ConnectingChemistry

BRENNTAG

AGILITY TO PERFORM

FINANCIAL REPORT 2018

SEGMENTS

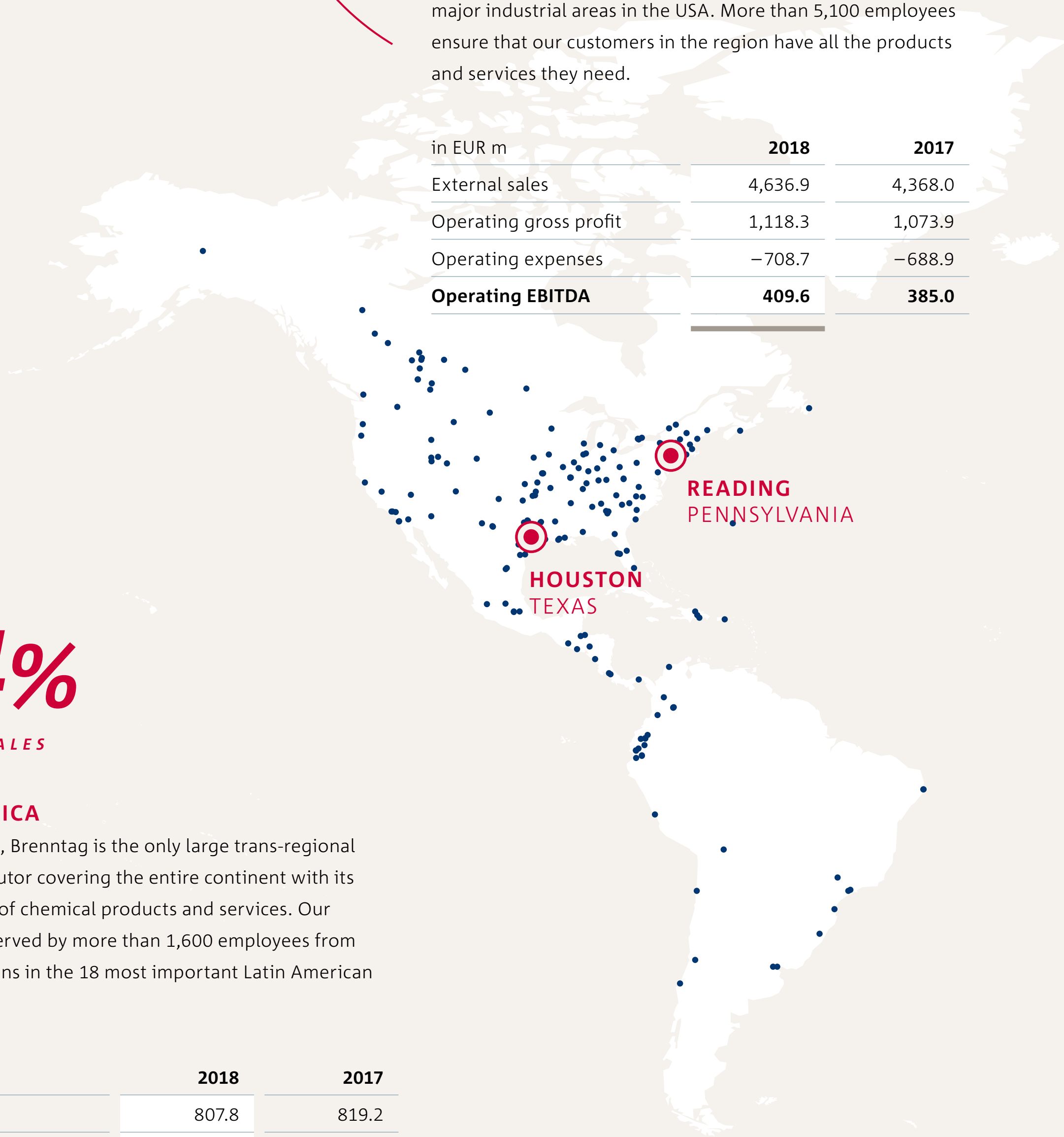
36.9%

SHARE OF SALES

NORTH AMERICA

Brenntag is one of the market leaders in North America. With nearly 195 distribution centres, we operate in all the major industrial areas in the USA. More than 5,100 employees ensure that our customers in the region have all the products and services they need.

in EUR m	2018	2017
External sales	4,636.9	4,368.0
Operating gross profit	1,118.3	1,073.9
Operating expenses	−708.7	−688.9
Operating EBITDA	**409.6**	**385.0**



6.4%

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 1,600 employees from about 60 locations in the 18 most important Latin American countries.

in EUR m	2018	2017
External sales	807.8	819.2
Operating gross profit	163.1	172.5
Operating expenses	−123.2	−130.1
Operating EBITDA	**39.9**	**42.4**

Figures exclude all other segments, which combine various holding companies and the activities with regard to the digitialzation of Brenntag (DigiB). The international operations of BRENNTAG International Chemicals are also included in all other segments.

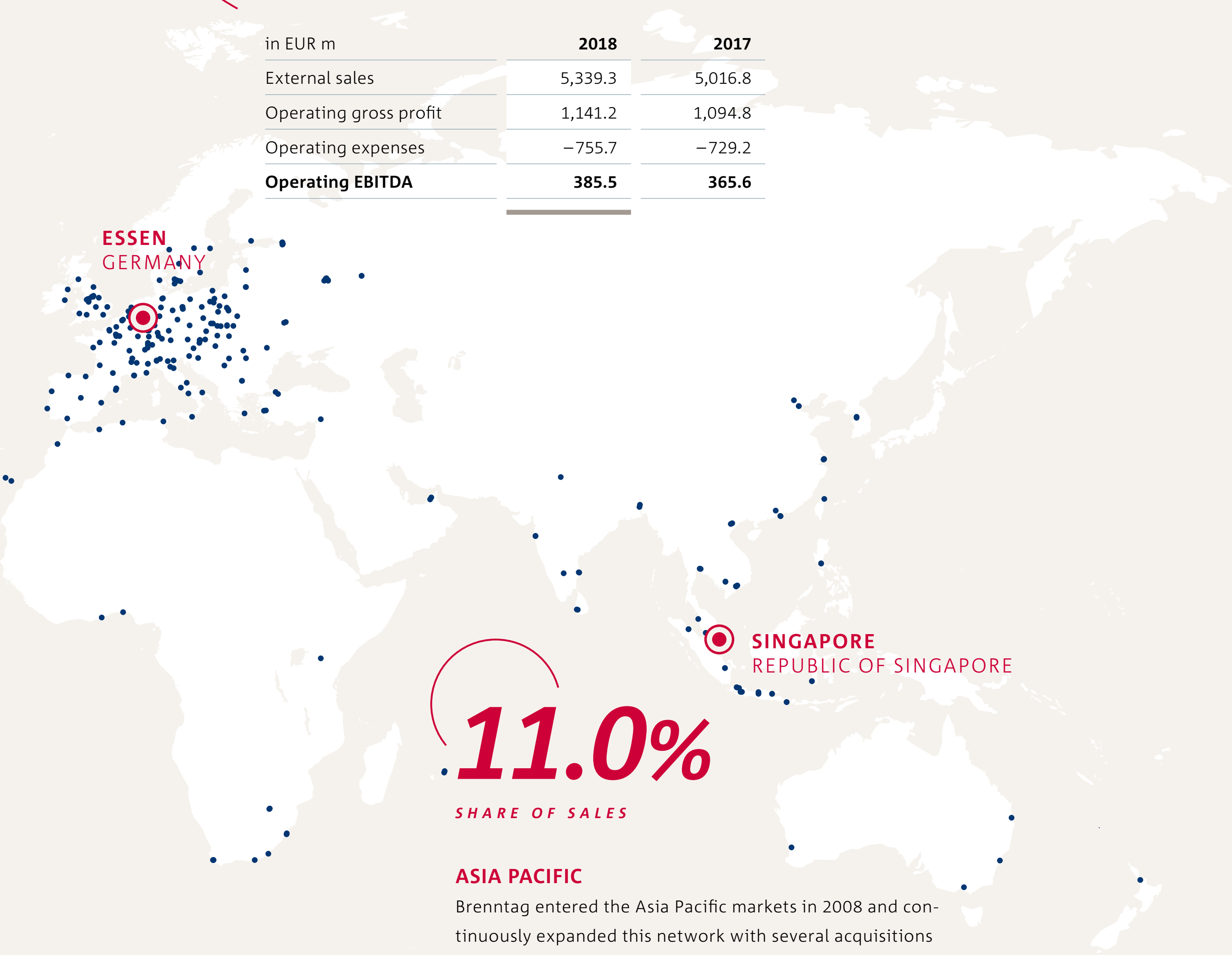
42.5%

SHARE OF SALES

EMEA

Brenntag is the number one chemical distributor in EMEA. The region operates a dense network of more than 225 distribution centres. From these locations, our workforce of more than 7,100 employees provides the Brenntag customers with the chemicals and services they need.

in EUR m	2018	2017
External sales	5,339.3	5,016.8
Operating gross profit	1,141.2	1,094.8
Operating expenses	−755.7	−729.2
Operating EBITDA	**385.5**	**365.6**



11.0%

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 100 locations in 17 countries and a workforce of more than 2,400 employees supplying chemical products and services to all our customers in the region.

in EUR m	2018	2017
External sales	1,383.5	1,170.6
Operating gross profit	224.2	198.7
Operating expenses	−146.3	−125.0
Operating EBITDA	**77.9**	**73.7**

KEY FINANCIAL FIGURES AT A GLANCE

CONSOLIDATED INCOME STATEMENT

		2018	2017	Change in %	Change in % (fx adj.)
Sales	EUR m	12,550.0	11,743.3	6.9	10.2
Operating gross profit	EUR m	2,660.9	2,554.1	4.2	7.5
Operating EBITDA	EUR m	875.5	836.0	4.7	8.4
Operating EBITDA / operating gross profit	%	32.9	32.7		
Profit after tax	EUR m	462.3	362.0	27.7	
Earnings per share	EUR	2.98	2.34	27.4	

CONSOLIDATED BALANCE SHEET

		Dec. 31, 2018	Dec. 31, 2017
Total assets	EUR m	7,694.5	7,284.8
Equity	EUR m	3,301.2	2,985.7
Working capital	EUR m	1,807.0	1,510.5
Net financial liabilities	EUR m	1,761.9	1,571.9

CONSOLIDATED CASH FLOW

		2018	2017
Net cash provided by operating activities	EUR m	375.3	404.5
Investments in non-current assets (capex)	EUR m	−172.2	−148.1
Free cash flow	EUR m	525.2	440.3

KEY DATA ON THE BRENNTAG SHARES

		Dec. 31, 2018	Dec. 31, 2017
Share price	EUR	37.70	52.77
No. of shares (unweighted)		154,500,000	154,500,000
Market capitalization	EUR m	5,825	8,153
Free float	%	100.00	100.00

WHAT **AGILITY** MEANS FOR **BRENNTAG**

To be agile means to be nimble, to be flexible. It also means to be deft, to energetically apply oneself to new things and to continuously adapt existing processes in line with current requirements. To think and act with an eye to the future. All these characteristics are a must in chemical distribution.

This is the approach we take here at Brenntag!

For many years, the company has demonstrated that it is resilient and flexible. Not only do we adapt to local conditions; we are also at the forefront of new trends. Our employees are our most important asset: they use our industry knowledge and business intelligence with the aim of sharing expertise with our stakeholders, thereby giving them an edge.

Nimbleness, flexibility, energy and a focus on the future are firmly ingrained in our corporate culture. For Brenntag and its partners!

CEO LETTER

Dear shareholders,

Financial year 2018 saw Brenntag continue its positive performance with clear and broad based growth in operating gross profit and operating EBITDA supported by all regions. Operating EBITDA came to EUR 875.5 million, an increase of 8.4% on a constant currency basis. Operating gross profit rose by 7.5% on a constant currency basis to EUR 2,660.9 million.

This robust performance was broad-based with particularly strong results in our North America region. In EMEA, growth was stronger in the first half with clear macroeconomic challenges affecting the region in the second half of 2018. Asia Pacific remains the region that offers additional growth potential and we continue to expand our network and the portfolio of products and services in the region. In Latin America, we continue to see difficult political and economic conditions. However, earnings stabilized over the course of last year and the region reported positive results year over year.

Last year, we continued to develop our business model worldwide, including the repositioning of our food and nutrition business in order to raise Brenntag's profile as a provider of ingredients to customers and suppliers in the food industry. This allows us to better serve our business partners' needs. The food and nutrition business is now led by a global team and we have restructured the organization within the regions to reflect this increased specialization. This is the first stage of greater focus and accountability in our specialty and industry-focused activities.

We also continued our acquisition strategy and were particularly pleased with the acquisitions of Raj Petro Specialities Pvt. Ltd. in India and Canada Colors and Chemicals Ltd. We acquired a 65% majority stake in Raj Petro Specialities, thereby making a significant step into the promising and high-growth Indian market. The acquisition of the distribution business of Canada Colors and Chemicals with its operations in the main industrial areas across Canada represented one of the significant high-value consolidation opportunities in Canada and is a valuable addition to our business overall.

The Group delivered a strong performance in 2018 and we would like to reflect and share this in a recommendation to increase the overall dividend to shareholders. We will therefore propose a dividend of EUR 1.20 at the General Shareholders' Meeting in June. This represents a rise of 9.1% on the previous year and is the eighth consecutive increase since our stock market flotation in 2010.

»Financial year 2018 saw Brenntag continue its positive performance with clear and broad based growth in operating gross profit and operating EBITDA supported by all regions. Operating EBITDA came to EUR 875.5 million.«

STEVEN HOLLAND
CHIEF EXECUTIVE OFFICER

We are very pleased that the Brenntag Group also made progress on the important issue of sustainability last year. Besides publishing our sustainability report on an annual basis, Brenntag was able to confirm its gold recognition level from the independent global sustainability rating agency EcoVadis in November 2018. We also took part for the first time in the climate rating by CDP, an international organization that every year analyzes several thousand companies worldwide with regard to their strategic approach to the challenges presented by climate change, using an extensive list of criteria to assess their climate management. By participating in CDP, we wish to develop our energy and CO_2 reporting in line with recognized standards.

Towards the second half of 2018, there was clearly a slowdown in momentum across many markets and sectors. For 2019, we anticipate an economic slowdown worldwide. In this market environment, we expect to see an increase in Group operating EBITDA of between 3% and 7%. This forecast is on a constant currency basis and includes the contributions from acquisitions. We expect the growth to show through in the second half of 2019 in particular. The growth will be supported by all regions.

On behalf of the entire Board of Management, I would to thank all our employees for their commitment and our shareholders and business partners for their confidence in the future success and growth of our company.

Yours sincerely

STEVEN HOLLAND
CHIEF EXECUTIVE OFFICER

Essen, March 5, 2019

A

TO OUR SHAREHOLDERS

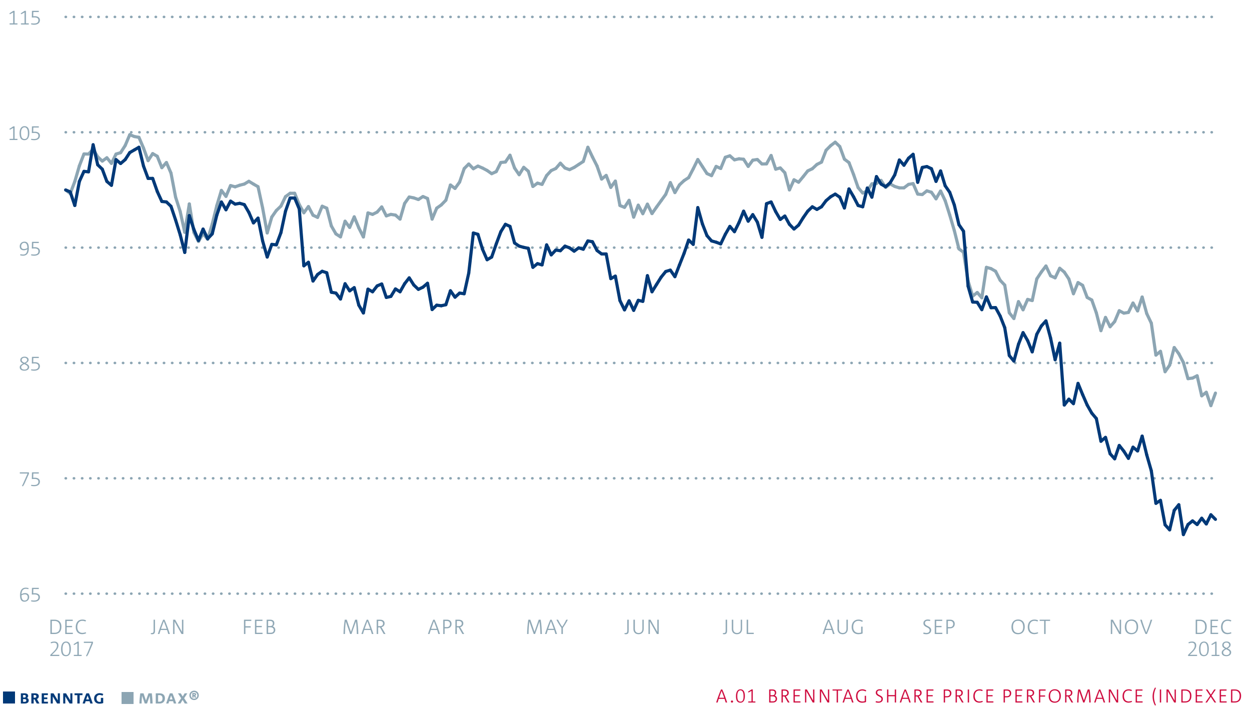
BRENNTAG ON THE STOCK MARKET

SHARE PRICE PERFORMANCE

2018 was marked by heightened equity market volatility around the globe. While the global economic environment remained broadly positive throughout the year, the focus of market participants shifted increasingly towards signs of economic uncertainty and the current global trade conflicts. In Europe in particular, the macroeconomic environment softened towards year-end. Equity markets around the globe showed share price increases at the beginning of the year. However, towards the end of the year, all markets experienced sharp share price declines.

In this environment, Germany's leading index, the DAX®, closed 2018 at 10,559 points, a decline of 18.3%. The MDAX® finished down 17.6% to close at 21,588 points. Brenntag shares closed the reporting period at EUR 37.70, down 28.6% compared with the 2017 closing price.

According to Deutsche Börse AG's ranking, Brenntag AG ranked 39th among all listed companies in Germany by market capitalization at the end of 2018. The average number of Brenntag shares traded daily on Xetra® in 2018 was approximately 325,000.



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 of 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.

In 2018, 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 Capital Markets Day and the Annual General Shareholders' Meeting. In addition to the above-mentioned activities, the Board of Management and the Investor Relations team regularly provided institutional investors, analysts and retail investors 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.

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

As at March 1, 2019, notification had been received from the following shareholders under Section 33 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
MFS Investment Management	>5	Jul. 3, 2012
BlackRock	>3	Feb. 6, 2019
Burgundy Asset Management	>3	Oct. 16, 2018
Flossbach von Storch AG	>3	Dec. 21, 2018
Threadneedle	>3	Jun. 27, 2016
Wellington Management Group	>3	Sep. 4, 2018

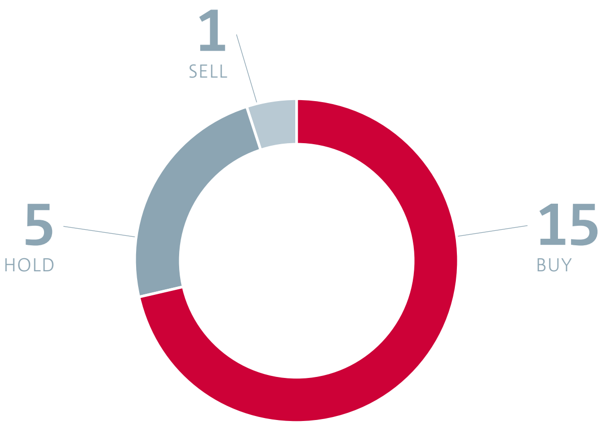
A.02 SHAREHOLDER STRUCTURE

		Dec. 31, 2017	Dec. 31, 2018
No. of shares (unweighted)		154,500,000	154,500,000
Price (Xetra® closing price)	EUR	52.77	37.70
Market capitalization	EUR m	8,153	5,825
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, 2019), 21 banks regularly publish research reports on our company's latest performance and give recommendations. Fifteen analysts give Brenntag shares a buy recommendation, five recommend holding the shares and one is advising to sell. Many analysts value Brenntag highly as a growth stock with strong cash flow generation.



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).

GENERAL SHAREHOLDERS' MEETING

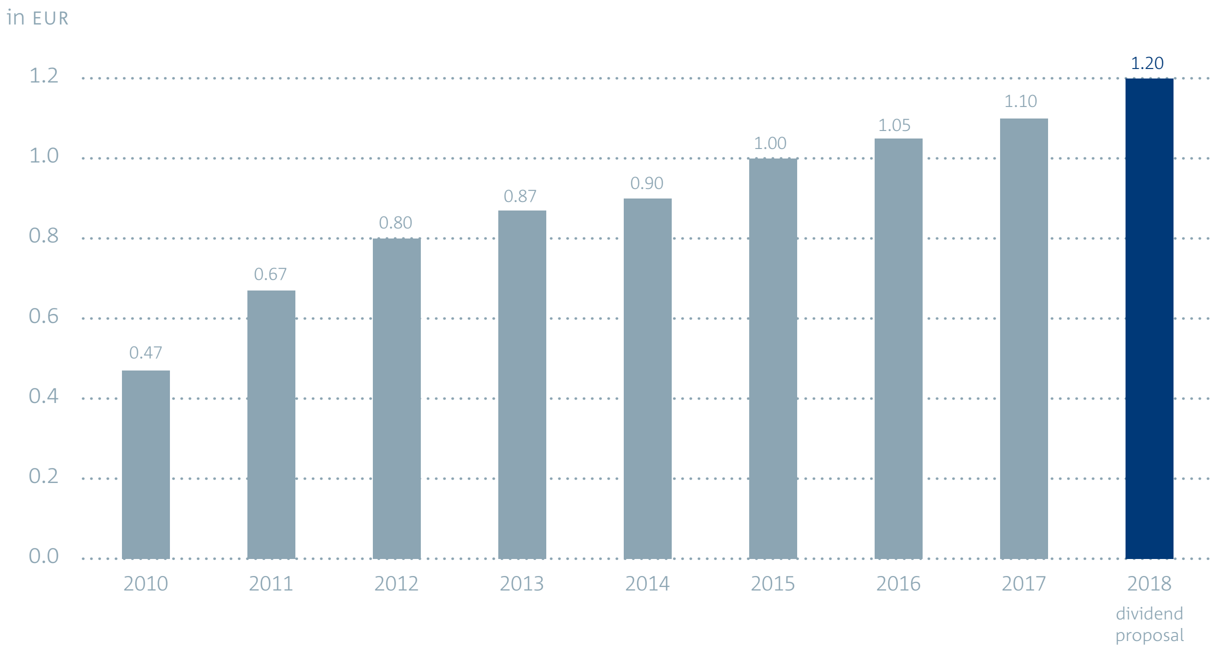
The 2018 General Shareholders' Meeting of Brenntag AG was held in Düsseldorf on June 20, 2018. With attendance at over 76%, the General Shareholders' Meeting approved the proposed Management Board and Supervisory Board resolutions with a large majority in each case. Accordingly, it resolved to pay a dividend of EUR 1.10 per share, an increase of 4.8% compared with the previous year.

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

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

ATTRACTIVE DIVIDEND PROPOSAL FOR 2018

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 annual dividend since going public. The Board of Management and Supervisory Board will recommend to shareholders at the General Shareholders' Meeting a dividend payment of EUR 1.20 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 40.2%. Through this payout ratio, we would like our shareholders to participate directly in the company's positive performance.



A.06 DIVIDEND PERFORMANCE

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

2018 saw Brenntag grow and increase its earnings. This positive performance testifies to Brenntag's robust, growth-oriented positioning and bears out the further development and implementation of its proven strategy by the company's management.

COMPOSITION OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

There were no changes in the composition of the Board of Management or the Supervisory Board of Brenntag AG in the reporting period.

COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

In financial year 2018, 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, the Group's current position, corporate planning and strategic further development. The latter was the subject of strategy meetings on April 11 and November 29, 2018, at which the Board of Management and Supervisory Board discussed the strategic plans in detail. 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 consult with the Board of Management on the company's strategic direction and to decide on business transactions and measures proposed by the Board of Management and requiring the Supervisory Board's approval after it had examined those transactions and measures and discussed them with the Board of Management. 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 section, "Topics Addressed in the Supervisory Board Meetings", for details.

