ConnectingChemistry

BRENNTAG

CREATING VALUE THROUGH GLOBAL REACH

ANNUAL REPORT 2017

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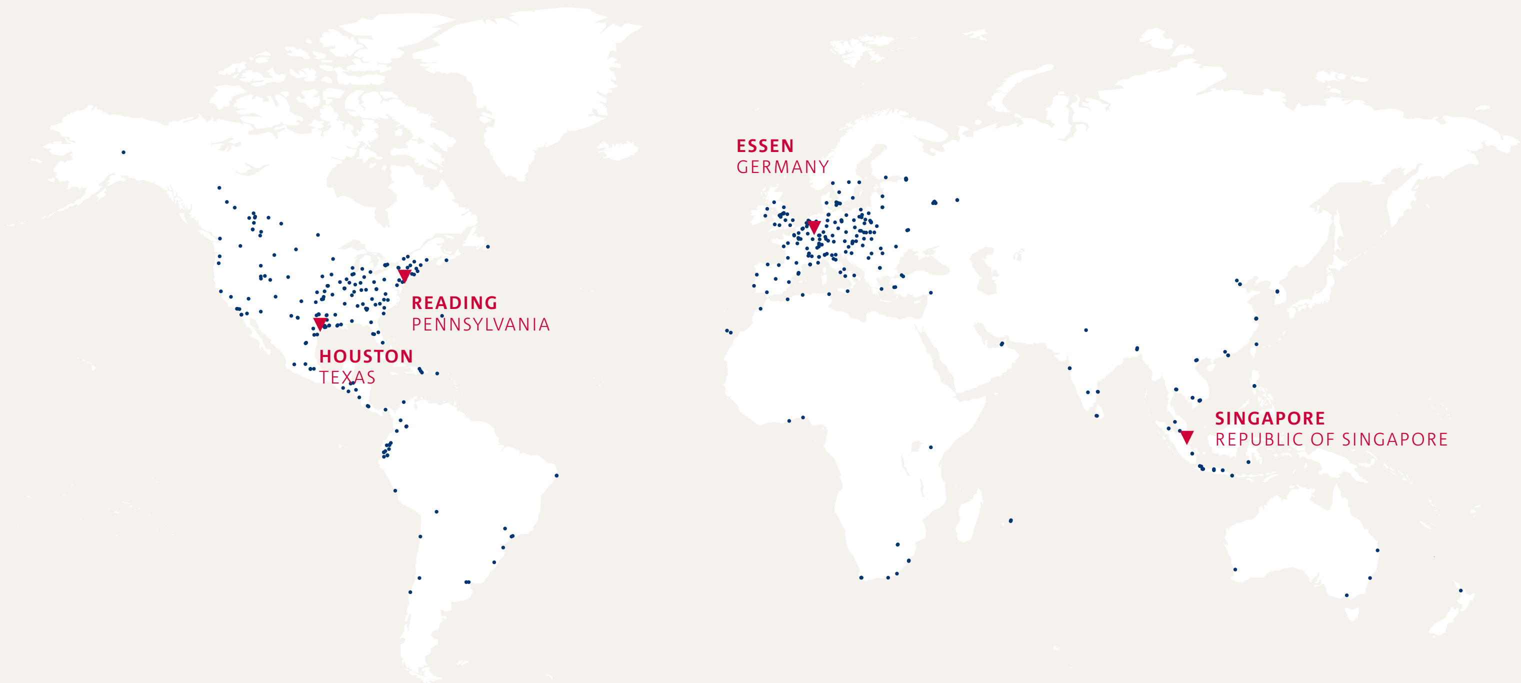
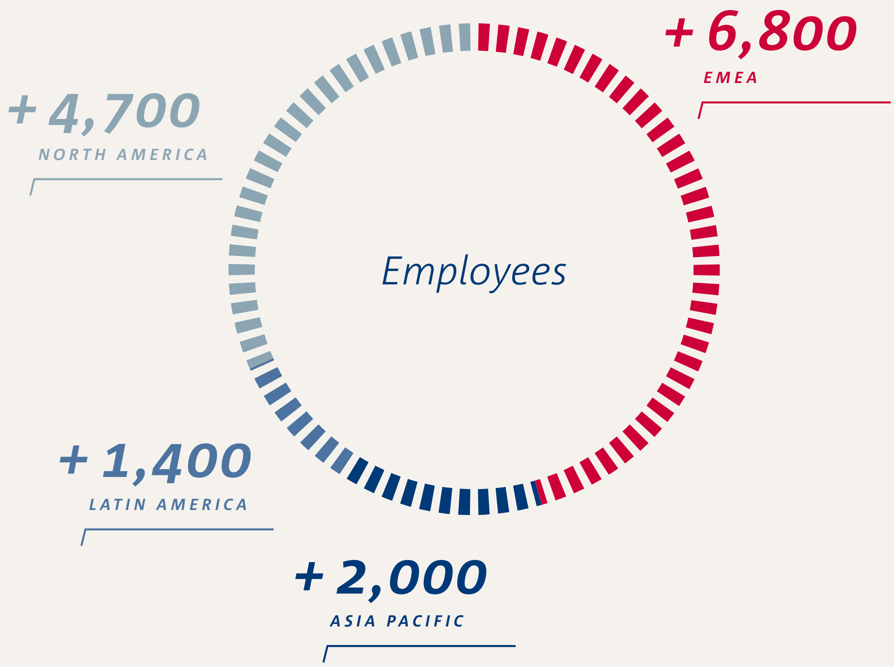


Brenntag is the **global market leader** in chemical distribution. The company manages complex supply chains for both chemical manufacturers and users by simplifying market access to **thousands of products and services**.

It combines a global network with outstanding local execution. Brenntag is therefore the industry's most effective and preferred channel to market for partners – really living its philosophy: **"ConnectingChemistry"**.

Brenntag operates a global network spanning more than 530 locations in 74 countries. With its global workforce of more than **15,000 employees**, the company generated sales of **EUR 11.7 billion** in 2017.



Dear Ladies and Gentlemen,

It is my pleasure to be able to present to you our Annual for financial year 2017. This year, in addition to our Annual Report, we would again like to show you several aspects of the Brenntag world that contribute to our company's success.

This Annual goes under the banner "Creating value through global reach". "Creating added value" is a goal that we focus on every day, everywhere, for every one of our partners. We create added value for our customers and suppliers and reduce complexity for them.

The thrust of "global reach" is that Brenntag is a group with operations worldwide. And this broad footprint yields benefits for us all!

- We have long-standing relationships of trust with several thousand **suppliers** all over the world.
- We have a global network of **application centres** and offer expertise and advice for a variety of customer industries.
- We are able to serve both **local** customers and customers who operate **globally**.
- We have a proven strategy when it comes to **acquisitions**.
- We are a leader in **sustainability**.
- Through our **DigiB** platform, we are preparing ourselves for the future in chemical distribution.

Brenntag is the global market leader and a major brand in chemical distribution. We pass on the benefits yielded by our reach to our partners – true to our slogan

We're ConnectingChemistry

Best wishes

Holland

STEVEN HOLLAND
CHIEF EXECUTIVE OFFICER

BENEFITING FROM SCALE

Brenntag is the world's largest chemical distributor. With its workforce of more than 15,000 at more than 530 locations in 74 countries around the globe, the Group has continued to greatly expand its presence in recent years – and yet is able to respond to its partners' needs with maximum flexibility and speed. Our international footprint yields benefits that feed into the myriad Brenntag units and are also a boon to our partners.

» Brenntag has grown enormously in recent years. Yet we remain focused on our core business, chemical distribution. The Group is underpinned by its ambitious and talented employees, who put our global logistics network to optimum use and work closely together worldwide. Leveraging this extensive expertise, we offer our partners tailored solutions and services that no other chemical distributor is able to provide. «

STEVEN HOLLAND
CEO

» For many years now, the Brenntag Group has had a strong and balanced financial profile that we have built over time. We can look back on a number of successful financial transactions – and have thus established an excellent market reputation. «

GEORG MÜLLER
CFO

» The EMEA region is marked by the diversity of its countries. In recent years, we have implemented a range of initiatives to increase efficiency in EMEA. The countries across the region continue to differ in many respects, but we have made the transition to a truly European approach. We see further potential for growth, as we focus on expertise in core industries such as life science and develop value added services for our partners. «

KARSTEN BECKMANN
BOARD MEMBER

» North America is one of two large regions in our Group and makes a significant contribution to consolidated earnings. In recent years, we have demonstrated our resilience and growth potential by adapting swiftly to the environment around us. Each one of the almost 5,000 employees on our team makes every effort to fulfil our customers' requirements in the best possible way. «

MARKUS KLÄHN
BOARD MEMBER

» Asia Pacific is the youngest Brenntag region and within a short space of time we have created a platform with more than 2,000 employees covering South East Asia, India, Australia and New Zealand as well as China. The cultural differences we encounter here are diverse. Due to our network and our excellent relationships with numerous suppliers, no other chemical distributor is able to respond as swiftly and flexibly to our business partners' requirements. «

HENRI NEJADE
BOARD MEMBER

SUPPLIER RELATIONSHIPS

Brenntag plays a central role in the chemical distribution supply chain and follows an integral approach, which connects customers and suppliers in regional markets around the globe. In particular, Brenntag's relationships with its suppliers are an essential factor in operating a successful chemical distribution business and fulfilling our philosophy of "ConnectingChemistry". David O'Connell, Commercial Director, Industrial Chemicals EMEA, describes Brenntag's philosophy towards supplier relationships as follows:

» We focus on creating value for our suppliers because the way we develop products and solutions for our customers is one of Brenntag's unique selling propositions. There is, however, no single format or recipe. We operate a variety of different supplier relationship models to best meet the requirements of each party and the relevant market. We have a number of truly global relationships with some of the largest chemical producers, whilst many other relationships are substantial on a regional scale or have a specific customer industry focus. «

DAVID O'CONNELL
COMMERCIAL DIRECTOR
INDUSTRIAL CHEMICALS EMEA

The global network of relationships provides the opportunity to exchange best practice and knowledge between our regions, and also offers an unrivalled portfolio of products and services to those customers who also operate on a global basis.

MARKET INFORMATION AND KNOWLEDGE EXCHANGE IS A KEY ASSET

Our suppliers value our substantial resources in terms of people, expertise and infrastructure. Most importantly, Brenntag's key asset – a factor we can truly leverage – is our capability to convert data, gained from extensive, daily engagement with our business partners, into market information that helps suppliers to better understand markets, application trends and competitive activity. Brenntag has invested in systems and practices that facilitate the capture and further use of a wealth of data. Time and again, our surveys of suppliers' needs highlight that market information is a key benefit that producers appreciate from Brenntag.

TEAMWORK IS ESSENTIAL TO OUR SUCCESS

Chemical distribution is a people-oriented business. While most customers buy from Brenntag's local operations, suppliers tend to be regional or even global. We have established regional supplier-facing teams to provide strong supplier relationship stewardship. These teams are highly focused on best-in-class operational execution. Internally, we have a management set-up that enables us to maintain and maximize oversight of our global supplier relationships. Our strong network helps us to anticipate global and regional needs to support informed discussions with suppliers.

» The common feature in all these relationships is a defined, common vision of success as well as detailed business objectives that ensure market and commercial effectiveness. When these features are in place, we always create true value for our partners and capitalize on Brenntag's strengths. «

DAVID O'CONNELL
COMMERCIAL DIRECTOR
INDUSTRIAL CHEMICALS EMEA

FUTURE INFLUENCES ON BRENNTAG'S SUPPLIER RELATIONSHIPS

- Mergers and acquisitions amongst chemical manufacturers have been very significant in recent times, as producers look for scale and synergy from **globalization**. Brenntag is well-positioned to benefit from producer restructuring due to its position as global leader in chemical distribution.

- **Sustainability** is a critical matter for the chemical industry and increasingly a measure of an individual company. Brenntag has demonstrated its commitment to sustainability with its active participation in the "Together for Sustainability" initiative.

- We think that **digitalization** is a huge opportunity to develop our ways of working with business partners. Faster exchange of market information, more transparency in business development pipelines and better process efficiency will improve business performance and reduce complexity.

David O'Connell presented at the Chlor-Alkali Conference in Antwerp.

HARALD KÖSTER
APPLICATION MANAGER FOOD
*FOOD & NUTRITION DACH**

ANNIKA JANICKE
TECHNICAL MARKETING
*FOOD & NUTRITION DACH**

EMEA APPLICATION CENTRES

Brenntag is the world's largest distributor of specialty chemicals and in recent years has placed greater focus on expanding its life science business, which most notably includes food and nutrition. The opening at Group headquarters of two new, state-of-the-art application centres – one for food and nutrition and one for cosmetics – underscores Brenntag's targeted efforts to align business activities in these industries.

For many years, Brenntag has been one of the most experienced partners to the food industry, where trends change or evolve very quickly. Consumers' growing awareness of nutrition and health issues demands continual improvements to products. Besides expertise, a reliable distributor of ingredients and additives must therefore offer speed and flexibility too, especially to food manufacturers.

Annika Janicke is a member of the food and nutrition team in the German-speaking countries (Germany, Austria and Switzerland). She is a food scientist and works in technical marketing. Annika talks about the team's close working relationship with its customers:

» The food industry is very innovative, and we at Brenntag always aim to be one step ahead of current trends. In order to best serve the customer's requirements, we always develop a tailored end-to-end package of solutions and services. «

ANNIKA JANICKE
TECHNICAL MARKETING
*FOOD & NUTRITION DACH**

The customer often comes to us with particular problems, with the intention of developing a new product or improving an existing one. This might involve improving the appearance, taste, shelf life, texture or colour, for example, or enriching a product with vitamins or minerals. We also need to find out how much market potential a product has or may have in the future.

* Food & Nutrition DACH (Germany, Austria, Switzerland)

1. Market analysis

2. Preparation of market samples

3. Selection of raw materials

PRODUCT DEVELOPMENT PROCESS

5. Refining of recipe

6. Tasting of market samples and Brenntag recipe

COMPREHENSIVE ADVICE DURING PRODUCT DEVELOPMENT AND WHEN SELECTING RAW MATERIALS

The team covers the entire length of the customer service chain. The sales wing is made up of commercial staff working internally and in the field. The sales representatives proactively interact with customers on a continuous basis and prepare quotations and agreements. The business development staff offer customers technical advice when selecting ingredients.

Together with the application engineers – in this case, food engineers – they assist customers with all the processes that we are able to carry out in our application centres, such as developing formulations, preparing flavour profiles and improving product features. Our application engineers know exactly how ingredients are best combined, how they interact with one another and under what conditions they are best processed in order to achieve optimal results for the customer.

» The food industry is very complex and diverse in its requirements, which is also reflected in the composition of our team. In addition to devising and implementing promotional and communications activities, my tasks also include carrying out extensive market research, the results of which support strategic decisions. «

ANNIKA JANICKE
TECHNICAL MARKETING
*FOOD AND NUTRITION DACH**

* Food & Nutrition DACH (Germany, Austria, Switzerland)

4. Processing of raw materials

8. Vegan pulled pork burger

7. Preparation of vegan pulled pork burger

Our experts undergo continuous training and watch the food and beverages market so as to keep abreast of new trends and be able to respond swiftly and flexibly to our customers' individual requirements. Through the Brenntag network, we share our expertise both internally and with our partners – often across continents. This transfer of knowledge offers the customer real added value and leads to strong customer loyalty.

MAXIMUM SAFETY AND QUALITY

Brenntag works with the best manufacturers of ingredients and additives and can always guarantee that ingredients are fully documented and traceable. Our customers therefore benefit not only from our state-of-the-art application centres, but also from compliance with ever stricter quality standards in the food industry.

Brenntag is already the leader in chemical distribution. Our employees' expertise, our network with application centres all over the world and, in particular, our access to customers and suppliers are the best foundations from which to expand the life science business. In doing so, we consider it important to change the perception of the Brenntag brand – after all, we offer much more than pure-play chemical distribution.

GLOBAL KEY ACCOUNTS

As the global market leader, Brenntag can offer its partners numerous benefits and an extensive portfolio: our network spans more than 530 locations in 74 countries around the globe. We supply more than 10,000 industrial and specialty chemical products to around 185,000 customers.

Brenntag's core business is focused on less-than-truckload volumes and we typically supply local customers with small and very small quantities of chemicals. But what happens when a customer is very large, has multiple locations across the globe, and wants to coordinate how the various sites procure chemicals? This is the market space that the Brenntag Global Key Account programme addresses.

ROBERT (BOB) MOSER
SENIOR VICE PRESIDENT
GLOBAL KEY ACCOUNT PROGRAMME

Bob and his team develop individual business plans for our key account customers.

BOB, ON WHICH CUSTOMERS DOES THE KEY ACCOUNT MANAGEMENT FOCUS AT BRENNTAG?

— ***BOB*** The key account programme aims at multinational customers that want to increase their efficiency in their raw material procurement. Buying products locally is not tremendously difficult for these customers, but being able to bundle their chemical spend, ensuring that they are receiving raw materials of the quality they need, and handling the materials in a safe and regulatory compliant manner, are all issues that become far more difficult for them to manage. This is where Brenntag's Global Key Account programme provides many of the answers.

HOW IS KEY ACCOUNT MANAGEMENT SET UP AT BRENNTAG?

— ***BOB*** Each of Brenntag's four global regions has a "Director Key Accounts" who is responsible for managing the activities with our key account customers. Each region has a team of Key Account Executives, Specialists, Business Managers and Administrators, who focus on our customers. Our Key Account Executives manage those customers that need and want 'one face' for Brenntag. I believe our team is really something special. Due to the complexity of our customers' global needs, it takes a unique person to be effective. For that reason, our team is made up of long tenured and highly experienced people from within Brenntag.

HOW DO KEY ACCOUNT CUSTOMERS DIFFER FROM OTHER BRENNTAG CUSTOMERS?

— ***BOB*** All customers expect us to provide reliability, safety, product availability and top-quality execution. However, with key account customers the orders of magnitude are different in many respects. At our key account customers, we are often faced with a very complex situation initially – and we help those customers to reduce the complexity in their processes and increase efficiency.

MULTINATIONAL CUSTOMERS INCREASINGLY NEED TO HARMONIZE THE PROCUREMENT OF THEIR CHEMICAL REQUIREMENTS. WHY?

— ***BOB*** Key account customers often have a presence in several countries or on different continents even. Uniformity of incoming product quality, handling and packaging safety, coordinated with understandable pricing processes allow these companies to better forecast their costs and improve their efficiency through reliable quality standards. We work closely together with the customer so as to better understand their needs. We offer our key account customers solutions that govern and simplify a wide variety of aspects. The aim here is to implement a centralized procurement system, for example, to simplify terms of delivery and payment, and agree other commercial arrangements.

WHAT DO YOU BELIEVE ARE THE KEY FACTORS THAT BRENNTAG OFFERS ITS KEY ACCOUNT CUSTOMERS?

– ***BOB*** In short, it is communication, coordination and flexibility! It is a matter of maintaining continuous and constructive dialogue with customers and showing them that they can rely on Brenntag entirely. A global account expects an aligned approach. Internally, we have to ensure that the Key Account Executives coordinate their work with the regional and local teams and industry experts. Our key account management structure allows uniform implementation of issues important to our customers counterbalanced with an appreciation of locally important cultural, governmental and regulatory issues. And our key account customers benefit from the flexibility we provide.

BOB, WHAT WILL BE SOME OF THE NEW CHALLENGES FOR THE GLOBAL KEY ACCOUNT PROGRAMME AS WE MOVE INTO THE NEXT SEVERAL YEARS?

– ***BOB*** Keeping pace with customers' growth into emerging markets such as the Middle East and Africa. As consumer demands grow in these areas, many of our customers follow by building facilities close to their customers. The Global Key Account programme will need to adapt to this trend. I also think that customers wish to outsource their entire spend of midsize and small items to distributors, to reduce their personnel costs and time, and to allow their procurement teams to focus on the large and strategically important raw materials. But more so, they want the technical support, market knowledge and personal support for these materials as well. Brenntag is one of only very few chemical distributors that can provide such a complete set to customers.

BRENNTAG GLOBAL KEY ACCOUNT 3C PROGRAMME

COST OUT
Hard Savings on Key Products

CASH RELEASE
Working Capital Improvements

CAPITAL EXPENDITURE AVOIDANCE
Brenntag Asset Management

3c

GLOBAL MERGERS & ACQUISITIONS

Chemical distributors act as a link between chemical producers and end customers in every possible segment of the processing industry. The chemical distribution market is highly fragmented. Worldwide, there are more than 10,000 chemical distributors operating at local, regional and global level. Brenntag is not only the market leader in this environment; it also sees itself as an active player in the process of market consolidation. Both sides of the value chain – that is, chemical producers and end customers – are keen to reduce the number of business partners they deal with and seek reliable ones that offer a one-stop shop. Alongside organic growth, acquisitions form the second key pillar of Brenntag's growth strategy.

We have a long history of successful acquisitions spanning many years. Since our IPO in 2010 alone, we have made more than 40 acquisitions representing a total investment of some EUR 1.5 billion. Our reputation, strategic approach, excellence in execution and detailed knowledge of local markets make us a preferred partner for sellers.

Close collaboration between different units within the Group is essential to a successful acquisition process. Our local management teams know their respective markets and so can find potential acquisition targets. Anthony Gerace, head of our global M&A activities, manages and steers the further process together with the Corporate M&A team based at our headquarters in Essen, whose tasks include conducting careful due diligence and integrating the acquirees into the Brenntag Group.

ANTHONY GERACE
MANAGING DIRECTOR
MERGERS & ACQUISITIONS

Anthony Gerace and the Corporate M&A team continuously discuss current and future projects in our M&A pipeline.

ANTHONY, WHY ARE ACQUISITIONS AN IMPORTANT PART OF BRENNTAG'S STRATEGY?

– ***ANTHONY*** Acquisitions are value accretive for our Group and assist in leveraging and accelerating our organic growth. For example, we have entered the Asian market through several key acquisitions and established a platform that has successfully attracted new suppliers and customers in the region. In less than ten years, we have been able to build a business that employs more than 2,000 people and operates in 16 Asian countries. This would not have been possible in this relatively short timeframe on a grass roots basis.

BRENNTAG PURSUES STRATEGIC OBJECTIVES IN MAKING EACH ACQUISITION, BUT DOES THERE NOT COME A POINT WHERE THE OPPORTUNITIES IN THE MARKET HAVE BEEN EXHAUSTED?

– ***ANTHONY*** We basically pursue three strategic objectives when evaluating our acquisition targets: realize economies of scale and improve efficiency, expand our geographic coverage and improve our product portfolio. We have in fact largely achieved one objective already; namely, broad geographic coverage. Brenntag now has very few significant white spots on the world map. Having said that, the opportunities in this market are far from exhausted.

The market is still very fragmented and there are countless mid-sized chemical distributors that, while successful, do not have the scale to compete long-term; it is precisely these companies that are of interest to us.

IF THESE COMPANIES ARE SUCCESSFUL, WHY SHOULD THEY GIVE UP THEIR BUSINESS ACTIVITIES?

– *ANTHONY* In recent years, these companies have experienced that it is becoming ever more difficult for them to meet all channel requirements. Customers demand end-to-end solutions from a single source. They want to be supplied with a broad range of products at very short notice. Suppliers want to reduce complexity and risk by working with fewer and fewer distributors. Regulatory requirements are increasingly burdensome. It is often the case that these companies contact us on their own initiative, wanting to ensure that their employees have the long-term opportunity for continued personal and professional growth that Brenntag offers.

AS AN ACQUIRER, WHAT ADVANTAGES DOES BRENNTAG HAVE OVER COMPETITORS?

– *ANTHONY* Our value proposition, commitment to safety, service excellence and our employees, and in short, our brand promise, make Brenntag a desirable potential partner in the eyes of the acquired companies. Furthermore, given that we have a long-standing and successful track record of integrating and subsequently growing the businesses that we acquire, sellers feel very comfortable working with us. Finally, if you were to reflect upon the leadership of the organization, you will see that many key roles are held by individuals that joined the organization through acquisitions. Collectively, this sends a very positive message to the market.

WHAT DOES BRENNTAG'S M&A STRATEGY LOOK LIKE IN THE COMING YEARS?

– *ANTHONY* We will continue to allocate a significant amount of our group cash flow towards our acquisition programme. We will also continue to follow our strict adherence towards satisfying our strategic objectives while remaining disciplined with respect to our valuation expectations. Our sweet spot in the market has been the small to mid-sized target and my expectation is that we will remain focused on that segment of the market in the coming years.

KEY SUCCESS FACTORS OF AN M&A PROCESS

Focus on core competencies

Discipline with respect to valuations

Continuity of post-integration leadership

Standardized integration process

Transparent and timely communication

SUSTAINABILITY

As the global market leader in chemical distribution, Brenntag bears a particular responsibility in many areas, and as the company has grown, so too has the importance of sustainability at Brenntag.

Our approach to sustainability is influenced by several aspects. On the one hand, there are internal factors such as occupational safety, environmental protection and employee matters. On the other, our customers and suppliers are increasingly requesting sustainable products and solutions as well as supply chain analyses with regard to sustainability issues. As the world's largest chemical distributor, Brenntag also aims to be a leader in sustainability and sees this as a clear competitive edge.

Dr Dirk Eckert has been responsible for sustainability at Brenntag since 2012. He is continuously developing our sustainability programme together with a global network of experts from the Brenntag regions and different department units from our headquarters in Essen.

» Brenntag's sustainability programme creates value in multiple ways, as it helps to minimize risks, reduce costs, motivate people and generate new kinds of business. And in a wider context, in collaboration with many other companies and initiatives, it supports the sustainable development of our society and planet. «

DR DIRK ECKERT
COORDINATOR SUSTAINABILITY

Dr Dirk Eckert works closely together with colleagues in Essen and around the globe to further develop Brenntag's sustainability approach.

Brenntag is already a leader in sustainability in chemical distribution. We were one of the first chemical distributors to sign up to the UN Global Compact and issue regular sustainability reports in accordance with international reporting standards. We have been awarded gold recognition level by sustainability rating specialist EcoVadis, placing us in the top 1% of rated companies in our sector.

Moreover, Brenntag is the only chemical distributor that is a member of the chemical industry initiative "Together for Sustainability". Focused on procurement, the "Together for Sustainability" initiative has implemented a global audit and assessment programme with a view to ensuring sustainable working practices in the global chemical value chain. The close collaboration through the initiative enables Brenntag to learn from other participants' best practices and established standards.

In addition, all assessment and audit results are shared within the initiative. This gives Brenntag access to the sustainability ratings of several thousand suppliers. The transparency Brenntag thus attains over its supply chain makes it easier to better manage risks and answer customer queries focusing on the sustainability of product / supplier combinations.

OUR SUSTAINABILITY TARGETS

In 2016, Brenntag for the first time defined and published sustainability targets for the target year 2020. They reflect the sustainability issues of material importance to Brenntag and our relevant stakeholder groups. Setting these objectives enables the Group's sustainability strategy to be set out in more concrete terms, better delineated and ultimately made more tangible. At the same time, they help to better prioritize projects and make progress quantifiable.

OUR SUSTAINABILITY TARGETS

TARGET 1
Improve accident rate to < 1.0

TARGET 2
Sustainability audit of 50% of total chemical spend

TARGET 3
6% reduction in CO_2 emissions

TARGET 4
Compliance training for all relevant employees

TARGET 5
Offer our employees an attractive working environment

TARGET 6
Set up 10 sustainable pilot projects with suppliers

TARGET 7
Consistent EcoVadis score of 62 points or more

BRENNTAG'S SUSTAINABILITY REPORTING

Transparent sustainability reporting in accordance with established standards is becoming ever more important for listed companies like Brenntag and the requirements on this type of reporting have been steadily increasing. Not only a growing number of customers and suppliers, but also other stakeholders such as investors and governments expect companies to disclose "non-financial" information on environmental, safety, compliance, human rights and labour-related issues. For several years now, Brenntag has therefore published an annual sustainability report and provided comprehensive information on its website.

In recent years, Brenntag has worked continuously to further develop its reporting and make it more professional. In addition, we are in contact with other companies and closely follow the discussions and developments in our industry, in politics and in society. The sustainability reports are prepared in accordance with the internationally accepted standards of the Global Reporting Initiative (GRI) and the principles of the UN Global Compact.

www.brenntag.com/sustainability

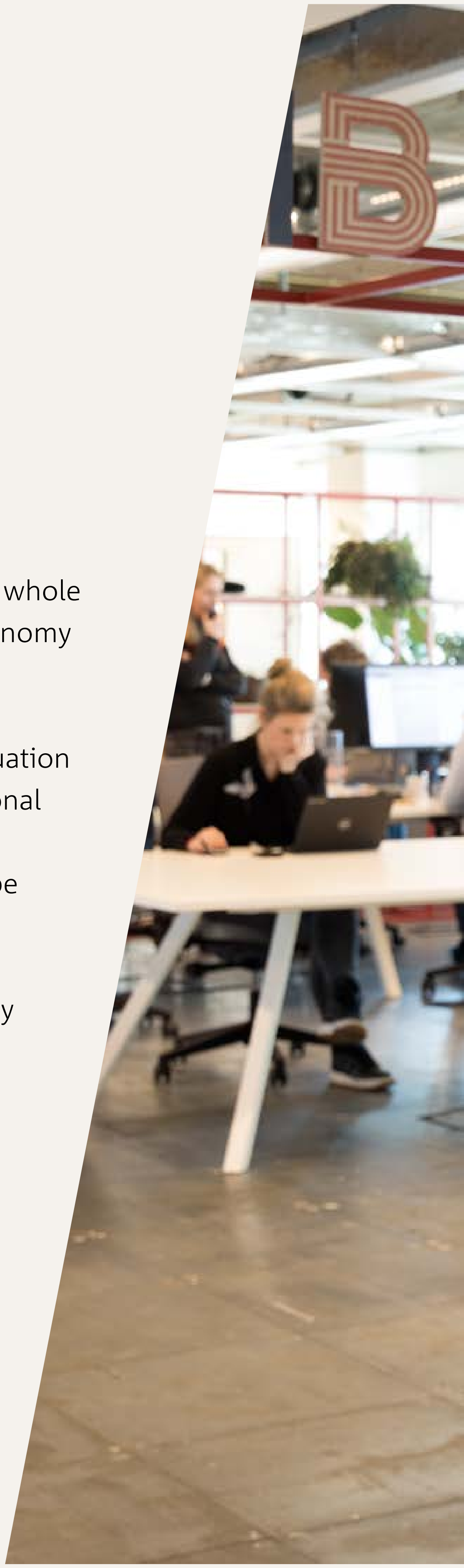
» Through our reporting, we not only want to provide transparent information on the progress of our sustainability activities. At the same time, we want to show our stakeholders Brenntag's versatility and commitment far beyond its day-to-day business in an interesting and readable manner. «

VERENA BLASCHKE
PROJECT MANAGER
CORPORATE COMMUNICATIONS

Digitalization is on everyone's lips and everywhere we go. The whole world is talking about digitalization and its impact on the economy and people's day-to-day lives.

In chemical distribution too, digitalization offers a win-win situation for Brenntag and its partners. New technologies and generational changes in behaviour are leading to new ways of working. Brenntag will deliberately leverage this potential and aims to be the market leader in digital chemical distribution too.

We have combined and accelerated our activities in this area by setting up "DigiB", a Brenntag subsidiary based in Amsterdam.



MAARTEN STRAMROOD
CHIEF DIGITAL OFFICER
DIGIB

The team in Amsterdam uses different working methods, including "design thinking".

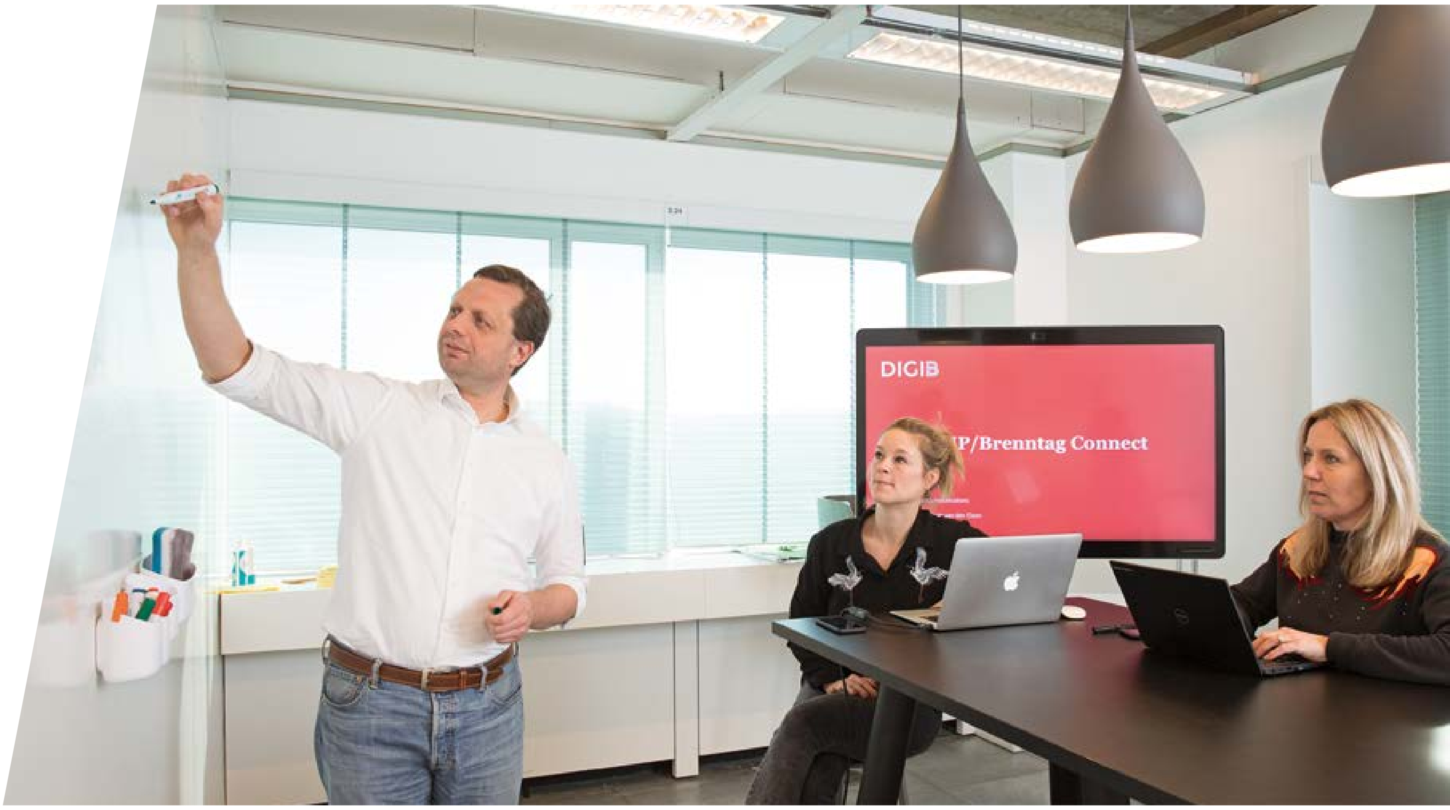
Digitalization is changing the way we collaborate – both internally at Brenntag and externally with our partners. Our digital services reduce the complexity of the value chain and workflows for our partners. This "digital mindset" also offers greater transparency and speed in sharing expertise and market information, for example.

Our DigiB team is intercultural, multifunctional and made up of IT specialists and chemical distribution professionals. The work this team does is very wide-ranging and aimed at leveraging the benefits of digitalization for Brenntag and its partners along the entire length of the value chain. The team is currently working to adapt Brenntag's infrastructure to the possibilities being opened up by digitalization and to set up a digital sales channel.

» Digitalization opens up a number of new opportunities for us here at Brenntag. The combination of a global logistics network, thousands of products, our excellent relationships with suppliers and our team of professionals all over the world enables us to put together a range of information and services for our customers that is unrivalled in the chemical distribution industry. «

MAARTEN STRAMROOD
CHIEF DIGITAL OFFICER
DIGIB

The innovations and digital solutions, including more efficient processes and easy-to-use applications, harbour substantial potential for Brenntag and its partners and will change Brenntag's business for the better. By developing digital services, we aim to offer our partners real added value in terms of speed, simplicity, transparency and information. We are already the world number one in chemical distribution and over the long term will occupy this position in our industry's digital realm too.



ConnectingChemistry

BRENNTAG

CREATING VALUE THROUGH GLOBAL REACH

FINANCIAL REPORT 2017

SEGMENTS

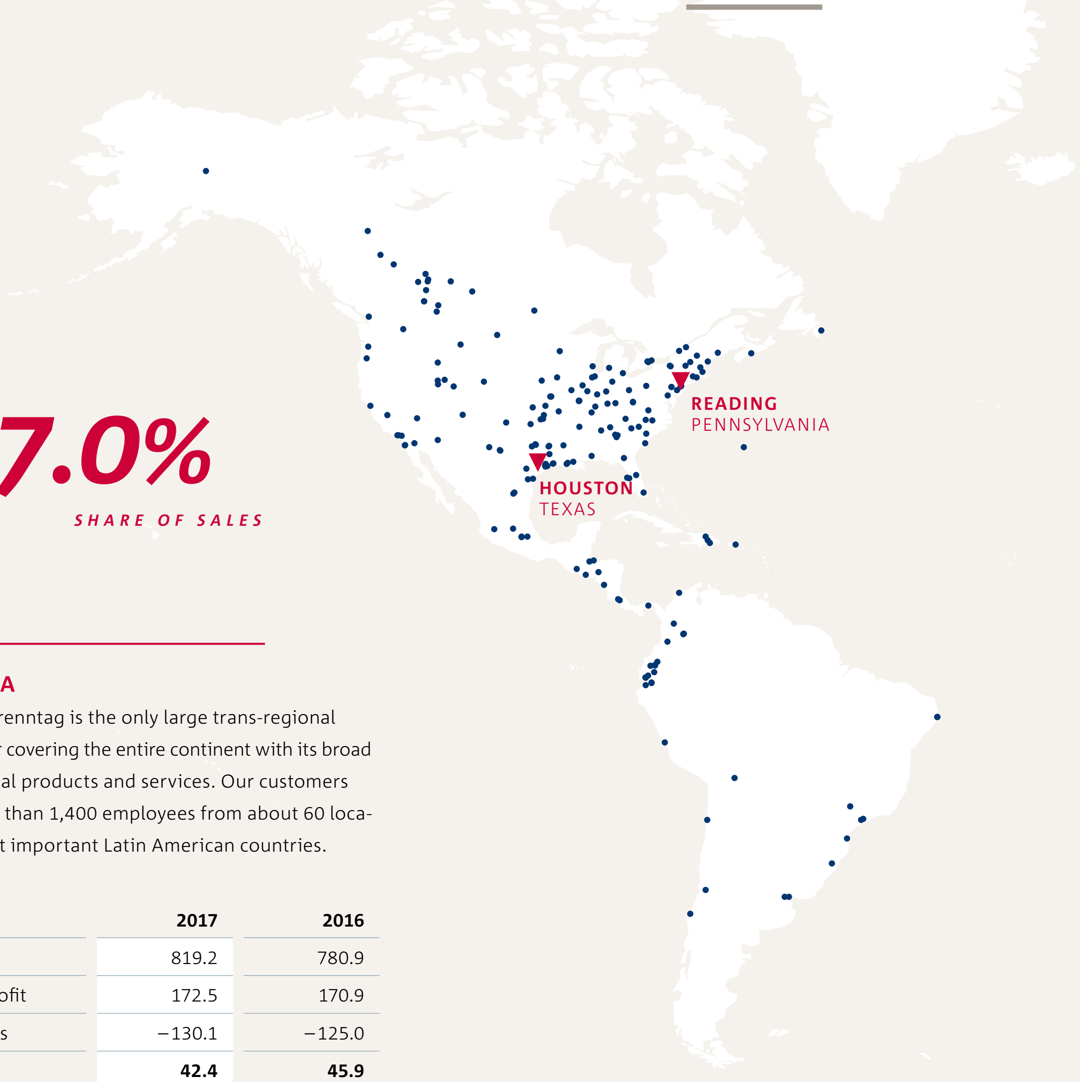
37.2%

SHARE OF SALES

NORTH AMERICA

Brenntag is one of the market leaders in North America. With nearly 180 distribution centres, we operate in all the major industrial areas in the USA. More than 4,700 employees ensure that our customers in the region have all the products and services they need.

in EUR m	2017	2016
External sales	4,368.0	3,828.8
Operating gross profit	1,073.9	997.5
Operating expenses	−688.9	−640.2
Operating EBITDA	**385.0**	**357.3**



7.0%

SHARE OF SALES

LATIN AMERICA

In Latin America, Brenntag is the only large trans-regional chemical distributor covering the entire continent with its broad portfolio of chemical products and services. Our customers are served by more than 1,400 employees from about 60 locations in the 19 most important Latin American countries.

in EUR m	2017	2016
External sales	819.2	780.9
Operating gross profit	172.5	170.9
Operating expenses	−130.1	−125.0
Operating EBITDA	**42.4**	**45.9**

Figures exclude all other segments, which combine various holding companies and the activities with regard to the digitalization of Brenntag (DigiB). The international operations of BRENNTAG International Chemicals are also included in all other segments.
The number of employees is calculated as the number of employees on the basis of full-time equivalents at the reporting date.

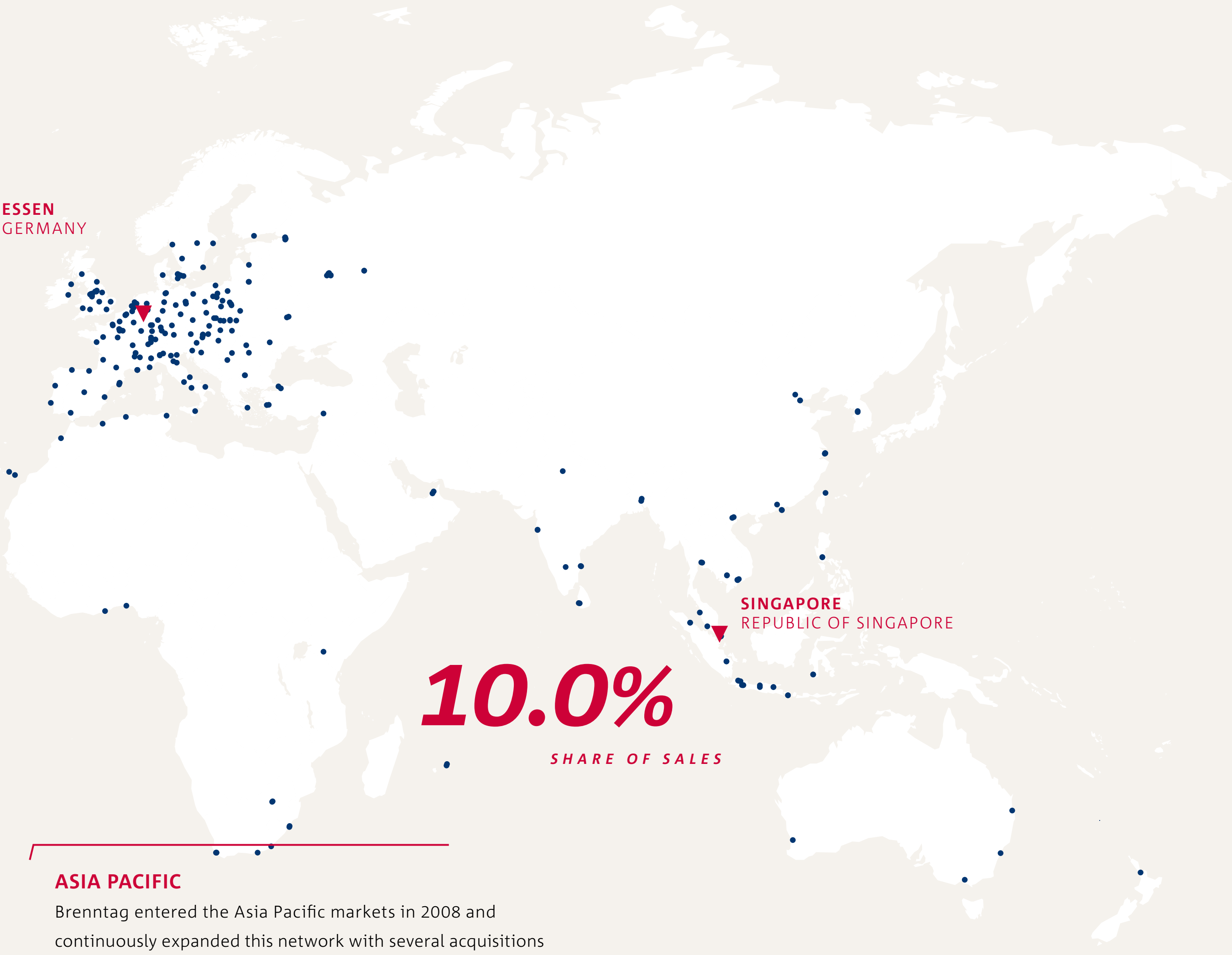
42.7%

SHARE OF SALES

EMEA

Brenntag is the number one chemical distributor in EMEA. The region operates a dense network of more than 210 distribution centres. From these locations, our workforce of more than 6,800 employees provides Brenntag's customers with the chemicals and services they need.

in EUR m	2017	2016
External sales	5,016.8	4,586.1
Operating gross profit	1,094.8	1,064.6
Operating expenses	−729.2	−702.3
Operating EBITDA	**365.6**	**362.3**



10.0%

SHARE OF SALES

ASIA PACIFIC

Brenntag entered the Asia Pacific markets in 2008 and continuously expanded this network with several acquisitions over the following years. Today, we have over 80 locations in 16 countries and a workforce of more than 2,000 employees supplying chemical products and services to all our customers in the region.

in EUR m	2017	2016
External sales	1,170.6	1,010.7
Operating gross profit	198.7	182.3
Operating expenses	−125.0	−115.6
Operating EBITDA	**73.7**	**66.7**

KEY FINANCIAL FIGURES AT A GLANCE

CONSOLIDATED INCOME STATEMENT

		2017	2016	Change in %	Change in % (fx adj.)
Sales	EUR m	11,743.3	10,498.4	11.9	13.1
Operating gross profit	EUR m	2,554.1	2,428.7	5.2	6.5
Operating EBITDA	EUR m	836.0	810.0	3.2	4.5
Operating EBITDA / operating gross profit	%	32.7	33.4		
Profit after tax	EUR m	362.0	361.0	0.3	
Earnings per share	EUR	2.34	2.33	0.4	

CONSOLIDATED BALANCE SHEET

		Dec. 31, 2017	Dec. 31, 2016
Total assets	EUR m	7,284.8	7,287.0
Equity	EUR m	2,985.7	2,959.2
Working capital	EUR m	1,510.5	1,354.6
Net financial liabilities	EUR m	1,571.9	1,681.9

CONSOLIDATED CASH FLOW

		2017	2016
Net cash provided by operating activities	EUR m	404.5	539.9
Investments in non-current assets (capex)	EUR m	−148.1	−141.1
Free cash flow	EUR m	440.3	641.4

KEY DATA ON THE BRENNTAG SHARES

		Dec. 31, 2017	Dec. 31, 2016
Share price	EUR	52.77	52.80
No. of shares (unweighted)		154,500,000	154,500,000
Market capitalization	EUR m	8,153	8,158
Free float	%	100.00	100.00

COMPANY PROFILE

Brenntag is the **global market leader** in chemical distribution. The company manages complex supply chains for both chemical manufacturers and users by simplifying market access to **thousands of products and services**.

It combines a global network with outstanding local execution. Brenntag is therefore the industry's most effective and preferred channel to market for partners – really living its philosophy: **"ConnectingChemistry"**.

Brenntag operates a global network spanning more than 530 locations in 74 countries. With its global workforce of more than **15,000 employees**, the company generated sales of **EUR 11.7 billion** in 2017.

CONTENTS

DEAR SHAREHOLDERS,

Financial year 2017 saw our company deliver a satisfactory result for the full year with a broad based performance which strengthened during the course of the year. With operating EBITDA at EUR 836.0 million, we hit the mid-point of our earnings guidance. On a constant currency basis, this represents a rise of 4.5%. Operating gross profit amounted to EUR 2,554.1 million, an increase of 6.5% on a constant currency basis.

This encouraging performance was supported by both our existing business and acquisitions. The North America and Asia Pacific regions delivered particularly encouraging results, posting sound organic growth. In our EMEA region we saw some weakness in the first half of the year which we countered through internal measures such as a programme to increase efficiency and improve margins in certain countries. Our Latin America region saw challenging conditions, here too there was an improved performance in the second half of the year.

We continued our successful acquisition strategy in 2017, closing acquisitions in all four of our regions. We attach considerable importance to carrying out a careful M&A process and detailed due diligence and were able to sign on four acquisitions at the end of last year alone. In total, this represents an investment of approximately EUR 270 million which is in line with our previously stated acquisition strategy.

Brenntag has long enjoyed an excellent reputation on the capital markets, which is one of the reasons why we were able to refinance our syndicated loan ahead of schedule at the beginning of 2017. In September, we then issued a corporate bond in the amount of EUR 600 million. Both transactions bring another significant improvement in the terms and the Group's maturity profile, while also laying the foundations for the further development of Brenntag's business over the long term.

On the capital market, we are also in constant dialogue with existing and potential shareholders and so are particularly pleased to be able to pass on the Group's positive performance to our shareholders in the form of a dividend. The Board of Management and the Supervisory Board will therefore propose to the General Shareholders' Meeting a dividend of EUR 1.10, representing an increase of 4.8 % on the previous year. This is now the seventh year in succession since our IPO in which we wish to pay a higher dividend.

Last year, we continued to systematically pursue our sustainability approach and published what is now our fourth sustainability report and the first in which we have reported annual consolidated data on Group-wide energy consumption and the related CO_2 emissions.

» In 2018, we expect a positive macroeconomic environment overall. We are well placed for the current year and will be well able to meet the challenges that may arise in individual countries. «

STEVEN HOLLAND
CHIEF EXECUTIVE OFFICER

In 2018, we expect a positive macroeconomic environment overall. We are well placed for the current year and will be well able to meet the challenges that may arise in individual countries. Our internal initiatives will pay off in the EMEA region in particular. We expect the North America and Asia Pacific segments to remain on their growth track – with the pace especially strong in the Asia Pacific region. The Latin America region is likely to remain challenging. We continue to focus on our core competencies and drive the expansion of our business in both industrial and specialty chemicals.

On behalf of the entire Board of Management, I would like to take this opportunity to thank all our employees for their commitment and our shareholders, customers, suppliers and business partners for the trust they place in us and our strong working relationship.

Essen, March 13, 2018

STEVEN HOLLAND
CHIEF EXECUTIVE OFFICER

A

TO OUR SHAREHOLDERS

BRENNTAG ON THE STOCK MARKET

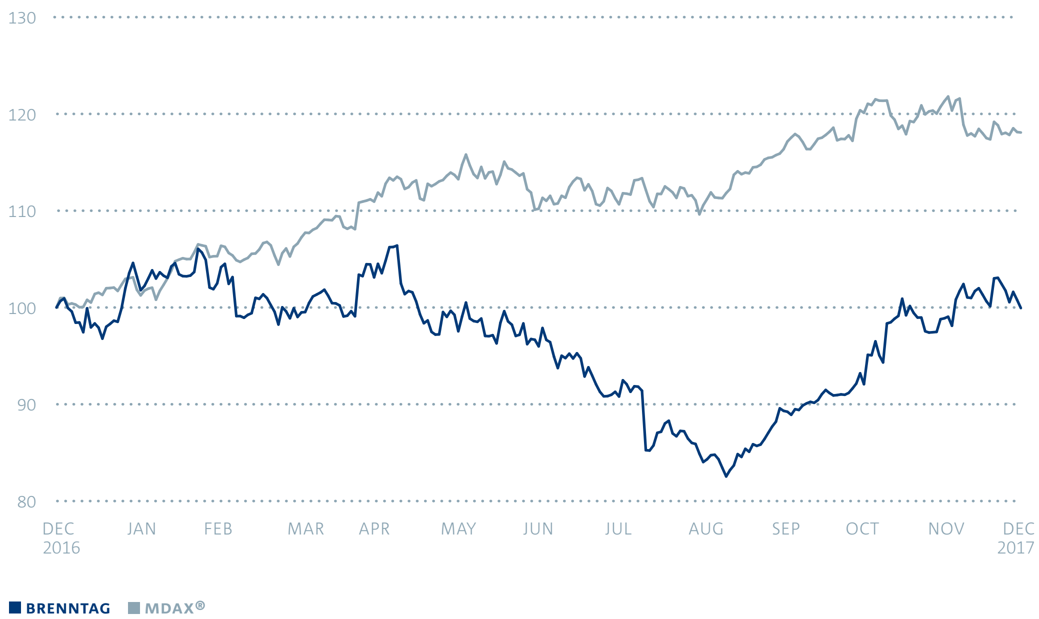
SHARE PRICE PERFORMANCE

In 2017, equity markets around the globe were in good shape. The positive sentiment after the US presidential election continued throughout the year 2017 and there were no adverse events with a major impact on the markets. In Europe, the outcome of the elections in France and Germany was viewed positively by the capital markets. Overall, political and geopolitical events had very limited effects on the capital markets in 2017. The hurricanes in the USA in the middle of the year had only a temporary impact on the positive sentiment in the US economy. Towards the end of the year, attention turned to the US tax reform, which led to an increase in share prices in the USA in particular.

The European Central Bank continued its capital market-friendly corporate bond purchase programme and announced an extension of purchases at a reduced rate, with the option to increase the rate of purchases or to extend them beyond September 2018. Oil prices were stable at the beginning of the year and, after a short decline in the spring, increased continuously during the second half of 2017. On the currency market, the euro strengthened against the dollar throughout the year.

In this environment, Germany's leading index, the DAX®, made a moderate start into 2017, but then stabilized in the course of the year and started to rise towards year-end, closing clearly above the prior year-end. The DAX® closing level of 12,918 at the end of 2017 represents an increase of 12.5%. The MDAX® performed similarly, finishing up 18.1% to close at 26,201 points. Brenntag shares closed around last year's level at EUR 52.77, down 0.1% since the beginning of the year.

According to Deutsche Börse AG's ranking, Brenntag AG ranked 35th among all listed companies in Germany by market capitalization at the end of 2017. The average number of Brenntag shares traded daily on Xetra® in 2017 was approximately 296,000.



A.01 BRENNTAG SHARE PRICE PERFORMANCE (INDEXED)

BRENNTAG IN DIALOGUE WITH THE CAPITAL MARKET

Our Investor Relations activities aim to deliver a fair communication policy that affords equal treatment to all stakeholders. Through openness and transparency, we wish to raise awareness for our shares as an attractive investment and further increase Brenntag's standing on the capital market. We communicate our company's business performance and strategy both continuously and reliably. This further strengthens investors' trust in Brenntag and enables us to ensure that our shares continue to be fairly valued on the capital market.

Further information at www.brenntag.com under Investor Relations

In 2017, we again attached significant importance to personal contact with capital market participants. The Board of Management and the Investor Relations team were in constant dialogue with investors and analysts worldwide. We discussed the company's business performance in detail in numerous meetings at road shows, investor conferences and other occasions such as our analyst roundtable and the Annual General Shareholders' Meeting. In addition to the above-mentioned activities, the Board of Management and the Investor Relations team regularly provided investors, analysts and private shareholders with information on Brenntag AG in numerous phone calls.

We provide comprehensive and up-to-date information on the Brenntag shares and the outstanding bonds in the Investor Relations section of the website at www.brenntag.com.

Brenntag AG
Corporate Finance &
Investor Relations
Phone:
+ 49 (0) 201 6496 1141
E-mail:
IR@brenntag.de

In the coming year, we will continue to present the company at numerous road shows and capital market events. You will find the latest list of dates in our financial calendar in the Investor Relations section of the Brenntag website.

SHAREHOLDER STRUCTURE

The notifications are available at www.brenntag.com/voting_rights_announcements

As at March 1, 2018, notification had been received from the following shareholders under Section 21, para. 1 of the German Securities Trading Act (WpHG) that their share of the voting rights now exceeds the 3% or 5% threshold:

Shareholder		Interest in %	Date of notification
BlackRock		>5	Oct. 18, 2016
Norges Bank		>5	Sep. 2, 2016
MFS Investment Management		>5	Jul. 3, 2012
Threadneedle		>3	Jun. 27, 2016

A.02 SHAREHOLDER STRUCTURE

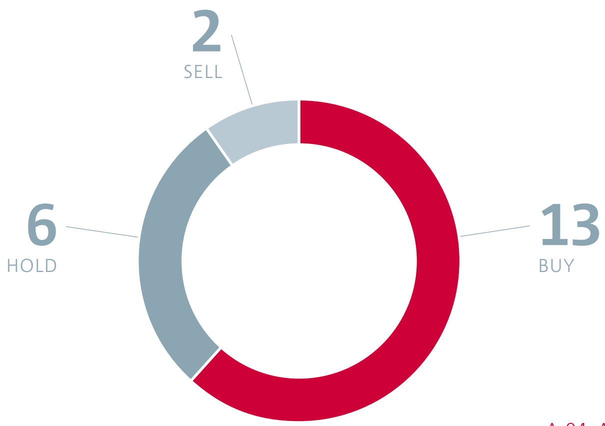
		Dec. 31, 2016	Dec. 31, 2017
No. of shares (unweighted)		154,500,000	154,500,000
Price (Xetra® closing price)		52.80	52.77
Market capitalization	EUR m	8,158	8,153
Primary stock exchange			Xetra®
Indices			MDAX®, MSCI, Stoxx Europe 600
ISIN/WKN/trading symbol			DE000A1DAHH0/A1DAHH/BNR

A.03 KEY DATA ON THE BRENNTAG SHARES

ANALYSTS' OPINIONS

Currently (as at March 1, 2018), 21 banks regularly publish research reports on our company's latest performance and give recommendations. Thirteen analysts give Brenntag shares a buy recommendation, six recommend holding the shares and two are advising to sell. Many analysts value Brenntag highly as a growth stock with strong cash flow generation.

Current analysts' opinions at www.brenntag.com/analysts_opinions



A.04 ANALYSTS' OPINIONS

CREDITOR RELATIONS

Brenntag's strong credit profile is reflected in investment grade ratings from two international rating agencies: Standard & Poor's has assigned a "BBB" rating (outlook: stable) and Moody's has assigned a "Baa3" rating (outlook: stable).

On September 20, 2017, Brenntag Finance B. V. successfully placed a EUR 600 million corporate bond with institutional investors. The bond has a term of eight years and bears a coupon of 1.125% per annum. The bond issue was priced at 99.227%.

		Bond 2018		Bond (with Warrants) 2022		Bond 2025
Issuer		Brenntag Finance B.V.		Brenntag Finance B.V.		Brenntag Finance B.V.
Listing		Luxembourg stock exchange		Frankfurt Open Market (Freiverkehr)		Luxembourg stock exchange
ISIN		XS0645941419		DE000A1Z3XQ6		XS1689523840
Aggregate principal amount	EUR m	400	USD m	500	EUR m	600
Denomination	EUR	1,000	USD	250,000	EUR	1,000
Minimum transferrable amount	EUR	50,000	USD	250,000	EUR	100,000
Coupon	%	5.50	%	1.875	%	1.125
Interest payment	annual	Jul. 19	semi-annual	Jun. 2/Dec. 2	annual	Sep. 27
Maturity		Jul. 19, 2018		Dec. 2, 2022		Sep. 27, 2025

A.05 KEY DATA ON THE BONDS OF THE BRENNTAG GROUP

GENERAL SHAREHOLDERS' MEETING

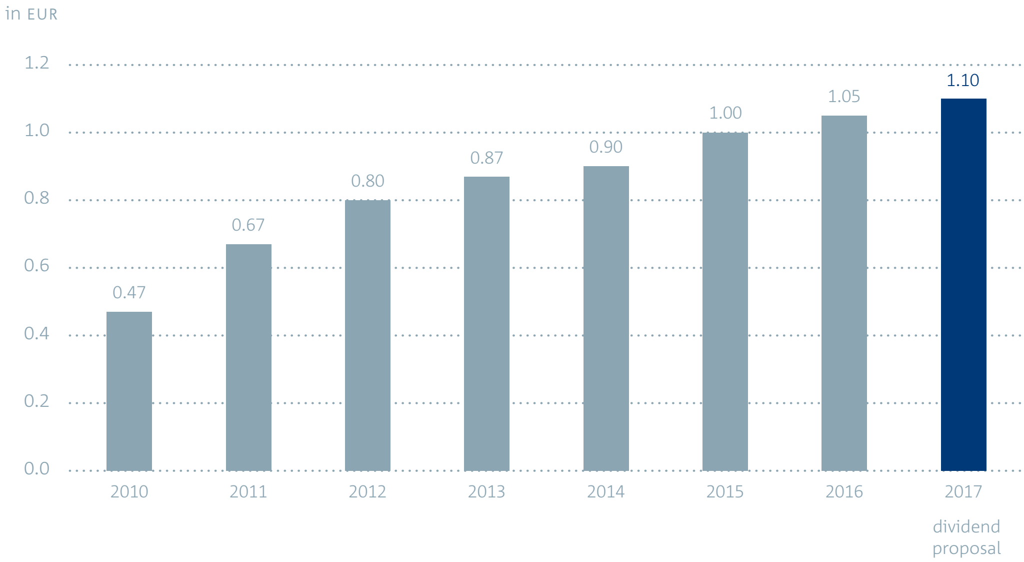
The 2017 General Shareholders' Meeting of Brenntag AG was held in Düsseldorf on June 8, 2017. With attendance at over 78%, the General Shareholders' Meeting approved the proposed Management Board and Supervisory Board resolutions with a large majority in each case. Accordingly, it resolved to pay a dividend of EUR 1.05 per share, an increase of 5.0% compared with the previous year.

