of 2020 include one-off expenses of € 7.7 million, mainly related to costs with regard to our M&A-activities (for 2019 : € 3.4 million, also mainly M&A-related).

Audit fees included under professional service fees in the above table :

(in thousands of €)	2020	2019
Audit Fees :		
Total fees for the audit of the annual accounts	1,249	1,165
Total fees for audit by non-PWC companies	205	142
Non Audit fees paid to group auditor network :		
Total fees for other non-audit services	24	78
	1,478	***1,385***

13. Net financial expenses

(in thousands of €)	2020	2019
Financial income		
Interest income	871	501
Other financial income	4,021	181
	4,892	***682***
Financial expenses		
Interest expense on bank loans and overdrafts	-55,692	-57,202
Interest lease commitments	-2,694	-2,202
Transaction costs for bank loans	-3,992	-3,904
Gains on changes in fair value of derivatives	-162	88
Foreign exchange losses	-5,053	-3,283
Other financial expenses	-5,412	-4,879
	-73,004	***-71,382***

Transaction costs for bank loans includes the non-cash impact of expensing capitalized transaction costs, as a consequence of the changes in loans and borrowings (note 22).

The foreign exchange losses include for the majority unrealized translation of intercompany loans, mainly with regard to non-EUR nominated loans to subsidiaries.

Other financial expenses relate to other bank fees and factoring fees.

14. Income taxes

14.1. Income tax expense

I. Income tax expenses in consolidated income statement

The income tax expenses consist of:

	2020	2019
(in thousands of €)		
Current period tax expense (-) / income	-33,107	-29,210
Adjustments to prior years income tax expense (-) / income	-797	-815
Provisions for tax risks	-962	432
	-34,866	***-29,593***
Deferred tax income / loss (-)	26,791	19,340
Total income tax income / expense (-)	***-8,075***	***-10,253***

Income tax expense consists primarily of income taxes for the current period and prior period of Group companies.

The differences between the taxable income related to the Luxembourg tax rate 24.94 % (2019 tax rate : 24.94%) and the effective tax rate are reconciled as follows:

	2020	2019
(in thousands of €)		
Profit/loss (-) before tax	79,086	58,230
Income tax using the domestic corporation tax rate (24,94%)	-19,724	-14,505
Impact of tax in different jurisdictions with difference to domestic rate	2,014	-2,111
Tax effect of expenses not deductible for tax purposes	-2,893	-1,985
Tax effect of income not subject to tax	195	74
Recognition of previously unrecognised tax losses	123	859
Tax losses for which no deferred income tax asset was recognized	-10,436	-4,551
Reversal Deferred tax liabilities on intangibles	75,000	-
Adjustments on applicable tax rate	-	1,028
Deferred tax asset on stand-alone carry forward losses	-53,753	10,420
Other	1,399	517
Total income tax income / expense (-) in income statement	***-8,075***	***-10,253***

Income tax expenses in Consolidated Statement of Other Comprehensive Income

The tax included in other comprehensive income is related to:

	2020	2019
(in thousands of €)		
Relating to actuarial gains and losses on pensions obligations	167	178
	167	***178***

14.2. Deferred taxes

Deferred tax assets and liabilities are attributable to the following:

2020	1 January	Business combinations	Income statement	OCI	Other	Translation differences	31 December
(in thousands of €)							
Property, plant and equipment	**702**	-	-413	-	15	-88	**216**
Intangible assets	**-197,293**	-6,390	82,284	-	664	5,024	**-115,711**
Inventories	**2,787**	450	-327	-	61	-163	**2,809**
Trade receivables	**483**	358	300	-	37	-83	**1,095**
Loans and borrowings	**3**	-	-	-	-	-5	**-1**
Employee benefits	**1,240**	-	385	15	-100	-28	**1,512**
Provisions, derivatives and other items	**123**	-	394	-	6	127	**650**
Untaxed reserves	**6,684**	-	-1,584	-	-3	-748	**4,348**
Tax value of loss carry-forwards	**55,432**	134	-54,289	-	-73	304	**1,508**
	-129,837	***-5,448***	***26,749***	***15***	***607***	***4,340***	***-103,574***
Deferred Tax liability	**-135,154**						**-109,993**
Deferred Tax assets	**5,317**						**6,419**
	-129,837						***-103,574***

As part of the alignment with Azelis' corporate structure, the Group has decided to move the intellectual property (IP) from Luxembourg to Antwerp (Belgium) in the course of 2020. The tax consequences are reflected in the 2020 tax position. The related deferred tax liability on the IP of € 75 million has been released via the income statement. After this transaction, the uncertainty on the recoverability of the carry forward losses in Luxembourg has increased, therefore we lowered the tax value of the carry forward losses accordingly.