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

TOPICS ADDRESSED IN THE SUPERVISORY BOARD MEETINGS

The ordinary meeting on March 12, 2018 focused on the 2017 consolidated financial statements of Brenntag AG, on which both the Board of Management and the appointed auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, reported in detail. The Supervisory Board approved the consolidated financial statements of Brenntag AG for financial year 2017 and the annual financial statements of Brenntag AG. The 2017 annual financial statements were thus adopted. 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 presented to the Supervisory Board the strategic direction set for Brenntag bearing in mind the market environment in the four regions. This was followed by a status report on the topic of digitalization, during which the Board of Management provided detailed information on the work of subsidiary company DigiB, the status of the various digitalization projects and the next steps. A further item on the agenda was an update on topics from the Global Human Resources (HR) department with a focus on succession planning. Also at this meeting, changes were decided to the allocation of responsibilities on the Board of Management.

On April 6, 2018, an extraordinary meeting was held by teleconference. Here, the Board of Management reported in detail on OneIT and SHAPE, two IT programmes aimed primarily at standardizing and improving Brenntag's regional IT landscape in EMEA. Following detailed discussion and consultation, the Supervisory Board approved the projects' implementation.

On April 16, 2018, the Supervisory Board convened for another extraordinary meeting by teleconference. This was due to the submission of Brenntag's non-financial statement in accordance with Section 315b, para. 3 of the German Commercial Code (HGB) (CSR Directive). The Audit Committee and the appointed auditors, PwC, presented and explained the results of their examination of the separate non-financial Group report for financial year 2017. By circular resolution on April 23, 2018, the Supervisory Board did not raise any objections on the basis of its own examination of the separate non-financial Group report and received and approved by acknowledgment the results of the examination conducted by PwC.

On May 24, 2018, a further extraordinary meeting was held by teleconference, where one Supervisory Board member sent apologies for being absent. The reason for this meeting was the planned acquisition of the chemical distribution business of Canada Colors and Chemicals Ltd., which strengthens Brenntag's positioning and specialties capabilities in the life science and material science segments in Canada. Following a detailed explanation of the strategic objectives and the terms of the acquisition, the Supervisory Board approved the transaction.

The second ordinary Supervisory Board meeting took place on June 20, 2018 after the General Shareholders' Meeting. Here, the Supervisory Board received detailed information on the compliance management system (organization, processes and measures) as part of risk management at Brenntag. The Board of Management then reported on the current status of business in the regions. This was followed by status reports from the Mergers & Acquisitions (M&A) and Investor Relations (IR) departments and on the topic of digitalization.

On July 24, 2018, an extraordinary meeting was held by teleconference, at which the Board of Management reported in depth on an upcoming M&A project in the EMEA region.

At the ordinary meeting on September 6, 2018, the Board of Management reported in detail on the business results and the status of business in the four Brenntag regions. Strategic sourcing was a further point of focus. In addition, the Board of Management provided information on the status of and further steps in the global repositioning and reorganization of Brenntag Food & Nutrition and explained to the Supervisory Board the status of implementation in the individual regions. Current acquisition projects and developments in relation to digitalization were also discussed.

The fourth and final ordinary meeting of the reporting period took place on December 13, 2018. 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. The Supervisory Board received detailed information from the Board of Management on the projected results for financial year 2018 as well as the strategic plans and budgets for 2019 and approved them. This was followed by a review of M&A activities during the year and a report on current projects. The Supervisory Board approved the sale of Brenntag Biosector A/S, a non-core business unit of Brenntag based in Denmark. Other items on the agenda included developments from the IR department. At the meeting, the Supervisory Board also decided to entrust the Audit Committee with the task of preparing for the examination of the non-financial statement and in this context to engage the audit firm PwC to provide assurance on the separate non-financial Group report for financial year 2018.

SUPERVISORY BOARD COMMITTEE ACTIVITIES

In financial year 2018, as in previous years, the Supervisory Board of Brenntag AG had two committees: the Audit Committee and the Presiding and Nomination Committee. Their chairmen reported in detail on the current work of the committees in the Supervisory Board meetings.

The Audit Committee, composed of Ulrich M. Harnacke (Chairman), Doreen Nowotne and Stefanie Berlinger, held five 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 2017 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. Further topics covered at the meetings included the examination of the separate non-financial Group report for financial year 2017 and the implementation of the European General Data Protection Regulation (GDPR).

The Presiding and Nomination Committee is composed of Stefan Zuschke (Chairman), Wijnand P. Donkers and Dr Andreas Rittstieg. It met four times in the reporting period. 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 the requirements and principles of good corporate governance and their implementation within the company. In accordance with the German Corporate Governance Code (the 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 13, 2018, the Supervisory Board and the Board of Management jointly submitted a new declaration of conformity, which appears both on the Brenntag AG website and in the Corporate Governance Report. In this new declaration of conformity, the Board of Management and Supervisory Board declare that, since its last declaration of conformity dated December 14, 2017, Brenntag AG has complied in the reporting period with the 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. 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, 2018 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 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.

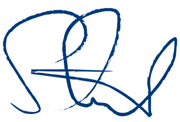
PwC, the auditors elected by the General Shareholders' Meeting and appointed by the Supervisory Board, audited and issued an unqualified auditors' report on the annual financial statements of Brenntag AG, the combined Group management report and management report of Brenntag AG and the consolidated financial 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 February 25, 2019 and the Supervisory Board meeting on March 5, 2019. The financial statement documents were discussed in detail on the Audit Committee and on the Supervisory Board, in both cases in the presence of the auditors, who gave a report. Following the preliminary examination by the Audit Committee and the Supervisory Board's own review during its meeting on March 5, 2019, there were no objections to be raised. The Supervisory Board endorses the findings of the audit and approved the above-mentioned financial statements prepared by the Board of Management. The annual financial statements were thus adopted on March 5, 2019. The Supervisory Board endorsed the Board of Management's proposal to use the distributable profit to pay a dividend of EUR 1.20 per dividend-bearing no-par value share.

The Supervisory Board will report separately on the results of the examination of the separate non-financial Group report for financial year 2018 required under Section 315b of the German Commercial Code 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 2018.

On behalf of the Supervisory Board



Stefan Zuschke
Chairman
Essen, March 2019

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 13, 2018, 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.

Since its last declaration of conformity in December 2017, Brenntag AG has continued to comply 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 Supervisory Board has determined concrete objectives regarding its composition and prepared 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's objectives for its composition are 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 digitalization 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, 2018, 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. 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 26, 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 2018, no transaction was reported to Brenntag AG. Transactions in previous reporting periods 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 management 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 2018 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 2019 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 2019 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 (IFRS), 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 the auditing company PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC). 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 2018, 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 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 13, 2018, 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 14, 2017, 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.

KARSTEN BECKMANN
MEMBER OF THE BOARD OF MANAGEMENT

Region EMEA (Europe, Middle East & Africa), Corporate IT, Digitalization

MARKUS KLÄHN
MEMBER OF THE BOARD OF MANAGEMENT

Region North America, Global Accounts

HENRI NEJADE
MEMBER OF THE BOARD OF MANAGEMENT

Region Asia Pacific, Global Sourcing

STEVEN HOLLAND
CHIEF EXECUTIVE OFFICER

Region Latin America, Corporate Communications, Development, HSE, Internal Audit & Compliance, Global HR, Global M&A, Sustainability

GEORG MÜLLER
CHIEF FINANCIAL OFFICER

Corporate Accounting, Controlling, Finance & IR, Legal, Risk Management, Tax, Brenntag International Chemicals

BOARD OF MANAGEMENT

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 next elections to the Supervisory Board 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 last routine efficiency review took place in 2017. 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 next efficiency review will take place in 2019.

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.

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 P. Donkers. 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 M. Harnacke as its Chairman, Doreen Nowotne and Stefanie Berlinger.

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 M. 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 focuses 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.

The deadline for implementation of the targets set in 2015 expired on June 30, 2017. Therefore, in the same 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 for implementation 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 under the heading "compliance".

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, there were no changes to the composition of the Supervisory Board. In its current composition, the Supervisory Board fulfils the requirements of the diversity policy.

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 offices on statutory supervisory boards and 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, 2018)	
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) Enterprise Management 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 offices on statutory supervisory boards and 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, 2018)
Stefan Zuschke Chairman	Independent Business Consultant	March 3, 2010	
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
Stefanie Berlinger	Managing Director Lilja & Co. GmbH	June 9, 2015	
Wijnand P. Donkers	Management Consultant	June 8, 2017	
Ulrich M. Harnacke	Chartered Accountant and Tax Consultant, Independent Business Consultant	June 8, 2017	▪ Vossloh AG (Deputy Chairman) ▪ Thüga Holding GmbH & Co. KGaA ▪ Zentis GmbH & Co. KG
Doreen Nowotne	Independent Business Consultant	March 3, 2010	▪ JENOPTIK AG ▪ Lufthansa Technik AG ▪ Franz Haniel & Cie. GmbH

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

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 195,000 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 AND SEGMENTS

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 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 digitalization 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.

For details of the scope of consolidation, please refer to the notes to the 2018 consolidated financial statements.

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 here 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 pursue this goal through a clear growth strategy geared to steadily expanding our leading market position while continually improving profitability.

Organic growth and acquisitions

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. Our close ties with local cultures and markets enable us to serve our customers and suppliers in a way that meets their individual needs.

In addition, we continue to seek acquisition opportunities that support our strategy. Our strategic focus here 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, our acquisition strategy focuses on steadily optimizing our product and service portfolio as well as our national and international distribution networks.

Steadily 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

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

Our global safety initiative, for example, concentrates in particular on establishing an outstanding safety culture and introducing globally harmonized and consistently high safety standards.

Under our growth strategy, we focus the company on attractive and promising business segments. In order to leverage more of the above-average growth opportunities in the life science segment by meeting our business partners' existing and future needs at local and global level on the basis of our broad portfolio of specialty and standard ingredients and our specific expertise, we have amalgamated our global capabilities in food within the organizational unit Brenntag Food & Nutrition. Other life science sectors such as personal care and pharmaceuticals are served in a focused manner. In high-volume segments such as water treatment as well as in adhesives, sealants, coatings, paints and elastomers, our emphasis is on using resources more effectively and efficiently. In oil and gas, we promote sustainable growth by expanding our global expertise and position. In addition, we are looking to modern concepts and digital technologies that are customer- and supplier-oriented and geared to future growth and have combined these activities in our subsidiary DigiB. Further regional initiatives focus on growing the customer-specific mixing and blending business by providing value-added services.

In order to also 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 account customers, 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 addition to our growth initiatives, we continue to improve our operational excellence, in particular by optimizing our site network and IT systems, 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. The focus here is on our employees' continuing development and, in particular, on targeted succession planning.

SUSTAINABILITY

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

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 management report.

Financial Management System

The financial management system of the Brenntag Group enables us to measure attainment of our strategic objectives. 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.

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.

Brenntag adjusts operating EBITDA for holding charges and 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. Holding charges are certain costs charged between holding companies and operating companies. At Group level, these effects net to zero. Special items are income and expenses outside ordinary activities that have a special and material effect on the results of operations.

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 / intangible assets (capex)
+/–	changes in working capital
=	free cash flow

Working capital is defined as trade receivables plus inventories less trade payables. 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:

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

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.

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.

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.

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 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

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

Following the positive start made by the global economy in the first half of 2018, we saw only low growth momentum in the second half of the year. This is also reflected in the Global Manufacturing Purchasing Managers' Index (PMI), which stood at 51.5 in December, still above the 50 neutral mark, but the lowest reading for 27 months. Overall, global industrial production grew by around 3.2% year on year in financial year 2018.

Industrial production in Europe rose by approximately 1.7% year on year over 2018 as a whole. However, there was a gradual slowdown in growth during the course of the year. The US economy continued on a positive trajectory, delivering steady rates of growth. Overall, industrial production grew by 4.0% year on year in financial year 2018. Economic conditions in Latin America remained challenging. Compared with the previous year, Latin American industrial production contracted by around 2.3% in financial year 2018. The economies of Asia, particularly China, started to see lower growth momentum. Industrial production across the region as a whole expanded by approximately 5.4% year on year in financial year 2018.

Business Performance

MAJOR EVENTS IMPACTING ON BUSINESS IN 2018

In May 2018, Brenntag acquired 65% of the shares in RAJ PETRO SPECIALITIES PRIVATE LIMITED. The second tranche of 35% is expected to be purchased after five, but no later than after seven years. Headquartered in Mumbai, India, the company generated annual sales of EUR 190 million in financial year 2017/18 ended March 31, 2018.

In addition, in June 2018, Brenntag acquired the Quimitecnica Group based in Lordelo (Guimarães), Portugal. The acquiree generated sales of almost EUR 40 million in financial year 2017.

In August 2018, Brenntag acquired all shares in Alphamin S.A., Belgium. The company's headquarters are located in Wavre, Belgium, and the company has a subsidiary in the USA. Alphamin S.A. generated sales of EUR 44 million in financial year 2017/2018 ended June 30, 2018.

In addition, in September 2018, Brenntag closed the acquisition of the chemical distribution business of Canada Colors and Chemicals Ltd. based in Toronto, Canada. With operations in the main industrial areas across Canada, the company generated annual sales of EUR 140 million in financial year 2017.

In December, Brenntag closed the sale of its non-core business unit Brenntag Biosector A/S, Ballerup, Denmark, to Croda International Plc, Snaith, UK, at a price of EUR 72 million.

Also in December, Brenntag acquired chemical distributor CONQUIMICA S.A., which is headquartered in Itagüí, Colombia. The company generated sales of EUR 45 million in financial year 2018.

In a further transaction in December, Brenntag acquired Pachem Distribution Inc. The Canadian company, based in Laval, Quebec, achieved sales of around EUR 13 million in financial year 2018.

STATEMENT BY THE BOARD OF MANAGEMENT ON BUSINESS PERFORMANCE

The Brenntag Group generated operating EBITDA of EUR 875.5 million in financial year 2018. On a constant currency basis, this represents earnings growth of 8.4%.

This strong growth is primarily organic. Besides this organic growth, which we achieved in all four quarters of the past financial year, the acquisitions also contributed to the growth in financial year 2018. Overall, the growth is due to higher earnings in all regions. In addition, operating EBITDA rose at a faster pace than operating gross profit, particularly in our two large segments, EMEA and North America.

In a market environment where chemical prices were rising, working capital showed another clear increase in financial year 2018. Annualized working capital turnover was lower year on year.

As expected, capital expenditure in financial year 2018 was up on the prior-year figure due to projects to expand our business operations. We are also continuing to maintain our existing infrastructure and expand it through targeted growth projects.

The outlined performance in operating EBITDA, working capital and capital expenditure resulted in a free cash flow that was significantly higher year on year. Besides the rise in operating EBITDA, this is due to the lower increase in working capital compared with financial year 2017.

Overall, we are satisfied with the performance in financial year 2018. The earnings growth in the past financial year is primarily organic and the increase in operating EBITDA is due overall to broad-based growth across all our regions on a constant currency basis. In our North America region, we grew significantly at constant currency rates. Our EMEA and Asia Pacific regions posted meaningful growth, while in the Latin America region we achieved a moderate increase in earnings on a constant currency basis.

Results of Operations

BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

			Change		
in EUR m	**2018**	**2017**	abs.	in %	in % (fx adj.)[1)]
Sales	12,550.0	11,743.3	806.7	6.9	10.2
Operating gross profit	2,660.9	2,554.1	106.8	4.2	7.5
Operating expenses	−1,785.4	−1,718.1	−67.3	3.9	7.1
Operating EBITDA	**875.5**	**836.0**	**39.5**	**4.7**	**8.4**
Net income/expense from special items	17.4	−53.8	71.2	–	–
Depreciation of property, plant and equipment	−122.0	−118.9	−3.1	2.6	5.1
EBITA	770.9	663.3	107.6	16.2	20.4
Amortization of intangible assets	−49.9	−44.2	−5.7	12.9	17.7
Net finance costs	−97.5	−94.5	−3.0	3.2	–
Profit before tax	623.5	524.6	98.9	18.9	–
Income tax expense	−161.2	−162.6	1.4	−0.9	–
Profit after tax	462.3	362.0	100.3	27.7	–

B.01 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

1) Change in % (fx adj.) is the percentage change on a constant currency basis.

Net income/expense from special items breaks down as follows:

in EUR m	**2018**	**2017**
Expenses in connection with the programme to increase efficiency in the EMEA segment	−10.8	−23.8
Provision for the fine imposed in French antitrust proceedings	–	−30.0
Income from the sale of Brenntag Biosector	28.2	–
Net income/expense from special items	**17.4**	**−53.8**

B.02 NET INCOME/EXPENSE FROM SPECIAL ITEMS

The Brenntag Group performed well overall in financial year 2018. 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.

The Brenntag Group generated **sales** of EUR 12,550.0 million in financial year 2018, a rise of 6.9% compared with the previous year. This sales growth of 10.2% 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.

The Brenntag Group generated **operating gross profit** of EUR 2,660.9 million in financial year 2018, an increase of 4.2% and, on a constant currency basis, 7.5%. All segments contributed to this encouraging performance at operating gross profit level. The growth in operating gross profit was mostly organic and also supported by a positive contribution from the acquisitions.

The Brenntag Group's **operating expenses** amounted to EUR 1,785.4 million in financial year 2018, an increase of 3.9% year on year, or 7.1% on a constant currency basis. The growing business and certain inflationary tendencies led to additional costs, particularly personnel, rent and transport costs.

The Brenntag Group achieved **operating EBITDA** of EUR 875.5 million overall in financial year 2018, an increase of 4.7% on the prior-year figure. This represents earnings growth of 8.4% on a constant currency basis and is therefore in line with the prior-year growth forecast for 2018. Earnings are within the forecast range of EUR 870 million to EUR 900 million published in August 2018 and confirmed in November 2018. All our regions contributed to this performance.

Depreciation of property, plant and equipment and **amortization** of intangible assets amounted to EUR 171.9 million in financial year 2018, with depreciation of property, plant and equipment accounting for EUR 122.0 million and amortization of intangible assets for EUR 49.9 million. Compared with financial year 2017, we recorded an increase in total depreciation and amortization of EUR 8.8 million.

Net finance costs amounted to EUR 97.5 million in financial year 2018 (2017: EUR 94.5 million). Net interest expense, which is a component of net finance costs, came to EUR 82.3 million in 2018, a slight improvement on the previous year (2017: EUR 86.5 million). This was driven mainly by the fact that we ceased to incur the interest on the Bond 2018, which was repaid in July and refinanced through instruments at much lower interest rates. Net finance costs also include the effects of the remeasurement of purchase prices for outstanding shares in some of our subsidiaries, where the related expense in 2018 was higher than the expense in 2017.

Profit before tax amounted to EUR 623.5 million in financial year 2018 (2017: EUR 524.6 million).

At EUR 161.2 million in financial year 2018, **income tax expense** was slightly below the prior-year figure (2017: EUR 162.6 million). The low tax expense compared with the higher profit before tax is due mainly to the reduction in the federal corporate tax rate under the US tax reform with effect from 2018.

Profit after tax stood at EUR 462.3 million in financial year 2018 (2017: EUR 362.0 million).

			Change	
in EUR m	**2018**	**2017**	abs.	in %
EBITA	770.9	663.3	107.6	16.2
Average carrying amount of equity	3,111.6	2,969.2	142.4	4.8
Average carrying amount of financial liabilities	2,173.1	2,255.0	−81.9	−3.6
Average carrying amount of cash and cash equivalents	−416.2	−612.0	195.8	−32.0
ROCE	**15.8%**	**14.4%**	–	–
ROCE (before special items)	**15.5%**	**15.5%**	–	–

B.03 RETURN ON CAPITAL EMPLOYED (ROCE)

In financial year 2018, the Brenntag Group posted **ROCE** of 15.8%, an increase of 1.4 percentage points compared with the previous year. This is due mainly to the considerable rise in EBITA, which more than offset the slight increase in capital employed. Adjusted for net expense from special items of EUR 53.8 million in 2017 and net income from special items of EUR 17.4 million in 2018, ROCE was unchanged at 15.5%.

BUSINESS PERFORMANCE IN THE SEGMENTS

2018 in EUR m	**Brenntag Group**	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	12,550.0	5,339.3	4,636.9	807.8	1,383.5	382.5
Operating gross profit	2,660.9	1,141.2	1,118.3	163.1	224.2	14.1
Operating expenses	−1,785.4	−755.7	−708.7	−123.2	−146.3	−51.5
Operating EBITDA	**875.5**	**385.5**	**409.6**	**39.9**	**77.9**	**−37.4**

B.04 BUSINESS PERFORMANCE IN THE SEGMENTS

EMEA (Europe, Middle East & Africa)

in EUR m	**2018**	**2017**	Change abs.	Change in %	Change in % (fx adj.)
External sales	5,339.3	5,016.8	322.5	6.4	7.9
Operating gross profit	1,141.2	1,094.8	46.4	4.2	5.5
Operating expenses	−755.7	−729.2	−26.5	3.6	4.7
Operating EBITDA	**385.5**	**365.6**	**19.9**	**5.4**	**7.2**

B.05 BUSINESS PERFORMANCE IN THE SEGMENTS / EMEA

The EMEA segment generated **external sales** of EUR 5,339.3 million in financial year 2018, a rise of 6.4% compared with the previous year. On a constant currency basis, external sales were 7.9% higher. This rise is due predominantly to higher average sales prices per unit.

The **operating gross profit** generated by the companies in the EMEA segment climbed by 4.2% year on year to EUR 1,141.2 million in financial year 2018. This represents a rise of 5.5% on a constant currency basis and is attributable to both organic growth and the acquisitions. This is due to increases in most countries in the EMEA segment.

The EMEA segment posted **operating expenses** of EUR 755.7 million in financial year 2018. This rise of 3.6% compared with financial year 2017, or 4.7% on a constant currency basis, is due primarily to inflation-driven increases in transport, personnel and rent costs.

The companies in the EMEA segment achieved **operating EBITDA** of EUR 385.5 million in financial year 2018 and thus posted a rise of 5.4% year on year and, on a constant currency basis, 7.2%. This is due to both organic growth and the contribution from the acquisitions. In addition, operating EBITDA grew at a faster pace than operating gross profit. In particular, the weaker economic environment in the second half of 2018 prevented us from fully meeting the forecast we made at the beginning of 2018.

In accordance with the definition of this performance indicator, the operating EBITDA presented does not include the expenses for the restructuring programme introduced in 2017 and currently being implemented. We decided to moderately upsize the restructuring programme and recorded expenses of EUR 10.8 million in 2018. Operating EBITDA also does not include income from the sale of our non-core business unit Brenntag Biosector amounting to EUR 28.2 million in 2018.

North America

in EUR m	2018	2017	Change abs.	Change in %	Change in % (fx adj.)
External sales	4,636.9	4,368.0	268.9	6.2	11.0
Operating gross profit	1,118.3	1,073.9	44.4	4.1	8.9
Operating expenses	−708.7	−688.9	−19.8	2.9	7.6
Operating EBITDA	**409.6**	**385.0**	**24.6**	**6.4**	**11.2**

B.06 BUSINESS PERFORMANCE IN THE SEGMENTS / NORTH AMERICA

The North America segment generated **external sales** of EUR 4,636.9 million in financial year 2018. This rise of 6.2% compared with financial year 2017, or 11.0% on a constant currency basis, is attributable to price trends and an increase in volumes.

The **operating gross profit** generated by the North American companies rose by 4.1% year on year to EUR 1,118.3 million in financial year 2018. This rise of 8.9% on a constant currency basis was driven almost entirely by organic growth. Almost all customer industries in North America contributed to this rise.

At EUR 708.7 million in financial year 2018, **operating expenses** in the North America segment were up by 2.9% year on year, or 7.6% on a constant currency basis. The rise is predominantly attributable to the organic growth in the business. Higher expenses were incurred for personnel, transport and energy in particular.

The North American companies achieved **operating EBITDA** of EUR 409.6 million in financial year 2018, a clear rise of 6.4% compared with financial year 2017. This increase of 11.2% on a constant currency basis is due almost entirely to organic growth. This growth is attributable to increases in almost all customer segments, including the stronger-than-planned growth in business with customers in the oil and gas sector. Overall, therefore, we exceeded our original forecast.

Latin America

in EUR m	2018	2017	Change abs.	Change in %	Change in % (fx adj.)
External sales	807.8	819.2	−11.4	−1.4	6.1
Operating gross profit	163.1	172.5	−9.4	−5.4	1.9
Operating expenses	−123.2	−130.1	6.9	−5.3	1.7
Operating EBITDA	**39.9**	**42.4**	**−2.5**	**−5.9**	**2.3**

B.07 BUSINESS PERFORMANCE IN THE SEGMENTS / LATIN AMERICA

The Latin America segment generated **external sales** of EUR 807.8 million in financial year 2018, a slight decline of 1.4% due to unfavourable exchange rates. At constant currency rates, on the other hand, this represents a clear rise of 6.1%. The growth is due to higher average sales prices.

The **operating gross profit** achieved by the Latin American companies in financial year 2018 amounted to EUR 163.1 million. Compared with the previous year, operating gross profit was therefore down by 5.4%; on a constant currency basis, it was up by 1.9%. In the first half of the year in particular, 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, we managed to improve the situation. Overall, though, this was not sufficient to meet our original forecast for 2018 as a whole.