A key item on the agenda at the General Shareholders' Meeting was the election of Supervisory Board members. Dr Thomas Ludwig and Prof. Dr Edgar Fluri left the Board end of term, effective as of the close of this General Shareholders' Meeting and decided not to be available for re-election. To replace them, shareholders elected Wijnand Donkers and Ulrich Harnacke as new Supervisory Board members.

ATTRACTIVE DIVIDEND PROPOSAL FOR 2017

It is Brenntag's declared policy to pay an annual dividend of 35% to 50% of its consolidated profit after tax attributable to shareholders of Brenntag AG. Since going public in 2010, the company has paid its shareholders a higher dividend each year, and has more than doubled the original dividend overall. The Board of Management and Supervisory Board will recommend to shareholders at the General Shareholders' Meeting a dividend payment of EUR 1.10 per share. The payout ratio on the basis of the consolidated profit after tax for the year attributable to shareholders of Brenntag AG is therefore 47.1%. Through this payout ratio, we would like our shareholders to participate directly in the company's positive cash flow performance.

EUR
1.10
dividend proposal 2017



A.06 DIVIDEND PERFORMANCE

REPORT OF THE SUPERVISORY BOARD

STEFAN ZUSCHKE
CHAIRMAN

Dear Shareholders,

Our company continued to perform well during 2017 and achieved a successful set of annual results. Notably, all regions contributed to this success despite a variety of macroeconomic challenges. The Supervisory Board is very pleased with last year's business performance and believes that it bears out the forward-looking corporate strategy and strong, straightforward corporate governance.

COMPOSITION OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

There were changes in the composition of the Supervisory Board of Brenntag AG in the reporting period.

The term of office of Prof. Dr Edgar Fluri and Dr Thomas Ludwig ended at the close of the General Shareholders' Meeting on June 8, 2017 and neither of the two long-standing Supervisory Board members stood for re-election. The Supervisory Board would like to thank them for their loyal collaboration and valuable contributions over the past few years. As proposed by the Supervisory Board, the General Shareholders' Meeting elected Wijnand Donkers and Ulrich Harnacke as new members of the Supervisory Board, and did so by a large majority.

COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

In financial year 2017, the Supervisory Board of Brenntag AG performed the duties assigned to it by law, by the company's Articles of Association and by its rules of procedure with great diligence. The members of the Supervisory Board regularly advised the Board of Management in its management of the company and monitored its activities. The Board of Management provided the Supervisory Board with timely and comprehensive information, in both written and verbal form, on the course of business, earnings, corporate planning, strategic further development and the Group's current position. The Supervisory Board was also kept abreast of Brenntag AG's risk position, including risk management, deviations from plan and compliance matters. The Supervisory Board always had ample opportunity to scrutinize the reports from and resolutions proposed by the Board of Management. In doing so, the Supervisory Board always satisfied itself that the senior management was acting in a lawful, effective and proper manner. Furthermore, the Chairman of the Supervisory Board and the Chairman of the Board of Management regularly exchanged information. The Supervisory Board was therefore able to discuss the company's strategic direction and business transactions of key importance with the Board of Management and to decide on them. Further information on the duties of the Supervisory Board can be found in the Corporate Governance Report.

In all cases, the Supervisory Board approved the resolutions proposed by the Board of Management after examining and discussing them extensively. Please refer to the following chapter, "Topics Addressed in the Supervisory Board Meetings", for details.

The Supervisory Board held four ordinary meetings and one extraordinary meeting by teleconference in the reporting period. One Supervisory Board member sent apologies for being absent from one of the ordinary meetings. The other three ordinary meetings and the one extraordinary meeting were attended by all members of the Supervisory Board.

TOPICS ADDRESSED IN THE SUPERVISORY BOARD MEETINGS

The ordinary meeting on March 3, 2017 focused on the 2016 consolidated financial statements of Brenntag AG, on which the Board of Management and the appointed auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, reported in detail. The Supervisory Board then approved the consolidated financial statements of Brenntag AG for financial year 2016 as well as the annual financial statements of Brenntag AG and thereby adopted the 2016 annual financial statements. The auditors also reported on their risk assessment and the findings of the audit of Brenntag's risk early warning system. The Board of Management provided information on performance in the regions, focusing specifically on the performance of the oil & gas business in North America and the integration of acquirees in North America and the Asia Pacific region. The Board of Management also briefed the meeting on upcoming projects in Mergers & Acquisitions (M&A), Investor Relations (IR) and Human Resources (HR).

On April 21, 2017, an extraordinary meeting was held by teleconference, at which the Board of Management reported in detail on an upcoming M&A project in the Asia Pacific region.

The second ordinary Supervisory Board meeting took place on June 8, 2017 after the General Shareholders' Meeting. This was the first Supervisory Board meeting attended by Wijnand Donkers and Ulrich Harnacke, the new members elected by the General Shareholders' Meeting. The Board of Management provided the Supervisory Board with information on the current financial situation in the regions and the programme to increase efficiency in the EMEA region, which is intended to raise efficiency in the supply chain. Later on, the Board of Management reported on current developments in HR, in particular the planned introduction of an HR information system and the personnel situation at DigiB, the new subsidiary in Amsterdam. With effect from July 1, 2017, the Supervisory Board set the targets for the share of women on the Supervisory Board and Board of Management as at June 30, 2022. This was followed by further status reports from the Mergers & Acquisitions (M&A) and IR departments. Due to the departure of the two Supervisory Board members, the position of Deputy Chairman of the Supervisory Board was up for re-election. Dr Andreas Rittstieg was unanimously elected to succeed Dr Thomas Ludwig in this position. Wijnand Donkers was elected as the new member of the Presiding and Nomination Committee, and Ulrich Harnacke was elected both to the Audit Committee and as its Chairman.

At the ordinary meeting on September 7, 2017, where one Supervisory Board member sent apologies for being absent, the Board of Management reported in detail on the business results and the status of business in the regions. Topics included the progress of the programme to increase efficiency in the EMEA region and the sale of the business in Venezuela as a result of the fact that conditions in this South American country remain difficult. In addition, the meeting received information on and discussed current potential acquisition targets and the capital market's response to the second-quarter results. Later on, the Supervisory Board was also informed about developments with regard to HR and DigiB. At this meeting, the Supervisory Board asked the Audit Committee to address the matter of the non-financial statement required to be published for 2017 in accordance with the EU Corporate Social Responsibility Directive (CSR Directive) and in this context to engage the audit firm PricewaterhouseCoopers to provide assurance on the 2017 non-financial statement in Brenntag's Sustainability Report by checking it against the statutory provisions.

The last ordinary meeting of the reporting period took place on December 14, 2017. Here, after thorough examination and consultation, the Supervisory Board resolved to submit the declaration of conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG). This was signed jointly by the chairmen of the Board of Management and the Supervisory Board on the same day. In this context, the Supervisory Board also decided on the profile of skills and expertise and the amended objectives regarding the Board's composition. The members discussed the findings of the efficiency review. In the further course of the meeting, the Supervisory Board was briefed on the results forecast for financial year 2017 as well as budgets and strategic plans for 2018. The Board of Management gave a detailed report on current M&A projects. The Supervisory Board then approved the acquisition of Kluman and Balter Limited and A1 Cake Mixes Limited in the United Kingdom as well as the acquisition of Raj Petro Specialities Pvt Ltd in India. Further topics covered at the meeting included sustainability at Brenntag and in particular the new obligation under the EU Corporate Social Responsibility Directive (CSR Directive) to publish a non-financial statement for 2017. In addition, the Board of Management reported on developments with regard to digitization and IR.

SUPERVISORY BOARD COMMITTEE ACTIVITIES

In financial year 2017, as in previous years, the Supervisory Board of Brenntag AG had two committees: the Audit Committee and the Presiding and Nomination Committee. Following the departure of Prof. Dr Edgar Fluri and Dr Thomas Ludwig, the new Supervisory Board members were elected to the committees at the Supervisory Board meeting on June 8, 2017. Since that date, the composition of the committees has been as follows. The members of the Audit Committee are Ulrich Harnacke (Chairman), Doreen Nowotne and Stefanie Berlinger. The Presiding and Nomination Committee is composed of Stefan Zuschke (Chairman), Wijnand Donkers and Dr Andreas Rittstieg. Both chairmen reported in detail on the current work of the committees in the Supervisory Board meetings.

The Audit Committee held four meetings during the reporting period, at which it dealt with the following core topics: the audit of the consolidated financial statements and the annual financial statements of Brenntag AG for 2016 as well as the quarterly financial statements in the reporting period, the work and findings of Corporate Internal Audit, the effectiveness of the internal control system and the further development of compliance management. The work of the statutory auditor and the proposal regarding the election of the auditor for the new financial year and for the respective quarters were also addressed. Other topics discussed at the meetings included the introduction of International Financial Reporting Standard (IFRS) 15 Revenue from Contracts with Customers and the EU CSR Directive, which requires publicly traded entities to issue a non-financial statement as of financial year 2017.

The Presiding and Nomination Committee met once in each of January and February 2017 to discuss and vote on the proposals for new Supervisory Board members. For this, several potential candidates were interviewed with the assistance of a human resources adviser. At the end of February 2017, the Committee agreed on a recommendation to the Supervisory Board to submit to the General Shareholders' Meeting on June 8, 2017 a specific motion regarding the candidates for election to the Supervisory Board. In addition, the Presiding and Nomination Committee held several conference calls to discuss HR issues (contractual matters, succession planning).

GERMAN CORPORATE GOVERNANCE CODE

The Supervisory Board of Brenntag AG regularly discusses a wide variety of corporate governance requirements and principles and their implementation within the company. In line with the requirements of the German Corporate Governance Code, the Supervisory Board informs the General Shareholders' Meeting of any conflicts of interest that have arisen among Supervisory Board members. The Supervisory Board was not made aware of any such conflicts of interest in the entire reporting period.

On December 14, 2017, the Supervisory Board and the Board of Management jointly submitted a new declaration of conformity, according to which Brenntag AG complies and plans to continue to comply with the recommendations of the Government Commission "German Corporate Governance Code" as amended on February 7, 2017, published by the Federal Ministry of Justice in the official section of the electronic version of the Federal Gazette (Bundesanzeiger), with the exception of the recommendations in number 4.2.3, para. 3 and number 5.4.1, para. 2 of the Code. The exceptions are declared for the following reasons: Brenntag AG follows the recommendation in number 4.2.3, para. 3 in the case of two members of the Board of Management. However, three members of the Board of Management receive benefits which are structured differently and which are partly for the specific purpose of retirement provision but may otherwise be used freely. With regard to these pension awards, therefore, the Supervisory Board does not refer to a targeted level of provision. Furthermore, the Supervisory Board does not set a regular limit on length of membership of the Supervisory Board, as recommended in number 5.4.1, para. 2 of the Code. A regular limit on length of membership of the Supervisory Board does not take into account the advantages that individual members' experience brings and that should, if at all possible, be retained.

In the new declaration of conformity, the Board of Management and Supervisory Board also declare that, since its last declaration of conformity dated December 15, 2016, Brenntag AG has complied in the reporting period with all recommendations of the German Corporate Governance Code, as amended on February 7, 2017, with the exception of the recommendations in number 4.2.3, para. 3 and number 5.4.1, para. 2 of the Code as explained above. Details on corporate governance in the company can be found in the Corporate Governance Report.

EXAMINATION AND ADOPTION OF THE ANNUAL FINANCIAL STATEMENTS, APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS, PROPOSAL FOR THE APPROPRIATION OF PROFIT

The annual financial statements of Brenntag AG for the year ended December 31, 2017 and the combined Group management report and management report of Brenntag AG were prepared by the Board of Management in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act, and the consolidated financial statements, pursuant to Section 315a of the German Commercial Code, in accordance with the principles of the International Financial Reporting Standards (IFRSs) as adopted in the EU.

PricewaterhouseCoopers, the auditors elected by the General Shareholders' Meeting and appointed by the Supervisory Board, audited and issued an unqualified auditors' report on the annual financial statements of Brenntag AG, the combined Group management report and management report of Brenntag AG and the consolidated financial statements.

The annual financial statements of Brenntag AG, the consolidated financial statements and the combined Group management report and management report of Brenntag AG as well as the auditors' audit reports were available to all members of the Supervisory Board in good time ahead of the Audit Committee meeting on March 7, 2018 and the Supervisory Board meeting on the financial statements on March 12, 2018. The financial statement documents were discussed in detail on the Audit Committee and in the Supervisory Board's meeting on the financial statements, in both cases in the presence of the auditors, who gave a report.

The Supervisory Board endorses the findings of the audit. Following the preliminary examination by the Audit Committee and the Supervisory Board's own review during its meeting on March 12, 2018, there were no objections to be raised. The Supervisory Board approved the above-mentioned financial statements prepared by the Board of Management. The annual financial statements were thus adopted on March 12, 2018. The Supervisory Board endorsed the Board of Management's proposal to use the distributable profit to pay a dividend of EUR 1.10 per dividend-bearing no-par value share.

The Supervisory Board will report separately on the findings of the examination of the separate consolidated non-financial report required under Section 315b of the German Commercial Code (HGB) once it has been provided by the Board of Management and examined by the Supervisory Board.

The Supervisory Board expresses its thanks and appreciation to the Brenntag Board of Management and all employees for their dedicated work in financial year 2017.

On behalf of the Supervisory Board

Stefan Zuschke
Chairman
Essen, March 2018

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

Corporate governance is the good and responsible management and monitoring of a company. In this chapter, which also makes reference to the Remuneration Report, the Board of Management and the Supervisory Board of Brenntag AG report in detail, in accordance with number 3.10 of the German Corporate Governance Code (hereinafter referred to as "Code") as amended on February 7, 2017, on the principles of responsible corporate governance at Brenntag.

COMMITMENT TO RESPONSIBLE CORPORATE GOVERNANCE

Brenntag has always attached great importance to responsible and prudent corporate governance. As was also the case in the previous year, the Board of Management and the Supervisory Board thoroughly examined the requirements of the Code in this reporting year. On the basis of these deliberations, they issued, on December 14, 2017, the declaration of conformity with the recommendations of the Code, made in accordance with Section 161, para. 1 of the German Stock Corporation Act. The exact wording of the declaration of conformity is given in the chapter "Corporate Governance Statement". The latest declaration and the declarations made in previous years, which are no longer current, are posted on the Brenntag AG website. If there are any changes in the handling of the recommendations of the Code, the declaration of conformity will be updated during the year and posted on the website of Brenntag AG.

On February 7, 2017, the Government Commission "German Corporate Governance Code" resolved changes to the Code that were published in the Federal Gazette (Bundesanzeiger) on April 24, 2017.

Since its last declaration of conformity in December 2016, Brenntag AG has complied with the recommendations of the Code as amended on February 7, 2017 with two exceptions, and also plans to comply in future with the recommendations of the Code in its latest version with two exceptions.

As in the previous year, in the current declaration of conformity an exception to number 4.2.3, para. 3 of the Code is declared regarding pension awards for Board of Management members. Three members of the Board of Management receive benefits which are structured differently and which are partly for the specific purpose of retirement provision but may otherwise be used freely. With regard to these pension awards, therefore, the Supervisory Board does not refer to a targeted level of provision. Furthermore, the Supervisory Board does not set a regular limit on length of membership of the Supervisory Board. Therefore, as was also the case in the previous year, an exception to number 5.4.1, para. 2 of the Code was declared.

COMPOSITION OF THE GOVERNING BODIES

As a company established in accordance with the German Stock Corporation Act, Brenntag AG has a two-tier management system, consisting of the Board of Management and the Supervisory Board.

COMPOSITION OF THE BOARD OF MANAGEMENT

The size and composition of the Board of Management remained the same in the reporting year. The Board of Management of Brenntag AG is composed of five members. Steven Holland remains Chairman of the Board of Management.

COMPOSITION OF THE SUPERVISORY BOARD

The size of the Supervisory Board also remained unchanged at six members in the reporting year. The term of office of Prof. Dr Edgar Fluri and Dr Thomas Ludwig ended at the close of the ordinary General Shareholders' Meeting that resolved the discharge of the members of the Supervisory Board for financial year 2016. The two gentlemen did not stand for re-election. Therefore, it became necessary for the General Shareholders' Meeting to elect two new members to the Supervisory Board.

Members of the Supervisory Board www.brenntag.com/supervisory_board

Wijnand Donkers and Ulrich Harnacke were individually elected by a large majority of the shareholders at the ordinary General Shareholders' Meeting on June 8, 2017. The proposals for the candidates were accompanied by curricula vitae providing information on the candidates' relevant knowledge, skills and experience and an overview of the candidates' material activities in addition to the Supervisory Board mandate. They are published on the website of Brenntag AG and – just like the curricula vitae of the other Supervisory Board members - will be updated every year.

Taking the recommendations of the Code into consideration, the Supervisory Board has determined the concrete objectives regarding its composition, including a profile of skills and expertise for the entire Board. Accordingly, the composition of the Supervisory Board shall ensure that it can effectively monitor and advise the Board of Management and can perform its duties prescribed by law and by the Articles of Association in the best-possible way. In the situation specific to the company, the composition of the Supervisory Board adequately reflects the international activities of the company, an appropriate number of independent Supervisory Board members, in particular independent from customers, suppliers or other business partners of the company, diversity and an appropriate percentage of women.

The Supervisory Board has updated the objectives for its composition as follows:

- At least 15% of the members of the Supervisory Board shall have particularly great experience gained abroad. This experience may also have been gained in other industries.
- At least 50% of the members of the Supervisory Board shall not hold offices at customers', suppliers' or lenders' of the company.
- At least 50% of the members of the Supervisory Board shall be independent within the meaning of number 5.4.2 of the Code.
- At least 33.3% of the seats on the Supervisory Board shall be filled by women by June 30, 2022.
- No member of the Supervisory Board shall continue to hold office beyond the close of the General Shareholders' Meeting following his/her 70th birthday.

In line with the profile of skills and expertise agreed on December 14, 2017, the composition of the Supervisory Board shall also ensure that the entire Supervisory Board has the knowledge, skills and expertise required to perform their duties in the best-possible way. The objective is for the Supervisory Board to have all the knowledge, skills and experience that are considered to be important in the light of Brenntag's activities and business model. In addition to knowledge of and experience in the chemical industry, the distribution sector and the relevant end market, these include knowledge and experience of strategic and organisational development as well as of the management of a large international company, including knowledge and experience in Mergers & Acquisitions. As a listed company, Brenntag AG is subject to capital market regulations. Therefore, it is important that the entire Supervisory Board has knowledge and experience of the functioning of the capital market and the associated laws and also has knowledge and expertise regarding the relevant regulatory framework, corporate governance, corporate social responsibility and compliance management. It shall be ensured that the Supervisory Board in its entirety has the necessary knowledge and experience in financial reporting and accounting for a listed company and is familiar with controlling and risk management systems in an international business environment. Finally, the Supervisory Board shall have knowledge and expertise regarding digitization developments and processes to the extent that these are relevant for the concrete business activities of Brenntag.

In the Supervisory Board's opinion, a suitable number of independent members is at least three. The Supervisory Board currently believes that all current members are to be regarded as independent as defined by the Code.

The members of the Supervisory Board of Brenntag AG have been chosen for their professional qualifications, their knowledge and their particular experience. The members of the Supervisory Board as a whole are familiar with the business sector in which Brenntag operates. The current composition of the Supervisory Board is in line with the objectives set and the profile of skills and expertise.

SHARES HELD BY THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

On December 31, 2017, no member of the Board of Management or the Supervisory Board held share packages of Brenntag AG or financial instruments relating to such shares, which in each case exceed 1 % of the shares issued by Brenntag AG either directly or indirectly. At that date, the total number of shares held by all members of the Board of Management and Supervisory Board together also did not exceed 1% of the shares issued by the company.

AVOIDANCE OF CONFLICTS OF INTEREST ON THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

As was also the case in the previous years, in the reporting year there were no advisory or other service agreements and contracts for work between a member of the Supervisory Board and the company or the other consolidated subsidiaries. There were no conflicts of interest of Board of Management or Supervisory Board members which are to be reported immediately to the Supervisory Board owing to the duty of loyalty to the company. Details can be found in the Report of the Supervisory Board.
A detailed list of the mandates held by the members of the Supervisory Board on supervisory boards to be established by law or on comparable domestic and foreign supervisory bodies of business enterprises is given in the chapter "Members of the Supervisory Board". In line with the recommendation of the Code (cf. number 5.4.5, para. 1), no member of the Board of Management has accepted more than a total of three mandates in non-Group listed companies or on supervisory bodies of non-Group entities that make similar requirements.

REPORTABLE SECURITIES TRANSACTIONS OF BOARD OF MANAGEMENT AND SUPERVISORY BOARD MEMBERS

Pursuant to Section 15, para. 2 of the German Securities Trading Act (WpHG) in conjunction with Article 19 of the Regulation (EU) No. 596/2014, the so-called Market Abuse Regulation, any persons working in a management capacity for an issuer of securities and any persons closely associated with said persons are obliged to report transactions involving Brenntag shares or related financial instruments if the value of the transactions which they have made in one calendar year reaches or exceeds EUR 5,000. In financial year 2017, two transactions were reported to Brenntag AG that were duly published and can also be accessed at any time on the website of Brenntag AG under the section "Financial News / Directors' Dealings".

DECLARATION OF EXCEPTIONS TO THE GERMAN CORPORATE GOVERNANCE CODE

In accordance with number 4.2.3, para. 3 of the Code, for pension plans the Supervisory Board shall establish the level of provision aimed for in each case – also considering the length of time for which the individual has been a Board of Management member – and take into account the resulting annual and long-term expense for the company. Brenntag AG follows the recommendation in number 4.2.3, para. 3 in the case of two members of the Board of Management. However, three members of the Board of Management receive benefits which are structured differently and which are partly for the specific purpose of retirement provision but may otherwise be used freely. With regard to these pension awards, therefore, the Supervisory Board does not refer to a targeted level of provision. From the company's point of view, this approach is preferable to the approach of a defined benefit plan, as external risks and investment risks are not shifted to the Company.

In accordance with number 5.4.1, para. 2 of the Code, the Supervisory Board shall specify a regular limit on length of membership of the Supervisory Board. The Supervisory Board has not set such a limit as a regular limit on the length of membership of the Supervisory Board does not take into account the benefits of individual members' experience. Therefore, as was also the case in the previous year, an exception was declared in the current declaration of conformity.

D&O INSURANCE DEDUCTIBLE

For details on the D&O insurance (Directors & Officers insurance, liability insurance against financial losses), we refer you to the information given in the chapter "Remuneration Report".

APPROPRIATE CONTROL AND RISK MANAGEMENT

An effective risk management and control system is a prerequisite for the Board of Management and Supervisory Board of Brenntag AG to ensure that opportunities and risks arising from the business activities of Brenntag AG and its subsidiaries are handled appropriately. One particular focus remains the financial risks, in particular the liquidity and credit default risks. Systematic risk management enables potential uncertainties to be identified and assessed at an early stage and risk positions to be optimized. The Board of Management reports regularly to the Supervisory Board on any existing risks and their development. The Audit Committee of the Supervisory Board is responsible for monitoring the accounting process, effectiveness and efficiency of the company's internal controls, risk manage-

Details on the Internal Control / Risk Management System in chapter "Report on Expected Developments, Opportunities and Risks"

ment and the internal audit system. The Audit Committee's work is described in detail in the chapter "Audit Committee".

Brenntag AG's controlling, risk management and audit systems are continually refined and regularly adapted to changing conditions. Details on the internal control and risk management system can be found in the chapter "Description of the Internal Control / Risk Management System" in the combined management report.

TRANSPARENCY AND EQUAL TREATMENT THROUGH COMPREHENSIVE INFORMATION

Brenntag AG aims to ensure that communications with the capital market are as transparent as possible and that all market participants are treated equally. Hereby, it is ensured that all market participants receive information continuously, promptly and comprehensively. For Brenntag AG, constant dialogue with its shareholders and potential investors is a matter of course. Various measures are implemented to ensure the aim of a fair communication policy is achieved. For example, Brenntag AG regularly informs investors about the current development of business and takes part in various investor conferences and road shows to ensure a continuous information exchange with capital market participants. Shareholders also have the opportunity to make contact with the Board of Management at the General Shareholders' Meeting. All relevant information is published on the Brenntag AG website in German and English, including, in particular, financial reports, investor presentations, financial news, ad-hoc news, the Articles of Association as well as details on the General Shareholders' Meeting and the financial calendar. The financial calendar contains important event and publication dates and can also be found at the end of this annual report.

SHAREHOLDERS AND GENERAL SHAREHOLDERS' MEETING

As provided for by law and in the Articles of Association, the shareholders of Brenntag AG exercise their rights before or during the General Shareholders' Meeting and, in this respect, may also exercise their voting rights. Each share carries one vote in the General Shareholders' Meeting. The General Shareholders' Meeting resolves, among other things, on the appropriation of profit, the discharge of the Board of Management and of the Supervisory Board and on the election of the auditors. As a rule, the Chairman of the Supervisory Board presides over the General Shareholders' Meeting. The ordinary General Shareholders' Meeting takes place once a year. Shareholders who are registered with the share register of the company and whose application for participation is received by the company or any other body designated in the notice of the respective General Shareholders' Meeting in good time before the General Shareholders' Meeting are entitled to participate in the General Shareholders' Meeting and exercise their voting rights. Shareholders may exercise their right to vote in the General Shareholders' Meeting either personally or through a representative of their choice, or by a company-appointed proxy acting on their instructions. As was also the case in the previous year, shareholders were offered the option of exercising their right to vote at the 2017 General Shareholders' Meeting in writing by postal vote, without appointing a person to represent them. It is also planned to offer the option of postal voting for the 2018 ordinary General Shareholders' Meeting. To provide information for the shareholders, Brenntag AG posts the annual report on the past financial year on its website promptly after the Supervisory Board meeting at which the annual financial statements are adopted. As was also the case in the previous year, notice of the 2018 ordinary General Shareholders' Meeting will be given at least 36 days before the date on which it is to be held. The invitation to attend will include a list of items on the agenda as well as an explanation of conditions for attendance and the rights of the shareholders. All documents and information on the forthcoming ordinary General

Shareholders' Meeting are also available in good time for downloading from the website of Brenntag AG. After the General Shareholders' Meeting, Brenntag AG also publishes attendance and the results of votes on the Internet.

ACCOUNTING AND FINANCIAL STATEMENT AUDITING

The consolidated financial statements of Brenntag AG are prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. The financial statements of Brenntag AG, on which the dividend payment is based, are drawn up in accordance with the German Commercial Code and the German Stock Corporation Act. All single-entity and consolidated financial statements of Brenntag AG since the IPO in 2010 have been audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. The audit is managed centrally by the PwC branch at Moskauer Str. 19, 40227 Düsseldorf. The undersigned statutory auditors are Thomas Tandetzki (since 2013, for the single-entity and consolidated financial statements) and Frank Schemann (since 2012 for the single-entity financial statements and since 2014 also for the consolidated financial statements). The statutory requirements and requirements to rotate pursuant to Sections 319 and 319a of the German Commercial Code (HGB) are met. For financial year 2017, it was again agreed with the statutory auditors that the Chairman of the Audit Committee would be informed immediately of any possible grounds for exclusion or bias arising during the audit insofar as they are not immediately eliminated, and that the auditors would report immediately on any findings or occurrences during the audit which have a significant bearing on the duties of the Supervisory Board. It was also agreed that the auditors would inform the Supervisory Board or make a note in the audit report of any facts ascertained during their examination that conflict with the declaration of conformity with the recommendations known of the Government Commission "German Corporate Governance Code"; this declaration was issued by the Board of Management and Supervisory Board pursuant to Section 161 of the German Stock Corporation Act.

CORPORATE GOVERNANCE STATEMENT

DECLARATION OF CONFORMITY WITH THE RECOMMENDATIONS OF THE GOVERNMENT COMMISSION "GERMAN CORPORATE GOVERNANCE CODE"

On December 14, 2017, the Board of Management and Supervisory Board submitted the following declaration on the recommendations of the Government Commission "German Corporate Governance Code" in accordance with Section 161, para. 1 of the German Stock Corporation Act:

"The Board of Management and the Supervisory Board hereby declare that Brenntag complies and plans to continue to comply with the recommendations of the Government Commission 'German Corporate Governance Code' as amended on February 7, 2017, published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger), with the exception of the recommendations in number 4.2.3, para. 3 and number 5.4.1, para. 2 of the Code. The exceptions are declared for the following reasons:

With regard to two members of the Board of Management, Brenntag follows the recommendation in number 4.2.3, para. 3 of the Code. Three members of the Board of Management receive payments of different forms, which are partially earmarked for their pension scheme, but also, apart from that, are at the free disposal of the specific board member. Therefore, the Supervisory Board has not established target levels of pension benefits for every pension commitment.

In addition, the Supervisory Board does not set a regular limit on length of membership, as recommended in number 5.4.1, para 2 of the Code. A regular limit on length of membership does not take into account the benefits of individual members' experience.

Furthermore, the Board of Management and the Supervisory Board hereby declare that, since its last declaration of conformity dated December 15, 2016, Brenntag has complied with the recommendations of the Government Commission 'German Corporate Governance Code' as amended on February 7, 2017 with the exception of the recommendation in number 4.2.3, para. 3 and the recommendation in number 5.4.1, para 2 of the Code as described above."

The current declaration of conformity and declarations made in previous years can be viewed at any time on the company's website.

COMPLIANCE REPORT AND DISCLOSURES ON CORPORATE GOVERNANCE PRACTICE

In all its business activities, Brenntag is committed to acting honestly, fairly and in good faith in its dealings with customers, suppliers and competitors as well as with its employees and the public.

As a global company, Brenntag is subject to a large number of laws, directives, regulations and ordinances. Furthermore, Brenntag's highest priorities are honesty and integrity. Every Brenntag employee is personally responsible for complying with all applicable laws, directives, policies and regulations.

Our fundamental company values, ethical principles, compliance with laws, rules and regulations as well as the relevant guidelines and procedures which are of key significance for the company and for Brenntag's public reputation are summarized in a Code of Business Conduct and Ethics.

This comprehensive Code of Business Conduct and Ethics, which is applicable to all employees, summarizes the fundamental standards Brenntag applies in all its business activities in areas such as human rights and working conditions, health, safety and the environment, dealings with business partners and public institutions, bribery and corruption, competition and antitrust law, avoidance of conflicts of interest as well as data privacy and information security. The aim is to give all employees guidance in the legal and ethical challenges of their daily work and to encourage correct conduct.

The Code of Business Conduct and Ethics has been translated into several languages and communicated throughout the Brenntag Group. The observance of the rules it contains is monitored by the respective management teams of the subsidiaries. Every infringement of this code of conduct may lead to disciplinary action and have further consequences under employment and criminal law for employees committing an infringement.

The Brenntag Code of Business Conduct and Ethics is freely available and can be downloaded on the website at www.brenntag.com under About Brenntag / Strategy & Organization/Compliance.

In addition to the Code of Business Conduct and Ethics, there are further Group policies detailing compliance requirements, including an Anti-corruption Guideline and an Insider Compliance Guideline.

The employees are regularly trained with regard to compliance requirements. For example, there is a global e-learning training program on the Brenntag Code of Business Conduct and Ethics for our employees. In addition, our compliance training courses focus particularly on the observance of antitrust law requirements and the avoidance of bribery and corruption. These training courses are also mainly made available to the relevant target groups of employees through our global e-learning system. The aim is to keep the employees' knowledge up to date and avoid any illegal actions as well as to protect the environment and employees.

Brenntag has established procedures throughout the Group for receiving and handling complaints and anonymous reports of questionable matters. Such reports and complaints can also be made anonymously using a web-based form on the internet. The information received is treated in strict confidence so the source of the information does not suffer any negative consequences from making complaints or reports. The reports received are examined and appropriate action taken if a compliance infringement has taken place. These processes are steered by the Compliance Manager of Brenntag AG.

The Compliance Manager of Brenntag AG provides the Board of Management with information on compliance matters regularly, in urgent cases immediately. Furthermore, reports on compliance cases and the development of the Group-wide compliance management system are given in the regular Audit Committee meetings of the Supervisory Board. The Compliance Manager is supported by an internal advisory committee, the Compliance Committee, which is composed of various department heads of Brenntag AG.

The compliance managers in the regions, who are appointed by the regional executive management, ensure close networking with our business activities through the coordination of compliance management at regional level. Regional compliance managers examine and report all compliance cases and / or compliance questions which are brought to their attention.

WORKING PRACTICES OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD AS WELL AS COMPOSITION AND WORKING PRACTICES OF THEIR COMMITTEES

In accordance with the German Stock Corporation Act and the Articles of Association of Brenntag AG, the Board of Management and the Supervisory Board form the two bodies of the company which together govern the company and are guided by the applicable legislation, the principles of the Code as well as their respective rules of procedure. The working practices of both bodies are geared to responsible corporate governance.

BOARD OF MANAGEMENT

MARKUS KLÄHN
MEMBER OF THE BOARD OF MANAGEMENT

North America Region

KARSTEN BECKMANN
MEMBER OF THE BOARD OF MANAGEMENT

EMEA (Europe, Middle East & Africa) Region
Global Accounts, Digitalization

STEVEN HOLLAND
CHIEF EXECUTIVE OFFICER

Latin America Region
Corporate Communications
Corporate Development
Corporate HSE
Corporate Human Ressources
Corporate Internal Audit
Corporate Mergers & Acquisitions
Compliance

GEORG MÜLLER
CHIEF FINANCIAL OFFICER

Corporate Accounting
Corporate Controlling
Corporate Finance & Investor Relations
Corporate IT
Corporate Legal
Corporate Risk Management
Corporate Tax
Brenntag International Chemicals

HENRI NEJADE
MEMBER OF THE BOARD OF MANAGEMENT

Asia Pacific Region
Global Sourcing

BOARD OF MANAGEMENT

The Board of Management is responsible for managing the company and aims to achieve the company's goals by responsible corporate governance, to sustainably increase the value of the company and, taking account of the company's interests, to enforce the measures necessary to implement the company's policy. The members of the Board of Management bear joint responsibility for the entire management of the company's business. They work together in a spirit of collective responsibility and keep one another informed about all major business transactions and measures adopted in their respective areas of responsibility. Notwithstanding the joint responsibility of all Board of Management members for the conduct of Brenntag AG's business, each Board member is individually responsible for the areas assigned to him under the assignment-of-business plan or through other resolutions of the Board of Management.

The Board of Management manages the business of Brenntag AG independently. In doing so, it must act in the company's best interest. The Board of Management operates in accordance with the applicable laws and the provisions of their individual service agreements as well as the rules of procedure and the assignment-of-business plan. The Board of Management has set up an appropriate risk management and risk monitoring system in the Brenntag Group to ensure that the subsidiaries observe all applicable external and internal rules. It develops the strategy of the Brenntag Group in cooperation with the Supervisory Board and discusses the current status of its implementation with the Supervisory Board at regular intervals.

The transactions for which a resolution adopted by the Board of Management is required by law, the Articles of Association or the rules of procedure for the Board of Management of Brenntag AG include but are not limited to the following measures:

- Board of Management's reports to the Supervisory Board (Section 90, para. 1 of the German Stock Corporation Act),
- fundamental organizational measures, such as the conclusion of company agreements, transformation measures within the meaning of the German Transformation of Companies Act or acquisitions, carve-outs or the sale of material parts of the company as well as strategy and business planning issues,
- measures related to the implementation and controlling of a monitoring system (Section 91, para. 2 of the German Stock Corporation Act),
- issuance of the declaration of conformity (Section 161, para. 1 of the German Stock Corporation Act),
- preparation of the annual financial statements and the management report,
- convening of the General Shareholders' Meeting as well as the Board of Management's requests and proposals for resolutions to be dealt with and voted on at the General Shareholders' Meeting,
- matters with respect to which the Chairman of the Board of Management or any two members have requested a resolution by the Board of Management.

Furthermore, internal guidelines applicable throughout the Group have been implemented which also lay down the requirement of a resolution passed by the entire Board of Management or by individual members of the Board of Management for certain matters.

The Board of Management must regularly inform the Supervisory Board, in due time and comprehensively, of all issues of Brenntag AG and its subsidiaries with regard to strategy, corporate governance, the business policy it plans and other fundamental questions of corporate planning, the company's profitability, business performance and risk exposure, risk management and compliance. In addition, the Board of Management requires the prior consent of the Supervisory Board for certain major matters which are described in detail in the chapter "Supervisory Board".

Board of Management meetings are to take place every two weeks but at least once a month. The Board of Management has a quorum if all its members have received invitations to the meeting and at least half of its members participate in adopting resolutions. Resolutions may be adopted outside meetings either by circulating the documents or in another form. The Board of Management must do everything in its power to ensure that its resolutions are adopted unanimously. Insofar as other majorities are not prescribed by law or by the Articles of Association of Brenntag AG, the Board of Management is to adopt resolutions with a simple majority of the members of the Board participating in the vote. In the event of a tie, the Chairman of the Board of Management has a second vote. The Board of Management has currently not set up any committees.

SUPERVISORY BOARD

As the second governing body of a stock corporation (Aktiengesellschaft), the Supervisory Board has the task of monitoring the management of the company by the Board of Management as well as advising the Board of Management on the management of the company. The Supervisory Board also appoints and dismisses the members of the Board of Management and respects diversity when appointing the Board of Management in line with the recommendations of the Government Commission "German Corporate Governance Code". The Supervisory Board regularly discusses the company's strategy with the Board of Management and the progress made in its implementation. Furthermore, the Board of Management regularly informs the Supervisory Board of all issues with regard to planning, business development, the risk situation and risk management of the company in compliance with Section 90 of the German Stock Corporation Act (AktG). The Supervisory Board also decides on the Board of Management's assignment-of-business plan if the latter cannot decide on it unanimously itself.

Furthermore, the prior consent of the Supervisory Board is required for some major Board of Management decisions, including but not limited to major changes in the business strategy of the Brenntag Group, the acquisition or sale of major plots of land, companies or business operations, agreements in connection with the granting or raising of loans or the assumption of guarantees, the amount of which exceeds certain thresholds.

The Supervisory Board has adopted rules of procedure and, according to these rules, holds at least two meetings in the first two quarters and at least two meetings in the last two quarters of each calendar year. If necessary and on a case-by-case basis, additional meetings are held or circular resolutions are passed outside Supervisory Board meetings.

All members of the Supervisory Board are bound by the company's best interests and must immediately inform the Supervisory Board of any conflicts of interest.

The Supervisory Board of Brenntag AG has six members, as was also the case in the previous year. The Chairman of the Supervisory Board is Stefan Zuschke. There are no employee representatives on the Supervisory Board of Brenntag AG as the German One-Third Employee Participation Act (Drittelbeteiligungsgesetz) and the German Codetermination Act (Mitbestimmungsgesetz) are not applicable. The Supervisory Board members are in principle elected for a period up to the close of the General Shareholders' Meeting which resolves on the formal discharge of the Supervisory Board for the fourth financial year after commencement of the respective term of office. The financial year in which the term of office starts is not counted for this purpose. The General Shareholders' Meeting can determine a shorter term of office for the Supervisory Board members. Members of the Supervisory Board may be re-elected.

The term of office of the two Supervisory Board members, Prof. Dr Edgar Fluri and Dr Thomas Ludwig, ended at the close of the ordinary General Shareholders' Meeting that resolved the discharge of the members of the Supervisory Board for financial year 2016. The two gentlemen did not stand for re-election. Therefore, it became necessary for the General Shareholders' Meeting to elect two new members to the Supervisory Board. Wijnand Donkers and Ulrich Harnacke were individually elected by a large majority of the shareholders at the ordinary General Shareholders' Meeting on June 8, 2017.

The next elections to the Supervisory Board for the other Supervisory Board members will be held at the General Shareholders' Meeting that resolves on the formal discharge of the Supervisory Board for financial year 2019.

The Supervisory Board has a quorum when at least three members participate in the voting. Insofar as other majorities are not prescribed by law, resolutions are passed by a simple majority. In the event of a tie, the Chairman has the casting vote. He / she is also authorized to make any declarations on behalf of the Supervisory Board which are necessary to implement its resolutions.

The Supervisory Board has regulated the work of the Board of Management in the rules of procedure for the Board of Management, in particular matters which have to be dealt with by the entire Board of Management as well as the necessary majority for Board of Management resolutions. Information on the remuneration of the Supervisory Board members can be found in the chapter "Remuneration Report" in the combined management report.

The Supervisory Board reviews the efficiency of its activities on a regular basis but at least once every two years. The routine efficiency review took place in the reporting year. The Supervisory Board examined in particular whether the existing internal rules of procedure have proved to be appropriate for good corporate governance, how the activities of the Supervisory Board can be made even more efficient and whether there are further opportunities to implement the corporate governance requirements even more effectively.

The Supervisory Board has set up two committees from among its members, namely the Presiding and Nomination Committee as well as the Audit Committee. The members of the committees are appointed for the entire period of office as members of the Supervisory Board. Each committee chairman reports regularly to the Supervisory Board on the committee's activities. Owing to the Supervisory Board elections that took place in the reporting year, there were changes on both committees.

PRESIDING AND NOMINATION COMMITTEE

The Presiding and Nomination Committee set up by the Supervisory Board of Brenntag AG consists of the Chairman of the Supervisory Board, Stefan Zuschke, Dr Andreas Rittstieg and Wijnand Donkers, who was elected to the Committee on June 8, 2017. The Chairman of the Supervisory Board is always also the Chairman of the Presiding and Nomination Committee.

The members of the Committee are constantly in contact with the Board of Management between the meetings of the Supervisory Board and advise the Board of Management on the strategic development of the company; the Committee coordinates the activities of the Supervisory Board as a whole and monitors compliance by the Board of Management with the rules of procedure. Furthermore, the Committee makes proposals regarding the appointment and removal of members of the Board of Management, the terms of the Board of Management service agreements within the framework of the remuneration system structure adopted by the Supervisory Board as well as any application to reduce the remuneration of a Board of Management member, and regularly provides the Supervisory Board with information for reviewing the remuneration system as a whole.

Furthermore, the Committee represents Brenntag AG vis-à-vis former members of the Board of Management in accordance with Section 112 of the German Stock Corporation Act, consents to sideline activities of Board of Management members in accordance with Section 88 of the German Stock Corporation Act and grants loans to the persons named in Sections 89 and 115 of the German Stock Corporation Act. In addition, the Committee approves contracts with Supervisory Board members in accordance with Section 114 of the German Stock Corporation Act and proposes suitable candidates as Supervisory Board members to the General Shareholders' Meeting in case of the election of Supervisory Board members, taking into account the concrete objectives for the composition of the Supervisory Board and the profile of skills and expertise for the Supervisory Board as a whole.

AUDIT COMMITTEE

The Supervisory Board of Brenntag AG has set up an Audit Committee, which meets at least four times in each calendar year and in particular monitors the accounting process and the audit of the annual financial statements. The Audit Committee has three members who are appointed by the Supervisory Board. They are Ulrich Harnacke, Doreen Nowotne and Stefanie Berlinger. By resolution of the Supervisory Board on June 8, 2017, Mr Harnacke was elected both to the Audit Committee and as its Chairman.

In line with the recommendation of the Code (number 5.3.2), the Chairman of the Audit Committee shall have special knowledge of and experience in applying accounting principles as well as internal control procedures and shall also not be a former member of the company's Board of Management whose appointment ended less than two years prior to his appointment as Chairman of the Audit Committee. The Chairman of the Audit Committee, Ulrich Harnacke, meets these requirements. The Chairman reports regularly to the Supervisory Board about the activities of the Committee.

The Audit Committee prepares the resolutions of the Supervisory Board on the auditing and adoption of the annual financial statements as well as the approval of the consolidated financial statements, the Board of Management's proposal for the appropriation of profit and the Supervisory Board's proposal to the General Shareholders' Meeting on the election of the auditors for the consolidated financial statements and the auditors for the half-yearly and quarterly financial reports, insofar as the latter are audited or reviewed by auditors. For this purpose, the Audit Committee pre-reviews the documentation relating to the annual and consolidated financial statements, the management report and the Group management report as well as the proposal for the appropriation of profit. The Audit Committee discusses the audit reports with the auditor.

The Committee deals with accounting issues on behalf of the Supervisory Board, in particular the treatment of subjects of fundamental importance, such as the application of new accounting standards and the monitoring of the accounting process. It deals with half-yearly and quarterly financial reports as well as their audit or review. Furthermore, it reviews the adequacy and effectiveness of the company's internal control system, risk management system and internal audit system.

The Audit Committee also reviews observance of and compliance with the statutory provisions and internal company policies as well as compliance with the relevant rules of the German Corporate Governance Code. On behalf of the Supervisory Board, the Committee also monitors in particular the audit and the auditors' independence, including compliance with statutory requirements regarding the tendering process, proper awarding of non-audit services and observance of requirements to rotate the statutory auditor. In addition, the Committee engages the auditors to conduct the audit of the annual financial statements and, if necessary, a review of the half-yearly and quarterly financial reports. Furthermore, it discusses the scope and main points of the audit as well as cooperation between the statutory auditor and the Corporate Internal Audit department and other departments involved in risk management. On behalf of the Supervisory Board, the Committee authorizes the auditors' fee.

In addition, the Audit Committee discusses the financial, investment and liquidity plans with the Board of Management, including the plans with respect to the observance of financial covenants and the adequacy of interest hedging for the Group as well as deviations of the actual development from targets previously reported. The Audit Committee is responsible for the receipt and handling of complaints by employees and third parties about the accounting, the internal company control system, risk management, the audit of the financial statements and other accounting-related issues (whistleblowing). The Audit Committee may assume other tasks which the Supervisory Board assigns to it. It obtains regular reports about the work of the Corporate Internal Audit department, in particular about that department's audit focal points and audit findings. The same applies to risk management and the monitoring of compliance.

INFORMATION ON TARGETS FOR THE PERCENTAGE OF WOMEN AND DIVERSITY

In accordance with Section 76, para. 4 and Section 111, para. 5 of the German Stock Corporation Act, Brenntag AG is required to set targets for the share of women on the Supervisory Board, Board of Management and on the first two management levels below the Board of Management.

By resolution passed in September 2015, the Supervisory Board had set the target for the share of women on the Supervisory Board at 33.3% and the target for the share of women on the Board of Management at 0% in the period up to June 30, 2017. By resolution passed in September 2015, the Board of Management had set a target of 30% for the share of women on the only management level in the company below the Board of Management in the period up to June 30, 2017. The respective targets reflected the status quo when the resolutions were passed.

With the exception of the target for the only management level in the company below the Board of Management, the targets set were achieved by the end of the period on June 30, 2017. The reason for the failure to achieve the target for the only management level in the company below the Board of Management was the recruitment of a new employee with effect from November 1, 2016 solely on the basis of an assessment of the person's suitability for the role.

In the reporting year, the Board of Management and the Supervisory Board set new targets for the share of women, in each case with the deadline for implementation of June 30, 2022. The Supervisory Board set the target for the share of women on the Supervisory Board at 33.3% and the target for the share of women on the Board of Management at 0%. The Board of Management set a target of 30% for the share of women on the only management level in the company below the Board of Management. Naturally, the aforementioned targets do not rule out the possibility that the share of women will increase more than that. Before the above-mentioned deadline expires, the Supervisory Board and Board of Management will pass a resolution setting new targets.

Apart from Brenntag AG, Brenntag GmbH is the only Group company pursuant to Section 36 and Section 52 of the German Limited Liability Companies Act (GmbHG) required to set targets for the percentage of women on the Supervisory Board, in the managing director team and on the two management levels below the managing directors. Brenntag GmbH is not required to disclose a management report because it has applied the exemption provisions pursuant to Section 264, para. 3 HGB. In accordance with Section 289a, para. 4, sentence 2 in conjunction with para. 1, sentence 2 HGB, Brenntag GmbH publishes its declaration with the specifications and disclosures in accordance with Section 289a, para. 2, No. 4 HGB on its website at www.brenntag.com/frauenanteil.

The diversity policy that is being pursued with respect to the composition of the Supervisory Board consists of the aforementioned targets for the composition of the Supervisory Board and the profile of skills and expertise for the entire Board. The targets mentioned comprise information on age and gender of the Supervisory Board members, but also on experience gained abroad. The profile of skills and expertise for the entire Board specifies the skills and expertise considered important by the Supervisory Board and sets the specific requirements, in particular with regard to educational and professional background. The diversity policy is being implemented inasmuch as the proposals to the General Shareholders' Meeting for the election of Supervisory Board members take both the fulfilment of the targets and in future also the profile of skills and expertise into consideration. In the past financial year, the diversity policy was complied with when new members were appointed to the Supervisory Board.

The diversity policy that is being pursued with respect to the composition of the Board of Management comprises not only the above-mentioned target for the share of women but also an age limit of 65 for members of the Board of Management. When Board of Management member roles are filled, it is also ensured that at least one member worked in the chemical and/or chemical distribution industry, at least one member can prove professional experience gained abroad and at least one member has knowledge of financial reporting and accounting. The Supervisory Board takes these requirements into account when appointing new Board of Management members. In the past financial year, there were no changes to the composition of the Board of Management. In its current composition, the Board of Management of Brenntag AG fulfils the requirements of the diversity policy.

OFFICES OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

MEMBERS OF THE BOARD OF MANAGEMENT

The members of the Board of Management hold the following positions on statutory supervisory boards or comparable supervisory bodies of business enterprises:

		Membership of statutory supervisory boards and comparable German and foreign supervisory bodies of business enterprises (as at December 31, 2017)	
Name	**First appointed**	**External positions**	**Group company positions**
Steven Holland Chief Executive Officer	March 3, 2010		■ Brenntag Nederland B.V. (Chairman)
Karsten Beckmann	July 1, 2015		■ BRENNTAG GmbH ■ BRENNTAG SA (Chairman) ■ Brenntag Nederland B.V.
Markus Klähn	July 1, 2015		
Georg Müller Chief Financial Officer	April 1, 2012		■ BRENNTAG GmbH (Chairman)
Henri Nejade	July 1, 2015		■ Brenntag (Shanghai) Chemical Trading Co., Ltd. ■ Brenntag Cangzhou Chemical Co., Ltd. ■ Brenntag (Zhangjiagang) Chemical Co., Ltd.

■ Membership of statutory supervisory boards as defined by Section 125 AktG
■ Membership of comparable German and foreign supervisory bodies of business enterprises

MEMBERS OF THE SUPERVISORY BOARD

The members of the Supervisory Board hold the following positions on statutory supervisory boards or comparable supervisory bodies of business enterprises:

Name	Position held	Member from	Membership of statutory supervisory boards and comparable German and foreign supervisory bodies of business enterprises (as at December 31, 2017)
Stefan Zuschke Chairman	Managing Director BC Partner Beteiligungsberatung GmbH	March 3, 2010	■ Aenova Holding GmbH ■ Phoenix MidCo GmbH ■ Nille Holding I AS ■ Nille Holding II AS ■ Nille Acquisition SA ■ Nille Store Operations AS ■ Nille Finance Sarl ■ Nils Lätt AB ■ Nille Trading AS
Stefanie Berlinger	Managing Director Lilja & Co. GmbH	June 9, 2015	
Doreen Nowotne	Independent Management Consultant	March 3, 2010	■ JENOPTIK AG ■ Lufthansa Technik AG
Dr Andreas Rittstieg Deputy Chairman	Member of the Board of Management Hubert Burda Media Holding KG	March 19, 2010	■ XING SE ■ Hubert Burda Media Holding Geschäftsführung SE ■ Huesker Holding GmbH ■ Kühne Holding AG
Ulrich Harnacke	Chartered Accountant and Tax Consultant, Independent Business Consultant	June 8, 2017	■ Vossloh AG (Deputy Chairman) ■ Thüga Holding GmbH & Co. KGaA
Wijnand Donkers	Management Consultant	June 8, 2017	

■ Membership of statutory supervisory boards as defined by Section 125 AktG
■ Membership of comparable German and foreign supervisory bodies of business enterprises

Members of the Supervisory Board who stepped down in financial year 2017:

Name	Position held	Member from
Dr Thomas Ludwig	Managing Director and Managing Partner Lindsay Goldberg Vogel GmbH	March 19, 2010 until the close of the Ordinary General Shareholders' Meeting on June 8, 2017
Prof. Dr Edgar Fluri	Swiss Certified Public Accountant	March 19, 2010 until the close of the Ordinary General Shareholders' Meeting on June 8, 2017

SUPERVISORY BOARD

ULRICH HARNACKE ***STEFANIE BERLINGER***

DOREEN NOWOTNE

WIJNAND DONKERS

STEFAN ZUSCHKE
CHAIRMAN OF THE SUPERVISORY BOARD

DR ANDREAS RITTSTIEG
DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD

B

COMBINED GROUP

MANAGEMENT REPORT

AND MANAGEMENT REPORT OF BRENNTAG AG

GROUP OVERVIEW

Group Business Model

BUSINESS ACTIVITIES

Brenntag's growth opportunities along with its resilient business model are based not only on complete geographic coverage, a wide product portfolio and a comprehensive offering of value-added services, but especially on high diversity across our suppliers, customers and industries and our targeted use of the potential offered by outsourcing.

Connecting chemical manufacturers (our suppliers) and chemical users (our customers), Brenntag provides complete distribution solutions rather than just chemical products. Brenntag purchases large-scale quantities of industrial and specialty chemicals from a large number of suppliers, enabling the company to achieve economies of scale and offer a full-line range of chemical products and value-added services to around 185,000 customers. Brenntag is the strategic partner and service provider for manufacturers of industrial and specialty chemicals at the one end and chemical users at the other end of the value chain. Brenntag's role in the value chain is also expressed in our brand identity "ConnectingChemistry".

Brenntag stores the products it purchases in its distribution facilities, packs them into quantities the customers require and delivers them, typically in less-than-truckloads. Brenntag's customers worldwide are active in diverse end-market industries such as adhesives, paints, oil and gas, food, water treatment, personal care and pharmaceuticals. In order to be able to react quickly to the market and customers' and suppliers' requirements, Brenntag manages its business through its geographically structured segments in EMEA (Europe, Middle East & Africa), North America, Latin America and Asia Pacific. Brenntag offers a broad range of more than 10,000 products as well as extensive value-added services such as just-in-time delivery, product mixing, blending, repackaging, inventory management, drum return handling as well as technical and laboratory services for specialty chemicals.

Brenntag is the global market leader in full-line chemical distribution. We define market leadership not just by business volume; rather, we combine our philosophy "ConnectingChemistry" with constant improvements in the safety standards at our sites. As a responsible service provider, we continually strive to achieve further improvements in the supply chain as a whole.

GROUP STRUCTURE

As the ultimate parent company, Brenntag AG is responsible for the strategy of the Group. The central functions of Brenntag AG are Corporate Controlling, Corporate Finance & Investor Relations, Corporate HSE (Health, Safety and Environment), Corporate IT, Corporate Accounting, Corporate Mergers & Acquisitions, Global Human Resources, Corporate Development, Corporate Communications, Corporate Legal, Corporate Internal Audit, Compliance, Corporate Risk Management as well as Corporate Tax.

The consolidated financial statements as at December 31, 2017 include Brenntag AG, 28 (Dec. 31, 2016: 31) domestic and 184 (Dec. 31, 2016: 191) foreign consolidated subsidiaries including structured entities. Five (Dec. 31, 2016: five) associates have been accounted for using the equity method.

SEGMENTS AND LOCATIONS

The Brenntag Group is managed through the geographically structured segments EMEA (Europe, Middle East & Africa), North America, Latin America and Asia Pacific. In addition, all other segments combine the central functions for the entire Group and the activities with regard to the digitization of our business (DigiB). The international operations of BRENNTAG International Chemicals, which buys and sells chemicals in bulk on an international scale without regional boundaries, are also included here.

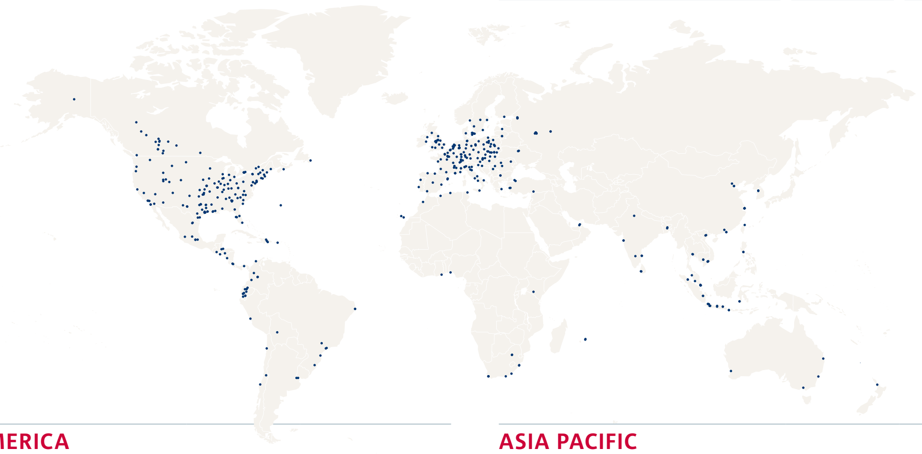
The following graphic gives an overview of the global network and the locations of the Brenntag Group:

NORTH AMERICA

		2017
External sales	EUR m	4,368.0
Operating gross profit	EUR m	1,073.9
Operating EBITDA	EUR m	385.0
Employees [1]		4,717

EMEA

		2017
External sales	EUR m	5,016.8
Operating gross profit	EUR m	1,094.8
Operating EBITDA	EUR m	365.6
Employees [1]		6,823



LATIN AMERICA

		2017
External sales	EUR m	819.2
Operating gross profit	EUR m	172.5
Operating EBITDA	EUR m	42.4
Employees [1]		1,443

ASIA PACIFIC

		2017
External sales	EUR m	1,170.6
Operating gross profit	EUR m	198.7
Operating EBITDA	EUR m	73.7
Employees [1]		2,041

B.01 GLOBAL NETWORK OF THE BRENNTAG GROUP

Figures exclude all other segments, which combine various holding companies and the activities with regard to the digitization of Brenntag (DigiB). The international operations of BRENNTAG International Chemicals are also included in all other segments.
[1] The number of employees is calculated as the number of employees on the basis of full-time equivalents at the reporting date.

Objectives and Strategy

ConnectingChemistry

Our philosophy “ConnectingChemistry” describes our company’s value creation, purpose and commitment to all our partners within the supply chain:

- **Success**
  We support our partners in developing and growing their businesses, and enable them to expand their market reach. Equally, we are committed to creating value for our shareholders and developing our employees throughout all stages of their careers.
- **Expertise**
  We provide our partners with in-depth product, application and industry expertise, and sophisticated market intelligence. We set ourselves apart, drawing on our extensive product and service portfolio as well as our comprehensive industry coverage on a global level and our ability to develop creative, tailor-made solutions.
- **Customer orientation and service excellence**
  We offer powerful channels to market and provide the best customer service in the industry. Only when our partners are fully satisfied do we consider our service to be delivered.

VISION, OBJECTIVES AND STRATEGY

Our vision illustrates how we continue to position ourselves in the markets and industries we serve and is summarized by the following five commitments to our current and future development:

- We are the safest chemical distributor, striving for zero accidents and incidents.
- Throughout the world, we connect chemistry by providing the most effective industry channel for our customers and suppliers.
- We are the global leader in all our chosen markets and industries, offering the most professional sales and marketing organization in the industry, ensuring consistently high standards every day, everywhere.
- We strive to provide a working environment where the best people want to work.
- We aim to generate sustainable and high returns for our shareholders and all other stakeholders.

Our goal is to be the preferred distributor for both industrial and specialty chemicals for our customers and suppliers and, at the same time, the industry leader in safety, growth and profitability. We aim to achieve this with a clear growth strategy geared to steadily expanding our leading market position while continually improving profitability.

Organic growth and acquisitions

Extending our market leadership by steadily growing organically

We strive to extend our market leadership by steadily growing our product and service offering organically in line with the requirements of our regional markets. In doing so, we benefit from leveraging our extensive global activities and key strengths. Our proactive sales activities focus on providing customers with tailored full-service solutions along the entire value chain rather than just products.

In addition, we continue to seek acquisition opportunities that support our strategy. Our strategic focus is on expanding our presence in emerging markets in Asia Pacific in particular so as to capture the expected strong growth in demand for chemicals in these regions. In the established markets of Western Europe and North America, we continue to further develop our product and service portfolio as well as to optimize our national and international distribution networks through acquisitions.

Steadily improving profitability

Improving profitability

A further element of our strategy is to continually and systematically increase profitability. By developing our entrepreneurial culture, our operational excellence and our resilient business model, we strive to steadily increase operating gross profit, operating EBITDA and cash flows and achieve an attractive return on capital. Extending the scope of our operations, both organically and through acquisitions, achieving the resulting economies of scale and placing emphasis on value-added services are major levers we use to increase profitability and returns.

Strategic initiatives

Supporting the strategy through global and regional growth initiatives

The systematic implementation of our strategy is based on global and regional initiatives.

The focus of our global safety initiative, for instance, is to establish an outstanding safety culture and to introduce globally harmonized and consistently high safety standards.

In order to offer our business partners the best service in the industry, we continuously focus worldwide on commercial excellence, that is to say, our effectiveness and efficiency in procurement, sales and marketing. Our points of emphasis include systematically expanding business with regional, pan-regional and global key accounts, for which our broad product offering and extensive geographic network provide unrivalled service capabilities. In addition, we will continue to actively realize the potential that arises as a result of chemical producers outsourcing supply chain and commercial activities. In a dedicated unit called DigiB, we are implementing customer- and supplier-oriented digital concepts and solutions geared to future growth.

As part of our regional growth strategies, we continue seeking to effectively leverage our capabilities in particularly attractive industries experiencing above-average growth, such as water treatment, personal care, pharmaceuticals, food & beverages as well as adhesives, coatings, paints, elastomers and sealants. In oil & gas, we are building on the industry's long-term potential in combination with our excellent capabilities and our supplier and customer network. By expanding our global expertise and position, we aim to promote sustainable growth. Further initiatives focus on growing the customer-specific mixing and blending business by providing value-added services.