2019	1 January	Business combinations	Income statement	OCI	Other	Translation differences	31 December
(in thousands of €)							
Property, plant and equipment	**-700**	-13	155	-	1,270	-10	**702**
Intangible assets	**-187,788**	-15,288	8,068	-	-977	-1,309	**-197,293**
Inventories	**2,788**	160	-82	-	-66	-13	**2,787**
Trade receivables	**433**	27	28	-	-3	-1	**483**
Employee benefits	**996**	7	225	142	160	-290	**1,240**
Provisions, derivatives and other items	**-30**	37	140	-	37	-61	**123**
Untaxed reserves	**4,452**	-	2,157	-	-	76	**6,684**
Tax value of loss carry-forwards	**47,064**	101	8,650	-	-265	-118	**55,432**
	-132,785	***-14,968***	***19,340***	***142***	***160***	***-1,727***	***-129,837***
Deferred Tax liability	**-137,243**						**-135,154**
Deferred Tax assets	**4,458**						**5,317**
	-132,785						***-129,837***

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible for the Group companies, management believes it is probable that the Group will realize the benefits of these deductible differences.

Deferred tax assets and liabilities are expected to be recovered or settled over time as follows :

	Deferred tax assets	Deferred tax liabilities
(in thousands of €)		
To be recovered after more then 12 months	5,131	108,670
To be recovered within 12 months	1,288	1,323
	6,419	***109,993***

14.3. Unrecognized deferred income tax assets

The following deferred tax assets related to compensable losses of Group companies acquired have not been recognized :

	2020		2019	
(in thousands of €)	Gross	Tax	Gross	Tax
Tax losses	277,476	69,203	46,184	12,012
	277,476	**69,203**	**46,184**	**12,012**

Unrecognized carry forward losses of € 124.2 million (for 2019 : € 17.8 million) can be used unlimited in time and € 148.9 million (for 2019 :€ 28.4 million for period 2020-2034) need to be used during the period 2021-2037.

No deferred tax assets have been recognized on these carry forward losses, due to the fact that they do not meet the recognition criteria to recognize a deferred tax asset, as currently the timing of realization is unsure.

The Group may have unrecognized tax liabilities in respect of taxable temporary differences relating to non-distributed reserves of one of its subsidiaries that would be taxed when distributed. No deferred tax liability has been recognized because the Group controls whether the liability will be incurred and management is satisfied that the liability will not be incurred in the foreseeable future.

15. Intangible assets

	Goodwill	Trade-marks	Distribution rights	Concessions and licenses	Develop-ment cost	Customer lists	Other	Intangibles in progress	Total
	1,263,686	**317,378**	**469,373**	**1,539**	**362**	**39**	**2,105**	**5,616**	**2,060,098**
Changes in 2019									
Business combination	**76,966**	**-**	**60,709**	**-**	**-**	**-**	**58**	**-**	**137,734**
Additions	**-**	**-**	**759**	**10**	**-**	**507**	**4,554**	**1,352**	**7,182**
Amortisation	**-**	**-**	**-26,432**	**-729**	**-86**	**-168**	**-867**	**-2,476**	**-30,758**
Impairment charge									**-**
Disposals									**-**
Reclassifications	**-3**	**-**	**-1**	**16**	**-1**	**1**	**11**	**-32**	**-9**
Translation differences	**16,587**	**-**	**6,442**	**-0**	**-**	**73**	**3**	**-0**	**23,105**
Changes in the Period	***93,551***	**-**	***41,477***	***-704***	***-87***	***413***	***3,759***	***-1,157***	***137,253***
At 31 December 2019									
Cost	1,357,237	317,378	540,797	1,707	399	621	6,816	7,565	**2,232,520**
Accumulated amortization and impairment	-	-	-29,947	-872	-125	-168	-951	-3,106	**-35,169**
	1,357,237	***317,378***	***510,850***	***835***	***275***	***453***	***5,865***	***4,459***	***2,197,351***
Changes in 2020									
Business combination	53,087	-	27,597	-	3	2,616	73	-	**83,377**
Additions	200	-	369	18	3	303	4,205	50	**5,148**
Amortisation	0	-	-28,591	-2,909	-87	-321	-1,318	-0	**-33,225**
Reclassifications	-1,987	-	1,231	4,592	5,789	590	-4,391	-4,352	**1,473**
Translation differences	-62,600	-	-23,859	-122	-0	-159	-73	-13	**-86,826**
Changes in the Period	***-11,299***	**-**	***-23,253***	***1,579***	***5,709***	***3,029***	***-1,504***	***-4,315***	***-30,054***
At 31 December 2020									
Cost	1,345,938	317,378	546,136	6,194	6,195	3,971	6,630	3,250	**2,235,692**
Accumulated amortization and impairment	0	-	-58,539	-3,781	-211	-489	-2,269	-3,106	**-68,394**
	1,345,938	***317,378***	***487,597***	***2,414***	***5,984***	***3,482***	***4,361***	***144***	***2,167,297***

The other intangibles include development costs and customer lists - see note 7 for the acquired businesses in the period.