Operating expenses in the Latin America segment amounted to EUR 123.2 million in financial year 2018, a decrease of 5.3% on the prior-year figure. On a constant currency basis, operating expenses showed a slight increase of 1.7%.

The Latin American companies posted **operating EBITDA** of EUR 39.9 million overall in financial year 2018, a decrease of 5.9% on the prior-year figure due especially to the aforementioned trend in exchange rates. On a constant currency basis, operating EBITDA rose by 2.3%. While the segment failed to achieve the forecast earnings growth, developments in the second half of the year confirm our view that we are nevertheless well positioned to be successful, even as macroeconomic conditions remain volatile.

Asia Pacific

in EUR m	2018	2017	Change abs.	Change in %	Change in % (fx adj.)
External sales	1,383.5	1,170.6	212.9	18.2	22.7
Operating gross profit	224.2	198.7	25.5	12.8	17.2
Operating expenses	−146.3	−125.0	−21.3	17.0	21.8
Operating EBITDA	**77.9**	**73.7**	**4.2**	**5.7**	**9.4**

B.08 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC

External sales in the Asia Pacific segment rose by 18.2% year on year to EUR 1,383.5 million in financial year 2018 due almost entirely to an increase in volumes attributable to acquisitions. On a constant currency basis, this represents sales growth of 22.7%.

The Asia Pacific segment generated **operating gross profit** of EUR 224.2 million in financial year 2018, a year-on-year rise of 12.8%. On a constant currency basis, operating gross profit climbed by 17.2%. This was due to our acquisitions as well as the positive performance from our business in many of our countries, including China and Vietnam. In particular, our larger acquisition in India in the second quarter enabled us to exceed the original forecast made at the beginning of the year.

The **operating expenses** of the companies in the Asia Pacific segment rose by 17.0% year on year, or 21.8% on a constant currency basis, to EUR 146.3 million in financial year 2018. The rise in costs is attributable mostly to acquisitions and relates in part to higher personnel, rent and transport costs.

The companies in the Asia Pacific segment generated **operating EBITDA** of EUR 77.9 million in financial year 2018 and thus exceeded the prior-year result by 5.7%. This represents a rise of 9.4% on a constant currency basis and is attributable in particular to the encouraging performance from the acquisitions.

All other segments

in EUR m	2018	2017	Change abs.	Change in %	Change in % (fx adj.)
External sales	382.5	368.7	13.8	3.7	3.7
Operating gross profit	14.1	14.2	−0.1	−0.7	−0.7
Operating expenses	−51.5	−44.9	−6.6	14.7	14.7
Operating EBITDA	**−37.4**	**−30.7**	**−6.7**	**21.8**	**21.8**

B.09 BUSINESS PERFORMANCE IN THE SEGMENTS / ALL OTHER SEGMENTS

In financial year 2018, BRENNTAG International Chemicals GmbH almost matched 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 2017. The rise in 2018 is attributable to additional expenses for the implementation of several strategic projects.

Overall, the operating EBITDA of all other segments was down by EUR 6.7 million year on year to EUR −37.4 million in financial year 2018.

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 rate 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. The syndicated loan totalling the equivalent of just over EUR 1.4 billion had a term ending in January 2023, which in early 2019 was extended until January 2024. It is based on variable interest rates with margins depending on leverage, and is divided into different tranches with different currencies. Total liabilities (excluding accrued interest and before offsetting of transaction costs) under the syndicated loan amounted to EUR 849.8 million as at December 31, 2018. In addition to fully drawn tranches, the loan agreement also contains a revolving credit facility totalling EUR 600.0 million, which was mostly unused as at December 31, 2018. While some of our subsidiaries are direct borrowers under the loan, others obtain their financing from intra-Group loans.

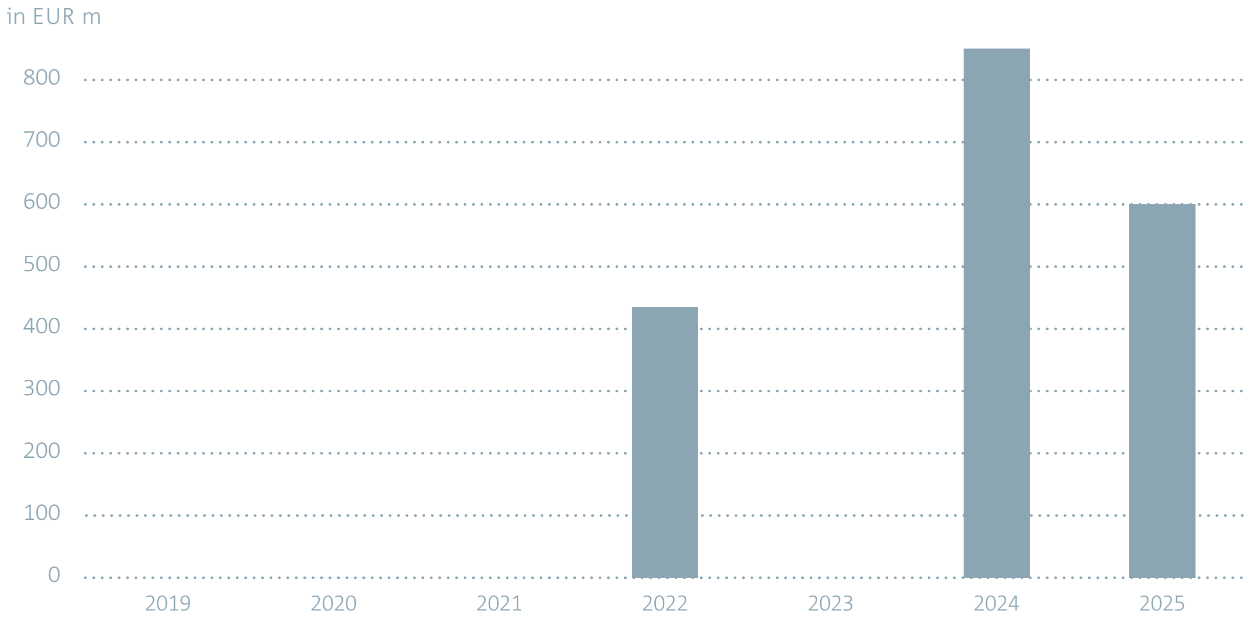
The EUR 400,0 million bond issued by our Group company Brenntag Finance B.V., Amsterdam, Netherlands, in July 2011 was repaid on schedule on July 19, 2018. In September 2017, Brenntag Finance B.V. issued a EUR 600,0 million bond (Bond 2025) maturing in 2025 and bearing a coupon of 1.125% with interest paid annually. 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. 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. Each of the bonds issued by Brenntag Finance B.V. is guaranteed by Brenntag AG.

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

In 2013, parts of the floating-rate syndicated loan were hedged against interest rate risk using appropriate financial instruments. Together with the two fixed-rate bonds, about 60% of the Brenntag Group's financial liabilities are therefore currently hedged against the risk of interest rate increases.

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 facility available to cover short-term liquidity requirements and for general corporate purposes.

Maturity profile of our credit portfolio[1] as at January 31, 2019 in EUR m:



B.10 MATURITY PROFILE OF OUR CREDIT PORTFOLIO

[1] Syndicated loan, Bond (with Warrants) 2022 and Bond 2025 excluding accrued interest and transaction costs. The chart shows the maturity profile as at January 31, 2019 (at the exchange rates applicable on January 31, 2019), i.e. after the extension of the syndicated loan in January 2019.

INVESTMENTS

In financial year 2018, investments in property, plant and equipment and intangible assets (excluding additions from acquisitions) led to a total cash outflow of EUR 178.4 million (2017: EUR 151.4 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 a vast number of investments is a project in northern Italy entailing an investment volume of EUR 5.6 million in 2018. The project involves optimizing and consolidating the operations network in this region. In this context, land was acquired in Filago, Italy, where facilities are currently being installed that will transform the site into a production facility for mixing and blending and into a distribution centre for the entire area.

Investments are typically funded from cash flow and/or available 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

in EUR m	2018	2017
Net cash provided by operating activities	**375.3**	**404.5**
Net cash used in investing activities	**−290.1**	**−244.9**
thereof payments to acquire consolidated subsidiaries, other business units and other financial assets	−199.0	−108.2
thereof payments to acquire intangible assets and property, plant and equipment	−178.4	−151.4
thereof proceeds from divestments	87.3	14.7
Net cash used in financing activities	**−211.5**	**−224.3**
thereof dividends paid to Brenntag shareholders	−170.0	−162.2
thereof repayments of / proceeds from borrowings	−39.9	−60.4
thereof other financing activities	−1.6	−1.7
Change in cash and cash equivalents	**−126.3**	**−64.7**

B.11 CASH FLOW

Net cash provided by operating activities of EUR 375.3 million was influenced by the rise in working capital of EUR 178.1 million. In the prior-year period, net cash provided by operating activities included an inflow of EUR 47.8 million from the reimbursement of a fine paid in 2013. In the current reporting period, a fine of EUR 30.0 million was paid in connection with a related matter.

Of the net cash of EUR 290.1 million used in investing activities, EUR 178.4 million comprised payments to acquire intangible assets and property, plant and equipment. Payments to acquire consolidated subsidiaries, other business units and other financial assets primarily included the purchase prices for 65% of the shares in RAJ PETRO SPECIALITIES PRIVATE LIMITED based in Mumbai, India, and all shares in CCC Chemical Distribution Inc. based in Toronto, Canada, the Alphamin Group headquartered in Wavre, Belgium, and the Quimitecnica Group based in Lordelo (Guimarães), Portugal. Divestments included proceeds (less costs to sell and cash and cash equivalents disposed of) of EUR 68.2 million from the disposal of the assets and liabilities of the non-core business unit Brenntag Biosector A/S based in Ballerup, Denmark, which had been classified as held for sale in the previous year.

Net cash used in financing activities amounted to EUR 211.5 million. In addition to the EUR 170.0 million dividend payment to Brenntag shareholders, it was attributable mostly to the repayment of the bond with a par value of EUR 400.0 million, which fell due in July of this year. Conversely, increased use was made of the syndicated loan and local bank loans.

Free cash flow

			Change	
in EUR m	2018	2017	abs.	in %
Operating EBITDA	875.5	836.0	39.5	4.7
Investments in non-current assets (capex)	−172.2	−148.1	−24.1	16.3
Change in working capital	−178.1	−247.6	69.5	−28.1
Free cash flow	**525.2**	**440.3**	**84.9**	**19.3**

B.12 FREE CASH FLOW

The Brenntag Group's free cash flow amounted to EUR 525.2 million in financial year 2018. We therefore recorded an increase of 19.3% on the prior-year figure (EUR 440.3 million).

This positive trend is partly attributable to the growth in operating EBITDA. In addition, the increase in working capital was lower than in the previous year, which more than offset the rise in capital expenditure.

Financial and Assets Position

	Dec. 31, 2018		Dec. 31, 2017	
in EUR m	**abs.**	**in %**	abs.	in %
Assets				
Current assets	**3,664.1**	**47.6**	**3,490.4**	**47.9**
Cash and cash equivalents	393.8	5.1	518.0	7.1
Trade receivables	1,843.0	24.0	1,672.7	23.0
Other receivables and assets	231.5	3.0	256.1	3.5
Inventories	1,195.8	15.5	1,043.6	14.3
Non-current assets	**4,030.4**	**52.4**	**3,794.4**	**52.1**
Intangible assets	2,902.9	37.7	2,746.7	37.7
Other non-current assets	1,045.3	13.6	968.0	13.3
Receivables and other assets	82.2	1.1	79.7	1.1
Total assets	**7,694.5**	**100.0**	**7,284.8**	**100.0**
Liabilities and equity				
Current liabilities	**1,993.6**	**25.9**	**2,338.2**	**32.1**
Provisions	95.2	1.2	117.4	1.6
Trade payables	1,231.8	16.0	1,205.8	16.6
Financial liabilities	256.1	3.3	569.8	7.8
Miscellaneous liabilities	410.5	5.4	445.2	6.1
Equity and non-current liabilities	**5,700.9**	**74.1**	**4,946.6**	**67.9**
Equity	3,301.2	42.9	2,985.7	41.0
Non-current liabilities	2,399.7	31.2	1,960.9	26.9
Provisions	272.7	3.5	262.9	3.6
Financial liabilities	1,899.6	24.7	1,520.1	20.9
Miscellaneous liabilities	227.4	3.0	177.9	2.4
Total liabilities and equity	**7,694.5**	**100.0**	**7,284.8**	**100.0**

B.13 FINANCIAL AND ASSETS POSITION

As at December 31, 2018, total assets had increased by EUR 409.7 million compared with the end of the previous year to EUR 7,694.5 million (Dec. 31, 2017: EUR 7,284.8 million).

Cash and cash equivalents were down on the 2017 year-end figure to EUR 393.8 million (Dec. 31, 2017: EUR 518.0 million). The main items set against the positive net cash inflow from operating activities and the sale of our non-core business unit Brenntag Biosector A/S in Denmark were the dividend payment by Brenntag AG in the amount of EUR 170.0 million and the net cash outflow from investing and acquisition activities.

The three components of working capital changed as follows in the reporting period:

- Trade receivables increased by 10.2% in the reporting period to EUR 1,843.0 million (Dec. 31, 2017: EUR 1,672.7 million).
- Inventories increased by 14.6% in the reporting period to EUR 1,195.8 million (Dec. 31, 2017: EUR 1,043.6 million).
- With the opposite effect on working capital, trade payables increased by 2.2% to EUR 1,231.8 million (Dec. 31, 2017: EUR 1,205.8 million).

Adjusted for exchange rate effects and acquisitions, working capital rose by a total of EUR 178.1 million compared with December 31, 2017. This rise is due in part to a further increase in prices on the chemical market in financial year 2018. At 7.3 in the reporting period, working capital turnover[1] was lower than at the end of 2017 (7.9).

The Brenntag Group's intangible and other non-current assets increased by EUR 233.5 million compared with the end of the previous year to EUR 3,948.2 million (Dec. 31, 2017: EUR 3,714.7 million). The increase is mainly the result of acquisitions (EUR 198.9 million), investments in non-current assets (EUR 172.2 million) and exchange rate effects (EUR 51.5 million). This was partly offset by depreciation and amortization (EUR 169.6 million).

Current financial liabilities decreased by EUR 313.7 million to EUR 256.1 million in total (Dec. 31, 2017: EUR 569.8 million). This decrease is due primarily to the repayment of the Bond 2018 in the amount of EUR 400.0 million in July. As the repayment was refinanced through long-term instruments, non-current financial liabilities increased by a corresponding amount and stood at EUR 1,899.6 million at the end of the reporting period (Dec. 31, 2017: EUR 1,520.1 million).

Current and non-current provisions amounted to a total of EUR 367.9 million (Dec. 31, 2017: EUR 380.3 million). This figure included pension provisions in the amount of EUR 153.0 million (Dec. 31, 2017: EUR 155.9 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.

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Results of Operations and Financial Position of Brenntag AG

in EUR m	2018	2017
Sales	21.3	21.1
Other operating income	64.5	62.4
Cost of materials	−13.3	−11.1
Personnel expenses	−29.5	−26.5
Amortization of intangible assets and depreciation of property, plant and equipment	−2.4	−1.6
Other operating expenses	−78.1	−79.1
Net finance income	242.8	233.2
Profit before tax	**205.3**	**198.4**
Taxes on income	−15.8	−17.3
Net income for the financial year	**189.5**	**181.1**
Appropriation to retained earnings	−4.1	−11.1
Distributable profit	**185.4**	**170.0**

B.14 BRENNTAG AG / INCOME STATEMENT 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 intercompany cost allocations, expenses for advisory services and financial statement audits, the cost of IT and other services as well as rental and lease expenses.

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 235.2 million (2017: EUR 225.5 million). Net interest income in the amount of EUR 7.6 million (2017: EUR 7.7 million) was driven mainly by intra-Group financing activities.

Taxes on income in the amount of EUR 15.8 million (2017: EUR 17.3 million) relate to 2018 and prior years. In the reporting period, current income tax expenses account for EUR 18.8 million and deferred tax income for EUR 3.0 million. As at December 31, 2018, temporary differences give rise to a future tax liability of EUR 2.9 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, 2018	Dec. 31, 2017
Fixed assets	2,519.1	2,434.6
Current assets including prepaid expenses	1,075.9	1,190.2
Total assets	**3,595.0**	**3,624.8**
Equity	2,675.6	2,656.0
Provisions	47.6	43.7
Liabilities	868.9	919.2
Deferred tax liabilities	2.9	5.9
Total equity and liabilities	**3,595.0**	**3,624.8**

B.15 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 2,519.1 million (Dec. 31, 2017: EUR 2,434.6 million) almost exclusively comprise shares in affiliated companies.

The equity of Brenntag AG increased by EUR 19.6 million to EUR 2,675.6 million in 2018. This rise resulted from the net income for the financial year of EUR 189.5 million achieved in 2018 minus the dividend of EUR 170.0 million paid for financial year 2017.

The subscribed capital amounts to EUR 154.5 million in total (Dec. 31, 2017: 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 auditor's report of the auditors Pricewaterhouse-Coopers 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, 2018 was EUR 189,514,432.63. After allowing for the transfer of EUR 4,114,432.63 to retained earnings, the distributable profit is EUR 185,400,000.00.

At the General Shareholders' Meeting on June 13, 2019, the Board of Management and the Supervisory Board will propose that the distributable profit of Brenntag AG amounting to EUR 185,400,000.00 be used to pay a dividend of EUR 1.20 per no-par value share entitled to a dividend; that is a total of EUR 185,400,000.00.

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, a short-term, capped variable cash remuneration (Annual Bonus) and a 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. 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 600,000 per annum, depending on the exchange rate but no more than EUR 400,000. 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). 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. 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).

Steven Holland is paid out the amount to which he is entitled 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
Term of service agreement		(until Feb. 29, 2020)	(until Jun. 30, 2023)
Annual base salary	**2018**	**1,000**	**488**
	2017	950	450
Company pension (defined contribution plan)	**2018**	**257**	**–**
	2017	148[3]	–
Benefits in kind / other benefits	**2018**	**63**	**23**
	2017	161[4]	24
Total non-performance-based remuneration	**2018**	**1,320**	**511**
	2017	1,259	474
Short-term variable remuneration[1]	**2018**	**906**	**399**
	2017	783	347
Long-term variable remuneration[2]	**2018**	**1,064**	**488**
	2017	899	415
Total performance-based remuneration	**2018**	**1,970**	**887**
	2017	1,682	762
Total remuneration in accordance with the German Commercial Code (HGB)	**2018**	**3,290**	**1,398**
	2017	2,941	1,236

[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] 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 4). The amounts for 2017 are therefore pro rata temporis.
[4] 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. Of this one-off amount, the amount for the period from January to December 2017 totalling EUR 95k is reported under Other benefits.

Markus Klähn	Georg Müller	Henri Nejade	**Total**
(until Jun. 30, 2021)	(until Mar. 31, 2022)	(until Jun. 30, 2023)	
488	**650**	**488**	**3,114**
450	608	450	2,908
113	**–**	**–**	**370**
113	–	–	261
36	**17**	**391**	**530**
15	18	366	584
637	**667**	**879**	**4,014**
578	626	816	3,753
479	**554**	**452**	**2,790**
382	472	372	2,356
479	**710**	**488**	**3,229**
404	613	415	2,746
958	**1,264**	**940**	**6,019**
786	1,085	787	5,102
1,595	**1,931**	**1,819**	**10,033**
1,364	1,711	1,603	8,855

B.16 TOTAL REMUNERATION OF THE BOARD OF MANAGEMENT IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

in EUR k		Steven Holland	Karsten Beckmann
Cost of pension commitments	**2018**	**–**	**427**
	2017	–	324
Present value of pension commitments in accordance with HGB	**2018**	**–**	**2,084**[1]
	2017	–	1,658[1]

[1] Of which EUR 312k self-financed by Georg Müller under a deferred compensation plan (2017: EUR 312k) and EUR 59k self-financed by Karsten Beckmann under a deferred compensation plan (2017: 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
Total non-performance-based remuneration	**2018**	**1,320**	**511**
	2017	1,164	474
Short-term variable remuneration[1]	**2018**	**906**	**399**
	2017	783	347
Long-term variable remuneration (share-based remuneration earned in current year)	**2018**	**950**	**183**
	2017	794	444
Current service cost for pension entitlements earned in the current year (defined benefit plans)	**2018**	**–**	**284**
	2017	–	115
Board of Management remuneration in accordance with IFRSs	**2018**	**3,176**	**1,377**
	2017	2,741	1,380
Present value of pension commitments in accordance with IFRSs	**2018**	**–**	**2,679**[2]
	2017	–	2,458[2]

[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] Of which EUR 366k self-financed by Georg Müller under a deferred compensation plan (2017: EUR 366k) and EUR 102k self-financed by Karsten Beckmann under a deferred compensation plan (2017: EUR 102k).

Markus Klähn	Georg Müller	Henri Nejade	Total
–	**667**	**260**	**1,354**
–	483	188	995
–	**3,110[1)]**	**682**	**5,876**
–	2,443[1)]	422	4,523

B.17 PENSION COMMITMENTS (DEFINED BENEFIT PLANS) IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

Markus Klähn	Georg Müller	Henri Nejade	Total
637	**667**	**879**	**4,014**
578	626	816	3,658
479	**554**	**452**	**2,790**
382	472	372	2,356
204	**563**	**183**	**2,083**
364	445	444	2,491
–	**403**	**260**	**947**
–	152	115	382
1,320	**2,187**	**1,774**	**9,834**
1,324	1,695	1,747	8,887
–	**4,134[2)]**	**893**	**7,706**
–	3,805[2)]	644	6,907

B.18 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.

BENEFITS GRANTED

	Steven Holland Chief Executive Officer				Karsten Beckmann Member of the Board of Management			
in EUR k	**2017**	**2018**	**2018 (Min)**	**2018 (Max)**	**2017**	**2018**	**2018 (Min)**	**2018 (Max)**
Fixed remuneration	950	1,000	1,000	1,000	450	488	488	488
Fringe benefits	214	320	320	320	24	23	23	23
Total	**1,164**	**1,320**	**1,320**	**1,320**	**474**	**511**	**511**	**511**
One-year variable remuneration	850	900	–	1,800	400	450	–	900
Multi-year variable remuneration								
LTI Bonus 2018–2020	–	1,200	–	2,400	–	550	–	1,100
LTI Bonus 2017–2019	1,100	–	–	–	500	–	–	–
Total	**1,950**	**2,100**	**–**	**4,200**	**900**	**1,000**	**–**	**2,000**
Service cost	–	–	–	–	115	284	284	284
Total remuneration	**3,114**	**3,420**	**1,320**	**5,520**	**1,489**	**1,795**	**795**	**2,795**

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. Allocation of the one-year variable remuneration 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.

Markus Klähn Member of the Board of Management				Georg Müller Chief Financial Officer				Henri Nejade Member of the Board of Management			
2017	**2018**	**2018 (Min)**	**2018 (Max)**	**2017**	**2018**	**2018 (Min)**	**2018 (Max)**	**2017**	**2018**	**2018 (Min)**	**2018 (Max)**
450	488	488	488	608	650	650	650	450	488	488	488
128	149	149	149	18	17	17	17	366	391	391	391
578	**637**	**637**	**637**	**626**	**667**	**667**	**667**	**816**	**879**	**879**	**879**
398	440	–	880	513	550	–	1,100	400	450	–	900
–	533	–	1,066	–	800	–	1,600	–	550	–	1,100
487	–	–	–	750	–	–	–	500	–	–	–
885	**973**	**–**	**1,946**	**1,263**	**1,350**	**–**	**2,700**	**900**	**1,000**	**–**	**2,000**
–	–	–	–	152	403	403	403	115	260	260	260
1,463	**1,610**	**637**	**2,583**	**2,041**	**2,420**	**1,070**	**3,770**	**1,831**	**2,139**	**1,139**	**3,139**

B.19 BOARD OF MANAGEMENT BENEFITS GRANTED

ALLOCATION

	Steven Holland Chief Executive Officer		Karsten Beckmann Member of the Board of Management	
in EUR k	**2018**	**2017**	**2018**	**2017**
Fixed remuneration	1,000	950	488	450
Fringe benefits	320	214	23	24
Total	**1,320**	**1,164**	**511**	**474**
One-year variable remuneration[1]	783	646	347	378
Multi-year variable remuneration				
Virtual Share Plan 2012–2016	–	688	–	–
Virtual Share Plan 2013–2017	296	–	–	–
LTI Bonus 2015–2017	741	–	222	–
Other	–	–	–	–
Total	**1,820**	**1,334**	**569**	**378**
Service cost	–	–	284	115
Total remuneration	**3,140**	**2,498**	**1,364**	**967**

[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 2018 (2017) are the amounts for 2017 (2016) paid out in 2018 (2017).