In addition to our growth initiatives, we continue to improve our operational excellence, in particular by optimizing our site network, adopting best practice solutions throughout the Brenntag Group and optimizing our warehouse and transport logistics on a regional and global level.

In our human resources activities, we seek to best position the Brenntag brand in the employment market so as to recruit, develop and retain highly qualified employees. Our focus here is on our employees' continuing development and, in particular, on targeted succession planning.

SUSTAINABILITY

Further information in chapter "HSE Strategy"

Our sustainability management focuses on the aspects derived from our daily operations and service portfolio:

- Safety
- Environmental protection
- Responsibility within the supply chain
- Compliance
- Employees
- Social responsibility

Brenntag is the first chemical distributor to join the "Together for Sustainability" initiative

We are committed to the principles of responsible care and responsible distribution as well as the principles of the UN Global Compact. We are also a member of "Together for Sustainability", an industry initiative that aims to enhance sustainability across the entire chemical supply chain. Detailed information on our sustainability management is provided in our latest sustainability report and in the "Health, Safety and Environmental Protection, Quality Management" chapter of this annual report.

Financial Management System

Our goal is to be the preferred distributor for both industrial and specialty chemicals for our customers and suppliers and, at the same time, the industry leader in safety, growth and profitability. We aim to achieve this with a clear growth strategy geared to steadily expanding our leading market positions while continually and systematically improving profitability.

By developing our entrepreneurial culture, our operational excellence and our resilient business model, we strive to steadily increase operating gross profit, operating EBITDA and cash flows and achieve an attractive return on capital, both through organic growth and acquisitions. Acquisitions help us to extend our geographic coverage, optimize our portfolio in attractive market segments and achieve economies of scale.

The financial management system of the Brenntag Group enables us to measure attainment of these goals. It is based on the key performance indicators operating gross profit, operating EBITDA and free cash flow and their growth. We also measure return on capital and working capital turnover and set strict requirements for the performance of investment projects and acquisitions.

In the following, the key performance indicators used to measure the Group's financial performance are explained. They also include alternative performance indicators not defined under IFRSs such as operating EBITDA and free cash flow, as a result of which these terms may be defined differently by other companies. These alternative performance indicators are calculated continuously using a uniform approach, which ensures that metrics from different financial years can be compared.

OPERATING GROSS PROFIT

Whereas for manufacturing companies, sales play a key role, for us as a chemical distributor, operating gross profit is a more important factor for increasing our enterprise value over the long term. Operating gross profit is defined as the difference between external sales and cost of materials. Our goal is for the growth in our operating gross profit to exceed macroeconomic benchmarks. In order to ensure that measurement of performance at Group or regional level is meaningful, we adjust the growth in operating gross profit for currency translation effects. A detailed analysis of the growth in operating gross profit is given in the chapters "Business performance of the Brenntag Group" and "Business performance in the segments".

OPERATING EBITDA

The key indicator and measure for the financial performance of the Brenntag Group is operating EBITDA. We use this indicator to manage the segments, as it reflects the performance of our business operations well and is a key component of cash flow. Our aim is to continually grow operating EBITDA throughout the business cycle. It is the operating profit as recorded in the consolidated income statement plus amortization of intangible assets as well as depreciation of property, plant and equipment and investment property, adjusted for certain items.

Previously, the segments' operating EBITDA was adjusted only for holding charges, which are certain costs charged between holding companies and operating companies. At Group level, these effects net to zero. In addition to holding charges, Brenntag is now also adjusting operating EBITDA for income and expenses arising from special items so as to improve comparability in presenting the performance of its business operations over multiple reporting periods and explain it more appropriately. Special items are income and expenses outside ordinary activities that have a special and material effect on the results of operations. Items that would require an adjustment did not occur in the comparative period, in either a positive or a negative amount, and performance was therefore comparable.

Information on current operating EBITDA performance in the Brenntag Group and the segments can be found in the chapters "Business performance of the Brenntag Group" and "Business performance in the segments".

CASH GENERATION

Our aim is to generate increasing surplus liquidity. We measure this using free cash flow. This is defined as:

	Operating EBITDA
–	other additions to property, plant and equipment as well as other additions to intangible assets (capex)
+/–	changes in working capital
=	free cash flow

Free cash flow is an important performance indicator for us as it shows what level of cash is generated from operating activities and will therefore be available for growth through acquisitions as well as for lenders, shareholders and tax payments.

ADDITIONAL PERFORMANCE INDICATORS

In addition to the aforementioned financial performance indicators, we use several other metrics to assess the economic success of our business activities.

In the Brenntag Group, we measure return on capital using the indicator return on capital employed (ROCE). ROCE is defined as:

$$\text{ROCE} = \frac{\text{EBITA}}{\begin{array}{c}\text{(the average carrying amount of equity}\\ \text{+ the average carrying amount of financial liabilities}\\ \text{– the average carrying amount of cash and cash equivalents)}\end{array}}$$

The average carrying amounts in the denominator are defined for a particular year as the arithmetic average of the amounts at each of the following five dates: the beginning of the year, the end of each of the first, second and third quarters, and the end of the year.

The conversion ratio is an indicator we calculate to measure the efficiency of a segment or the Group, more specifically by expressing operating EBITDA for a given period as a percentage of operating gross profit for the same period. The indicator is used primarily to assess longer-term trends and less so to analyze short-term fluctuations between quarters.

To determine whether a particular investment project is expected to generate value for Brenntag, we take the modified internal rate of return (MIRR) and the payback period as measures of the risk involved in the project. An investment project is generally only approved if the MIRR is above the hurdle rate and the combination of return and payback seems attractive. The hurdle rate for the MIRR varies according to the risk involved in the project and depends, among other factors, on the respective country risk.

In our efforts to generate increasing cash flow, we analyze working capital turnover. This is defined as:

$$\text{WORKING CAPITAL TURNOVER} = \frac{\text{sales}}{\text{average working capital}}$$

Average working capital for a particular year is defined as the average of working capital at each of the following five dates: the beginning of the year, the end of each of the first, second and third quarters, and the end of the year.

In addition to these metrics, we have also set strategic objectives as well as financial hurdle rates that generally have to be considered when an acquisition is carried out. In particular, potential acquisitions must be able to satisfy our hurdle rate of return in the form of free cash flow on capital employed. Again, the hurdle rate of return depends, among other factors, on the country risk of the acquisition.

Further performance indicators such as tax rate and earnings per share (EPS) are only used at Group level. They are not used to measure the performance of Brenntag's segments since factors such as interest or tax are less a reflection of the operating performance of the segments, but are above all based on central decisions.

ADJUSTMENT FOR EXCHANGE RATE EFFECTS

Brenntag is an international Group which generates its profits in a large number of Group companies in different currency areas. These Group companies are mainly located in the euro and US dollar zones, but many other currency areas are also of significance.

For the purposes of Group accounting, the results of all Group companies are translated into the Group currency, the euro. The results are always translated at the average rate for the reporting period.

Therefore, the results and in particular the change between reporting periods may not only be affected by changes in operating performance, but also by effects of translation from functional currencies into the Group currency, the euro (translation effects). As Brenntag considers it important to assess the operating performance of the Group companies and in particular the change in operating performance between reporting periods free of distortions from translation effects, we also report the changes adjusted for these effects.

Exchange rate-adjusted financial metrics are not to be seen as substitutes or as more meaningful financial indicators, but always as additional information on sales, operating expenses, earnings or other metrics.

REPORT ON ECONOMIC POSITION

Economic Environment

Forecasts for the global economy remained positive throughout financial year 2017. This is reflected in the Global Manufacturing Purchasing Managers' Index (PMI), which stood at 54.5 in December, a reading well above the 50 neutral mark. Global GDP grew by 3.6% and global industrial production by around 3.5% year on year in 2017. Weighted by the sales generated by Brenntag in the individual countries, global GDP grew by an estimated 2.5%.

Europe continued to record stable economic growth overall. Industrial production rose by approximately 3% year on year in 2017.

US industrial production remained on an upward growth trend in 2017. Industrial production improved by around 2% year on year.

Latin America saw only a sluggish recovery in economic conditions in 2017, with performance in the second half of the year better than it was in the first half. Overall, Latin American industrial production contracted by approximately 0.8% year on year.

In the economies of Asia, and in China in particular, 2017 saw a continuation of the stable growth momentum. Industrial production across the region as a whole grew by around 5.6% year on year in 2017.

Business Performance

MAJOR EVENTS IMPACTING ON BUSINESS IN 2017

In January 2017, Brenntag took advantage of the attractive capital market conditions and refinanced the existing syndicated loan ahead of schedule. The term of the new syndicated loan is now to end in January 2023. The previous syndicated loan had been scheduled to run until March 2019. Brenntag has thus improved its maturity profile significantly, while at the same time reducing interest expense. The transaction was heavily oversubscribed, reflecting Brenntag's strong credit standing and its excellent reputation on the capital markets.

Successfully completed acquisitions

In February 2017, we expanded our portfolio of mixing and blending services in North America by acquiring Petra Industries, Inc. Petra generated sales of EUR 11 million in financial year 2016. Also in February 2017, Brenntag extended the existing product and service portfolio for the oil and gas industry in the USA by acquiring the pipeline and chemical services division of Greene's Energy Group, LLC. The acquired business unit achieved sales of around EUR 14 million in financial year 2016.

At the end of June 2017, Brenntag sold its shares in its Venezuelan company to a local investor due to the rising economic and political tensions in Venezuela.

At the beginning of August 2017, Brenntag acquired 51% of the shares in specialty chemical distributor Wellstar Enterprises (Hong Kong) Company Limited, Hong Kong, with its three Chinese subsidiaries (jointly "Wellstar Group"). The purchase of the remaining 49% of the shares is scheduled for 2021. Wellstar Group specializes in the distribution of specialty pigments, resins and additives and enables Brenntag to expand its market position in China's specialty chemicals segment. The business generated sales of almost EUR 28 million in 2016.

In September 2017, Brenntag successfully placed a new eight-year corporate bond in the amount of EUR 600 million with institutional investors. The bond was issued by Brenntag Finance B.V. and bears a coupon of 1.125%. It was priced at 99.227%. Following the successful refinancing of the syndicated loan at the beginning of the year, the new corporate bond brings a further improvement in the maturity profile. Brenntag used the proceeds of the bond issue primarily to repay existing financial liabilities.

In December, Brenntag expanded its business in the UK food ingredients distribution market by acquiring suppliers Kluman and Balter Limited and A1 Cake Mixes Limited. The companies specialize in the distribution of products for the food industry. The business generated sales of GBP 84.9 million in financial year 2017.

STATEMENT BY THE BOARD OF MANAGEMENT ON BUSINESS PERFORMANCE

Organic growth and an encouraging performance from the acquisitions

The Brenntag Group generated operating EBITDA of EUR 836.0 million in financial year 2017. We therefore achieved an increase of 3.2% compared with the prior-year operating EBITDA of EUR 810.0 million. On a constant currency basis, this represents meaningful earnings growth of 4.5%.

Our two largest segments, North America and EMEA, and our Asia Pacific segment contributed to this growth. The North America segment in particular outpaced the Group as a whole, achieving a near double-digit increase on a constant currency basis. This very encouraging performance was supported by almost all customer industries in the North America segment. The Asia Pacific segment posted another significant increase on the previous year. In EMEA, our performance varied from region to region during the course of 2017. However, we were able to make up for this divergence in earnings and achieve slightly positive growth over 2017 as a whole. Latin America was impacted primarily by a difficult first half of 2017. The second half of the year brought much better results. In a difficult economic environment, though, it was not possible to fully offset the decline in earnings in the first half of the year. Overall, financial year 2017 saw encouraging organic growth in both operating gross profit and operating EBITDA. The acquisitions also contributed to the growth.

Following a challenging first half of 2017 within the EMEA segment, we decided to initiate a programme to increase efficiency with the aim of achieving sustained improvements in earnings. We were soon able to counter the trend in the first half of the year and closed 2017 as a whole by posting a year-on-year increase in earnings in the EMEA segment.

The North America segment grew at an almost double-digit rate on a constant currency basis. This growth was mostly organic and driven by almost all customer segments. Our acquisitions in North America also performed very well. The very broad-based growth makes us optimistic about the future direction of the North America segment.

In Latin America, we recorded a decline in operating EBITDA in financial year 2017, due primarily to a very difficult economic market environment in the first half of 2017. The second half of the year was marked by a very encouraging performance, especially in Brazil, an important market for us. However, this was not enough to deliver positive growth for the year as a whole.

The Asia Pacific segment continued to achieve high rates of increase in both operating gross profit and operating EBITDA. This strong growth is due to the positive performance in almost all regions in Asia Pacific. In addition to sound organic growth, this was also supported by an extremely encouraging performance from the acquisitions.

Financial year 2017 was marked by a strong increase in chemical prices. This led to a corresponding rise in average working capital. We were able to keep annualized working capital turnover almost at the prior-year level.

Capital expenditure on property, plant and equipment showed an increase on the prior-year figure in financial year 2017. We are also continuing to follow our strategy of maintaining our existing infrastructure and expanding it through targeted growth projects.

The outlined performance in operating EBITDA, working capital and capital expenditure resulted in a free cash flow that was lower year on year. This is mainly attributable to the increase in chemical prices and the resulting rise in working capital.

Overall, we are very satisfied with business performance in 2017. We achieved sound organic growth in almost all segments. In particular, the double-digit increase repeated in Asia Pacific and the near double-digit increase in North America reflect our Group's above-average growth potential. After a challenging start to 2017 in the EMEA and Latin America segments, the encouraging performance in both segments in the second half of the year gives us cause to feel positive. In addition to sound organic growth, the excellent performance from our acquisitions also made a positive contribution to earnings.

Results of Operations

BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

in EUR m	2017	2016	Change abs.	Change in %	Change in % (fx adj.)[1]
Sales	11,743.3	10,498.4	1,244.9	11.9	13.1
Operating gross profit	2,554.1	2,428.7	125.4	5.2	6.5
Operating expenses	−1,718.1	−1,618.7	−99.4	6.1	7.5
Operating EBITDA[2]	**836.0**	**810.0**	**26.0**	**3.2**	**4.5**
Net expense from holding charges and special items	−53.8	–	−53.8	–	–
Depreciation of property, plant and equipment	−118.9	−115.5	−3.4	2.9	4.4
EBITA	663.3	694.5	−31.2	−4.5	−3.3
Amortization of intangible assets	−44.2	−47.2	3.0	−6.4	−4.9
Net finance costs	−94.5	−111.6	17.1	−15.3	–
Profit before tax	524.6	535.7	−11.1	−2.1	–
Income tax expense	−162.6	−174.7	12.1	−6.9	–
Profit after tax	362.0	361.0	1.0	0.3	–

B.02 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

[1] Change in % (fx adj.) is the percentage change on a constant currency basis.
[2] In addition to net expense from holding charges, operating EBITDA was also adjusted for special items so as to ensure comparability in presenting the performance of the business operations (see section B 1.3.2 Operating EBITDA). Special items comprise expenses in connection with the programme to increase efficiency in the EMEA segment and the provision for the fine imposed in French antitrust proceedings.

Net expense from holding charges and special items breaks down as follows:

	2017	2016
Holding charges	–	–
Expenses in connection with the programme to increase efficiency in the EMEA segment	−23.8	–
Provision for the fine imposed in French antitrust proceedings	−30.0	–
Net expense from holding charges and special items	**−53.8**	**–**

B.03 NET EXPENSE FROM HOLDING CHARGES AND SPECIAL ITEMS

Following a challenging first half of 2017 within the EMEA segment, we decided to initiate a programme to increase efficiency in the supply chain and generate annual savings of EUR 8 million starting in 2018. The costs associated with implementing the programme amounted to EUR 23.8 million in financial year 2017.

The French Competition Authority has imposed a fine of EUR 30 million because it believes that Brenntag breached duties to cooperate in an investigation into whether BRENNTAG SA illegally made use of its market position. Brenntag believes that all legal obligations were fulfilled and has filed an appeal against the decision.

The Brenntag Group performed well overall in financial year 2017. In the following, we only comment on performance compared with the forecast published in last year's annual report where it differs from that forecast.

Sales and volumes

EUR
11,743.3 m
sales

The Brenntag Group generated sales of EUR 11,743.3 million in financial year 2017, a significant increase of 11.9% compared with the previous year. This sales growth of 13.1% on a constant currency basis is due predominantly to a higher average sales price per unit and higher volumes.

Whereas for manufacturing companies, sales play a key role, for us as a chemical distributor, operating gross profit is a more important factor for increasing our enterprise value over the long term.

Operating gross profit

EUR
2,554.1 m
operating gross profit

The Brenntag Group generated operating gross profit of EUR 2,554.1 million in financial year 2017, an increase of 5.2% and, on a constant currency basis, 6.5%. All segments contributed to this encouraging growth in operating gross profit. This result was also supported by a positive contribution from the acquisitions.

Operating expenses

The Brenntag Group's operating expenses amounted to EUR 1,718.1 million in financial year 2017, a rise of 6.1% year on year, or 7.5% on a constant currency basis. In addition to the inclusion of the acquisitions, this was also due to organic volume growth, which led to additional costs, particularly personnel, rent and transport costs.

Operating EBITDA

EUR
836.0 m
operating EBITDA

The Brenntag Group achieved operating EBITDA of EUR 836.0 million overall in financial year 2017, an increase of 3.2% on the prior-year figure. This represents earnings growth of 4.5% on a constant currency basis and is therefore close to the prior-year growth forecast for 2017. Earnings are in the middle of the forecast range of EUR 820 million to EUR 850 million published in August 2017 and confirmed in November 2017. The encouraging rise in earnings in our North America and Asia Pacific segments enabled us to more than offset the difficult situation in some Latin American countries. The EMEA region delivered slightly positive earnings growth.

Depreciation, amortization and net finance costs

Depreciation of property, plant and equipment and amortization of intangible assets amounted to EUR 163.1 million in financial year 2017, with depreciation of property, plant and equipment accounting for EUR 118.9 million of this amount and amortization of intangible assets for EUR 44.2 million. Compared with financial year 2016, we recorded a slight increase in total depreciation and amortization of EUR 0.4 million.

Net finance costs amounted to EUR 94.5 million in 2017 (2016: EUR 111.6 million). The improvement in net finance costs is primarily attributable to the changes to the official exchange rate mechanisms announced by the Venezuelan government in February 2016 and the resulting foreign exchange losses of EUR 27.1 million in the previous year. Net interest expense, which is a component of net finance costs, came to EUR 86.5 million in financial year 2017 (2016: EUR 81.5 million). The marginal net increase in expense is due mainly to the fact that transaction costs recognized for the former financing refinanced in January 2017 were charged to profit or loss.

Profit before tax

Profit before tax amounted to EUR 524.6 million in financial year 2017 (2016: EUR 535.7 million). The decrease is attributable to the expenses in connection with the programme to increase efficiency in the EMEA segment and a fine of EUR 30 million imposed by the French Competition Authority.

Income taxes and profit after tax

Income tax expense declined by EUR 12.1 million year on year to EUR 162.6 million in financial year 2017 (2016: EUR 174.7 million). This is mainly the result of the reversal of deferred taxes due to the tax reform in the USA.

Profit after tax stood at EUR 362.0 million in financial year 2017 (2016: EUR 361.0 million).

Return on capital employed (ROCE)

			Change	
in EUR m	**2017**	**2016**	abs.	in %
EBITA	663.3	694.5	−31.2	−4.5
Average carrying amount of equity	2,969.2	2,753.8	215.4	7.8
Average carrying amount of financial liabilities	2,255.0	2,238.3	16.7	0.7
Average carrying amount of cash and cash equivalents	−612.0	−566.3	−45.7	8.1
ROCE	**14.4%**	**15.7%**	–	–
ROCE (before special items)	**15.5%**	**15.7%**	–	–

B.04 RETURN ON CAPITAL EMPLOYED (ROCE)

In financial year 2017, the Brenntag Group posted ROCE of 14.4%, a decrease of 1.3 percentage points compared with the previous year. This was due predominantly to the appreciable rise in the average carrying amount of equity as well as to the decline in EBITA and was not offset by the increase in cash and cash equivalents. The decline in EBITA is attributable to net expense from holding charges and special items of EUR 53.8 million. Adjusted for those effects, ROCE was 15.5%.

BUSINESS PERFORMANCE IN THE SEGMENTS

2017 in EUR m	**Brenntag Group**	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	11,743.3	5,016.8	4,368.0	819.2	1,170.6	368.7
Operating gross profit	2,554.1	1,094.8	1,073.9	172.5	198.7	14.2
Operating expenses	−1,718.1	−729.2	−688.9	−130.1	−125.0	−44.9
Operating EBITDA[1)]	**836.0**	**365.6**	**385.0**	**42.4**	**73.7**	**−30.7**

B.05 BUSINESS PERFORMANCE IN THE SEGMENTS

EMEA (Europe, Middle East & Africa)

			Change		
in EUR m	**2017**	**2016**	abs.	in %	in % (fx adj.)
External sales	5,016.8	4,586.1	430.7	9.4	10.1
Operating gross profit	1,094.8	1,064.6	30.2	2.8	3.7
Operating expenses	−729.2	−702.3	−26.9	3.8	4.7
Operating EBITDA[1)]	**365.6**	**362.3**	**3.3**	**0.9**	**1.6**

B.06 BUSINESS PERFORMANCE IN THE SEGMENTS / EMEA

[1)] In addition to net expense from holding charges, operating EBITDA was also adjusted for special items so as to ensure comparability in presenting the performance of the business operations (see section B 1.3.2 Operating EBITDA). Special items comprise expenses in connection with the programme to increase efficiency in the EMEA segment and the provision for the fine imposed in French antitrust proceedings.

External sales and volumes

The EMEA segment generated external sales of EUR 5,016.8 million in financial year 2017, a rise of 9.4% compared with the previous year. On a constant currency basis, external sales were 10.1% higher. The growth is due predominantly to higher average sales prices, but also to an increase in volumes.

Operating gross profit

The operating gross profit generated by the companies in the EMEA segment climbed by 2.8% year on year to EUR 1,094.8 million in financial year 2017. This represents an increase of 3.7% on a constant currency basis and is due primarily to organic growth. Despite reporting growth, we did not fully meet our even higher forecast for 2017. While a number of countries performed well, especially in the Middle East and Africa, we saw falls in demand in Scandinavia.

Operating expenses

The EMEA segment posted operating expenses of EUR 729.2 million in financial year 2017. This represents a rise of 3.8% year on year, or 4.7% on a constant currency basis, and is due primarily to higher personnel, rent and transport costs.

Operating EBITDA

The companies in the EMEA segment achieved operating EBITDA of EUR 365.6 million in financial year 2017 and thus posted a rise of 0.9% year on year and, on a constant currency basis, 1.6%. Earnings are therefore below our forecast. This is due in particular to the aforementioned falls in demand in Scandinavia.

In accordance with the definition of this performance indicator, the operating EBITDA presented includes neither the expenses for the restructuring programme currently being implemented nor the expenses from recognizing a provision for the fine imposed in French antitrust proceedings. The adjustment for 2017 as a whole amounted to a total of EUR 53.8 million.

North America

			Change		
in EUR m	**2017**	**2016**	abs.	in %	in % (fx adj.)
External sales	4,368.0	3,828.8	539.2	14.1	16.2
Operating gross profit	1,073.9	997.5	76.4	7.7	9.7
Operating expenses	−688.9	−640.2	−48.7	7.6	9.6
Operating EBITDA	**385.0**	**357.3**	**27.7**	**7.8**	**9.7**

B.07 BUSINESS PERFORMANCE IN THE SEGMENTS / NORTH AMERICA

External sales and volumes

The North America segment generated external sales of EUR 4,368.0 million in financial year 2017. This rise of 14.1% compared with financial year 2016, or 16.2% on a constant currency basis, is primarily attributable to higher volumes and price increases. This very encouraging performance was also supported by the acquisitions in North America.

Operating gross profit

The operating gross profit generated by the North American companies rose by 7.7% year on year to EUR 1,073.9 million in financial year 2017. This rise of 9.7% on a constant currency basis was driven predominantly by organic growth. Almost all customer industries in North America contributed to this rise. In particular, we achieved an increase in our business with customers in the oil & gas sector and in the life science segment. The measures we have taken to improve earnings in the business and the acquisitions in North America also supported the improvement in operating gross profit.

Operating expenses

At EUR 688.9 million in financial year 2017, operating expenses in the North America segment were up by 7.6% year on year, or 9.6% on a constant currency basis. The rise is due in large part to higher organic growth, with the acquisitions also contributing to an increase in costs. Personnel, rent, transport and energy expenses in particular were higher.

Operating EBITDA

The North American companies achieved operating EBITDA of EUR 385.0 million in financial year 2017, a clear rise of 7.8% compared with financial year 2016. This increase of 9.7% on a constant currency basis is due primarily to very encouraging organic growth. This growth is attributable to increases in almost all customer segments, such as the aforementioned positive trend in business with customers in the oil & gas sector and in the life science segment, for example. The inclusion of the acquisitions – particularly NOCO's business – also made a larger-than-expected positive contribution.

Latin America

			Change		
in EUR m	**2017**	**2016**	abs.	in %	in % (fx adj.)
External sales	819.2	780.9	38.3	4.9	4.5
Operating gross profit	172.5	170.9	1.6	0.9	0.7
Operating expenses	−130.1	−125.0	−5.1	4.1	4.0
Operating EBITDA	**42.4**	**45.9**	**−3.5**	**−7.6**	**−8.2**

B.08 BUSINESS PERFORMANCE IN THE SEGMENTS / LATIN AMERICA

External sales and volumes

The Latin America segment generated external sales of EUR 819.2 million in financial year 2017 and thus posted a rise of 4.9%, or 4.5% on a constant currency basis. The growth is due predominantly to higher average sales prices. Volumes were broadly in line with the previous year.

Operating gross profit

The operating gross profit achieved by the Latin American companies in financial year 2017 amounted to EUR 172.5 million. Compared with the previous year, operating gross profit therefore rose by 0.9%; on a constant currency basis, it was up by 0.7%. In the first half of the year, the Latin America segment was impacted by the difficult economic conditions throughout the region and a decline in industrial production. In the second half of the year, the region benefited from the improving situation in Brazil and a positive performance from our business in Mexico. Overall, though, this was not sufficient to meet our forecast for 2017 as a whole.

Operating expenses

Operating expenses in the Latin America segment amounted to EUR 130.1 million in financial year 2017, a year-on-year rise of 4.1% (4.0% on a constant currency basis) due in part to higher personnel, rent and transport expenses.

Operating EBITDA

The Latin American companies posted operating EBITDA of EUR 42.4 million overall in financial year 2017, a decrease of 7.6% on the prior-year figure. On a constant currency basis, operating EBITDA dropped by 8.2%. This is mainly attributable to the aforementioned difficult economic situation in the first half of the year. In addition, operating costs rose due to inflation, resulting in an above-average decline in operating EBITDA. Overall, therefore, the forecast earnings growth was not achieved. Nevertheless, based on the clear improvement in earnings in the second half of 2017, we believe that we are well positioned to be successful, even as macroeconomic conditions remain volatile.

Asia Pacific

in EUR m	2017	2016	Change abs.	Change in%	Change in% (fx adj.)
External sales	1,170.6	1,010.7	159.9	15.8	18.0
Operating gross profit	198.7	182.3	16.4	9.0	11.0
Operating expenses	−125.0	−115.6	−9.4	8.1	10.0
Operating EBITDA	**73.7**	**66.7**	**7.0**	**10.5**	**12.7**

B.09 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC

External sales and volumes

External sales in the Asia Pacific segment increased by 15.8% year on year to EUR 1,170.6 million in financial year 2017. This sales growth of 18.0% on a constant currency basis is due mainly to a higher average sales price per unit as well as to higher volumes. The sound organic growth was also supported by a very positive performance from our acquisitions.

Operating gross profit

The Asia Pacific segment generated operating gross profit of EUR 198.7 million in financial year 2017, a year-on-year rise of 9.0%. On a constant currency basis, operating gross profit climbed by 11.0%. This was supported in particular by the positive performance in China, Vietnam and Thailand as well as the acquisitions.

Operating expenses

The operating expenses of the companies in the Asia Pacific segment rose by 8.1% year on year, or 10.0% on a constant currency basis, to EUR 125.0 million in financial year 2017. The increase in costs is attributable both to acquisitions and to organic growth and relates in part to higher personnel, rent, transport and energy costs.

Operating EBITDA

The companies in the Asia Pacific segment generated operating EBITDA of EUR 73.7 million in financial year 2017 and thus exceeded the prior-year result by 10.5%. This represents a rise of 12.7% on a constant currency basis and is attributable in particular to the encouraging performance from the acquisitions.

All other segments

in EUR m	2017	2016	Change abs.	Change in %	Change in % (fx adj.)
External sales	368.7	291.9	76.8	26.3	26.3
Operating gross profit	14.2	13.4	0.8	6.0	6.0
Operating expenses	−44.9	−35.6	−9.3	26.1	26.1
Operating EBITDA	**−30.7**	**−22.2**	**−8.5**	**38.3**	**38.3**

B.10 BUSINESS PERFORMANCE IN THE SEGMENTS / ALL OTHER SEGMENTS

In addition to various holding companies, all other segments present the activities with regard to the digitization of our business, which are combined in our Dutch subsidiary DigiB B.V., Amsterdam. The operations of BRENNTAG International Chemicals GmbH, which buys and sells chemicals in bulk on an international scale without regional boundaries, are also included here.

In financial year 2017, BRENNTAG International Chemicals GmbH exceeded the excellent operating EBITDA achieved in the previous year.

The operating expenses posted by the holding companies in the same period were up on financial year 2016. The rise in 2017 is partly attributable to additional personnel expenses and the implementation of several strategic projects, for example in connection with our M&A activities.

Overall, the operating EBITDA of all other segments dropped by EUR 8.5 million year on year to EUR −30.7 million in financial year 2017.

Financial Position

CAPITAL STRUCTURE

The primary objective of capital structure management is to maintain the Group's financial strength. Brenntag concentrates on a capital structure which enables the Group to cover its potential financing requirements at all times. This gives Brenntag a high degree of independence, security and flexibility. Our liquidity, interest and currency risks are largely managed on a Group-wide basis. Derivative financial instruments are only used to hedge the above-mentioned risks from underlying transactions and not for speculative purposes. A Group-wide Finance Guideline ensures the implementation of these policies and standard processes throughout the Group.

The most important component in the financing structure of Brenntag AG is the Group-wide syndicated loan agreement. Total liabilities (excluding accrued interest and before offsetting of transaction costs) under the syndicated loan amounted to EUR 491.0 million as at December 31, 2017.

Refinancing the syndicated loan at attractive capital market conditions and improving of maturity profile

In January 2017, Brenntag took advantage of the very favourable capital market conditions for borrowers and refinanced the syndicated loan ahead of schedule. The new syndicated loan totalling the equivalent of EUR 1.4 billion originally had a term ending in January 2022, which in early 2018 was extended until January 2023. It is based on variable interest rates with margins depending on leverage, and is divided into different tranches with different currencies. In addition to fully drawn tranches, the loan agreement also contains two revolving credit facilities totalling EUR 940.0 million, which were mostly unused as at December 31, 2017. While some of our subsidiaries are direct borrowers under the loan, others obtain their financing from intra-Group loans.

In 2013, parts of the floating-rate syndicated loan were hedged against interest rate risk using appropriate financial instruments. Together with the fixed-rate bonds, roughly 80% of the Brenntag Group's financial liabilities are therefore currently hedged against the risk of interest rate increases.

The EUR 400 million bond (Bond 2018) issued by our Group company Brenntag Finance B.V., Amsterdam, Netherlands, in July 2011 matures in July 2018 and bears a coupon of 5.5% with interest paid annually. It is guaranteed by Brenntag AG.

Successful issuance of the Bond 2025 with a volume of EUR **600** m, bearing a coupon of **1.125%**

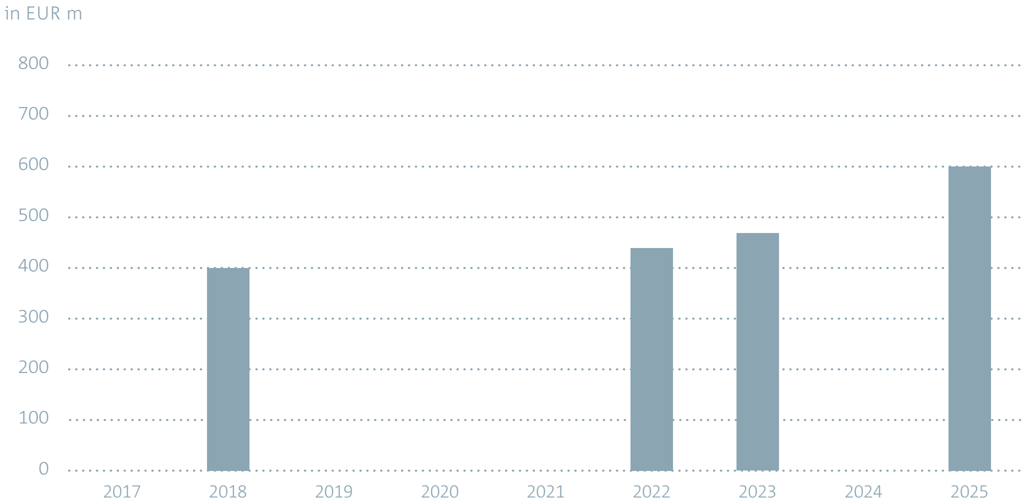
In September 2017, Brenntag Finance B.V. issued another, EUR 600 million bond (Bond 2025) maturing in 2025 and bearing a coupon of 1.125% with interest paid annually. This bond is guaranteed by Brenntag AG. In October, the proceeds from this bond were used largely to repay existing liabilities under the syndicated loan.

Furthermore, in November 2015, Brenntag Finance B.V. issued a bond with warrant units in the amount of USD 500.0 million maturing in December 2022. The bond (Bond (with Warrants) 2022) was issued at 92.7% of par and bears a coupon of 1.875% p.a. with interest payable semi-annually. It is guaranteed by Brenntag AG. The interest expense from the Bond (with Warrants) 2022 comprises the aforementioned interest payments and the ongoing amortization of the discount. The discount (7.3% or USD 36.5 million) is the warrant premium on the warrants issued together with the Bond (with Warrants) 2022 to purchase Brenntag AG shares. The warrant premium was recognized in the Group's additional paid-in capital in 2015.

In addition to the four above-mentioned refinancing instruments, some of our companies make use of credit lines with local banks on a lesser scale in consultation with the Group management.

According to our short and mid-term financial planning, the capital requirements for operating activities, investments in property, plant and equipment as well as dividends and acquisitions in the size of past practice are expected to be covered by the cash provided by operating activities so that no further loans are necessary for these purposes. Under the syndicated loan, we also have the aforementioned revolving credit facilities available to cover short-term liquidity requirements and for general corporate purposes.

Maturity profile of our credit portfolio [1] as at January 31, 2018 in EUR m:



B.11 MATURITY PROFILE OF OUR CREDIT PORTFOLIO

[1] Syndicated loan, Bond 2018, Bond (with Warrants) 2022 and Bond 2025 excluding accrued interest and transaction costs. The chart shows the maturity profile as at January 31, 2018, i.e. after the extension of the syndicated loan in January 2018.

INVESTMENTS

In financial year 2017, investments in property, plant and equipment and intangible assets (excluding additions from acquisitions) led to a total cash outflow of EUR 151.4 million (2016: EUR 138.8 million).

We regularly invest in the maintenance, replacement and extension of the infrastructure necessary to perform our services, comprising warehouses, offices, trucks and vehicles of our field service as well as IT hardware for various systems. As the market leader and a responsible chemical distributor, we attach importance to ensuring that our property, plant and equipment meet comprehensive health, safety and environmental requirements.

One notable example among an array of investments is a project in Canada entailing an investment volume of EUR 6.9 million in 2017. The project involves relocating and extending an existing site. By taking these measures, we expect to be able to manage our business more efficiently and have extended our capacities for additional growth. We expect the improvements to the logistics chain to generate significant cost savings. The project was initiated in financial year 2016.

Investments are typically funded from cash flow and/or cash from the respective Group companies. With larger investment plans which cannot be covered by local funds, financing is provided by the Group and external borrowings are mostly not necessary.

LIQUIDITY

Cash flow

Information on the “Consolidated Cash Flow Statement Disclosures” in the consolidated financial statements

in EUR m	2017	2016
Net cash provided by operating activities	**404.5**	**539.9**
Net cash used in investing activities	**–244.9**	**–269.4**
of which payments to acquire consolidated subsidiaries, other business units and other financial assets	–108.2	–139.8
of which payments to acquire intangible assets and property, plant and equipment	–151.4	–138.8
of which proceeds from divestments	14.7	9.2
Net cash used in financing activities	**–224.3**	**–249.1**
of which dividends paid to Brenntag shareholders	–162.2	–154.5
of which repayments of/proceeds from borrowings	–60.4	–30.8
of which other financing activities	–1.7	–63.8
Change in cash and cash equivalents	**–64.7**	**21.4**

B.12 CASH FLOW

Net cash provided by operating activities of EUR 404.5 million includes an inflow of EUR 47.8 million from the reimbursement of a fine paid in 2013. The reimbursement was added to provisions, as proceedings are still ongoing before the court of appeal and the amount of any fine ultimately imposed will depend on how those proceedings progress. The net cash inflow from operating activities was influenced by the rise in working capital of EUR 247.6 million.

Of the net cash of EUR 244.9 million used in investing activities, EUR 151.4 million comprised payments to acquire intangible assets and property, plant and equipment. Payments to acquire consolidated subsidiaries, other business units and other financial assets amounted to EUR 108.2 million and included, among other items, the purchase prices for the acquisition of all shares in Kluman and Balter Limited and A1 Cake Mixes Limited, based in Leeds and Glasgow, UK respectively, as well as in chemical services provider Petra Industries, Inc. based in Fairmont City, Illinois, USA. Also included were the pipeline and chemical services division of Greene's Energy Group, LLC based in Houston, Texas, USA, which was acquired in an asset deal, and the acquisition of 51% of the shares in Wellstar Group based in Hong Kong.

Net cash used in financing activities amounted to EUR 224.3 million. In addition to the inflow from the placement of a corporate bond with a par value of EUR 600 million, this includes net cash outflows of EUR 673.2 million for the repayment made ahead of schedule in refinancing the syndicated loan and the repayment made from the proceeds following the bond issue.

Free cash flow

			Change	
in EUR m	**2017**	**2016**	abs.	in %
Operating EBITDA	836.0	810.0	26.0	3.2
Investments in non-current assets (capex)	−148.1	−141.1	−7.0	5.0
Change in working capital	−247.6	−27.5	−220.1	800.4
Free cash flow	**440.3**	**641.4**	**−201.1**	**−31.4**

B.13 FREE CASH FLOW

The Brenntag Group's free cash flow amounted to EUR 440.3 million in financial year 2017. We therefore recorded a decrease of 31.4% compared with the previous year (EUR 641.4 million) and were below the forecast published in the 2016 Annual Report.

This is due mainly to the increase in working capital, which was larger than forecast. In financial year 2016, the rise in working capital was smaller due to lower prices on the chemical market.

The planned increase in capital expenditure to expand our infrastructure also contributed to the decrease in free cash flow. Operating EBITDA exceeded the prior-year figure, but failed to offset the decrease attributable to the change in working capital and capital expenditure.

Financial and Assets Position

	Dec. 31, 2017		Dec. 31, 2016	
in EUR m	**abs.**	**in %**	abs.	in %
Assets				
Current assets	**3,490.4**	**47.9**	**3,281.7**	**45.0**
Cash and cash equivalents	518.0	7.1	601.9	8.3
Trade receivables	1,672.7	23.0	1,511.2	20.7
Other receivables and assets	256.1	3.5	205.8	2.8
Inventories	1,043.6	14.3	962.8	13.2
Non-current assets	**3,794.4**	**52.1**	**4,005.3**	**55.0**
Intangible assets	2,746.7	37.7	2,873.2	39.4
Other non-current assets	968.0	13.3	1,034.7	14.2
Receivables and other assets	79.7	1.1	97.4	1.4
Total assets	**7,284.8**	**100.0**	**7,287.0**	**100.0**
Liabilities and equity				
Current liabilities	**2,338.2**	**32.1**	**1,714.6**	**23.5**
Provisions	117.4	1.6	36.2	0.5
Trade payables	1,205.8	16.6	1,119.4	15.4
Financial liabilities	569.8	7.8	146.3	2.0
Miscellaneous liabilities	445.2	6.1	412.7	5.6
Equity and non-current liabilities	**4,946.6**	**67.9**	**5,572.4**	**76.5**
Equity	2,985.7	41.0	2,959.2	40.6
Non-current liabilities	1,960.9	26.9	2,613.2	35.9
Provisions	262.9	3.6	281.5	3.9
Financial liabilities	1,520.1	20.9	2,137.5	29.3
Miscellaneous liabilities	177.9	2.4	194.2	2.7
Total liabilities and equity	**7,284.8**	**100.0**	**7,287.0**	**100.0**

B.14 FINANCIAL AND ASSETS POSITION

As at December 31, 2017, total assets had decreased by EUR 2.2 million compared with the end of the previous year to EUR 7,284.8 million (Dec. 31, 2016: EUR 7,287.0 million).

Cash and cash equivalents were down year on year to EUR 518.0 million (Dec. 31, 2016: EUR 601.9 million). This change is attributable to a number of effects. The net cash inflow from operating activities was positive and was used for acquisitions and capital expenditure as well as to pay a dividend. Cash was also used to reduce financial liabilities.

Working capital is defined as trade receivables plus inventories less trade payables. The three components of working capital changed as follows in the reporting period:

- Trade receivables increased by 10.7% in the reporting period to EUR 1,672.7 million (Dec. 31, 2016: EUR 1,511.2 million).
- Inventories rose by 8.4% in the reporting period to EUR 1,043.6 million (Dec. 31, 2016: EUR 962.8 million).
- With the opposite effect on working capital, trade payables increased by 7.7% to EUR 1,205.8 million (Dec. 31, 2016: EUR 1,119.4 million).

Adjusted for exchange rate effects and acquisitions, working capital rose by a total of EUR 247.6 million compared with December 31, 2016. This rise is due to a strong increase in prices on the chemical market. At 7.9 in the reporting period, annualized working capital turnover [1)] was almost on a par with the previous year (8.0).

The Brenntag Group's intangible and other non-current assets declined by EUR 193.2 million year on year to EUR 3,714.7 million (Dec. 31, 2016: EUR 3,907.9 million). The decline is mainly the result of exchange rate effects (EUR 259.7 million) and depreciation and amortization (EUR 161.5 million). This was partly offset by investments in non-current assets (EUR 148.1 million) and additions from acquisitions (EUR 127.2 million).

Current financial liabilities increased by EUR 423.5 million to EUR 569.8 million in total (Dec. 31, 2016: EUR 146.3 million). This increase is due primarily to the EUR 400 million bond maturing in July 2018 being reclassified out of non-current financial liabilities and into current financial liabilities. In addition, current financial liabilities consist mostly of temporary local loans taken out by Brenntag companies. Non-current financial liabilities declined by 28.9% year on year to EUR 1,520.1 million (Dec. 31, 2016: EUR 2,137.5 million). Besides the reclassification of the Bond 2018, repayments on the syndicated loan also resulted in a reduction, while the issue of the Bond 2025 in the amount of EUR 600.0 million had an opposite effect.

Current and non-current provisions amounted to a total of EUR 380.3 million (Dec. 31, 2016: EUR 317.7 million). This figure included pension provisions in the amount of EUR 155.9 million (Dec. 31, 2016: EUR 160.2 million).

As at December 31, 2017, the equity of the Brenntag Group totalled EUR 2,985.7 million (Dec. 31, 2016: EUR 2,959.2 million).

[1)] Ratio of annual sales to average working capital: average working capital is defined for a particular year as the average of working capital at the beginning of the year, the end of each of the first, second and third quarters, and the end of the year.

ANNUAL FINANCIAL STATEMENTS OF BRENNTAG AG

Results of Operations and Financial Position of Brenntag AG

in EUR m	2017	2016
Sales	21.1	26.9
Other operating income	62.4	82.7
Cost of materials	−11.1	−9.9
Personnel expenses	−26.5	−24.0
Amortization of intangible assets and depreciation of property, plant and equipment	−1.6	−3.3
Other operating expenses	−79.1	−94.5
Net finance income	233.2	256.9
Profit before tax	**198.4**	**234.8**
Taxes on income	−17.3	−10.1
Net income for the financial year	**181.1**	**224.7**
Appropriation to retained earnings	−11.1	−62.5
Distributable profit	**170.0**	**162.2**

B.15 INCOME STATEMENT OF BRENNTAG AG IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

Sales result mostly from sales to affiliated companies.

Other operating income mainly relates to derivatives, exchange rate gains and intercompany cost allocations.

Cost of materials consists solely of the cost of purchased services.

Other operating expenses primarily contain expenses from derivatives and exchange rate losses. Among other items, they also include the cost of expert reports, advisory services and financial statement audits, rental and lease expenses, and the cost of IT and other services.

As in the previous year, net finance income consists mainly of income from profits transferred by Brenntag Holding GmbH, Essen, in the amount of EUR 225.5 million (2016: EUR 241.9 million). Net interest income in the amount of EUR 7.7 million (2016: EUR 15.0 million) was driven mainly by intra-Group financing activities. Interest expense also includes the pro-rata transaction costs incurred in the refinancing in 2017 and to be amortized over the term of the loan. The pro-rata transaction costs incurred in the refinancing in 2011 and in extending the then syndicated loan in 2014 were amortized in full as a result of the refinancing in 2017.

Taxes on income in the amount of EUR 17.3 million (2016: EUR 10.1 million) relate to 2017 and prior years. In the reporting period, current income tax expenses account for EUR 18.5 million and deferred tax income for EUR 1.2 million. As at December 31, 2017, temporary differences give rise to a future tax liability of EUR 5.9 million, as deferred tax liabilities exceed deferred tax assets.

In line with its function as a holding company, Brenntag AG's future results mainly depend on the receipt of dividends from companies in the Group and therefore also on the business performance of subsidiaries and decisions on dividend distributions. As a result, we continue to expect Brenntag AG to post positive net income for the financial year. At Brenntag, intra-Group dividends are distributed taking local financing requirements and further constraints into consideration. Even if no intra-Group dividends are distributed to Brenntag AG in a financial year, there are sufficient reserves to pay an appropriate dividend to the Brenntag shareholders.

in EUR m	**Dec. 31, 2017**	**Dec. 31, 2016**
Fixed assets	2,434.6	2,429.4
Current assets including prepaid expenses and excess of plan assets over post-employment benefit liability	1,190.2	870.3
Total assets	**3,624.8**	**3,299.7**
Equity	2,656.0	2,637.1
Provisions	43.7	38.0
Liabilities	919.2	617.5
Deferred tax liabilities	5.9	7.1
Total equity and liabilities	**3,624.8**	**3,299.7**

B.16 BRENNTAG AG / BALANCE SHEET IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB) – CONDENSED VERSION

The fixed assets of Brenntag AG in the amount of EUR 2,434.6 million (Dec. 31, 2016: EUR 2,429.4 million) almost exclusively comprise shares in affiliated companies.

The equity of Brenntag AG increased by EUR 19.3 million to EUR 2,656.4 million in 2017. This rise resulted from the net income for the financial year of EUR 181.5 million achieved in 2017 minus the dividend of EUR 162.2 million paid for financial year 2016.

The subscribed capital amounts to EUR 154.5 million in total (Dec. 31, 2016: EUR 154.5 million) and, as in the previous year, is divided into 154,500,000 no-par value registered shares.

The full annual financial statements of Brenntag AG with the unqualified auditors' report of the auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, are published in the Federal Gazette and can be ordered as an offprint from Brenntag AG.

Appropriation of Distributable Profit of Brenntag AG

The net income of Brenntag AG as at December 31, 2017 was EUR 181,120,474.09. After allowing for the transfer of EUR 11,170,474.09 million to retained earnings, the distributable profit is EUR 169,950,000.00 million.

At the General Shareholders' Meeting on June 20, 2018, the Board of Management and the Supervisory Board will propose that the distributable profit of Brenntag AG amounting to EUR 169,950,000.00 million be used to pay a dividend of EUR 1.10 per no-par value share entitled to a dividend; that is a total of EUR 169,950,000.00.

EUR
1.10
dividend proposal 2017

Further information at www.brenntag.com/general_shareholders_meeting

REMUNERATION REPORT

Board of Management Remuneration System

The Supervisory Board is responsible for setting the remuneration of the Board of Management members. The Presiding and Nomination Committee of the Supervisory Board discusses and reviews the remuneration system for the Board of Management at regular intervals and prepares resolutions on any changes thereto.

REMUNERATION COMPONENTS

The total remuneration of the Board of Management consists of three components: a fixed Annual Base Salary, short-term, capped variable cash remuneration (Annual Bonus) and long-term, capped variable remuneration (Long Term Incentive Bonus). In addition to the above-mentioned remuneration components, the members of the Board of Management receive pension benefits, contractually agreed benefits in kind and other benefits.

Annual Base Salary and short-term variable remuneration
The Annual Base Salary is payable in twelve equal monthly instalments.

The Preliminary Annual Bonus agreed as short-term variable remuneration is based on a contractually specified amount (Annual Bonus) and depends on the achievement of certain targets based on specific key performance indicators (KPIs). The KPIs specified are operating EBITDA (70%), working capital turnover (WCT; 15%) and conversion ratio (operating EBITDA / operating gross profit; 15%). In the cases of Karsten Beckmann, Markus Klähn and Henri Nejade, 66.67% of this bonus is based on targets for the particular region they are responsible for and 33.33% on targets for the Group. The sole deciding factor in the calculation of the Annual Bonus is the achievement of the KPI targets in the financial year for which the bonus is paid. The targets and the figures actually achieved are translated using the same exchange rates. If the target set for a KPI is not achieved, this part of the bonus is reduced by 4% for each 1% shortfall of the target set. If the target is exceeded, the relevant part of the bonus is increased by 4% for each 1% exceedance of the target set. The KPI targets for the coming financial year are mutually agreed by the Supervisory Board and Board of Management, or, if they are not separately set, are derived from the annual budget for the relevant financial year as approved by the Supervisory Board. In addition, individual performance is taken into account in that, at the end of the financial year, the Supervisory Board decides on a multiplier for the Preliminary Annual Bonus (amount after allowance for target shortfalls or exceedances) of between 0.7 and 1.3. The resulting Final Annual Bonus is capped at 200% of the Annual Bonus. If the service agreement does not subsist for a full twelve months in a financial year, the Final Annual Bonus is paid pro rata temporis.

Benefits in kind and other benefits
In addition to the above-mentioned remuneration components, the Board of Management members receive benefits in kind and other benefits such as a company car, also for private use, or a car allowance and benefits for health care and long-term care insurance, but not more than 50% of the premium they pay into their health care and long-term care insurance. For one Board of Management member, the latter include payment of the cost of a yearly health check-up. Markus Klähn receives an amount of max. USD 20,000 p.a. for participation in the US Health Care Plan. Furthermore, Brenntag AG

has taken out group accident insurance. In addition, the company has taken out Directors & Officers Insurance (damage liability insurance) for the Board of Management members. In accordance with the provisions of the German Act on Appropriateness of Management Board Compensation (VorstAG), a deductible of 10% of the damages claimed in each case, but in each year limited to 150% of the Annual Base Salary, is applied. For his services as CEO and President of Brenntag Pte. Ltd., Singapore, Henri Nejade also receives fixed remuneration from this subsidiary in the amount of SGD 500,000 per annum, depending on the exchange rate but no more than EUR 335,000. In the event of temporary disability due to illness, accident, or any other cause not due to the fault of a member of the Board, said member is entitled to continued payment of the full Annual Base Salary for a period of no more than nine months. For the first three months of such incapacity, the full bonus claims regarding the Annual Bonus and the Target Amount of the Long Term Incentive Bonus are also retained.

Long-term variable remuneration

The Board of Management members are also entitled to participate in a long-term remuneration programme (Long Term Incentive Plan).

The long-term variable remuneration is partly based on the performance of the Brenntag shares. On the basis of a contractually set Annual Target Amount, this remuneration component is subject to a vesting period of in each case three years. 50% of the Target Amount is contingent on the development of the value of Brenntag AG shares during these three years (External LTI Portion) and 50% is contingent on the long-term development of specific Group-wide KPIs (Internal LTI Portion).

50% of the External LTI Portion is measured by the absolute development of the total shareholder return for the Brenntag AG shares during the vesting period (Absolute External LTI Portion), while the other 50% of the External LTI Portion is linked to the relative development of the total shareholder return for the Brenntag AG shares compared with the development of the MDAX during the vesting period (Relative External LTI Portion). The development of the share price is measured by the total shareholder return (defined as the weighted three months average share price calculated in accordance with Section 5, para. 1 and para. 3 of the WpÜG-Angebotsverordnung plus all paid dividends and adjusted for capital measures and share splits). The MDAX value, which is compared with this share price, is the average of the MDAX (Total Return Index) during the three months ending on the relevant date.

For every percentage point by which the average share price on the last trade day of the vesting period exceeds or falls short of the average share price on the last trade day before the vesting period, the Absolute External LTI Portion is increased or decreased by 2%. For every percentage point by which the MDAX is over- or underperformed in the vesting period, the Relative External LTI Portion is increased or decreased by 3%. The overall External LTI Portion at the end of the relevant vesting period equals the sum of the Absolute External LTI Portion and Relative External LTI Portion. The Absolute and Relative External LTI Portions may not be less than EUR 0. The External LTI Portion is capped overall at 200% of the contractually set Target Amount for the External LTI Portion.

The Internal LTI Portion is measured by the following KPI targets, which are agreed at the end of each financial year for the following three-year vesting period in an LTI Bonus Plan: EBITDA (50%), ROCE (EBITA/(the average carrying amount of equity plus the average carrying amount of financial liabilities less the average carrying amount of cash and cash equivalents)) (25%) and earnings per share (25%).

At the end of each financial year during a vesting period, the achievement of the KPI targets in the particular financial year is calculated for a share of 1/3 of the Internal LTI Portion (Annual Internal LTI Portion). For every percentage point by which the targets of a given KPI are over- or underperformed in the particular financial year, the Annual Internal LTI Portion is increased or decreased by 3%. This may also lead to a negative Annual Internal LTI Portion. The overall Internal LTI Portion at the end of the relevant vesting period equals the sum of the Annual Internal LTI Portions. The Internal LTI Portion is also capped at 200% of the contractually set Target Amount for the Internal LTI Portion. The overall Internal LTI portion for a vesting period may not be less than EUR 0.

The Long Term Incentive Bonus for each financial year equals the sum of the External and Internal LTI Portions and is capped at 200% of the Target Amount (LTI Cap).

Any claims for a Long Term Incentive Bonus are forfeited in the event that the company terminates a Board of Management member's service agreement prior to the expiry of its term by virtue of a termination for cause or in the case of voluntary resignation by a Board of Management member without the company having set an important cause for such resignation. In all other cases, the contractually set Target Amount for the relevant ongoing financial year is paid out on a pro rata temporis basis, all External and Internal LTI Portions granted for prior years but not yet paid out are paid out prematurely. Instead of the parameters on the last trade day of the vesting period, the relevant parameters at the end of the service period are used for measurement.

For Steven Holland and Georg Müller, the provisions of the previous service agreements for a long-term, share-based remuneration programme based on virtual shares (Virtual Share Plan) still applied pro rata temporis with regard to the long-term variable remuneration for financial year 2015. Under the terms of this Virtual Share Plan, the maximum amount of which was capped, the Board of Management members were granted a base amount for each financial year. The base amount was based on points, which depended on the outperformance of quantitative targets and the achievement of qualitative targets in the relevant financial year and the two preceding years. Each year, 50% of the base amount was allocated to virtual shares of Brenntag AG (allocated virtual shares). The other 50% of the base amount not converted into virtual shares (retained base amount) depends on the relative development of the total shareholder return for the shares of Brenntag AG compared with the development of the MDAX over a period of four years. The maximum annual payout from this Virtual Share Plan must not exceed 250% of the original base amount (cap).

It has been contractually agreed with Steven Holland and Georg Müller that the tranches of the virtual shares (Virtual Share Plan) allocated under their previous service agreements are to be continued in accordance with the provisions of the previous service agreements and paid out at the times specified therein. The other half of the base amount not converted into virtual shares (retained base amount) has already been paid out to Steven Holland. For Georg Müller, it will be paid out at the times specified in the previous service agreement.

Pension entitlements

Pension benefits have been agreed individually with each member of the Board of Management.

For the purpose of building up retirement benefits, the Board of Management members receive an annual amount of 13.5% of their Annual Base Salary and short-term variable remuneration (on 100% target achievement, i.e. irrespective of the actual targets achieved).

In December 2016, the Supervisory Board agreed with Steven Holland on an amendment to his existing service agreement with regard to retirement benefits. According to this agreement, Steven Holland waived all expectancies, rights and claims under the Deferred Compensation Contingency Plan of Brenntag AG and, as compensation for this waiver, received a one-off amount of EUR 1,700k, said amount corresponding to the actuarial fair value of the pension entitlements earned up to May 31, 2017. From June 1, 2017, Steven Holland will use the amount, to which he continues to be entitled, of 13.5% of his Annual Base Salary and his short-term variable remuneration for the purpose of building up retirement benefits at his discretion.

In the cases of Karsten Beckmann and Georg Müller, the relevant amount is transferred annually into the Deferred Compensation Contingency Plan of Brenntag AG. This plan also contains an arrangement for a widows and orphans pension which would amount to 60% and 20% respectively of the full pension entitlements. The reinsurance policies taken out with the Board of Management members as beneficiaries are pledged to them.

Markus Klähn uses this amount in the USA for payments up to the maximum amounts possible into the local defined contribution plans “Profit Sharing Plan” and “Pension Plan”. The remainder is paid out to Markus Klähn for building up further private pension plans. Henri Nejade has the option either to use this amount in whole or in part for contributions to his French social insurance or to also pay it annually into the Deferred Compensation Contingency Plan of Brenntag AG.

The total remuneration of the individual members of the Board of Management is as follows:

in EUR k		Steven Holland	Karsten Beckmann	Markus Klähn
Term of service agreement		(until Feb. 29, 2020)	(until Jun. 30, 2018)	(until Jun. 30, 2018)
Annual base salary	**2017**	**950**	**450**	**450**
	2016	900	450	450
Company pension (defined contribution plan)	**2017**	**148**[4]	**–**	**113**
	2016	–	–	114
Benefits in kind / other benefits	**2017**	**161**[5]	**24**	**15**
	2016	1,669[5]	24	14
Total non-performance-based remuneration	**2017**	**1,259**	**474**	**578**
	2016	2,569	474	578
Short-term variable remuneration[1]	**2017**	**783**	**347**	**382**
	2016	646	378	254
Long-term variable remuneration[2][3]	**2017**	**899**	**415**	**404**
	2016	837	418	416
Total performance-based remuneration	**2017**	**1,682**	**762**	**786**
	2016	1,483	796	670
Total remuneration in accordance with the German Commercial Code (HGB)	**2017**	**2,941**	**1,236**	**1,364**
	2016	4,052	1,270	1,248

[1] The above amounts are based on preliminary assumptions used for measurement of the respective provisions. These amounts will be adjusted in the subsequent financial year if the amounts finally approved by the Supervisory Board differ.
[2] Fair value of the share-based remuneration granted at the date of grant.
[3] The amounts for the Long Term Incentive Bonus are based on assumptions used for measurement of the respective provisions and will, if necessary, be adjusted in the subsequent year on the basis of the parameters finally approved by the Supervisory Board.
[4] Following an amendment to his service agreement with regard to retirement benefits, Steven Holland has, since June 1, 2017, received an amount of 13.5% of his Annual Base Salary and his short-term variable remuneration for the purpose of building up retirement benefits at his discretion (also see footnote 5). The amounts for 2017 are therefore pro rata temporis.
[5] In December 2016, the Supervisory Board agreed with Steven Holland on an amendment to his existing service agreement with regard to retirement benefits. According to this agreement, Steven Holland waived all expectancies, rights and claims under the Deferred Compensation Contingency Plan of Brenntag AG and, as compensation for this waiver, received a one-off amount of EUR 1,700k, said amount corresponding to the actuarial fair value of the pension entitlements earned up to May 31, 2017. The other benefits reported here include as at December 31, 2016 the fair value already earned at this time in the amount of EUR 1,605k and in 2017 the amount for the period from January to May 2017 in the amount of EUR 95k.

Georg Müller	Henri Nejade	**Total**
(until Mar. 31, 2022)	(until Jun. 30, 2018)	
608	**450**	**2,908**
480	450	2,730
–	**–**	**261**
–	–	114
18	**366**	**584**
18	373	2,098
626	**816**	**3,753**
498	823	4,942
472	**372**	**2,356**
323	428	2,029
613	**415**	**2,746**
502	418	2,591
1,085	**787**	**5,102**
825	846	4,620
1,711	**1,603**	**8,855**
1,323	1,669	9,562

B.17 TOTAL REMUNERATION OF THE BOARD OF MANAGEMENT IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

in EUR k		Steven Holland[1)]	Karsten Beckmann	Markus Klähn
Cost of pension commitments	**2017**	**–**	**324**	**–**
	2016	–	192	–
Present value of pension commitments in accordance with HGB	**2017**	**–**	**1,658[2)]**	**–**
	2016	–	1,334[2)]	–

[1)] In December 2016, the Supervisory Board agreed with Steven Holland on an amendment to his existing service agreement with regard to retirement benefits. According to this agreement, Steven Holland waived all expectancies, rights and claims under the Deferred Compensation Contingency Plan of Brenntag AG and, as compensation for this waiver, received a one-off amount of EUR 1,700k, said amount corresponding to the actuarial fair value of the pension entitlements earned up to May 31, 2017. In accordance with HGB, this amount was therefore no longer recognized as cost of pension commitments but as other remuneration under non-performance-related remuneration. The fair value of the obligation was no longer recognized at December 31, 2016 as a provision for pensions but as a current liability.
[2)] Of which EUR 312k self-financed by Georg Müller under a deferred compensation plan (2016: EUR 312k) and EUR 59k self-financed by Karsten Beckmann under a deferred compensation plan (2016: EUR 59k).