The translation differences of € -86.9 million (2019: € 23.1 million) are recognised in other comprehensive income and accumulated in the translation reserve within equity. Reference is made to Paragraph 21.4.

15.1. Allocation of assets for impairment testing

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

	2020	2019
(in thousands of €)		
APAC	217,926	213,588
EMEA	585,234	569,760
AMERICAS	542,778	573,889
Total Goodwill	***1,345,938***	***1,357,237***

All goodwill acquired in the business combinations has been allocated to a cash-generating unit at the end of the reporting period. The goodwill has been allocated to the cash-generating unit based upon the percentage of headroom before goodwill allocation.

Trademarks with a book value of € 317.4 million (2019: € 317.4 million) have an indefinite life. The impairment test on the recoverable amount show sufficient headroom over the carrying amounts of its indefinitely lived intangible assets.

15.2. Impairment assessment

A cash-generating unit (CGU) represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

The impairment tests have been determined by discounting future cash flows from continuing operations of the unit. The recoverable amount of the cash-generating unit as at 31st December 2020, has been determined based on a value in use calculation using cash flow projections from a five year detailed business plan which is approved by senior management and serves as a basis to determine the future free cash flows and the Operating EBITA's. The business plan is based on the market growth assumptions and on some general economic indicators (inflation, GDP, etc.). It also properly reflects the future strategy of the CGU.

The WACC is estimated per CGU and varies mainly due to differences in risk free rates. The risk-free rates per CGU are based on the weighted average of the rate of return on local sovereign bonds. The terminal growth rates are assessed versus industry benchmarks by region.

The WACC and growth rates, part of the terminal value used per CGU are as follows:

Cash Generating Unit	2020		2021-2025 assumptions	
	WACC	Growth rate for terminal value	Sales Growth	Margin % Growth
APAC	9.49%	6%	11.6%	0.35%
EMEA	6.46%	2%	3.5%	0.10%
AMERICAS	7.16%	2%	4.0%	0.42%

	2019		2020-2024 assumptions	
	WACC	Growth rate for terminal value	Sales Growth	Margin % Growth
APAC	8.94%	6%	9.8%	0.80%
EMEA	8.07%	2%	3.9%	0.76%
AMERICAS	7.52%	2%	5.3%	0.54%

The impairment test on the recoverable amount of afore mentioned CGU show sufficient headroom on the carrying amount of the Goodwill.

Sensitivity to changes in assumptions

EMEA

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growth rate in the terminal value with 1%, the CGU shows sufficient headroom on the carrying amount of the Goodwill.

If we would lower the Sales growth in the assumptions used for the period 2021-2025 with an average of 1% or if we would lower the margin % by 1%, there is still sufficient headroom on the carrying amount of the Goodwill.

AMERICAS

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growth rate in the terminal value with 1%, the CGU shows sufficient headroom on the carrying amount of the Goodwill.

If we would lower the Sales growth in the assumptions used for the period 2021-2025 with an average of 1% or if we would lower the margin % by 1%, there is still sufficient headroom on the carrying amount of the Goodwill.

APAC

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growth rate in the terminal value with 1%, the CGU shows sufficient headroom on the carrying amount of the Goodwill.

If we would lower the Sales growth in the assumptions used for the period 2021-2025 with an average of 1% or if we would lower the margin % by 1%, there is still sufficient headroom on the carrying amount of the Goodwill.

Overall

Whilst testing the sensitivity of the carrying amount based on (a) an increased WACC with 1%, and (b) a decreased growth rate in the terminal value with 1%, no impairment loss would have to be recognized on the other intangibles assets and trademark.

If we would lower the Sales growth in the overall assumptions used for the period 2021-2025 with an average of 1% or if we would lower the margin % by 1%, there is no indicator for any impairment on the other intangible assets and trademark.