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, 2018 there was a provision in the amount of EUR 30k (Dec. 31, 2017: EUR 108k) for pension obligations to former members of the Board of Management and their surviving dependants; in accordance with IFRSs, the provision amounted to EUR 1,506k (Dec. 31, 2017: 2,897k). In 2018, the cost of pension commitments (defined benefit plans) under the German Commercial Code (HGB) amounted to EUR 93k (2017: EUR 667k). In accordance with IFRSs and as in 2017, no current service cost for pension entitlements earned in the current year was incurred.

Markus Klähn Member of the Board of Management		Georg Müller Chief Financial Officer		Henri Nejade Member of the Board of Management	
2018	**2017**	**2018**	**2017**	**2018**	**2017**
488	450	650	608	488	450
149	128	17	18	391	366
637	**578**	**667**	**626**	**879**	**816**
377	258	472	323	372	428
–	–	–	162	–	–
–	–	197	–	–	–
207	–	401	–	222	–
–	–	–	–	–	–
584	**258**	**1,070**	**485**	**594**	**428**
–	–	403	152	260	115
1,221	**836**	**2,140**	**1,263**	**1,733**	**1,359**

B.20 BOARD OF MANAGEMENT ALLOCATION

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 2018:

in EUR k		Fixed remuneration	Office bonuses	**Total**
Stefan Zuschke (Chairman)	**2018**	**210**	**15**	**225**
	2017	210	15	225
Dr Thomas Ludwig (Deputy Chairman) (until June 8, 2017)	**2018**	**–**	**–**	**–**
	2017	66 [1]	4 [1]	70 [1]
Dr Andreas Rittstieg (Deputy Chairman) (from June 8, 2017)	**2018**	**150**	**10**	**160**
	2017	136 [1]	10	146 [1]
Stefanie Berlinger	**2018**	**120**	**25**	**145**
	2017	120	25	145
Wijnand P. Donkers (from June 8, 2017)	**2018**	**120**	**10**	**130**
	2017	68 [1]	6 [1]	74 [1]
Prof. Dr Edgar Fluri (until June 8, 2017)	**2018**	**–**	**–**	**–**
	2017	52 [1]	37 [1]	89 [1]
Ulrich M. Harnacke (from June 8, 2017)	**2018**	**120**	**85**	**205**
	2017	68 [1]	48 [1]	116 [1]
Doreen Nowotne	**2018**	**120**	**25**	**145**
	2017	120	25	145
Total remuneration	**2018**	**840**	**170**	**1,010**
	2017	840	170	1,010

B.21 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, 2018, Brenntag had 16,616 employees worldwide, 90% of whom work outside Germany. The total number of employees is determined on the basis of headcount, i.e. part-time employees are fully included. The increase in the total number of people employed in the Brenntag Group by 1,200, or 7.8%, compared with the previous year is due primarily to the acquisitions made in 2018. Employee turnover in 2018 was 8.5% worldwide (2017: 7.7%).

	Dec. 31, 2018		Dec. 31, 2017	
Headcount[1]	**abs.**	**in %**	abs.	in %
EMEA	7,162	43.1	7,009	45.5
North America	5,174	31.1	4,747	30.8
Latin America	1,610	9.7	1,453	9.4
Asia Pacific	2,486	15.0	2,043	13.3
All other segments	184	1.1	164	1.0
Brenntag Group	**16,616**	**100.0**	**15,416**	**100.0**

B.22 EMPLOYEES PER SEGMENT

[1] As is the case in the sustainability report, headcount will be reported as of 2018 rather than full-time equivalents (FTEs), as the method of presentation has been standardized.

Brenntag's aim is to be regarded worldwide as the preferred employer in chemical distribution – both for current and for potential employees. We believe that part of our responsibility is to offer good working conditions and a modern working environment and purposefully support our employees' personal and professional development. A range of global programmes and measures have been implemented to this end. In the reporting period, we introduced a global human resources (HR) management system in order to execute and manage our globally standardized HR processes optimally and efficiently.

Employee Development and Talent Management

Dedicated and highly qualified employees are extremely important to us. We therefore invest in our employees' development in a variety of ways, enabling them to keep their skills and knowledge up to date and train in their area of work or for other assignments.

At global level, we have implemented a range of programmes and measures covering performance reviews, employee development, succession planning and the identification and development of employee potential. Our globally standardized format for performance reviews enables employees and executives to compare performance and expectations while at the same time discussing development measures. The results of the performance review form the basis of systematic employee development.

Our employees are critical to our success. It is therefore essential that they perform their specialist and executive roles professionally at all levels within our organization. Our early career development measures are based on the specialization and focus of each of the functions as well as individual preferences. Through a number of different training courses and programmes at global, regional and local level, we purposefully nurture our employees' specialist and leadership skills, which they can then apply directly in day-to-day business.

Structured succession planning and the targeted identification and development of high-potential employees are essential tools in ensuring that key positions at Brenntag are promptly filled in line with requirements. As part of our global People Review process, management and HR officers proactively develop strategic succession scenarios, apply a structured approach to identifying employees for vertical and horizontal career moves, and infer appropriate development options and requirements. In 2018, we extended our global standard process to key positions at other levels.

In our executive development activities, we pursue a global approach with the aim of identifying our future leaders, developing them in a specific manner and offering them attractive career opportunities. In the reporting period, our new, global programme to nurture fresh talent was for the first time implemented for all regions within our organization so as to specifically prepare high-potential employees at the start of their career for the next step.

Diversity and Equality of Opportunity

The breadth of heterogeneous skills and experience is a key building block in our company's success. Brenntag operates a global network spanning more than 580 locations in 73 countries. With a headcount of over 16,600 employees, we work with colleagues of almost 100 different nationalities from a diverse range of backgrounds. This creates social and cultural diversity, which we use constructively. Worldwide, we are able to work in heterogeneous teams formed on the basis of various criteria, while taking into account the needs of different generations.

Integrity and responsibility are two of our core values and we are fully committed to our ethical principles and values. Ensuring equality of opportunity is a matter of course for Brenntag, as is acting to counter and prevent any form of discrimination or harassment. Employees are recruited, remunerated and developed solely on the basis of their qualifications and skills for the respective roles. For Brenntag, it is axiomatic and of the utmost importance that neither employees nor business partners and third parties suffer discrimination on the grounds of origin, gender, marital or civil status, age, religion or belief, skin colour, disability or sexual orientation. This is set down in our Code of Business Conduct and Ethics.

Remuneration and Pension Plans

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 a 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).

HSE Strategy

Below we describe the individual components of our 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 employees and continues with instructions in special work procedures and the use of equipment. The training prescribed by law and all other training courses are documented at the individual warehouse sites. Electronic media such as e-learning and video clips are being increasingly included in the training programmes.

In 2015, Brenntag launched the "BEST" (Brenntag Enhanced Safety Thinking) initiative with the aim of constantly improving the safety culture throughout the Brenntag Group. Core elements included developing a standard on safe conduct as well as a Group-wide employee survey based on that standard. This survey was conducted for the second time at the end of 2018. The findings of the survey are incorporated into the relevant action plans for subsequent years.

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

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 safety culture enabled a steady reduction in the number of reportable industrial accidents over a period of many years. After increasing for the first time in 2017, the number of accidents decreased again in 2018. As a result, the LTIR (1 day / 1 million)[2)] also improved, from 1.7 in 2017 to 1.5 in 2018.

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. 108 Brenntag sites are certified to international standard ISO 14001 for environmental management systems.

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.

As a chemical distributor, Brenntag generally operates in a complex regulatory environment. In Europe, for example, this includes the REACH regulation and the Biocidal Product Regulation enacted by the European Union. Transnational teams of experts, consisting of a network of experienced HSE and regulatory specialists, are 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.

The basis of quality management within the Brenntag Group is the internationally applicable ISO 9001 standard. By December 31, 2018, 91% of our operating sites had introduced quality management systems certified to this standard. Further industry- or product-specific quality management systems are deployed where necessary.

More detailed information on health, safety and environmental protection is published in the annual sustainability report. The sustainability report for financial year 2018 will appear in April 2019.

[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.

REPORT ON EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS

Report on Expected Developments

Oxford Economics forecasts that the global economy, measured in terms of GDP, will continue to grow at a moderate pace in 2019. The growth outlook has softened in recent months, however, due to the greater uncertainty over the future course of international trade relations. Weighted by the sales generated by Brenntag in the individual countries, this results in a forecast average GDP growth rate of 2.5% in 2019.

We expect the Brenntag Group to see an increase in our key performance indicator, operating EBITDA, of between 3% and 7% in financial year 2019, assuming that exchange rates remain stable. In addition to the continuing positive growth outlook for Brenntag, the forecast also reflects the current macroeconomic environment of greater uncertainty in 2019. In light of the strong performance in the first half of 2018, our forecast for 2019 expects the growth for the year to be geared towards the later part of the year. The forecast takes into account the contributions from acquisitions and is also based on the IFRSs applied in 2018.

All regions will contribute to the planned growth in operating EBITDA. The forecast increase in operating EBITDA in our two largest segments, EMEA and North America, is similar to that at Group level. In our two smaller segments, Latin America and Asia Pacific, the planned growth in operating EBITDA is above that at Group level.

The growth in operating gross profit forecast for the Brenntag Group is in line with the expected increase in operating EBITDA. The two large segments, EMEA and North America, will make a substantial contribution to the increase in the Group's operating gross profit. The growth rate in these two segments is slightly below the Group average. In the two smaller segments, Latin America and Asia Pacific, the planned growth in operating gross profit is above the Group average. In addition to organic growth in all regions, the acquisitions closed will also contribute to the planned increase in earnings.

As of financial year 2019, the Group will be applying the new IFRS 16 on lease accounting. In this context, a high proportion of what were previously rental and lease expenses will in future be recognized as depreciation and interest. The forecast growth rates above do not yet reflect this transition. Based on current knowledge, reported operating EBITDA will increase by around EUR 100 million as a result of the transition to IFRS 16. The effect on profit after tax will be minor.

The current market environment points to stable or falling chemical prices on the global market compared with price increases in the two previous financial years. We will focus to an even greater extent on customer and supplier relationship management and improving our warehouse logistics and expect this to improve working capital turnover. Overall, therefore, we are not planning a further increase in working capital in financial year 2019, assuming that exchange rates remain stable.

We plan to make investments in property, plant and equipment of approximately EUR 220 million in 2019 based on stable exchange rates, 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 approximately EUR 25 million. Those proceeds offset some of the aforementioned EUR 220 million in capital expenditure. Moreover, we are considering implementing an additional investment programme of around EUR 40 million that might be executed over the next two years in light of business opportunities arising from market consolidation in North America.

Overall, we anticipate that free cash flow in 2019 will show a significant increase on the prior-year figure, assuming that exchange rates remain stable. This will enable us to continue our acquisition strategy and dividend policy and maintain liquidity at an adequate level.

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. Responsibility for risks lies initially with the regional holding companies and their legal units in the Brenntag Group. This includes identifying risks and estimating their effects. It must also be ensured that there are suitable measures in place to reduce risks.

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. Significant 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.

The risk inventories gather 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. In doing so, thematically related risks are grouped into risk categories. Any risks which are identified are assessed with regard to the possible extent of damage and their probability of occurrence, in each case on a five-level scale.

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				
Possible extent of damage		Highly improbable	Improbable	Possible	Probable	Highly probable
qualitative	in EUR m	(< 10%)	(11-20%)	(21–50%)	(51–90%)	(> 90%)
Critical	> 800	**Medium**	**Medium**	**High**	**High**	**High**
High	> 400 – 800	**Low**	**Medium**	**Medium**	**High**	**High**
Medium	> 200 – 400	**Low**	**Low**	**Medium**	**Medium**	**High**
Low	> 65 – 200	**Low**	**Low**	**Low**	**Medium**	**Medium**
Insignificant	≤ 65	**Low**	**Low**	**Low**	**Low**	**Low**

B.23 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 estimate of the risks per risk category and the opportunities and risks for financial year 2018 are explained in detail in the chapter “Report on Opportunities and Risks”.

The process for systematically identifying and assessing risks for the Group companies is regularly audited by the Corporate Internal Audit department. In addition, the statutory auditor, as an independent, external party, assesses the general suitability of the risk early detection system in the course of its audit of the annual financial statements.

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 planned figures. On the basis of any identified deviations from planned 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.

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. 4 AND SECTION 315, PARA. 4 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.

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 estimates made per risk category relate to the net risk. Unless stated otherwise or obvious from the context, the following statements on risks and opportunities refer to all our segments.

In the reporting period, we extended Group risk management and added new risk categories. In doing so, we also analyzed aspects of corporate social responsibility (CSR), such as environmental matters, employee matters, human rights, anti-corruption and bribery matters and the risks related to those matters. The risks are transferred into the non-financial report in accordance with the German act transposing the EU CSR Directive into German law (Act to Strengthen Non-financial Disclosures by Companies in their Management and Group Management Reports (CSR-Richtlinie-Umsetzungsgesetz)) if risks have a severe, negative impact on the environment and society and it is highly probable that they will occur.

Overview of the corporate risks for financial year 2018:

Risk category	Possible extent of damage	Probability of occurrence	**Overall risk**
Economic environment and political stability	Medium	Possible	**Medium**
Market risks	High	Possible	**Medium**
Operational risks	Medium	Improbable	**Low**
Financial risks	Medium	Possible	**Medium**
Health, safety, environmental protection and quality management	High	Improbable	**Medium**
IT risks	Medium	Improbable	**Low**
Personnel risks	Low	Possible	**Low**
Acquisition risks	Medium	Possible	**Medium**
Compliance risks	High	Improbable	**Medium**
Legal risks	Medium	Possible	**Medium**

B.24 OVERVIEW OF CORPORATE RISKS

- **Economic environment 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. In addition to sales risks arising from high unemployment in certain countries and high levels of public debt, a pronounced economic downturn in Europe in particular, a stronger fall in economic growth in China, an increase in protectionist tendencies and the possible escalation of geopolitical tensions 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 exactly predict the impact on economic performance of the UK's referendum on its withdrawal from the EU (Brexit). Forecasts for real GDP growth in the UK over the coming years have been revised down. Above all, a no-deal Brexit may have negative business impacts, especially on Brenntag's business units in the UK. If the UK leaves the EU customs union, for example, this could result in a significant increase in customs duties and delays on goods imports from EU countries. Regulatory changes could also impact negatively on our business. A cross-unit Brexit Taskforce has been set up at Brenntag to prepare the Group for and enable it to respond to various withdrawal scenarios.

  We see sales opportunities arising from political measures, more specifically in tighter standards and increasing regulation such as the EU chemicals regulation REACH. With our global expertise and our comprehensive portfolio of products and services, we are superbly positioned to serve our customers' requirements at all times.

- **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 life science industries on which we focus, such as food, cosmetics, pharmaceuticals and feed, as well as in high-volume customer industries, such as water treatment, cleaning, oil and gas, lubricants, 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. Particularly in the North America region, business with customers in the oil and gas industry performed well again in 2018 after sometimes being very difficult in previous years. Our trust in the sector's long-term potential in combination with our excellent capabilities and our supplier and customer network has proven to be resilient.

  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 digitalization 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, some of them digital, 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.

- **Operational risks:**
  Our business is exposed to operational risks.

  As a chemical distributor, Brenntag is exposed to the risk of interruptions to business, quality problems or unexpected technical difficulties, for example as a result of the incorrect handling of chemicals or machinery and equipment on site and during transportation. Disruptions and outages at our warehouse sites or during transportation may lead to delivery delays and falling sales revenues. We counter this risk through extensive safety measures at our sites and regionally standardized quality and safety manuals, by specifically training our employees in how to handle chemicals correctly and through safety campaigns across our sites. In addition, Brenntag has taken out business interruption insurance.

  Risks may arise if the products purchased and delivered to customers do not meet the specified and agreed quality or if, in specific cases, their sale is subject to restrictions. However, there are procedures in place providing a good level of assurance that products are procured from reliable sources, are of appropriate quality and are sold on in accordance with the law.

- **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 (Brexit) has not yet had a significant impact, 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 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 only for around 2% of Group sales. In some cases, credit insurance is also taken out in order to limit risks.

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 two 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 continue to 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. Interest rate-related 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.

The Brenntag Group has obligations to current and former employees as a result of pension commitments. Some of the pension obligations are covered by plan assets. The plan assets are subject to capital market risks, as a portion of them is invested in funds and equities. Any changes in relevant inputs, such as an increase in life expectancy or salaries, may lead to higher cash outflows and higher present values of the defined benefit obligation. To some extent regionally, contributions are also paid into defined benefit pension plans maintained by more than one employer (termed multi-employer plans). If other participating employers do not meet their payment obligations, Brenntag may be liable for the obligations of those employers. For a detailed description of the risks arising from pension obligations, please refer to the notes to the consolidated financial statements (Consolidated income statement disclosures, 27. Provisions for pensions and other post-employment benefits).

- **Health, safety, environmental protection and quality management:**

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.

Brenntag has for many years taken part in the Responsible Care/Responsible Distribution programme of the International Chemical Trade Association (ICTA) and implements the guiding principles established globally, which also include guiding principles for risk management. The guiding principles of the RC/RD programme have been incorporated into our HSE strategy and programmes and thus make a significant contribution to the safe handling of chemical products and therefore the protection of soil, air and water as well as workplace safety within our company. Compliance with the guiding principles is reviewed and documented by external experts. You can find further information on HSE programmes and initiatives in the chapter “HSE Programmes and Initiatives”.

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.

Environmental protection has always played an important role at Brenntag. Our business activities consume water, electricity and a range of fuels, and produce waste, wastewater and various emissions. As a chemical distributor, we also supply products that may cause environmental damage if we do not handle them with the necessary care. Our goal worldwide is to conserve resources, make optimum use of them and minimize the impact of our business activities on soil, water and air. Reducing CO_2 emissions is one of the seven sustainability targets by which we aim to contribute to environmental protection and fulfil our responsibility.

- **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, such as the increasing threat posed by cybercrime (e.g. data manipulation and theft through hacker attacks). This can include networks failing and data being stolen, 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.

- **Personnel risks and opportunities:**
  Personnel risks result mainly from the potential loss of high performers and staff in key positions or the inability to find a sufficient number of qualified staff to fill vacancies within the Group. Brenntag counters these risks by positioning itself globally as the preferred employer in chemical distribution and fostering employees’ long-term loyalty. It also limits these risks through globally standardized programmes and measures that allow the Brenntag companies to take into account country-specific legislation and circumstances. Information on our staff development programmes is provided in the chapter “Employees”.

- **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. Therefore, we systematically record all significant risks and opportunities and determine an appropriate purchase price. 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. In the case of 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.

- **Compliance risks:**
  Compliance involves conducting business in accordance with the relevant regulations. Any form of corruption or bribery is forbidden at Brenntag. The binding rules requiring all employees to treat one another and our business partners fairly are set out in the Code of Business Conduct. In this respect, risks may result from the failure to observe the relevant rules. Our Code of Business Conduct is binding on all employees throughout the Group worldwide. Our employees are required to comply with the Code of Business Conduct, familiarize themselves with its content and take part in relevant training.

  Monitoring compliance with competition law is another focus of compliance activities at Brenntag. Employees are made aware of and given extensive training on the topic mainly by rolling out e-learning programmes globally.

  Brenntag also takes care to ensure human rights compliance along its value chain. Human rights compliance is reviewed in the course of supplier assessments, which are carried out systematically via an assessment portal of an established provider of sustainability assessments.

  As a company with operations worldwide, Brenntag is subject to laws and regulations relating to data protection. Breaches of data protection regulations may lead to substantial penalties and fines. Furthermore, the disclosure of data protection breaches could lead to substantial reputational damage and a loss of trust. To mitigate these risks, we have introduced a global data protection guideline. In addition, our central data protection department and local data protection coordinators continuously monitor data protection compliance. In the reporting period, employees were made aware of and given extensive training on data protection by rolling out an e-learning programme.

- **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. 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. Based on current knowledge, Brenntag 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 years 2013 to 2016. 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 2017. 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.

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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 net assets, financial position and results of operations to be materially affected.

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. The Group's risk position did not change significantly during that period. 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. Additional risks and opportunities that we are currently unaware of or risks that we currently consider immaterial may also have a negative impact on our business operations. We are convinced that we can continue to successfully master the challenges arising from the risks described above.

INFORMATION REQUIRED PURSUANT TO SECTION 289A, PARA. 1 AND SECTION 315A, PARA. 1 OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT

Composition of the Subscribed Capital

As at December 31, 2018, 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 relating to restrictions on voting rights or on the transfer of shares.

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

Section 33 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, 2018, 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 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 20, 2018, the Supervisory Board was authorized to amend the Articles of Association of Brenntag AG in connection with the creation of new authorized capital after implementation of each 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 20, 2018, 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 35,000,000 in aggregate by issuing up to 35,000,000 new no-par value registered shares against cash contributions or non-cash contributions in the period to June 19, 2023. 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 20, 2018, 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 20, 2018 and shall apply until June 19, 2023. If shares are purchased on the stock market, the purchase price (excluding incidental purchase costs) may not be more than 10% higher or lower than the arithmetic mean value of the closing prices (closing auction prices of Brenntag AG shares in XETRA trading or a comparable system replacing the XETRA system) 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 shares are purchased by way of a public purchase offer, Brenntag AG may either publish a formal offer or issue a public request for offers of sale. In each case, the purchase price offered (excluding incidental purchase costs) or the limits of the purchase price range per share set by Brenntag AG (excluding incidental purchase costs) 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 purchase offer or request for offers of sale. The authorization may be exercised for any purpose permitted by law. The Board of Management was authorized to retire the treasury shares purchased on the basis of the authorization under Section 71, para. 1, no. 8 of the German Stock Corporation Act with the consent of the Supervisory Board and without a further resolution being adopted by the General Shareholders' Meeting. The retirement transaction may be restricted to some of the shares purchased and use may be made of the authorization to retire shares on one or more occasions. Retiring shares generally leads to a reduction in capital. Alternatively, the Board of Management may decide that the registered share capital will remain unchanged and the transaction will instead increase the amount of the registered share capital represented by the other shares in accordance with Section 8, para. 3 of the German Stock Corporation Act. In this case, the Board of Management is authorized to change the relevant number stated in the Articles of Association. 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 20, 2018, the Board of Management was authorized ("Authorization 2018"), subject to the consent of the Supervisory Board, to issue in one or more tranches in the period to June 19, 2023 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 ("Bonds") and to grant the holders or creditors of the Bonds option or conversion rights for up to 15,450,000 new Brenntag AG shares representing a notional amount of up to EUR 15,450,000 in the registered share capital 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 ("Terms and Conditions"). In order to grant shares to the holders or creditors of Bonds, the registered share capital was conditionally increased at the General Shareholders' Meeting on June 20, 2018 by up to 15,450,000 no-par value registered shares conferring profit-sharing rights from the beginning of the financial year in which they were issued ("Conditional Capital 2018"); this equates to an increase in the registered share capital of up to EUR 15,450,000. The Bonds may also be issued in a foreign legal currency rather than in euros – subject to limitation to the corresponding equivalent value in euros – and 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 Brenntag AG shares 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. Bonds may only be issued 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 theoretical market value of the Bonds determined using recognized valuation techniques. 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). 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.

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 Brenntag AG shares 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 Brenntag AG shares further subject to the specific Terms and Conditions.

New shares are issued at the strike or conversion price to be set in accordance with the aforementioned resolution granting authorization.

The authorization resolved upon at the General Shareholders' Meeting on June 17, 2014 ("Authorization 2014") to issue Bonds and grant the holders or creditors of the Bonds option or conversion rights for up to 25,750,000 new Brenntag AG shares representing a notional amount of up to EUR 25,750,000 in the registered share capital was rescinded when the Authorization 2018 became effective.

In November 2015, on the basis of the now-rescinded Authorization 2014, Brenntag Finance B.V., in its capacity as issuer and with Brenntag AG as guarantor, issued a bond with warrant units in the amount of USD 500.0 million maturing on December 2, 2022 ("Bond (with Warrants) 2022"). The bond was offered only to institutional investors outside the USA. Shareholders' subscription rights were excluded. The warrants attached to the Bond (with Warrants) 2022 entitle the holder to purchase Brenntag AG ordinary shares by paying the strike price applicable at that time. At the reporting date, there were subscription rights to approximately 6.5 million shares resulting from the Bond (with Warrants) 2022; this equates to 4.2% of the registered share capital at the reporting date.

The Bond (with Warrants) 2022 already in issue is unaffected by the rescission of the Authorization 2014, the new Authorization 2018 and the Conditional Capital 2018. In particular, the subscription rights of the holders of the Bond (with Warrants) 2022 are not adversely affected, as the conditional capital resolved upon at the General Shareholders' Meeting on June 17, 2014 ("Conditional Capital 2014") remains in place.

The Terms and Conditions of the Bond (with Warrants) 2022 allow Brenntag AG to settle exercised options both from the Conditional Capital 2014 and from the authorized capital described above or from the treasury shares it holds or to buy back the warrants. 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 structure 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 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 (Bond (with Warrants) 2022) contain provisions governing a change of control, under which bondholders may request that the bond be repaid early following an agreed period if one or more persons within the meaning of Section 34, 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 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 Sections 289f and 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.