The remuneration of the Board of Management according to IFRSs presented in the following does not include the fair value of the newly granted share-based remuneration but rather the share-based remuneration entitlements earned in the current year plus the change in the value of share-based remuneration entitlements from previous years that have not yet been paid out. Furthermore, the current service cost for pension entitlements earned in the current year according to IAS 19 has been added.

in EUR k		Steven Holland	Karsten Beckmann	Markus Klähn
Total non-performance-based remuneration	**2017**	**1,164**	**474**	**578**
	2016	964	474	578
Short-term variable remuneration[1)]	**2017**	**783**	**347**	**382**
	2016	646	378	254
Long-term variable remuneration (share-based remuneration earned in current year)	**2017**	**794**	**444**	**364**
	2016	802	249	264
Current service cost for pension entitlements earned in the current year (defined benefit plans)	**2017**	**–[2)]**	**115**	**–**
	2016	230[2)]	115	–
Board of Management remuneration in accordance with IFRSs	**2017**	**2,741**	**1,380**	**1,324**
	2016	2,642	1,216	1,096
Present value of pension commitments in accordance with IFRSs	**2017**	**–**	**2,458[4)]**	**–**
	2016	–[3)]	2,205[4)]	–

[1)] The above amounts are based on preliminary assumptions used for measurement of the respective provisions. These amounts will be adjusted in the subsequent financial year if the amounts finally approved by the Supervisory Board differ.
[2)] In December 2016, the Supervisory Board agreed with Steven Holland on an amendment to his existing service agreement with regard to retirement benefits. According to this agreement, Steven Holland waived all expectancies, rights and claims under the Deferred Compensation Contingency Plan of Brenntag AG and, as compensation for this waiver, received a one-off amount of EUR 1,700k, said amount corresponding to the actuarial fair value of the pension entitlements earned up to May 31, 2017. The reversal of the existing provision as a result of the early pay-out is not included in this calculation.
[3)] The fair value of the obligation is no longer recognized as a provision for pensions at December 31, 2016 but as a current liability (also see footnote 2).
[4)] Of which EUR 366k self-financed by Georg Müller under a deferred compensation plan (2016: EUR 366k) and EUR 102k self-financed by Karsten Beckmann under a deferred compensation plan (2016: EUR 102k).

Georg Müller	Henri Nejade	**Total**
483	**188**	**995**
212	154	558
2,443 [2]	**422**	**4,523**
1,961 [2]	234	3,529

B.18 PENSION COMMITMENTS (DEFINED BENEFIT PLANS) IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

Georg Müller	Henri Nejade	**Total**
626	**816**	**3,658**
498	823	3,337
472	**372**	**2,356**
323	428	2,029
445	**444**	**2,491**
297	249	1,861
152	**115**	**382**
119	115	579
1,695	**1,747**	**8,887**
1,237	1,615	7,806
3,805 [4]	**644**	**6,907**
3,427 [4]	399	6,031

B.19 BOARD OF MANAGEMENT REMUNERATION IN ACCORDANCE WITH IFRSs

COMPENSATION CAP IN THE EVENT OF PREMATURE TERMINATION OF EMPLOYMENT

The employment of Board of Management members may only be terminated prematurely for good cause or by mutual agreement. In accordance with the German Corporate Governance Code, the service agreements of all Board of Management members have a compensation cap. Under the cap, payments to a Board of Management member for premature termination of Board of Management duties without good cause may not exceed the value of two years' total remuneration or the total remuneration for the remainder of the member's service agreement, whichever is less.

CHANGE-OF-CONTROL ARRANGEMENTS

There are no separate change-of-control arrangements.

POST-CONTRACTUAL NON-COMPETITION CLAUSE

There are no separate post-contractual non-competition clauses.

LOANS

In the reporting year, no loans or advance payments were granted to members of the Board of Management, nor were any guarantees or other commitments entered into in their favour.

INFORMATION ON REMUNERATION IN ACCORDANCE WITH NUMBER 4.2.5, PARA. 3 OF THE GERMAN CORPORATE GOVERNANCE CODE (GCGC)

The following two tables provide the financial information required by number 4.2.5, para. 3 of the German Corporate Governance Code (GCGC) regarding the benefits granted and the amounts allocated. The fixed remuneration and fringe benefits indicated here correspond to the total non-performance-related remuneration of the Board of Management. The one-year variable remuneration corresponds to the aforementioned short-term variable remuneration and the multi-year variable remuneration corresponds to the aforementioned long-term variable remuneration.

Amounts are generally recognized as having been granted – within the meaning of the German Corporate Governance Code – in the financial year in which the underlying activity for this remuneration was performed. This is subject to the proviso that a commitment to pay remuneration must have been given at the time the remuneration report was prepared. In addition, it must be possible to establish a reliable estimate of the amount of this remuneration. The year in which fixed remuneration and fringe benefits are granted is generally also the year in which they are recognized as an expense. For the one-year variable remuneration, the relevant Target Amount in the case of 100% target achievement is recognized as the fair value at the date of grant. The multi-year variable remuneration resulting from the Long Term Incentive Plan is in each case subject to a vesting period of three years. However, as a new plan is granted every year, in each case with a vesting period of three years, the total Target Amount allocated per year in the case of 100% target achievement or the fair value at the date of grant is recognized as having been granted and not the portion (1/3) calculated as attributable to the reporting year.

Fixed remuneration and fringe benefits are recognized as having been allocated – within the meaning of the German Corporate Governance Code – in the financial year in which the underlying activity has been performed, if the value of the final payment has already been determined. For fixed remuneration and fringe benefits, the date on which this allocation is recognized is generally the date on which it is recognized as an expense. The same applies to the short-term variable remuneration that was still granted pro rata temporis to Steven Holland and Georg Müller in the previous year under the provisions of their old service agreements. Allocation of the one-year variable remuneration under the current remuneration structure and the multi-year variable remuneration is recognized in the financial year of the actual payout, which is, as a rule, the financial year following the respective vesting period.

BENEFITS GRANTED

	Steven Holland Chief Executive Officer				Karsten Beckmann Member of the Board of Management				Markus Klähn Member of the Board of Management			
in EUR k	**2016**	**2017**	**2017 (Min)**	**2017 (Max)**	**2016**	**2017**	**2017 (Min)**	**2017 (Max)**	**2016**	**2017**	**2017 (Min)**	**2017 (Max)**
Fixed remuneration	900	950	950	950	450	450	450	450	450	450	450	450
Fringe benefits	64	214	214	214	24	24	24	24	128	128	128	128
Total	**964**	**1,164**	**1,164**	**1,164**	**474**	**474**	**474**	**474**	**578**	**578**	**578**	**578**
One-year variable remuneration	800	850	–	1,700	400	400	–	800	406	398	–	796
Multi-year variable remuneration												
LTI Bonus 2017–2019	–	1,100	–	2,200	–	500	–	1,000	–	487	–	974
LTI Bonus 2016–2018	1,000	–	–	–	500	–	–	–	497	–	–	–
Total	**1,800**	**1,950**	**–**	**3,900**	**900**	**900**	**–**	**1,800**	**903**	**885**	**–**	**1,770**
Service cost	230	–	–	–	115	115	115	115	–	–	–	–
Total remuneration	**2,994**	**3,114**	**1,164**	**5,064**	**1,489**	**1,489**	**589**	**2,389**	**1,481**	**1,463**	**578**	**2,348**

ALLOCATION

	Steven Holland Chief Executive Officer		Karsten Beckmann Member of the Board of Management		William Fidler Member of the Board of Management (until Jun. 30, 2015)	
in EUR k	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Fixed remuneration	950	900	450	450	–	–
Fringe benefits	214	64	24	24	–	–
Total	**1,164**	**964**	**474**	**474**	**–**	**–**
One-year variable remuneration[1]	646	561	378	186	–	–
Multi-year variable remuneration						
Virtual Share Plan 2011–2015	–	1,095	–	–	–	683
Virtual Share Plan 2012–2016	688	–	–	–	–	446
Virtual Share Plan 2013–2017	–	–	–	–	–	380
Virtual Share Plan 2014–2018	–	–	–	–	–	319
Virtual Share Plan 2015–2019	–	77	–	–	–	151
Other	–	–	–	–	–	–
Total	**1,334**	**1,733**	**378**	**186**	**–**	**1,979**
Service cost	–	230	115	115	–	–
Total remuneration	**2,498**	**2,927**	**967**	**775**	**–**	**1,979**

[1] The amount of one-year variable remuneration had yet to be finally decided at the time the remuneration report was prepared; the amounts shown as allocated in 2017 (2016) are the amounts for 2016 (2015) paid out in 2017 (2016).

Georg Müller Chief Financial Officer				Henri Nejade Member of the Board of Management			
2016	2017	2017 (Min)	2017 (Max)	2016	2017	2017 (Min)	2017 (Max)
480	608	608	608	450	450	450	450
18	18	18	18	373	366	366	366
498	**626**	**626**	**626**	**823**	**816**	**816**	**816**
400	513	–	1,025	400	400	–	800
–	750	–	1,500	–	500	–	1,000
600	–	–	–	500	–	–	–
1,000	**1,263**	**–**	**2,525**	**900**	**900**	**–**	**1,800**
119	152	152	152	115	115	115	115
1,617	**2,041**	**778**	**3,303**	**1,838**	**1,831**	**931**	**2,731**

B.20 BOARD OF MANAGEMENT BENEFITS GRANTED

Markus Klähn Member of the Board of Management		Georg Müller Chief Financial Officer		Henri Nejade Member of the Board of Management	
2017	2016	2017	2016	2017	2016
450	450	608	480	450	450
128	128	18	18	366	373
578	**578**	**626**	**498**	**816**	**823**
258	133	323	252	428	171
–	–	–	–	–	–
–	–	162	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	77	–	–
–	–	–	–	–	–
258	**133**	**485**	**329**	**428**	**171**
–	–	152	119	115	115
836	**711**	**1,263**	**946**	**1,359**	**1,109**

B.21 BOARD OF MANAGEMENT ALLOCATION

INFORMATION ON PAYMENTS RECEIVED BY FORMER MEMBERS OF THE BOARD OF MANAGEMENT AND THEIR SURVIVING DEPENDANTS

Under the German Commercial Code (HGB), as at December 31, 2017 there was a provision in the amount of EUR 108k (Dec. 31, 2016: excess of plan assets over post-employment benefit liability of EUR 178k) for pension obligations to former members of the Board of Management and their surviving dependants; in accordance with IFRSs, the provision amounted to EUR 2,897k (Dec. 31, 2016: EUR 3,262k). In 2017, the cost of pension commitments (defined benefit plans) under the German Commercial Code (HGB) amounted to EUR 667k (2016: EUR 159k). In accordance with IFRSs and as in 2016, no current service cost for pension entitlements earned in the current year was incurred.

Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board laid down in the rules of procedure of the Supervisory Board of Brenntag AG is purely fixed remuneration. The chair and membership of Supervisory Board committees are remunerated separately in line with the German Corporate Governance Code.

The members of the Supervisory Board each receive annual fixed remuneration in the amount of EUR 120k in addition to reimbursement of their expenses. The Chairman of the Supervisory Board receives a base remuneration of EUR 210k and the deputy chairman EUR 150k.

The Chairman of the Audit Committee receives an additional EUR 85k per year and every other member of the Audit Committee an additional EUR 25k per year. The Chairman of the Presiding and Nomination Committee receives an additional EUR 15k and every other member of the Presiding and Nomination Committee an additional EUR 10k per year.

The following table shows the amounts due to the individual Supervisory Board members in 2017:

TOTAL REMUNERATION OF THE SUPERVISORY BOARD

in EUR k		Fixed remuneration	Office bonuses	**Total**
Stefan Zuschke (Chairman)	**2017**	**210**	**15**	**225**
	2016	210	15	225
Dr Thomas Ludwig (Deputy Chairman) (until June 8, 2017)	**2017**	**66[1]**	**4[1]**	**70[1]**
	2016	150	10	160
Dr Andreas Rittstieg (from June 8, 2017 Deputy Chairman)	**2017**	**136[1]**	**10**	**146[1]**
	2016	120	10	130
Stefanie Berlinger	**2017**	**120**	**25**	**145**
	2016	120	25	145
Wijnand Donkers (from June 8, 2017)	**2017**	**68[1]**	**6[1]**	**74[1]**
	2016	–	–	–
Prof. Dr Edgar Fluri (until June 8, 2017)	**2017**	**52[1]**	**37[1]**	**89[1]**
	2016	120	85	205
Ulrich Harnacke (from June 8, 2017)	**2017**	**68[1]**	**48[1]**	**116[1]**
	2016	–	–	–
Doreen Nowotne	**2017**	**120**	**25**	**145**
	2016	120	25	145
Total remuneration	**2017**	**840**	**170**	**1,010**
	2016	840	170	1,010

B.22 TOTAL REMUNERATION OF THE SUPERVISORY BOARD

[1] pro rata temporis

Furthermore, Directors & Officers insurance (damage liability insurance) has been taken out for the members of the Supervisory Board with a deductible of 150% of the relevant Supervisory Board member's remuneration.

Beyond this, Supervisory Board members received no further remuneration or benefits for personal services rendered, in particular advisory and mediatory services, in the reporting year.

In the reporting year, no loans or advance payments were granted to members of the Supervisory Board, nor were any guarantees or other commitments entered into in their favour.

EMPLOYEES

As at December 31, 2017, Brenntag had 15,172 employees worldwide. The total number of employees is determined on the basis of full-time equivalents, i.e. part-time jobs are weighted according to the number of hours worked.

The increase in the total number of people employed in the Brenntag Group by 346, or 2.3%, compared with the previous year is due primarily to the acquisitions made in 2017. Almost 90% of the total workforce of 15,172 is employed outside Germany.

	Dec. 31, 2017		**Dec. 31, 2016**	
Full-time equivalents (FTEs)	**abs.**	**in %**	abs.	in %
EMEA	6,823	45.0	6,688	45.1
North America	4,717	31.1	4,602	31.0
Latin America	1,443	9.5	1,482	10.0
Asia Pacific	2,041	13.4	1,921	13.0
All other segments	148	1.0	133	0.9
Brenntag Group	**15,172**	**100.0**	**14,826**	**100.0**

B.23 EMPLOYEES PER SEGMENT

The following table shows the number of employees per segment and area of work:

						Dec. 31, 2017	
Full-time equivalents (FTEs)	EMEA	North America	Latin America	Asia Pacific	All other segments	**abs.**	**in %**
Sales	2,632	1,546	537	1,065	13	5,793	38.2
Distribution	801	1,070	62	193	–	2,126	14.0
Warehouses	2,208	1,681	472	259	–	4,620	30.4
Administration	1,182	420	372	524	135	2,633	17.4
Brenntag Group	**6,823**	**4,717**	**1,443**	**2,041**	**148**	**15,172**	**100.0**

B.24 EMPLOYEES PER AREA OF WORK

Personnel expenses including social insurance contributions amounted to EUR 990.8 million (2016: EUR 913.0 million).

The Brenntag employee turnover rate in 2017 was 7.7% worldwide (2016: 5.9%).

Brenntag aims to offer its employees a working environment to which they can contribute with expertise and passion and where they are able to exploit their full potential while enjoying the work they do there. In the reporting period, various programmes and initiatives were set in motion with this aim in mind. These are intended to create transparency for employees and make the organization more professional in its approach to human resources.

Developing Our Employees

Our employees' skills and performance are extremely important to us. We therefore invest in their development in a variety of ways, enabling them to train in their area of work or for other assignments.

2017 saw the introduction of the new People Performance Management format for globally standardized performance reviews. This tool enables employees to compare their performance and expectations against those of the company while at the same time discussing development measures. The results of the performance review form the basis of personal development plans and assessments of employee potential and can be used for talent and career management as well as remuneration and employee benefit management.

From this, we develop learning and training options, such as our employees' on-the-job training. We give them challenging assignments, coach them and have a large number of training courses and other measures in place across the globe. When designing and implementing our development measures, we always take into account our employees' current position.

Placements are available for students, giving them the opportunity to work on specific projects and tasks and gain valuable experience. For graduates in many countries, we offer trainee programmes where they can combine their theoretical knowledge and practical experience while at the same time gaining an insight into the many different aspects of our company and how to interact. Our early career advancement measures are often based on specialization and focus. Therefore, we make sure our people are state-of-the-art in their respective functional areas. Here, we have many training programmes in place at different levels in our organization. We also address personal skills so that our people can develop themselves in these areas. Our employees are critical for our success. Therefore, we want our employees who are responsible for leading others to perform this leadership role professionally at all levels within our organization.

To make sure our leaders are ready for their leadership tasks, we train them in different aspects of leadership at local, regional and global level. Brenntag offers an Executive Development Program tailor-made specifically for the unique needs of Brenntag's executives. Experienced professors from a renowned business school ensure that topics relevant to the company are covered in full. Participants thus gain valuable know-how that can be applied directly to the business.

The Program prepares the participants to handle Brenntag's current and future challenges successfully. The participants enhance their general management skills and comprehensive leadership abilities. The Program also provides a unique opportunity for people from different regions to exchange their ideas and thoughts as well as to build a network across the Brenntag world.

Further programmes for new talent and high-potential employees are currently being set in motion. In 2017, for example, a new format was developed for young high achievers so as to prepare them for the next step in their career in a focused manner.

Diversity and Inclusion

The company's headquarters is in Essen, Germany. Brenntag has more than 530 locations in 74 countries, with a global workforce numbering more than 15,000 people. This means we have colleagues from many different nationalities with many diverse backgrounds. We have people with many years of experience and we have people who have just started their careers.

Integrity and responsibility are two of our core values and we are fully committed to our ethical principles and values. As a consequence, we treat all our employees fairly and with respect.

We work in teams across the globe in order to create value for all our partners and our people. Diversity and inclusion determine every single aspect of our actions.

Remuneration and Benefits

We offer a competitive remuneration and benefits package. Remuneration may differ depending on local market conditions, regulations and legislation.

The value-based remuneration system for the management level consists of three components: a fixed annual base salary, a short-term variable annual bonus and long-term variable remuneration. The ratio of fixed to variable pay components depends on the influence the particular manager can have on the success of the company. The variable remuneration is closely linked to personal performance and the company's results and depends on the achievement of certain targets based on specific key performance indicators (KPIs). In addition to the above-mentioned remuneration components, managers receive contractually agreed benefits in kind and other benefits.

In addition, there are both defined benefit and defined contribution pension plans for employees of the Brenntag Group. The pension benefits differ according to the legal, tax and economic environment in the country in question and depend on the number of years of service and the pay grade of the respective employee.

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION, QUALITY MANAGEMENT

Health, safety, environmental protection and the long-term conservation of natural resources are of key importance to Brenntag. This principle is the basis of our global HSE strategy (HSE: health, safety and environment).

Health, safety and environment are an absolute priority for Brenntag

HSE Strategy

SAFETY POLICY

The health of our employees and the safety of our sites are an absolute priority for Brenntag. We work on continually improving work processes and plant safety. Employees identify job risks and follow appropriate actions and behaviours to work safely.

PRODUCT STEWARDSHIP POLICY

Brenntag takes appropriate measures to ensure the proper handling of our products while they are under the Group's stewardship. This includes procurement, packaging, classification and labelling, handling, storage and safe transportation, the preparation of product dossiers and safety instructions, and disposal, where necessary.

ENVIRONMENTAL POLICY

Brenntag works continually on minimizing impacts on the environment. Various measures such as investments in infrastructure, optimized work procedures and employee training are implemented with a view to identifying environmental risks early on and avoiding environment-related incidents.

COMPLIANCE POLICY

As a matter of course, Brenntag complies with all health, safety and environmental legal requirements, including import and export regulations as well as selling and use restrictions for chemicals in all our operations and sales organizations.

QUALITY POLICY

Brenntag ensures the quality of its products and services by implementing ISO 9001 quality management systems at regional level.

HSE Programmes and Initiatives

Brenntag takes part in the Responsible Care / Responsible Distribution (RC/RD) programme of the International Chemical Trade Association (ICTA). Brenntag is therefore committed to implementing the eight guiding principles laid down in the global programme covering the following areas:

- Legal requirements
- Management of risk
- Policies and documentation
- Provision of information
- Training
- Emergency response
- Ongoing improvements
- Community interaction

The implementation of the contents of the RC/RD programme in the Group is reviewed by independent experts applying the relevant regional assessment systems; in Europe: European Single Assessment Document (ESAD); in North America: Responsible Distribution Verification (RDV); in Latin America: Calidad, Seguridad, Salud y Medio Ambiente (CASA). By this means, environmental performance and safe handling of chemicals are reviewed and documented by independent experts. The Asia Pacific region is step by step signing up to this worldwide Responsible Care programme.

Uniform procedures for the safe handling of chemicals are established by regional HSE coordinators and HSE teams. These procedures are recorded and documented in regionally applicable HSE manuals down to the level of the individual warehouse sites. Compliance with these procedures is reviewed in internal and external audits.

Training courses for our employees are of central importance for safety at work. This begins with an introduction course for new recruits and continues with instructions in special work procedures and the use of equipment. Like all other training courses, the training prescribed by law is documented at the individual warehouse sites. Electronic media such as e-learning and video clips are being increasingly included in the training programmes.

Brenntag has developed several programmes aimed at continually improving performance in the areas of quality, safety, health and the environment. These take into account specific regional circumstances:

- EMEA: “Safety First Award”
- North America: “Brenntag Way”
- Latin America: “CASA Management System”
- Asia Pacific: “5-Star Facility Award”

Accidents at work and similar occurrences are recorded and evaluated centrally according to a standardized system. Key lessons learned are communicated throughout the entire organization and included in the aforementioned HSE manuals. Brenntag’s policy of continually improving equipment, processes and the culture of safety enabled a steady reduction in the number of reportable industrial accidents. For the first time, Brenntag must now report a slight increase for 2017. As a result, the LTIR (1 day / 1 million)[2)] was also up, from 1.5 in 2016 to 1.7 in 2017. As there are no indications of a sustained increase, however, the company expects to return to achieving a steady improvement.

[2)] LTIR (Lost Time Injury Rate) – number of industrial accidents resulting in at least one day’s absence from work per one million working hours.

In 2015, Brenntag launched the “BEST” (Brenntag Enhanced Safety Thinking) initiative with the aim of constantly improving the culture of safety throughout the Brenntag Group. Core elements include developing a standard on safe conduct as well as a Group-wide employee survey based on that standard. The findings of the survey have been incorporated into the relevant action plans for subsequent years.

Together with independent environmental experts, Brenntag continuously records and evaluates the environmental risks at each site, including historical data, which among other things allows conclusions to be drawn about possible contamination. This information is collated in an environmental database which also serves as a basis for determining environmental provisions and as a tool for organizing necessary environmental remediation work.

Data that are necessary for the safe handling of our products during storage, transport and within the delivery chain are stored in central databases at Brenntag. The data are thus available to most of the Group. More companies are continually being connected to these central databases. This makes it possible, for example, to implement all amendments to European laws simultaneously in all countries and make them accessible to the staff. This is therefore an important prerequisite for efficient and systematic chemical management.

The basis of quality management within the Brenntag Group is the internationally applicable ISO 9001 standard. By December 31, 2017, 86% of our operating sites had introduced quality management systems certified to this standard. In addition, 109 sites are certified to international standard ISO 14001 for environmental management systems.

Regulatory Environment

REACH – the chemicals regulation of the European Union – has formed the legal framework for safer handling of chemicals to protect the environment and human health, while complying with sustainability objectives, since it came into force on June 1, 2007. The registration of chemical substances is a key component of the REACH regulation and spans three phases over a period of eleven years. Furthermore, REACH governs the low-risk use of chemical substances and preparations at both manufacturer and user levels.

Brenntag is affected by REACH in several aspects of its business operations. As a distributor – within the meaning of REACH – Brenntag ensures the smooth provision of safety information on substances. As an importer and, in specific cases, as a manufacturer, the Brenntag companies concerned register the chemicals according to the tonnage thresholds. As a user, the individual sites carry out the various operating processes (filling, diluting, mixing and blending) in compliance with REACH and fulfil the other administrative duties under REACH.

Another important piece of legislation in Europe alongside REACH is the Biocidal Product Regulation (BPR, Regulation (EU) No. 528/2012), which governs the placing on the market and use of biocidal products and has been in force since September 2013 with transitional periods for some of the aspects it covers. Albeit to a lesser extent than REACH, the BPR affects the operating and administrative processes of Brenntag’s biocidal products business to a high degree of complexity.

A transnational team of experts, consisting of a European network of experienced HSE and regulatory specialists, is deployed to ensure that operating and business processes are in compliance with the regulations. Working closely with the management on the sourcing and sales side, they make sure that Brenntag meets all of the numerous regulatory requirements professionally and efficiently.

REPORT ON EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS

Report on Expected Developments

The International Monetary Fund forecasts that growth in the **global economy,** measured in terms of GDP, will be slightly higher year on year in 2018. As regards the individual segments of the Brenntag Group, the Asian economies are predicted to achieve the highest growth. The European economy is forecast to remain on a moderately positive growth track. Latin America is expected to see a slight recovery compared with the previous year, although the economy is set to remain volatile with a high degree of uncertainty. The rate of expansion in North America will likely be higher than in 2017. Global GDP grew by 3.6% year on year in 2017 and, weighted by the sales generated by Brenntag in the individual countries, this results in a forecast average GDP growth rate of 2.5% in 2018.

Against this background, we currently expect the following Group and segment performance in financial year 2018 (including contributions from acquisitions closed before December 31, 2017) in local currencies, i.e. excluding exchange rate effects:

Meaningful increases in the key performance indicators operating gross profit and operating EBITDA expected

We expect that the **Brenntag Group** will see growth in our key performance indicators operating gross profit and operating EBITDA. Operating gross profit is anticipated to show a meaningful increase due predominantly to higher volumes in the existing business. All regions are expected to support this performance. Further programmes to increase efficiency will also contribute to the budgeted growth. Overall, therefore, we expect a meaningful rise in operating EBITDA driven by all regions.

For the **EMEA segment**, we forecast meaningful increases in operating gross profits, attributable primarily to higher volumes. We are focusing on the life science business among others and also planning to expand in high-growth regions such as Africa and the Middle East. Due to the acquisition activities closed at the end of 2017 and the measures that we are taking with the aim of increasing efficiency, we expect to achieve a significant improvement in operating EBITDA.

In the **North America segment**, we are planning a meaningful rise in operating gross profit in light of the positive trend. We anticipate higher volumes due to organic growth. This is underpinned in particular by the expansion of our business in specialty chemicals and life science products. We also expect earnings to continue rising in the other customer industries, supported by the generally positive economic environment in North America. As a result of our operating gross profit performance and efficient management of operating costs, we likewise forecast meaningful growth in operating EBITDA for financial year 2018. The relative weakness of the US dollar in the final months of 2017 continued into the first weeks of 2018. As a result, the relevant exchange rate (EUR / USD) used to translate North American earnings into our Group currency, the euro, is currently well above the 2017 average. Our growth rates on a constant currency basis are therefore likely to be well below the reported growth rates.

In the **Latin America segment**, we believe that we are well positioned to be successful, even as macroeconomic conditions remain volatile. In particular, we are planning to expand our product portfolio in the ACES (adhesives, coatings, elastomers and sealants) segment, personal care and the food and feed industry. We therefore expect meaningful increases in operating gross profits based on higher volumes. In addition, we forecast a meaningful rise in operating EBITDA.

For the **Asia Pacific segment**, we predict a meaningful increase in operating gross profit, particularly in light of the positive economic momentum. This is attributable to both higher volumes and an improvement in margins. The growth is predominantly organic. In addition, we are planning to expand our presence. We forecast meaningful growth in operating EBITDA.

Given the planned growth in business volume, we expect average **working capital** to show a moderate increase compared with 2017. We will continue to focus on customer and supplier relationship management and work continuously to improve our warehouse logistics. As a result, we expect to be able to accelerate the working capital turnover achieved in 2017.

In order to keep property, plant and equipment capacities in line with the increasing volume of business and support organic growth, we plan to make **investments** in property, plant and equipment in excess of depreciation in 2018. We expect capital expenditure to increase to over EUR 195 million, primarily as a result of projects to expand our business operations. The amount stated for capital expenditure includes two new sites in China, although set against these are proceeds from the sale of existing sites amounting to slightly more than EUR 30 million. These proceeds offset some of the aforementioned EUR 195 million in capital expenditure.

Overall, we anticipate that **free cash flow** in 2018 will be up significantly on 2017, barring a material increase in chemical prices. We therefore expect to be able to continue our acquisition strategy and dividend policy while maintaining Group liquidity at an adequate level without increasing net financial liabilities.

Description of the Internal Control / Risk Management System

The aim of risk management is to avoid potential risks and to identify, monitor and mitigate emerging risks at an early stage. Therefore, our risk management system consists of risk reporting (an early detection system), controlling and an internal monitoring system as well as individual measures to identify risks at an early stage and limit any known risks. We monitor the risks as part of our risk management. The planning, controlling and reporting processes of the Brenntag Group are integral parts of the risk management systems of all operational and legal units as well as the central functions.

RISK REPORTING (EARLY DETECTION SYSTEM)

We continually identify and analyze risks at the Group companies and constantly improve internal workflows and the IT systems used throughout the Group.

The risk inventories performed and documented every six months at our Group companies and regional holding companies are an important tool for global risk management. Risks at smaller subsidiaries are reported through the respective regional holding company. In addition, all units have been instructed to immediately report any significant risks suddenly occurring (ad hoc reporting) to Group headquarters.

Each risk inventory is performed both centrally and decentrally and gathers estimations on existing risks. Standardized risk catalogues giving examples of the typical risks for the Brenntag Group are used as a system for gathering this information. Any risks which are identified are assessed with regard to their potential damage and probability of occurrence. The risks are assessed according to the following risk classification model:

a) Possible extent of damage:

- Insignificant
- Low
- Medium
- High
- Critical

b) Probability of occurrence:

- Highly improbable (≤ 10%)
- Improbable (11 – 20%)
- Possible (21 – 50%)
- Probable (51 – 90%)
- Highly probable (≥ 91%)

First, the gross risk is assessed. The gross risk is the maximum damage if no counteraction is taken. If a risk can be reliably counteracted by effective action, these measures have to be shown in risk profiles and assessed with regard to their effectiveness. The residual risk (net risk) is then the gross risk less the effect of measures taken to reduce the risk.

We classify net risks as “high”, “medium” or “low” according to their estimated probability of occurrence and the possible extent of damage, i.e. the negative impact on the results of operations and financial position and our cash flow, which gives the following risk matrix:

		Probability of occurrence				
		Highly improbable	Improbable	Possible	Probable	Highly probable
Possible extent of damage	Critical	**Medium**	**Medium**	**High**	**High**	**High**
	High	**Low**	**Medium**	**Medium**	**High**	**High**
	Medium	**Low**	**Low**	**Medium**	**Medium**	**High**
	Low	**Low**	**Low**	**Low**	**Medium**	**Medium**
	Insignificant	**Low**	**Low**	**Low**	**Low**	**Low**

B.25 RISK ASSESSMENT MATRIX

The individual risks reported are consolidated at segment level and for the Group and then presented to the Board of Management. Risk reporting covers risks only, not opportunities.

The process for systematically identifying and assessing risks for the Group companies is regularly audited by the Corporate Internal Audit department.

CONTROLLING

Our Corporate Controlling department immediately processes the information gained from the monthly and quarterly reports and can thus identify and communicate risks and opportunities. This also includes an analysis of the reasons for any deviations from budgeted figures. On the basis of any identified deviations from the budgeted figures, the Corporate Controlling department regularly examines the achievability of targets in forecasts, indicating the associated opportunities and risks. The financial performance indicators examined are mainly those described in the chapter “Financial Management System”, above all operating EBITDA.

The continuous evaluation of opportunity and risk potential in all segments is also an elementary part of our strategy, which is described in detail in the chapter “Vision, Objectives and Strategy”. As part of our annual strategy planning process, we analyze the market opportunity and risk situation in each Brenntag region and, on this basis, establish goals and value-enhancing measures designed to mitigate risks and exploit opportunities. Finally, the situation analysis and business operation plans are reviewed regularly in quarterly discussions on business performance.

B — MANAGEMENT REPORT
C — FINANCIAL STATEMENTS
D — FURTHER INFORMATION

INTERNAL MONITORING SYSTEM

Another important part of risk management in the Brenntag Group is the internal monitoring system consisting of the organizational security measures, internal controls and internal audit.

The internal control system comprises all central and decentralized policies and regulations adopted by the Board of Management and the regional and local management teams with the aim of ensuring

- the effectiveness and efficiency of the workflows and processes,
- the completeness, correctness and reliability of internal and external financial reporting as well as
- the Group-wide observance of applicable laws and regulations (compliance).

Both the efficiency of the workflows and processes and the effectiveness of the internal control systems set up in the decentralized units as well as the reliability of the systems used are regularly examined by the Corporate Internal Audit department. The results of these audits are reported immediately. Thus, we ensure that the Board of Management is kept continuously informed of any weaknesses and any resulting risks, along with the appropriate recommendations to eliminate the weaknesses.

INTERNAL CONTROL SYSTEM RELATED TO THE (GROUP) ACCOUNTING PROCESS (REPORT IN ACCORDANCE WITH SECTION 289, PARA. 5 AND SECTION 315, PARA. 2, NO. 5 OF THE GERMAN COMMERCIAL CODE (HGB))

The Group accounting process is managed by the Corporate Accounting department. A major element of the internal control system related to the (Group) accounting process is an IFRS accounting manual applicable throughout the Group which specifies accounting and measurement policies for all companies included in the consolidated financial statements. Preparation of the consolidated financial statements is supported by the use of uniform, standardized reporting and consolidation software (SAP SEM-BCS) containing comprehensive testing and validation routines. The services of external experts are used for special areas of accounting, e.g. the annual goodwill impairment test as well as environmental and pension actuarial reports to determine the relevant provisions.

In addition, there are other Group-wide guidelines which have concrete effects on accounting, above all the “Internal Control Guideline”, which contains requirements on the performance of monitoring routines as well as the separation of functions, the dual control principle and access authorizations, the “Transfer Pricing Guideline” as well as the “Finance Guideline”.

The Corporate Internal Audit department regularly checks compliance with these Group guidelines at our subsidiaries.

Furthermore, the quarterly financial statements are reviewed by an auditor.

Report on Opportunities and Risks

Our strategy is geared to steadily improving the efficiency and underlying profitability of our business. The Brenntag Group companies are exposed to a number of risks arising from their business activities in the field of chemical distribution and related areas. At the same time, these business activities also give rise to numerous opportunities to safeguard and nurture the company's competitiveness and growth.

Projects, in particular the strategic initiatives (see chapter "Vision, Objectives and Strategy"), are regularly implemented to maintain and strengthen the Group's profitability. These projects mainly focus on developing opportunities to increase operating gross profit but also on cost optimization.

To limit or entirely eliminate possible financial consequences of risks that may occur, we have, insofar as is possible, taken out appropriate insurance for the size of our businesses to cover damage and liability risks.

In the following, we describe risks and opportunities which could influence the business performance, financial position and results of operations of the Brenntag Group. We have systematically grouped together similar, organizationally or functionally related risks in risk categories. The order of risks within the categories reflects the current assessment of the relative degree of risk for Brenntag. The estimates made per risk category relate to the net risk. Additional risks and opportunities that we are currently unaware of or that we currently consider immaterial may also have a negative impact on our business operations. Unless stated otherwise or obvious from the context, the following statements on risks and opportunities refer to all our segments.

- **Economic and political stability:**
  Due to the international nature of our business, we are exposed to a number of economic, political and other risks and cannot entirely rule out the possibility that negative developments in individual regions or countries might damage our business or financial position. For example, the instability of the economic and political situation in some regions or countries in which Brenntag operates may have a negative impact on our business and our operating result. On the other hand, countries and regions with an unstable economic and political situation are often emerging markets, which offer great opportunities due to above-average growth. Overall, the international nature of our business balances out the risks. We conduct a large percentage of our business in stable economies.

  Economic downturns may have a negative impact on the sales and operating gross profit of our company. The latest economic developments, high unemployment in certain countries, high levels of public debt and the potential effects of government measures to consolidate public finances throughout the world may lead to falling demand. In a recession, lower profitability on the part of our customers could lead to higher bad debt losses, for which credit insurance cover could hardly be obtained due to the economic environment. However, the high level of diversification of our business by geography, customer industries, suppliers, products and customers provides high resilience.

  It is not yet possible to estimate the impact on economic performance of the UK's referendum on its withdrawal from the EU. Forecasts for real GDP growth in the UK over the coming years have been revised down. We still believe that this will not have any significant impact on our business. Any appreciation or depreciation of the pound sterling as a result of the country's withdrawal from the EU may have positive or negative translation effects.

We consider the possible extent of damage from economic and political risks to be medium and the probability of occurrence of these risks to be possible. Overall, we rate these risks as medium risks.

- **Market risks and opportunities:**
  Brenntag's strategic development is geared to the current global, regional and local market growth drivers.

  We see major sales opportunities, which are of strategic significance for Brenntag, in the particularly attractive focus industries water treatment, cosmetics, cleaning, pharmaceuticals, food and feed, oil & gas, lubricants as well as coatings and polymers. Our global network and our comprehensive portfolio of products and services also place us in a unique position to meet customers' increasing demands for pan-regional and global end-to-end solutions. The growing demand for customer-specific solutions, blending and services and alternative sales channels also open up further growth opportunities. With oil and gas prices having stabilized, there is more certainty in this industry again, particularly in the North America region. We continue to count on the sector's long-term potential in combination with our excellent capabilities and our supplier and customer network.

  As an international Group, we see opportunities in all our regions to extend our market lead. The continuous expansion of our geographic presence in emerging markets, particularly in the Asia Pacific region, also offers above-average growth opportunities. We will continue to optimally exploit the opportunities presented by company acquisitions and the active consolidation of the fragmented chemical distribution market. In a dedicated unit, opportunities arising from the increasing level of digitization are being analyzed, assessed and, if appropriate, implemented in practice in the form of digital concepts and solutions.

  In terms of product sourcing, our global presence enables us to achieve economies of scale. The optimization of our local product portfolios through sales partnership agreements with chemical producers for new products or product categories offers further potential. In addition, we will continue to actively realize the potential that arises as a result of chemical producers outsourcing supply chain and sales activities. The high density of our distribution network and the experienced professional organization at all levels of the Brenntag Group are key elements for tapping this potential.

  In addition, the systematic implementation of our strategic priorities, which we explain in detail in the chapter "Vision, Objectives and Strategy", creates further opportunities. At local level, we create the right conditions through our operating activities to effectively and efficiently exploit the opportunities which the markets offer.

  In some local markets we serve, we face growing competition from other chemical distributors. This stronger competition, which is partly due to the increasing pan-regional activities and consolidation among our competitors as well as the development of new sales channels, is a risk that might negatively impact our sales and earnings. Therefore, we continually work to improve our portfolio of products and services. Our local business might also be impacted by customers relocating to low-cost countries. However, we see our global presence as a key factor in balancing out these local risks.

  As far as possible, we offset the sourcing risk related to the supply of strategically important raw materials through long-term contracts and/or partnerships with different suppliers and alternative supply sources. However, the purchase prices can vary considerably depending on the market situation and impact our cost structures. To safeguard our competitiveness, we counteract these risks by adjusting sales prices, through international procurement and through strict cost management.

We counteract the risk arising from future market developments by constantly monitoring our markets and competitors as well as by holding regular strategy meetings.

We consider the possible extent of damage from these risks to be high and the probability of occurrence of these risks to be possible. Overall, we rate these risks as medium risks.

- **Financial risks and opportunities:**
  Our business is exposed to exchange rate, interest rate, credit and price risks.

  Due to the fact that we operate in countries with different currencies, changes in exchange rates may have positive or negative translation effects on the results of the Group. In particular, any change in the euro/US dollar exchange rate may have a substantial impact as a large proportion of our business is conducted in the US dollar area. We have decided not to hedge exchange rate differences resulting from the translation of financial statements of subsidiaries whose functional currency is not the euro (translation risks). On the other hand, transaction exposures resulting from the translation of foreign currency receivables and liabilities into the functional currency of a subsidiary are hedged where it makes economic sense to do so. This is based on a Group-wide Finance Guideline that sets out basic requirements and objectives, threshold values and hedging instruments to be used. The Finance Guideline requires Group companies to offset the risks of open net foreign currency exposure using suitable instruments such as forward and swap contracts or to keep them within certain limits. Any exceptions exceeding the above limits must be agreed on a case-by-case basis with the Corporate Finance department.

  Unfavourable political developments and financial policy decisions in specific countries may have a particularly negative impact in this context.

  The UK's referendum on its withdrawal from the EU has not yet had a significant impact on our business operations, but future effects cannot be ruled out once details of the country's withdrawal from the EU become clear. Any appreciation or depreciation of the pound sterling as a result of its withdrawal may have positive or negative translation effects.

  We limit risks for our cash investments by only doing business with banks and business partners with credit ratings we consider to be strong. Payments are also handled through such banks. The largely unused revolving credit facility under the syndicated loan is made available by a large number of international banks, meaning that availability is ensured through high diversity. Uncollectibility risk is reduced by continually monitoring our customers' credit ratings and payment behaviour and setting appropriate credit limits. The risk is limited by the large number of customers the company has in different countries; even the largest customer accounts for less than 2% of Group sales. In addition, risks are limited by taking out credit insurance.

  The Brenntag Group is partly financed with debt capital. We are confident that our loan agreements, credit lines, the bonds issued and liquid funds available are adequate to cover the future liquidity needs of our Group, even if requirements should increase unexpectedly. Like comparable loan agreements, our syndicated loan contains a number of customary affirmative and negative covenants. In particular, we have undertaken to comply with a leverage ceiling (the ratio of net debt to EBITDA).

This metric is determined in accordance with the definitions in the loan agreement, which are not the same as the corresponding terms used in the consolidated financial statements. The leverage ceiling has, in our opinion, been established so that it would require a very unusual business development for Brenntag not to be able to meet it. Compliance with the covenant is checked on a regular basis and confirmed to the lenders every quarter. If there are any indications of unfavourable developments with respect to compliance, scenario calculations are made in order to be able to take suitable action at an early stage if necessary. On the basis of the latest calculation of leverage and with a view to the key mid-term planning figures, there is no indication that compliance with the ceiling may be jeopardized. In the event of the Brenntag Group's sustained breach of this covenant, the facility agent appointed by the lenders may call in the loans if he deems this move necessary to safeguard the lenders' interests. As the Group's main financing instruments (syndicated loan and three bonds) all contain so-called cross-default clauses, any breach of contract or calling due of outstanding amounts in respect to one financing instrument could also have a negative impact on the others.

The terms and conditions of the financing instruments are also influenced by the Group's credit rating. A change in the rating that the international rating agencies Standard & Poor's and Moody's assign to Brenntag may impact on the Group's financing conditions. The rating may have a positive or a negative impact. Both rating agencies assign an investment grade rating, thereby confirming Brenntag's high credit standing: Moody's currently rates Brenntag at "Baa3" with a stable outlook, while Standard & Poor's has given Brenntag a rating of "BBB" with a stable outlook.

Some of Brenntag's financing is based on variable interest rates which are subject to fluctuations in market interest rates. This means that Brenntag has both the opportunity to participate in falling market interest rates but also the risk of incurring higher interest cost as a result of rising market interest rates. The split between variable and fixed interest rates is determined as part of interest risk management. We hedge some of the risks from our financing by using derivative instruments, such as foreign exchange forwards, interest rate and currency swaps or combined instruments. Financial risks are mainly hedged by the Corporate Finance department at Group headquarters. If individual companies hedge financial risks from operating activities themselves, this is done in consultation with and under the supervision of Group headquarters. This permits a balancing of risks throughout the Group. Further information on financial risks can be found in the chapter "Reporting of Financial Instruments" in the notes to the consolidated financial statements.

We consider the possible extent of damage from these risks to be medium and the probability of occurrence of these risks to be possible. Overall, we rate these risks as medium risks.

- **Quality, safety, health and environmental risks:**
  We counter the risks arising from the distribution of chemicals by maintaining a high standard of safety precautions at our warehouses and – where necessary – improving them. Environmental, health and safety risks are monitored on the basis of a uniform environmental, health and safety strategy as well as through Group-wide standards set as binding requirements in regional manuals (health, safety and environmental protection). Furthermore, we regularly inform our employees and customers about how to handle chemicals safely and about emergency procedures in the event of accidents.

  The handling and distribution of chemicals is governed by a large number of regulations and laws. Changes to this regulatory framework (e.g. restrictions or new requirements) may lead to lower sales or involve higher costs to satisfy these regulations. However, we also see ourselves in a good position due to our scale, the central systems we have in place and our expertise.

  Risks may arise if the products purchased and delivered to customers do not meet the specified and agreed quality. However, there are procedures in place providing a good level of assurance that products are procured from reliable sources and are of appropriate quality.

  We consider the possible extent of damage from these risks to be high and the probability of occurrence of an individual risk with a high extent of damage to be improbable. Overall, we rate these risks as medium risks.

- **IT risks and opportunities:**
  IT risks arise, on the one hand, from the dependence of our business processes and the increasing networking of our systems and, on the other, from external IT security risks. This can include networks failing and data being falsified or destroyed due to operating and program errors or external influences. We counteract these risks by training our employees, continually investing in hardware and software, constantly updating our systems and using virus scanners, firewall systems, data backup mechanisms as well as access and authorization checks. These measures are monitored using Group-wide IT security standards. On the other hand, the increasing use of IT offers efficiency gains in operating workflows and in improved communications with customers and suppliers. The IT-supported handling of our business processes also generally improves the quality and reliability of internal controls.

  We consider the possible extent of damage from these risks to be low. Given the protective measures we have put in place, we consider the probability of occurrence of these risks to be improbable. Overall, we rate these risks as low risks.

- **Personnel risks and opportunities:**
  Personnel risks result mainly from the potential turnover of staff in key positions or the inability to find a sufficient number of qualified staff to fill vacancies within the Group. Brenntag limits these risks by positioning itself as an attractive employer and fostering employees' long-term loyalty to the Group. It also limits these risks through targeted long-term succession planning and performance-related remuneration, including performance-based incentive systems. Moreover, we offer worldwide career opportunities. Information on our staff development programmes is provided in the chapter "Employees". In 2017, our employee turnover rate was 7.7% worldwide.

  We consider the possible extent of damage from these risks to be low and the probability of occurrence of these risks to be possible. Overall, we rate these risks as low risks.

- **Acquisition risks and opportunities:**
  In the Brenntag Group, every decision to acquire is linked to minimum requirements on the internal rate of return of the particular investment. The company valuations incorporating the findings of due diligence work performed are of central importance in acquisitions. Company acquisitions always involve risks surrounding the integration of employees and business operations. We strive to limit these risks with adequate transaction structures, by conducting opportunity and risk analyses at an early stage in the approval process, with the support of external consultants and with specific contract structures (e.g. incentive, warranty and retention clauses). In the past, M&A activities focused on Europe, North America and Asia. For future acquisitions in emerging markets such as Asia, Latin America and Eastern Europe, relatively high purchase prices coupled with higher risks (e.g. compliance risks, higher working capital funding requirements, integration risks, foreign currency risks) are typical of target companies in these countries. However, there are also considerably greater opportunities in these countries owing to the higher growth rates.

  We consider the possible extent of damage from these risks to be medium and the probability of occurrence of these risks to be possible. Overall, we rate these risks as medium risks.

- **Legal risks:**
  Brenntag AG and individual subsidiaries have been named as defendants in various legal actions and proceedings arising in connection with its activities as a global group. Sometimes, Brenntag is also the subject of investigations by the authorities. Brenntag cooperates with the relevant authorities and, where appropriate, conducts internal investigations regarding alleged wrongdoings with the assistance of in-house and external counsel.

  The decision issued by the French Competition Authority in 2013 in relation to the allocation of customers and coordination of prices was set aside by a court of appeal due to procedural errors at Brenntag's request in February 2017. Brenntag has received repayment of the fine in the amount of EUR 47.8 million, but the court of appeal has not yet made any decisions on the merits of the case. The reimbursement was therefore added to provisions. In the proceedings ongoing before the court of appeal, it will be decided to what extent a fine will be imposed. An appeal has been lodged against this decision by the court of appeal with the aim of definitively reversing the fine ruling. Regarding the investigation also ongoing at the French Competition Authority concerning whether BRENNTAG SA has illegally made use of its market position, a decision by the Authority is still pending. The Authority has imposed a fine of EUR 30 million because it believes that Brenntag breached duties to cooperate in this investigation. Brenntag has recognized a provision in the same amount. Brenntag believes that all legal obligations were fulfilled and has filed an appeal against the decision. Based on current knowledge, Brenntag further assumes that claims for civil liability arising from the above-mentioned proceedings are not sufficiently substantiated.

  As a global company, Brenntag has to comply with the country-specific tax laws and regulations in each jurisdiction. Tax exposures could result in particular from current and future tax audits of our German and foreign subsidiaries. These exposures are generally reflected in the balance sheet by recognizing provisions.

  The German Brenntag companies are currently the subject of a routine tax audit for the years 2010 to 2012, and the routine tax audit for the years 2013 to 2016 has been announced. At the reporting date, there were no significant findings by the tax authorities. In addition, the German Group companies Brenntag GmbH and BCD Chemie GmbH are currently the subject of routine reviews of the tax on spirits and energy being conducted by the German customs authorities for the years 2014 to 2016. Brenntag is cooperating with the customs authorities. It is not yet possible to make a definitive assessment as to potential tax exposures. In specific cases, the assessment is likely to differ; this risk has been reflected in the balance sheet by recognizing provisions.

Given the number of legal disputes and other proceedings that Brenntag is involved in, it is possible that a ruling may be made against Brenntag in some of these proceedings. The company contests actions and proceedings where it considers it appropriate. Provisions are established for ongoing legal disputes on the basis of the estimated risk and, if necessary, with the help of external consultants. It is very difficult to predict the outcome of such matters, particularly in cases in which claimants seek indeterminate compensation. Any adverse decisions rendered in such cases may have material effects on Brenntag's net assets, financial position and results of operations for a reporting period. However, Brenntag currently does not expect its assets, financial position and results of operations to be materially affected.

We consider the possible extent of damage in the event that the legal risks occur to be medium and the probability of occurrence of these risks to be possible. We have recognized appropriate provisions for the risks we class as probable. Overall, we rate these risks as medium risks.

Summary of the Opportunities and Risk Situation

During the past financial year, we once again continually updated and assessed the risk situation for the Brenntag Group. In our opinion, the risks described in the chapter "Report on Opportunities and Risks" do not jeopardize the continued existence of the company, either individually or collectively. We are convinced that we can continue to successfully master the challenges arising from the risks described above.

INFORMATION REQUIRED PURSUANT TO SECTION 289, PARA. 4 AND SECTION 315, PARA. 4 OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT

Composition of the Subscribed Capital

As at December 31, 2017, the subscribed capital of Brenntag AG totalled EUR 154,500,000. The share capital is divided into 154,500,000 no-par value registered shares, each with a notional value of EUR 1.00.

According to article 7, para. 3 of the Articles of Association of Brenntag AG, any right of shareholders to certification of their shares is excluded to the extent permitted by law and that certification is not required under the rules of any stock exchange on which the share is admitted to trading. The company is entitled to issue share certificates embodying several shares (consolidated certificates). Pursuant to Section 67, para. 2 of the German Stock Corporation Act (AktG), only those persons recorded in the company's share register will be recognized as shareholders of Brenntag AG. For purposes of recording the shares in the company's share register, shareholders are required to submit to Brenntag AG the number of shares held by them, and, in the case of individuals, their name, address and date of birth, or in the case of legal entities, their company name, business address and registered offices. All shares confer the same rights and obligations. At the General Shareholders' Meeting, each share has one vote and accounts for the shareholders' proportionate share in the net income of Brenntag AG. Excepted from this rule are any treasury shares held by Brenntag AG that do not entitle Brenntag AG to any membership rights. Brenntag AG does not currently have any treasury shares. The shareholders' rights and obligations are governed by the provisions of the German Stock Corporation Act, in particular by Sections 12, 53a ff., 118 ff. and 186 of the German Stock Corporation Act.

Restrictions on Voting Rights or Transfer of Shares

The Board of Management of Brenntag AG is not aware of any agreements between the shareholders relating to restrictions on voting rights or on the transfer of shares. Restrictions on the transfer of shares remain in place until 2018 for shares acquired by the members of the Supervisory Board under the remuneration system in effect until 2014.

Direct or Indirect Interests in the Capital of the Company Exceeding 10% of the Voting Rights

Section 33 (formerly Section 21) of the German Securities Trading Act (WpHG) requires that any investor whose percentage of voting rights in Brenntag AG reaches, exceeds or falls below certain thresholds as a result of purchases, disposals or otherwise must notify Brenntag AG and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht). As at December 31, 2017, the company was not aware of any direct or indirect interests in the capital of Brenntag AG that exceeded 10% of the voting rights. All voting right notifications in accordance with Section 33 (formerly Section 21) of the German Securities Trading Act received by Brenntag AG in the reporting period can be viewed in the Investor Relations section of the company's website at www.brenntag.com.

Shares with Special Rights Conferring Powers of Control

There are no shares with special rights conferring powers of control.

System of Control of Any Employee Participation Scheme Where the Control Rights Are Not Exercised Directly by the Employees

Brenntag AG does not have a general employee participation scheme.

Legislation and Provisions of the Articles of Association Applicable to the Appointment and Removal of the Members of the Board of Management and Governing Amendments to the Articles of Association

The appointment and removal of members of the Board of Management are subject to the provisions of Sections 84 and 85 of the German Stock Corporation Act. The Supervisory Board appoints the members of the Board of Management for a maximum term of five years. Their appointment may be resolved according to article 12, para. 4 of the Articles of Association of Brenntag AG by simple majority of votes. In the event of a tie, the Chairman of the Supervisory Board has the casting vote. According to article 8, para. 1 of the Articles of Association of Brenntag AG, the Board of Management consists of one or more persons. The specific number of members of the Board of Management is determined by the Supervisory Board. The Board of Management of Brenntag AG currently consists of five members.

Contrary to Sections 133, para. 1 and 179, para. 2, sentence 1 of the German Stock Corporation Act, article 19 of the Articles of Association of Brenntag AG stipulates that in cases where the majority of the share capital represented is required, the simple majority of the capital represented is sufficient. This, on the other hand, does not apply to changes to the object of the company, as Section 179, para. 2, sentence 2 of the German Stock Corporation Act only permits amendments to a company's Articles of Association regarding the object of the company to be adopted with larger majorities than three-quarters of the capital represented when the resolution is passed. The authority to adopt purely formal amendments to the Articles of Association is transferred to the Supervisory Board under article 13, para. 2 of the Articles of Association of Brenntag AG. In addition, by resolution of the General Shareholders' Meeting on June 17, 2014, the Supervisory Board is authorized to amend the Articles of Association in connection with the creation of new authorized capital after implementation of the capital increase and after expiry of the authorization period without use of the authorized capital.

Powers of the Board of Management to Issue or Repurchase Shares

AUTHORIZATION TO CREATE AUTHORIZED CAPITAL

By resolution of the General Shareholders' Meeting on June 17, 2014, the Board of Management was authorized, subject to the consent of the Supervisory Board, to increase the registered share capital of Brenntag AG in one or more tranches by up to EUR 77,250,000 in aggregate by issuing up to 77,250,000 new no-par value registered shares against cash contributions or non-cash contributions in the period ending on June 16, 2019. In principle, shareholders are to be granted a subscription right for new shares. However, in certain cases the Board of Management is authorized, subject to the consent of the Supervisory Board, to exclude the statutory subscription right in relation to one or more increases in the registered share capital within the scope of the authorized share capital. This shall apply, for example, if the increase in the registered share capital is effected against contribution in cash and provided that the issue price of the new shares is not substantially lower (within the meaning of Section 203, para. 1 and para. 2 and Section 186, para. 3, sentence 4 of the German Stock Corporation Act) than the market price for shares in the company of the same class and having the same conditions already listed at the time of the final determination of the issue price and provided that the amount of the registered share capital represented by the shares issued pursuant to this paragraph subject to the exclusion of the statutory subscription right in accordance with Section 186, para. 3, sentence 4 of the German Stock Corporation Act does not exceed 10% of the registered share capital in the amount of EUR 154,500,000 (simplified exclusion of subscription rights). Details can be found in the Articles of Association of Brenntag AG, which are available in the Investor Relations section of the website at www.brenntag.com.

The Board of Management determines, subject to the consent of the Supervisory Board, the further details regarding the rights attached to the shares and the conditions of the share issue.

AUTHORIZATION TO PURCHASE AND USE TREASURY SHARES IN ACCORDANCE WITH SECTION 71, PARA. 1, NO. 8 OF THE GERMAN STOCK CORPORATION ACT

By resolution of the General Shareholders' Meeting on June 17, 2014, the Board of Management was authorized, subject to the consent of the Supervisory Board, to purchase treasury shares up to a total amount equal to no more than 10% of the registered share capital. In this connection, the shares purchased on the basis of this authorization together with other shares of the company which Brenntag AG has already purchased and still holds shall not exceed 10% of the respective registered share capital. The authorization may be exercised to the full extent of repurchases thereby authorized or in partial amounts, on one or several occasions. It took effect at the close of the General Shareholders' Meeting on June 17, 2014 and shall apply until June 16, 2019. If the purchase of shares is effected on the stock market, the purchase price may not be more than 10% higher or lower than the arithmetic mean value of the closing prices on the Frankfurt am Main stock exchange for the last five trading days preceding the purchase or the assumption of an obligation to purchase. If purchase is effected by way of a public purchase offer to all shareholders or by other means in accordance with Section 53a of the German Stock Corporation Act, the purchase price paid to the shareholders in each case may not be more than 10% higher or lower than the arithmetic mean value of the closing prices on the Frankfurt am Main stock exchange for the last five trading days preceding the publication of the offer or, in the case of purchase by other means, preceding the purchase. The authorization may be exercised for any purpose permitted by law. Treasury shares may, under certain circumstances, also be used subject to exclusion of the shareholders' subscription rights existing in principle and in particular by way of simplified exclusion of subscription rights as specified above.

AUTHORIZATION TO ISSUE BONDS AND TO CREATE CONDITIONAL CAPITAL

By resolution of the General Shareholders' Meeting on June 17, 2014, the Board of Management was authorized, subject to the consent of the Supervisory Board, to issue in one or more tranches in the period up to June 16, 2019 registered or bearer warrant-linked or convertible bonds as well as profit-sharing certificates conferring option or conversion rights in an aggregate nominal amount of up to EUR 2,000,000,000 of limited or unlimited term (hereinafter collectively "Bonds") and to grant the holders or creditors of the Bonds option or conversion rights for up to 25,750,000 new shares of Brenntag AG with a pro-rata amount of the registered share capital of up to EUR 25,750,000 further subject to the terms and conditions of the respective warrant-linked or convertible bonds and/or terms and conditions of the profit-sharing certificates to be defined by the Board of Management (hereinafter in each case "Terms and Conditions"). Other than in euros, the Bonds may also be issued – subject to limitation to the corresponding equivalent value in euros – in a foreign legal currency. The Bonds may also be issued by companies which are controlled by Brenntag AG or in which it holds a majority interest; in such case, the Board of Management was authorized, subject to the consent of the Supervisory Board, to assume on behalf of Brenntag AG, the guarantee for the Bonds and to grant the holders of such Bonds option and/or conversion rights for shares of Brenntag AG and to effect any further declarations and acts as are required for a successful issue. The issues of the Bonds may in each case be divided into partial bonds with equal entitlement amongst themselves. The issue of Bonds may also be effected against non-cash contributions, provided that the value of the non-cash contribution is equal to the issue price and such issue price is not substantially lower than the market value of the Bonds. The Board of Management is authorized, under certain circumstances and subject to the consent of the Supervisory Board, to exclude the subscription right of the shareholders for the Bonds. However, with regard to the exclusion of subscription rights against cash payment, such authorization shall apply only provided that the shares issued to fulfil the option or conversion rights and/or in the case of fulfilment of the conversion obligation represent no more than 10% of the registered share capital. Decisive for the threshold of 10% is the registered share capital in the amount of EUR 154,500,000 (simplified exclusion of subscription rights).

If convertible bonds or profit-sharing certificates conferring conversion rights are issued, their holders shall be granted the right to convert their Bonds into new shares of Brenntag AG further subject to the specific Terms and Conditions.

If bonds with warrant units or profit-sharing certificates conferring option rights are issued, one or more warrants shall be attached to each partial bond and/or each profit-sharing certificate which entitle the holder to subscribe shares of Brenntag AG further subject to the specific Terms and Conditions.

By resolution of the General Shareholders' Meeting on June 17, 2014, the registered share capital of Brenntag AG was conditionally increased by up to EUR 25,750,000 by issuing up to 25,750,000 new no-par value registered shares conferring profit-sharing rights from the beginning of the financial year in which they were issued. The conditional capital increase serves to grant shares to the holders or creditors of warrant-linked or convertible bonds as well as profit-sharing certificates with option or conversion rights which are issued in the period up to June 16, 2019, based on the authorization approved by the General Shareholders' Meeting. The conditional capital increase will only be implemented to the extent that warrants or conversion rights under bonds with warrant units and convertible bonds have been exercised or conversion obligations under such Bonds have to be fulfilled and to the extent that neither treasury shares nor new shares from the authorized capital are used to fulfil such claims. The Board of Management was authorized to stipulate the additional details of the implementation of the conditional capital increase.