16. Property, plant and equipment - Right of use assets

16.1 Property, Plant and Equipment

	Land and buildings	Plant and equipment	Other	Total
	18,988	**3,679**	**5,116**	**27,784**
Changes in 2019				
Acquisitions of business	-	332	172	**504**
Additions	1,300	2,440	2,443	**6,182**
Depreciation	-818	-912	-1,874	**-3,603**
Impairment charge				**-**
Disposals	-949	-32	-254	**-1,235**
Reclassifications	-	1	395	**396**
Translation differences	72	41	77	**190**
Changes in the Period	***-395***	***1,870***	***960***	***2,435***
At 31 December 2019				
Cost	19,583	6,677	8,338	34,599
Accumulated depreciation and impairment	-990	-1,128	-2,262	-4,380
	18,594	***5,549***	***6,076***	***30,219***
Changes in 2020				
Acquisitions of business	248	72	1,295	**1,615**
Additions	1,125	1,277	5,507	**7,909**
Depreciation	-778	-961	-1,939	**-3,678**
Disposals	-1,205	-118	-327	**-1,650**
Reclassifications			-1,473	**-1,473**
Translation differences	-139	-122	-377	**-638**
Changes in the Period	***-749***	***149***	***2,686***	***2,085***
At 31 December 2020				
Cost	19,612	7,787	12,963	40,362
Accumulated depreciation and impairment	-1,767	-2,089	-4,201	-8,057
	17,845	***5,698***	***8,762***	***32,304***

The reclassification relates mainly to internal project costs which are recognized at year-end as intangibles.

Other mainly relate to assets under construction and leasehold improvements.

Security

At 31st December 2020, the Group pledged land and buildings, plant and equipment as security for the bank loans with a book value of € 32 million (2019: € 30 million). Other restrictions are mainly related to leasehold improvements and leased machinery.

16.2 Right of Use assets

The Right of Use assets are included starting 1 January 2019, following the implementation of IFRS 16 as per that date, and relate to rental agreements for offices, warehouses and cars.

	Land and buildings	Other	Total
Changes in 2019			
Opening balances	36,480	8,054	**44,534**
Acquisitions of business	385	20	**404**
Additions	5,065	4,432	**9,496**
Depreciation	-7,720	-3,699	**-11,418**
Disposals	-24	-131	**-155**
Remeasurements	1,114	60	**1,174**
Translation differences	269	21	**290**
Changes in the Period	***35,569***	***8,756***	***44,325***
At 31 December 2019			
Cost	43,288	12,455	**55,743**
Accumulated depreciation and impairment	-7,720	-3,699	**-11,418**
	35,569	***8,756***	***44,325***
Changes in 2020			
Acquisitions of business	-	42	**42**
Additions	11,735	5,608	**17,343**
Depreciation	-9,456	-4,652	**-14,108**
Disposals	-0	-333	**-333**
Remeasurements	10,227	484	**10,711**
Translation differences	-2,023	-301	**-2,324**
Changes in the Period	***10,483***	***848***	***11,332***
At 31 December 2020			
Cost	63,227	17,956	**81,183**
Accumulated depreciation and impairment	-17,175	-8,351	**-25,526**
	46,052	***9,605***	***55,657***

Remeasurements mainly relate to the prolongation of the lease period of existing contracts and to the change of the IBR to 4.4% (during 2019 the rate applied was 5%)

17. Investments in associates

The summary of available aggregated figures of the associates, being a 50% investment in Chemlog S.A.S (see note 26.4) is:

	Assets	Liabilities	Equity	Revenue	Net result for the period
(in thousands of €)					
31 December 2020	647	297	350		
31 December 2019	647	297	350	1,569	74

18. Inventories

Inventories usages is recorded in the cost of goods sold in the consolidated income statement.

In 2020 a write down on inventory of € 4.9 million (2019: € 1.2 million) is included in the 'cost of goods and consumables' in the income statement. This write down is based upon the Group accounting policies under IFRS.

19. Trade and other receivables

	2020	2019
(in thousands of €)		
Trade receivables	218,721	198,885
Other receivables	39,912	29,967
	258,632	***228,852***

See note 4 for ageing and allowance of these receivables. Other receivables relate mainly to prepayments.

20. Cash and cash equivalents and bank overdrafts

	2020	2019
(in thousands of €)		
Bank balances and cash on hand	163,255	102,575
Bank overdrafts (-)	-23,560	-15,959
Cash and cash equivalents (net) in the cash flow statement	***139,695***	***86,616***

Interest rates payable for bank overdrafts used have a variable interest rate based on Euribor plus a margin. The cash and cash equivalents are at free disposal of the Group.

21. Capital and reserves and liability to shareholders

As per Luxembourg regulations and articles of incorporation of the Company, the Company has to allocate to legal reserve a minimum of 5% of the standalone net profit, if any and until such reserve reaches 10% of the share capital, distribution of the legal reserve is restricted. As 31 December 2020, the legal reserve amounts to € nil (2019: € nil).