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, 2019 at the latest in the form of a separate consolidated non-financial report within the sustainability reporting: www.brenntag.com/sustainabilityreport2018

C

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

in EUR m	Note	2018	2017
Sales	1.)	12,550.0	11,743.3
Cost of sales	2.)	−9,958.3	−9,251.6
Gross profit		**2,591.7**	**2,491.7**
Selling expenses	3.)	−1,726.9	−1,679.2
Administrative expenses	4.)	−192.6	−187.7
Other operating income	5.)	64.5	40.1
Impairment losses on trade receivables and other receivables		−5.9	−5.1
Other operating expenses	6.)	−9.8	−40.7
Operating profit		**721.0**	**619.1**
Share of profit or loss of equity-accounted investments		−0.9	0.2
Interest income	7.)	3.3	3.0
Interest expense	8.)	−85.6	−89.5
Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	9.)	−9.0	−1.5
Other net finance costs	10.)	−5.3	−6.7
Net finance costs		**−97.5**	**−94.5**
Profit before tax		**623.5**	**524.6**
Income tax expense	11.)	−161.2	−162.6
Profit after tax		**462.3**	**362.0**
Attributable to:			
Shareholders of Brenntag AG		460.9	360.8
Non-controlling interests		1.4	1.2
Basic earnings per share in euro	**13.)**	**2.98**	**2.34**
Diluted earnings per share in euro	**13.)**	**2.98**	**2.34**

C.01 CONSOLIDATED INCOME STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR m	2018	2017
Profit after tax	**462.3**	**362.0**
Remeasurements of defined benefit pension plans	6.5	6.0
Deferred tax relating to remeasurements of defined benefit pension plans	−2.2	−1.5
Items that will not be reclassified to profit or loss	**4.3**	**4.5**
Change in exchange rate differences on translation of consolidated companies	28.5	−168.4
Exchange rate differences reclassified to profit or loss	−0.1	−2.6
Change in exchange rate differences on translation of equity-accounted investments	−1.4	−0.5
Change in net investment hedge reserve	−0.1	–
Reclassification of cash flow hedge reserve	–	−1.9
Deferred tax relating to change in cash flow hedge reserve	–	0.7
Items that may be reclassified subsequently to profit or loss	**26.9**	**−172.7**
Other comprehensive income, net of tax	**31.2**	**−168.2**
Total comprehensive income	**493.5**	**193.8**
Attributable to:		
Shareholders of Brenntag AG	491.8	194.1
Non-controlling interests	1.7	−0.3

C.02 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED BALANCE SHEET

ASSETS

in EUR m	Note	Dec. 31, 2018	Dec. 31, 2017
Current assets			
Cash and cash equivalents	14.)	393.8	518.0
Trade receivables	15.)	1,843.0	1,672.7
Other receivables	16.)	176.3	145.1
Other financial assets	17.)	7.9	20.9
Current tax assets		41.5	37.7
Inventories	18.)	1,195.8	1,043.6
		3,658.3	**3,438.0**
Assets held for sale	19.)	5.8	52.4
		3,664.1	**3,490.4**
Non-current assets			
Property, plant and equipment	20.)	1,027.1	946.4
Intangible assets	21.)	2,902.9	2,746.7
Equity-accounted investments	22.)	18.2	21.6
Other receivables	16.)	22.3	21.1
Other financial assets	17.)	9.6	7.6
Deferred tax assets	11.)	50.3	51.0
		4,030.4	**3,794.4**
Total assets		**7,694.5**	**7,284.8**

LIABILITIES AND EQUITY

in EUR m	Note	Dec. 31, 2018	Dec. 31, 2017
Current liabilities			
Trade payables	23.)	1,231.8	1,205.8
Financial liabilities	24.)	256.1	569.8
Other liabilities	25.)	375.1	398.3
Other provisions	26.)	95.2	117.4
Liabilities relating to acquisition of non-controlling interests	28.)	1.6	–
Current tax liabilities		33.5	29.9
		1,993.3	**2,321.2**
Liabilities associated with assets held for sale	19.)	0.3	17.0
		1,993.6	**2,338.2**
Non-current liabilities			
Financial liabilities	24.)	1,899.6	1,520.1
Other liabilities	25.)	0.6	1.3
Other provisions	26.)	119.7	107.0
Provisions for pensions and other post-employment benefits	27.)	153.0	155.9
Liabilities relating to acquisition of non-controlling interests	28.)	44.9	13.5
Deferred tax liabilities	11.)	181,9	163.1
		2,399.7	**1,960.9**
Equity	29.)		
Subscribed capital		154.5	154.5
Additional paid-in capital		1,491.4	1,491.4
Retained earnings		1,640.1	1,363.4
Accumulated other comprehensive income		−9.5	−36.1
Equity attributable to shareholders of Brenntag AG		**3,276.5**	**2,973.2**
Equity attributable to non-controlling interests		24.7	12.5
		3,301.2	2,985.7
Total liabilities and equity		**7,694.5**	**7,284.8**

C.03 CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR m	Subscribed capital	Additional paid-in capital	Retained earnings
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**
Initial application of IFRS 15 at Jan. 1, 2018	–	–	6.0
Initial application of IFRS 9 at Jan. 1, 2018	–	–	−0.6
Jan. 1, 2018 after initial application of IFRS 15 and IFRS 9	**154.5**	**1,491.4**	**1,368.8**
Dividends	–	–	−170.0
Business combinations	–	–	−23.9
Profit after tax	–	–	460.9
Other comprehensive income, net of tax	–	–	4.3
Total comprehensive income for the period	**–**	–	**465.2**
Dec. 31, 2018	**154.5**	**1,491.4**	**1,640.1**

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**
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**
–	–	–	–	6.0	–	6.0
–	–	–	–	–0.6	–	–0.6
–36.1	**–**	**–**	**–**	**2,978.6**	**12.5**	**2,991.1**
–	–	–	–	–170.0	–	–170.0
–	–	–	–	–23.9	10.5	–13.4
–	–	–	–	460.9	1.4	462.3
26.7	–0.1	–	–	30.9	0.3	31.2
26.7	**–0.1**	**–**	**–**	**491.8**	**1.7**	**493.5**
–9.4	**–0.1**	**–**	**–**	**3,276.5**	**24.7**	**3,301.2**

C.04 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED CASH FLOW STATEMENT

in EUR m	Note	2018	2017
	30.)		
Profit after tax		**462.3**	**362.0**
Depreciation and amortization	20.)/21.)	171.9	163.1
Income tax expense	11.)	161.2	162.6
Income taxes paid		−150.6	−184.5
Net interest expense	7.)/8.)	82.3	86.5
Interest paid (netted against interest received)		−80.0	−78.3
Dividends received		1.1	3.7
Changes in provisions		−25.7	78.4
Changes in current assets and liabilities			
Inventories		−88.0	−146.1
Receivables		−80.0	−240.7
Liabilities		−62.7	183.1
Non-cash change in liabilities relating to acquisition of non-controlling interests	9.)	9.0	1.5
Other non-cash items and reclassifications		−25.5	13.2
Net cash provided by operating activities		**375.3**	**404.5**
Proceeds from the disposal of consolidated subsidiaries and other business units less costs to sell		68.2	–
Proceeds from the disposal of other financial assets		0.2	0.1
Proceeds from the disposal of intangible assets and property, plant and equipment		18.9	14.6
Payments to acquire consolidated subsidiaries and other business units		−199.0	−108.0
Payments to acquire other financial assets		–	−0.2
Payments to acquire intangible assets and property, plant and equipment		−178.4	−151.4
Net cash used in investing activities		**−290.1**	**−244.9**
Dividends paid to Brenntag shareholders		−170.0	−162.2
Profits distributed to non-controlling interests		−1.6	−1.7
Proceeds from borrowings		518.2	737.7
Repayments of borrowings		−558.1	−798.1
Net cash used in financing activities		**−211.5**	**−224.3**
Change in cash and cash equivalents		**−126.3**	**−64.7**
Effect of exchange rate changes on cash and cash equivalents		1.5	−18.6
Reclassification into assets held for sale		0.6	−0.6
Cash and cash equivalents at beginning of period	14.)	518.0	601.9
Cash and cash equivalents at end of period	**14.)**	**393.8**	**518.0**

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	**2018**	**5,339.3**	**4,636.9**	**807.8**	**1,383.5**	**382.5**	**–**	**12,550.0**
	2017	5,016.8	4,368.0	819.2	1,170.6	368.7	–	11,743.3
	Change in %	6.4	6.2	−1.4	18.2	3.7	–	6.9
	fx adjusted change in %	7.9	11.0	6.1	22.7	3.7	–	10.2
Inter-segment sales	**2018**	**12.6**	**9.7**	**0.1**	**0.1**	**0.3**	**−22.8**	**–**
	2017	10.3	11.9	0.3	0.1	0.7	−23.3	–
Operating gross profit[2]	**2018**	**1,141.2**	**1,118.3**	**163.1**	**224.2**	**14.1**	**–**	**2,660.9**
	2017	1,094.8	1,073.9	172.5	198.7	14.2	–	2,554.1
	Change in %	4.2	4.1	−5.4	12.8	−0.7	–	4.2
	fx adjusted change in %	5.5	8.9	1.9	17.2	−0.7	–	7.5
Gross profit	**2018**	**–**	**–**	**–**	**–**	**–**	**–**	**2,591.7**
	2017	–	–	–	–	–	–	2,491.7
	Change in %	–	–	–	–	–	–	4.0
	fx adjusted change in %	–	–	–	–	–	–	7.4
Operating EBITDA[3] (segment result)	**2018**	**385.5**	**409.6**	**39.9**	**77.9**	**−37.4**	**–**	**875.5**
	2017	365.6	385.0	42.4	73.7	−30.7	–	836.0
	Change in %	5.4	6.4	−5.9	5.7	21.8	–	4.7
	fx adjusted change in %	7.2	11.2	2.3	9.4	21.8	–	8.4
Operating EBITDA[3] / operating gross profit[2]	**2018 in %**	**33.8**	**36.6**	**24.5**	**34.7**	**−265.2**	**–**	**32.9**
	2017 in %	33.4	35.9	24.6	37.1	−216.2	–	32.7
Investments in non-current assets (capex)[4]	**2018**	**78.7**	**61.1**	**8.4**	**10.7**	**13.3**	**–**	**172.2**
	2017	68.3	48.8	10.3	9.2	11.5	–	148.1

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] Brenntag adjusts operating EBITDA for holding charges and for income and expenses arising from special items (see table C. 08) so as to improve comparability in presenting the performance of its business operations over multiple reporting periods and explain it more appropriately. Holding charges are certain costs charged between holding companies and operating companies. At Group level, these effects net to zero.
[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	2018	2017
Operating EBITDA	**875.5**	**836.0**
Investments in non-current assets (capex)[1]	–172.2	–148.1
Change in working capital[2][3]	–178.1	–247.6
Free cash flow	**525.2**	**440.3**

C.07 FREE CASH FLOW

[1] Investments in non-current assets are the other additions to property, plant and equipment and intangible assets.
[2] Definition of working capital: trade receivables plus inventories less trade payables.
[3] Adjusted for exchange rate effects and acquisitions.

in EUR m	2018	2017
Operating EBITDA (segment result)[1]	**875.5**	**836.0**
Net income/expense from special items	17.4	–53.8
(of which expenses in connection with the programme to increase efficiency in the EMEA segment)	(–10.8)	(–23.8)
(of which provision for the fine imposed in French antitrust proceedings)	(–)	(–30.0)
(of which income from the sale of Brenntag Biosector A/S, Denmark)	(28.2)	(–)
EBITDA	**892.9**	**782.2**
Depreciation of property, plant and equipment	–119.7	–117.3
Impairment of property, plant and equipment	–2.3	–1.6
EBITA	**770.9**	**663.3**
Amortization of intangible assets[2]	–49.9	–44.2
Impairment of intangible assets	–	–
EBIT	**721.0**	**619.1**
Net finance costs	–97.5	–94.5
Profit before tax	**623.5**	**524.6**

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 912.9 million (2017: EUR 866.7 million) and operating EBITDA of all other segments to EUR –37.4 million (2017: EUR –30.7 million).
[2] For the period from January 1 to December 31, 2018, this figure includes amortization of customer relationships in the amount of EUR 40.7 million (2017: EUR 34.7 million).

in EUR m	2018	2017
EBITA	770.9	663.3
Average carrying amount of equity	3,111.6	2,969.2
Average carrying amount of financial liabilities	2,173.1	2,255.0
Average carrying amount of cash and cash equivalents	−416.2	−612.0
ROCE[1]	**15.8%**	**14.4%**

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	2018	2017
Operating gross profit	**2,660.9**	**2,554.1**
Production/mixing & blending costs	−69.2	−62.4
Gross profit	**2,591.7**	**2,491.7**

C.10 RECONCILIATION OF OPERATING GROSS PROFIT TO GROSS PROFIT

General Information

As one of the world's leading chemical distributors with more than 580 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 February 26, 2019, authorized for publication and submitted to the Supervisory Board for approval at its meeting on March 5, 2019.

[1] Brenntag AG, Messeallee 11, 45131 Essen

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.

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, 2018 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:

- 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) – no material effects for Brenntag

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.

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 new standard did not have a material effect on the presentation of the Group's net assets, financial position and results of operations. As a result, Brenntag applied the modified retrospective method, under which prior-year figures are not adjusted. Effects in the amount of EUR 6.0 million were recognized directly in retained earnings at January 1, 2018, increasing equity by that amount. Compared with the rules in effect under IAS 11, IAS 18 and the related interpretations prior to the introduction of IFRS 15, the balance sheet items affected changed as follows:

in EUR m	Jan. 1, 2018	Dec. 31, 2018
Trade receivables	3.2	5.2
Inventories	−0.6	−1.3
Other current liabilities	−5.5	−8.3
Current tax liabilities	0.7	1.4
Deferred tax liabilities	1.4	1.7
Exchange rate differences	–	0.2
Retained earnings	**6.0**	**8.9**

C.11 EFFECTS OF IFRS 15 ON THE BALANCE SHEET

The effects on the income statement are shown in the table below:

in EUR m	2018
Sales	5.8
Other operating income	−0.7
Cost of sales	−1.2
Income tax expense	−1.0
Profit after tax	**2.9**

C.12 EFFECTS OF IFRS 15 ON THE INCOME STATEMENT

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 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. Applying the new standard did not have a material effect on the presentation of the Group's net assets, financial position and results of operations. Effects of the initial application of the expected loss model in the amount of EUR 0.6 million were recognized directly in retained earnings at January 1, 2018, reducing equity by that amount. Trade receivables decreased by EUR 0.8 million, while deferred tax assets increased by EUR 0.2 million.

In financial year 2018, application of the incurred loss model would have resulted in a reduced impairment loss of EUR 0.4 million compared with the expected loss model. The financial instrument accounting policies on which the prior-year comparative figures are based were not changed. In this regard, please refer to the notes in the 2017 Annual Report.

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. The amendments to IFRS 2, IFRIC 22 and the annual improvements did 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 2018, 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.

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 – not yet endorsed by the European Union
- Annual Improvements (2015–2017 Cycle) – not yet endorsed by the European Union

Under the new rules in IFRS 16 (Leases), which are effective from January 1, 2019, lessees are generally required to recognize leases in the balance sheet in the form of a right-of-use asset and a corresponding lease liability. In the income statement, leases are in these cases presented as a financing transaction, i.e. the right-of-use asset usually has to be depreciated on a straight-line basis and the lease liability adjusted using the effective interest method. For short-term leases with a term of less than one year and leases for which the underlying asset is of low value, there is an option to continue to recognize the lease as an expense on a straight-line basis. Brenntag exercises this option accordingly.

Brenntag has introduced a Group-wide software solution into which it has entered the leases required to be recognized so that they can next be measured and quantified uniformly. In doing so, all contractual lease payments to the lessor are included in the measurement. Lease payments are not separated into payments for lease components and payments for non-lease components (e.g. payments for maintenance or servicing costs). When recognizing extension and purchase options, judgements need to be made. Lease payments from extension periods and exercise prices of purchase options are included in the measurement if the option is reasonably certain to be exercised.

The modified retrospective method is being applied to transition to IFRS 16. Under this method, prior-year figures are not adjusted. The present value of the future lease payments discounted using the incremental borrowing rates at January 1, 2019 is stated as the carrying amount of the lease liabilities. The weighted average of the incremental borrowing rates at January 1, 2019 is 3.16%. The carrying amount of the right-of-use assets is the carrying amount of the lease liability adjusted for any prepayments and accrued lease payments recognized as at December 31, 2018.

The effects on the balance sheet of the initial application of IFRS 16 (Leases) at January 1, 2019 are shown in the table below:

in EUR m	Jan. 1, 2019
Current lease liabilities	86
Non-current lease liabilities	271
Lease liabilities	**357**
Prepayments and accruals	−5
Right-of-use assets	**352**
(of which right-of-use assets – land and buildings)	(214)
(of which right-of-use assets – vehicles)	(113)
(of which other right-of-use assets)	(25)

C.13 EFFECTS OF IFRS 16
ON THE BALANCE SHEET AT JAN. 1, 2019

The application of the new IFRS 16 has only a minor impact on profit after tax.

The obligations from future minimum lease payments for operating leases recognized in the consolidated financial statements for the period ended December 31, 2018 in the amount of EUR 389.7 million have not been discounted and include minimum lease payments for short-term leases with a term of less than one year and leases for which the underlying asset is of low value. The figure does not include payments for non-lease components and lease payments for extension periods. As a result, obligations from minimum lease payments for operating leases differ from the lease liabilities recognized on initial application of IFRS 16 at January 1, 2019.

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 that, in substance, form part of the net investment in an equity-accounted entity but 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.

Probable first-time adoption in 2020:

- Amendments to IFRS 3 (Business Combinations) regarding the definition of a business – not yet endorsed by the European Union

The amendments to IFRS 3 (Business Combinations) regarding the definition of a business specify that, for a business to exist, there will have to be present, at a minimum, economic resources (inputs) and a substantive process that together enable output to be created. The existing assessment of whether a market participant might be capable of replacing any missing inputs or processes in order to produce output has been removed. Output will in future be defined as the provision of goods or services and the generation of investment or other income. Pure cost reductions are no longer sufficient to meet the definition of a business. The amended definition must be applied to acquisitions for which the acquisition date is on or after January 1, 2020.

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, 2018, the consolidated financial statements include Brenntag AG and in addition 28 (Dec. 31, 2017: 28) domestic and 186 (Dec. 31, 2017: 184) foreign consolidated subsidiaries including structured entities.

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

	Dec. 31, 2017	Additions	Disposals	Dec. 31, 2018
Domestic consolidated companies	29	–	–	29
Foreign consolidated companies	184	16	14	186
Total consolidated companies	**213**	**16**	**14**	**215**

C.14 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 Biosector A/S, Denmark.

Five (Dec. 31, 2017: 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, 2017: three) 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 early May 2018, Brenntag acquired 65% of the shares in RAJ PETRO SPECIALITIES PRIVATE LIMITED (Raj Petro), India. Headquartered in Mumbai, the company distributes its own-blended brands of petroleum-related products to a diverse range of customer industries. With Raj Petro, Brenntag is expanding its footprint in the promising Indian chemical distribution market and in other countries in Asia Pacific, Africa and the Middle East. The acquisition offers Brenntag diverse potential for synergies and future growth. The second tranche of 35% is expected to be purchased after five, but no later than after seven years.

In early September 2018, Brenntag closed the acquisition of 100% of the shares in CCC Chemical Distribution Inc. based in Toronto, Canada. With operations in the main industrial areas across Canada, CCC offers a full-line portfolio and serves a broad customer base in industries such as life sciences, water treatment, coatings, construction, energy and mining.

In addition, in June 2018, Brenntag acquired the Quimitecnica Group based in Lordelo (Guimarães), Portugal. The acquisition of Quimitecnica is an excellent strategic fit with Brenntag's existing distribution activities in Portugal and the north of Spain. Quimitecnica has a strong position in the markets for industrial chemicals, water treatment and specialty chemicals. Also in June 2018, Brenntag acquired the business of Nemo Oil Company, USA. In mid-August 2018, Brenntag acquired all shares in Alphamin S.A. based in Wavre, Belgium. The company supplies specialty polymers and waxes to customers in a diverse range of industries worldwide. In addition to its headquarters in Wavre, Belgium, the company has a subsidiary, Alphamin Inc. in Dallas, USA. In December 2018, Brenntag acquired chemical distributor CONQUIMICA S.A. based in Itagüí, Colombia, and Pachem Distribution Inc. based in Laval, Canada. The acquisition of CONQUIMICA S.A. extends Brenntag's geographic coverage and distribution network in Colombia. The acquisition of Pachem Distribution Inc. strengthens Brenntag's specialty chemicals capabilities in the life science segments in Canada.

The purchase prices, net assets and goodwill break down as follows:

in EUR m	Raj Petro	CCC	Other entities	**Provisional fair value**
Purchase price	**54.7**	**88.8**	**75.1**	**218.6**
of which consideration contingent on earnings targets	–	–	2.0	2.0
Assets				
Cash and cash equivalents	9.9	–	6.5	16.4
Trade receivables, other financial assets and other receivables	81.1	17.9	27.5	126.5
Other current assets	32.4	14.4	14.1	60.9
Non-current assets	19.5	39.4	30.2	89.1
Liabilities				
Current liabilities	107.9	12.4	30.4	150.7
Non-current liabilities	5.0	5.7	13.3	24.0
Net assets	**30.0**	**53.6**	**34.6**	**118.2**
of which Brenntag's share	19.5	53.6	34.6	107.7
of which non-controlling interests (35% of Raj Petro)	10.5	–	–	10.5
Goodwill	**35.2**	**35.2**	**40.5**	**110.9**
of which deductible for tax purposes	–	–	0.8	0.8

C.15 NET ASSETS ACQUIRED IN 2018

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, environmental provisions and deferred taxes) has not yet been completed for reasons of time. The main factors determining the goodwill are the above-mentioned reasons for the acquisitions where not included in other assets (e.g. customer relationships, brands and similar rights). There are no material differences between the gross amount and carrying amount of the receivables. No share of the goodwill was recognized for non-controlling interests in RAJ PETRO SPECIALITIES PRIVATE LIMITED based in Mumbai, India (partial goodwill method).

Acquisition-related costs in the amount of EUR 2.5 million were recognized under other operating expenses.

Since their acquisition by Brenntag, the business units acquired in 2018 have generated the following sales and the following profit after tax:

in EUR m	Raj Petro	CCC	Other entities	**Total**
Sales	151.2	40.8	38.5	230.5
Profit after tax	1.2	1.2	5.4	7.8

C.16 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, 2018, sales of about EUR 12,828 million would have been reported for the Brenntag Group in the reporting period. Profit after tax would have been about EUR 464 million.