In November 2015, Brenntag issued a bond with warrant units in the amount of USD 500.0 million. The bond was offered only to institutional investors outside the USA. Shareholders' subscription rights were excluded. The bonds (Bond (with Warrants) 2022), which are guaranteed by Brenntag AG, were issued by Brenntag Finance B.V., with warrants issued by Brenntag AG attached. The warrants entitle the holder to purchase Brenntag AG ordinary shares by paying the strike price applicable at that time. At the reporting date, there were options on approximately 6.5 million shares, equal to 4.2% of the registered share capital. In the event of any future capital measures under the current authorizations described above, Brenntag AG may, therefore, only further exclude the subscription right by way of the simplified exclusion of subscription rights up to a maximum amount, as at the reporting date, of 5.8% of the registered share capital. The Terms and Conditions of the bond with warrant units allow Brenntag AG to settle exercised options both from the conditional capital described above and from the authorized capital described above or from the treasury shares it holds or to buy back the warrants. The bond with warrant units, the underlying bonds and the warrants have a term of seven years. The investor may detach the warrants from the bonds. The bond with warrant units, bonds detached from warrants and detached warrants were admitted to trading on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange. Holders have been able to exercise their warrants since January 12, 2016. No warrants have been exercised to date.

Significant Agreements Which Take Effect, Alter or Terminate Upon a Change of Control of the Company Following a Takeover Bid

As at the reporting date, the most important component in Brenntag's financing concept is the Group-wide loan agreement concluded with a consortium of international banks. The total loan volume is described in the chapter "Capital Structure". The main conditions are laid down in a new "Syndicated Facilities Agreement" entered into in January 2017. Under this agreement, individual lenders have the right to terminate the agreement if any person or group of persons acting in concert acquire directly or indirectly more than 50% of the shares issued or the voting rights in Brenntag AG. The right to terminate in the event of a change of control is preceded by a 30-day negotiating period on the continuation of the loan agreements. If the parties involved cannot reach agreement on the continuation of the loan agreements in this period, each lender can within ten days terminate his involvement as a lender in the agreement by giving notice of at least another 30 days and request payment of the outstanding loan amounts.

Section 5 of the conditions of issue relating to the Bond 2018 in the amount of EUR 400.0 million issued by Brenntag Finance B.V. on July 19, 2011 also contains provisions governing a change of control, under which bondholders may request that the bond be repaid early if the rating is downgraded within a certain period of a change of control (in each case as defined in the conditions of issue).

Section 5 of the bond terms and conditions and section 7 of the warrant terms and conditions relating to the bond with warrant units in the amount of USD 500.0 million issued by Brenntag Finance B.V. in November 2015 contain provisions governing a change of control, under which bondholders may request that the Bond (with Warrants) 2022 be repaid early following an agreed period if one or more persons within the meaning of Section 34, para. 2 (formerly Section 22, para. 2) of the German Securities Trading Act (WpHG) hold(s) 50% or more of the voting rights in Brenntag AG. The terms and conditions of the warrants issued with the bonds state that, in the event of a change of control, the holders of the warrants may receive the right to purchase shares at a lower strike price during a specified period following the change of control. The size of the adjustment to the strike price declines over the term of the warrants and is set out in more detail in the terms and conditions of the warrants. As under the bond terms and conditions, a change of control occurs if one or more persons within the meaning of Section 34, para. 2 (formerly Section 22, para. 2) of the German Securities Trading Act hold(s) 50% or more of the voting rights in Brenntag AG.

Section 5 of the conditions of issue relating to the Bond 2025 in the amount of EUR 600.0 million issued by Brenntag Finance B.V. on September 27, 2017 also contains provisions governing a change of control, under which bondholders may request that the bond be repaid early if the rating is downgraded within a certain period of a change of control (in each case as defined in the conditions of issue).

Compensation Agreements with Members of the Board of Management or Employees in the Event of a Takeover Bid

There are no compensation agreements with members of the Board of Management or employees in the event of a takeover bid.

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement required under Section 289f, 315d of the German Commercial Code (HGB) can be found in the chapter “To Our Shareholders” in connection with the Corporate Governance Report. It is also available in the Investor Relations section of the website at www.brenntag.com.

Further information in chapter “Corporate Governance”

NON-FINANCIAL STATEMENT

The non-financial statement required under Section 315b of the German Commercial Code (HGB) will be available at the following link by April 30, 2018 at the latest in the form of a separate consolidated non-financial report within the sustainability reporting.

www.brenntag.com/sustainabilityreport2017

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

in EUR m	Note	2017	2016
Sales	1.)	11,743.3	10,498.4
Cost of sales	2.)	−9,251.6	−8,129.1
Gross profit		**2,491.7**	**2,369.3**
Selling expenses	3.)	−1,679.2	−1,563.8
Administrative expenses	4.)	−187.7	−175.9
Other operating income	5.)	40.1	33.4
Other operating expenses	6.)	−45.8	−15.7
Operating profit		**619.1**	**647.3**
Share of profit or loss of equity-accounted investments		0.2	2.8
Interest income	7.)	3.0	2.9
Interest expense	8.)	−89.5	−84.4
Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	9.)	−1.5	−2.6
Other net finance costs	10.)	−6.7	−30.3
Net finance costs		**−94.5**	**−111.6**
Profit before tax		**524.6**	**535.7**
Income tax expense	11.)	−162.6	−174.7
Profit after tax		**362.0**	**361.0**
Attributable to:			
Shareholders of Brenntag AG		360.8	360.3
Non-controlling interests		1.2	0.7
Basic earnings per share in euro	**13.)**	**2.34**	**2.33**
Diluted earnings per share in euro	**13.)**	**2.34**	**2.33**

C.01 CONSOLIDATED INCOME STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR m	2017	2016
Profit after tax	**362.0**	**361.0**
Remeasurements of defined benefit pension plans	6.0	−9.7
Deferred tax relating to remeasurements of defined benefit pension plans	−1.5	3.9
Items that will not be reclassified to profit or loss	**4.5**	**−5.8**
Change in exchange rate differences on translation of consolidated companies	−168.4	60.1
Exchange rate differences reclassified to profit or loss	−2.6	–
Change in exchange rate differences on translation of equity-accounted investments	−0.5	2.7
Change in net investment hedge reserve	–	2.2
Reclassification of cash flow hedge reserve	−1.9	0.7
Deferred tax relating to change in cash flow hedge reserve	0.7	−0.3
Items that may be reclassified subsequently to profit or loss	**−172.7**	**65.4**
Other comprehensive income, net of tax	**−168.2**	**59.6**
Total comprehensive income	**193.8**	**420.6**
Attributable to:		
Shareholders of Brenntag AG	194.1	421.3
Non-controlling interests	−0.3	−0.7

C.02 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED BALANCE SHEET

ASSETS

in EUR m	Note	Dec. 31, 2017	Dec. 31, 2016
Current assets			
Cash and cash equivalents	14.)	518.0	601.9
Trade receivables	15.)	1,672.7	1,511.2
Other receivables	16.)	145.1	145.4
Other financial assets	17.)	20.9	18.6
Current tax assets		37.7	41.8
Inventories	18.)	1,043.6	962.8
		3,438.0	**3,281.7**
Assets held for sale	19.)	52.4	–
		3,490.4	**3,281.7**
Non-current assets			
Property, plant and equipment	20.)	946.4	1,009.1
Intangible assets	21.)	2,746.7	2,873.2
Equity-accounted investments	22.)	21.6	25.6
Other receivables	16.)	21.1	25.1
Other financial assets	17.)	7.6	14.4
Deferred tax assets	11.)	51.0	57.9
		3,794.4	**4,005.3**
Total assets		**7,284.8**	**7,287.0**

LIABILITIES AND EQUITY

in EUR m	Note	Dec. 31, 2017	Dec. 31, 2016
Current liabilities			
Trade payables	23.)	1,205.8	1,119.4
Financial liabilities	24.)	569.8	146.3
Other liabilities	25.)	398.3	376.2
Other provisions	26.)	117.4	36.2
Current tax liabilities		29.9	36.5
		2,321.2	**1,714.6**
Liabilities associated with assets held for sale	19.)	17.0	–
		2,338.2	**1,714.6**
Non-current liabilities			
Financial liabilities	24.)	1,520.1	2,137.5
Other liabilities	25.)	1.3	2.0
Other provisions	26.)	107.0	121.3
Provisions for pensions and other post-employment benefits	27.)	155.9	160.2
Liabilities relating to acquisition of non-controlling interests	28.)	13.5	5.5
Deferred tax liabilities	11.)	163.1	186.7
		1,960.9	**2,613.2**
Equity	29.)		
Subscribed capital		154.5	154.5
Additional paid-in capital		1,491.4	1,491.4
Retained earnings		1,363.4	1,168.5
Accumulated other comprehensive income		−36.1	135.1
Equity attributable to shareholders of Brenntag AG		**2,973.2**	**2,949.5**
Equity attributable to non-controlling interests		12.5	9.7
		2,985.7	2,959.2
Total liabilities and equity		**7,284.8**	**7,287.0**

C.03 CONSOLIDATED BALANCE SHEET

FINANCIAL STATEMENTS — C
FURTHER INFORMATION — D

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR m	Subscribed capital	Additional paid-in capital	Retained earnings
Dec. 31, 2015	**154.5**	**1,491.4**	**938.0**
Dividends	–	–	−154.5
Business combinations	–	–	–
Transactions with owners	–	–	30.5
Profit after tax	–	–	360.3
Other comprehensive income, net of tax	–	–	−5.8
Total comprehensive income for the period	**–**	**–**	**354.5**
Dec. 31, 2016	**154.5**	**1,491.4**	**1,168.5**
Dividends	–	–	−162.2
Business combinations	–	–	−8.2
Transactions with owners	–	–	–
Transfers	–	–	–
Profit after tax	–	–	360.8
Other comprehensive income, net of tax	–	–	4.5
Total comprehensive income for the period	**–**	–	**365.3**
Dec. 31, 2017	**154.5**	**1,491.4**	**1,363.4**

Exchange rate differences	Net investment hedge reserve	Cash flow hedge reserve	Deferred taxes relating to cash flow hedge reserve	Equity attributable to shareholders of Brenntag AG	Equity attributable to non-controlling interests	**Equity**
70.3	**−8.6**	**1.2**	**−0.4**	**2,646.4**	**44.1**	**2,690.5**
–	–	–	–	−154.5	–	−154.5
–	–	–	–	–	2.6	2.6
5.8	–	–	–	36.3	−36.3	–
–	–	–	–	360.3	0.7	361.0
64.2	2.2	0.7	−0.3	61.0	−1.4	59.6
64.2	**2.2**	**0.7**	**−0.3**	**421.3**	**−0.7**	**420.6**
140.3	**−6.4**	**1.9**	**−0.7**	**2,949.5**	**9.7**	**2,959.2**
–	–	–	–	−162.2	–	−162.2
–	–	–	–	−8.2	3.8	−4.4
–	–	–	–	–	−0.7	−0.7
−6.4	6.4	–	–	–	–	–
–	–	–	–	360.8	1.2	362.0
−170.0	–	−1.9	0.7	−166.7	−1.5	−168.2
−170.0	**–**	**−1.9**	**0.7**	**194.1**	**−0.3**	**193.8**
−36.1	**–**	**–**	**–**	**2,973.2**	**12.5**	**2,985.7**

C.04 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED CASH FLOW STATEMENT

in EUR m	Note	2017	2016
	30.)		
Profit after tax		**362.0**	**361.0**
Depreciation and amortization	20.)/21.)	163.1	162.7
Income tax expense	11.)	162.6	174.7
Income taxes paid		−184.5	−170.6
Net interest expense	7.)/8.)	86.5	81.5
Interest paid (netted against interest received)		−78.3	−67.0
Dividends received		3.7	2.5
Changes in provisions		78.4	−13.7
Changes in current assets and liabilities			
Inventories		−146.1	−20.0
Receivables		−240.7	−44.3
Liabilities		183.1	36.7
Non-cash change in liabilities relating to acquisition of non-controlling interests	9.)	1.5	2.6
Other non-cash items and reclassifications		13.2	33.8
Net cash provided by operating activities		**404.5**	**539.9**
Proceeds from the disposal of consolidated subsidiaries and other business units		–	3.7
Proceeds from the disposal of other financial assets		0.1	0.3
Proceeds from the disposal of intangible assets and property, plant and equipment		14.6	5.2
Payments to acquire consolidated subsidiaries and other business units		−108.0	−139.6
Payments to acquire other financial assets		−0.2	−0.2
Payments to acquire intangible assets and property, plant and equipment		−151.4	−138.8
Net cash used in investing activities		**−244.9**	**−269.4**
Dividends paid to Brenntag shareholders		−162.2	−154.5
Profits distributed to non-controlling interests		−1.7	−1.6
Repayments of liabilities relating to acquisition of non-controlling interests		–	−62.2
Proceeds from borrowings		737.7	33.3
Repayments of borrowings		−798.1	−64.1
Net cash used in financing activities		**−224.3**	**−249.1**
Change in cash and cash equivalents		**−64.7**	**21.4**
Effect of exchange rate changes on cash and cash equivalents		−18.6	1.4
Reclassification into assets held for sale		−0.6	–
Cash and cash equivalents at beginning of period	14.)	601.9	579.1
Cash and cash equivalents at end of period	**14.)**	**518.0**	**601.9**

C.05 CONSOLIDATED CASH FLOW STATEMENT

NOTES

Key Financial Figures by Segment

for the period from January 1 to December 31

in EUR m		EMEA[5]	North America	Latin America	Asia Pacific	All other segments	Consoli-dation	**Group**
External sales	**2017**	**5,016.8**	**4,368.0**	**819.2**	**1,170.6**	**368.7**	**–**	**11,743.3**
	2016	4,586.1	3,828.8	780.9	1,010.7	291.9	–	10,498.4
	Change in %	9.4	14.1	4.9	15.8	26.3	–	11.9
	fx adjusted change in %	10.1	16.2	4.5	18.0	26.3	–	13.1
Inter-segment sales	**2017**	**10.3**	**11.9**	**0.3**	**0.1**	**0.7**	**−23.3**	**–**
	2016	8.8	12.5	1.5	0.2	0.3	−23.3	–
Operating gross profit[2]	**2017**	**1,094.8**	**1,073.9**	**172.5**	**198.7**	**14.2**	**–**	**2,554.1**
	2016	1,064.6	997.5	170.9	182.3	13.4	–	2,428.7
	Change in %	2.8	7.7	0.9	9.0	6.0	–	5.2
	fx adjusted change in %	3.7	9.7	0.7	11.0	6.0	–	6.5
Gross profit	**2017**	**–**	**–**	**–**	**–**	**–**	**–**	**2,491.7**
	2016	–	–	–	–	–	–	2,369.3
	Change in %	–	–	–	–	–	–	5.2
	fx adjusted change in %	–	–	–	–	–	–	6.5
Operating EBITDA[3] (segment result)	**2017**	**365.6**	**385.0**	**42.4**	**73.7**	**−30.7**	**–**	**836.0**
	2016	362.3	357.3	45.9	66.7	−22.2	–	810.0
	Change in %	0.9	7.8	−7.6	10.5	38.3	–	3.2
	fx adjusted change in %	1.6	9.7	−8.2	12.7	38.3	–	4.5
Operating EBITDA[3]/ operating gross profit[2]	**2017 in %**	**33.4**	**35.9**	**24.6**	**37.1**	**−216.2**	**–**	**32.7**
	2016 in %	34.0	35.8	26.9	36.6	−165.7	–	33.4
Investments in non-current assets (capex)[4]	**2017**	**68.3**	**48.8**	**10.3**	**9.2**	**11.5**	**–**	**148.1**
	2016	75.0	45.5	12.3	8.1	0.2	–	141.1

C.06 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8[1]

[1] For further information on segment reporting in accordance with IFRS 8, see Note 31.).
[2] External sales less cost of materials.
[3] In addition to net expense from holding charges, operating EBITDA was also adjusted for special items so as to ensure comparability in presenting the performance of the business operations (see section B 1.3.2 Operating EBITDA in the Group Management Report). Special items comprise expenses in connection with the programme to increase efficiency in the EMEA segment and the provision for the fine imposed in French antitrust proceedings.
[4] Investments in non-current assets are the other additions to property, plant and equipment and intangible assets.
[5] Europe, Middle East & Africa.

Group Key Financial Figures

in EUR m	2017	2016
Operating EBITDA[1]	**836.0**	**810.0**
Investments in non-current assets (capex)[2]	−148.1	−141.1
Change in working capital[3][4]	−247.6	−27.5
Free cash flow	**440.3**	**641.4**

C.07 FREE CASH FLOW

[1] In addition to net expense from holding charges, operating EBITDA was also adjusted for special items so as to ensure comparability in presenting the performance of the business operations (see section B 1.3.2 Operating EBITDA in the Group Management Report). Special items comprise expenses in connection with the programme to increase efficiency in the EMEA segment and the provision for the fine imposed in French antitrust proceedings.
[2] Investments in non-current assets are the other additions to property, plant and equipment and intangible assets.
[3] Definition of working capital: trade receivables plus inventories less trade payables.
[4] Adjusted for exchange rate effects and acquisitions.

in EUR m	2017	2016
Operating EBITDA (segment result)[1][2]	**836.0**	**810.0**
Net expense from holding charges and special items	−53.8	–
EBITDA	**782.2**	**810.0**
Depreciation of property, plant and equipment	−117.3	−114.5
Impairment of property, plant and equipment	−1.6	−1.0
EBITA	**663.3**	**694.5**
Amortization of intangible assets[3]	−44.2	−47.2
Impairment of intangible assets	–	–
EBIT	**619.1**	**647.3**
Net finance costs	−94.5	−111.6
Profit before tax	**524.6**	**535.7**

C.08 RECONCILIATION OF OPERATING EBITDA TO PROFIT BEFORE TAX

[1] Operating EBITDA of the reportable segments (EMEA, North America, Latin America and Asia Pacific) amounts to EUR 866.7 million (2016: EUR 832.2 million) and operating EBITDA of all other segments to EUR −30.7 million (2016: EUR −22.2 million).
[2] In addition to net expense from holding charges, operating EBITDA was also adjusted for special items so as to ensure comparability in presenting the performance of the business operations (see section B 1.3.2 Operating EBITDA in the Group Management Report). Special items comprise expenses in connection with the programme to increase efficiency in the EMEA segment and the provision for the fine imposed in French antitrust proceedings.
[3] For the period from January 1 to December 31, 2017, this figure includes amortization of customer relationships in the amount of EUR 34.7 million (2016: EUR 35.9 million).

in EUR m	2017	2016
EBITA	663.3	694.5
Average carrying amount of equity	2,969.2	2,753.8
Average carrying amount of financial liabilities	2,255.0	2,238.3
Average carrying amount of cash and cash equivalents	−612.0	−566.3
ROCE[1]	**14.4%**	**15.7%**

C.09 DETERMINATION OF ROCE

[1] ROCE stands for return on capital employed and is defined as EBITA / (the average carrying amount of equity plus the average carrying amount of financial liabilities less the average carrying amount of cash and cash equivalents). The average carrying amounts in the denominator are defined for a particular year as the arithmetic average of the amounts at each of the following five dates: the beginning of the year, the end of each of the first, second and third quarters, and the end of the year.

in EUR m	2017	2016
Operating gross profit	**2,554.1**	**2,428.7**
Production / mixing & blending costs	−62.4	−59.4
Gross profit	**2,491.7**	**2,369.3**

C.10 RECONCILIATION OF OPERATING GROSS PROFIT TO GROSS PROFIT

General Information

As one of the world's leading chemical distributors with more than 530 locations, Brenntag[1] offers its customers and suppliers an extensive range of services, global supply chain management and a highly developed chemical distribution network in EMEA, North and Latin America as well as in the Asia Pacific region.

These consolidated financial statements of Brenntag AG were prepared by the Board of Management of Brenntag AG on March 8, 2018, authorized for publication and submitted to the Supervisory Board for approval at its meeting on March 12, 2018.

The consolidated financial statements of Brenntag AG are denominated in euros (EUR). Unless stated otherwise, the amounts are in millions of euros (EUR million). For arithmetic reasons, rounding differences of ± one unit after the decimal point (EUR, % etc.) may occur.

[1] Brenntag AG, Messeallee 11, 45131 Essen

Consolidation Policies and Methods

STANDARDS APPLIED

The consolidated financial statements have been prepared in accordance with IFRSs (International Financial Reporting Standards), as adopted in the EU.

The IFRSs comprise the standards (International Financial Reporting Standards and International Accounting Standards) issued by the International Accounting Standards Board (IASB) and the interpretations by the IFRS Interpretations Committee (IFRS IC) and the former Standing Interpretations Committee (SIC).

The accounting methods applied comply with all the standards and interpretations existing and adopted by the EU as at December 31, 2017 whose application is mandatory. In addition, the German commercial law provisions to be applied in accordance with Section 315e, para. 1 of the German Commercial Code (HGB) were taken into account.

The following revised and new standards issued by the International Accounting Standards Board (IASB) have been applied by the Brenntag Group for the first time:

- Amendments to IAS 12 (Income Taxes) regarding the recognition of deferred tax assets for unrealized losses
- Amendments to IAS 7 (Statement of Cash Flows) regarding disclosures about changes in liabilities arising from financing activities
- Annual Improvements (2014–2016 Cycle) amending IFRS 12 (Disclosure of Interests in Other Entities)

The amendments to IAS 12 (Income Taxes) regarding the recognition of deferred tax assets for unrealized losses clarify that decreases in an IFRS carrying amount resulting from fair value measurement where the tax base remains the same always give rise to a temporary difference and deferred tax assets are generally required to be recognized. The amendments to IAS 7 (Statement of Cash Flows) regarding disclosures about changes in liabilities arising from financing activities require extended disclosures about changes in those liabilities in the reporting period. The amendments to IFRS 12 (Disclosure of Interests in Other Entities) clarify which IFRS 12 disclosures apply to interests classified as held for sale. The two aforementioned revised standards and the annual improvements do not have a material effect on the presentation of the Group’s net assets, financial position and results of operations.

The following (in some cases revised) standards and interpretations had been published by the end of 2017, but their adoption is not yet mandatory. They will probably only be applied in Brenntag’s consolidated financial statements when their adoption is mandatory and if they are endorsed by the European Union.

Probable first-time adoption in 2018:

- IFRS 15 (Revenue from Contracts with Customers)
- Clarifications to IFRS 15 (Revenue from Contracts with Customers)
- IFRS 9 (Financial Instruments)
- Amendments to IFRS 2 (Share-based Payment) regarding the classification and measurement of share-based payment transactions
- Annual Improvements (2014–2016 Cycle) amending IAS 28 (Investments in Associates and Joint Ventures)
- Amendments to IAS 40 (Investment Property) regarding transfers of investment property – not relevant to Brenntag
- IFRIC 22 (Foreign Currency Transactions and Advance Consideration)
- Amendments to IFRS 4 (Insurance Contracts) – not relevant to Brenntag

The new IFRS 15 (Revenue from Contracts with Customers) provides new rules on accounting for revenue and replaces IAS 18 (Revenue) and IAS 11 (Construction Contracts). Revenue is measured at the amount of consideration the entity expects to receive in exchange for the goods or services provided. The transfer of risks and rewards is no longer the sole deciding factor for recognizing revenue. Revenue is required to be recognized when the customer obtains control of the agreed goods or services and can obtain benefits from them. The new IFRS 15 provides a five-step model for recognizing revenue:

1. Identify the contract(s) with a customer
2. Identify the separate performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the separate performance obligations
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The clarifications to IFRS 15 (Revenue from Contracts with Customers) contain clarifying guidance in particular on the identification of performance obligations and assessment of whether they are separately identifiable, the classification of the entity as a principal or an agent and revenue from licences. They also provide practical expedients for entities on initial application.

IFRS 9 (Financial Instruments) sets out new rules on the accounting for and measurement of financial assets in particular. This includes the requirement to recognize both incurred losses (incurred loss model) and expected losses (expected loss model) in future when accounting for impairments of financial assets accounted for at amortized cost. IFRS 9 also introduces a new model for classifying financial assets. The rules governing hedge accounting have been completely revised. The aim of the new rules is to ensure that hedge accounting more closely reflects the entity's economic risk management.

In examining the effects of IFRS 15 (Revenue from Contracts with Customers), the subsidiaries' different revenue streams were identified and analyzed using a questionnaire spanning the five-step model. Due to our business model (chemical distribution), most of our performance obligations are satisfied at a point in time. However, questions arose in particular with regard to the timing of recognition of revenue from services provided prior to and after the sale of chemicals. Applying the standard will not have a material effect on the presentation of the Group's net assets, financial position and results of operations. As a result, Brenntag will apply the modified retrospective method, under which prior-year figures are not adjusted. Management currently estimates that effects in the amount of approximately EUR 6 million will be recognized directly in equity at January 1, 2018, increasing equity by that amount. From a present perspective, 2018, sales in accordance with IFRS 15 will differ by less than 0.1% from sales reported in accordance with the previous rules.

In examining the effects of IFRS 9 (Financial Instruments), the new rules on the recognition of impairment losses on trade receivables were given particular attention. The effects of the new model for classifying financial assets were also investigated. From a present perspective, applying the standard will not have a material effect on the presentation of the Group's net assets, financial position and results of operations.

The amendments to IFRS 2 (Share-based Payment) regarding the classification and measurement of share-based payment transactions contain clarifying guidance on the measurement of cash-settled share-based payments, the classification of share-based payments where amounts are withheld for tax obligations and the recognition of a modification that changes a share-based payment's classification from cash-settled to equity-settled. IFRIC 22 (Foreign Currency Transactions and Advance Consideration) clarifies which exchange rate to use for foreign currency transactions when payment is made or received in advance. From a present perspective, the amendments to IFRS 2, IFRIC 22 and the annual improvements will not have a material effect on the presentation of the Group's net assets, financial position and results of operations.

The amendments to IFRS 10 (Consolidated Financial Statements) and IAS 28 (Investments in Associates and Joint Ventures) regarding an inconsistency between the standards have been postponed for an indefinite period.

Probable first-time adoption in 2019:

- IFRS 16 (Leases)
- Amendments to IFRS 9 (Financial Instruments) regarding the measurement of financial instruments that may contain prepayment features with negative compensation
- Amendments to IAS 28 regarding long-term interests in associates and joint ventures
- IFRIC 23 (Uncertainty over Income Tax Treatments)
- Amendments to IAS 19 (Employee Benefits) regarding plan amendment, curtailment or settlement
- Annual Improvements (2015–2017 Cycle)

Under the new rules, lessees will be required to recognize generally all leases in the balance sheet in the form of a right-of-use asset and a corresponding lease liability. In the income statement, leases will in all cases be presented as a financing transaction, i.e. the right-of-use asset will usually have to be depreciated on a straight-line basis and the lease liability adjusted using the effective interest method.

Only leases with a total term of up to twelve months and leases of low-value assets may be excluded from recognition in the balance sheet. Lessees may elect to account for these in a similar way to the former operating leases.

In financial year 2017, rental and lease expenses for operating leases amounted to a total of EUR 139.7 million. Application of the new IFRS 16 will result in an improvement in operating EBITDA and also in an increase in depreciation and interest expense. The right-of-use assets and lease liabilities required to be recognized in the balance sheet result in an increase in total assets and liabilities. Brenntag has introduced a Group-wide software solution in which existing leases are currently being entered and will next be measured uniformly. Therefore, the effects of the new rules on the presentation of the Group's net assets, financial position and results of operations cannot yet be quantified exactly.

The amendments to IFRS 9 (Financial Instruments) regarding the measurement of financial instruments that may contain prepayment features with negative compensation (reasonable negative compensation) specify that such instruments may also be measured at amortized cost or at fair value through other comprehensive income.

The amendments to IAS 28 regarding long-term interests in associates and joint ventures clarify that the impairment requirements in IFRS 9 should be applied to long-term interests in equity-accounted entities which are not themselves accounted for using the equity method (such as long-term loans).

Under IFRIC 23 (Uncertainty over Income Tax Treatments), an entity is required to reflect tax risks (e.g. the uncertainty arising when an item or circumstance is in dispute under tax law) if it is probable that the taxation authority will not accept the treatment applied by the entity to a particular tax-related item or circumstance in its tax calculation. In doing so, the entity always assumes that the taxation authority has full knowledge of all related information, i.e. a potential risk of discovery has no bearing on recognition or measurement. Measurement is based on the most likely amount or the expected value, depending on which method best depicts the existing risk.

The amendments to IAS 19 (Employee Benefits) regarding plan amendment, curtailment or settlement specify that, in the event of a plan amendment, curtailment or settlement, the net defined benefit liability should be remeasured using current actuarial assumptions. In accordance with the amendments, current service cost and net interest cost for the period after the amendment, curtailment or settlement are also determined on the basis of the updated actuarial assumptions. In addition, the remeasured net liability (taking into account the amended benefits as a result of the amendment, curtailment or settlement) is used to determine net interest cost after the amendment, curtailment or settlement.

The annual improvements to IFRSs contain a number of minor amendments to various standards that are intended to clarify the content of the standards and eliminate any existing inconsistencies.

Brenntag is currently examining the effects of the amended standards, IFRIC 23 and the annual improvements on the presentation of the Group's net assets, financial position and results of operations.

SCOPE OF CONSOLIDATION

As at December 31, 2017, the consolidated financial statements include Brenntag AG and in addition 28 (Dec. 31, 2016: 31) domestic and 184 (Dec. 31, 2016: 191) foreign consolidated subsidiaries including structured entities.

The table below shows the changes in the number of consolidated companies including structured entities:

	Dec. 31, 2016	Additions	Disposals	**Dec. 31, 2017**
Domestic consolidated companies	32	–	3	29
Foreign consolidated companies	191	12	19	184
Total consolidated companies	**223**	**12**	**22**	**213**

C.11 CHANGES IN SCOPE OF CONSOLIDATION

The additions relate to entities acquired in business combinations under IFRS 3 and entities established. The disposals are the result of mergers, the liquidation of companies no longer operating and the sale of our Venezuelan subsidiaries. The sale does not have any material effect on the Group's net assets, financial position and results of operations.

Five (Dec. 31, 2016: five) associates are accounted for using the equity method.

A full list of shareholdings for the Brenntag Group in accordance with Section 313, para. 2 of the German Commercial Code (HGB) can be found in the Annex to the Notes.

In the case of three (Dec. 31, 2016: five) subsidiaries where Brenntag does not hold the majority of the voting rights, it nevertheless exercises its power to direct the relevant activities. The structured entities individually listed in the List of Shareholdings in accordance with Section 313, para. 2 of the German Commercial Code (HGB) are a leasing company, a logistics company and a sales company.

BUSINESS COMBINATIONS IN ACCORDANCE WITH IFRS 3

In February 2017, we expanded our portfolio of mixing and blending services in North America by acquiring 100% of the shares in Petra Industries, Inc. based in Fairmont City, Illinois, USA.

Also in February 2017, Brenntag extended the existing product and service portfolio for the oil and gas industry in the USA by acquiring the pipeline and chemical services division of Greene's Energy Group, LLC based in Houston, Texas.

At the beginning of August, Brenntag acquired 51% of the shares in specialty chemical distributor Wellstar Enterprises (Hong Kong) Company Limited, Hong Kong and its three Chinese subsidiaries (jointly "Wellstar Group"). It will purchase the remaining 49% of the shares in 2021. Wellstar Group specializes in the distribution of specialty pigments, resins and additives and enables Brenntag to expand its market position in China's specialty chemicals segment.

In December, Brenntag expanded its business in the UK food ingredients distribution market by acquiring suppliers Kluman and Balter Limited based in Waltham Abbey (K&B) and A1 Cake Mixes Limited based in Glasgow (A1). The companies specialize in the distribution of products for the food industry. By acquiring the two suppliers, Brenntag is strengthening its presence in the extremely attractive UK food and nutrition market significantly and investing in one of Brenntag EMEA's focus industries.

Purchase prices, net assets and goodwill relating to these acquisitions break down as follows:

in EUR m	K&B, A1	Other entities	**Provisional fair value**
Purchase price	**81.4**	**38.5**	**119.9**
of which consideration contingent on earnings targets	15.7	–	15.7
Assets			
Cash and cash equivalents	1.6	3.2	4.8
Trade receivables, other financial assets and other receivables	15.2	5.2	20.4
Other current assets	1.8	7.3	9.1
Non-current assets	31.8	22.8	54.6
Liabilities			
Current liabilities	16.5	3.1	19.6
Non-current liabilities	5.6	9.8	15.4
Net assets	**28.3**	**25.6**	**53.9**
of which Brenntag's share	28.3	21.8	50.1
of which non-controlling interests	–	3.8	3.8
Goodwill	**53.1**	**16.7**	**69.8**
of which deductible for tax purposes	–	–	–

C.12 NET ASSETS ACQUIRED

Assets acquired and liabilities assumed in business combinations are normally recognized at their fair value at the date of acquisition. The multi-period excess earnings method was used to measure customer relationships. In particular, the estimate of the useful lives of customer relationships can affect their fair value.

Measurement of the assets acquired and liabilities assumed (among others customer relationships and deferred taxes) has not yet been completed for reasons of time. There are no material differences between the gross amount and carrying amount of the receivables. The main factors determining the goodwill are the above-mentioned reasons for the acquisitions where not included in other assets (e.g. customer relationships and similar rights). No share of the goodwill was recognized for non-controlling interests (partial goodwill method).

Acquisition-related costs in the amount of EUR 2.9 million were recognized under other operating expenses.

Since their acquisition by Brenntag, the business units acquired in 2017 have generated the following sales and the following profit after tax:

in EUR m	K&B, A1	Other entities	**Total**
Sales	2.2	37.7	39.9
Profit after tax	−0.1	1.6	1.5

C.13 SALES AND PROFIT AFTER TAX OF THE BUSINESSES ACQUIRED SINCE ACQUISITION

If the above-mentioned business combinations had taken place with effect from January 1, 2017, sales of about EUR 11,860 million would have been reported for the Brenntag Group in the reporting period. Profit after tax would have been about EUR 364 million.

The carrying amounts and annual amortization of the intangible assets held by the business units acquired in 2017 and contained in non-current assets, in each case at the exchange rate at the acquisition date, break down as follows:

in EUR m	K&B, A1	Other entities	**Provisional fair value**
Customer relationships and similar rights			
Carrying amount	31.3	9.7	41.0
Annual amortization	5.2	2.3	7.5

C.14 INTANGIBLE ASSETS ACQUIRED

The measurement of the assets and liabilities of the entities acquired in 2016 has been completed. The purchase prices, net assets acquired and goodwill were adjusted as follows in the measurement period:

in EUR m	Provisional fair value	Adjustments	**Final fair value**
Purchase price	**153.3**	**3.9**	**157.2**
of which consideration contingent on earnings targets	8.7	0.4	9.1
Assets			
Cash and cash equivalents	5.3	–	5.3
Trade receivables, other financial assets and other receivables	38.0	−1.3	36.7
Other current assets	39.7	−1.3	38.4
Non-current assets	44.2	−9.7	34.5
Liabilities			
Current liabilities	23.3	−0.9	22.4
Non-current liabilities	7.1	−1.4	5.7
Net assets	**96.8**	**−10.0**	**86.8**
of which Brenntag's share	96.8	−10.0	86.8
Goodwill	**56.5**	**13.9**	**70.4**
of which deductible for tax purposes	14.7	0.4	15.1

C.15 NET ASSETS ACQUIRED IN 2016

Goodwill from the business combinations carried out in 2016 and 2017 therefore changed as follows overall:

in EUR m	K&B, A1	Other entities	**Goodwill**
Dec. 31, 2016	**–**	**56.9**	**56.9**
Exchange rate differences	−0.3	−4.8	−5.1
Business combinations in 2017	53.1	16.7	69.8
Adjustments in the measurement period	–	13.9	13.9
Dec. 31, 2017	**52.8**	**82.7**	**135.5**

C.16 CHANGE IN GOODWILL

The net cash outflow in 2017 resulting from business combinations has been determined as follows:

in EUR m	
Purchase price	**123.8**
Less purchase price components not yet paid	17.2
Less cash and cash equivalents acquired	4.8
Plus subsequent purchase price payments for business combinations from prior years	6.2
Payments to acquire consolidated subsidiaries and other business units	**108.0**

C.17 RECONCILIATION OF ACQUISITION COSTS TO PAYMENTS TO ACQUIRE CONSOLIDATED SUBSIDIARIES AND OTHER BUSINESS UNITS

CONSOLIDATION METHODS

The consolidated financial statements include the financial statements – prepared according to uniform accounting policies – of Brenntag AG and all entities controlled by Brenntag. This is the case when the following conditions are met:

- Brenntag has decision-making power over the relevant activities of the other entity.
- Brenntag has exposure, or rights, to variable returns from its involvement with the other entity.
- Brenntag has the ability to use its decision-making power over the relevant activities of the other entity to affect the amount of the variable returns of the other entity.

Control may be based on voting rights or arise from other contractual arrangements. Accordingly, the scope of consolidation includes, in addition to entities in which Brenntag AG directly or indirectly controls the majority of voting rights, structured entities which are controlled as a result of contractual arrangements.

Inclusion in the consolidated financial statements commences at the date on which control is obtained and ends when control is lost.

Acquisitions are accounted for using the acquisition method in accordance with IFRS 3. The cost of an acquired business unit is considered to be the fair value of the assets given. The acquisition-related costs are recognized as an expense. Contingent consideration is recognized as a liability at the acquisition-date fair value when determining the cost. If Brenntag gains control but does not acquire 100% of the shares, the corresponding non-controlling interest is recognized.

Identifiable assets, liabilities and contingent liabilities of an acquiree that are eligible for recognition are generally measured at their fair value at the transaction date, irrespective of the share of any non-controlling interests. Any remaining differences between cost and the share of the net assets acquired are recognized as goodwill.

In the event of an acquisition in stages which leads to control of a company being obtained, or in the event of a share sale involving a loss of control, the shares already held in the first case or the remaining shares in the second case are measured at fair value through profit or loss. Acquisitions or disposals of shares which have no effect on existing control are recognized in equity.

Receivables, liabilities, expenses, income and intercompany profits or losses within the Brenntag Group are eliminated.

Associates and joint ventures of the Brenntag Group where Brenntag has significant influence or joint control are accounted for using the equity method. Significant influence is generally considered to exist when Brenntag AG holds between 20% and 50% of the voting rights either directly or indirectly.

The same consolidation policies apply to companies accounted for using the equity method as to consolidated companies, whereby recognized goodwill is contained in the carrying amount of investments accounted for using the equity method. Brenntag's share of the profit/loss after tax of the companies accounted for using the equity method is recognized in the income statement.

The accounting policies of the companies accounted for using the equity method were, as far as necessary, adjusted in line with the accounting policies of Brenntag.

CURRENCY TRANSLATION

Foreign currency receivables and liabilities in the single-entity financial statements are stated on initial recognition at the spot exchange rate at the date of the transaction. At the reporting or settlement date, foreign currency receivables and liabilities are translated at the closing rate. The resulting differences are recognized in profit or loss.

The items contained in the financial statements of a Group company are measured on the basis of the currency of the relevant primary economic environment in which the company operates (functional currency). The presentation currency of the Brenntag Group is the euro.

The single-entity financial statements of the companies whose functional currency is not the euro are translated into euros as follows:

Assets and liabilities are translated at the closing rate, income and expense at the annual average rate. Any differences resulting from currency translation are recognized in other comprehensive income. Goodwill and fair value adjustments resulting from the acquisition of foreign companies are assigned to the foreign company and also translated at the closing rate.

For some companies in Latin America and in the Asia Pacific region, the functional currency is the US dollar and not the local currency. Non-monetary items, primarily property, plant and equipment, goodwill and other intangible assets as well as environmental provisions, are translated from the local currency into US dollars using the exchange rate at the transaction date. Monetary items are translated at the closing rate. All income and expenses are translated at the average exchange rate for the reporting period with the exception of depreciation and amortization, impairment losses and reversals of impairment losses as well as income and expenses incurred in connection with environmental provisions. These are translated at the same exchange rates as the underlying assets and liabilities. The resulting foreign currency differences are recognized in profit or loss. After translation of the items in the single-entity financial statements into the functional currency, the US dollar, the same method is used for translation from US dollars into the Group currency, the euro, as for companies whose functional currency is the local currency.

The single-entity financial statements of foreign companies accounted for using the equity method are translated using the same principles.

The euro exchange rates of major currencies changed as follows:

	Closing rate		Average rate	
EUR 1 = currencies	Dec. 31, 2017	Dec. 31, 2016	2017	2016
Canadian dollar (CAD)	1.5039	1.4188	1.4647	1.4659
Swiss franc (CHF)	1.1702	1.0739	1.1117	1.0902
Chinese yuan renminbi (CNY)	7.8044	7.3202	7.6290	7.3522
Danish krone (DKK)	7.4449	7.4344	7.4386	7.4452
Pound sterling (GBP)	0.8872	0.8562	0.8767	0.8195
Polish zloty (PLN)	4.1770	4.4103	4.2570	4.3632
Swedish krona (SEK)	9.8438	9.5525	9.6351	9.4689
US dollar (USD)	1.1993	1.0541	1.1297	1.1069

C.18 EXCHANGE RATES OF MAJOR CURRENCIES

Accounting and Measurement Policies

REVENUE RECOGNITION

Revenue from the sale of goods is only recognized – net of value-added tax, cash discounts, discounts and rebates – if the following conditions are met:

- The significant risks and rewards of ownership of the goods have been transferred to the buyer.
- Brenntag retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to Brenntag.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

This is generally the case when the goods have been collected by the customer or have been dispatched by Brenntag or by a third party.

Revenue arising from service business is recognized by reference to the stage of completion of the transaction at the reporting date, provided that the following criteria are met:

- The amount of revenue can be measured reliably.
- It is sufficiently probable that the economic benefits associated with the transaction will flow to Brenntag.
- The stage of completion of the transaction at the reporting date can be measured reliably.
- The costs incurred for the transaction and the cost to complete the transaction can be measured reliably.

If the above-mentioned criteria are not met, revenue from service business is only recognized to the extent of the expenses recognized that are recoverable.

Interest income is recognized as the interest accrues using the effective interest method.

Dividend income is recognized when the right to receive payment is established.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cheques and deposits held with banks with an original term of three months or less.

TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER FINANCIAL ASSETS

Financial assets are divided into the following categories in line with the categories stipulated in IAS 39:

- Loans and receivables
- Available-for-sale financial assets
- Financial assets at fair value through profit and loss

The financial assets are subsequently measured at amortized cost or at fair value[2)] depending on which of the above categories they are allocated to. In determining the fair value, IFRS 13 provides for a three-level hierarchy which reflects the extent to which the inputs used to determine fair value are market-based:

- Level 1: Fair value determined using quoted or market prices in an active market
- Level 2: Fair value determined using quoted or market prices in an active market for similar financial assets or liabilities, or other measurement methods for which significant inputs used are based on observable market data
- Level 3: Fair value determined using measurement methods for which significant inputs used are not based on observable market data

Cash and cash equivalents, trade receivables, other receivables and receivables included in other financial assets are classified into the loans and receivables category. They are measured at fair value plus transaction costs on initial recognition and carried at amortized cost in subsequent periods.

If there are objective indications that financial assets classified as loans and receivables are not fully collectible, a specific valuation allowance reflecting the credit risk is recognized in profit or loss. Furthermore, country-specific collective valuation allowances are recognized for receivables in the same credit risk classes. Credit risk is based primarily on the extent to which the receivables are past due. The valuation allowances are always posted to an allowance account in the balance sheet. If a receivable is uncollectible, the gross amount and the valuation allowance are both derecognized.

Securities and shares in companies where Brenntag does not have at least significant influence presented as other financial assets are classified as available-for-sale financial assets. They are measured on initial recognition at fair value plus transaction costs and subsequently at fair value. Changes in fair value are recognized directly in equity in the revaluation reserve.

Derivative financial instruments presented as other financial assets which are not included in cash flow hedge accounting are classified as financial assets at fair value through profit or loss. They are measured at fair value on initial recognition and in subsequent periods. Changes in fair value are recognized directly in profit or loss.

No use is made of the option to designate non-derivative financial assets and liabilities as at fair value through profit or loss on their initial recognition.

[2)] Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date.

Non-derivative financial assets are initially recognized at the respective settlement date. Derivative financial instruments are recognized in the balance sheet when Brenntag becomes a party to the contractual provisions of that instrument.

Financial assets are derecognized if the contractual rights to the cash flows from the financial asset have expired or have been transferred and Brenntag has transferred substantially all the risks and rewards of ownership.

INVENTORIES

Inventories mainly comprise merchandise. They are initially recognized at cost. Production costs for the inventories produced through further processing are also capitalized.

Inventories are subsequently measured in accordance with IAS 2 at the lower of cost (on the basis of the average cost formula) and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value also reflects effects of obsolescence or reduced marketability. Earlier valuation allowances on inventories are reversed if the net realizable value of the inventories increases again.

ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

In accordance with IFRS 5, assets held for sale and associated liabilities are presented separately as such if the related carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their adjusted carrying amount and fair value less costs to sell. Assets held for sale cease to be depreciated.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at cost of acquisition or construction and, except for land, depreciated over its estimated useful life on a straight-line basis. If major components of an item of property, plant and equipment have different useful lives, these components are accounted for separately and depreciated over their respective useful lives.

Acquisition costs include all expenditure directly attributable to the acquisition.

In accordance with IAS 16, future costs for any restoration obligation are recognized as an increase in the cost of acquisition or construction of the respective asset and a corresponding provision is established at the time of acquisition or construction of the item of property, plant and equipment.

Leased assets classified as finance leases in accordance with IAS 17 are measured at the lower of their fair value and the present value of the minimum lease payments at the inception of the lease. They are depreciated over their estimated useful lives or – provided the transfer of ownership is not probable – the contract term, whichever is shorter. The present values of future lease payments for assets recognized as finance leases are recognized as financial liabilities.

In accordance with IAS 20, government grants and assistance for investments are deducted from the related asset.

Depreciation charges on property, plant and equipment are allocated to the relevant function in the income statement.

When items of property, plant and equipment are sold, the difference between the net proceeds and the carrying amount of the respective asset is recognized as a gain or loss in other operating income or expenses.

Assets are depreciated over the following useful lives:

	Useful life
Land use rights	40 to 50 years
Buildings	15 to 50 years
Installations and building improvements	8 to 20 years
Technical equipment and machinery	3 to 20 years
Vehicles	5 to 8 years
Other equipment, operating and office equipment	2 to 10 years

C.19 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS

Intangible assets include customer relationships and similar rights purchased, the “Brenntag” trademark, other trademarks, software, concessions and similar rights as well as goodwill from the acquisition of consolidated subsidiaries and other business units.

Intangible assets acquired through business combinations are measured on initial recognition at their acquisition-date fair value.

Separately acquired intangible assets are carried at cost.

Acquired software licences are recognized at cost plus directly attributable costs incurred to acquire and bring to use the specific software.

In addition to goodwill, the “Brenntag” trademark has an indefinite useful life as no assumption can be made about its durability or the sustainability of its economic use. The other intangible assets are amortized on a straight-line basis over their estimated useful lives. The following useful lives are assumed:

	Useful life
Concessions, industrial and similar rights as well as software and trademarks with definite useful lives	3 to 10 years
Customer relationships and similar rights	3 to 15 years

C.20 USEFUL LIVES OF INTANGIBLE ASSETS

Amortization charges on intangible assets are allocated to the relevant function in the income statement.

IMPAIRMENT TESTING OF NON-CURRENT NON-FINANCIAL ASSETS

In accordance with IAS 36, non-current non-financial assets are tested for impairment whenever there is an objective indication that the carrying amount may not be recoverable.

Assets that have an indefinite useful life and are, therefore, not subject to amortization are also tested for impairment at least annually.

Impairment exists when the carrying amount of an asset exceeds the estimated recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. If the carrying amount is higher than the recoverable amount, the asset is written down to the recoverable amount.

If the recoverable amount of an individual asset cannot be determined, the recoverable amount of the cash-generating unit (CGU) to which this asset belongs is determined and compared with the carrying amount of the CGU.

Impairments, except for impairments of goodwill, are reversed as soon as the reasons for the impairment no longer exist.

Goodwill is tested for impairment regularly, at least annually, after completion of the annual budget process by comparing the carrying amount of the relevant cash-generating unit with its recoverable amount.

For the goodwill impairment test, the operating segments of the segment reporting were identified as relevant CGUs.

If the carrying amount of a segment exceeds the recoverable amount, an impairment exists in the amount of the difference. In this case, the goodwill of the relevant segment would first be written down. Any remaining impairment would be allocated to the segment assets in proportion to the net carrying amounts of the assets at the reporting date. The carrying amount of an individual asset must not be less than the highest of fair value less costs of disposal, value in use (in each case in as far as they can be determined) and zero.

OTHER PROVISIONS

In accordance with IAS 37, other provisions are recognized when the Group has a present legal or constructive obligation towards third parties as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Non-current provisions are recognized at the present value of the expected outflow and their discounting is unwound over the period until their expected utilization.

If the projected obligation declines as a result of a change in an estimate, the provision is reversed by the corresponding amount and the resulting income is usually recognized in the function in which the original charge was recognized.

Provisions are recognized for cash-settled share-based payments in accordance with IFRS 2. The new Long-Term Incentive Programme introduced in 2015 and the expiring long-term, virtual share-based remuneration programme for the members of the Board of Management and the Long-Term Incentive Plan for Executives and Senior Managers are classified as cash-settled share-based payments. Provisions are established for the resulting obligations. The obligations are measured at fair value. They are recognized as personnel expenses over the vesting period during which the beneficiaries acquire a vested right (unconditional right). The fair value is remeasured at each reporting date and at the settlement date.

PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The Group's pension obligations comprise both defined contribution and defined benefit pension plans.

The contributions to be paid into defined contribution pension plans are recognized directly as expense. Provisions for pension obligations are not established as, in these cases, Brenntag has no additional obligation apart from the obligation to pay the premiums.

In accordance with IAS 19, provisions are established for defined benefit plans, unless the plans are multi-employer pension funds for which insufficient information is available. The obligations arising from these defined benefit plans are determined using the projected unit credit method, under which the expected benefits to be paid after retirement are determined taking dynamic measurement inputs into account and spread over the entire length of service of the employees participating in the plan. For this purpose, an actuarial valuation is obtained every year. The actuarial assumptions for the discount rate, salary increase rate, pension trend, life expectancy and cost increases for medical care used to calculate the defined benefit obligation are established on the basis of the respective economic circumstances. The plan assets measured at fair value are deducted from the present value of the defined benefit obligation (gross pension obligation). Plan assets are assets where the claim to said assets has, in principle, been assigned to the beneficiaries. This results in the net liability required to be recognized or the net asset required to be recognized.

The discount rate is determined by reference to market yields at the end of the reporting period on fixed-rate senior corporate bonds. The currency and term of the corporate bonds taken as a basis are consistent with the currency and estimated term of the post-employment benefit obligations.

Life expectancy is determined using the latest mortality tables.

Pension costs are made up of three components:

Component	Constituents	Recognized in
Service cost	- Current service cost - Past service cost incl. gains and losses from plan curtailments - Gains and losses from plan settlements	Personnel expenses
Net interest expense	- Unwinding of discounting of defined pension obligation (DBO) - Interest income from plan assets	Interest expense
Remeasurements	- Actuarial gains and losses on DBO (from experience adjustments and from changes in measurement inputs) - Changes in value of plan assets not already contained in net interest expense	Other comprehensive income, net of tax

C.21 PENSION COST COMPONENTS

As a result of the inclusion of the remeasurement components in other comprehensive income, net of tax, the balance sheet shows the full extent of the net obligation avoiding volatility in profit or loss that may result in particular from changes in the measurement inputs.

Multi-employer defined benefit plans are treated as defined contribution plans when insufficient information is available.

TRADE PAYABLES, FINANCIAL LIABILITIES AND OTHER LIABILITIES

Based on the categories under IAS 39, non-derivative liabilities reported as trade payables, financial liabilities and other liabilities are classified as financial liabilities measured at amortized cost. They are initially recognized at their fair value net of transaction costs incurred. They are subsequently carried at amortized cost using the effective interest method.

Derivative financial instruments with negative fair values reported within financial liabilities are accounted for and measured in the same way as derivative financial instruments with positive fair values reported within other financial assets.

Finance lease liabilities are stated at their amortized cost.

LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS

Liabilities relating to the acquisition of non-controlling interests include unconditional and contingent purchase price obligations relating to the acquisition of non-controlling interests as well as liabilities arising from limited partners' rights to repayment of contributions.

On initial recognition, they are recognized as a liability at their fair value (present value of the purchase price obligation) by reducing retained earnings. Unwinding of discounting of, exchange rate effects on and changes in estimates of unconditional purchase price obligations and liabilities arising from limited partners' rights to repayment of contributions are recognized in profit or loss.

DEFERRED TAXES AND CURRENT INCOME TAXES

Current income taxes for current and prior periods are recognized at the amount expected to be paid to or recovered from the taxation authorities.

Deferred taxes are determined in accordance with IAS 12 (Income Taxes). They arise from temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and their tax base, from consolidation adjustments and from tax loss carryforwards that are expected to be utilized.

Deferred tax assets are recognized to the extent that it is likely that future taxable profit will be available against which the temporary differences and unutilized loss carryforwards can be utilized.

No deferred taxes are recognized for the difference between the net assets and the tax base of subsidiaries (outside basis differences) provided Brenntag is able to control the timing of the reversal of the temporary difference and it is unlikely that the temporary difference will reverse in the foreseeable future.

Deferred taxes for domestic companies are calculated on the basis of the combined income tax rate of the German consolidated tax group of Brenntag AG of 32% (2016: 32%) for corporate income tax, solidarity surcharge and trade income tax, and for foreign companies, at local tax rates. These are tax rates which can be expected to apply on the basis of laws in the different countries that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are netted against each other if they relate to the same taxation authority, the company has a legally enforceable right to set them off against each other and they mature in the same period.

BOND WITH WARRANT UNITS

The bond with warrant units consists of the bond (Bond (with Warrants) 2022) and the warrant components. Upon issue, these components were recognized separately at fair value, including transaction costs.

The Bond (with Warrants) 2022 is classified as financial liabilities measured at amortized cost and in subsequent periods will be measured at amortized cost using the effective interest method.

The warrants constitute equity as they entitle the holder to acquire a fixed number of Brenntag shares at a specified strike price. Upon issue, they were therefore taken directly to additional paid-in capital and recognized at fair value (warrant premium), including transaction costs. There will be no subsequent measurement.

ASSUMPTIONS AND ESTIMATES

Preparation of the consolidated financial statements requires the use of assumptions and estimates which may affect the amount and presentation of assets and liabilities and income and expenses. These assumptions and estimates mainly relate to the calculation and discounting of cash flows when impairment tests are performed, the probability of occurrence as well as interest rates and other measurement inputs used to measure provisions, particularly for environmental risks and defined benefit pension obligations, and the amount of liabilities relating to the acquisition of non-controlling interests. Furthermore, assumptions are made as to the realization of future tax benefits from loss carryforwards and to the useful lives of intangible assets and property, plant and equipment.

As in the previous year, no impairment would have arisen if the WACC (weighted average cost of capital after taxes) taken as a basis for goodwill impairment testing had been one percentage point higher. As in 2016, a 10% lower free cash flow, with all other conditions remaining the same, and a 20% lower growth rate over the entire planning period, with all other conditions remaining the same, would likewise not have led to any impairment.

If the discount rates used to determine the environmental provisions had been one percentage point higher or lower and all other conditions had remained the same, the provision would have decreased by EUR 5.5 million (Dec. 31, 2016: EUR 5.6 million) or increased by EUR 6.2 million (Dec. 31, 2016: EUR 6.3 million), respectively.

Sensitivity analyses of defined benefit pension obligations are described in the section “Provisions for Pensions and Other Post-employment Benefits”.

The actual amounts may differ from the assumptions and estimates in individual cases. Adjustments are recognized when estimates are revised.

CASH FLOW STATEMENT

The cash flow statement classifies cash flows by operating, investing and financing activities. The cash provided by operating activities is determined using the indirect method on the basis of the profit/loss after tax. Interest payments made and received, tax payments and dividends received are presented as components of cash provided by operating activities. The effects of acquisitions of consolidated subsidiaries and other business units as defined by IFRS 3 (Business Combinations) are eliminated from the individual items of the cash flow statement and combined under cash flow from investing activities. Repayments of finance lease liabilities are presented as cash used in financing activities. Cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents in the balance sheet. The effect of exchange rate changes on cash and cash equivalents is shown separately.

SEGMENT REPORTING

Segment reporting under IFRS 8 (Operating Segments) is based on the management approach. Reporting is based on the internal control and reporting information used by the top management to assess segment performance and allocate resources.

Consolidated Income Statement Disclosures

1.) SALES

The sales of EUR 11,743.3 million (2016: EUR 10,498.4 million) mainly relate to the sale of goods. Sales of EUR 1.2 million (2016: EUR 1.3 million) were generated with related parties.

2.) COST OF SALES

Cost of sales includes cost of materials and other operating expenses attributable to this line item. Cost of materials amounts to EUR 9,189.2 million (2016: EUR 8,069.7 million). Cost of sales also includes a net expense in the amount of EUR 2.2 million (2016: EUR 4.3 million) from valuation allowances and reversals of valuation allowances on inventories.

3.) SELLING EXPENSES

Selling expenses include all direct selling and distribution costs as well as respective overheads incurred in the reporting period and attributable directly or proportionately to this line item.

Rental and lease expenses for operating leases total EUR 139.7 million (2016: EUR 128.9 million), of which EUR 0.8 million (2016: EUR 0.5 million) are for contingent rents. They are mainly presented under selling expenses.

4.) ADMINISTRATIVE EXPENSES

Administrative expenses contain all costs of a general administrative nature provided they are not attributable to other functions.

5.) OTHER OPERATING INCOME

in EUR m	**2017**	**2016**
Income from the disposal of non-current assets	11.6	2.7
Income from the reversal of liabilities and provisions no longer required	13.9	12.9
Income from receivables derecognized in prior periods	–	0.2
Miscellaneous operating income	14.6	17.6
Total	**40.1**	**33.4**

C.22 OTHER OPERATING INCOME

6.) OTHER OPERATING EXPENSES

in EUR m	2017	2016
Valuation allowances on trade receivables	−7.2	−6.4
Valuation allowances on other receivables	–	−0.3
Income from the reversal of valuation allowances on trade receivables	2.1	2.3
Losses on the disposal of non-current assets	−0.9	−1.5
Miscellaneous operating expenses	−39.8	−9.8
Total	**−45.8**	**−15.7**

C.23 OTHER OPERATING EXPENSES

Miscellaneous operating expenses include a provision recognized in the amount of EUR 30.0 million for a fine imposed by the French Competition Authority. The French Competition Authority has imposed a fine of EUR 30 million because it believes that Brenntag breached duties to cooperate in an investigation into whether BRENNTAG SA illegally made use of its market position. Brenntag believes that all legal obligations were fulfilled and has filed an appeal against the decision.

7.) INTEREST INCOME

Interest income in the amount of EUR 3.0 million (2016: EUR 2.9 million) is interest income from third parties.

8.) INTEREST EXPENSE

in EUR m	2017	2016
Interest expense on liabilities to third parties	−87.5	−76.4
Expense from the fair value measurement of interest rate swaps	2.8	−2.2
Net interest expense on defined benefit pension plans	−2.7	−3.4
Interest expense on other provisions	−1.6	−1.8
Interest expense on finance leases	−0.5	−0.6
Total	**−89.5**	**−84.4**

C.24 INTEREST EXPENSE

9.) CHANGE IN LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS RECOGNIZED IN PROFIT OR LOSS

in EUR m	2017	2016
Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	0.1	−1.4
Final purchase price adjustment for the acquisition of Zhong Yung	–	0.4
Change in liabilities recognized in profit or loss arising from limited partners' rights to repayment of contributions	−1.6	−1.6
Total	**−1.5**	**−2.6**

C.25 CHANGE IN LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS RECOGNIZED IN PROFIT OR LOSS

For further information, please refer to Note 28.).

10.) OTHER NET FINANCE COSTS

in EUR m	2017	2016
Exchange rate loss/gain on foreign currency receivables and liabilities	−38.6	−54.6
Exchange rate gain/loss on foreign currency derivatives	29.2	23.2
Miscellaneous other net finance costs	2.7	1.1
Total	**−6.7**	**−30.3**

C.26 OTHER NET FINANCE COSTS

In the prior-year period, other net finance costs included exchange rate losses of EUR 27.1 million resulting from the devaluation of the Venezuelan bolivar.

11.) INCOME TAX EXPENSE

in EUR m	2017	2016
Current income taxes	−179.4	−168.0
Deferred taxes	16.8	−6.7
(of which for temporary differences)	(16.6)	(−5.7)
(of which for tax loss carryforwards)	(0.2)	(−1.0)
Total	**−162.6**	**−174.7**

C.27 INCOME TAX EXPENSE

The effective tax expense of EUR 162.6 million (2016: EUR 174.7 million) differs by EUR −5.3 million (2016: EUR 3.3 million) from the expected tax expense of EUR 167.9 million (2016: EUR 171.4 million). The expected tax expense results from applying the Group tax rate of 32% (2016: 32%) to profit before tax.