21.1. Earnings per share

	2020	2019
Net Group profit/loss (-) attributable to shareholders *(in thousands of €)*	70,962	47,973
Average number of shares (in thousand shares)	1,175,057	1,175,057
Earnings per share	***0.06***	***0.04***

The average number of shares are calculated as:

	2020	2019
(in thousands)		
Ordinary shares issued (entitled to dividend) as at 1 January	1,175,057	1,175,057
Weighted effect of new ordinary shares issued	0	0
Average number of shares	***1,175,057***	***1,175,057***

No dilution effects will occur. The diluted earnings per share are equal to the ordinary earnings per share.

21.2. Share capital

No shares were issues during 2020. At 31 December 2020 and 2019, the fully paid subscribed share capital of € 11.8 million is divided into 1.175.058 thousand shares with a nominal value of € 0,01 each.

21.3. Share premium

The share premium consists of additional paid-in capital exceeding the par value of the outstanding shares. At 31st December 2020 the share premium amounts to € 1.189 million (2019: € 1.184 million).

A capital contribution was made by the sole shareholder for the amount of € 5.6 million.

21.4. Translation reserve

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income and accumulated in the translation reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

22. Loans and borrowings

The Group's debt finance consists mainly of the following finance instruments:

2020	Interest rate	Duration	Notional amounts	Carrying amounts
(in thousands of €)				
First lien €	3.25%	2018-2025	710,000	698,129
First lien GBP	4.26%	2018-2025	227,083	223,660
Second lien €	7.00%	2018-2026	135,000	132,217
Second lien CAD	7.78%	2018-2026	92,806	90,864
Revolving Credit Facility	2.75%	2018-2024	-	-
Other bank loans	2.00%	2018-2021	41,201	41,201
Interest accruals	0.00%	0	24,752	24,752
			1,230,842	***1,210,824***
Non-current borrowings and loans			1,164,889	1,144,871
Current borrowings and loans			65,953	65,953
			1,230,842	***1,210,824***

2019	Interest rate	Duration	Notional amounts	Carrying amounts
(in thousands of €)				
First lien €	3.75%	2018-2025	635,000	621,151
First lien GBP	4.82%	2018-2025	239,948	235,954
Second lien €	7.00%	2018-2026	135,000	131,754
Second lien CAD	9.01%	2018-2026	99,386	97,121
Revolving Credit Facility	3.00%	2018-2024	-	-
Other bank loans	2.00%	2018-2020	37,890	37,890
Interest accruals	0.00%	0.00%	26,980	26,980
			1,174,204	***1,150,850***
Non-current borrowings and loans			1,109,334	1,085,980
Current borrowings and loans			64,870	64,870
			1,174,204	***1,150,850***

22.1. Changes in loans and borrowings

22.1a Loans and borrowings

(in thousands of €)	2020	2019
At 1 January	**1,150,850**	**998,802**
Cash flows from loans and borrowings	78,311	109,650
Capitalized transactions cost amortized	3,336	-3,901
Changes in interest accruals	-2,228	26,980
Currency translation differences	-19,452	19,319
At 31 December	***1,210,817***	***1,150,850***
Short term loans and borrowings	65,725	64,057
Long term loans and borrowings	1,145,092	1,086,792
At 31 December	***1,210,817***	***1,150,850***

22.1b Lease liabilities

(in thousands of €)	2020	2019
At 1 January	**45,516**	**-**
Recognition adoption of IFRS 16	-	44,313
New contracts	17,083	9,901
Remeasurements	10,509	3,232
Cash out	-12,643	-12,240
Currency translation differences	-2,407	311
At 31 December	***58,058***	***45,516***
Short term loans and borrowings	12,351	10,504
Long term loans and borrowings	45,708	35,013
At 31 December	***58,058***	***45,517***

The incremental borrowing rate has been adjusted from 5% to 4.4% in October 2020 for new contracts.

22.2. Other facilities

In addition to cash balances, as of 31st December 2020, the Group maintained the following lines of credit:

- € 69.9 million (2019: € 72.9 million) uncommitted local credit facility, that concerns local credit lines given by local banks and can be revoked as any standard bank credit line. Interest would be payable at the maximum rate of EURIBOR plus 3.00%. Per 31st December 2020, € 41 million (2019: € 36 million) was utilized.

- € 100 million total committed ancillary facility, of which € 0 million (2019: € 0 million) has been utilized. Therefore, per 31st December 2020, € 100 million (2019: € 100 million) committed ancillary facility was unused. Interest would be payable at the maximum rate of EURIBOR plus 2.75%.

22.3. Covenants

The credit agreements of Azelis Holding S.à r.l. and its subsidiaries contain a single financial maintenance covenant, being the Consolidated Senior Secured Net Leverage Ratio, which needs to be less than 9.0 to 1.0 and is tested quarterly solely when the revolving credit facility utilization (minus cash and cash equivalents) exceeds 40%. As this utilization per 31 December 2020 was below 0% (i.e. -140%), it was not required to test the financial covenant per that date.