The carrying amounts and annual amortization of the intangible assets held by the business units acquired in 2018 and contained in non-current assets, in each case at the exchange rate at the acquisition date, are as follows:

in EUR m	Raj Petro	CCC	Other entities	**Provisional fair value**
Customer relationships and similar rights				
Carrying amount	2.9	9.2	22.3	34.4
Annual amortization	1.2	2.0	5.9	9.1

C.17 INTANGIBLE ASSETS ACQUIRED

Measurement of the assets and liabilities of the 2017 acquirees Kluman and Balter Limited based in Waltham Abbey (K&B) and A1 Cake Mixes Limited based in Glasgow (A1) (Kluman and Balter Group), Wellstar Enterprises (Hong Kong) Company Limited, Hong Kong, and its three Chinese subsidiaries (51% of the shares), Petra Industries, Inc. based in Fairmont City, Illinois, USA, and the pipeline and chemical services division of Greene's Energy Group, LLC based in Houston, Texas, has been completed. The purchase prices, net assets acquired and goodwill were adjusted as follows in the measurement period:

BUSINESS COMBINATION

	Kluman and Balter Group			Other		
in EUR m	Provisional fair Value	Adjustments	Final fair Value	Provisional fair Value	Adjustments	Final fair Value
Purchase price	**81.4**	**0.1**	**81.5**	**38.5**	**1.1**	**39.6**
of which consideration contingent on earnings targets	15.7	–	15.7	–	–	–
Assets						
Cash and cash equivalents	1.6	–	1.6	3.2	–	3.2
Trade receivables, other financial assets and other receivables	15.2	–	15.2	5.2	–	5.2
Other current assets	1.8	–	1.8	7.3	-0.4	6.9
Non-current assets	31.8	−1.9	29.9	22.8	-0.3	22.5
Liabilities						
Current liabilities	16.5	0.2	16.7	3.1	–	3.1
Non-current liabilities	5.6	−0.3	5.3	9.8	−0.2	9.6
Net assets	**28.3**	**−1.8**	**26.5**	**25.6**	**−0.5**	**25.1**
of which Brenntag's share	28.3	−1.8	26.5	21.8	−0.5	21.3
of which non-controlling interests (49% of Wellstar Group)	–	–	–	3.8	–	3.8
Goodwill	**53.1**	**1.9**	**55.0**	**16.7**	**1.6**	**18.3**
of which deductible for tax purposes	–	–	–	–	–	–

C.18 NET ASSETS ACQUIRED IN 2017 (K&B, A1 AND OTHER BUSINESS COMBINATIONS)

Goodwill from the business combinations carried out in 2017 and 2018 changed as follows:

in EUR m	Raj Petro	CCC	K&B, A1	Other	**Goodwill**
Dec. 31, 2017	**–**	**–**	**52.8**	**15.5**	**68.3**
Exchange rate differences	0.1	−0.9	−0.6	0.5	**−0.9**
Business combinations in 2018	35.2	35.2	–	40.5	**110.9**
Adjustments in the measurement period	–	–	1.9	1.6	**3.5**
Dec. 31, 2018	**35.3**	**34.3**	**54.1**	**58.1**	**181.8**

C.19 CHANGE IN GOODWILL

The net cash outflow in 2018 resulting from business combinations has been determined as follows:

in EUR m	
Purchase price	**219.8**
Less purchase price components not yet paid	5.0
Less cash and cash equivalents acquired	16.4
Plus subsequent purchase price payments for business combinations from prior years	0.6
Payments to acquire consolidated subsidiaries and other business units	**199.0**

C.20 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, 2018	Dec. 31, 2017	2018	2017
Canadian dollar (CAD)	1.5605	1.5039	1.5294	1.4647
Swiss franc (CHF)	1.1269	1.1702	1.1550	1.1117
Chinese yuan renminbi (CNY)	7.8751	7.8044	7.8081	7.6290
Danish krone (DKK)	7.4673	7.4449	7.4532	7.4386
Pound sterling (GBP)	0.8945	0.8872	0.8847	0.8767
Polish zloty (PLN)	4.3014	4.1770	4.2615	4.2570
Swedish krona (SEK)	10.2548	9.8438	10.2583	9.6351
US dollar (USD)	1.1450	1.1993	1.1810	1.1297

C.21 EXCHANGE RATES OF MAJOR CURRENCIES

Accounting and Measurement Policies

REVENUE RECOGNITION

Revenue from contracts with customers is recognized using a five-step model in accordance with IFRS 15:

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

Revenue is recognized in the amount of consideration to which Brenntag expects to be entitled in exchange for goods or services. Variable consideration, such as cash discounts, discounts and rebates, is estimated and taken into account when determining the transaction price. Where relevant, the transaction price is allocated to individual performance obligations.

Revenue from the sale of goods or services is recognized when control of the goods or services transfers to the customer. Control transfers when the customer obtains control of the agreed goods or services and can obtain benefits from them. In a sale of goods, control usually transfers when the goods are collected by the customer or dispatched by Brenntag or a third party. In this case, revenue is recognized at a point in time. In cases where goods are delivered to a third party with the aim of resale to an end customer and the third party does not obtain control of the goods, revenue is not recognized until the goods are delivered to the end customer. Revenue from services is recognized over time.

If a discount (e.g. volume discount) is granted, revenue is recognized taking into account probable price reductions. The transaction price is determined taking into account past experience. Revenue is only recognized to the extent that it is highly probable that a reversal in the amount of revenue will not occur.

There are currently no significant financing components in the Brenntag Group. Payment terms are negotiated locally and reflect standard market practice. As there are no long-term performance obligations, the amount and timing of allocated transaction prices are not required to be disclosed for performance obligations that are unsatisfied as of the reporting date (practical expedient in IFRS 15.121).

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

Trade receivables that do not contain a significant financing component are initially recognized at the transaction price in accordance with IFRS 15. All other financial assets are measured on initial recognition at fair value[2] (if applicable, including transaction costs).

For the purpose of subsequent measurement, financial assets are classified into one of three categories, depending on the business model for managing the financial assets and the contractual cash flow characteristics:

- Measured at amortized cost: Assets held in order to collect contractual cash flows, where those cash flows are solely payments of principal and interest
- Measured at fair value through other comprehensive income: Assets held in order to collect contractual cash flows and sell the assets, where those cash flows are solely payments of principal and interest
- Measured at fair value through profit or loss: Assets that do not meet the criteria of the two aforementioned categories

[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 market participants at the measurement date.

Cash and cash equivalents, trade receivables, other receivables and receivables included in other financial assets are measured at amortized cost. There are no financial instruments measured at fair value through other comprehensive income. Securities and shares in entities where Brenntag does not have at least significant influence are measured at fair value through profit or loss, as are derivative financial instruments.

For fair value measurement, IFRS 13 provides a three-level hierarchy that 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

Trade receivables are subsequently measured using provision matrices. Country-specific valuation allowances are determined for receivables in the same credit risk class (e.g. customer industries) based on historical credit losses and forward-looking estimates. In this context, credit risk is assessed primarily on the basis of the extent to which the receivables are past due. If there is objective evidence that trade receivables or other financial assets measured at amortized cost should be considered impaired, a specific valuation allowance reflecting the credit risk in question is recognized in profit or loss. 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.

A regular way purchase or sale of non-derivative financial assets is recognized at the 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 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.22 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.23 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.24 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

Trade payables, financial liabilities (excluding derivative financial instruments and contingent purchase prices payable in business combinations) and other liabilities are classified as at amortized cost. They are initially recognized at their fair value net of transaction costs incurred and subsequently carried at amortized cost using the effective interest method.

Derivative financial instruments and contingent purchase prices payable in business combinations are initially recognized at fair value and subsequently measured at fair value through profit or loss.

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. They are subsequently measured at amortized cost. 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% (2017: 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 warrant units is subsequently 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 2017, 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. However, in all scenarios, the fair value of the Latin America region approximates the carrying amount.

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 4.5 million (Dec. 31, 2017: EUR 5.5 million) or increased by EUR 5.1 million (Dec. 31, 2017: EUR 6.2 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.

Under IFRS 16 (Leases), lease payments made are included in cash used in financing activities as repayments of borrowings and in cash provided by operating activities as interest paid. Payments under short-term leases or leases of low-value assets are a component of cash flow from operating activities, as was the case previously. Overall, this results in a shift in cash outflows from cash provided by operating activities to cash used in financing activities.

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

Sales of EUR 12,550.0 million (2017: EUR 11,743.3 million) are solely attributable to contracts with customers as defined by IFRS 15. Sales of EUR 0.9 million (2017: EUR 1.2 million) were generated with related parties.

Sales of EUR 12,515.0 million relate mainly to the sale of goods and sales of EUR 35.0 million to the provision of services. For the majority of the sales, therefore, control transfers at a point in time when the goods are collected by the customer or dispatched by Brenntag or a third party.

Of the sales revenues from the sale of goods, EUR 12,426.4 million are attributable to warehousing or direct business. Of the other revenues from the sale of goods in the amount of EUR 88.6 million, EUR 78.2 million relate to consignment business. Revenue from consignment agreements is recognized when control of the goods transfers to either a distributor or the end customer.

For a breakdown of sales by operating segment, please refer to the “Key Financial Figures by Segment” chapter of these notes to the consolidated financial statements.

The trade receivables presented (see Note 15.)) are entirely attributable to contracts with customers. No significant contract assets are currently recognized in the Brenntag Group.

Liabilities from contracts with customers break down as follows:

in EUR m	**Dec. 31, 2018**
Contract liabilities under credit notes	8.6
Refund liabilities	15.1
Prepayments received	2.7
Total	**26.4**

C.25 CURRENT CONTRACT LIABILITIES FROM CONTRACTS WITH CUSTOMERS

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 9,889.1 million (2017: EUR 9,189.2 million). Cost of sales also includes expenses in the amount of EUR 8.6 million (2017: EUR 2.2 million) from 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 144.1 million (2017: EUR 139.7 million), of which EUR 0.9 million (2017: EUR 0.8 million) is 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	2018	2017
Income from the disposal of non-current assets	7.4	11.6
Income from the reversal of liabilities and provisions no longer required	9.4	13.9
Miscellaneous operating income	47.7	14.6
Total	**64.5**	**40.1**

C.26 OTHER OPERATING INCOME

Miscellaneous operating income includes income from the sale of the non-core business unit Brenntag Biosector A/S, Denmark, in the amount of EUR 28.2 million.

6.) OTHER OPERATING EXPENSES

in EUR m	2018	2017
Losses on the disposal of non-current assets	−0.8	−0.9
Miscellaneous operating expenses	−9.0	−39.8
Total	**−9.8**	**−40.7**

C.27 OTHER OPERATING EXPENSES

Prior-year miscellaneous operating expenses include a provision recognized in the amount of EUR 30.0 million for a fine imposed by the French Competition Authority.

7.) INTEREST INCOME

Interest income in the amount of EUR 3.3 million (2017: EUR 3.0 million) is interest income from third parties.

8.) INTEREST EXPENSE

in EUR m	2018	2017
Interest expense on liabilities to third parties	−81.9	−87.5
Income from the fair value measurement of interest rate swaps	1.2	2.8
Net interest expense on defined benefit pension plans	−2.7	−2.7
Interest expense on other provisions	−1.8	−1.6
Interest expense on finance leases	−0.4	−0.5
Total	**−85.6**	**−89.5**

C.28 INTEREST EXPENSE

9.) CHANGE IN LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS RECOGNIZED IN PROFIT OR LOSS

in EUR m	2018	2017
Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	−7.5	0.1
Change in liabilities recognized in profit or loss arising from limited partners' rights to repayment of contributions	−1.5	−1.6
Total	**−9.0**	**−1.5**

C.29 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	2018	2017
Exchange rate loss/gain on foreign currency receivables and liabilities	−15.2	−38.6
Exchange rate gain/loss on foreign currency derivatives	6.5	29.2
Miscellaneous other net finance costs	3.4	2.7
Total	**−5.3**	**−6.7**

C.30 OTHER NET FINANCE COSTS

11.) INCOME TAX EXPENSE

in EUR m	2018	2017
Current income taxes	−151.8	−179.4
Deferred taxes	−9.4	16.8
(of which for temporary differences)	(−13.6)	(16.6)
(of which for tax loss carryforwards)	(4.2)	(0.2)
Total	**−161.2**	**−162.6**

C.31 INCOME TAX EXPENSE

The effective tax expense of EUR 161.2 million (2017: EUR 162.6 million) differs by EUR −38.3 million (2017: EUR −5.3 million) from the expected tax expense of EUR 199.5 million (2017: EUR 167.9 million). The expected tax expense results from applying the Group tax rate of 32% (2017: 32%) to profit before tax.

The reasons for the difference between the expected and the effective tax expense are as follows:

in EUR m	2018	2017
Profit before tax	623.5	524.6
Expected income tax expense (32%, 2017: 32%)	−199.5	−167.9
Difference due to tax base	−0.5	−0.3
Effect of different tax rates arising on the inclusion of foreign and domestic subsidiaries	48.8	14.3
Changes in valuation allowances on deferred tax assets/losses for which deferred taxes are not recognized/utilization of loss carryforwards	6.1	−3.9
Changes in the tax rate and tax laws	0.2	16.9
Expenses not deductible for tax purposes	−14.6	−24.0
Tax-free income	7.9	2.6
Share of profit or loss of equity-accounted investments	−1.9	−0.4
Prior-period tax expense	−4.6	2.3
Deferred taxes for temporary differences from investments in subsidiaries	−0.4	−0.2
Changes in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	−2.1	−0.2
Other effects	−0.6	−1.8
Effective tax expense	**−161.2**	**−162.6**

C.32 TAX EXPENSE RECONCILIATION

The increase in the positive effect on the reconciliation of “different tax rates arising on the inclusion of foreign and domestic subsidiaries” is mainly the result of the cut in the tax rate in the USA under the US tax reform.

Deferred taxes result from the individual balance sheet items and other items as follows:

	Dec. 31, 2018		Dec. 31, 2017	
in EUR m	**Deferred tax assets**	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
Current assets				
Cash and cash equivalents and financial assets	8.1	4.8	6.7	3.1
Inventories	11.1	2.0	11.1	0.5
Non-current assets				
Property, plant and equipment	9.3	77.7	7.4	71.3
Intangible assets	13.8	164.7	13.3	151.9
Financial assets	10.5	2.8	10.4	4.7
Current liabilities				
Other provisions	5.1	0.1	4.5	0.1
Liabilities	19.9	2.7	21.1	1.7
Non-current liabilities				
Provisions for pensions	28.9	7.7	31.2	8.0
Other provisions	15.0	2.9	14.5	2.6
Liabilities	6.5	1.6	8.1	1.4
Special tax-allowable reserves	–	3.4	–	3.6
Loss carryforwards	59.3	–	59.9	–
Valuation allowances on loss carryforwards	−40.1	–	−44.9	–
Valuation allowances on balance sheet items	−0.9	–	−1.0	–
Consolidation items	–	7.7	–	5.5
Offsetting	−96.2	−96.2	−91.3	−91.3
Deferred taxes	**50.3**	**181.9**	**51.0**	**163.1**
Deferred tax liabilities (net)		**131.6**		**112.1**

C.33 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities break down by maturity as follows:

in EUR m	Dec. 31, 2018	Dec. 31, 2017
Deferred tax assets to be recovered after more than 12 months	11.4	10.9
Deferred tax assets to be recovered within 12 months	38.9	40.1
Deferred tax assets	**50.3**	**51.0**
Deferred tax liabilities to be recovered after more than 12 months	177.7	160.0
Deferred tax liabilities to be recovered within 12 months	4.2	3.1
Deferred tax liabilities	**181.9**	**163.1**
Deferred tax liabilities (net)	**131.6**	**112.1**

C.34 DEFERRED TAX BY MATURITY

Deferred tax liabilities (net) changed as follows:

in EUR m	2018	2017
Deferred tax liabilities (net) at Jan. 1	**112.1**	**128.8**
Exchange rate differences	0.8	–4.8
Income/expense in profit and loss	9.4	–16.8
Income taxes recognized in other comprehensive income	3.4	0.8
Business combinations	5.9	5.8
Reclassification of deferred tax relating to non-current assets held for sale and associated liabilities	–	–1.7
Deferred tax liabilities (net) at Dec. 31	**131.6**	**112.1**

C.35 CHANGE IN DEFERRED TAX LIABILITIES (NET)

The existing tax loss carryforwards can be utilized as follows:

	Dec. 31, 2018		**Dec. 31, 2017**	
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	1.6	(0.8)	4.3	(2.9)
2 to 5 years	9.0	(6.8)	13.0	(6.3)
6 to 9 years	1.8	(1.6)	8.8	(8.2)
More than 9 years	262.3	(244.4)	252.9	(241.8)
Unlimited	166.1	(106.5)	157.3	(117.1)
Total	**440.8**	**(360.1)**	**436.3**	**(376.3)**

C.36 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 19.2 million (Dec. 31, 2017: EUR 15.0 million) were recognized for loss carryforwards of EUR 80.7 million (Dec. 31, 2017: EUR 60.0 million) which are likely to be utilized. These include loss carryforwards of US subsidiaries for state taxes totalling EUR 17.9 million (tax rate between 7% and 8%) (Dec. 31, 2017: EUR 11.1 million).

No deferred taxes were recognized for loss carryforwards of EUR 360.1 million (Dec. 31, 2017: EUR 376.3 million) which are not likely to be utilized. This figure includes domestic corporation tax and trade tax loss carryforwards totalling EUR 93.8 million (Dec. 31, 2017: EUR 93.3 million) as well as loss carryforwards totalling EUR 244.2 million (Dec. 31, 2017: EUR 241.6 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 445.2 million (Dec. 31, 2017: EUR 426.7 million).

12.) PERSONNEL EXPENSES / EMPLOYEES

Personnel expenses amount to EUR 1,004.7 million in total (2017: EUR 990.8 million). This line item includes wages and salaries totalling EUR 799.2 million (2017: EUR 777.3 million) as well as social insurance contributions of EUR 205.5 million (2017: EUR 213.5 million), of which pension expenses (including employer contributions to the statutory pension insurance fund) account for EUR 63.0 million (2017: EUR 60.8 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 3.4 million (2017: EUR 3.0 million).

The average number of employees breaks down by segment as follows:

	2018	2017
EMEA	7,128	6,967
North America	5,003	4,731
Latin America	1,490	1,481
Asia Pacific	2,396	1,985
All other segments	172	155
Total	**16,189**	**15,319**

C.37 EMPLOYEES BY SEGMENT

As at December 31, 2018, the Brenntag Group had a workforce of 16,616 (Dec. 31, 2017: 15,416). Of this figure, 1,644 (Dec. 31, 2017: 1,618) were employed in Germany.

13.) EARNINGS PER SHARE

Earnings per share in the amount of EUR 2.98 (2017: EUR 2.34) are determined by dividing the share of profit after tax of EUR 460.9 million (2017: EUR 360.8 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 72.7036. 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, 2018	Dec. 31, 2017
Bank deposits	382.6	503.8
Cheques and cash on hand	11.2	14.2
Total	**393.8**	**518.0**

C.38 CASH AND CASH EQUIVALENTS

15.) TRADE RECEIVABLES

in EUR m	Dec. 31, 2018	Dec. 31, 2017
Trade receivables from third parties	1,842.6	1,672.2
Trade receivables from related parties	0.4	0.5
Total	**1,843.0**	**1,672.7**

C.39 TRADE RECEIVABLES

Trade receivables at the reporting date were past due and impaired within the following time bands:

in EUR m	not past due	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	more than 180 days	Dec. 31, 2018
Loss given default (%)	0.1	0.9	4.5	8.1	16.2	89.8	
Gross amount of trade receivables	1,508.6	253.5	50.7	16.0	22.8	27.5	**1,879.1**
Valuation allowance	1.8	2.3	2.3	1.3	3.7	24.7	**36.1**

C.40 LOSS GIVEN DEFAULT ON TRADE RECEIVABLES / DEC. 31, 2018

At the prior-year reporting date, receivables past due but not impaired were past due within the following time bands:

in EUR m	Dec. 31, 2017
1 to 30 days	213.5
31 to 60 days	41.2
61 to 90 days	16.2
91 to 180 days	8.8
more than 180 days	0.7
Receivables past due but not impaired	**280.4**
Receivables neither past due nor impaired	1,382.6
Gross carrying amount of receivables impaired	42.9
Gross carrying amount of trade receivables	**1,705.9**

C.41 MATURITY OF TRADE RECEIVABLES PAST DUE BUT NOT IMPAIRED / DEC. 31, 2017

Of the trade receivables, EUR 593.2 million (Dec. 31, 2017: EUR 618.4 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, either there is no trade credit insurance or only a relatively small proportion of the trade receivables are secured by trade credit insurance.

Impairment losses on trade receivables changed as follows:

in EUR m	Accumulated impairment losses on trade receivables 2018	2017
Jan. 1	**33.2**	**32.9**
Initial application of IFRS 9 at Jan. 1, 2018	0.8	–
Jan. 1 after IFRS 9	**34.0**	**32.9**
Exchange rate differences	0.8	−0.7
Added	8.8	7.2
Reversed	−3.0	−2.1
Utilized	−4.5	−4.1
Dec. 31	**36.1**	**33.2**

C.42 CHANGE IN IMPAIRMENT LOSSES ON TRADE RECEIVABLES

16.) OTHER RECEIVABLES

in EUR m	Dec. 31, 2018	of which current	Dec. 31, 2017	of which current
Value-added tax receivables	41.3	(41.3)	30.1	(30.1)
Receivables from packaging	12.0	(12.0)	11.8	(11.8)
Receivables from the disposal of non-current assets	12.6	(12.6)	11.4	(11.4)
Reimbursement claims – environment	3.2	(–)	3.2	(–)
Suppliers with debit balances	6.9	(6.9)	5.2	(5.2)
Receivables from insurance claims	2.0	(2.0)	2.9	(2.9)
Deposits	6.4	(6.4)	5.1	(5.1)
Receivables from commissions and rebates	24.8	(24.8)	20.4	(20.4)
Prepayments	19.2	(18.9)	12.8	(12.8)
Receivables from other taxes	7.7	(7.3)	8.4	(8.4)
Plan assets not netted with provisions for pensions	3.0	(–)	5.0	(–)
Receivables from employees	0.8	(0.8)	0.8	(0.8)
Miscellaneous other receivables	37.3	(22.9)	30.1	(18.0)
Prepaid expenses	21.4	(20.4)	19.0	(18.2)
Total	**198.6**	**(176.3)**	**166.2**	**(145.1)**

C.43 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, 2018
Financial receivables from third parties	3.2	8.1	–	11.3
Derivative financial instruments	4.7	–	–	4.7
Debt instruments at fair value through profit or loss	–	–	1.5	1.5
Total	**7.9**	**8.1**	**1.5**	**17.5**

C.44 OTHER FINANCIAL ASSETS / DEC. 31, 2018

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.45 OTHER FINANCIAL ASSETS / DEC. 31, 2017

18.) INVENTORIES

The inventories break down as follows:

in EUR m	Dec. 31, 2018	Dec. 31, 2017
Merchandise	1,122.5	1,018.9
Finished goods	35.4	19.8
Work in progress	2.2	-
Raw materials and supplies	35.7	4.9
Total	**1,195.8**	**1,043.6**

C.46 INVENTORIES

19.) ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

Assets held for sale and associated liabilities consist mainly of land and buildings in the EMEA segment that are to be sold within the next twelve months, as they are no longer required for business operations. Impairment losses of EUR 0.1 million had to be recognized in the reporting period, as the estimated fair value less the costs is lower than the net carrying amount.

The assets and liabilities break down as follows:

in EUR m	Dec. 31, 2018	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	5.8	42.9
Assets held for sale	**5.8**	**52.4**
Trade payables, other liabilities and provisions	0.3	15.3
Current tax liabilities and deferred tax liabilities	–	1.7
Liabilities associated with assets held for sale	**0.3**	**17.0**

C.47 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

At the end of December 2018, the assets and liabilities of our non-core business unit Brenntag Biosector A/S, Denmark, which had previously been classified as held for sale, were sold to Croda International Plc, Snaith, UK. On this disposal, the Brenntag Group generated a gain of EUR 28.2 million, which is presented as other operating income.

in EUR m	Biosector A/S
Cash consideration received	**72.4**
Assets	
Cash and cash equivalents	1.3
Trade receivables, other receivables and current assets	5.6
Inventories	2.9
Property, plant and equipment	17.1
Goodwill and other intangible assets	35.2
Liabilities	
Trade payables, other liabilities and provisions	18.2
Current tax liabilities and deferred tax liabilities	2.7
Net assets	**41.2**

C.48 NET ASSETS SOLD IN 2018

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, 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**
Exchange rate differences	8.7	10.9	3.9	0.8	24.3
Business combinations	34.0	13.8	3.0	0.4	51.2
Other additions	22.0	32.6	36.0	60.5	151.1
Reclassification into non-current assets held for sale	−8.3	–	–	–	−8.3
Disposals	−15.6	−20.0	−42.5	−0.9	−79.0
Transfers	95.8	−49.1	41.6	−80.1	8.2
Dec. 31, 2018	**880.8**	**655.1**	**336.1**	**51.0**	**1,923.0**
Accumulated depreciation and impairment					
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**
Exchange rate differences	3.2	7.2	2.5	–	12.9
Depreciation	26.9	49.1	43.7	–	119.7
Impairment	0.8	1.2	0.3	–	2.3
Reclassification into non-current assets held for sale	−2.5	–	–	–	−2.5
Disposals	−7.4	−18.7	−40.5	–	−66.6
Transfers	22.1	−35.2	14.1	–	1.0
Dec. 31, 2018	**280.2**	**399.1**	**216.6**	**–**	**895.9**
Carrying amounts at Dec. 31, 2017	507.1	271.4	97.6	70.3	946.4
Carrying amounts at Dec. 31, 2018	600.6	256.0	119.5	51.0	1,027.1

C.49 PROPERTY, PLANT AND EQUIPMENT

The net carrying amounts of the property, plant and equipment subject to impairment totalled EUR 0.0 million.

The carrying amounts of assets recognized on the basis of finance leases total EUR 4.1 million (Dec. 31, 2017: EUR 3.4 million) for land and buildings, EUR 0.4 million (Dec. 31, 2017: EUR 0.7 million) for technical equipment and machinery, and EUR 3.3 million (Dec. 31, 2017: EUR 3.8 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 0.0 million (Dec. 31, 2017: EUR 0.9 million). Government grants total EUR 1.3 million (Dec. 31, 2017: EUR 1.3 million).

21.) INTANGIBLE ASSETS

in EUR m	Goodwill	Trademarks	Customer relationships and similar rights	Software, licences and similar rights	**Total**
Cost					
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	–	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**
Exchange rate differences	40.4	0.5	1.0	1.4	43.3
Business combinations	114.4	–	32.2	1.1	147.7
Other additions	–	–	–	21.1	21.1
Reclassification into non-current assets held for sale	−4.3	–	–	–	−4.3
Disposals	–	–	−48.3	−1.2	−49.5
Transfers	–	–	–	0.4	0.4
Dec. 31, 2018	**2,572.1**	**220.6**	**154.4**	**111.0**	**3,058.1**
Accumulated amortization and impairment					
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**
Exchange rate differences	–	0.4	0.6	0.9	1.9
Amortization	–	1.8	40.7	7.4	49.9
Reclassification into non-current assets held for sale	–	–	–	–	–
Disposals	–	–	−48.3	−1.0	−49.3
Dec. 31, 2018	**–**	**20.2**	**71.4**	**63.6**	**155.2**
Carrying amounts at Dec. 31, 2017	2,421.6	202.1	91.1	31.9	2,746.7
Carrying amounts at Dec. 31, 2018	2,572.1	200.4	83.0	47.4	2,902.9

C.50 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.