The reasons for the difference between the expected and the effective tax expense are as follows:

in EUR m	2017	2016
Profit before tax	524.6	535.7
Expected income tax expense (32%, 2016: 32%)	**−167.9**	**−171.4**
Difference due to tax base	−0.3	1.3
Effect of different tax rates arising on the inclusion of foreign and domestic subsidiaries	14.3	10.5
Changes in valuation allowances on deferred tax assets/losses for which deferred taxes are not recognized/utilization of loss carryforwards	−3.9	3.7
Changes in the tax rate and tax laws	16.9	0.8
Expenses not deductible for tax purposes	−24.0	−24.6
Tax-free income	2.6	2.7
Share of profit or loss of equity-accounted investments	−0.4	0.7
Prior-period tax expense	2.3	5.2
Deferred taxes for temporary differences from investments in subsidiaries	−0.2	−0.6
Changes in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	−0.2	−0.5
Other effects	−1.8	−2.5
Effective tax expense	**−162.6**	**−174.7**

C.28 TAX EXPENSE RECONCILIATION

The effect on the reconciliation of "changes in the tax rate and tax laws" is mainly the result of the remeasurement of the deferred taxes of US companies at the reduced tax rate under the US tax reform.

On December 22, 2017, the USA enacted a comprehensive tax reform (US Tax Cuts and Jobs Act). The key component of the legislation is the reduction in the federal corporate tax rate from 35% to 21% with effect from January 1, 2018. Other than the reduction in the federal tax rate, we do not currently expect the US tax reform to have a material effect on assets and liabilities recognized as at December 31, 2017. When estimating the impact of the US tax reform on state taxes, the existing state tax legislation was applied. The individual US states could potentially choose whether to follow the federal legislation in full or in part for the purposes of state taxes. Therefore, the future impact of the federal tax reform on state taxes cannot yet be estimated reliably.

Deferred taxes result from the individual balance sheet items and other items as follows:

	Dec. 31, 2017		Dec. 31, 2016	
in EUR m	**Deferred tax assets**	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
Current assets				
Cash and cash equivalents and financial assets	6.7	3.1	7.5	5.6
Inventories	11.1	0.5	13.0	0.6
Non-current assets				
Property, plant and equipment	7.4	71.3	13.3	87.3
Intangible assets	13.3	151.9	23.0	181.1
Financial assets	10.4	4.7	9.6	4.0
Current liabilities				
Other provisions	4.5	0.1	5.0	1.1
Liabilities	21.1	1.7	30.0	5.1
Non-current liabilities				
Provisions for pensions	31.2	8.0	33.4	8.3
Other provisions	14.5	2.6	21.1	4.9
Liabilities	8.1	1.4	13.5	2.7
Special tax-allowable reserves	–	3.6	–	3.6
Loss carryforwards	59.9	–	61.8	–
Valuation allowances on loss carryforwards	−44.9	–	−46.7	–
Valuation allowances on balance sheet items	−1.0	–	−1.9	–
Consolidation items	–	5.5	–	7.1
Offsetting	−91.3	−91.3	−124.7	−124.7
Deferred taxes	**51.0**	**163.1**	**57.9**	**186.7**
Deferred tax liabilities (net)		**112.1**		**128.8**

C.29 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities break down by maturity as follows:

in EUR m	Dec. 31, 2017	Dec. 31, 2016
Deferred tax assets to be recovered after more than 12 months	10.9	12.1
Deferred tax assets to be recovered within 12 months	40.1	45.8
Deferred tax assets	**51.0**	**57.9**
Deferred tax liabilities to be recovered after more than 12 months	160.0	181.1
Deferred tax liabilities to be recovered within 12 months	3.1	5.6
Deferred tax liabilities	**163.1**	**186.7**
Deferred tax liabilities (net)	**112.1**	**128.8**

C.30 DEFERRED TAX BY MATURITY

Deferred tax liabilities (net) changed as follows:

in EUR m	2017	2016
Deferred tax liabilities (net) at Jan. 1	**128.8**	**121.0**
Exchange rate differences	−4.8	1.3
Income/expense in profit and loss	−16.8	6.7
Income taxes recognized in other comprehensive income	0.8	−4.0
Business combinations	5.8	3.8
Reclassification of deferred tax relating to non-current assets held for sale and associated liabilities	−1.7	–
Deferred tax liabilities (net) at Dec. 31	**112.1**	**128.8**

C.31 CHANGE IN DEFERRED TAX LIABILITIES (NET)

The existing tax loss carryforwards can be utilized as follows:

	Dec. 31, 2017		**Dec. 31, 2016**	
in EUR m	**Loss carryforwards**	**of which loss carryforwards for which deferred taxes are not recognized**	Loss carryforwards	of which loss carryforwards for which deferred taxes are not recognized
Within one year	4.3	(2.9)	3.6	(2.1)
2 to 5 years	13.0	(6.3)	17.8	(13.9)
6 to 9 years	8.8	(8.2)	9.6	(8.9)
More than 9 years	252.9	(241.8)	288.3	(278.3)
Unlimited	157.3	(117.1)	158.4	(118.0)
Total	**436.3**	**(376.3)**	**477.7**	**(421.2)**

C.32 TAX LOSS CARRYFORWARDS

Deferred tax on loss carryforwards is measured based on the expected taxable income derived from the current mid-term planning, allowing for restrictions on loss carryforwards and their utilization (minimum taxation).

Deferred taxes of EUR 15.0 million (Dec. 31, 2016: EUR 15.1 million) were recognized for loss carryforwards of EUR 60.0 million (Dec. 31, 2016: EUR 56.5 million) which are likely to be utilized. These include loss carryforwards of US subsidiaries for state taxes totalling EUR 11.1 million (tax rate between 7% and 8%) (Dec. 31, 2016: EUR 10.0 million).

No deferred taxes were recognized for loss carryforwards of EUR 376.3 million (Dec. 31, 2016: EUR 421.2 million) which are not likely to be utilized. This figure includes domestic corporation tax and trade tax loss carryforwards totalling EUR 93.3 million (Dec. 31, 2016: EUR 93.4 million) as well as loss carryforwards totalling EUR 241.6 million (Dec. 31, 2016: EUR 278.3 million) of US subsidiaries for state taxes (tax rate between 7% and 8%).

Temporary differences in connection with investments in subsidiaries for which no deferred tax liabilities were recognized amount to EUR 426.7 million (Dec. 31, 2016: EUR 449.2 million).

12.) PERSONNEL EXPENSES / EMPLOYEES

Personnel expenses amount to EUR 990.8 million in total (2016: EUR 913.0 million). This line item includes wages and salaries totalling EUR 777.3 million (2016: EUR 731.4 million) as well as social insurance contributions of EUR 213.5 million (2016: EUR 181.6 million), of which pension expenses (including employer contributions to the statutory pension insurance fund) account for EUR 60.8 million (2016: EUR 52.7 million). Net interest expense from defined benefit plans is not included in personnel expenses but presented within net finance costs under interest expense. Personnel expenses for the share-based remuneration programmes on the basis of virtual shares amount to EUR 3.0 million (2016: EUR 1.9 million).

The average number of employees breaks down by segment as follows:

	2017	**2016**
EMEA	6,967	6,814
North America	4,731	4,501
Latin America	1,481	1,501
Asia Pacific	1,985	1,877
All other segments	155	139
Total	**15,319**	**14,832**

C.33 EMPLOYEES BY SEGMENT

As at December 31, 2017, the Brenntag Group had a workforce of 15,416 (Dec. 31, 2016: 15,072). Of this figure, 1,618 (Dec. 31, 2016: 1,596) were employed in Germany.

13.) EARNINGS PER SHARE

Earnings per share in the amount of EUR 2.34 (2016: EUR 2.33) are determined by dividing the share of profit after tax of EUR 360.8 million (2016: EUR 360.3 million) attributable to the shareholders of Brenntag AG by the number of shares outstanding (154.5 million).

In November 2015, Brenntag issued a bond with warrant units, the warrants of which entitle holders to purchase Brenntag shares. The warrants had no diluting effect as the average Brenntag share price is lower than the strike price of the warrants of EUR 72.7779. The diluted earnings per share are therefore the basic earnings per share.

Consolidated Balance Sheet Disclosures

14.) CASH AND CASH EQUIVALENTS

in EUR m	Dec. 31, 2017	Dec. 31, 2016
Bank deposits	503.8	589.5
Cheques and cash on hand	14.2	12.4
Total	**518.0**	**601.9**

C.34 CASH AND CASH EQUIVALENTS

15.) TRADE RECEIVABLES

in EUR m	Dec. 31, 2017	Dec. 31, 2016
Trade receivables from third parties	1,672.2	1,510.7
Trade receivables from related parties	0.5	0.5
Total	**1,672.7**	**1,511.2**

C.35 TRADE RECEIVABLES

Trade receivables past due but not impaired at the reporting date were past due within the following buckets:

in EUR m	Dec. 31, 2017	Dec. 31, 2016
1 to 30 days	213.5	185.4
31 to 60 days	41.2	33.6
61 to 90 days	16.2	11.3
91 to 180 days	8.8	6.2
more than 180 days	0.7	1.0
Receivables past due but not impaired	**280.4**	**237.5**
Receivables neither past due nor impaired	1,382.6	1,268.4
Gross carrying amount of receivables impaired	42.9	38.2
Gross carrying amount of trade receivables	**1,705.9**	**1,544.1**

C.36 MATURITY OF TRADE RECEIVABLES PAST DUE BUT NOT IMPAIRED

Of the trade receivables, EUR 618.4 million (Dec. 31, 2016: EUR 551.1 million) are secured by trade credit insurance.

In the EMEA segment, most of the trade receivables are secured by trade credit insurance. In the Latin America and Asia Pacific segments, there is trade credit insurance for most of the receivables in certain countries. In the North America segment as well as in some countries in the EMEA and Asia Pacific segments, there is no trade credit insurance.

Impairment losses on trade receivables changed as follows:

	Accumulated impairment losses on trade receivables	
in EUR m	2017	2016
Jan. 1	**32.9**	**37.7**
Exchange rate differences	−0.7	–
Added	7.2	6.4
Reversed	−2.1	−2.3
Utilized	−4.1	−8.9
Dec. 31	**33.2**	**32.9**

C.37 CHANGE IN IMPAIRMENT LOSSES ON TRADE RECEIVABLES

16.) OTHER RECEIVABLES

in EUR m	Dec. 31, 2017	of which current	Dec. 31, 2016	of which current
Value-added tax receivables	30.1	(30.1)	35.4	(35.4)
Receivables from packaging	11.8	(11.8)	12.0	(12.0)
Receivables from the disposal of non-current assets	11.4	(11.4)	–	(–)
Reimbursement claims – environment	3.2	(–)	3.2	(–)
Suppliers with debit balances	5.2	(5.2)	6.6	(6.6)
Receivables from insurance claims	2.9	(2.9)	2.7	(2.7)
Deposits	5.1	(5.1)	3.9	(3.9)
Receivables from commissions and rebates	20.4	(20.4)	22.7	(22.7)
Prepayments	12.8	(12.8)	20.6	(20.6)
Receivables from other taxes	8.4	(8.4)	8.3	(8.3)
Receivables from long-term service contracts	–	(–)	2.6	(–)
Plan assets not netted with provisions for pensions	5.0	(–)	3.3	(–)
Receivables from employees	0.8	(0.8)	0.7	(0.7)
Miscellaneous other receivables	30.1	(18.0)	31.8	(16.5)
Prepaid expenses	19.0	(18.2)	16.7	(16.0)
Total	**166.2**	**(145.1)**	**170.5**	**(145.4)**

C.38 OTHER RECEIVABLES

17.) OTHER FINANCIAL ASSETS

in EUR m	Remaining term: less than 1 year	1 to 5 years	more than 5 years	Dec. 31, 2017
Financial receivables from third parties	17.9	3.7	0.1	21.7
Derivative financial instruments	2.9	2.6	–	5.5
Available-for-sale financial assets	0.1	–	1.2	1.3
Total	**20.9**	**6.3**	**1.3**	**28.5**

C.39 OTHER FINANCIAL ASSETS / DEC. 31, 2017

in EUR m	Remaining term less than 1 year	1 to 5 years	more than 5 years	Dec. 31, 2016
Financial receivables from third parties	14.6	10.9	0.5	26.0
Derivative financial instruments	3.9	1.9	–	5.8
Available-for-sale financial assets	0.1	–	1.1	1.2
Total	**18.6**	**12.8**	**1.6**	**33.0**

C.40 OTHER FINANCIAL ASSETS / DEC. 31, 2016

18.) INVENTORIES

The inventories break down as follows:

in EUR m	Dec. 31, 2017	Dec. 31, 2016
Merchandise	1,018.9	937.4
Finished goods	19.8	19.7
Raw materials and supplies	4.9	5.7
Total	**1,043.6**	**962.8**

C.41 INVENTORIES

19.) ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

Assets held for sale and associated liabilities consist mainly of the assets and liabilities of Brenntag Biosector A/S, Ballerup, our Danish subsidiary reported in the EMEA segment, as Brenntag intends to sell the company within one year. No impairment losses had to be recognized for the company in the reporting period.

The assets and liabilities break down as follows:

in EUR m	Dec. 31, 2017
Cash and cash equivalents	0.6
Trade receivables and other receivables	5.9
Inventories	3.0
Property, plant and equipment and intangible assets	42.9
Assets held for sale	**52.4**
Trade payables, other liabilities and provisions	15.3
Current tax liabilities and deferred tax liabilities	1.7
Liabilities associated with assets held for sale	**17.0**

C.42 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

20.) PROPERTY, PLANT AND EQUIPMENT

in EUR m	Land, land rights and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Prepayments and assets under construction	**Total**
Cost					
Dec. 31, 2015	**744.8**	**614.9**	**264.9**	**59.4**	**1,684.0**
Exchange rate differences	5.2	7.5	0.2	1.2	14.1
Business combinations	6.9	9.4	1.0	1.0	18.3
Other additions	14.1	33.5	28.8	52.1	128.5
Disposals	−2.6	−8.7	−19.0	−0.6	−30.9
Transfers	21.0	26.0	6.9	−53.6	0.3
Dec. 31, 2016	**789.4**	**682.6**	**282.8**	**59.5**	**1,814.3**
Exchange rate differences	−35.0	−50.4	−13.4	−4.2	−103.0
Business combinations	1.4	11.2	0.6	–	13.2
Other additions	12.5	29.1	38.2	51.6	131.4
Reclassification into non-current assets held for sale	−9.0	−8.9	−0.7	−1.6	−20.2
Disposals	−17.7	−18.7	−23.2	−0.3	−59.9
Transfers	2.6	22.0	9.8	−34.7	−0.3
Dec. 31, 2017	**744.2**	**666.9**	**294.1**	**70.3**	**1,775.5**
Accumulated depreciation and impairment					
Dec. 31, 2015	**204.2**	**337.1**	**170.8**	**–**	**712.1**
Exchange rate differences	0.1	3.6	0.1	–	3.8
Depreciation	25.6	52.4	36.5	–	114.5
Impairment	0.9	0.1	–	–	1.0
Disposals	−1.2	−7.0	−18.0	–	−26.2
Transfers	–	−0.3	0.3	–	–
Dec. 31, 2016	**229.6**	**385.9**	**189.7**	**–**	**805.2**
Exchange rate differences	−9.8	−28.1	−8.7	–	−46.6
Depreciation	24.9	53.9	38.5	–	117.3
Impairment	1.3	0.2	0.1	–	1.6
Reclassification into non-current assets held for sale	−1.0	−2.8	−0.5	–	−4.3
Disposals	−8.0	−14.3	−21.9	–	−44.2
Transfers	0.1	0.7	−0.7	–	0.1
Dec. 31, 2017	**237.1**	**395.5**	**196.5**	**–**	**829.1**
Carrying amounts at Dec. 31, 2016	559.8	296.7	93.1	59.5	1,009.1
Carrying amounts at Dec. 31, 2017	507.1	271.4	97.6	70.3	946.4

C.43 PROPERTY, PLANT AND EQUIPMENT

The net carrying amounts of the property, plant and equipment subject to impairment totalled EUR 0.2 million.

The carrying amounts of assets recognized on the basis of finance leases total EUR 3.4 million (Dec. 31, 2016: EUR 3.7 million) for land and buildings, EUR 0.7 million (Dec. 31, 2016: EUR 1.0 million) for technical equipment and machinery, and EUR 3.8 million (Dec. 31, 2016: EUR 6.4 million) for other equipment, operating and office equipment.

The carrying amounts of property, plant and equipment serving as collateral for liabilities to banks amount to EUR 0.9 million (Dec. 31, 2016: EUR 24.3 million). The carrying amounts of property, plant and equipment which are subject to restrictions on their disposal total EUR 0.0 million (Dec. 31, 2016: EUR 2.9 million).

The volume of government grants totals EUR 1.3 million (Dec. 31, 2016: EUR 1.4 million).

21.) INTANGIBLE ASSETS

in EUR m	Goodwill	Trademarks	Customer relationships and similar rights	Software, licences and similar rights	**Total**
Cost					
Dec. 31, 2015	**2,448.6**	**226.3**	**144.9**	**68.7**	**2,888.5**
Exchange rate differences	41.8	−0.2	3.1	1.0	45.7
Business combinations	51.0	−0.1	40.1	0.8	91.8
Other additions	–	–	0.7	11.9	12.6
Disposals	−0.4	−3.8	−24.9	−0.8	−29.9
Transfers	–	–	–	0.3	0.3
Dec. 31, 2016	**2,541.0**	**222.2**	**163.9**	**81.9**	**3,009.0**
Exchange rate differences	−192.8	−2.2	−13.2	−4.8	−213.0
Business combinations	83.7	0.1	30.2	0.0	114.0
Other additions	–	–	0.3	16.4	16.7
Reclassification into non-current assets held for sale	−10.0	–	–	−0.2	−10.2
Disposals	−0.3	–	−11.7	−5.3	−17.3
Transfers	–	–	–	0.2	0.2
Dec. 31, 2017	**2,421.6**	**220.1**	**169.5**	**88.2**	**2,899.4**
Accumulated amortization and impairment					
Dec. 31, 2015	**–**	**17.7**	**48.7**	**50.0**	**116.4**
Exchange rate differences	–	−0.4	1.2	0.7	1.5
Amortization	–	3.8	35.9	7.5	47.2
Disposals	–	−3.7	−24.9	−0.7	−29.3
Dec. 31, 2016	**–**	**17.4**	**60.9**	**57.5**	**135.8**
Exchange rate differences	–	−1.5	−5.5	−3.2	−10.2
Amortization	–	2.1	34.7	7.4	44.2
Reclassification into non-current assets held for sale	–	–	–	−0.1	−0.1
Disposals	–	–	−11.7	−5.3	−17.0
Dec. 31, 2017	**–**	**18.0**	**78.4**	**56.3**	**152.7**
Carrying amounts at Dec. 31, 2016	2,541.0	204.8	103.0	24.4	2,873.2
Carrying amounts at Dec. 31, 2017	2,421.6	202.1	91.1	31.9	2,746.7

C.44 INTANGIBLE ASSETS

The goodwill and the “Brenntag” trademark are assets with an indefinite useful life. They are tested regularly, at least annually, for impairment after completion of the annual budget process. The carrying amount of the “Brenntag” trademark is EUR 196.9 million as in the previous year.

Of the intangible assets as at December 31, 2017, some EUR 1,211 million (Dec. 31, 2016: EUR 1,308 million) relate to goodwill and trademarks that were recognized as part of the purchase price allocation performed on the acquisition of the Brenntag Group by funds advised by BC Partners Limited, Bain Capital, Ltd. and subsidiaries of Goldman Sachs International at the end of the third quarter of 2006 in addition to the relevant intangible assets already existing in the previous Group structure.

The regional allocation of goodwill to the groups of cash-generating units relevant for impairment testing is as follows:

in EUR m	Dec. 31, 2017	Dec. 31, 2016
EMEA	899.4	857.9
North America	1,186.0	1,327.9
Latin America	77.4	88.5
Asia Pacific	233.0	240.9
All other segments	25.8	25.8
Group	**2,421.6**	**2,541.0**

C.45 REGIONAL ALLOCATION OF GOODWILL

Fair value less costs of disposal is taken as the recoverable amount. This amount is determined on the basis of a recognized company valuation model. The company valuation model is based on cash flow plans, which are in turn based on the five-year plan approved by the Board of Management and applicable at the date of the performance of the impairment test. The five-year plan consists of the mid-term planning for the first three years submitted by the Group companies and aggregated at segment level (bottom up) and an extrapolation for the two following years performed by management (top down). The fair value thus determined is required to be classified into Level 3 of the IFRS 13 measurement hierarchy.

The cash flow forecasts for the impairment test of the financial year ended December 31, 2017 were derived from the budget for 2018 and the plan years 2019 to 2022. The growth rates are based on management’s historical experience and expectations as to future trends in markets and costs as well as quantities and prices on the basis of external macroeconomic data. After the, in some cases, much higher growth rates in the years 2018 to 2022 (detailed planning period), the assumed growth rates for the period from 2023 onwards are 1.0% in EMEA (2016: 1.0%), 1.25% in North America (2016: 1.25%) and 2.0% in Latin America and Asia Pacific (2016: 2.0%).

The region-specific WACC used to discount the cash flows thus determined is based on a risk-free interest rate of 1.25% (2016: 1.00%) and a market risk premium of 6.50% (2016: 6.75%). The estimates of daily yield curves published by the German central bank, the Bundesbank, are taken as a basis for determining the risk-free interest rate. The beta factor used and the capital structure are derived from a peer group. Furthermore, region-specific tax rates and country risk premiums (according to Damodaran) are used.

WACC in %	2017	2016
EMEA	6.5	6.5
North America	6.1	6.1
Latin America	7.4	7.8
Asia Pacific	8.1	7.3
Group	6.4	6.5

C.46 WACC BY SEGMENT

Amortization of customer relationships and similar rights as well as local trademarks is recognized under selling expenses.

22.) EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted investments changed as follows:

in EUR m		Investments in associates
Dec. 31, 2015		**22.5**
Exchange rate differences	2.7	
Share of profit or loss of equity-accounted investments	2.8	
Total comprehensive income		5.5
Dividends received		−2.4
Dec. 31, 2016		**25.6**
Exchange rate differences	−0.5	
Share of profit or loss of equity-accounted investments	0.2	
Total comprehensive income		−0.3
Dividends received		−3.7
Dec. 31, 2017		**21.6**

C.47 CHANGE IN EQUITY-ACCOUNTED INVESTMENTS

The financial year of the investments accounted for using the equity method is the calendar year.

23.) TRADE PAYABLES

Trade payables of EUR 1,205.8 million (Dec. 31, 2016: EUR 1,119.4 million) include accruals of EUR 198.2 million (Dec. 31, 2016: EUR 156.5 million) and liabilities to related parties of EUR 0.1 million (Dec. 31, 2016: EUR 0.1 million).

24.) FINANCIAL LIABILITIES

	Remaining term			
in EUR m	less than 1 year	1 to 5 years	more than 5 years	**Dec. 31, 2017**
Liabilities under syndicated loan	2.3	–	486.0	488.3
Other liabilities to banks	126.5	0.3	3.6	130.4
Bond 2018	409.2	–	–	409.2
Bond 2025	1.8	–	592.7	594.5
Bond (with Warrants) 2022	0.6	392.6	–	393.2
Finance lease liabilities	2.1	3.5	2.6	8.2
Derivative financial instruments	4.1	–	–	4.1
Other financial liabilities	23.2	38.6	0.2	62.0
Total	**569.8**	**435.0**	**1,085.1**	**2,089.9**
Cash and cash equivalents				518.0
Net financial liabilities				**1,571.9**

C.48 FINANCIAL LIABILITIES / DEC. 31, 2017

	Remaining term			
in EUR m	less than 1 year	1 to 5 years	more than 5 years	**Dec. 31, 2016**
Liabilities under syndicated loan	1.1	1,247.9	–	1,249.0
Other liabilities to banks	111.6	0.5	4.3	116.4
Bond 2018	9.9	398.0	–	407.9
Bond (with Warrants) 2022	0.7	–	441.4	442.1
Finance lease liabilities	2.8	5.7	3.0	11.5
Derivative financial instruments	1.8	–	–	1.8
Other financial liabilities	18.4	31.3	5.4	55.1
Total	**146.3**	**1,683.4**	**454.1**	**2,283.8**
Cash and cash equivalents				601.9
Net financial liabilities				**1,681.9**

C.49 FINANCIAL LIABILITIES / DEC. 31, 2016

The syndicated bullet loan is a loan agreement with a consortium of international banks. The syndicated loan is divided into different tranches with different currencies.

In January 2017, Brenntag refinanced the syndicated loan ahead of schedule. As at December 31, 2017, the new syndicated loan had a term ending in January 2022, which in early 2018 was extended until January 2023.

The liabilities under the syndicated loan break down as follows:

in EUR m	Remaining term	Interest rate above CDOR/LIBOR	Dec. 31, 2017
Currency			
CAD	Jan. 31, 2023	1.25%	53.2
USD	Jan. 31, 2023	1.25%	437.8
Total			**491.0**
Accrued interest			2.3
Transaction costs			−5.0
Liabilities under syndicated loan			**488.3**

C.50 LIABILITIES UNDER SYNDICATED LOAN / DEC. 31, 2017

in EUR m	Remaining term	Interest rate above EURIBOR/CDOR/LIBOR	Dec. 31, 2016
Currency			
EUR	Mar. 28, 2019	1.15%	255.0
CHF	Mar. 28, 2019	1.15%	79.2
CAD	Mar. 28, 2019	1.15%	56.4
USD	Mar. 28, 2019	1.15%	863.2
Total			**1,253.8**
Accrued interest			1.1
Transaction costs			−5.9
Liabilities under syndicated loan			**1,249.0**

C.51 LIABILITIES UNDER SYNDICATED LOAN / DEC. 31, 2016

In addition to the above-mentioned tranches, the syndicated loan also includes two revolving credit facilities totalling EUR 940.0 million (Dec. 31, 2016: EUR 600.0 million), which were mostly unused as at December 31, 2017.

The Bond 2018 in the amount of EUR 400.0 million matures in July 2018 and bears a coupon of 5.5% with interest paid annually. In September 2017, Brenntag issued another, EUR 600 million bond (Bond 2025) maturing in 2025 and bearing a coupon of 1.125% with interest paid annually. The bond with warrant units in the amount of USD 500.0 million issued in November 2015 matures in December 2022. The Bond (with Warrants) 2022 was issued at 92.7% of par and bears a coupon of 1.875% p.a.

with interest payable semi-annually. The discount (7.3% or USD 36.5 million) is the warrant premium on the warrants to purchase Brenntag shares issued together with the Bond (with Warrants) 2022. The warrant premium was recognized in the additional paid-in capital of Brenntag AG. The Bonds 2018 and 2025 and the Bond (with Warrants) 2022 were issued by our Group company, Brenntag Finance B.V., Amsterdam, Netherlands.

Detailed disclosures concerning the terms of the syndicated loan, the Bonds 2018 and 2025 as well as the bond with warrant units are included in the chapters “Capital structure” and “Financial risks and opportunities” in the Group management report.

Of the other liabilities to banks, EUR 0.0 million (Dec. 31, 2016: EUR 5.8 million) are secured by inventories in the amount of EUR 0.0 million (Dec. 31, 2016: EUR 10.4 million).

The following table shows the reconciliation of future minimum lease payments to liabilities under finance leases:

in EUR m	Minimum lease payments	Interest component	**Finance lease liabilities**
less than 1 year	2.6	0.5	2.1
1 to 2 years	1.9	0.3	1.6
2 to 3 years	1.3	0.3	1.0
3 to 4 years	1.0	0.3	0.7
4 to 5 years	0.4	0.2	0.2
more than 5 years	4.2	1.6	2.6
Dec. 31, 2017	**11.4**	**3.2**	**8.2**

C.52 MINIMUM LEASE PAYMENTS / 2017

in EUR m	Minimum lease payments	Interest component	**Finance lease liabilities**
less than 1 year	3.5	0.7	2.8
1 to 2 years	2.5	0.5	2.0
2 to 3 years	2.1	0.4	1.7
3 to 4 years	1.4	0.3	1.1
4 to 5 years	1.2	0.3	0.9
more than 5 years	4.9	1.9	3.0
Dec. 31, 2016	**15.6**	**4.1**	**11.5**

C.53 MINIMUM LEASE PAYMENTS / 2016

25.) OTHER LIABILITIES

in EUR m	Dec. 31, 2017	of which current	Dec. 31, 2016	of which current
Liabilities to employees	128.5	(128.5)	113.1	(113.1)
Liabilities from packaging	58.9	(58.9)	62.3	(62.3)
Liabilities from value-added tax	50.6	(50.6)	44.7	(44.7)
Customers with credit balances	21.4	(21.4)	26.8	(26.8)
Liabilities from other taxes	20.7	(20.7)	16.9	(16.9)
Liabilities to insurance companies	16.5	(16.5)	17.4	(17.4)
Liabilities from sales deductions, rebates	13.3	(13.3)	13.8	(13.8)
Deferred income	6.4	(6.2)	6.7	(6.5)
Liabilities from social insurance contributions	10.8	(10.8)	9.7	(9.7)
Liabilities from the acquisition of assets	11.2	(11.1)	10.5	(10.5)
Miscellaneous other liabilities	61.3	(60.3)	56.3	(54.5)
Total	**399.6**	**(398.3)**	**378.2**	**(376.2)**

C.54 OTHER LIABILITIES

Other liabilities include accruals of EUR 43.6 million (Dec. 31, 2016: EUR 43.0 million).

26.) OTHER PROVISIONS

Other provisions changed as follows:

in EUR m	Environmental provisions	Provisions for personnel expenses	Miscellaneous provisions	**Total**
Jan. 1, 2017	**102.2**	**19.6**	**35.7**	**157.5**
Exchange rate differences	−8.3	−0.7	−2.5	−11.5
Unwinding of discounting	0.8	–	0.8	1.6
Utilized	−5.2	−6.5	−10.9	−22.6
Reversed	−2.5	−0.4	−2.4	−5.3
Added	2.8	13.5	90.3	106.6
Disposals	−0.6	–	–	−0.6
Transferred	–	−1.0	−0.3	−1.3
Dec. 31, 2017	**89.2**	**24.5**	**110.7**	**224.4**

C.55 CHANGE IN OTHER PROVISIONS

Due to procedural errors, Brenntag was reimbursed a fine of EUR 47.8 million paid to the French Competition Authority in 2013. No findings have yet been made in the matter, however. Proceedings are still ongoing before the court of appeal and the amount of any fine ultimately imposed will depend on how those proceedings progress. The reimbursement was therefore added to provisions. The amount added to provisions also includes a fine of EUR 30.0 million imposed by the French Competition Authority. The French Competition Authority believes that Brenntag breached duties to cooperate in an investigation into whether BRENNTAG SA illegally made use of its market position. Brenntag believes that all legal obligations were fulfilled and has filed an appeal against the decision.

Other provisions have the following maturities:

in EUR m	**Dec. 31, 2017**	**Dec. 31, 2016**
less than 1 year	117,4	36,2
1 to 5 years	45,4	49,7
more than 5 years	61,6	71,6
Total	**224,4**	**157,5**

C.56 MATURITY OF OTHER PROVISIONS

Environmental provisions

The recognition and measurement of environmental provisions are coordinated centrally by external independent experts. The provision amounts are determined on the basis of individual cost estimates for each case. Allowance is made not only for the nature and severity of pollution but also for the conditions at the respective sites and the sovereign territories in which these sites are located.

Environmental provisions are stated at their present values. They are discounted at maturity-dependent, risk-free interest rates for the respective functional currencies. Increases in the future expenditure due to inflation are allowed for. The discount rates for environmental provisions range from 0.0% to 12.5%, depending on the currency (Dec. 31, 2016: from 0.0% to 6.9%).

As at December 31, 2017, environmental provisions total EUR 89.2 million (Dec. 31, 2016: EUR 102.2 million). They mainly relate to the rehabilitation of soil and ground water for current and former, owned and leased sites but also cover costs for further and accompanying measures such as necessary environmental inspections and observations. The provisions include EUR 19.8 million (Dec. 31, 2016: EUR 22.1 million) for contingencies for which a cash outflow is not likely but nevertheless possible. In line with the requirements of IFRS 3, these contingencies have entered the balance sheet largely through the purchase price allocation in connection with the acquisition of the Brenntag Group by funds advised by BC Partners Limited, Bain Capital, Ltd. and subsidiaries of Goldman Sachs International at the end of the third quarter of 2006.

Due to the nature and the large number of parameters which have to be considered when determining environmental provisions, there are uncertainties in their measurement. This applies both to the amount and the timing of future expenditure. However, based on the information available at the time of the preparation of these financial statements, it can be assumed that the environmental provisions are reasonable and any additional amounts incurred would not have any material effect on the net assets, financial position and results of operations of the Group.

In some cases, special agreements have been reached which ensure that the cost of any future environmental work necessary will be borne by third parties. If receipt of payment from the third party is virtually certain provided Brenntag meets its obligations, these reimbursement claims are recognized. They are generally measured in the same way as the corresponding provisions. The amount recognized does not exceed the amount of the provision. The reimbursement claims recognized at December 31, 2017 amount to EUR 3.2 million (Dec. 31, 2016: EUR 3.2 million).

Provisions for personnel expenses

Provisions for personnel expenses primarily contain obligations arising from future variable and individual one-time payments, payments in connection with employee long-service anniversary bonuses, early retirement regulations and pre-retirement part-time work compensation. Provisions for share-based remuneration programmes on the basis of virtual shares are also presented under this item. These programmes are long-term bonus systems for members of the Board of Management of Brenntag AG, on the one hand, and for executives and senior managers of the Brenntag Group, on the other.

Long-term share-based remuneration programmes for the members of the Board of Management and Long-Term Incentive Plan for Executives and Senior Managers (LTI Plan)

Since 2015, there has been a single uniform remuneration system for all members of the Board of Management of Brenntag AG, which also includes a long-term share-based remuneration programme (Long-Term Incentive Plan). The long-term variable remuneration is awarded every year and is partly based on the performance of the Brenntag share. On the basis of a contractually set Annual Target Amount, this remuneration component is subject to a vesting period of in each case three years. 50% of the Target Amount is contingent on the development of the value of the company's shares during these three years (External LTI Portion) and 50% is contingent on the long-term development of specific Group-wide KPIs (Internal LTI Portion).

50% of the External LTI Portion is measured by the absolute development of the total shareholder return for the company's shares during the vesting period (Absolute External LTI Portion), while the other 50% of the External LTI Portion is measured by the relative development of the total shareholder return for the company's shares in comparison to the development of the MDAX during the vesting period (Relative External LTI Portion). For every percentage point by which the average share price on the last trade day of the vesting period exceeds or falls short of the average share price on the last trade day before the vesting period, the Absolute External LTI Portion is increased or decreased by 2%. For every percentage point by which the MDAX is over- or underperformed in the vesting period, the Relative External LTI Portion is increased or decreased by 3%. The overall External LTI Portion at the end of the relevant vesting period equals the sum of the Absolute External LTI Portion and Relative External LTI Portion. The Absolute External LTI Portion and Relative External LTI Portion may not be less than EUR 0. The External LTI Portion is capped overall at 200% of the contractually set Target Amount for the External LTI Portion.

The Internal LTI Portion is measured by the following KPI targets, which are agreed at the end of each financial year for the following vesting period in an LTI Bonus Plan: EBITDA, ROCE and earnings per share. At the end of each financial year during a vesting period, the achievement of the KPI targets in the particular financial year is calculated for a share of 1/3 of the Internal LTI Portion. For every percentage point by which the targets of a given KPI are over- or underperformed in the particular financial year, the Annual Internal LTI Portion is increased or decreased by 3%. This may also lead to a negative Annual Internal LTI Portion. The overall Internal LTI Portion at the end of the relevant vesting period equals the sum of the Annual Internal LTI Portions. The Internal LTI Portion is also capped at 200% of the contractually set Target Amount for the Internal LTI Portion. The overall Internal LTI portion for a vesting period may not be less than EUR 0. The Long-Term Incentive Bonus for each financial year equals the sum of the External and Internal LTI Portions.

The Long-Term Incentive Bonus for each financial year is also capped at 200% of the Target Amount (LTI Cap).

The long-term share-based remuneration programme introduced in 2010 for the members of the Board of Management of Brenntag AG is expiring. In principle, according to this programme, the amount of the bonus depended on the outperformance of quantitative targets and the achievement of qualitative targets as well as Brenntag's share price performance. Half of the base amounts awarded each year to those eligible was converted into virtual shares. At the end of the vesting period, they are multiplied by total shareholder return (the average share price adjusted for dividends, capital transactions and stock splits). These tranches of virtual shares allocated under the previous service agreements will be continued in accordance with the provisions of the previous service agreements and paid out at the times specified therein. The further change in the other half of the base amounts until pay-out after completion of the individual vesting periods depends on the outperformance or underperformance of the total shareholder return compared with the average MDAX performance. This portion of the base amount not converted into virtual shares has already been paid out to Steven Holland as agreed. The total amount to be paid out must not exceed 250% of the base amount.

The LTI Plan was offered for the first time in 2013 to a group of managers which is to be redefined every year by the Board of Management of Brenntag AG. The term of the programme is divided into a one-year performance period and a general vesting period of three years. The total bonus pool amount available for one annual tranche of the LTI Plan basically depends on the change in operating EBITDA in the performance period; further amounts can be assigned to the bonus pool at the discretion of the Board of Management. Restrictions exist to the extent that the bonus pool may not exceed 0.675% of the actual operating EBITDA. On the basis of this bonus pool, the number of virtual shares is determined for each plan participant pro rata based on the average price of the Brenntag shares and the annual salary of the participant in relation to the total annual salaries of all participants. After expiry of the vesting period, the plan participants receive remuneration resulting from the virtual shares allocated multiplied by the average Brenntag share price, adjusted for dividends, capital transactions and stock splits. Payment per virtual share must not exceed 250% of the average share price, on the basis of which the number of virtual shares was determined.

At December 31, 2017, provisions for share-based remuneration total EUR 6.1 million (Dec. 31, 2016: EUR 3.9 million).

Miscellaneous provisions
Miscellaneous provisions include provisions for compensation payable, provisions for restoration obligations as well as provisions for risks from legal proceedings and disputes.

Provisions for current and likely litigation are established in those cases where reasonable estimates are possible. These provisions contain all estimated legal costs as well as the possible settlement costs. The amounts are based on information and cost estimates provided by lawyers.

27.) PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

There are both defined contribution and defined benefit pension plans for the employees of the Brenntag Group. The pension obligations vary depending on the legal, tax and economic circumstances in the respective country and the employee's years of service with the company and pay grade.

Defined contribution plans

A large number of the employees of the Brenntag Group will receive benefits from the statutory social insurance fund, into which the contributions are paid as part of their salary. In addition, various other pension fund commitments exist at the companies of the Brenntag Group. As the company has no further obligations after payment of the retirement pension contributions to the state social insurance fund and private insurance companies, these plans are treated as defined contribution plans. Current pension contribution payments are recognized as expense for the relevant period. In financial year 2017, pension expenses in the Brenntag Group total EUR 26.8 million (2016: EUR 24.9 million) for employer contributions to the statutory pension insurance fund and EUR 23.8 million (2016: EUR 22.0 million) for non-statutory defined contribution plans.

In the USA, subsidiaries of the Brenntag Group pay into defined benefit plans maintained by more than one employer (so-called multi-employer plans). These multi-employer defined benefit plans are accounted for in the consolidated financial statements as defined contribution plans because the information required to use defined benefit accounting is not available in a timely manner and in sufficient detail. Furthermore, there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual participating employers, which is necessary for accounting for defined benefit plans in accordance with IAS 19.

If other participating employers do not meet their payment obligations, Brenntag may be liable for the obligations of those employers. Any potential withdrawal from the plans by an entity may lead to that entity having to offset the potential shortfall relating to its share of the plan. The funding level of the individual plans ranged from about 38% to 91% as at December 31, 2017 (about 32% to 92% as at December 31, 2016). Brenntag Group subsidiaries account for approximately 0.07% to 1.6% of the total contributions (2016: 0.07% to 2.9%), depending on the plan. Withdrawal from all plans at the present time would lead to an estimated one-time expense of approximately EUR 31 million or approximately USD 35 million (2016: approximately EUR 31 million or approximately USD 34 million). No withdrawal from any of these plans is intended at this time.

In financial year 2017, contributions of EUR 2.3 million or USD 2.6 million (2016: EUR 2.3 million or USD 2.6 million) were paid. The contributions are included in the above-mentioned contributions for non-statutory defined contribution plans. In 2018, the contributions are expected to amount to approximately EUR 2.4 million.

Defined benefit plans

The defined benefit plans of the Brenntag Group are funded by provisions and largely covered by assets. The principal obligations (over 90% of the total volume) are in Switzerland, Germany, Canada and the Netherlands. The remaining obligations are spread over another eleven countries in the EMEA, Latin America and Asia Pacific segments.

Switzerland

In Switzerland, every employer is obliged by national law to set up a company retirement pension scheme. When determining the pension benefits, the minimum requirements of the Federal Law on Occupational Retirement, Surviving Dependants' and Disability Pensions (Bundesgesetz über die beruflichen Alters-, Hinterlassenen- und Invalidenvorsorge (BVG)) and the corresponding regulations are required to be observed.

The Swiss group company maintains a funded pension plan for its employees. The assets of this plan are held in two autonomous foundations. The foundation board is made up of equal numbers of employer and employee representatives. It is responsible for setting the investment strategy, for changes in the plan rules and in particular also for determining the financing of the pension benefits.

The pension benefits are based on the retirement assets accrued. The annual retirement credits and interest are credited to these retirement assets. On retirement, the insured person is obliged to take 30% of the accrued retirement assets in the form of a lump-sum payment and may choose whether to take the remaining 70% of the accrued retirement assets in the form of a life-long pension or another lump-sum payment. In addition to the retirement benefits, the pension benefits also include disability and surviving dependants' pensions. The insured person may also dispose of parts of his accrued retirement assets prematurely if this serves to improve his pension situation. If there is a change of employer, the retirement assets are transferred to the pension scheme of the new employer.

The employee and employer contributions are set by the foundation board. According to the BVG, the employer pays at least 50% of the necessary contributions. In the case of Brenntag Schweizerhall AG, the employer pays some 70% of the contributions in accordance with the rules of the plan.

As the contributions to the pension plan that the employees in Switzerland pay are based on formal rules, the risk distribution between employee and employer is taken into account when measuring the obligation. In the case of Brenntag Schweizerhall AG, this leads to an only minor reduction in the present value of the benefit obligation.

Germany

The German group companies have retirement pension plans which are based on contractual provisions or works agreements:

The Employee Pension Plan 2000/2012 (Mitarbeiter Vorsorgeplan 2000/2012) is a pension plan funded by the employer. The employer awards an annual pension contribution of between EUR 250 and EUR 500 depending on length of service, which is converted into pension modules. The amount of the benefits depends on the pension modules accrued before retirement.

The Pension Scheme 2000/2012 for Executives (Leistungsordnung 2000/2012 für Führungskräfte) of the German Brenntag companies is a pension plan for executives funded by the employer in the form of individual commitments. The annual pension contribution depends on the pensionable remuneration (basis of assessment). The annual basis of assessment is the sum total of the fixed remuneration, Christmas and vacation allowances and bonuses but no more than three times the contribution assessment limit for the statutory pension system. The pension contribution is a maximum of 4% of the basis of assessment up to the contribution assessment limit plus a maximum of 10% for parts exceeding the contribution assessment limit. The annual pension contributions are converted into pension modules. The amount of the benefits depends on the pension modules accrued before retirement.

All employees have the option to convert pay components into an entitlement to pension benefits within the meaning of the German Company Pension Act (Betriebsrentengesetz (BetrAVG)) by participating in the Pension Plan Through Employee-funded Pension Commitments (Vorsorgeplan über mitarbeiterfinanzierte Versorgungszusagen). The annual pension contribution for participating employees is between at least EUR 250 and a maximum of 4% of the contribution assessment limit for the statutory pension system (Section 1a BetrAVG). The company also pays an additional pension allowance of 15% to the converted amount provided that the pension contribution comes from remuneration subject to statutory pension insurance contributions. Furthermore, through the Deferred Compensation Plan (DCP), employees have the option to convert pay components into an entitlement to pension benefits. The individual pension contribution must be at least EUR 5,000. The converted employee contributions are protected by a reinsurance policy pledged to the employee who is entitled to the pension. With both employee-funded plans, the employees must decide every year on the pension contribution they wish to make.

In addition to the retirement benefits, the pension benefits also include surviving dependants' pensions and – except in the case of the Deferred Compensation Plan (DCP) – disability benefits.

The Pension Scheme 2000/2012 for Executives (Leistungsordnung 2000/2012 für Führungskräfte) is a pure retirement pension plan with a monthly life-long pension. With the other pension plans, if the capital amount is no more than EUR 25,000, the pension benefit is paid out as a lump sum or, if the capital amount is more than EUR 25,000, the pension benefit is paid as an annual capital instalment spread over a maximum of five years or as a life-long pension.

The retirement pension entitlements of the members of the Board of Management are described in the chapter "Remuneration Report" of the Group management report.

Furthermore, in Germany, Brenntag still has isolated retirement and disability pension commitments under pension plans set up in the past. These commitments depend on the years of service and the pay grades of the respective employees. They are mainly commitments involving monthly pension payments.

Canada

In Canada, Brenntag maintains an employer-funded pension plan with a life-long monthly pension for employees who joined the company before December 31, 2011. The basis of assessment for calculating the annual pension is 1% of the average salary of the three highest annual salaries of the beneficiary multiplied by the number of years of service. In addition to the retirement benefits, the pension benefits include disability and surviving dependants' pensions.

The plan participants in the employer-funded pension plan who are under 50 or who have less than 15 years of service or less than 55 points (sum of age and years of service) must pay into a defined contribution plan newly set up in 2014 in order to continue to build up their retirement pension. The employees' contribution is 3% of their salary. The employer's contribution is 4% for this compulsory part. The employees may voluntarily increase their contribution by a further 3%. The employer's contribution for this voluntary part is between 3.25% and 6%, depending on the years of service. The entitlements accrued up to the date of transition remain in place.

Employees who joined the company on or after January 1, 2012 must pay at least 3% of their salary into a defined contribution pension plan in order to build up a retirement pension. The employer's contribution is 3%. The employees may voluntarily increase their contribution by a further 3%. The employer's contribution for this voluntary part is also 3%.

For employees in Canada who joined the company up to and including May 31, 2013, there is an employer-funded supplementary medical cost plan in retirement as well as a life insurance payout of CAD 5,000 on retirement. As this plan has the characteristics of a pension, it is classified under pensions and other post-employment benefits.

Netherlands

Company pension systems play a prominent role in the Netherlands as the pay-as-you-go statutory pension scheme only provides a basic pension.

The companies maintain a funded retirement plan for their employees. When there is a change of employer, the credit balance from the plan assets can be transferred to the pension scheme of the new employer or remains in the previous company's pension scheme. About 20% of the retirement pension plan is funded by the employee and about 80% by the employer. Depending on the employer's commitment, the basis of assessment for calculating the annual pension is the last salary before the employee reaches retirement age or the average salary over the employee's active career before reaching retirement age. Depending on the employer's commitment, the annual pension is between 1.5% and 1.75% of the salary reduced by a base amount and multiplied by the number of years of service. This base amount represents the basic pension under the statutory pension scheme. The retirement pension plan is a pure pension plan with a life-long monthly pension. In addition to the retirement benefits, the pension benefits include disability and surviving dependants' pensions.

Risks arising from defined benefit pension plans

Brenntag is exposed to risks arising from the plans. An increase in life expectancy, salaries, as well as the adjustment of pensions in line with inflation as required by law in Germany, or an increase in medical costs in Canada, would lead to higher cash outflows and, in combination with falling discount rates, in each case to higher present values of the defined benefit obligation. There is investment risk in Switzerland primarily with regard to the proportion of the plan assets invested in shares. There is no investment risk in Germany or the Netherlands as the plan assets consist solely of insurance policies. In Canada, the plan assets consisting of external fund shares are in principle exposed to investment risk. In order to minimize this risk, the plan assets in Canada are subject by law to an audit every three years to establish whether the assets invested are sufficient to fund the pension obligations.

Actuarial parameters applied

The plan assets are measured at fair value. The calculation of the present value of the benefit obligations is based on the following main actuarial parameters. When several countries are grouped together, the values are average values weighted by the present value of the respective benefit obligation:

in %		Switzerland	Germany	Canada	Netherlands	Other countries	**Weighted**
Discount rate	**2017**	**0.60**	**1.70**	**3.60**	**1.70**	**2.69**	**1.78**
	2016	0.60	1.60	4.00	1.60	2.47	1.73
Expected salary trend	**2017**	**1.00**	**2.70**	**3.25**	**2.70**	**3.68**	**2.39**
	2016	1.00	2.70	2.75	2.70	3.53	2.25
Expected pension trend	**2017**	**0.00**	**1.75**	**2.25**	**1.75**	**2.31**	**1.39**
	2016	0.00	1.75	2.25	1.75	2.23	1.33
Medical cost trend	**2017**	**n.a.**	**n.a.**	**5,95**	**n.a.**	**n.a.**	**5.95**
	2016	n.a.	n.a.	6,04	n.a.	n.a.	6.04

C.57 ACTUARIAL PARAMETERS APPLIED

With respect to life expectancy, in Germany the Heubeck 2005 G mortality tables (generational tables) are taken as a basis. In Switzerland, the BVG–2015 generational mortality tables are used. In the Netherlands, we use the “Prognose Tafel 2016” table and, in Canada, the “CPM2014Priv generational mortality table”.

Provisions for pensions and other post-employment benefits by country

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	**Dec. 31, 2017**
Present value of the defined benefit obligation	107.6	119.6	63.4	65.1	29.8	385.5
Fair value of plan assets	−100.5	−18.9	−54.2	−56.3	−4.7	234.6
Provisions for pensions and other post-employment benefits – net	**7.1**	**100.7**	**9.2**	**8.8**	**25.1**	**150.9**
of which assets recognized	–	–	5.0	–	–	5.0
Provisions for pensions and other post-employment benefits recognized in the balance sheet	**7.1**	**100.7**	**14.2**	**8.8**	**25.1**	**155.9**

C.58 PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS BY COUNTRY / DEC. 31, 2017

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	Dec. 31, 2016
Present value of the defined benefit obligation	122.9	116.5	61.8	64.4	31.8	397.4
Fair value of plan assets	−110.7	−17.4	−51.6	−56.4	−4.4	−240.5
Provisions for pensions and other post-employment benefits – net	**12.2**	**99.1**	**10.2**	**8.0**	**27.4**	**156.9**
of which assets recognized	–	–	3.3	–	–	3.3
Provisions for pensions and other post-employment benefits recognized in the balance sheet	**12.2**	**99.1**	**13.5**	**8.0**	**27.4**	**160.2**

C.59 PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS BY COUNTRY / DEC. 31, 2016

The decrease in the fair value of plan assets in Switzerland from EUR 110.7 million as at December 31, 2016 to EUR 100.5 million as at December 31, 2017 is due mainly to exchange rate differences.

Pension obligations, plan assets and provisions for pensions and other post-employment benefits recognized in the balance sheet changed as follows:

Change in the present value of the defined benefit obligations

in EUR m	Principal pension plans	Other countries	2017	Principal pension plans	Other countries	2016
Present value of pension obligations at the beginning of the period	365.6	31.8	397.4	339.8	29.0	368.8
Exchange rate differences	−13.4	−1.1	−14.5	4.8	0.4	5.2
Transferred	–	–	–	−1.6	–	−1.6
Utilized	−9.8	−2.2	−12.0	−10.5	−1.7	−12.2
Service cost						
Current service cost	8.7	2.0	10.7	9.5	1.4	10.9
Past service cost	–	−0.9	−0.9	−4.1	–	−4.1
Employee contributions	1.5	–	1.5	1.4	–	1.4
Interest expense on the present value of the obligation	5.9	0.8	6.7	6.8	0.9	7.7
Settlements	–	–	–	−1.4	–	−1.4
Remeasurement components						
Change in economic assumptions	1.0	−0.1	0.9	25.1	2.3	27.4
Change in demographic assumptions	–	–	–	−1.9	–	−1.9
Experience adjustments	−3.8	−0.5	−4.3	−2.3	−0.5	−2.8
Present value of pension obligations at the end of the period	**355.7**	**29.8**	**385.5**	**365.6**	**31.8**	**397.4**

C.60 CHANGE IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS

The present value of pension obligations totalling EUR 385.5 million (Dec. 31, 2016: EUR 397.4 million) includes pension obligations for members of the Board of Management amounting to EUR 7.3 million (Dec. 31, 2016: EUR 6.4 million) and for former members of the Board of Management amounting to EUR 10.9 million (Dec. 31, 2016: EUR 10.9 million).

The terms of the plan in Switzerland were amended in 2016. On retirement, the insured person is obliged to take 30% of the accrued retirement assets in the form of a lump-sum payment. Before the terms of the plan were amended, the insured person had freedom of choice over the full amount of the retirement assets. Retirement assets were usually granted in the form of a life-long pension and measured as such. The resulting income of EUR 4.1 million in 2016 was recognized as a plan amendment in past service cost.

The income from settlements in the amount of EUR 1.4 million recognized in 2016 is the result of Mr Steven Holland's decision to waive his entitlements under his Deferred Compensation Plan with Brenntag AG. The payment measured as at December 31, 2016 in the amount of EUR 1.6 million was reclassified into other liabilities. The reinsurance policy measured as at December 31, 2016 in the amount of EUR 1.1 million was reclassified into other receivables. Further explanatory notes on this can be found in the chapter "Remuneration Report" of the Group management report.

Change in the fair value of plan assets

in EUR m	Principal pension plans	Other countries	**2017**	Principal pension plans	Other countries	**2016**
Fair value of plan assets at the beginning of the period	236.1	4.4	240.5	216.2	4.2	220.4
Exchange rate differences	−12.1	−0.4	−12.5	4.1	0.1	4.2
Transferred	–	–	–	−1.1	–	−1.1
Utilized	−8.0	−0.3	−8.3	−9.1	−0.6	−9.7
Employer contributions	6.4	0.8	7.2	7.6	0.8	8.4
Administrative costs for plan assets	−0.4	–	−0.4	−0.4	–	−0.4
Employee contributions	1.5	–	1.5	1.4	–	1.4
Interest income on plan assets	3.9	0.1	4.0	4.2	0.1	4.3
Settlements	–	–	–	–	–	–
Remeasurement components Income/(expense) from plan assets (excl. amounts in net interest expense)	2.5	0.1	2.6	13.2	−0.2	13.0
Fair value of plan assets at the end of the period	**229.9**	**4.7**	**234.6**	**236.1**	**4.4**	**240.5**

C.61 CHANGE IN THE FAIR VALUE OF PLAN ASSETS

Change in provisions for pensions and other post-employment benefits recognized in the balance sheet

in EUR m	Principal pension plans	Other countries	2017	Principal pension plans	Other countries	2016
Provisions for pensions and other post-employment benefits at the beginning of the period	129.5	27.4	156.9	123.6	24.8	148.4
Exchange rate differences	−1.3	−0.7	−2.0	0.7	0.3	1.0
Transferred	–	–	–	−0.5	–	−0.5
Utilized	−1.8	−1.9	−3.7	−1.4	−1.1	−2.5
Employer contributions	−6.4	−0.8	−7.2	−7.6	−0.8	−8.4
Current service cost	8.7	2.0	10.7	9.5	1.4	10.9
Past service cost	–	−0.9	−0.9	−4.1	–	−4.1
Administrative costs for plan assets	0.4	–	0.4	0.4	–	0.4
Net interest expense	2.0	0.7	2.7	2.6	0.8	3.4
Settlements	–	–	–	−1.4	–	−1.4
Remeasurement components	−5.3	−0.7	−6.0	7.7	2.0	9.7
Provisions for pensions and other post-employment benefits – net	**125.8**	**25.1**	**150.9**	**129.5**	**27.4**	**156.9**
of which assets recognized	5.0	–	5.0	3.3	–	3.3
Provisions for pensions and other post-employment benefits recognized in the balance sheet	**130.8**	**25.1**	**155.9**	**132.8**	**27.4**	**160.2**

C.62 CHANGE IN PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS RECOGNIZED IN THE BALANCE SHEET

Recognized provisions for pensions include EUR 14.2 million (Dec. 31, 2016: EUR 13.4 million) for the supplemental medical cost plan in Canada. Pension costs recognized in the income statement for obligations under defined benefit plans total EUR 12.9 million (2016: EUR 9.2 million). Net interest expense is presented within net finance costs. Current service cost and administrative costs for plan assets are allocated to the functions within operating profit, where the amounts of past service cost and the amounts from settlements are also recognized.

The present values of the defined benefit obligations break down as follows into active members, former employees with vested rights and pensioners, split according to the payout method, resulting in the following weighted average duration of the defined benefit obligations:

in EUR m	Principal pension plans	Other countries	2017	Principal pension plans	Other countries	2016
Present value of the pension obligations funded by plan assets, of which:	**263.8**	**10.7**	**274.5**	**275.6**	**11.2**	**286.8**
Active members with lump-sum payout	7.1	8.4	15.5	7.2	8.8	16.0
Active members with monthly pension	110.8	1.6	112.4	120.8	1.8	122.6
Active members with option to choose	23.0	–	23.0	22.1	–	22.1
Former employees with vested rights to lump-sum payout	0.2	–	0.2	0.2	–	0.2
Former employees with vested rights to monthly pension	16.4	–	16.4	16.2	–	16.2
Former employees with vested rights with option to choose	9.3	–	9.3	9.2	–	9.2
Pensioners with monthly pension	97.0	0.7	97.7	99.9	0.6	100.5
Present value of the pension obligations not funded by plan assets, of which:	**77.7**	**19.1**	**96.8**	**76.6**	**20.6**	**97.2**
Active members with lump-sum payout	17.0	9.8	26.8	16.9	10.8	27.7
Active members with monthly pension	28.2	1.6	29.8	29.8	9.7	39.5
Active members with option to choose	–	–	–	–	–	–
Former employees with vested rights to lump-sum payout	5.3	–	5.3	4.4	–	4.4
Former employees with vested rights to monthly pension	6.0	–	6.0	5.6	–	5.6
Former employees with vested rights with option to choose	–	–	–	–	–	–
Pensioners with monthly pension	21.2	7.7	28.9	19.9	0.1	20.0
Medical cost plan	**14.2**	**–**	**14.2**	**13.4**	**–**	**13.4**
Present value of pension obligations at the end of the period	**355.7**	**29.8**	**385.5**	**365.6**	**31.8**	**397.4**
Weighted average duration of the pension obligations in years	**17**	**14**	**17**	**17**	**14**	**17**

C.63 BREAKDOWN OF THE PRESENT VALUES OF DEFINED BENEFIT OBLIGATIONS BY MEMBERS

The pension payments to be made by the company directly amount to EUR 3.7 million in 2017 (2016: EUR 2.5 million). From a present perspective, the cash outflow resulting from pension payments made by the company directly will remain at a level of EUR 3.0 to 4.0 million over the long term. The pension payments expected to be made by the company directly in 2018 total EUR 3.5 million.

The fair value of the plan assets disaggregates into the following asset classes:

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	**Dec. 31, 2017**
Shares	18.3	–	17.7	–	–	36.0
Fixed-interest securities	11.1	–	36.1	–	0.9	48.1
Insurance policies	70.3	18.9	–	56.3	2.5	148.0
Cash and cash equivalents	0.8	–	0.4	–	1.3	2.5
Fair value of plan assets	**100.5**	**18.9**	**54.2**	**56.3**	**4.7**	**234.6**

C.64 FAIR VALUE OF THE PLAN ASSETS BY ASSET CLASS / DEC. 31, 2017

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	**Dec. 31, 2016**
Shares	18.6	–	21.4	–	–	40.0
Fixed-interest securities	11.9	–	29.8	–	0.9	42.6
Insurance policies	79.5	17.4	–	56.4	2.5	155.8
Cash and cash equivalents	0.7	–	0.4	–	1.0	2.1
Fair value of plan assets	**110.7**	**17.4**	**51.6**	**56.4**	**4.4**	**240.5**

C.65 FAIR VALUE OF THE PLAN ASSETS BY ASSET CLASS / DEC. 31, 2016

The plan assets are solely for fulfilling the defined benefit obligations and constitute protection for pension entitlements, which is a legal requirement in some countries and is voluntary in other countries.

The structure of the plan assets is reviewed at regular intervals. All assets, which, in Brenntag's case, mainly consist of insurance policies, are tailored long-term to the amount and maturity of the pension commitments, taking investment risks and statutory regulations governing the investment of retirement assets into account.

Owing to the composition of the plan assets, investment risk at Brenntag is limited to securities traded in active markets (shares and fixed-interest securities). This part (2017: 35.8% of plan assets; 2016: 34.3% of plan assets) is subject to market fluctuations. All other assets are not traded in an active market.

The annual payments made into the plan assets, which, according to the plan rules, consist almost exclusively of obligatory payments, amount to EUR 7.2 million (2016: EUR 8.4 million). From a present perspective, the cash outflow resulting from contributions made by the company will remain at a level of EUR 7 to 8 million over the long term. Payments into plan assets for financial year 2018 are expected to total EUR 7.1 million.