Calculations per 31st December 2020:

- Consolidated Secured Net Leverage Ratio: 4.1 to 1.0 (2019: 4.6 to 1.0).
- Revolving Credit Facility Utilization (minus cash and cash equivalents): -140% (2019: -87%).

As at 31st December 2020, the Group complied with all financial covenants . The Group monitors the compliance with the covenants on the basis of the monthly reporting process.

23. Provisions

(in thousands of €)	Tax Claims	Other provisions	Total
At 1 January	**2,292**	**906**	**3,199**
Provisions made during the period	278	118	**396**
Provisions used during the period	-19	-124	**-143**
Provisions released during the period	-429	-49	**-478**
Translation differences	42	6	**48**
As 31 December 2019	***2,165***	***857***	***3,022***
Non-current	2,040	801	**2,841**
Current	125	56	**181**
(in thousands of €)	***2,165***	***857***	***3,022***
2020			
Business combination	578	325	**903**
Provisions made during the period	666	1,309	**1,975**
Provisions used during the period	-58	0	**-58**
Provisions released during the period	-418	-348	**-767**
Translation differences	-187	-27	**-214**
As 31 December	***2,745***	***2,115***	***4,860***
Non-current	1,962	1,252	**3,215**
Current	783	863	**1,646**
Total	***2,745***	***2,115***	***4,860***

The provisions relate to tax risks, administrative fines, labor and commercial matters concerning the past and current activities of the Group companies. The Group expects that the provisions will probably be released within five years. The other provisions relate to onerous contracts and environmental decommission liabilities and will be released within three years.

24. Trade and other payables

(in thousands of €)	2020	2019
Trade payables	236,969	227,588
Other taxes	15,916	6,030
Employee and social security payables	41,284	31,479
Derivatives	224	330
Other payables	14,078	10,991
	308,471	***276,419***

25. Capital commitments and contingencies

25.1. Legal and Tax contingencies

The Group has been constantly gearing up its structure for future growth. In order to support this growth the structure of the Group has been regularly improved by means of integrating acquired businesses, restructuring of legal entities and the continuous process of adapting the legal structure to economic reality, creation of a shared service center and creation of headquarters.

These continued structural improvements were made to the best efforts and considering to the maximum extent possible all legal and local tax matters. There are no tax and other contingencies per the end of December 2020 (for 2019: € 1.1 million were considered to be contingencies rather than obligations for which provisions should have been recognized).
The impact of implementing IFRIC 23 during 2020 and 2019 has not led to additional tax obligations.

The Group monitors closely the possible risks and potential implications.

26. Related parties

26.1. Identity of related parties

The Group has a related party relationship with certain of its subsidiaries, shareholders, managers, executive officers and associates. The Group has one insignificant Non-Controlling Interest, see Note 17.

26.2. Loans to or from related parties

As per 31 December 2020, there are no outstanding loans to or from related parties.

26.3. Key personnel remuneration

	2020	2019
(in thousands of €)		
Board members (non-executive)	281	319
Other members of key management personnel		
Fixed remuneration	2,104	2,022
Variable remuneration	3,490	2,352
	5,875	***4,693***

Post-employment benefits: Details of the transactions between the Group and its pension plans are disclosed in Note 11.

The Group's management has had and may in the future have the opportunity to co-invest via a so-called Management Participation Plan ("MPP"). These MPP investments do not take place directly into the Company itself but are invested into one of the ultimate parent entities of the Company. Management invests in ordinary shares and in preference shares, investing at own risk and account, and at the same (market) conditions as invested by any other shareholders (EQT, PSP).

The plans for ordinary shares qualify as equity settled under IFRS 2. These shares shall vest gradually over time, starting from the date the relevant management shareholder acquires title to the relevant ordinary shares, whereas all ordinary shares shall be deemed to have fully vested on an exit.
The preference shares are interest bearing. Related annual payment of interests is not mandatory, in which case the compounded interest is payable upon exit. The preference shares do not have vesting conditions, and as managers are acting purely as a shareholder, the plans for preference shares are considered out of scope of IFRS 2.
For both ordinary and preference shares, customary clauses apply for good and bad leavers.

The Company has no obligations of whatever nature towards Azelis' management in respect of this MPP. The offered (market) conditions are similar as offered to the other shareholders (EQT, PSP), meaning the grant-date fair value is nil. Therefore, no fair value adjustment is required, and no separate recognition takes place in the consolidated financial statements of the Company.