The regional allocation of goodwill to the groups of cash-generating units relevant for impairment testing is as follows:

in EUR m	Dec. 31, 2018	Dec. 31, 2017
EMEA	922.0	899.4
North America	1,273.9	1,186.0
Latin America	77.7	77.4
Asia Pacific	272.7	233.0
All other segments	25.8	25.8
Group	**2,572.1**	**2,421.6**

C.51 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, 2018 were derived from the budget for 2019 and the plan years 2020 to 2023. The growth rates are based on management's past 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 2019 to 2023 (detailed planning period), the planned growth rates for the period from 2024 onwards are 1.0% in EMEA (2017: 1.0%), 1.25% in North America (2017: 1.25%) and 2.0% in Latin America and Asia Pacific (2017: 2.0%).

The region-specific WACC used to discount the cash flows thus determined is based on a risk-free interest rate of 1.00% (2017: 1.25%) and a market risk premium of 6.50% (2017: 6.50%). 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 %	2018	2017
EMEA	6.0	6.5
North America	5.5	6.1
Latin America	6.9	7.4
Asia Pacific	6.6	8.1
Group	6.0	6.4

C.52 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, 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**
Exchange rate differences	−1.4	
Share of profit or loss of equity-accounted investments	−0.9	
Total comprehensive income		−2.3
Dividends received		−1.1
Dec. 31, 2018		**18.2**

C.53 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 1,231.8 million (Dec. 31, 2017: EUR 1,205.8 million) include accruals of EUR 224.4 million (Dec. 31, 2017: EUR 198.2 million) and liabilities to related parties of EUR 0.1 million (Dec. 31, 2017: EUR 0.1 million).

24.) FINANCIAL LIABILITIES

in EUR m	Remaining term less than 1 year	Remaining term 1 to 5 years	Remaining term more than 5 years	**Dec. 31, 2018**
Liabilities under syndicated loan	3.7	–	845.7	849.4
Other liabilities to banks	228.8	3.6	5.6	238.0
Bond 2025	1.8	–	593.6	595.4
Bond (with Warrants) 2022	0.7	416.0	–	416.7
Finance lease liabilities	1.8	3.1	2.0	6.9
Derivative financial instruments	5.5	–	–	5.5
Other financial liabilities	13.8	29.7	0.3	43.8
Total	**256.1**	**452.4**	**1,447.2**	**2,155.7**
Cash and cash equivalents				393.8
Net financial liabilities				**1,761.9**

C.54 FINANCIAL LIABILITIES / DEC. 31, 2018

in EUR m	Remaining term less than 1 year	Remaining term 1 to 5 years	Remaining term 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.55 FINANCIAL LIABILITIES / DEC. 31, 2017

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. As at December 31, 2018, the syndicated loan had a term ending in January 2023, which in early 2019 was extended until January 2024.

The liabilities under the syndicated loan break down as follows:

in EUR m	Remaining term	Interest rate above EURIBOR / CDOR / LIBOR	Dec. 31, 2018
Currency			
EUR	Jan. 31, 2024	0.85%	340.0
CAD	Jan. 31, 2024	1.25%	51.3
USD	Jan. 31, 2024	1.25%	458.5
Total			**849.8**
Accrued interest			3.7
Transaction costs			–4.1
Liabilities under syndicated loan			**849.4**

C.56 LIABILITIES UNDER SYNDICATED LOAN / DEC. 31, 2018

in EUR m	Remaining term	Interest rate above EURIBOR / 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.57 LIABILITIES UNDER SYNDICATED LOAN / DEC. 31, 2017

In addition to the above-mentioned tranches, the syndicated loan also includes a revolving credit facility totalling EUR 600.0 million (Dec. 31, 2017: EUR 940.0 million), which was mostly unused as at December 31, 2018.

The Bond 2018 in the amount of EUR 400.0 million was repaid on schedule on July 19, 2018. The EUR 600.0 million bond issued in September 2017 (Bond 2025) matures in 2025 and bears 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 Bond 2025 and the bond with warrant units are included in the chapters “Capital structure” and “Financial risks and opportunities” in the Group management report.

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	2.1	0.4	1.7
1 to 2 years	1.5	0.3	1.2
2 to 3 years	1.3	0.3	1.0
3 to 4 years	0.9	0.2	0.7
4 to 5 years	0.4	0.2	0.2
more than 5 years	3.5	1.4	2.1
Dec. 31, 2018	**9.7**	**2.8**	**6.9**

C.58 MINIMUM LEASE PAYMENTS / 2018

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.59 MINIMUM LEASE PAYMENTS / 2017

25.) OTHER LIABILITIES

in EUR m	Dec. 31, 2018	of which current	Dec. 31, 2017	of which current
Liabilities to employees	123.5	(123.5)	128.5	(128.5)
Liabilities from packaging	55.7	(55.7)	58.9	(58.9)
Liabilities from value-added tax	48.8	(48.8)	50.6	(50.6)
Customers with credit balances	16.2	(16.2)	21.4	(21.4)
Liabilities from other taxes	20.3	(20.3)	20.7	(20.7)
Liabilities to insurance companies	16.4	(16.4)	16.5	(16.5)
Liabilities from sales deductions, rebates	15.1	(15.1)	13.3	(13.3)
Deferred income	5.9	(5.8)	6.4	(6.2)
Liabilities from social insurance contributions	10.6	(10.6)	10.8	(10.8)
Liabilities from the acquisition of assets	8.0	(8.0)	11.2	(11.1)
Miscellaneous other liabilities	55.2	(54.7)	61.3	(60.3)
Total	**375.7**	**(375.1)**	**399.6**	**(398.3)**

C.60 OTHER LIABILITIES

Other liabilities include accruals of EUR 41.7 million (Dec. 31, 2017: EUR 43.6 million).

26.) OTHER PROVISIONS

Other provisions changed as follows:

in EUR m	Environmental provisions	Provisions for personnel expenses	Miscellaneous provisions	Total
Jan. 1, 2018	**89.2**	**24.5**	**110.7**	**224.4**
Exchange rate differences	1.8	–	0.4	2.2
Additions from business combinations	5.4	0.6	–	6.0
Unwinding of discounting	1.1	–	0.2	1.3
Utilized	−4.9	−11.7	−39.7	−56.3
Reversed	−2.2	−0.2	−2.0	−4.4
Added	2.6	14.2	17.0	33.8
Transferred	−0.3	–	8.2	7.9
Dec. 31, 2018	**92.7**	**27.4**	**94.8**	**214.9**

C.61 CHANGE IN OTHER PROVISIONS

The provision of EUR 30 million recognized in the previous year for a fine imposed by the French Competition Authority was used in full in April 2018.

Other provisions have the following maturities:

in EUR m	Environ-mental provisions	Provisions for person-nel expenses	Miscella-neous provisions	**Dec. 31, 2018**	Environ-mental provisions	Provisions for person-nel expenses	Miscella-neous provisions	**Dec. 31, 2017**
less than 1 year	9.7	13.7	71.8	**95.2**	10.0	12.1	95.5	**117.6**
1 to 5 years	31.3	9.9	13.1	**54.3**	29.2	7.2	9.0	**45.4**
more than 5 years	51.7	3.8	9.9	**65.4**	50.0	5.2	6.2	**61.4**
Total	**92.7**	**27.4**	**94.8**	**214.9**	**89.2**	**24.5**	**110.7**	**224.4**

C.62 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 25.2%, depending on the currency (Dec. 31, 2017: from 0.0% to 12.5%).

As at December 31, 2018, environmental provisions total EUR 92.7 million (Dec. 31, 2017: EUR 89.2 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 19.5 million (Dec. 31, 2017: EUR 19.8 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, 2018 amount to EUR 3.2 million (Dec. 31, 2017: 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, 2018, provisions for share-based remuneration total EUR 7.2 million (Dec. 31, 2017: EUR 6.1 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 2018, pension expenses in the Brenntag Group total EUR 26.7 million (2017: EUR 26.8 million) for employer contributions to the statutory pension insurance fund and EUR 23.4 million (2017: EUR 23.8 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 (termed 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 27% to 92% as at December 31, 2018 (about 38% to 91% as at December 31, 2017). Brenntag Group subsidiaries account for approximately 0.07% to 1.7% of the total contributions (2017: 0.07% to 1.6%), depending on the plan. Withdrawal from all plans at the present time would lead to an estimated one-time expense of approximately EUR 39 million or approximately USD 46 million (2017: approximately EUR 31 million or approximately USD 35 million). It is not intended to withdraw from any of these plans at this time.

In financial year 2018, contributions of EUR 2.2 million or USD 2.6 million (2017: 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 2019, the contributions are expected to amount to approximately EUR 2.3 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 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, the pension benefit is paid out as a lump sum or 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. Employer and employee pay equal portions of the contributions. The entitlements accrued up to the date of transition remain in place.

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. The amount calculated from the basis of assessment is multiplied by the years of service. 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	**2018**	**0.80**	**1.90**	**3.80**	**1.90**	**2.71**	**1.94**
	2017	0.60	1.70	3.60	1.70	2.69	1.78
Expected salary trend	**2018**	**1.00**	**2.70**	**3.25**	**2.70**	**3.41**	**2.35**
	2017	1.00	2.70	3.25	2.70	3.68	2.39
Expected pension trend	**2018**	**0.00**	**1.75**	**2.25**	**1.75**	**2.15**	**1.35**
	2017	0.00	1.75	2.25	1.75	2.31	1.39
Medical cost trend	**2018**	**n.a.**	**n.a.**	**5.90**	**n.a.**	**n.a.**	**5.90**
	2017	n.a.	n.a.	5.95	n.a.	n.a.	5.95

C.63 ACTUARIAL PARAMETERS APPLIED

With respect to life expectancy, in Germany the Heubeck 2018 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 2018” 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, 2018**
Present value of the defined benefit obligation	111.6	120.5	60.9	61.7	28.7	383.4
Fair value of plan assets	−104.5	−18.8	−50.1	−55.1	−4.9	−233.4
Provisions for pensions and other post-employment benefits – net	**7.1**	**101.7**	**10.8**	**6.6**	**23.8**	**150.0**
of which assets recognized	–	–	3.0	–	–	3.0
Provisions for pensions and other post-employment benefits recognized in the balance sheet	**7.1**	**101.7**	**13.8**	**6.6**	**23.8**	**153.0**

C.64 PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS BY COUNTRY / DEC. 31, 2018

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.65 PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS BY COUNTRY / DEC. 31, 2017

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	2018	2017
Present value of pension obligations at the beginning of the period	385.5	397.4
Exchange rate differences	2.1	−14.5
Transferred	–	–
Utilized	−11.2	−12.0
Service cost		
Current service cost	12.4	10.7
Past service cost	–	−0.9
Employee contributions	1.3	1.5
Interest expense on the present value of the obligation	6.6	6.7
Settlements	–	–
Remeasurement components		
Change in economic assumptions	−12.1	0.9
Change in demographic assumptions	0.6	–
Experience adjustments	−1.8	−4.3
Present value of pension obligations at the end of the period	**383.4**	**385.5**

C.66 CHANGE IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS

The present value of pension obligations totalling EUR 383.4 million (Dec. 31, 2017: EUR 385.5 million) includes pension obligations for members of the Board of Management amounting to EUR 8.1 million (Dec. 31, 2017: EUR 7.3 million) and for former members of the Board of Management amounting to EUR 8.2 million (Dec. 31, 2017: EUR 10.9 million).

Of the change in demographic assumptions totalling EUR 0.6 million, EUR 1.3 million are the result of the initial application of the Heubeck 2018 G mortality tables (generational tables) for Germany published in 2018. The new mortality tables contain changes to factors such as life expectancy and probability of disability compared with the mortality tables used previously (Heubeck 2005 G mortality tables).

The opposite effect of EUR −0.7 million is the result of the initial application of the “Prognose Tafel 2018” for the Netherlands published in 2018. In the new mortality table, life expectancies have not risen as fast as had been expected on the basis of the mortality table used previously (Prognose Tafel 2016).

Change in the fair value of plan assets

in EUR m	2018	2017
Fair value of plan assets at the beginning of the period	234.6	240.5
Exchange rate differences	2.0	–12.5
Transferred	–	–
Utilized	–7.8	–8.3
Employer contributions	6.7	7.2
Administrative costs for plan assets	–0.5	–0.4
Employee contributions	1.3	1.5
Interest income on plan assets	3.9	4.0
Settlements	–	–
Remeasurement components		
Income/(expense) from plan assets (excl. amounts in net interest expense)	–6.8	2.6
Fair value of plan assets at the end of the period	**233.4**	**234.6**

C.67 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	2018	2017
Provisions for pensions and other post-employment benefits at the beginning of the period	150.9	156.9
Exchange rate differences	0.1	–2.0
Transferred	–	–
Utilized	–3.4	–3.7
Employer contributions	–6.7	–7.2
Current service cost	12.4	10.7
Past service cost	–	–0.9
Administrative costs for plan assets	0.5	0.4
Net interest expense	2.7	2.7
Settlements	–	–
Remeasurement components	–6.5	–6.0
Provisions for pensions and other post-employment benefits – net	**150.0**	**150.9**
of which assets recognized	3.0	5.0
Provisions for pensions and other post-employment benefits recognized in the balance sheet	**153.0**	**155.9**

C.68 CHANGE IN PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS RECOGNIZED IN THE BALANCE SHEET

Recognized provisions for pensions include EUR 13.8 million (Dec. 31, 2017: EUR 14.2 million) for the supplemental medical cost plan in Canada. Pension costs recognized in the income statement for obligations under defined benefit plans total EUR 15.6 million (2017: EUR 12.9 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	2018	2017
Present value of the pension obligations funded by plan assets, of which:	**272.3**	**274.5**
Active members with lump-sum payout	15.4	15.5
Active members with monthly pension	107.1	112.4
Active members with option to choose	24.1	23.0
Former employees with vested rights to lump-sum payment	0.2	0.2
Former employees with vested rights to monthly pension	9.5	16.4
Former employees with vested rights with option to choose	6.3	9.3
Pensioners with monthly pension	109.7	97.7
Present value of the pension obligations not funded by plan assets, of which:	**97.3**	**96.8**
Active members with lump-sum payout	26.7	26.8
Active members with monthly pension	27.9	29.8
Active members with option to choose	–	–
Former employees with vested rights to lump-sum payment	5.8	5.3
Former employees with vested rights to monthly pension	7.8	6.0
Former employees with vested rights with option to choose	–	–
Pensioners with monthly pension	29.1	28.9
Medical cost plan	**13.8**	**14.2**
Present value of the pension obligations at the end of the period	**383.4**	**385.5**
Weighted average duration of the pension obligations in years	**17**	**17**

C.69 BREAKDOWN OF THE PRESENT VALUES OF DEFINED BENEFIT OBLIGATIONS BY MEMBERS

The pension payments to be made by the company directly amount to EUR 3.4 million in 2018 (2017: EUR 3.7 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 2019 total EUR 3.8 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, 2018
Shares	17.4	–	13.9	–	1.2	32.5
Fixed-interest securities	10.5	–	35.7	–	0.9	47.1
Insurance policies	75.9	18.8	–	55.1	2.3	152.1
Cash and cash equivalents	0.7	–	0.5	–	0.5	1.7
Fair value of plan assets	**104.5**	**18.8**	**50.1**	**55.1**	**4.9**	**233.4**

C.70 FAIR VALUE OF THE PLAN ASSETS BY ASSET CLASS / DEC. 31, 2018

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.71 FAIR VALUE OF THE PLAN ASSETS BY ASSET CLASS / DEC. 31, 2017

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 (2018: 34.1% of plan assets; 2017: 35.8% 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 6.7 million (2017: EUR 7.2 million). From a present perspective, the cash outflow resulting from contributions made by the company will remain at a level of EUR 6 to 7 million over the long term. Payments into plan assets for financial year 2019 are expected to total EUR 6.3 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	2018	2017
Discount rate		
Increase by 0.5 percentage points	−27.3	−28.4
Decrease by 0.5 percentage points	31.2	32.3
Expected salary trend		
Increase by 0.5 percentage points	3.4	3.2
Decrease by 0.5 percentage points	−3.1	−3.1
Expected pension trend		
Increase by 0.5 percentage points	8.4	8.3
Decrease by 0.5 percentage points	−7.7	−7.5
Medical cost trend		
Increase by 0.5 percentage points	1.3	1.3
Decrease by 0.5 percentage points	−1.1	−1.1

C.72 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, 2018 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 10.4 million (2017: EUR 10.7 million).

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, 2018	Dec. 31, 2017
Liabilities relating to acquisition of non-controlling interests	44.9	11.8
Liabilities arising from limited partners' rights to repayment of contributions	1.6	1.7
Total	**46.5**	**13.5**

C.73 LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS

Liabilities relating to the acquisition of non-controlling interests include purchase price obligations relating to the acquisition of the remaining shares in Wellstar Group and Raj Petro in particular.

On initial recognition in early May 2018, the purchase price for the remaining 35% of the shares in Raj Petro was required to be recognized as a liability at its present value of EUR 23.8 million by reducing retained earnings. Unwinding of discounting and changes in estimates of the future purchase price are recognized in profit or loss. As the liability has been included in net investment hedge accounting, exchange rate-related changes in the liability are recognized within equity in the net investment hedge reserve.

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 2018, the Group generated ROCE of 15.8% (2017: 14.4%).

in EUR m	2018	2017
EBITA	**770.9**	**663.3**
Average carrying amount of equity	3,111.6	2,969.2
Average carrying amount of financial liabilities	2,173.1	2,255.0
Average carrying amount of cash and cash equivalents	−416.2	-612.0
ROCE[1]	**15.8%**	**14.4%**

C.74 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 increased slightly from 1.9 to 2.0.

in EUR m	2018	2017
Non-current financial liabilities	1,899.6	1,520.1
Current financial liabilities	256.1	569.8
Cash and cash equivalents	−393.8	−518.0
Net financial liabilities	1,761.9	1,571.9
Operating EBITDA	875.5	836.0
Net financial liabilities / operating EBITDA	**2.0x**	**1.9x**

C.75 NET FINANCIAL LIABILITIES / OPERATING EBITDA

Subscribed capital

As at December 31, 2018, 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 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.

Additional paid-in capital

The additional paid-in capital amounts to EUR 1,491.4 million (Dec. 31, 2017: EUR 1,491.4 million).

Retained earnings

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. Retained earnings decreased by EUR 23.8 million due to the initial recognition of the liability to acquire the remaining 35% of the shares in Raj Petro in early May 2018.

As proposed by the Board of Management and the Supervisory Board, the ordinary General Shareholders' Meeting of Brenntag AG on June 20, 2018 passed a resolution to pay a dividend of EUR 169,950,000.00 (2017: EUR 162,225,000.00). Based on 154.5 million shares, that is a dividend of EUR 1.10 (2017: EUR 1.05) per no-par value share entitled to a dividend.

At the General Shareholders' Meeting on June 13, 2019, the Board of Management and the Supervisory Board will propose that a dividend of EUR 185,400,000.00 is to be paid. Based on 154.5 million shares, that is a dividend of EUR 1.20 per no-par value share entitled to a dividend.

Other components of equity / Non-controlling interests

Other components of equity comprise 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 26.6 million recognized here in financial year 2018 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.

Non-controlling interests comprise the shares of non-Group shareholders in the equity of consolidated entities. 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, 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**
Business combinations	10.5	–	10.5
Profit after tax	1.4	–	1.4
Other comprehensive income, net of tax	–	0.3	0.3
Total comprehensive income for the period	**1.4**	**0.3**	**1.7**
Dec. 31, 2018	**25.6**	**−0.9**	**24.7**

C.76 CHANGE IN NON-CONTROLLING INTERESTS

Non-controlling interests increased by EUR 10.5 million (35%) due to the acquisition of 65% of the shares in Raj Petro.

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 20, 2018, 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 35,000,000 in aggregate by issuing up to 35,000,000 new no-par value registered shares against cash contributions or non-cash contributions in the period to June 19, 2023. 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 20, 2018, 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 20, 2018 and shall apply until June 19, 2023. If shares are purchased on the stock market, the purchase price (excluding incidental purchase costs) may not be more than 10% higher or lower than the arithmetic mean value of the closing prices (closing auction prices of Brenntag AG shares in XETRA trading or a comparable system replacing the XETRA system) 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 shares are purchased by way of a public purchase offer, Brenntag AG may either publish a formal offer or issue a public request for offers of sale. In each case, the purchase price offered (excluding incidental purchase costs) or the limits of the purchase price range per share set by Brenntag AG (excluding incidental purchase costs) 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 purchase offer or request for offers of sale. The authorization may be exercised for any purpose permitted by law. The Board of Management was authorized to retire the treasury shares purchased on the basis of the authorization under Section 71, para. 1, no. 8 of the German Stock Corporation Act with the consent of the Supervisory Board and without a further resolution being adopted by the General Shareholders' Meeting. The retirement transaction may be restricted to some of the shares purchased and use may be made of the authorization to retire shares on one or more occasions. Retiring shares generally leads to a reduction in capital. Alternatively, the Board of Management may decide that the registered share capital will remain unchanged and the transaction will instead increase the amount of the registered share capital represented by the other shares in accordance with Section 8, para. 3 of the German Stock Corporation Act. In this case, the Board of Management is authorized to change the relevant number stated in the Articles of Association.

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 20, 2018, the Board of Management was authorized ("Authorization 2018"), subject to the consent of the Supervisory Board, to issue in one or more tranches in the period to June 19, 2023 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 ("Bonds") and to grant the holders or creditors of the Bonds option or conversion rights for up to 15,450,000 new Brenntag AG shares representing a notional amount of up to EUR 15,450,000 in the registered share capital 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 ("Terms and Conditions"). In order to grant shares to the holders or creditors of Bonds, the registered share capital was conditionally increased at the General Shareholders' Meeting on June 20, 2018 by up to 15,450,000 no-par value registered shares conferring profit-sharing rights from the beginning of the financial year in which they were issued ("Conditional Capital 2018"); this equates to an increase in the registered share capital of up to EUR 15,450,000. The Bonds may also be issued in a foreign legal currency rather than in euros – subject to limitation to the corresponding equivalent value in euros – and 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 Brenntag AG shares and to effect any further declarations and acts as required for a successful issue. The issues of the Bonds may in each case be divided into partial bonds with equal entitlement amongst themselves. Bonds may only be issued 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 theoretical market value of the Bonds determined using recognized valuation techniques. 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 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). 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.

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 Brenntag AG shares 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 Brenntag AG shares further subject to the specific Terms and Conditions.

New shares are issued at the strike or conversion price to be set in accordance with the aforementioned resolution granting authorization.

The authorization resolved upon at the General Shareholders' Meeting on June 17, 2014 ("Authorization 2014") to issue Bonds and grant the holders or creditors of the Bonds option or conversion rights for up to 25,750,000 new Brenntag AG shares representing a notional amount of up to EUR 25,750,000 in the registered share capital was rescinded when the Authorization 2018 became effective.

In November 2015, on the basis of the now-rescinded Authorization 2014, Brenntag Finance B.V., in its capacity as issuer and with Brenntag AG as guarantor, issued a bond with warrant units in the amount of USD 500.0 million maturing on December 2, 2022 ("Bond (with Warrants) 2022"). The bond was offered only to institutional investors outside the USA. Shareholders' subscription rights were excluded. The warrants attached to the Bond (with Warrants) 2022 entitle the holder to purchase Brenntag AG ordinary shares by paying the strike price applicable at that time. At the reporting date, there were subscription rights to approximately 6.5 million shares resulting from the Bond (with Warrants) 2022; this equates to 4.2% of the registered share capital at the reporting date.

The Bond (with Warrants) 2022 already in issue is unaffected by the rescission of the Authorization 2014, the new Authorization 2018 and the Conditional Capital 2018. In particular, the subscription rights of the holders of the Bond (with Warrants) 2022 are not adversely affected, as the conditional capital resolved upon at the General Shareholders' Meeting on June 17, 2014 ("Conditional Capital 2014") remains in place.

The Terms and Conditions of the Bond (with Warrants) 2022 allow Brenntag AG to settle exercised options both from the Conditional Capital 2014 and from the authorized capital described above or from the treasury shares it holds or to buy back the warrants. 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 375.3 million was influenced by cash outflows attributable to the rise in working capital of EUR 178.1 million.