Sensitivity analysis of the present value of the defined benefit obligation

The sensitivity analysis takes into account in each case the change in an assumption and the resulting effects on the defined benefit obligations, the other assumptions remaining the same as in the original calculation.

in EUR m	Principal pension plans	Other countries	2017	Principal pension plans	Other countries	2016
Discount rate						
Increase by 0.5 percentage points	−26.7	−1.7	−28.4	−27.5	−1.9	−29.4
Decrease by 0.5 percentage points	30.4	1.9	32.3	31.4	2.1	33.5
Expected salary trend						
Increase by 0.5 percentage points	2.3	0.9	3.2	2.7	1.1	3.8
Decrease by 0.5 percentage points	−2.2	−0.9	−3.1	−2.6	−1.0	−3.6
Expected pension trend						
Increase by 0.5 percentage points	7.7	0.6	8.3	8.7	0.8	9.5
Decrease by 0.5 percentage points	−7.0	−0.5	−7.5	−7.9	−0.7	−8.6
Medical cost trend						
Increase by 0.5 percentage points	1.3	–	1.3	1.1	–	1.1
Decrease by 0.5 percentage points	−1.1	–	−1.1	−1.0	–	−1.0

C.66 SENSITIVITY ANALYSIS OF THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

A 10% decrease in the mortality rates leads to an increase in life expectancy, depending on the individual age of each beneficiary. That means, for example, that the life expectancy of a 63-year-old employee as at December 31, 2017 increases by about one year. In order to determine the sensitivity of longevity, the mortality rates for the beneficiaries were reduced by 10%. If the mortality rates decreased by 10%, the present value of the defined benefit obligation would increase by EUR 10.5 million (2016: EUR 10.9 million) in the case of the principal pension plans and by EUR 0.2 million (2016: EUR 0.4 million) in the other countries.

28.) LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS

Liabilities relating to the acquisition of non-controlling interests break down as follows:

in EUR m	Dec. 31, 2017	Dec. 31, 2016
Liabilities relating to acquisition of non-controlling interests	11.8	3.7
Liabilities arising from limited partners' rights to repayment of contributions	1.7	1.8
Total	**13.5**	**5.5**

C.67 LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS

At the beginning of August, Brenntag acquired 51% of the shares in specialty chemical distributor Wellstar Enterprises (Hong Kong) Company Limited, Hong Kong and its three Chinese subsidiaries (jointly "Wellstar Group"). It will purchase the remaining 49% of the shares in 2021. On initial recognition at the beginning of August 2017, the purchase price expected for 2021 was required to be recognized as a liability at its present value by reducing retained earnings; it is presented in liabilities relating to the acquisition of non-controlling interests.

The effects of the change in liabilities relating to the acquisition of non-controlling interests recognized in profit or loss are presented in Note 9.).

29.) EQUITY

Capital management

The aim of capital management at Brenntag is to optimally deploy the resources used to ensure the company's continued existence and, at the same time, to generate a reasonable return on capital – measured by ROCE – for the shareholders in line with market conditions.

In 2017, the Group generated ROCE of 14.4% (2016: 15.7%).

in EUR m	2017	2016
EBITA	**663.3**	**694.5**
Average carrying amount of equity	2,969.2	2,753.8
Average carrying amount of financial liabilities	2,255.0	2,238.3
Average carrying amount of cash and cash equivalents	−612.0	−566.3
ROCE[1)]	**14.4%**	**15.7%**

C.68 DETERMINATION OF ROCE

[1)] For the definition of ROCE, see the "Group Key Financial Figures" section.

Brenntag monitors the appropriateness of borrowings inter alia through the ratio of net financial liabilities to operating EBITDA (leverage). In principle, Brenntag considers leverage at the current level of approximately 2x to be acceptable. Brenntag would only accept significantly higher leverage if it were only temporary, for example in connection with acquisitions. The current level may fall in line with the continued positive business performance without, in the company's opinion, any immediate counteraction being necessary.

The ratio of net financial liabilities to operating EBITDA decreased slightly from 2.1 to 1.9.

in EUR m	2017	2016
Non-current financial liabilities	1,520.1	2,137.5
Current financial liabilities	569.8	146.3
Cash and cash equivalents	−518.0	−601.9
Net financial liabilities	1,571.9	1,681.9
Operating EBITDA	836.0	810.0
Net financial liabilities / operating EBITDA	**1.9x**	**2.1x**

C.69 NET FINANCIAL LIABILITIES / OPERATING EBITDA

Subscribed capital

As at December 31, 2017, the subscribed capital of Brenntag AG totalled EUR 154.5 million. The share capital is divided into 154,500,000 no-par value registered shares, each with a notional value of EUR 1.00.

According to article 7, para. 3 of the Articles of Association of Brenntag AG, any right of shareholders to certification of their shares is excluded to the extent permitted by law and that certification is not required under the rules of any stock exchange on which the share is admitted for trading. The company is entitled to issue share certificates embodying several shares (consolidated certificates). Pursuant to Section 67, para. 2 of the German Stock Corporation Act (AktG) only those persons recorded in the company's share register will be recognized as shareholders of Brenntag AG. For purposes of recording the shares in the company's share register, shareholders are required to submit to Brenntag AG the number of shares held by them, and, in the case of individuals, their name, address and date of birth, or in the case of legal entities, their company name, business address and registered offices. All shares confer the same rights and obligations. At the General Shareholders' Meeting, each share has one vote and accounts for the shareholders' proportionate share in the net income of Brenntag AG. Excepted from this rule are any treasury shares held by Brenntag AG that do not entitle Brenntag AG to any membership rights. Brenntag AG does not currently have any treasury shares. The shareholders' rights and obligations are governed by the provisions of the German Stock Corporation Act, in particular by Sections 12, 53a ff., 118 ff. and 186 of the German Stock Corporation Act.

Additional paid-in capital

The additional paid-in capital amounts to EUR 1,491.4 million (Dec. 31, 2016: EUR 1,491.4 million).

Retained earnings

The retained earnings include cumulative profit after tax and the remeasurement component of the defined benefit pension plans including deferred taxes. Transactions with owners are also recognized here. The latter are effects of share purchases and sales which have no influence on existing control and are recognized in retained earnings. In financial year 2016, the remaining shares (49%) were acquired in Chinese distributor Zhong Yung. This transaction with owners increased retained earnings by EUR 30.5 million in the previous year due to the reclassification of non-controlling interests. The first-time recognition of the purchase price expected for 2021 for the remaining shares in Wellstar Group (49%) reduced retained earnings by EUR 8.2 million in 2017.

As proposed by the Board of Management and the Supervisory Board, the ordinary General Shareholders' Meeting of Brenntag AG on June 8, 2017 passed a resolution to pay a dividend of EUR 162.2 million (2016: EUR 154.5 million). Based on 154.5 million shares, that is a dividend of EUR 1.05 (2016: EUR 1.00) per no-par value share entitled to a dividend.

At the General Shareholders' Meeting on June 20, 2018, the Board of Management and the Supervisory Board will propose that a dividend of EUR 169,950,000.00 be paid. Based on 154.5 million shares, this is a dividend of EUR 1.10 per no-par value share entitled to a dividend.

Other components of equity / Non-controlling interests

Other components of equity contain the cumulative gain / loss from exchange rate differences, the net investment hedge reserve and the cash flow hedge reserve including deferred taxes.

The cumulative gain / loss from exchange rate differences contains the differences from the translation of the financial statements of foreign companies into the Group currency (euro), which are recognized in other comprehensive income. The foreign exchange losses of EUR 170.0 million recognized here in financial year 2017 resulted primarily from the depreciation of the US dollar against the euro.

Exchange rate differences from liabilities included in net investment hedge accounting are recognized within equity in the net investment hedge reserve.

The cash flow hedge reserve contains the effective portions of the cumulative changes in the fair value of derivative financial instruments included in cash flow hedge accounting.

Non-controlling interests comprise the shares of non-Group shareholders in the equity of consolidated entities. The non-controlling interests changed as follows:

in EUR m	Subscribed capital, retained earnings and additional paid-in capital	Exchange rate differences	**Non-controlling interests**
Dec. 31, 2015	**36.6**	**7.5**	**44.1**
Business combinations	2.6	–	2.6
Transactions with owners	−30.5	−5.8	−36.3
Profit after tax	0.7	–	0.7
Other comprehensive income, net of tax	–	−1.4	−1.4
Total comprehensive income for the period	**0.7**	**−1.4**	**−0.7**
Dec. 31, 2016	**9.4**	**0.3**	**9.7**
Business combinations	3.8	–	3.8
Transactions with owners	−0.7	–	−0.7
Profit after tax	1.2	–	1.2
Other comprehensive income, net of tax	–	−1.5	−1.5
Total comprehensive income for the period	**1.2**	**−1.5**	**−0.3**
Dec. 31, 2017	**13.7**	**−1.2**	**12.5**

C.70 CHANGE IN NON-CONTROLLING INTERESTS

Powers of the Board of Management to issue and repurchase shares

Authorization to create authorized capital

By resolution of the General Shareholders' Meeting on June 17, 2014, the Board of Management was authorized, subject to the consent of the Supervisory Board, to increase the registered share capital of Brenntag AG in one or more tranches by up to EUR 77,250,000 in aggregate by issuing up to 77,250,000 new no-par value registered shares against cash contributions or non-cash contributions in the period ending on June 16, 2019. In principle, shareholders are to be granted a subscription right for new shares. However, in certain cases the Board of Management is authorized, subject to the consent of the Supervisory Board, to exclude the statutory subscription right in relation to one or more increases in the registered share capital within the scope of the authorized share capital. This shall apply, for example, if the increase in the registered share capital is effected against contribution in cash and provided that the issue price of the new shares is not substantially lower (within the meaning of Section 203, para. 1 and para. 2 and Section 186, para. 3, sentence 4 of the German Stock Corporation Act) than the market price for shares in the Company of the same class and having the same conditions already listed at the time of the final determination of the issue price and provided that the amount of the registered share capital represented by the shares issued pursuant to this paragraph subject to the exclusion of the statutory subscription right in accordance with Section 186, para. 3, sentence 4 of the German Stock Corporation Act does not exceed 10% of the registered share capital in the amount of EUR 154,500,000 (simplified exclusion of subscription rights). Details can be found in the Articles of Association of Brenntag AG, which are available in the Investor Relations section of the website at www.brenntag.com.

The Board of Management determines, subject to the consent of the Supervisory Board, the further details regarding the rights attached to the shares and the conditions of the share issue.

Authorization to purchase and use treasury shares in accordance with Section 71, para. 1, No. 8 of the German Stock Corporation Act

By resolution of the General Shareholders' Meeting on June 17, 2014, the Board of Management was authorized, subject to the consent of the Supervisory Board, to purchase treasury shares up to a total amount equal to no more than 10% of the registered share capital. In this connection, the shares purchased on the basis of this authorization together with other shares of the company which Brenntag AG has already purchased and still holds shall not exceed 10% of the respective registered share capital. The authorization may be exercised to the full extent of repurchases thereby authorized or in partial amounts, on one or several occasions. It took effect at the close of the General Shareholders' Meeting on June 17, 2014 and shall apply until June 16, 2019. If the purchase of shares is effected on the stock market, the purchase price may not be more than 10% higher or lower than the arithmetic mean value of the closing prices on the Frankfurt am Main stock exchange for the last five trading days preceding the purchase or the assumption of an obligation to purchase. If purchase is effected by way of a public purchase offer to all shareholders or by other means in accordance with Section 53a of the German Stock Corporation Act, the purchase price paid to the shareholders in each case may not be more than 10% higher or lower than the arithmetic mean value of the closing prices on the Frankfurt am Main stock exchange for the last five trading days preceding the publication of the offer or, in the case of purchase by other means, preceding the purchase. The authorization may be exercised for any purpose permitted by law. Treasury shares may, under certain circumstances, also be used subject to exclusion of the shareholders' subscription rights existing in principle and in particular by way of simplified exclusion of subscription rights as specified above.

Authorization to issue bonds and to create conditional capital

By resolution of the General Shareholders' Meeting on June 17, 2014, the Board of Management was authorized, subject to the consent of the Supervisory Board, to issue in one or more tranches in the period up to June 16, 2019 registered or bearer warrant-linked or convertible bonds as well as profit-sharing certificates conferring option or conversion rights in an aggregate nominal amount of up to EUR 2,000,000,000 of limited or unlimited term (hereinafter collectively "Bonds") and to grant the holders or creditors of the Bonds option or conversion rights for up to 25,750,000 new shares of Brenntag AG with a pro-rata amount of the registered share capital of up to EUR 25,750,000 further subject to the terms and conditions of the respective warrant-linked or convertible bonds and / or terms and conditions of the profit-sharing certificates to be defined by the Board of Management (hereinafter in each case "Terms and Conditions"). Other than in euros, the Bonds may also be issued – subject to the limitation to the corresponding equivalent value in euros – in a foreign legal currency. The Bonds may also be issued by companies which are controlled by Brenntag AG or in which it holds a majority interest; in such case, the Board of Management was authorized, subject to the consent of the Supervisory Board, to assume on behalf of Brenntag AG, the guarantee for the Bonds and to grant the holders of such Bonds option and / or conversion rights for shares of Brenntag AG and to effect any further declarations and acts as are required for a successful issue. The issues of the Bonds may in each case be divided into partial bonds with equal entitlement amongst themselves. The issue of Bonds may also be effected against non-cash contributions, provided that the value of the non-cash contribution is equal to the issue price and such issue price is not substantially lower than the market value of the Bonds. The Board of Management is authorized, under certain circumstances and subject to the consent of the Supervisory Board, to exclude the subscription right of the shareholders for the Bonds. However, with regard to the exclusion of subscription rights against cash payment, such authorization shall apply only provided that the shares issued to fulfil the option or conversion rights and / or in the case of fulfilment of the conversion obligation represent no more than 10% of the registered share capital. Decisive for the threshold of 10% is the registered share capital in the amount of EUR 154,500,000 (simplified exclusion of subscription rights).

If convertible bonds or profit-sharing certificates conferring conversion rights are issued, their holders shall be granted the right to convert their Bonds into new shares of Brenntag AG further subject to the specific Terms and Conditions.

If bonds with warrant units or profit-sharing certificates conferring option rights are issued, one or more warrants shall be attached to each partial bond and/or each profit-sharing certificate which entitle the holder to subscribe shares of Brenntag AG further subject to the specific Terms and Conditions.

By resolution of the General Shareholders' Meeting on June 17, 2014, the registered share capital of Brenntag AG was conditionally increased by up to EUR 25,750,000 by issuing up to 25,750,000 new no-par value registered shares conferring profit-sharing rights from the beginning of the financial year in which they were issued. The conditional capital increase serves to grant shares to the holders or creditors of warrant-linked or convertible bonds as well as profit-sharing certificates with option or conversion rights which are issued in the period up to June 16, 2019, based on the authorization approved by the General Shareholders' Meeting. The conditional capital increase will only be implemented to the extent that warrants or conversion rights under bonds with warrant units and convertible bonds have been exercised or conversion obligations under such Bonds have to be fulfilled and to the extent that neither treasury shares nor new shares from the authorized capital are used to fulfil such claims. The Board of Management was authorized to stipulate the additional details of the implementation of the conditional capital increase.

In November 2015, Brenntag issued a bond with warrant units in the amount of USD 500.0 million. The bond was offered only to institutional investors outside the USA. Shareholders' subscription rights were excluded. The bonds (Bond (with Warrants) 2022), which are guaranteed by Brenntag AG, were issued by Brenntag Finance B.V. with warrants issued by Brenntag AG attached. The warrants entitle the holder to purchase Brenntag AG ordinary shares by paying the strike price applicable at that time. At the reporting date, there were options on approximately 6.5 million shares, equal to 4.2% of the registered share capital. In the event of any future capital measures under the current authorizations described above, Brenntag AG may, therefore, only further exclude the subscription right by way of the simplified exclusion of subscription rights up to a maximum amount, as at the reporting date, of 5.8% of the registered share capital. The Terms and Conditions of the bond with warrant units allow Brenntag AG to settle exercised options both from the conditional capital described above and from the authorized capital described above or from the treasury shares it holds or to buy back the warrants. The bond with warrant units, the underlying bonds and the warrants have a term of seven years. The investor may detach the warrants from the bonds. The bond with warrant units, bonds detached from warrants and detached warrants were admitted to trading on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange. Holders have been able to exercise their warrants since January 12, 2016. No warrants have been exercised to date.

30.) Consolidated cash flow statement disclosures

Net cash provided by operating activities of EUR 404.5 million includes an inflow of EUR 47.8 million from the reimbursement of a fine paid in 2013. The reimbursement was added to provisions, as proceedings are still ongoing before the court of appeal and the amount of any fine ultimately imposed will depend on how those proceedings progress.

The net cash inflow from operating activities was influenced by cash outflows attributable to the rise in working capital of EUR 247.6 million. This rise was due to a strong increase in prices on the chemical market.

The rise in working capital resulted from changes in inventories, gross trade receivables and trade payables as well as from valuation allowances on trade receivables and inventories as follows:

in EUR m	2017	2016
Increase in inventories	–146.1	–20.0
Increase in gross trade receivables	–243.4	–36.8
Increase in trade payables	143.8	37.6
Valuation allowances on trade receivables and on inventories[1]	–1.9	–8.3
Change in working capital[2]	**–247.6**	**–27.5**

C.71 CHANGE IN WORKING CAPITAL

[1] Presented within other non-cash items.
[2] Adjusted for exchange rate effects and acquisitions.

At 7.9 in the reporting period, annualized working capital turnover[3] was almost on a par with the previous year (8.0).

Of the interest payments, EUR 3.1 million (2016: EUR 2.8 million) relate to interest received and EUR 81.4 million (2016: EUR 69.8 million) to interest paid.

[3] Ratio of annual sales to average working capital: average working capital is defined for a particular year as the average of working capital at the beginning of the year, the end of each of the first, second and third quarters, and the end of the year.

Financial liabilities changed as follows:

in EUR m	Dec. 31, 2016	Net cash used in financing activities	Business combinations in accordance with IFRS 3	Exchange rate differences	Other	Dec. 31, 2017
Liabilities under syndicated loan	1,249.0	−673.2	–	−89.0	1.5	488.3
Other liabilities to banks	116.4	24.9	–	−9.4	−1.5	130.4
Bond 2018	407.9	–	–	–	1.3	409.2
Bond 2025	–	595.4	–	–	−0.9	594.5
Bond (with Warrants) 2022	442.1	–	–	−53.8	4.9	393.2
Finance lease liabilities	11.5	−2.9	–	–	−0.4	8.2
Derivative financial instruments	1.8	–	–	–	2.3	4.1
Other financial liabilities	55.1	−4.6	18.6	−2.5	−4.6	62.0
Financial liabilities	**2,283.8**	**−60.4**	**18.6**	**−154.7**	**2.6**	**2,089.9**
Dividends paid to Brenntag shareholders		−162.2				
Profits distributed to non-controlling interests		−1.7				
Net cash used in financing activities		**−224.3**				

C.72 CHANGE IN FINANCIAL LIABILITIES

31.) Segment reporting

The Brenntag Group operates solely in the chemical distribution business and is managed through the segments EMEA, North America, Latin America and Asia Pacific. The activities are allocated to these segments on the basis of the location of the registered office of the respective subsidiary. Allocation of the activities on the basis of the location of the registered offices of the customers would not lead to a different segmentation. The geographical segmentation reflects control and supervision by the management and permits a reliable estimate of risks and rewards.

In addition to various holding companies, all other segments present the activities with regard to the digitization of our business, which are combined in our Dutch subsidiary DigiB B.V., Amsterdam. The operations of Brenntag International Chemicals GmbH, which buys and sells chemicals in bulk on an international scale without regional boundaries, are also included here.

All consolidation adjustments between the segments are presented separately. Differences between the figures from the segment reporting and the corresponding figures in the consolidated financial statements are presented as a reconciliation. All transactions between companies within a segment have been eliminated. The Group accounts for inter-segment sales transactions as if the transactions were made with third parties at current prices (arm’s length principle).

The key indicator and measure for the financial performance of the Brenntag Group is operating EBITDA. We use this indicator to manage the segments, as it reflects the performance of our business operations well and is a key component of cash flow. Our aim is to continually grow operating EBITDA throughout the business cycle. It is the operating profit as recorded in the consolidated income statement plus amortization of intangible assets as well as depreciation of property, plant and equipment and investment property, adjusted for certain items.

Previously, the segments' operating EBITDA was adjusted only for holding charges, which are certain costs charged between holding companies and operating companies. At Group level, these effects net to zero. In addition to holding charges, Brenntag is now also adjusting operating EBITDA for income and expenses arising from special items so as to improve comparability in presenting the performance of its business operations over multiple reporting periods and explain it more appropriately. Special items are income and expenses outside ordinary activities that have a special and material effect on the results of operations.

There are no significant non-cash items in the reporting period.

Impairment losses on property, plant and equipment in the amount of EUR 1.6 million (2016: EUR 1.0 million) related to the EMEA segment. They were presented in selling expenses.

Non-current assets comprise property, plant and equipment and intangible assets. Non-current assets are allocated to the different countries as follows:

in EUR m		Germany	USA	France	Switzer-land	Italy	Spain	Others	**Group**
Property, plant and equipment	**Dec. 31, 2017**	**94.2**	**263.5**	**89.0**	**48.5**	**49.4**	**47.1**	**354.7**	**946.4**
	Dec. 31, 2016	89.5	288.6	90.0	56.3	45.9	47.6	391.2	1,009.1
Intangible assets[1]	**Dec. 31, 2017**	**10.3**	**47.6**	**1.6**	**0.4**	**2.1**	**0.5**	**65.7**	**128.2**
	Dec. 31, 2016	11.0	68.0	2.0	0.1	3.4	1.4	49.4	135.3

C.73 NON-CURRENT ASSETS BY COUNTRY

[1] Intangible assets excluding goodwill and "Brenntag" trademark.

The allocation of external sales to the different countries is shown in the following table:

in EUR m		Germany	USA	France	Italy	United Kingdom	Poland	Others	**Group**
External sales	**2017**	**1,242.6**	**3,997.5**	**496.2**	**512.6**	**438.9**	**452.3**	**4,603.2**	**11,743.3**
	2016	1,095.0	3,555.5	471.1	455.4	444.2	410.5	4,066.7	10,498.4

C.74 EXTERNAL SALES BY COUNTRY

32.) Other financial obligations and contingent liabilities

The following other financial obligations exist:

in EUR m	Remaining term: less than 1 year	1 to 5 years	more than 5 years	**Dec. 31, 2017**
Purchase commitments in respect of property, plant and equipment	4.5	–	–	4.5
Obligations from future minimum lease payments for operating leases	88.0	210.3	67.8	366.1
Total	**92.5**	**210.3**	**67.8**	**370.6**

C.75 OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES / DEC. 31, 2017

in EUR m	Remaining term: less than 1 year	1 to 5 years	more than 5 years	**Dec. 31, 2016**
Purchase commitments in respect of property, plant and equipment	3.4	–	–	3.4
Obligations from future minimum lease payments for operating leases	84.1	201.1	71.7	356.9
Total	**87.5**	**201.1**	**71.7**	**360.3**

C.76 OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES / DEC. 31, 2016

Obligations from future minimum lease payments for operating leases mainly relate to obligations from the leasing of land and buildings as well as operating and office equipment.

In connection with the elimination of environmental damage, as at December 31, 2017, there are contingent liabilities with a fair value of EUR 2.2 million (Dec. 31, 2016: EUR 2.4 million).

33.) Legal proceedings and disputes

Brenntag AG and individual subsidiaries have been named as defendants in various legal actions and proceedings arising in connection with its activities as a global group. Sometimes, Brenntag is also the subject of investigations by the authorities. Brenntag cooperates with the relevant authorities and, where appropriate, conducts internal investigations regarding alleged wrongdoings with the assistance of in-house and external counsel.

The decision issued by the French Competition Authority in 2013 in relation to the allocation of customers and coordination of prices was set aside by a court of appeal due to procedural errors at Brenntag's request in February 2017. Brenntag has received repayment of the fine in the amount of EUR 47.8 million, but the court of appeal has not yet made any decisions on the merits of the case. The reimbursement was therefore added to provisions. In the proceedings ongoing before the court of appeal, it will be decided to what extent a fine will be imposed. An appeal has been lodged against this decision by the court of appeal with the aim of definitively reversing the fine ruling. Regarding the investigation also ongoing at the French Competition Authority concerning whether BRENNTAG SA has illegally made use of its market position, a decision by the Authority is still pending. The Authority has imposed a fine of EUR 30 million because it believes that Brenntag breached duties to cooperate in this investigation. Brenntag has recognized a provision in the same amount. Brenntag believes that all legal obligations were fulfilled and has filed an appeal against the decision. Based on current knowledge, Brenntag further assumes that claims for civil liability arising from the above-mentioned proceedings are not sufficiently substantiated.

As a global company, Brenntag has to comply with the country-specific tax laws and regulations in each jurisdiction. Tax exposures could result in particular from current and future tax audits of our German and foreign subsidiaries. These exposures are generally reflected in the balance sheet by recognizing provisions.

The German Group companies Brenntag GmbH and BCD Chemie GmbH are currently the subject of routine reviews of the tax on spirits and energy being conducted by the German customs authorities for the years 2014 to 2016. Brenntag is cooperating with the customs authorities. It is not yet possible to make a definitive assessment as to potential tax exposures. In specific cases, the assessment is likely to differ; this risk has been reflected in the balance sheet by recognizing provisions. Further details have not been disclosed in particular as this could affect the further course of proceedings. In this respect, Brenntag is making use of IAS 37.92.

Given the number of legal disputes and other proceedings that Brenntag is involved in, it cannot be ruled out that a ruling may be made against Brenntag in some of these proceedings. The company contests actions and proceedings where it considers it appropriate. Provisions are established for ongoing legal disputes on the basis of the estimated risk and, if necessary, with the help of external consultants. It is very difficult to predict the outcome of such matters, particularly in cases in which claimants seek indeterminate compensation. Any adverse decisions rendered in such cases may have material effects on Brenntag's net assets, financial position and results of operations for a reporting period. However, Brenntag currently does not expect its assets, financial position and results of operations to be materially affected.

34.) Reporting of financial instruments

CARRYING AMOUNTS AND FAIR VALUES BY MEASUREMENT CATEGORY

The classification of the financial assets recognized in the balance sheet according to the measurement categories under IAS 39 is shown in the table below:

in EUR m	2017					
Measurement in the balance sheet:	At amortized cost	At fair value			Dec. 31, 2017	
Classification of financial assets:	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Derivatives designated in hedge accounting	Total carrying amount	Fair value
Cash and cash equivalents	518.0	–	–	–	518.0	518.0
Trade receivables	1,672.7	–	–	–	1,672.7	1,672.7
Other receivables	95.7	–	–	–	95.7	95.7
Other financial assets	21.7	5.4	1.4	–	28.5	28.5
Total	**2,308.1**	**5.4**	**1.4**	**–**	**2,314.9**	**2,314.9**

C.77 CLASSIFICATION OF FINANCIAL ASSETS BY MEASUREMENT CATEGORY / DEC. 31, 2017

in EUR m	2016					
Measurement in the balance sheet:	At amortized cost	At fair value			Dec. 31, 2016	
Classification of financial assets:	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Derivatives designated in hedge accounting	Total carrying amount	Fair value
Cash and cash equivalents	601.9	–	–	–	601.9	601.9
Trade receivables	1,511.2	–	–	–	1,511.2	1,511.2
Other receivables	89.6	–	–	–	89.6	89.6
Other financial assets	26.0	3.9	1.2	1.9	33.0	33.0
Total	**2,228.7**	**3.9**	**1.2**	**1.9**	**2,235.7**	**2,235.7**

C.78 CLASSIFICATION OF FINANCIAL ASSETS BY MEASUREMENT CATEGORY / DEC. 31, 2016

The majority of the financial assets measured at amortized cost have remaining terms of less than one year. Their carrying amounts at the reporting date approximate their fair values.

Of the other receivables recognized in the balance sheet, EUR 70.4 million (Dec. 31, 2016: EUR 80.9 million) are not financial assets as defined by IFRS 7. They are mainly receivables from value-added tax and other taxes, prepaid expenses and prepayments.

The classification of the financial liabilities recognized in the balance sheet according to the measurement categories under IAS 39 is shown in the table below:

in EUR m	2017						
Measurement in the balance sheet:	At amortized cost		At fair value			Dec. 31, 2017	
Classification of financial liabilities:	Not designated in hedge accounting	Designated in hedge accounting	Financial liabilities at fair value through profit or loss	Derivatives designated in hedge accounting	Carrying amount under IAS 17	Total carrying amount	Fair value
Trade payables	1,205.8	–	–	–	–	1,205.8	1,205.8
Other liabilities	181.6	–	–	–	–	181.6	181.6
Liabilities relating to acquisition of non-controlling interests	13.5	–	–	–	–	13.5	13.5
Financial liabilities	2,054.0	–	27.7	–	8.2	2,089.9	2,114.6
Total	**3,454.9**	**–**	**27.7**	**–**	**8.2**	**3,490.8**	**3,515.5**

C.79 CLASSIFICATION OF FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY / DEC. 31, 2017

in EUR m	2016						
Measurement in the balance sheet:	At amortized cost		At fair value			Dec. 31, 2016	
Classification of financial liabilities:	Not designated in hedge accounting	Designated in hedge accounting	Financial liabilities at fair value through profit or loss	Derivatives designated in hedge accounting	Carrying amount under IAS 17	Total carrying amount	Fair value
Trade payables	1,119.4	–	–	–	–	1,119.4	1,119.4
Other liabilities	185.8	–	–	–	–	185.8	185.8
Liabilities relating to acquisition of non-controlling interests	5.5	–	–	–	–	5.5	5.5
Financial liabilities	2,261.2	–	11.1	–	11.5	2,283.8	2,329.2
Total	**3,571.9**	**–**	**11.1**	**–**	**11.5**	**3,594.5**	**3,639.9**

C.80 CLASSIFICATION OF FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY / DEC. 31, 2016

The majority of the trade payables and other liabilities measured at amortized cost have remaining terms of less than one year. Their carrying amounts at the reporting date therefore approximate their fair values. The fair values of the financial liabilities measured at amortized cost were mainly determined using quoted or market prices in an active market (Level 1 of the fair value hierarchy). The fair values of liabilities relating to the acquisition of non-controlling interests were determined on the basis of recognized company valuation models. The company valuation models are based on cash flow plans (Level 3 of the fair value hierarchy). The fair values of foreign exchange forwards and foreign exchange swaps are determined by comparing forward rates and discounted to present value (Level 2 of the fair value hierarchy). The fair values of interest rate swaps are determined by applying the discounted cash flow method on the basis of current interest curves, taking into account the non-performance risk (Level 2 of the fair value hierarchy).

Of the other liabilities recognized in the balance sheet, EUR 217.4 million (Dec. 31, 2016: EUR 192.4 million) are not financial liabilities as defined by IFRS 7. They are mainly liabilities to employees, liabilities from value-added tax and other taxes, as well as deferred income.

The allocation of the financial assets and liabilities recognized in the balance sheet at fair value to the levels of the IFRS 13 fair value hierarchy is shown in the table below:

in EUR m

Hierarchy level	Level 1	Level 2	Level 3	**Dec. 31, 2017**
Financial assets at fair value through profit or loss	–	5.4	–	5.4
Financial liabilities at fair value through profit or loss	–	4.1	–	4.1
Available-for-sale financial assets	1.4	–	–	1.4
Liabilities resulting from contingent consideration arrangements	–	–	23.6	23.6

C.81 FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY / DEC. 31, 2017

in EUR m

Hierarchy level	Level 1	Level 2	Level 3	**Dec. 31, 2016**
Financial assets at fair value through profit or loss	–	3.9	–	3.9
Derivatives designated in hedge accounting with a positive fair value	–	1.9	–	1.9
Financial liabilities at fair value through profit or loss	–	1.8	–	1.8
Available-for-sale financial assets	1.2	–	–	1.2
Liabilities resulting from contingent consideration arrangements	–	–	9.3	9.3

C.82 FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY / DEC. 31, 2016

Liabilities resulting from contingent consideration arrangements of EUR 23.6 million relate to liabilities for contingent purchase prices payable in acquisitions. The amount of the contingent purchase price components is required to be recognized at fair value and is contingent on the acquiree meeting certain earnings targets (e.g. operating gross profit, EBITDA).

Liabilities resulting from contingent consideration arrangements changed as follows:

in EUR m	2017	2016
Jan. 1	**9.3**	**1.2**
Adjustments in the measurement period (increase in goodwill)	0.4	–
Business combinations	15.7	8.7
Purchase price payments	−1.8	−0.6
Dec. 31	**23.6**	**9.3**

C.83 CHANGE IN LIABILITIES RESULTING FROM CONTINGENT CONSIDERATION ARRANGEMENTS

The net gains/losses from financial assets and liabilities broken down into measurement categories are as follows:

in EUR m	2017								
	Interest		Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	At fair value		Currency translation		Impair-ments, net	**Net gain/loss**
Measurement category:	Income	Expense		Gains	Losses	Gains	Losses		
Loans and receivables	2.9	–	–	–	–	40.5	−80.0	−5.1	−41.7
Financial liabilities measured at amortized cost	–	−86.1	−1.5	–	–	29.7	−28.9	–	−86.8
Financial assets and liabilities at fair value through profit or loss	–	2.8	–	57.5	−28.3	–	–	–	32.0
Total	**2.9**	**−83.3**	**−1.5**	**57.5**	**−28.3**	**70.2**	**−108.9**	**−5.1**	**−96.5**

C.84 NET GAINS/LOSSES FROM FINANCIAL ASSETS AND LIABILITIES/2017

in EUR m	2016								
	Interest		Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	At fair value		Currency translation			
Measurement category:	Income	Expense		Gains	Losses	Gains	Losses	Impairments, net	**Net gain/loss**
Loans and receivables	2.9	–	–	–	–	73.3	−85.2	−4.4	−13.4
Financial liabilities measured at amortized cost	–	−74.6	−2.6	–	–	30.7	−73.5	–	−120.0
Financial assets and liabilities at fair value through profit or loss	–	–	–	62.9	−39.7	–	–	–	23.2
Derivatives designated in hedge accounting	–	−2.2	–	–	–	–	–	–	−2.2
Total	**2.9**	**−76.8**	**−2.6**	**62.9**	**−39.7**	**104.0**	**−158.7**	**−4.4**	**−112.4**

C.85 NET GAINS / LOSSES FROM FINANCIAL ASSETS AND LIABILITIES / 2016

Of the interest expense on liabilities to third parties contained in interest expense, EUR 1.4 million (2016: EUR 1.8 million) is interest expense which is not part of the effective interest on financial liabilities measured at amortized cost.

With the exception of valuation allowances on trade receivables and other receivables, net gains and losses on subsequent measurement are presented within net finance costs. Valuation allowances on trade receivables and other receivables are presented under other operating expenses and the income from the receipt of trade receivables derecognized in prior periods is presented within other operating income.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The gross amounts of financial assets and liabilities are offset on the basis of netting arrangements in the balance sheet as follows or they are subject to enforceable master netting arrangements or similar agreements that do not meet the requirements for offsetting in the balance sheet:

in EUR m	Gross amounts of financial assets and liabilities	Offsetting	Carrying amounts in the balance sheet	Enforceable master netting arrangements and similar arrangements	**Dec. 31, 2017 Net amount**
Trade receivables	1,711.4	−38.7	1,672.7	−5.2	1,667.5
Other receivables	166.4	−0.2	166.2	−0.1	166.1
Other financial assets	28.5	–	28.5	−0.8	27.7
Trade payables	1,211.4	−5.6	1,205.8	−4.8	1,201.0
Other liabilities	432.9	−33.3	399.6	−0.5	399.1
Financial liabilities	2,089.9	–	2,089.9	−0.8	2,089.1

C.86 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES / DEC. 31, 2017

in EUR m	Gross amounts of financial assets and liabilities	Offsetting	Carrying amounts in the balance sheet	Enforceable master netting arrangements and similar arrangements	**Dec. 31, 2016 Net amount**
Trade receivables	1,545.2	−34.0	1,511.2	−3.1	1,508.1
Other receivables	170.5	–	170.5	−0.1	170.4
Other financial assets	33.0	–	33.0	−1.1	31.9
Trade payables	1,124.9	−5.5	1,119.4	−2.9	1,116.5
Other liabilities	406.7	−28.5	378.2	−0.3	377.9
Financial liabilities	2,283.8	–	2,283.8	−1.1	2,282.7

C.87 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES / DEC. 31, 2016

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

According to IFRS 7, risks arising from financial instruments can typically be divided into currency risks, interest rate risks, credit risks and liquidity risks.

The sources of as well as the processes and policies used to manage these risks are described in detail in the chapter “Financial risks and opportunities” in the Group management report.

Currency risks

Currency risks arise particularly when monetary items or contracted future transactions are in a currency other than the functional currency of a company. Foreign exchange forwards and foreign exchange swaps are used as hedging instruments. The derivative financial instruments used have maturities of less than one year and are not included in hedge accounting.

Until the non-controlling interests in the Zhong Yung Group were acquired at the end of May 2016, exchange rate-related changes in the purchase price liability in the amount of EUR 6.4 million were recognized within equity in the net investment hedge reserve. In financial year 2017, the amount recognized in the net investment hedge reserve was transferred to the reserve for exchange rate differences.

in EUR m	Net investment hedge reserve
Dec. 31, 2016	**−6,4**
Transfer to reserve for exchange rate differences	6,4
Dec. 31, 2017	**–**

C.88 CHANGE IN NET INVESTMENT HEDGE RESERVE

If the euro had been worth 10% more or less in each case against major currencies as at December 31, 2017, translation of monetary items in foreign currency into the Group currency, the euro, allowing for the foreign exchange forward transactions and foreign exchange swaps still open on December 31, 2017, would have resulted in the following changes in net finance costs:

	2017		**2016**	
in EUR m	+10%	−10%	+10%	−10%
USD	−2.4	3.0	−1.3	1.6
GBP	0.5	−0.6	1.7	−2.1
PLN	−0.7	0.8	−0.5	0.6
ROL	−0.3	0.4	0.1	−0.1

C.89 SENSITIVITY ANALYSIS CURRENCY RISK

Interest rate risks

Interest rate risks can occur due to changes in market interest rates. The risks result from changes in the fair values of fixed-rate financial instruments or from changes in the cash flows of variable-rate financial instruments. In April 2013, parts of the floating-rate syndicated loan were hedged against interest rate risks over the long term using interest rate swaps and the interest rate swaps were included in cash flow hedge accounting.

When the syndicated loan was refinanced in January 2017, the cash flow hedge accounting for the interest rate swaps still in place was reversed.

As a result, the cash flow hedge reserve changed as follows:

in EUR m	Cash flow hedge reserve
Dec. 31, 2016	**1.9**
Reclassification to profit and loss	–1.9
Dec. 31, 2017	**–**

C.90 CHANGE IN CASH FLOW HEDGE RESERVE

If the market interest rate at December 31, 2017 had been 25 basis points (2016: 25 basis points) higher or lower (relative to the total amount of derivatives and variable-rate financial liabilities as at December 31, 2017), the negative impact on net finance costs would have been EUR 0.9 million or the positive impact EUR 0.8 million (2016: negative impact of EUR 2.7 million or positive impact of EUR 2.7 million).

Credit risks

Non-derivative financial instruments entail credit risk when contractually agreed payments are not made by the contracting parties. The maximum credit risk on non-derivative financial instruments corresponds to their carrying amounts. The expected credit risk from individual receivables is allowed for by recognizing write-downs of the assets. See also Note 15.).

With the derivative financial instruments used, the maximum credit risk is the total of all positive fair values of these instruments as, in the event of non-performance by the contracting parties, losses on assets would be restricted to this amount.

Liquidity risks

Liquidity risk is the risk that the Brenntag Group may in future not be able to meet its contractual payment obligations. Due to the fact that the Brenntag Group's business is not subject to any pronounced seasonal fluctuations, there is relatively little fluctuation in liquidity during the financial year.

To ensure that the Brenntag Group can pay at all times, it not only has appropriate liquidity reserves in the form of cash and cash equivalents but also credit lines under the syndicated loan which can be utilized as needed. In order to identify the liquidity risks, the Group has a multi-annual liquidity plan which is regularly reviewed and adjusted if necessary.

In certain countries (e.g. South Africa, China and Brazil), Brenntag has local cash and cash equivalents at its disposal for cross-border transfers only subject to the applicable restrictions on foreign exchange transactions.

The undiscounted cash flows resulting from financial liabilities are shown in the following table:

		Cash flows 2018–2023 ff.					
in EUR m	**Carrying amount Dec. 31, 2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023 ff.**
Trade payables	1,205.8	1,205.8	–	–	–	–	–
Other liabilities	399.6	398.3	0.9	0.1	–	0.3	–
Liabilities relating to acquisition of non-controlling interests	13.5	1.7	–	–	8.2	–	3.6
Liabilities under syndicated loan	488.3	13.2	13.2	13.2	13.2	13.2	492.0
Other liabilities to banks	130.4	126.5	0.3	–	–	–	3.6
Bond 2018	409.2	420.2	–	–	–	–	–
Bond 2025	594.5	8.6	6.8	6.8	6.8	6.8	620.4
Bond (with Warrants) 2022	393.2	7.8	7.8	7.8	7.8	424.7	–
Finance lease liabilities	8.2	2.6	1.9	1.3	1.0	0.4	4.2
Derivative financial instruments	4.1						
of which cash inflows	–	299.9	–	–	–	–	–
of which cash outflows	–	304.1	–	–	–	–	–
Other financial liabilities	62.0	23.2	15.6	22.1	0.6	0.5	–
Total	**3,708.8**	**2,212.1**	**46.5**	**51.3**	**37.6**	**445.9**	**1,123.8**

C.91 FUTURE CASH FLOWS FROM FINANCIAL LIABILITIES / DEC. 31, 2017

in EUR m	Carrying amount Dec. 31, 2016	Cash flows 2017–2022 ff. 2017	2018	2019	2020	2021	2022 ff.
Trade payables	1,119.4	1,119.4	–	–	–	–	–
Other liabilities	378.2	376.2	0.7	0.1	0.2	0.3	0.7
Liabilities relating to acquisition of non-controlling interests	5.5	5.5	–	–	–	–	–
Liabilities under syndicated loan	1,249.0	21.6	21.6	1,259.1	–	–	–
Other liabilities to banks	116.4	111.6	0.4	0.1	–	–	4.3
Bond 2018	407.9	22.0	422.0	–	–	–	–
Bond (with Warrants) 2022	442.1	8.9	8.9	8.9	8.9	8.9	483.2
Finance lease liabilities	11.5	3.5	2.5	2.1	1.4	1.2	4.9
Derivative financial instruments	1.8						
of which cash inflows	–	178.0	–	–	–	–	–
of which cash outflows	–	180.6	–	–	–	–	–
Other financial liabilities	55.1	18.4	20.8	8.9	1.1	0.5	5.4
Total	**3,786.9**	**1,689.7**	**476.9**	**1,279.2**	**11.6**	**10.9**	**498.5**

C.92 FUTURE CASH FLOWS FROM FINANCIAL LIABILITIES / DEC. 31, 2016

Derivative financial instruments

The notional amount and fair values of derivative financial instruments are shown in the table below:

	Dec. 31, 2017			Dec. 31, 2016		
in EUR m	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Foreign exchange forward transactions and foreign exchange swaps not included in hedge accounting	771.0	2.9	4.1	614.3	3.9	1.8
Interest rate swaps in hedge accounting	–	–	–	284.6	1.9	–
Interest rate swaps not included in hedge accounting	250.1	2.5	–	–	–	–
Total		**5.4**	**4.1**		**5.8**	**1.8**

C.93 DERIVATIVE FINANCIAL INSTRUMENTS

35.) Related parties

In the course of its normal business activities, Brenntag AG also obtains services from and provides services for related entities. These related entities are the subsidiaries included in the consolidated financial statements as well as associates accounted for using the equity method and their subsidiaries.

Related persons are the members of the Board of Management and Supervisory Board of Brenntag AG and members of their families.

The total remuneration of the Board of Management due in the short term, including the remuneration for performing their tasks at subsidiaries, amounts to EUR 6.0 million for financial year 2017 (2016: EUR 5.3 million). Furthermore, there are long-term remuneration programmes for members of the Board of Management that are partly based on the development of the share price. The resulting bonus earned in the current year plus changes in the amount of entitlements not yet paid out totals EUR 2.5 million for 2017 (2016: EUR 1.9 million). The cost (excluding interest expense) of the pension entitlements earned in the reporting period (defined benefit plans) amounts to EUR 0.4 million (2016: EUR 0.6 million). The total remuneration of Board of Management in accordance with IFRSs is therefore EUR 8.9 million (2016: EUR 7.8 million). In financial year 2017, as in the previous year, no expense for remuneration to former members of the Board of Management was incurred.

In accordance with the German Commercial Code (HGB), the total remuneration of the Board of Management members serving in financial year 2017 amounts to EUR 8.9 million (2016: EUR 9.6 million).

Of the total remuneration, an amount of EUR 2.7 million (2016: EUR 2.6 million, in each case the fair value at the grant date) is attributable to share-based remuneration programmes.

The Board of Management remuneration system and the remuneration of each member of the Board of Management are detailed in the remuneration report, which is an integral part of the combined management report.

The total remuneration of the members of the Supervisory Board due in the short term amounts to EUR 1.0 million for financial year 2017 (2016: EUR 1.0 million).

The Supervisory Board remuneration system and the remuneration of each member of the Supervisory Board are detailed in the remuneration report, which is an integral part of the combined management report.

Apart from the aforementioned, there were no transactions with related persons.

The following business transactions were performed on terms equivalent to those that prevail in arm's length transactions:

in EUR m	2017	2016
Sales from transactions with associates	1.2	1.3
Goods delivered and services rendered by associates	0.9	0.8
Sales from transactions with companies at which related persons perform a supervisory function	–	0.2

C.94 TRANSACTIONS WITH RELATED PARTIES

in EUR m	Dec. 31, 2017	Dec. 31, 2016
Trade receivables from associates	0.5	0.5
Trade payables to associates	0.1	0.1

C.95 RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES

The transactions of Brenntag AG with subsidiaries included in the consolidated financial statements as well as between included subsidiaries have been eliminated.

36.) Fees for the auditors of the consolidated financial statements

The following fees for the services of the auditors of the consolidated financial statements, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, were recognized as expenses:

in EUR m	2017	2016
Financial statement audit services	1.0	1.0
Other assurance services	0.1	–
Tax advisory services	0.1	0.2
Other services rendered	–	0.1
Total	**1.2**	**1.3**

C.96 FEES FOR THE AUDITORS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Financial statement audit services comprise the statutory annual audits of the single-entity financial statements, the statutory audit of the consolidated financial statements and the review of the quarterly financial statements. Other assurance services include the audit of the sustainability report and the issuance of a comfort letter in accordance with IDW AuS 910. Tax advisory services are support services provided in connection with the transfer pricing documentation.

37.) Exemptions pursuant to Section 264, para. 3 / Section 264b of the German Commercial Code

For financial year 2017, the following subsidiaries of Brenntag AG are making use of the exemptions pursuant to Section 264, para. 3 and Section 264b of the German Commercial Code:

- Brenntag Holding GmbH, Essen
- Brenntag Germany Holding GmbH, Essen
- Brenntag Foreign Holding GmbH, Essen
- Brenntag Beteiligungs GmbH, Essen
- BRENNTAG GmbH, Duisburg
- BRENNTAG International Chemicals GmbH, Essen
- Brenntag Real Estate GmbH, Essen
- BCD Chemie GmbH, Hamburg
- CLG Lagerhaus GmbH & Co. KG, Mülheim an der Ruhr
- Brenntag European Services GmbH & Co. KG, Zossen
- CM Komplementär 03–018 GmbH & Co. KG, Mülheim an der Ruhr
- CM Komplementär 03–019 GmbH & Co. KG, Mülheim an der Ruhr
- CM Komplementär 03–020 GmbH & Co. KG, Mülheim an der Ruhr
- ACU PHARMA und CHEMIE GmbH, Apolda

38.) Declaration of conformity with the German Corporate Governance Code

On December 14, 2017, the Board of Management and Supervisory Board issued the declaration of conformity with the recommendations of the Government Commission "German Corporate Governance Code" for financial year 2017 as required by Section 161 of the German Stock Corporation Act. The declaration of conformity can be viewed at any time on the website of Brenntag AG (www.brenntag.com/media/documents/investor_relations/2017/declaration_of_conformity2017.pdf).

39.) Events after the end of the reporting period

With regard to the provision for a fine of EUR 30 million commented upon in Note 26, a request for payment to be made in the same amount was received from the Authority in February 2018. Acccording to this request, the payment is due in April 2018. Brenntag will make the payment as requested.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Essen, March 8, 2018

Brenntag AG

BOARD OF MANAGEMENT

Steven Holland   Karsten Beckmann   Markus Klähn

Georg Müller   Henri Nejade

ANNEX

List of Shareholdings in Accordance with Section 313, Para. 2 of the German Commercial Code as at December 31, 2017

No.	Company	Domicile	Held directly % [1)]	Held indirectly % [1)]	Effective net holding % [1)]	Via no.
1	Brenntag AG	Essen				
CONSOLIDATED SUBSIDIARIES						
Algeria						
2	Alliance Chimie Algerie SPA	Algiers	0.00	100.00	99.94	72
Argentina						
3	Brenntag Argentina S.A.	Buenos Aires	0.00	90.00 10.00	100.00	122 113
Australia						
4	Brenntag Australia Pty. Ltd.	Highett	0.00	100.00	100.00	150
Bangladesh						
5	BRENNTAG BANGLADESH SERVICES LTD.	Dhaka	0.00	100.00	100.00	6
6	BRENNTAG BANGLADESH LTD.	Dhaka	0.00	100.00	100.00	122
7	BRENNTAG BANGLADESH FORMULATION LTD.	Dhaka	0.00	100.00	100.00	122
Belgium						
8	BRENNTAG NV	Deerlijk	0.00	99.99 0.01	100.00	73 57
9	European Polymers and Chemicals Distribution BVBA	Deerlijk	0.00	100.00	100.00	127
Bermuda						
10	HCI Ltd.	Hamilton	0.00	100.00	100.00	11
11	Pelican Chemical Traders Ltd.	Hamilton	0.00	100.00	100.00	31
Bolivia						
12	Brenntag Bolivia S.R.L.	Santa Cruz	0.00	90.00 10.00	100.00	122 114
Brazil						
13	Brenntag Quimica Brasil Ltda.	Guarulhos, State of São Paulo	0.00	100.00	100.00	122
Bulgaria						
14	BRENNTAG BULGARIA EOOD	Sofia	0.00	100.00	100.00	122
Chile						
15	Brenntag Chile Comercial e Industrial Limitada	Santiago	0.00	95.00 5.00	100.00	122 114

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
China						
16	Shanghai Wellstar Trading Co., Ltd.	Shanghai	0.00	100.00	51.00[2]	82
17	Shanghai Yi Rong International Trading Co., Ltd.	Shanghai	0.00	75.00 25.00	100.00	22 80
18	Shenzhen Wellstar Trading Co., Ltd.	Shenzhen	0.00	100.00	51.00[2]	82
19	TAT Petroleum (Guangzhou) Ltd	Guangzhou	0.00	100.00	100.00	150
20	Tianjin Tai Rong Chemical Trading Co., Ltd.	Tianjin	0.00	100.00	100.00	22
21	Tianjin Zhong Rong Chemical Storage Co., Ltd.	Tianjin	0.00	100.00	100.00	80
22	Shanghai Jia Rong Trading Co., Ltd.	Shanghai	0.00	100.00	100.00	21
23	Shanghai Anyijie Chemical Logistic Co., Ltd.	Shanghai	0.00	100.00	100.00	21
24	Guangzhou Wellstar Trading Co., Ltd.	Guangzhou	0.00	100.00	51.00[2]	82
25	Guangzhou Fan Ya Jia Rong Trading Co., Ltd.	Guangzhou	0.00	60.00 40.00	100.00	22 20
26	Brenntag (Zhangjiagang) Chemical Co., Ltd	Zhangjiagang	0.00	100.00	100.00	80
27	Brenntag (Shanghai) Enterprise Management Co., Ltd.	Shanghai	0.00	100.00	100.00	122
28	Brenntag Cangzhou Chemical Co., Ltd	Cangzhou	0.00	79.40 20.60	100.00	21 80
Costa Rica						
29	Quimicos Holanda Costa Rica S.A.	San José	0.00	100.00	100.00	122
Curaçao						
30	HCI Shipping N.V.	Curaçao	0.00	100.00	100.00	31
31	H.C.I. (Curaçao) N.V.	Curaçao	0.00	100.00	100.00	122
Denmark						
32	Aktieselskabet af 1. Januar 1987	Ballerup	0.00	100.00	100.00	34
33	Brenntag Biosector A/S	Ballerup	0.00	100.00	100.00	34
34	Brenntag Nordic A/S	Ballerup	0.00	100.00	100.00	122
Germany						
35	ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Hüttenheim KG	Düsseldorf	0.00	94.00	94.00[3]	60
36	Fred Holmberg & Co GmbH	Hamburg	0.00	100.00	100.00	145
37	CVP Chemie-Vertrieb Berlin GmbH	Berlin	0.00	100.00	51.00	40
38	CVM Chemie-Vertrieb Magdeburg GmbH & Co. KG	Schönebeck	0.00	100.00	51.00	40
39	CVH Chemie-Vertrieb Verwaltungsgesellschaft mbH	Hanover	0.00	51.00	51.00	60
40	CVH Chemie-Vertrieb GmbH & Co. Hannover KG	Hanover	0.00	51.00	51.00	60
41	CVB Albert Carl GmbH & Co. KG Berlin	Berlin	0.00	100.00	51.00	40
42	CM Komplementär 03–020 GmbH & Co. KG	Mülheim an der Ruhr	0.00	100.00 0.00	100.00	43 56
43	CM Komplementär 03–019 GmbH & Co. KG	Mülheim an der Ruhr	0.00	100.00 0.00	100.00	44 55
44	CM Komplementär 03–018 GmbH & Co. KG	Mülheim an der Ruhr	0.00	100.00 0.00	100.00	59 54
45	CLG Lagerhaus GmbH & Co. KG	Mülheim an der Ruhr	0.00	100.00	100.00	60
46	CLG Lagerhaus GmbH	Duisburg	0.00	100.00	100.00	60

No.	Company	Domicile	Held directly %[1)]	Held indirectly %[1)]	Effective net holding %[1)]	Via no.
47	Brenntag Vermögensmanagement GmbH	Zossen	0.00	100.00	100.00	57
48	Brenntag Real Estate GmbH	Essen	0.00	100.00	100.00	57
49	BRENNTAG International Chemicals GmbH	Essen	0.00	100.00	100.00	60
50	Brenntag Holding GmbH	Essen	100.00	0.00	100.00	1
51	ACU PHARMA und CHEMIE GmbH	Apolda	0.00	100.00	100.00	60
52	BBG Berlin-Brandenburger Lager- u. Distributions-gesellschaft Biesterfeld Brenntag mbH	Hoppegarten	0.00	50.00 50.00	100.00	60 53
53	BCD Chemie GmbH	Hamburg	0.00	100.00	100.00	60
54	Blitz 03–1161 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	59
55	Blitz 03–1162 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	44
56	Blitz 03–1163 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	43
57	Brenntag Beteiligungs GmbH	Essen	0.00	100.00	100.00	50
58	Brenntag European Services GmbH & Co. KG	Zossen	0.00	100.00	100.00	57
59	Brenntag Foreign Holding GmbH	Essen	0.00	100.00	100.00	57
60	Brenntag Germany Holding GmbH	Essen	0.00	100.00	100.00	57
61	Brenntag Global Services GmbH	Zossen	0.00	100.00	100.00	58
62	BRENNTAG GmbH	Duisburg	0.00	100.00	100.00	60
Dominican Republic						
63	BRENNTAG CARIBE S.R.L.	Santo Domingo	0.00	100.00 0.00	100.00	122 113
Ecuador						
64	BRENNTAG ECUADOR S.A.	Guayaquil	0.00	100.00 0.00	100.00	122 113
El Salvador						
65	BRENNTAG EL SALVADOR, S.A. DE C.V.	Soyapango	0.00	100.00 0.00	100.00	122 114
Finland						
66	Brenntag Nordic Oy	Vantaa	0.00	100.00	100.00	122
France						
67	SOCIETE COMMERCIALE TARDY ET CIE. SARL	Vitrolles	0.00	51.00	50.97	74
68	Multisol International Services SAS	Sotteville Les Rouen	0.00	80.00 20.00	100.00	73 69
69	Multisol France SAS	Villebon sur Yvette	0.00	100.00	100.00	73
70	METAUSEL SAS	Chassieu	0.00	100.00	99.94	71
71	BRENNTAG SA	Chassieu	0.00	99.94	99.94	73
72	BRENNTAG MAGHREB SAS	Vitrolles	0.00	100.00	99.94	74
73	BRENNTAG FRANCE HOLDING SAS	Chassieu	0.00	100.00	100.00	75
74	BRENNTAG EXPORT SARL	Vitrolles	0.00	100.00	99.94	71
75	BRACHEM FRANCE HOLDING SAS	Chassieu	0.00	100.00	100.00	50
Ghana						
76	Brenntag Ghana Limited	Accra	0.00	100.00	100.00	122
Greece						
77	Brenntag Hellas Chimika Monoprosopi EPE	Penteli	0.00	100.00	100.00	125

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
Guatemala						
78	BRENNTAG GUATEMALA S.A.	Guatemala City	0.00	99.97 0.03	100.00	122 113
Honduras						
79	INVERSIONES QUIMICAS, S.A.	San Pedro Sula	0.00	98.51 1.49	100.00	122 113
Hong Kong						
80	Zhong Yung (International) Chemical Co., Limited	Hong Kong	0.00	100.00	100.00	122
81	Yuen Fung Hong Petroleum Co., Ltd	Hong Kong	0.00	100.00	100.00	84
82	WELLSTAR ENTERPRISES (HONG KONG) COMPANY LIMITED	Hong Kong	0.00	51.00	51.00[2]	122
83	Brenntag Hong Kong Limited	Hong Kong	0.00	99.96 0.04	100.00	122 113
84	Brenntag Chemicals (HK) Pte Limited	Hong Kong	0.00	100.00	100.00	150
India						
85	Brenntag Ingredients (India) Private Limited	Mumbai	0.00	100.00	100.00	150
Indonesia						
86	PT. TAT Petroleum Indonesia	South Jakarta	0.00	99.00 1.00	100.00	150 88
87	PT. Dharmala HCI i.L.	Jakarta	0.00	91.14	91.14	122
88	PT. Brenntag	Jakarta Selatan	0.00	100.00	100.00	150
Ireland						
89	Brenntag Chemicals Distribution (Ireland) Limited	Dublin	0.00	100.00	100.00	206
Italy						
90	NATURAL WORLD S.R.L.	Lugo	0.00	100.00	100.00	92
91	CHIMAB S.p.A.	Campodarsego (Padua)	0.00	100.00	100.00	92
92	BRENNTAG S.P.A.	Assago (MI)	0.00	100.00	100.00	122
Canada						
93	BRENNTAG CANADA INC.	Toronto	0.00	100.00	100.00	111
Colombia						
94	BRENNTAG COLOMBIA S.A.	Bogotá D.C.	0.00	94.87 4.15 0.41 0.38 0.19	100.00	122 114 30 113 31
Croatia						
95	BRENNTAG HRVATSKA d.o.o.	Zagreb	0.00	100.00	100.00	125
Latvia						
96	SIA BRENNTAG LATVIA	Riga	0.00	100.00	100.00	138
97	SIA DIPOL BALTIJA	Riga	0.00	100.00	100.00	183
Lithuania						
98	UAB BRENNTAG LIETUVA	Kaunas	0.00	100.00	100.00	138
Malaysia						
99	AKASHI SDN. BHD.	Kuala Lumpur	0.00	100.00	100.00	101
100	BRENNTAG MALAYSIA SDN. BHD.	Kuala Lumpur	0.00	100.00	100.00	122
101	BRENNTAG SDN. BHD.	Kuala Lumpur	0.00	100.00	100.00	150

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
Morocco						
102	BRENNTAG MAROC S.A.R.L associé unique	Casablanca	0.00	100.00	99.94	72
103	ALCOCHIM MAROC S.A.R.L.	Casablanca	0.00	100.00	99.94	72
Mauritius						
104	Multisol Mauritius Limited	Port Louis	0.00	100.00	100.00	201
105	Brenntag Chemicals Mauritius Limited	Port Louis	0.00	100.00	100.00	122
Mexico						
106	BRENNTAG PACIFIC, S. DE R.L. DE C.V.	Tijuana	0.00	99.00 1.00	100.00	188 190
107	BRENNTAG MÉXICO, S.A. DE C.V.	Cuautitlan Izcalli	0.00	100.00 0.00	100.00	122 114
108	AMCO INTERNACIONAL S.A. DE C.V.	Mexico City	0.00	100.00 0.00	100.00	107 106
New Zealand						
109	BRENNTAG NEW ZEALAND LIMITED	Wellington	0.00	100.00	100.00	150
Nicaragua						
110	BRENNTAG NICARAGUA, S.A.	Managua	0.00	100.00 0.00	100.00	122 113
Netherlands						
111	Holland Chemical International B.V.	Dordrecht	0.00	100.00	100.00	122
112	HCI U.S.A. Holdings B.V.	Amsterdam	0.00	100.00	100.00	121
113	HCI Central Europe Holding B.V.	Amsterdam	0.00	100.00	100.00	122
114	H.C.I. Chemicals Nederland B.V.	Amsterdam	0.00	100.00	100.00	122
115	DigiB B.V.	Amsterdam	0.00	100.00	100.00	122
116	Brenntag Vastgoed B.V.	Dordrecht	0.00	100.00	100.00	117
117	Brenntag Nederland B.V.	Dordrecht	0.00	100.00	100.00	122
118	Brenntag HoldCo B.V.	Amsterdam	0.00	100.00	100.00	50
119	Brenntag Finance B.V.	Amsterdam	0.00	100.00	100.00	122
120	BRENNTAG Dutch C.V.	Amsterdam	0.00	99.90 0.10	100.00	122 114
121	BRENNTAG Coöperatief U.A.	Amsterdam	0.00	99.00 1.00	100.00	190 191
122	BRENNTAG (Holding) B.V.	Amsterdam	0.00	74.00 26.00	100.00	118 59
Nigeria						
123	Brenntag Chemicals Nigeria Limited	Onikan-Lagos	0.00	90.00 10.00	100.00	122 113
Norway						
124	BRENNTAG NORDIC AS	Borgenhaugen	0.00	100.00	100.00	146
Austria						
125	Brenntag Austria GmbH	Vienna	0.00	99.90 0.10	100.00	126 57
126	Brenntag Austria Holding GmbH	Vienna	0.00	100.00	100.00	8
127	JLC-Chemie Handels GmbH	Wiener Neustadt	0.00	100.00	100.00	125
128	Provida GmbH	Vienna	0.00	100.00	100.00	125