The fair value at grant date is determined using valuation principles that follow the International Private Equity and Venture Capital Valuation Guidelines, developed by AFIC, BVCA and EVCA (IPEV Guidelines), which were first launched 21 March 2005. The IPEV Guidelines are based on the overall principle of "fair value" in order to be consistent with IFRS and US GAAP. The Fair Value is the price at which an orderly transaction would take place between market participants at the reporting date.

26.4. Group entities

The following table lists the Group's subsidiaries:

Name	Country of incorporation	% of interest 2020	% of interest 2019
Consolidated companies in full :			
Azelis Holding S.à r.l.	**Luxembourg**	**Parent company**	**Parent company**
Direct Investments:			
Azelis Finance S.à r.l.	Luxembourg	100	100
Indirect Investments:			
Orkila Algérie spa	Algeria	100	0
Azelis Australia Pty Ltd	Australia	100	100
Chemcolour Industries Australia Pty Ltd	Australia	100	100
TimTechChem Australia Pty Ltd	Australia	100	100
Azelis Benelux N.V.	Belgium	100	100
Azelis Corporate Services N.V.	Belgium	100	100
Azelis Bulgaria EAD	Bulgaria	100	100
Azelis Canada Inc.	Canada	100	100
Azelis (Shanghai) Co. Ltd.	China	100	100
Azelis Hong Kong Ltd	China	100	100
Beijing CosBond Trading Co. Ltd	China	100	0
CosBond China Ltd	China	100	0
CosBond International Trading Co. Ltd	China	100	0
Bronson & Jacobs Internation Trading Co Ltd	China	100	0
Bronson & Jacobs Ltd	Hong Kong	100	0
Azelis Croatia D.O.O.	Croatia	100	100
Azelis CEE Holding A.S.	Czech Republic	100	100
Azelis Czech Republic S.R.O.	Czech Republic	100	100
Azelis Denmark A/S	Denmark	100	100
Orkila FZE	United Arabic Emirates	100	0
Orkila Egypt Chemicals SAE	Egypt	99	0
Orchem for Import and Export LLC	Egypt	49	0
Azelis Finland OY	Finland	100	100
Azelis France S.A.S	France	100	100
Azelis France Holding S.A.S	France	100	100

Name	Country of incorporation	% of interest 2020	% of interest 2019
Azelis Deutschland GmbH	Germany	100	100
Azelis Deutschland Holding GmbH	Germany	100	100
Azelis Deutschland Immobilien GmbH	Germany	100	100
Azelis Deutschland Kosmetik GmbH	Germany	90	90
Orkila Ghana Ltd	Ghana	100	0
Azelis Greece S.A.	Greece	100	100
Azelis Hungary Kft.	Hungary	100	100
Azelis India Private Ltd	India	100	100
PT Azelis Indonesia Distribusi	Indonesia	67	67
Azelis Ireland Ltd.	Ireland	100	100
Orokia Israel Ltd	Israel	100	0
Azelis Italia Logistica S.r.L	Italy	100	100
Azelis Italia S.r.L	Italy	100	100
Deafarma S.r.l.	Italy	100	100
Azelis Côte d'Ivoire S.A.	Ivory Coast	100	100
Orkila Cote d'Ivoire S.A.	Ivory Coast	100	0
Azelis Japan K.K.	Japan	100	100
Orkila Jordan LLC	Jordan	50	0
Orkila East Africa Ltd	Kenya	100	0
SammiChem Co. Ltd	Korea	100	100
Orkila Holding SAL	Lebanon	100	0
Orkila Lebanon SAL	Lebanon	100	0
Orkila International SAL Offshore	Lebanon	100	0
Antelope Topco S.C.A.	Luxembourg	100	100
Antelope GP S.à r.l.	Luxembourg	100	100
Azelis S.A.	Luxembourg	100	100
Azelis Malaysia Sdn Bhd	Malaysia	100	100
Megafarma S.A. de C.V.	Mexico	100	0
Azelis Morocco Sarl	Morocco	100	100
Orkila Invest SA	Morocco	100	0
Orkila Maroc SA	Morocco	100	0
Orkila Chemicals Ltd	Nigeria	100	0
Azelis Norway AS	Norway	100	100
Azelis New Zealand Ltd	New Zealand	100	100
Azelis Poland SP Z.o.o	Poland	100	100
Azelis Romania SRL	Romania	100	100