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
Panama						
129	BRENNTAG PANAMA S.A.	Panama City	0.00	100.00	100.00	31
Peru						
130	BRENNTAG PERU S.A.C.	Lima	0.00	100.00 0.00	100.00	122 113
Philippines						
131	BRENNTAG INGREDIENTS INC.	Makati City	0.00	100.00	100.00	122
Poland						
132	Obsidian Company sp. z o.o.	Warsaw	0.00	100.00	100.00	138
133	PHU ELMAR sp. z o.o.	Bydgoszcz	0.00	100.00	100.00	138
134	Motor Polimer sp. z o.o.	Suchy Las	0.00	100.00	100.00	9
135	Fred Holmberg & Co Polska Sp.z o.o.	Warsaw	0.00	100.00	100.00	138
136	FORCHEM sp. z o.o	Warsaw	0.00	100.00	100.00	9
137	Eurochem Service Polska sp. z o.o.	Warsaw	0.00	100.00	100.00	138
138	BRENNTAG Polska sp. z o.o.	Kedzierzyn-Kozle	0.00	61.00 39.00	100.00	8 125
Portugal						
139	Brenntag Portugal-Produtos Quimicos, Lda.	Sintra	0.00	73.67 26.05 0.28	100.00	59 122 60
Puerto Rico						
140	Brenntag Puerto Rico, Inc.	Caguas	0.00	100.00	100.00	122
Republic of Serbia						
141	Brenntag d.o.o. Beograd-Savski Venac	Belgrade	0.00	100.00	100.00	122
Romania						
142	BRENNTAG S.R.L.	Chiajna	0.00	100.00	100.00	113
Russia						
143	OOO BRENNTAG	Moscow	0.00	100.00	100.00	125
144	OOO MULTISOL	Moscow	0.00	100.00	100.00	202
Sweden						
145	Brenntag Nordic AB	Malmö	0.00	100.00	100.00	147
146	Brenntag Nordic Holding AB	Malmö	0.00	100.00	100.00	122
147	Brenntag Nordic Investment AB	Malmö	0.00	100.00	100.00	146
148	MX Adjuvac AB	Enköping	0.00	100.00	100.00	33
Switzerland						
149	Brenntag Schweizerhall AG	Basel	0.00	100.00	100.00	73
Singapore						
150	BRENNTAG PTE. LTD.	Singapore	0.00	100.00	100.00	122
151	Axxmo International Pte Ltd	Singapore	0.00	100.00	100.00	122
Slovakia						
152	BRENNTAG SLOVAKIA s.r.o.	Pezinok	0.00	100.00	100.00	125
Slovenia						
153	BRENNTAG LJUBLJANA d.o.o.	Ljubljana	0.00	100.00	100.00	125

No.	Company	Domicile	Held directly %[1)]	Held indirectly %[1)]	Effective net holding %[1)]	Via no.
Spain						
154	BRENNTAG QUIMICA, S.A.U.	Dos Hermanas	0.00	100.00	100.00	73
155	Devon Chemicals S.A.	Barcelona	0.00	100.00	100.00	122
Sri Lanka						
156	BRENNTAG LANKA (PRIVATE) LIMITED	Athurugiriya	0.00	100.00	100.00	122
South Africa						
157	BRENNTAG SOUTH AFRICA (PTY) LTD	Century City, Cape Town	0.00	100.00	100.00	122
158	LIONHEART CHEMICAL ENTERPRISES (PROPRIETARY) LIMITED	Benoni	0.00	100.00	100.00	122
159	Multisol South Africa (Proprietary) Limited	Cape Town	0.00	100.00	100.00	201
160	PLASTICHEM (PTY) LTD	Kempton Park	0.00	100.00	100.00	122
161	Tradefirm 100 (Proprietary) Limited	Cape Town	0.00	100.00	100.00	122
South Korea						
162	Brenntag Korea Co., Ltd.	Gyeonggi-do	0.00	100.00	100.00	59
Taiwan						
163	Brenntag Taiwan Co., Ltd.	Taipeh	0.00	100.00	100.00	122
Thailand						
164	Thai-Dan Corporation Limited	Bangkok	0.00	99.90 0.05 0.05	100.00	166 167 165
165	Brenntag Service (Thailand) Co., Ltd.	Bangkok	0.00	51.01 48.99	100.00	167 122
166	Brenntag Ingredients (Thailand) Public Company Limited	Bangkok	0.00	51.00 49.00	100.00	167 122
167	Brenntag Enterprises (Thailand) Co., Ltd.	Bangkok	0.00	51.00 49.00	100.00	165 122
Czech Republic						
168	Brenntag CR s.r.o.	Prague	0.00	100.00	100.00	125
Tunisia						
169	ALLIANCE – TUNISIE S.A.R.L.	Tunis	0.00	100.00	99.94	72
Turkey						
170	BRENNTAG KIMYA TICARET LIMITED SIRKETI	Istanbul	0.00	100.00	100.00	125
Ukraine						
171	TOB TRIDE	Kiev	0.00	100.00	100.00	125
172	TOB BRENNTAG UKRAINE	Kiev	0.00	100.00	100.00	183
Hungary						
173	BCB Union Kft.	Budapest	0.00	96.67 3.33	100.00	122 114
174	BRENNTAG Hungaria Kft.	Budapest	0.00	97.93 2.07	100.00	125 113
Uruguay						
175	BRENNTAG SOURCING URUGUAY S.A.	Colonia del Sacramento	0.00	100.00	100.00	122

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
USA						
176	BNA JAM Real Property Holdings, LLC	Houston/Texas	0.00	100.00	100.00	182
177	Brenntag Funding LLC	Wilmington/Delaware	0.00	100.00	100.00	190
178	Altivia Louisiana, L.L.C.	St. Gabriel/Louisiana	0.00	100.00	100.00	187
179	New Jersey Lube Oil, LLC	East Hartford/Connecticut	0.00	100.00	100.00	185
180	KB Page, LLC	Springfield/Massachusetts	0.00	100.00	100.00	185
181	JMS Marine Services, LLC	Kemah/Texas	0.00	0.00	0.00[3]	1
182	J.A.M. Distributing Company	Houston/Texas	0.00	100.00	100.00	190
183	Dipol Chemical International, Inc.	Kings/New York	0.00	100.00	100.00	125
184	Coastal Chemical Co., L.L.C.	Abbeville/Louisiana	0.00	100.00	100.00	112
185	BWE, LLC	East Hartford/Connecticut	0.00	100.00	100.00	190
186	Brenntag Specialties, Inc.	Wilmington/Delaware	0.00	100.00	100.00	190
187	Brenntag Southwest, Inc.	Longview/Texas	0.00	100.00	100.00	190
188	Brenntag Pacific, Inc.	Wilmington/Delaware	0.00	100.00	100.00	190
189	Brenntag Northeast, Inc.	Wilmington/Delaware	0.00	100.00	100.00	190
190	Brenntag North America, Inc.	Wilmington/Delaware	0.00	100.00	100.00	122
191	Brenntag North America Foreign Holding, LLC	Wilmington/Delaware	0.00	100.00	100.00	190
192	Brenntag Mid-South, Inc.	Henderson/Kentucky	0.00	100.00	100.00	190
193	Brenntag Latin America, Inc.	Wilmington/Delaware	0.00	100.00	100.00	190
194	Brenntag Great Lakes, LLC	Chicago/Illinois	0.00	100.00	100.00	112
195	Brenntag Global Marketing, LLC	Wilmington/Delaware	0.00	100.00	100.00	190
United Arab Emirates						
196	Trychem FZCO	Jebel Ali, Dubai	0.00	51.00	51.00	122
197	Trychem Trading L.L.C.	Port Saeed, Dubai	0.00	100.00	51.00	196
United Kingdom						
198	Water Treatment Solutions Limited	Leeds	0.00	100.00	100.00	206
199	Murgatroyd's Salt & Chemical Company Limited	Leeds	0.00	100.00	100.00	207
200	Multisol Limited	Leeds	0.00	100.00	100.00	203
201	Multisol Group Limited	Leeds	0.00	100.00	100.00	200
202	Multisol Europe Limited	Leeds	0.00	100.00	100.00	201
203	Multisol Eclipse Limited	Leeds	0.00	100.00	100.00	206
204	Kluman and Balter Limited	Leeds	0.00	100.00	100.00[2]	206
205	Brenntag UK Limited	Leeds	0.00	100.00	100.00	206
206	Brenntag UK Holding Limited	Leeds	0.00	100.00	100.00	73
207	Brenntag Inorganic Chemicals Limited	Leeds	0.00	100.00	100.00	206
208	Brenntag Inorganic Chemicals (Thetford) Limited	Leeds	0.00	100.00	100.00	206
209	Brenntag Colours Limited	Leeds	0.00	100.00	100.00	206
210	A1 Cake Mixes Limited	Glasgow	0.00	50.00 50.00	100.00[2]	206 204

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
Vietnam						
211	BRENNTAG VIETNAM COMPANY LIMITED	Ho Chi Minh City	0.00	100.00	100.00	150
212	Nam Giang Trading and Service Co., Ltd	Ho Chi Minh City	0.00	0.00	0.00[3]	1
213	TAT PETROLEUM (VIETNAM) COMPANY LIMITED	Ho Chi Minh City	0.00	100.00	100.00	150

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
Denmark						
214	Borup Kemi I/S	Borup	0.00	33.33	33.33	32
Germany						
215	SOFT CHEM GmbH	Laatzen	0.00	33.40	17.03	39
South Africa						
216	Crest Chemicals (Proprietary) Limited	Woodmead	0.00	50.00	50.00	122
Thailand						
217	Berli Asiatic Soda Co., Ltd.	Bangkok	0.00	50.00	50.00	166
218	Siri Asiatic Co., Ltd.	Bangkok	0.00	50.00	50.00	166

[1] Share in the capital of the company
[2] Business combination in accordance with IFRS 3
[3] Structured entity

D

FURTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

TO BRENNTAG AG, ESSEN

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of Brenntag AG, Essen, and its subsidiaries (the Group), which comprise the Consolidated Balance Sheet as at 31 December, 2017, and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the financial year from 1 January to 31 December, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Brenntag AG, which is combined with the Company's management report, for the financial year from 1 January to 31 December, 2017. We have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December, 2017, and of its financial performance for the financial year from 1 January to 31 December, 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1) Recoverability of goodwill
2) Accounting treatment of the acquisition of shares in various companies
3) Measurement of environmental provisions

Our presentation of these key audit matters has been structured in each case as follows:

1) Matter and issue
2) Audit approach and findings
3) Reference to further information

Hereinafter we present the key audit matters:

1) Recoverability of goodwill

1) In the consolidated financial statements of Brenntag AG, goodwill amounting to EUR 2.4 billion (33% of consolidated total assets) is reported under the "Intangible assets" balance sheet item. The Company allocates goodwill to the respective groups of cash-generating units. The Company conducts impairment tests on goodwill annually as of the balance sheet date or if there are indications that goodwill may be impaired. An external expert assisted the Company in conducting the impairment tests. The basis for the measurement is generally the present value of the future cash flows of the respective group of cash-generating units, which is calculated as fair value less costs of disposal and compared against the carrying amount of the respective group of cash-generating units, including goodwill. Present values are calculated using discounted cash flow models. The business valuation model is based on cash flow projections, which in turn are based on the five-year plan approved by the executive directors and applicable at the time the impairment test is carried out. The five-year plan consists of the medium-term plans for the first three years submitted by the Group companies and consolidated on segment level (bottom up) and the executive directors' extrapolations for the two subsequent years (top down). The discount rate used is the weighted cost of capital for the relevant group of cash-generating units. The result of this measurement depends to a large extent on the executive directors' assessment of future cash inflows and the discount rate used, and is therefore subject to uncertainty. Therefore, assessing the recoverability of goodwill was of particular significance for our audit.

2) As part of our audit, we, among other things, assessed the method used for performing impairment tests and evaluated the calculation of the weighted cost of capital. We assessed the appropriateness of the future cash inflows used in the calculation, amongst other procedures, by comparing this information against the five-year plan adopted by the executive directors, as well as by reconciling it against general and sector-specific market expectations. In this context, we also assessed whether the costs of Group functions were appropriately included in the impairment tests of the respective cash-generating units. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we also assessed the parameters used to determine the discount rate applied, and evaluated the measurement model. We also assessed the usability of the external opinion and the appropriateness of the raw data underlying the expert opinion, the assumptions made, the methods used and how consistent these were in comparison to prior periods. Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and also lie within a range that we consider reasonable.

3) The Company's goodwill disclosures are contained in note "21) Intangible assets" of the notes to the consolidated financial statements.

2) Accounting treatment of the acquisition of shares in various companies

1) During the financial year, the Company acquired all of the shares in Petra Industries, Inc., Fairmont City, Illinois, USA, Kluman and Balter Limited, Waltham Abbey, United Kingdom, and A1 Cake Mixes Limited, Glasgow, United Kingdom, as well as the pipeline and chemicals services segment of Greene's Energy Group, LLC, Houston, Texas, USA. It also acquired 51% of the shares in the specialty chemicals distributor Wellstar Enterprises (Hong Kong) Company Limited, Hong Kong, and in the latter's three Chinese subsidiaries. The remaining 49% of the shares in the Wellstar Group will be purchased in 2021. The assets acquired and liabilities assumed are generally recognized at their fair value at the date of the acquisition. For the acquisition of the remaining 49% of the shares in the Wellstar Group, a purchase price liability was recognized at the time of acquisition, the valuation of which was updated as of the balance sheet date. After taking into account the share of the net assets acquired attributable to Brenntag AG of EUR 50.1 million, the resulting purchased goodwill amounts to EUR 69.8 million. In view of the material impact of the overall amounts involved in the acquisitions on the assets, liabilities, financial position and financial performance of the Brenntag Group, and given the complexity of measuring the acquisitions, they were of particular significance in the context of our audit.

2) As part of our audit of the accounting treatment of the company acquisitions we initially inspected and assessed the respective contractual agreements underlying the company acquisitions and reconciled the purchase prices paid as consideration for the acquired business operations with the supporting payment documentation provided to us. We assessed the opening balance sheets underlying the aforementioned company acquisitions. We assessed fair values that were measured centrally (e.g., fair values of customer relationships) by reconciling quantity data with the original financial accounting records and the parameters used. We also used checklists to establish the completeness of the disclosures in the notes to the financial statements as required by IFRS 3. With regard to the purchase price liability of EUR 8.1 million recognized for the acquisition of the remaining shares in the Wellstar Group, we reconciled the calculation model used to calculate the purchase price liability with both the purchase agreement and the corporate planning of the Wellstar Group, both at the time of acquisition and as of the balance sheet date. Based on the procedures described and further procedures, we were able to satisfy ourselves that, under consideration of the information available, the acquisition of the respective shares is properly presented.

3) The Company's disclosures pertaining to the company acquisitions are contained in the section entitled "Business combinations in accordance with IFRS 3" of the notes to the consolidated financial statements.

3) Measurement of environmental provisions

1) As of 31 December, 2017, the environmental provisions recognized in the consolidated financial statements of Brenntag AG, primarily for the decontamination of soil and groundwater at current and former Company-owned or leased locations, amount to EUR 89.2 million. The provisions also include contingent liabilities of EUR 19.8 million for which cash outflows are not likely but nonetheless possible. Due to purchase price allocations, these were reported in the consolidated balance sheet in connection with company acquisitions in accordance with IFRS 3. The recognition of environmental provisions at the subsidiaries was coordinated centrally by an external expert. In addition, another auditing firm assisted the Company in measuring the provisions and summarized the results in an expert opinion. The environmental provisions were recognized at the present value of the expected expenditures, taking into account future inflation-related increases. The provisions were discounted using interest rates for risk-free assets with matching terms for each functional currency. Due to the nature and large number of influencing factors that need to be taken into account when calculating environmental provisions, the measurement of such provisions is subject to considerable uncertainties. Overall the measurement was therefore of particular significance for our audit.

2) As part of our audit, we, among other things, assessed the appropriateness of the measurement models and assumptions used. Accordingly, we assessed the underlying future cash outflows calculated by the Group companies. We also assessed the measurement parameters (in particular inflation rates, discount rates and currency translation from the functional to the reporting currency) used by the Company. Furthermore, we assessed the mathematical accuracy of the calculations and the appropriateness of the calculations performed by the other auditing firm in its sensitivity analyses. In our view, taking into consideration the information available, the valuation parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of appropriately measuring environmental provisions.

3) The Company's disclosures pertaining to the measurement of environmental provisions are contained in the sections entitled "Environmental provisions" and "Assumptions and estimates" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f HGB and § 315d HGB, which we obtained prior to the date of our auditor's report.

The other information comprises further the remaining parts of the annual report, which we obtained prior to the date of our auditor's report, – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

The separate non-financial group report pursuant to § 315b Abs. 3 HGB is expected to be made available to us after the date of the auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 Executive Directors Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined 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 executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives 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 whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. 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 and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, 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 audit opinions. 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 of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able 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 present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on 8 June 2017. We were engaged by the supervisory board on 7 November 2017. We have been the group auditor of Brenntag AG, Essen, without interruption since the company first met the requirements as a public-interest entity within the meaning of § 319a Abs. 1 Satz 1 HGB in the financial year 2010.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Thomas Tandetzki.

Düsseldorf, 8 March, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Thomas Tandetzki	sgd. ppa. Frank Schemann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

SEGMENT REPORTING

BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

			Change		
in EUR m	**2017**	**2016**	abs.	in %	in % (fx adj.)
Sales	11,743.3	10,498.4	1,244.9	11.9	13.1
Operating gross profit	2,554.1	2,428.7	125.4	5.2	6.5
Operating expenses	−1,718.1	−1,618.7	−99.4	6.1	7.5
Operating EBITDA	**836.0**	**810.0**	**26.0**	**3.2**	**4.5**
Net expense from holding charges and special items	−53.8	–	−53.8	–	–
Depreciation of property, plant and equipment	−118.9	−115.5	−3.4	2.9	4.4
EBITA	663.3	694.5	−31.2	−4.5	−3.3
Amortization of intangible assets	−44.2	−47.2	3.0	−6.4	−4.9
Net finance costs	−94.5	−111.6	17.1	−15.3	–
Profit before tax	524.6	535.7	−11.1	−2.1	–
Income tax expense	−162.6	−174.7	12.1	−6.9	–
Profit after tax	362.0	361.0	1.0	0.3	–

D.01 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP/ 2017

			Change		
in EUR m	**Q4 2017**	**Q4 2016**	abs.	in %	in % (fx adj.)
Sales	2,876.1	2,635.1	241.0	9.1	14.4
Operating gross profit	617.7	603.2	14.5	2.4	7.7
Operating expenses	−420.2	−406.3	−13.9	3.4	8.7
Operating EBITDA	**197.5**	**196.9**	**0.6**	**0.3**	**5.5**
Net expense from holding charges and special items	−47.9	–	−47.9	–	–
Depreciation of property, plant and equipment	−32.7	−30.0	−2.7	9.0	13.3
EBITA	116.9	166.9	−50.0	−30.0	−25.3
Amortization of intangible assets	−9.7	−11.3	1.6	−14.2	−8.2
Net finance costs	−26.8	−18.6	−8.2	44.1	–
Profit before tax	80.4	137.0	−56.6	−41.3	–
Income tax expense	−20.7	−37.5	16.8	−44.8	–
Profit after tax	59.7	99.5	−39.8	−40.0	–

D.02 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP / Q4 2017

BUSINESS PERFORMANCE IN THE SEGMENTS

2017/in EUR m	**Brenntag Group**	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	11,743.3	5,016.8	4,368.0	819.2	1,170.6	368.7
Operating gross profit	2,554.1	1,094.8	1,073.9	172.5	198.7	14.2
Operating expenses	−1,718.1	−729.2	−688.9	−130.1	−125.0	−44.9
Operating EBITDA	**836.0**	**365.6**	**385.0**	**42.4**	**73.7**	**−30.7**

D.03 BUSINESS PERFORMANCE IN THE SEGMENTS / 2017

Q4 2017/in EUR m	**Brenntag Group**	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	2,876.1	1,222.2	1,059.8	204.1	301.1	88.9
Operating gross profit	617.7	266.2	255.6	42.7	50.4	2.8
Operating expenses	−420.2	−182.0	−169.4	−29.8	−29.3	−9.7
Operating EBITDA	**197.5**	**84.2**	**86.2**	**12.9**	**21.1**	**−6.9**

D.04 BUSINESS PERFORMANCE IN THE SEGMENTS / Q4 2017

EMEA

			Change		
in EUR m	**2017**	**2016**	abs.	in %	in % (fx adj.)
External sales	5,016.8	4,586.1	430.7	9.4	10.1
Operating gross profit	1,094.8	1,064.6	30.2	2.8	3.7
Operating expenses	−729.2	−702.3	−26.9	3.8	4.7
Operating EBITDA	**365.6**	**362.3**	**3.3**	**0.9**	**1.6**

D.05 BUSINESS PERFORMANCE IN THE SEGMENTS / EMEA 2017

			Change		
in EUR m	**Q4 2017**	**Q4 2016**	abs.	in %	in % (fx adj.)
External sales	1,222.2	1,092.4	129.8	11.9	12.9
Operating gross profit	266.2	256.9	9.3	3.6	4.6
Operating expenses	−182.0	−171.6	−10.4	6.1	6.9
Operating EBITDA	**84.2**	**85.3**	**−1.1**	**−1.3**	**−0.1**

D.06 BUSINESS PERFORMANCE IN THE SEGMENTS / EMEA Q4 2017

NORTH AMERICA

in EUR m	2017	2016	Change abs.	Change in %	Change in % (fx adj.)
External sales	4,368.0	3,828.8	539.2	14.1	16.2
Operating gross profit	1,073.9	997.5	76.4	7.7	9.7
Operating expenses	−688.9	−640.2	−48.7	7.6	9.6
Operating EBITDA	**385.0**	**357.3**	**27.7**	**7.8**	**9.7**

D.07 BUSINESS PERFORMANCE IN THE SEGMENTS / NORTH AMERICA 2017

in EUR m	Q4 2017	Q4 2016	Change abs.	Change in %	Change in % (fx adj.)
External sales	1,059.8	995.0	64.8	6.5	15.7
Operating gross profit	255.6	252.3	3.3	1.3	10.3
Operating expenses	−169.4	−169.1	−0.3	0.2	9.0
Operating EBITDA	**86.2**	**83.2**	**3.0**	**3.6**	**12.8**

D.08 BUSINESS PERFORMANCE IN THE SEGMENTS / NORTH AMERICA Q4 2017

LATIN AMERICA

in EUR m	2017	2016	Change abs.	Change in %	Change in % (fx adj.)
External sales	819.2	780.9	38.3	4.9	4.5
Operating gross profit	172.5	170.9	1.6	0.9	0.7
Operating expenses	−130.1	−125.0	−5.1	4.1	4.0
Operating EBITDA	**42.4**	**45.9**	**−3.5**	**−7.6**	**−8.2**

D.09 BUSINESS PERFORMANCE IN THE SEGMENTS / LATIN AMERICA 2017

in EUR m	Q4 2017	Q4 2016	Veränderung abs.	Veränderung in %	Veränderung in % (fx adj.)
External sales	204.1	197.4	6.7	3.4	12.2
Operating gross profit	42.7	42.7	0.0	0.0	9.0
Operating expenses	−29.8	−30.0	0.2	−0.7	9.4
Operating EBITDA	**12.9**	**12.7**	**0.2**	**1.6**	**8.1**

D.10 BUSINESS PERFORMANCE IN THE SEGMENTS / LATIN AMERICA Q4 2017

ASIA PACIFIC

in EUR m	2017	2016	Change abs.	Change in %	Change in % (fx adj.)
External sales	1,170.6	1,010.7	159.9	15.8	18.0
Operating gross profit	198.7	182.3	16.4	9.0	11.0
Operating expenses	−125.0	−115.6	−9.4	8.1	10.0
Operating EBITDA	**73.7**	**66.7**	**7.0**	**10.5**	**12.7**

D.11 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC 2017

in EUR m	Q4 2017	Q4 2016	Change abs.	Change in %	Change in % (fx adj.)
External sales	301.1	279.3	21.8	7.8	14.9
Operating gross profit	50.4	48.4	2.0	4.1	10.9
Operating expenses	−29.3	−30.6	1.3	−4.2	2.7
Operating EBITDA	**21.1**	**17.8**	**3.3**	**18.5**	**24.9**

D.12 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC Q4 2017

ALL OTHER SEGMENTS

in EUR m	2017	2016	Change abs.	Change in %	Change in % (fx adj.)
External sales	368.7	291.9	76.8	26.3	26.3
Operating gross profit	14.2	13.4	0.8	6.0	6.0
Operating expenses	−44.9	−35.6	−9.3	26.1	26.1
Operating EBITDA	**−30.7**	**−22.2**	**−8.5**	**38.3**	**38.3**

D.13 BUSINESS PERFORMANCE IN THE SEGMENTS / ALL OTHER SEGMENTS 2017

in EUR m	Q4 2017	Q4 2016	Change abs.	Change in %	Change in % (fx adj.)
External sales	88.9	71.0	17.9	25.2	25.2
Operating gross profit	2.8	2.9	−0.1	−3.4	−3.4
Operating expenses	−9.7	−5.0	−4.7	94.0	94.0
Operating EBITDA	**−6.9**	**−2.1**	**−4.8**	**228.6**	**228.6**

D.14 BUSINESS PERFORMANCE IN THE SEGMENTS / ALL OTHER SEGMENTS Q4 2017

KEY FINANCIAL FIGURES BY SEGMENT
for the period from January 1 to December 31

in EUR m		EMEA[5]	North America	Latin America	Asia Pacific	All other segments	Consoli-dation	**Group**
External sales	**2017**	**5,016.8**	**4,368.0**	**819.2**	**1,170.6**	**368.7**	**–**	**11,743.3**
	2016	4,586.1	3,828.8	780.9	1,010.7	291.9	–	10,498.4
	Change in %	9.4	14.1	4.9	15.8	26.3	–	11.9
	fx adjusted change in %	10.1	16.2	4.5	18.0	26.3	–	13.1
Inter-segment sales	**2017**	**10.3**	**11.9**	**0.3**	**0.1**	**0.7**	**−23.3**	**–**
	2016	8.8	12.5	1.5	0.2	0.3	−23.3	–
Operating gross profit[2]	**2017**	**1,094.8**	**1,073.9**	**172.5**	**198.7**	**14.2**	**–**	**2,554.1**
	2016	1,064.6	997.5	170.9	182.3	13.4	–	2,428.7
	Change in %	2.8	7.7	0.9	9.0	6.0	–	5.2
	fx adjusted change in %	3.7	9.7	0.7	11.0	6.0	–	6.5
Gross profit	**2017**	**–**	**–**	**–**	**–**	**–**	**–**	**2,491.7**
	2016	–	–	–	–	–	–	2,369.3
	Change in %	–	–	–	–	–	–	5.2
	fx adjusted change in %	–	–	–	–	–	–	6.5
Operating EBITDA[3]	**2017**	**356.6**	**385.0**	**42.4**	**73.7**	**−30.7**	**–**	**836.0**
	2016	362.3	357.3	45.9	66.7	−22.2	–	810.0
	Change in %	0.9	7.8	−7.6	10.5	38.3	–	3.2
	fx adjusted change in %	1.6	9.7	−8.2	12.7	38.3	–	4.5
Operating EBITDA[3] / operating gross profit[2]	**2017 in %**	**33.4**	**35.9**	**24.6**	**37.1**	**−216.2**	**–**	**32.7**
	2016 in %	34.0	35.8	26.9	36.6	−165.7	–	33.4
Investments in non-current assets (capex)[4]	**2017**	**68.3**	**48.8**	**10.3**	**9.2**	**11.5**	**–**	**148.1**
	2016	75.0	45.5	12.3	8.1	0.2	–	141.1

D.15 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8[1] / 2017

[1] Further information on segment reporting in accordance with IFRS 8 is to be found under Note 31.
[2] External sales less cost of materials.
[3] In addition to net expense from holding charges, operating EBITDA was also adjusted for special items so as to ensure comparability in presenting the performance of the business operations (see section B 1.3.2 Operating EBITDA in the Group Management Report). Special items comprise expenses in connection with the programme to increase efficiency in the EMEA segment and the provision for the fine imposed in French antitrust proceedings.
[4] The other additions to property. plant and equipment and intangible assets are shown as Investments in non-current assets.
[5] Europe, Middle East, Africa.

KEY FINANCIAL FIGURES BY SEGMENT

for the period from October 1 to December 31

in EUR m		EMEA[5]	North America	Latin America	Asia Pacific	All other segments	Consoli-dation	Group
External sales	**2017**	**1,222.2**	**1,059.8**	**204.1**	**301.1**	**88.9**	**–**	**2,876.1**
	2016	1,092.4	995.0	197.4	279.3	71.0	–	2,635.1
	Change in %	11.9	6.5	3.4	7.8	25.2	–	9.1
	fx adjusted change in %	12.9	15.7	12.2	14.9	25.2	–	14.4
Inter-segment sales	**2017**	**2.2**	**3.9**	**–**	**0.1**	**−0.1**	**−6.1**	**–**
	2016	2.4	2.5	0.1	0.2	0.2	−5.4	–
Operating gross profit[2]	**2017**	**266.2**	**255.6**	**42.7**	**50.4**	**2.8**	**–**	**617.7**
	2016	256.9	252.3	42.7	48.4	2.9	–	603.2
	Change in %	3.6	1.3	0.0	4.1	−3.4	–	2.4
	fx adjusted change in %	4.6	10.3	9.0	10.9	−3.4	–	7.7
Gross profit	**2017**	**–**	**–**	**–**	**–**	**–**	**–**	**599.2**
	2016	–	–	–	–	–	–	585.2
	Change in %	–	–	–	–	–	–	2.4
	fx adjusted change in %	–	–	–	–	–	–	7.7
Operating EBITDA[3]	**2017**	**84.2**	**86.2**	**12.9**	**21.1**	**−6.9**	**–**	**197.5**
	2016	85.3	83.2	12.7	17.8	−2.1	–	196.9
	Change in %	−1.3	3.6	1.6	18.5	228.6	–	0.3
	fx adjusted change in %	−0.1	12.8	8.1	24.9	228.6	–	5.5
Operating EBITDA[3] / operating gross profit[2]	**2017 in %**	**31.6**	**33.7**	**30.2**	**41.9**	**−246.4**	**–**	**32.0**
	2016 in %	33.2	33.0	29.7	36.8	−72.4	–	32.6
Investments in non-current assets (capex)[4]	**2017**	**32.0**	**19.0**	**6.2**	**4.6**	**7.4**	**–**	**69.2**
	2016	41.1	19.1	7.3	3.3	–	–	70.8

D.16 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8[1] / Q4 2017

[1] Further information on segment reporting in accordance with IFRS 8 is to be found under Note 31.
[2] External sales less cost of materials.
[3] In addition to net expense from holding charges, operating EBITDA was also adjusted for special items so as to ensure comparability in presenting the performance of the business operations (see section B 1.3.2 Operating EBITDA in the Group Management Report). Special items comprise expenses in connection with the programme to increase efficiency in the EMEA segment and the provision for the fine imposed in French antitrust proceedings.
[4] The other additions to property. plant and equipment and intangible assets are shown as Investments in non-current assets.
[5] Europe, Middle East, Africa.

GLOSSARY

A

ADDITIONAL PAID-IN CAPITAL | Part of equity resulting from contributions by the shareholders, e.g. if new shares are issued at a price above the par value as part of a capital increase.

B

BEARER SHARE | A bearer share is not issued in a person's name and is therefore wholly owned by whoever holds the physical share certificate. It grants the holder of the share all shareholder rights. As a result, these shares can be bought or sold without any formal process.

BEST PRACTICES | A best practice is a method or technique that has consistently shown results superior to those achieved with other means and that is used as a benchmark.

BOARD OF MANAGEMENT | In addition to the → Supervisory Board, the Board of Management is the second body of a stock corporation required according to the German Stock Corporation Act. The Board of Management is, among other things, responsible for managing and representing the company. It is appointed by the Supervisory Board for maximum periods of five years.

BOND | Security which represents a loan liability of the issuer and is generally traded on a stock market. The buyer of the bond therefore becomes a lender and, in return, receives interest payments which are specified in the coupon.

BOND WITH WARRANT UNITS | A special form of a → bond that, in addition to the bond portion, includes option rights to buy Brenntag AG shares. The bond with warrant units is composed of a straight bond and warrants. Both portions can be detached as well as combined again by the investor. The bond with warrant units, the straight bond and the warrants each have their own ISIN and can therefore be traded separately on the stock exchange. The bond portion was issued at a discount reflecting the warrant premium. This discount will be appreciated over the lifetime of the instrument. The warrant premium was recognized in the additional paid-in capital.

C

CAGR | CAGR is the abbreviation for compound annual growth rate and refers to the average annual growth rate.

CAPEX | Capex is the abbreviation for capital expenditure and shows investments in non-current assets. At Brenntag, capex is defined as additions to both property, plant and equipment and acquired software, licences and similar rights unless the latter are related to company acquisitions (see the notes to the consolidated financial statements, Notes 20 and 21).

CASH FLOW | Cash flow is an indicator of the liquidity of an entity. The total change in cash and cash equivalents consists of the cash flow from operating activities (operating cash flow), the cash flow used in investing activities and the cash flow from financing activities. Cash flow from operating activities is available e.g. for investments, repayment of debt or distribution of → dividends.

CASH FLOW HEDGE RESERVE | If certain criteria are met, the effective part of the fair value measurement of hedging instruments designated as a → cash flow hedge can be recognized in other comprehensive income (OCI).

CASH FLOW HEDGES | Cash flow hedges are used to hedge the risk of cash flow fluctuations. This risk can relate either to assets or liabilities recognized in the balance sheet or arise from a planned transaction. Cash flow fluctuations can be caused, for example, by variations in interest rates or exchange rates, which are counteracted by e.g. concluding → interest-rate swaps or → foreign exchange forwards.

CASH GENERATING UNIT (CGU) | Identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other (groups of) assets. It is used to determine potential impairments of assets that cannot be calculated separately.

COMPLIANCE | General term for the observance of all applicable laws, external and internal regulations, principles, procedures and standards.

CONSOLIDATED FINANCIAL STATEMENTS | Consolidated financial statements are the financial statements of a group of entities presented as if they were a single entity. All relationships between the legally independent but economically affiliated entities are eliminated so that the consolidated financial statements only show the activities of the Group with third parties.

CONTINGENT LIABILITY | Possible obligation which must not be recognized due to significant uncertainty regarding its occurrence and/or amount. Contingent liabilities are to be reported as additional information in the notes.

CONTROLLING | Corporate Controlling provides analyses on the performance of Group entities using numerous key performance indicators and support for decisions on resource allocation (e.g. investment decisions). The department is also responsible for the monthly management reporting process as well as the forecasting and planning processes.

CONVERSION RATIO | The conversion ratio at Brenntag is calculated as the quotient of operating EBITDA and gross profit. It represents one of the most important efficiency ratios.

CORPORATE GOVERNANCE | This refers to the regulatory framework for the management and monitoring of a company. A large proportion of this regulatory framework is contained in the → German Corporate Governance Code.

COST OF SALES | Cost of sales includes cost of materials for merchandise, raw materials and supplies, services purchased, inventory changes in finished and semi-finished goods, other own work capitalized and operating costs.

COVENANTS | This term refers to clauses or (subsidiary) agreements in loan agreements and bond conditions. They are contractually binding warranties given by the borrower or bond debtor for the term of a loan agreement.

CROSS-DEFAULT CLAUSE | Clause in a loan agreement or bond conditions under which a default is deemed to have occurred if the borrower is in default with other creditors without being in default of the loan agreement containing the clause.

CURRENCY SWAP | Financial transaction with a counterparty (generally a bank) undertaken as part of foreign currency management. The two parties to the contract first swap two sums in different currencies and, at the same time, conclude an agreement to reverse the swap at a future point in time. The underlying exchange rates for the two swaps are usually different.

D

D&O INSURANCE | Directors and officers insurance is a liability insurance that offers financial protection to bodies of the company against claims by third parties and by the company for breaches of their duty of care.

DAX | The "Deutsche Aktienindex DAX®" (DAX® German stock exchange index) is the top index on the German stock exchange and measures the performance of the 30 largest companies on the German stock market that post the highest revenues.

DECLARATION OF CONFORMITY | Pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz), the management and supervisory boards of a listed stock corporation are required to issue an annual declaration on the extent to which the recommendations of the → German Corporate Governance Code have been complied with and explain why recommendations were not complied with.

DEFERRED TAX ASSETS | Deferred tax assets are recognized as future tax benefit resulting from temporary differences between the IFRS carrying amount and tax balance sheet carrying value as well as from tax loss carryforwards. Deferred tax assets may result in future tax refunds. However, at the reporting date, there are no effective tax receivables from tax authorities resulting from deferred taxes.

DEFERRED TAX LIABILITIES | Deferred tax liabilities are recognized as future tax burden resulting from temporary differences between the IFRS carrying amount and tax balance sheet carrying value. Deferred tax liabilities may result in future tax payments. However, at the reporting date, there are no effective tax liabilities to tax authorities resulting from deferred taxes.

DERIVATIVES | Derivatives → financial instruments or derivatives are linked to a price, index, exchange rate or similar variable and require no or only a minor initial investment compared with contracts with a similar response to changes in market factors. Examples of derivatives are → foreign exchange forwards and → interest-rate swaps.

DESIGNATED SPONSOR | A designated sponsor is a bank, brokerage company or securities trading house admitted to the stock exchange as a market participant. It provides additional liquidity in the Xetra® electronic trading system for the issuers of shares by undertaking to enter binding bid and ask limits for the supported shares in the order book in continuous trading and in auctions. This enables investors to buy or sell supported shares at any time at prices in line with market conditions.

DISCOUNTED CASH FLOW METHOD | Method for valuing assets, particularly companies. The company's value is equal to the present value of the future cash flows generated by the company which are available to the investors. When calculating the present value, the future cash flows are discounted at a risk-adjusted interest rate to the valuation date.

DISTRIBUTABLE PROFIT / LOSS | According to German commercial law, the distributable profit / loss of a corporation is the part of the profit the use of which is decided by the → General Shareholders' Meeting or general meeting. It is the maximum amount available to distribute as a → dividend. The distributable profit / loss is an item in → single-entity financial statements drawn up in accordance with the provisions of the German Commercial Code (HGB) and is not shown in IFRS consolidated financial statements.

DIVERSIFICATION | Diversification at Brenntag means a broad range as regards geography, end markets, customers, products and suppliers. This high degree of diversification makes Brenntag largely independent of individual market segments or regions.

DIVIDEND | The dividend is the proportion of the profit paid out for each share owned. The → General Shareholders' Meeting decides on the amount of the dividend.

DUE DILIGENCE | Careful examination and analysis of a company, in particular with regard to its economic, legal, tax and financial circumstances, that is carried out by a potential buyer of a company.

E

EARNINGS PER SHARE | Performance indicator calculated by dividing the portion of profit after tax attributable to shareholders of Brenntag AG by the average weighted number of shares in circulation.

EBITA | Earnings Before Interest, Taxes and Amortization. EBITA is a key indicator for the profitability of the Brenntag Group.

EBITDA | Earnings Before Interest, Taxes, Depreciation and Amortization.

EMEA | Europe, Middle East & Africa

EQUITY METHOD | Accounting method for investments in companies that are not fully included with their assets and liabilities in the → consolidated financial statements. The carrying amount is adjusted to reflect changes in pro-rata equity of the investment. This change is recognized in the consolidated income statement.

EURIBOR | This is the abbreviation for European Interbank Offered Rate and it serves as both a reference interest rate for loans and invested funds in the short-term customer sector as well as for fixed-time deposits in the interbank sector (between banks). To calculate EURIBOR, banks in the eurozone state at what interest rates they are lending money to other banks and what rates they are being offered.

EXTERNAL SALES | External sales cover all revenues generated from normal business with third parties. Sales between consolidated subsidiaries including structured entities are not included.

F

FAIR VALUE | Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date.

FEDERAL GAZETTE "BUNDESANZEIGER" | The German electronic Federal Gazette is the central platform for official publications and announcements and for legally relevant news about companies.

FINANCE LEASE | Agreement to convey the right to use an asset in return for a single or series of payment(s) transferring substantially all the risks and rewards incidental to the ownership of the asset. The asset is to be recognized by the lessee (owner of the right to use the asset).

FINANCIAL COVENANTS | Subgroup of covenants in which the lender agrees to meet specific performance indicators.

FINANCIAL INSTRUMENTS | Financial instruments as defined by IFRSs are contracts that give rise to a financial asset (cash, shares, receivables etc.) of one entity and, at the same time, a financial liability or equity instrument (residual interest in the assets of an entity after deducting all of its liabilities) of another entity.

FOCUS INDUSTRIES | Brenntag has identified six focus industries in which we expect above-average growth. These are the ACES segments (adhesives, coatings, elastomers, paints and sealants), the food industry, the oil and gas industry, the personal care industry, pharmaceuticals and water treatment.

FOREIGN EXCHANGE FORWARD | Transaction involving a fixed agreement between two parties to perform a currency transaction at a fixed rate on a future date.

FORWARD CONTRACT | Financial transaction with a counterparty (generally a bank) undertaken as part of foreign currency management. The two parties to the contract conclude an agreement to swap two currencies at a future point in time at a specified exchange rate.

FREE CASH FLOW | Ratio for measuring operational cash generation. At Brenntag, free cash flow is defined as → EBITDA less → capex plus / less changes in → working capital.

FREE FLOAT | Free float refers to shares that are not owned by major shareholders and can therefore be acquired and traded by the general public. As a rule, the larger the free float, the easier it is for investors to buy and sell the stock.

FULL-TIME EQUIVALENTS | Number of employees on a full-time equivalent basis, i.e. part-time jobs is weighted according to the number of hours worked.

FX-ADJUSTED | Adjusted for translation effects of exchange rates varying over time. Comparability of financial data relating to two reporting periods with different exchange rates is improved by translating both amounts at the same current exchange rate.

G

GENERAL SHAREHOLDERS' MEETING (GSM) | The GSM is the meeting where shareholders can exercise their rights from their shareholding. An ordinary GSM takes place regularly and at least once a year. The GSM is, inter alia, responsible for appointing and removing the members of the Supervisory Board (but not of the employee representatives, if existing), deciding on the appropriation of profits and discharging the Board of Management and Supervisory Board.

GERMAN CORPORATE GOVERNANCE CODE | A collection of rules on → corporate governance compiled by the government commission on the "German Corporate Governance Code". The Code focuses on rules concerning the shareholders and the General Shareholders' Meeting, cooperation between the management and supervisory boards, the management and supervisory boards themselves and general rules on transparency, accounting and auditing. As well as repeating statutory regulations, the Code also contains "recommendations" and "suggestions". Pursuant to Section 161 of the German Stock Corporation Act, the Board of Management and the Supervisory Board are obliged to publish a declaration of conformity with the Code every year and explain deviations from the "recommendations" (→ declaration of conformity).

GLOBAL KEY ACCOUNTS | At Brenntag, we take care of our key accounts at local, national, pan-regional and global level and develop and implement tailor-made concepts for their optimum supply with industrial and specialty chemicals. For our customers, this means they can concentrate on their core business secure in the knowledge that they have a partner they can rely on.

GOODWILL | Goodwill is the difference between the purchase price of an investment in a company and the → fair value of the acquired share in net assets at the date of acquisition.

GROSS PROFIT | Gross profit is defined as → operating gross profit less production costs and → mixing & blending costs.

(GROUP) TREASURY | Designates the Group finance department, which looks after matters such as financing, cash investment and the management of financial risks.

H

HEDGING | Hedging is a strategy to protect against interest rate, currency or share price risks, e.g. by means of ➔ derivative financial instruments (options, swaps and forward contracts etc.).

HOLDING CHARGES | Holding charges are certain costs charged between holding companies and operating companies. At Group level, these effects net to zero.

HSE | HSE stands for Health, Safety and Environment. HSE therefore covers topics concerning occupational health and safety and environmental protection.

HUB-AND-SPOKE SYSTEM | Brenntag sites are generally operated using an efficient 'hub-and-spoke' model. Large bulk quantities are received at Brenntag's 'hub' locations which have large tank farms, warehouses and mixing and blending facilities, plus sometimes white room facilities. From our hubs we supply our 'spoke' facilities which accommodate smaller tank farms and warehouses and are located in close proximity to our customers to ensure prompt and smooth delivery.

I

IBC | IBC stands for intermediate bulk container. IBCs are used mostly for storing and transporting liquids. A capacity of 1,000 litres is typical.

ICCTA | The International Council of Chemical Trade Associations (established in 1991) represents the interests of over 1,500 chemical distributors worldwide. ICCTA was set up to fill the need to have a worldwide chemical association coordinating work on issues and programmes of international interest across chemical trade associations.

IFRS / IAS | International accounting standards issued by the IASB (International Accounting Standards Board) with the aim of creating transparent and comparable accounting principles. By decree of the European Parliament and the European Council, they are to be used by publicly traded EU companies. IFRS stands for International Financial Reporting Standards. IAS means International Accounting Standards.

IMPAIRMENT TEST | In an impairment test, the carrying amount of an asset is compared with its recoverable amount. The recoverable amount is the higher of ➔ fair value less costs to sell and value in use. The value in use is the present value of future cash flows expected to be obtained from the use. If the carrying amount is higher than the recoverable amount, the carrying amount has to be adjusted to the recoverable amount (impairment).

INDUSTRIAL CHEMICALS | Industrial chemicals is the term used at Brenntag to distinguish standard chemical products that have specific properties and effects from ➔ speciality chemicals. The manufacturer of the product is generally irrelevant for the user.

INSIDE INFORMATION | Inside information as defined in Art. 7 Regulation (EU) No. 596/2014 on market abuse (Market Abuse Regulation – MAR) is particularly any information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

INTEREST HEDGING | Hedging against interest rate variations that occur with variable interest-rate loans. Instruments used can be ➔ interest-rate swaps, for example.

INTEREST-RATE SWAP | Financial transaction with a counterparty (generally a bank) concluded in respect of an existing variable interest-rate loan to fix the total interest costs at a previously defined level.

INVESTMENT PROPERTY | Land, buildings or parts of buildings held to earn rentals or for capital appreciation.

INVESTOR RELATIONS | Department in charge of communication with shareholders, investors, analysts and financial media. The objective is to provide information that is necessary to evaluate the performance of the company.

IPO (INITIAL PUBLIC OFFERING) | Initial public offering of a previously unlisted stock corporation (AG) to the public to subscribe shares of the issuing company with the objective of admitting the shares to trading and listing them on a stock exchange.

ISIN | The International Securities Identification Number (ISIN) serves to uniquely identify securities on a worldwide basis and has in the meantime replaced the national securities identification number (WKN).

ISO | The International Organization for Standardization, or ISO for short, is the international association of national standardization organizations and prepares standards with international validity. The ISO 9001 standard lays down internationally accepted requirements for quality management systems as regards the quality of production, services and development.

J

JUST-IN-TIME DELIVERY | With just-in-time deliveries, the customer does not store supplies but orders the products as required (“just in time”) from the supplier.

L

LEVERAGE | This term has various meanings in the world of finance. In this document, it refers to the ratio of net debt to → operating EBITDA.

LIBOR | This is the abbreviation for London Interbank Offered Rate and is the reference interest rate on the interbank money market. It serves as a reference interest rate for loans. To calculate it, London banks state at what interest rates they are lending to other banks and what interest rates they are being offered.

LTIR | LTIR stands for Lost Time Injury Rate. This performance indicator gives the number of industrial accidents per hours worked. The LTIR1d published in the Annual Report gives the number of industrial accidents resulting in at least one day’s absence from work per one million working hours.

M

MARKET CAPITALIZATION | Market capitalization indicates the value of the equity of a listed stock corporation on the market. It is calculated by multiplying the number of shares issued by the current share price.

MDAX | The MDAX® stock index calculated by Deutsche Börse covers 50 medium-sized German companies from the classic industries that rank immediately below the 30 companies listed in the DAX® index.

MIXING & BLENDING | The term “mixing & blending” describes the mixing and formulation of solid and liquid chemicals in the correct mixing ratio with consistent quality as well as the filling of products in the desired packaging unit. Brenntag offers its customers not just distribution services but the complete mixing & blending of end products as a value-added service.

MOODY’S | International rating agency → rating

MSCI | MSCI provides various services for institutional investors and has been calculating a number of indices since 1968.

MULTI-PERIOD EXCESS EARNINGS METHOD | Method for measuring intangible assets. The present value is based on the cash flows generated solely by the intangible asset to be valued. At Brenntag, the multi-period excess earnings method is used to measure acquired customer relationships and similar rights.

N

NET DEBT | This is essentially financial liabilities (debt) less available liquidity although both terms can be defined differently in various (loan) agreements.

NET FINANCIAL LIABILITIES | Part of total financial liabilities not covered by cash and cash equivalents (see also the notes to the consolidated financial statements, Note 23).

NET INVESTMENT HEDGE | A net investment hedge uses derivative or non-derivative → financial instruments to hedge exchange rate-related fluctuations in the net assets of foreign business operations by recognizing the effective portion of the exchange rate-related fluctuations of the hedging instruments within equity in the net investment hedge reserve and thus compensating for the exchange rate-related fluctuations in the net assets of the foreign business operations.

NO-PAR VALUE SHARE | No-par value shares have no nominal value. All issued no-par value shares must represent the same portion of the share capital of a publicly listed company.

O

ONE-STOP SHOP | One-stop shop means that our customers can obtain a comprehensive range of specialty and industrial chemicals and services from a single source.

OPERATING EBITDA | It is the operating profit as recorded in the consolidated income statement plus amortization of intangible assets as well as depreciation of property, plant and equipment and investment property, adjusted for holding charges as well as income and expenses arising from special items. Operating EBITDA is a key indicator for the profitability of the Brenntag Group.

OPERATING GROSS PROFIT | Operating gross profit is defined as sales less cost of materials. For Brenntag as a chemical distributor, operating gross profit is a key performance indicator for management at Group and segment level.

OPERATING LEASE | Agreement to convey the right to use an asset in return for a single or series of payment(s) not to be classified as → finance lease. There is no asset or liability to be recognized by the lessee. The periodic payments are operating expenses in the lessee's accounts.

OPTION (SHARES) | Right for a certain period of time to buy (call) or sell (put) → shares of the issuer at a strike price.

ORDINARY SHARE | → Share carrying all standard rights, especially voting rights.

OUTSOURCING | Outsourcing at Brenntag is understood to mean that chemical manufacturers pass on their small and medium-sized customers to Brenntag who then obtain their chemicals from Brenntag.

P

PACKAGING | Packaging refers to packing or packing material.

PACKING DRUM | A packing drum is a packing unit in which a product is sold and delivered. Typical packing drum sizes are e.g. cans, barrels or → IBCs.

PAYOUT RATIO | The payout ratio indicates the percentage of profit after tax distributed to the shareholders as a → dividend.

PLAN ASSETS | Plan assets are assets which are available to be used only to fund pension obligations and are not – even in bankruptcy – available to the entity's own creditors. The assets classified as plan assets are netted against the pension obligations.

PRIME STANDARD | Prime Standard is an EU-regulated segment and the listing segment for companies that target not only German investors but also international investors. In addition to the requirements for admission to the General Standard, which imposes the statutory requirements of the regulated market, admission to Prime Standard requires the fulfilment of further transparency criteria. Being listed in Prime Standard is a prerequisite for a company to be included in the selection indices (DAX, MDAX, SDAX, TecDAX) of Deutsche Börse.

R

RATING | The assessment and valuation of the financial solvency of a debtor or certain financing instruments of a debtor by external, neutral rating agencies. In this document they are the international rating agencies Standard & Poor's and Moody's.

REACH | REACH (Registration, Evaluation, Authorization of Chemicals) is a regulation of the European Union, adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals.

RECYCLING | Recycling is generally understood as the re-use or reprocessing of products no longer required.

REGISTERED SHARE | A type of stock which, contrary to a → bearer share, is registered in the name of the owner, who is also recorded in the share register of the company. The share register enables the company to gain a better understanding of its shareholder structure.

RESPONSIBLE CARE / RESPONSIBLE DISTRIBUTION | Responsible Care / Responsible Distribution (RC / RD) is a global initiative of the chemicals industry and chemicals traders. It is a voluntary commitment to act responsibly and do more than is required by law: to promote sustainability, demonstrate product stewardship, make plants and the surrounding areas safer as well as improve occupational health and safety and environmental protection.

RETAINED EARNINGS | Part of equity that mainly comprises non-distributed profit and, for the IFRS consolidated financial statements, other comprehensive income (OCI).

RETURN ON CAPITAL | This performance indicator shows a profit in the income statement as a proportion of the capital employed, in other words the interest earned on the capital employed. In the Brenntag Group, we measure the return on capital using the metric → ROCE (Return on Capital Employed) taking into account the purchase price of acquisitions.

ROAD SHOW | Presentation of a company to shareholders and potential investors in various financial centres. The road show is an important investor relations measure to stimulate interest in the company and help market the share.

ROCE | Return on Capital Employed (ROCE) is defined as → EBITA divided by the average carrying amount of equity + the average carrying amount of financial liabilities less the average carrying amount of cash and cash equivalents. The average carrying amounts in the denominator are defined for a particular year as the arithmetic average of the amounts at each of the following five dates: the beginning of the year, the end of each of the first, second and third quarters, and the end of the year. At Brenntag, ROCE is used for the measurement of the → return on capital.

S

SEGMENT | Component of an entity which is reported separately. In general, the definition is based on the internal reporting (management approach). The Brenntag Group is managed by geographically structured segments.

SHARE | Security representing a part of a company's overall share capital. Owning a share entitles the shareholder, among other things, to participate in General Shareholders' Meetings, to vote at General Shareholders' Meetings and to receive a share of profits (→ dividends).

SHARE REGISTER | Companies, which – like Brenntag AG – have issued → registered shares, maintain a share register, in which the name, date of birth and address of the shareholder and the number of shares held are kept (Section 67 of the German Stock Corporation Act (Aktiengesetz)).

SHARE SPLIT | A share split is an action in which a company divides its existing shares into two or more shares. The primary motive is to make shares more affordable and thus improve the marketability of the shares. The proportion that each individual shareholder holds in the company is the same before and after the share split as he holds a larger number of shares than before the split. The Company's assets are distributed over more shares than before.

SINGLE-ENTITY FINANCIAL STATEMENTS | Single-entity financial statements are the annual financial statements of a separate entity. In Germany, they must be prepared in accordance with the statutory provisions of the German Commercial Code (HGB) and generally accepted accounting principles (GoB). They are the basis for determining the distribution of → dividends and also taxation.

SOURCING ACTIVITIES | Brenntag has extensive experience and know-how in managing efficient sourcing relationships with national and international suppliers of chemical products.

SPECIAL ITEMS | Special items are income and expenses outside ordinary activities, such as restructuring programmes, that have a special and material effect on the results of operations.

SPECIALTY CHEMICAL | Specialty chemicals, which are often developed for customized applications, are distinguished from → industrial chemicals by their individual formulations. Which manufacturer produces the specialty chemical is of prime importance for the user.

STANDARD & POOR'S | International rating agency → rating

SUBSCRIBED CAPITAL | The subscribed capital of a stock corporation is the share capital which is laid down in the Articles of Association.

SUPERVISORY BOARD | Control body of a stock corporation prescribed by the German Stock Corporation Act. The members of the Supervisory Board are generally elected by the General Shareholders' Meeting. The most important functions of the Supervisory Board are to appoint and remove Board of Management members, monitor their management of the company, advise the Board of Management regarding decisions on future company policy and examine the annual financial statements.

SUPPLY CHAIN MANAGEMENT | Brenntag provides large chemical producers and the processing industry with efficient logistics networks. We provide transport, warehousing and distribution and assist production and marketing processes. We warrant highest efficiency and best safety standards. We optimize supply chains, synchronize distribution, take on monitoring tasks, assume responsibility for VMI (Vendor Managed Inventory) and control and schedule follow-up orders for goods.

SWAP CONTRACTS | Financial transaction with a counterparty (generally a bank) to hedge financial risks (such as interest rate and currency risks) arising in the course of business.

SYNDICATED FACILITIES AGREEMENT | → syndicated loan

SYNDICATED LOAN | Loan in which at least two lenders grant a loan to one (or more) borrower(s) on the same terms and conditions.

T

TOGETHER FOR SUSTAINABILITY (TFS) | TfS (Together for Sustainability) is the name of an industry initiative founded by major companies of the chemicals sectors. The purpose is to develop and implement a global audit programme to assess and improve sustainability practices within the supply chains of the chemical industry.

TRADEMARK | A trademark generally refers to a brand name and at Brenntag includes both the name and the blue-red logo.

TRADING SYMBOL | A three-digit combination of letters and possibly numbers. The trading symbol is allocated by WM Datenservice, which is also the body responsible for issuing the WKN and ISIN in Germany. Any share can be uniquely identified by the trading symbol – and also by the WKN (German securities identification code) or ISIN (International Securities Identification Number).

V

VOTING RIGHT | The shareholder is entitled to vote on resolutions that are proposed at the → General Shareholders' Meeting of the company he or she is a shareholder of. The weight of his or her vote depends on the amount of → shares held.

W

WACC | WACC (Weighted Average Cost of Capital) is a company-specific capital cost rate and is calculated as the weighted average of costs of equity and borrowing costs.

WORKING CAPITAL | Brenntag defines working capital as trade receivables plus inventories less trade payables. Working capital is an indicator for funds tied up in the operating business activities that are available in the short term.

WORKING CAPITAL TURNOVER, ANNUALIZED | Working capital turnover is defined as sales divided by average → working capital. Average working capital is defined for a particular year as the average of the values for working capital at each of the following five dates: the beginning of the year, the end of each of the first, second and third quarters, and the end of the year.

X

XETRA® | The term Xetra® stands for the stock exchange electronic trading system of Deutsche Börse AG.

TABLE DIRECTORY

A TO OUR SHAREHOLDERS

B MANAGEMENT REPORT

C CONSOLIDATED FINANCIAL STATEMENTS

D FURTHER INFORMATION

FIVE-YEAR OVERVIEW

		2017	2016	2015	2014	2013
Sales	EUR m	11,743.3	10,498.4	10,346.1	10,015.6	9,769.5
Operating gross profit	EUR m	2,554.1	2,428.7	2,321.7	2,078.2	1,992.3
Operating EBITDA	EUR m	836.0	810.0	807.4	726.7	698.3
Operating EBITDA / operating gross profit	%	32.7	33.4	34.8	35.0	35.0
Profit after tax	EUR m	362.0	361.0	368.1	339.7	338.9
Earnings per share after stock split[1]	EUR	2.34	2.33	2.36	2.20	2.20

D.17 CONSOLIDATED INCOME STATEMENT

		Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Total assets	EUR m	7,284.8	7,287.0	6,976.2	6,215.0	5,627.3
Equity	EUR m	2,985.7	2,959.2	2,690.5	2,356.9	2,093.7
Working capital	EUR m	1,510.5	1,354.6	1,268.1	1,226.8	1,044.4
Net financial liabilities	EUR m	1,571.9	1,681.9	1,676.1	1,409.7	1,341.7

D.18 CONSOLIDATED BALANCE SHEET

		2017	2016	2015	2014	2013
Net cash provided by operating activities	EUR m	404.5	539.9	593.7	369.7	357.8
Investments in non-current assets (capex)	EUR m	−148.1	−141.1	−130.1	−104.8	−97.2
Free cash flow[2]	EUR m	440.3	641.4	764.3	521.4	544.9

D.19 CONSOLIDATED CASH FLOW

		Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Share price	EUR	52.77	52.80	48.28	46.51	44.92
No. of shares (unweighted)[1]		154,500,000	154,500,000	154,500,000	154,500,000	154,500,000
Market capitalization	EUR m	8,153	8,158	7,459	7,186	6,939
Free float	%	100.00	100.00	100.00	100.00	100.00

D.20 KEY DATA ON THE BRENNTAG SHARES

[1] As part of a stock split, the number of shares was increased in the third quarter of 2014 from 51.5 million to 154.5 million.
The earnings per share, the share price and the number of shares have been retroactively adjusted in line with the stock split.
[2] Calculation based on operating EBITDA.

IMPRINT AND CONTACT

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INFORMATION ON THE ANNUAL REPORT

This translation is only a convenience translation. In the event of any differences, only the German version is binding.

INFORMATION ON ROUNDING

Due to commercial rounding, minor differences may occur when using rounded amounts or rounded percentages.

DISCLAIMER

This report may contain forward-looking statements based on current assumptions and forecasts made by Brenntag AG and other information currently available to the company. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. Brenntag AG does not intend, and does not assume any liability whatsoever, to update these forward-looking statements or to adapt them in line with future events or developments.

FINANCIAL CALENDAR 2018

MAR 16
2018
Citibank
Pan-European Business
Services & Logistics Conference,
London

MAR 22
2018
MainFirst
Corporate Conference,
Copenhagen

MAY 9
2018
Publication
of Q1 2018 results

JUN 20
2018
General Shareholders' Meeting,
Düsseldorf

AUG 8
2018
Publication
of Q2 2018 results

NOV 7
2018
Publication
of Q3 2018 results

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