Name	Country of incorporation	% of interest 2020	% of interest 2019
Azelis Rus LLC	Russia	100	100
Orkila Senegal	Senegal	100	0
Azelis SRB d.o.o	Serbia	100	100
Azelis Singapore Pte. Ltd	Singapore	100	100
Azelis Slovakia S.R.O.	Slovakia	100	100
Orkila South Africa (Pty) Ltd	South Africa	100	0
Azelis España S.A.	Spain	100	100
Azelis Iberia Holding SL.	Spain	100	100
Azelis Espana Holding SL	Spain	100	100
Azelis Sweden AB	Sweden	100	100
Azelis Switzerland AG	Switzerland	100	100
Azelis Thailand Ltd	Thailand	100	100
Azelis Netherlands B.V.	The Netherlands	100	100
Azelis Tunisie Sarl	Tunesia	100	100
Orkila Tunisie Sarl	Tunesia	49	0
Azelis TR Kimya End. Ur.Ith.Ihr.Tic ve San A.S.	Turkey	100	100
Ekin Kimya Ticaret A.S.	Turkey	100	100
Azelis Ukraine LLC	Ukraine	100	100
Azelis UK Holdings Ltd.	United Kingdom	100	100
Azelis UK Life Sciences Ltd.	United Kingdom	100	100
Azelis UK Ltd.	United Kingdom	100	100
Azelis UK Finance Holding Ltd	United Kingdom	100	100
Azelis UK Finance Ltd	United Kingdom	100	100
S&D Chemicals Ltd.	United Kingdom	100	100
ADAPCO LLC	United States	100	100
Azelis Americas LLC	United States	100	100
Azelis US Holding Inc.	United States	100	100
Azelis Solutions USA LLC	United States	100	100
Dewolf Chemical LLC	United States	100	100
Glenn LLC	United States	100	100
P.T. Hutchins Company LLC	United States	100	100
Marcor Development LLC	United States	100	100
Monson Companies LLC	United States	100	100
Precision Control Technology LLC	United States	100	100
Azelis Americas Case LLC (formerly Ribelin LLC)	United States	100	100
Red River Specialties LLC	United States	100	100

Name	Country of incorporation	% of interest 2020	% of interest 2019
C.L. Zimmerman Co. of Delaware LLC	United States	100	100
Ross Organic Specialty Sales Inc.	United States	100	100
Azelis Vietnam Company Ltd	Vietnam	100	100
Companies consolidated at equity			
Indirect Investments			
Chemlog S.A.S.	France	50	50

27. Subsequent events

Part of the growth trajectory of Azelis is expansion through strategic acquisitions, complementary to the corporate strategy of organic growth. As per 31 December 2020 the following transactions were not closed, but will be closed (or are expected to close) in 2021.

On 16 December 2020, Azelis signed an agreement to acquire the distribution assets of the Indian companies Spectrum Chemicals and Nortons Exim Private Limited. The company is specialized in the distribution of specialty chemicals for the road sector, agrochemical applications , homecare, polymers and textile.

Azelis signed an agreement on 21 December 2020 to acquire 100% of the shares of CW Pacific, Elle Bee Exports, CW Pacific Specialties and EB1 Pty Ltd (“CW Pacific”) in Australia. CW Pacific specializes in the distribution of food ingredients for the bakery and meat market as well as specialty chemicals for the horticulture market. They primarily serve the Australian market but also Papua New Guinea, New Zealand and other Pacific Islands. This transaction was closed on 1 February 2021.

On 5 January 2021, Azelis has acquired a majority shareholding of MKVN Chemicals Co., Ltd. and Viet Chemicals Trading and Service Company Ltd., in Vietnam. Both companies are active in personal care, industrial chemicals, agro and food segments as well as supply chain solutions, and have a strong reputation in Vietnam serving first-class international principals and 700 customers.

Azelis enters the Philippines through the majority shareholding acquisition of Asia Primera Kimika Inc. and Phil-Asiatic Supply & Services Inc., as acquired on 31 March 2021. The companies are reputed for their deep experience in providing technological innovation, research and integrated services in personal care, home care, paints, coatings, construction and inks, industrial chemicals and supply management.

On 19 January 2021, Azelis acquired 100% of the shares of Came Chemical Mineral and Engineering S.r.l. ("CAME”) in Italy. CAME is specialized in the distribution of chemicals for friction and sintering applications, CASE (coatings, adhesives, sealants and elastomers), and cosmetics.

The funding of the acquisitions has been secured by Azelis' strong liquidity position, resulting from its ability of strong cashflow generation, as confirmed by the deleveraging that occurred during 2020. Based on its lowered leverage ratios, the applicable interest rates of the Senior Euro Debt will be lowered in 2021, reducing the interest charges accordingly.

No material subsequent events after 31 December 2020 have been identified that may have had a material or significant effect on the 2020 consolidated financial statements.

We continue to watch closely the developments around the Coronavirus COVID-19. We operate a very diversified business model across the market segments Life Sciences and Industrial Chemicals, that enables us to absorb related risks but also to identify and accelerate possible opportunities.

Luxembourg, 19 April 2021

T. Bakker
Manager Class A

G. Henry
Manager Class B