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	2018	2017
Increase in inventories	−88.0	−146.1
Increase in gross trade receivables	−59.4	−243.4
Decrease/Increase in trade payables	−37.4	143.8
Valuation allowances on trade receivables and on inventories[1]	6.7	−1.9
Change in working capital[2]	**−178.1**	**−247.6**

C.77 CHANGE IN WORKING CAPITAL

[1] Presented within other non-cash items.
[2] Adjusted for exchange rate effects and acquisitions.

At 7.3 in the reporting period, working capital turnover[3] was lower than at the end of 2017 (7.9).

Of the interest payments, EUR 3.4 million (2017: EUR 3.1 million) relate to interest received and EUR 83.4 million (2017: EUR 81.4 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, 2017	Net cash used in financing activities	Business combinations in accordance with IFRS 3	Exchange rate differences	Other	Dec. 31, 2018
Liabilities under syndicated loan	488.3	340.0	–	18.9	2.2	849.4
Other liabilities to banks	130.4	34.9	73.6	−1.2	0.3	238.0
Bond 2018	409.2	−397.3	–	–	−11.9	–
Bond 2025	594.5	–	–	–	0.9	595.4
Bond (with Warrants) 2022	393.2	–	–	19.1	4.4	416.7
Finance lease liabilities	8.2	−2.3	–	–	1.0	6.9
Derivative financial instruments	4.1	–	–	–	1.4	5.5
Other financial liabilities	62.0	−15.2	7.4	−0.7	−9.7	43.8
Financial liabilities	**2,089.9**	**−39.9**	**81.0**	**36.1**	**−11.4**	**2,155.7**
Dividends paid to Brenntag shareholders		−170.0				
Profits distributed to non-controlling interests		−1.6				
Net cash used in financing activities		**−211.5**				

C.78 CHANGE IN FINANCIAL LIABILITIES IN 2018

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.79 CHANGE IN FINANCIAL LIABILITIES IN 2017

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 digitalization of our business (DigiB). 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. Brenntag uses 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.

Brenntag adjusts operating EBITDA for holding charges and 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. Holding charges are certain costs charged between holding companies and operating companies. At Group level, these effects net to zero. 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 2.3 million (2017: EUR 1.6 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	Canada	France	Switzer-land	Italy	Spain	Others	Group
Property, plant and equipment	**Dec. 31, 2018**	**91.0**	**291.9**	**80.9**	**89.8**	**46.6**	**48.4**	**50.8**	**327.7**	**1,027.1**
	Dec. 31, 2017	94.2	263.5	49.7	89.0	48.5	49.4	47.1	305.0	946.4
Intangible assets[1]	**Dec. 31, 2018**	**7.7**	**31.5**	**14.7**	**1.2**	**0.4**	**0.6**	**0.3**	**77.5**	**133.9**
	Dec. 31, 2017	10.3	47.6	0.4	1.6	0.1	2.1	0.5	65.6	128.2

C.80 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	**2018**	**1,271.5**	**4,234.7**	**508.2**	**533.7**	**546.5**	**483.7**	**4,971.7**	**12,550.0**
	2017	1,242.6	3,997.5	496.2	512.6	438.9	452.3	4,603.2	11,743.3

C.81 EXTERNAL SALES BY COUNTRY

32.) Other Financial Obligations and Contingent Liabilities

The following other financial obligations exist:

	Remaining term			
in EUR m	less than 1 year	1 to 5 years	more than 5 years	**Dec. 31, 2018**
Purchase commitments in respect of property, plant and equipment	1.6	–	–	1.6
Obligations from future minimum lease payments for operating leases	92.1	204.7	92.9	389.7
Total	**93.7**	**204.7**	**92.9**	**391.3**

C.82 OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES / DEC. 31, 2018

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.83 OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES / DEC. 31, 2017

Obligations from future minimum lease payments for operating leases mainly relate to obligations from the leasing of land and buildings, vehicles, and operating and office equipment.

In connection with the elimination of environmental damage, as at December 31, 2018, there are contingent liabilities with a fair value of EUR 2.3 million (Dec. 31, 2017: EUR 2.2 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. 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. Based on current knowledge, Brenntag 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 years 2013 to 2016. 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 2017. 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 regarding the aforementioned issues 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

IFRS 9 Financial Instruments, which was first applied at January 1, 2018, introduces a new model for classifying financial assets. As a result of migrating to this model, other financial assets of EUR 1.4 million (Dec. 31, 2017: EUR 1.4 million) that were previously measured at fair value through other comprehensive income will in future be measured at fair value through profit or loss. Cash and cash equivalents, trade receivables and other receivables will continue to be measured at amortized cost.

The classification and measurement of the financial assets recognized in the balance sheet are shown in the table below:

in EUR m	Dec. 31, 2018			
Classification of financial assets:	At amortized cost	FVTPL[1]	Total carrying amount	Fair value
Cash and cash equivalents	393.8	–	393.8	393.8
Trade receivables	1,843.0	–	1,843.0	1,843.0
Other receivables	109.4	–	109.4	109.4
Other financial assets	11.3	6.2	17.5	17.5
Total	**2,357.5**	**6.2**	**2,363.7**	**2,363.7**

C.84 CLASSIFICATION OF FINANCIAL ASSETS BY MEASUREMENT CATEGORY / DEC. 31, 2018

[1] Financial assets at fair value through profit or loss.

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.85 CLASSIFICATION OF FINANCIAL ASSETS BY MEASUREMENT CATEGORY / DEC. 31, 2017

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 89.2 million (Dec. 31, 2017: EUR 70.4 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 and measurement of the financial liabilities recognized in the balance sheet are shown in the table below:

in EUR m	Dec. 31, 2018				
Classification of financial liabilities:	At amortized cost	FVTPL[1]	Carrying amount under IAS 17	Total carrying amount	Fair value
Trade payables	1,231.8	–	–	1,231.8	1,231.8
Other liabilities	165.7	–	–	165.7	165.7
Liabilities relating to acquisition of non-controlling interests	46.5	–	–	46.5	46.3
Financial liabilities	2,123.8	25.0	6.9	2,155.7	2,133.6
Total	**3,567.8**	**25.0**	**6.9**	**3,599.7**	**3,577.4**

C.86 CLASSIFICATION OF FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY / DEC. 31, 2018

[1] Financial liabilities at fair value through profit or loss.

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.87 CLASSIFICATION OF FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY / DEC. 31, 2017

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 bonds measured at amortized cost under financial liabilities were determined using quoted or market prices in an active market (Level 1 of the fair value hierarchy). The fair values of the other financial liabilities measured at amortized cost were determined using the discounted cash flow method on the basis of parameters overservable on the market (Level 2 of the fair value hierarchy). The 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 210.0 million (Dec. 31, 2017: EUR 217.4 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, 2018**
Financial assets at fair value through profit or loss	1.5	4.7	–	6.2
Financial liabilities at fair value through profit or loss	–	5.5	19.5	25.0

C.88 FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY / DEC. 31, 2018

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	23.6	27.7
Available-for-sale financial assets	1.4	–	–	1.4

C.89 FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY / DEC. 31, 2017

Liabilities resulting from contingent consideration arrangements of EUR 19.5 million (Dec. 31, 2017: 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). The amount is limited in both the lower (EUR 0 million) and the upper (EUR 20.7 million) range.

Liabilities resulting from contingent consideration arrangements changed as follows:

in EUR m	**2018**	**2017**
Jan. 1	**23.6**	**9.3**
Exchange rate differences	−0.1	–
Reversed	−3.0	–
Adjustments in the measurement period (increase in goodwill)	–	0.4
Business combinations	2.0	15.7
Purchase price payments	−3.0	−1.8
Dec. 31	**19.5**	**23.6**

C.90 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	2018									
	Interest		Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	At fair value		Currency translation		Gains from the reversal of liabilities resulting from contingent consideration arrangements	Impairments, net	Net gain / loss
Measurement category:	Income	Expense		Gains	Losses	Gains	Losses			
Financial assets measured at amortized cost	3.3	–	–	–	–	52.1	−38.3	–	−5.9	11.2
Financial liabilities measured at amortized cost	–	−80.6	−9.0	–	–	26.3	−55.3	–	–	−118.6
FVTPL[1]	–	1.2	–	48.6	−42.1	–	–	3.0	–	10.7
Total	**3.3**	**−79.4**	**−9.0**	**48.6**	**−42.1**	**78.4**	**−93.6**	**3.0**	**−5.9**	**−96.7**

C.91 NET GAINS / LOSSES FROM FINANCIAL ASSETS AND LIABILITIES / 2018

[1] Financial assets and liabilities at fair value through profit or loss.

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		Impairments, 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.92 NET GAINS / LOSSES FROM FINANCIAL ASSETS AND LIABILITIES / 2017

Of the interest expense on liabilities to third parties contained in interest expense, EUR 1.3 million (2017: EUR 1.4 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, 2018 Net amount**
Trade receivables	1,890.2	−47.2	1,843.0	−4.5	1,838.5
Other receivables	198.6	–	198.6	−1.1	197.5
Other financial assets	17.5	–	17.5	−1.3	16.2
Trade payables	1,247.0	−15.2	1,231.8	−4.9	1,226.9
Other liabilities	407.7	−32.0	375.7	−0.7	375.0
Financial liabilities	2,155.7	–	2,155.7	−1.3	2,154.4

C.93 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES / DEC. 31, 2018

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.94 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES / DEC. 31, 2017

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

According to IFRS 7, risks arising from financial instruments can typically be divided into currency risk, interest rate risk, credit risk and liquidity risk.

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 risk

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.

If the euro had been worth 10% more or less against all currencies as at December 31, 2018, 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, 2018, would have resulted in the following changes in net finance costs:

	2018		2017	
in EUR m	**+10%**	**−10%**	+10%	−10%
USD	−3.0	3.6	−2.4	3.0
GBP	0.9	−1.0	0.5	−0.6
PLN	0.4	−0.5	−0.7	0.8
Other currencies	0.3	−0.4	−0.3	0.4
Total	−1.4	1.7	−2.9	3.6

C.95 SENSITIVITY ANALYSIS CURRENCY RISK

The purchase price payable is included in a net investment hedge in accordance with IFRS 9.5.2. The hedged item is the share of the net assets of Raj Petro. Exchange rate-related changes in the liability are recognized within equity in the net investment hedge reserve. An economic relationship exists, as the hedging instrument and the hedged item have values that move in the opposite direction because of a change in the hedged currency risk. Any increase (decrease) in the Indian rupee (INR) against the euro leads to an increase (decrease) in the Indian net assets and an increase (decrease) in the INR-denominated liability. The effectiveness of the hedging relationship was determined at inception of the hedging relationship and is regularly determined on a retrospective basis to ensure that there is an economic relationship between the hedged item and the hedging instrument. There was no hedge ineffectiveness as at December 31, 2018.

If the euro had been worth 10% more or less against the Indian rupee (INR) as at December 31, 2018, the net investment hedge reserve would have increased by EUR 2.7 million or decreased by EUR 2.7 million.

Net investment hedge Raj Petro	**Dec. 31, 2018**
Carrying amount of liability relating to the acquisition of non-controlling interests in Raj Petro (EUR m)	26.8
Carrying amount of liability relating to the acquisition of non-controlling interests in Raj Petro (INR m)	3,065
Hedge ratio	1:1
Hedge rate EUR/INR	79.8965
Change in carrying amount of liability relating to the acquisition of non-controlling interests in Raj Petro (in net investment hedge reserve)	−0.1
Change in value of hedged item used to determine hedge effectiveness	−0.1

C.96 NET INVESTMENT HEDGE RAJ PETRO

Interest rate risk

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.

If the market interest rate at December 31, 2018 had been 25 basis points (2017: 25 basis points) higher or lower (relative to the total amount of derivatives and variable-rate financial liabilities as at December 31, 2018), the negative impact on net finance costs would have been EUR 1.1 million or the positive impact EUR 1.4 million (2017: negative impact of EUR 0.9 million or positive impact of EUR 0.8 million).

Credit risk

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 risk

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:

in EUR m	Carrying amount Dec. 31, 2018	Cash-flows 2019–2024 ff. 2019	2020	2021	2022	2023	2024 ff.
Trade payables	1,231.8	1,231.8	–	–	–	–	–
Other liabilities	375.7	375.1	0.4	–	–	0.2	–
Liabilities relating to acquisition of non-controlling interests	46.5	3.2	–	12.8	–	26.8	3.7
Liabilities under syndicated loan	849.4	21.9	21.9	21.9	21.9	21.9	851.6
Other liabilities to banks	238.0	228.8	1.3	1.2	1.2	–	5.5
Bond 2025	595.4	6.8	6.8	6.8	6.8	6.8	613.6
Bond (with Warrants) 2022	416.7	8.2	8.2	8.2	444.9	–	–
Finance lease liabilities	6.9	2.1	1.5	1.3	0.9	0.4	3.5
Derivative financial instruments	5.5						
of which cash inflows	–	481.1	–	–	–	–	–
of which cash outflows	–	488.2	–	–	–	–	–
Other financial liabilities	43.8	13.8	20.7	7.9	1.4	–	–
Total	**3,809.7**	**1,884.6**	**60.8**	**60.1**	**477.1**	**56.1**	**1,477.9**

C.97 FUTURE CASH FLOWS FROM FINANCIAL LIABILITIES / DEC. 31, 2018

in EUR m	Carrying amount Dec. 31, 2017	Cash-flows 2018–2023 ff. 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.98 FUTURE CASH FLOWS FROM FINANCIAL LIABILITIES / DEC. 31, 2017

Derivative financial instruments

The notional amount and fair values of derivative financial instruments are shown in the table below:

in EUR m	Dec. 31, 2018 Notional amount	Dec. 31, 2018 Positive fair value	Dec. 31, 2018 Negative fair value	Dec. 31, 2017 Notional amount	Dec. 31, 2017 Positive fair value	Dec. 31, 2017 Negative fair value
Foreign exchange forward transactions and foreign exchange swaps	818.0	3.2	5.5	771.0	2.9	4.1
Interest rate swaps	262.0	1.5	–	250.1	2.5	–
Total		**4.7**	**5.5**		**5.4**	**4.1**

C.99 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 the Supervisory Board of Brenntag AG and members of their families.

Short-term employee benefits for the Board of Management, including the remuneration for performing their tasks at subsidiaries, amounts to EUR 6.8 million for financial year 2018 (2017: EUR 6.0 million). In addition, there are long-term, share-based remuneration programmes for members of the Board of Management. The resulting bonus earned in the current year plus changes in the amount of entitlements not yet paid out totals EUR 2.1 million for 2018 (2017: EUR 2.5 million). Provisions for share-based remuneration amounted to EUR 5.4 million at the end of 2018 (Dec. 31, 2017: EUR 5.6 million). The cost (excluding interest expense) of the pension entitlements earned in the reporting period (defined benefit plans) amounts to EUR 0.9 million (2017: EUR 0.4 million). The total remuneration of the Board of Management in accordance with IFRSs is therefore EUR 9.8 million (2017: EUR 8.9 million). In financial year 2018, 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 2018 amounts to EUR 10.0 million (2017: EUR 8.9 million).

Of the total remuneration, an amount of EUR 3.2 million (2017: EUR 2.7 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 2018 (2017: 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	2018	2017
Sales from transactions with associates	0.9	1.2
Goods delivered and services rendered by associates	0.9	0.9
Sales from transactions with companies at which related persons perform a supervisory function	–	–

C.100 TRANSACTIONS WITH RELATED PARTIES

in EUR m	Dec. 31, 2018	Dec. 31, 2017
Trade receivables from associates	0.4	0.5
Trade payables to associates	0.1	0.1

C.101 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	2018	2017
Financial statement audit services	1.0	1.0
Other assurance services	0.1	0.1
Tax advisory services	0.1	0.1
Other services rendered	–	–
Total	**1.2**	**1.2**

C.102 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 engagement to provide assurance on the Brenntag Group's separate combined non-financial report. Tax advisory services are support services provided in connection with the transfer pricing documentation and ongoing tax consultancy services in relation to tax audits.

37.) Exemptions pursuant to Section 264, para. 3/Section 264b of the German Commercial Code

For financial year 2018, 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, Essen
- Brenntag European Services GmbH & Co. KG, Zossen
- CM Komplementär 03–018 GmbH & Co. KG, Essen
- CM Komplementär 03–019 GmbH & Co. KG, Essen
- CM Komplementär 03–020 GmbH & Co. KG, Essen
- ACU PHARMA und CHEMIE GmbH, Apolda

38.) Declaration of Conformity with the German Corporate Governance Code

On December 13, 2018, 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 2018 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/2018/declaration_of_conformity2018.pdf).

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, February 26, 2019

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, 2018

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	64
Argentina						
3	Brenntag Argentina S.A.	Buenos Aires	0.00	90.00 10.00	100.00	124 115
Australia						
4	Brenntag Australia Pty. Ltd.	Mulgrave	0.00	100.00	100.00	151
Bangladesh						
5	BRENNTAG BANGLADESH FORMULATION LTD.	Dhaka	0.00	100.00	100.00	124
6	BRENNTAG BANGLADESH LTD.	Dhaka	0.00	100.00	100.00	124
7	BRENNTAG BANGLADESH SERVICES LTD.	Dhaka	0.00	100.00	100.00	6
Belgium						
8	Alphamin S.A.	Wavre	0.00	100.00	100.00[2]	9
9	BRENNTAG NV	Deerlijk	0.00	99.99 0.01	100.00	65 53
10	European Polymers and Chemicals Distribution BVBA	Deerlijk	0.00	100.00	100.00	129
Bolivia						
11	Brenntag Bolivia S.R.L.	Santa Cruz	0.00	90.00 10.00	100.00	124 116
Brazil						
12	Brenntag Quimica Brasil Ltda.	Guarulhos, State of São Paulo	0.00	100.00 0.00	100.00	124 116
Bulgaria						
13	BRENNTAG BULGARIA EOOD	Sofia	0.00	100.00	100.00	124
Chile						
14	Brenntag Chile Comercial e Industrial Limitada	Santiago	0.00	95.00 5.00	100.00	124 116
China						
15	Tianjin Zhong Rong Chemical Storage Co., Ltd.	Tianjin	0.00	100.00	100.00	80
16	Tianjin Tai Rong Chemical Trading Co., Ltd.	Tianjin	0.00	100.00	100.00	20
17	Shenzhen Wellstar Trading Co., Ltd.	Shenzhen	0.00	100.00	51.00	79
18	Shanghai Yi Rong International Trading Co., Ltd.	Shanghai	0.00	75.00 25.00	100.00	20 80
19	Shanghai Wellstar Trading Co., Ltd.	Shanghai	0.00	100.00	51.00	79

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
20	Shanghai Jia Rong Trading Co., Ltd.	Shanghai	0.00	100.00	100.00	15
21	Shanghai Anyijie Chemical Logistic Co., Ltd.	Shanghai	0.00	100.00	100.00	15
22	Guangzhou Wellstar Trading Co., Ltd.	Guangzhou	0.00	100.00	51.00	79
23	Guangzhou Fan Ya Jia Rong Trading Co., Ltd.	Guangzhou	0.00	60.00 40.00	100.00	20 16
24	Brenntag Cangzhou Chemical Co., Ltd	Cangzhou	0.00	79.40 20.60	100.00	15 80
25	Brenntag (Zhangjiagang) Chemical Co., Ltd	Zhangjiagang	0.00	100.00	100.00	80
26	Brenntag (Shanghai) Enterprise Management Co., Ltd.	Shanghai	0.00	100.00	100.00	124
Costa Rica						
27	Quimicos Holanda Costa Rica S.A.	San José	0.00	100.00	100.00	124
Curaçao						
28	H.C.I. (Curaçao) N.V.	Curaçao	0.00	100.00	100.00	124
29	HCI Shipping N.V.	Curaçao	0.00	100.00	100.00	28
Denmark						
30	Aktieselskabet af 1. Januar 1987	Ballerup	0.00	100.00	100.00	31
31	Brenntag Nordic A/S	Ballerup	0.00	100.00	100.00	124
Germany						
32	BRENNTAG International Chemicals GmbH	Essen	0.00	100.00	100.00	50
33	Brenntag Real Estate GmbH	Essen	0.00	100.00	100.00	53
34	Brenntag Vermögensmanagement GmbH	Zossen	0.00	100.00	100.00	53
35	CLG Lagerhaus GmbH	Duisburg	0.00	100.00	100.00	50
36	CLG Lagerhaus GmbH & Co. KG	Essen	0.00	100.00 0.00	100.00	50 35
37	CM Komplementär 03–018 GmbH & Co. KG	Essen	0.00	100.00 0.00	100.00	56 51
38	CM Komplementär 03–019 GmbH & Co. KG	Essen	0.00	100.00 0.00	100.00	55 37
39	CM Komplementär 03–020 GmbH & Co. KG	Essen	0.00	100.00 0.00	100.00	54 38
40	CVB Albert Carl GmbH & Co. KG Berlin	Berlin	0.00	100.00 0.00	51.00	41 46
41	CVH Chemie-Vertrieb GmbH & Co. Hannover KG	Hanover	0.00	51.00 0.00	51.00	50 42
42	CVH Chemie-Vertrieb Verwaltungsgesellschaft mbH	Hanover	0.00	51.00	51.00	50
43	CVM Chemie-Vertrieb Magdeburg GmbH & Co. KG	Schönebeck	0.00	100.00 0.00	51.00	41 46
44	ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Hüttenheim KG	Düsseldorf	0.00	94.00	94.00[3]	50
45	Fred Holmberg & Co GmbH	Hamburg	0.00	100.00	100.00	148
46	CVP Chemie-Vertrieb Berlin GmbH	Berlin	0.00	100.00	51.00	41
47	Brenntag Holding GmbH	Essen	100.00	0.00	100.00	1
48	BRENNTAG GmbH	Duisburg	0.00	100.00	100.00	50
49	Brenntag Global Services GmbH	Zossen	0.00	100.00	100.00	52

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
50	Brenntag Germany Holding GmbH	Essen	0.00	100.00	100.00	53
51	Brenntag Foreign Holding GmbH	Essen	0.00	100.00	100.00	53
52	Brenntag European Services GmbH & Co. KG	Zossen	0.00	100.00 0.00	100.00	53 34
53	Brenntag Beteiligungs GmbH	Essen	0.00	100.00	100.00	47
54	Blitz 03–1163 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	38
55	Blitz 03–1162 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	37
56	Blitz 03–1161 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	51
57	BCD Chemie GmbH	Hamburg	0.00	100.00	100.00	50
58	BBG – Berlin-Brandenburger Lager- und Distributionsgesellschaft Biesterfeld Brenntag mbH	Hoppegarten	0.00	50.00 50.00	100.00	50 57
59	ACU PHARMA und CHEMIE GmbH	Apolda	0.00	100.00	100.00	50
Dominican Republic						
60	BRENNTAG CARIBE S.R.L.	Santo Domingo	0.00	100.00 0.00	100.00	124 115
Ecuador						
61	BRENNTAG ECUADOR S.A.	Guayaquil	0.00	100.00 0.00	100.00	124 115
El Salvador						
62	BRENNTAG EL SALVADOR, S.A. DE C.V.	Soyapango	0.00	100.00 0.00	100.00	124 116
Finland						
63	Brenntag Nordic Oy	Vantaa	0.00	100.00	100.00	124
France						
64	BRENNTAG MAGHREB SAS	Vitrolles	0.00	100.00	99.94	66
65	BRENNTAG FRANCE HOLDING SAS	Chassieu	0.00	100.00	100.00	67
66	BRENNTAG EXPORT SARL	Vitrolles	0.00	100.00	99.94	72
67	BRACHEM FRANCE HOLDING SAS	Chassieu	0.00	100.00	100.00	47
68	METAUSEL SAS	Chassieu	0.00	100.00	99.94	72
69	Multisol France SAS	Villebon sur Yvette	0.00	100.00	100.00	65
70	Multisol International Services SAS	Sotteville Les Rouen	0.00	80.00 20.00	100.00	65 69
71	SOCIETE COMMERCIALE TARDY ET CIE. SARL	Vitrolles	0.00	51.00	50.97	66
72	BRENNTAG SA	Chassieu	0.00	99.94	99.94	65
Ghana						
73	Brenntag Ghana Limited	Accra	0.00	100.00	100.00	124
Greece						
74	Brenntag Hellas Chimika Monoprosopi EPE	Penteli	0.00	100.00	100.00	127
Guatemala						
75	BRENNTAG GUATEMALA S.A.	Guatemala City	0.00	99.97 0.03	100.00	124 115
Honduras						
76	BRENNTAG HONDURAS, S.A.	San Pedro Sula	0.00	98.51 1.49	100.00 0.00	124 115

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
Hong Kong						
77	Brenntag Chemicals (HK) Pte Limited	Hong Kong	0.00	100.00	100.00	151
78	Brenntag Hong Kong Limited	Hong Kong	0.00	99.96 0.04	100.00 0.00	124 115
79	WELLSTAR ENTERPRISES (HONG KONG) COMPANY LIMITED	Hong Kong	0.00	51.00	51.00	124
80	Zhong Yung (International) Chemical Co., Limited	Hong Kong	0.00	100.00	100.00	124
India						
81	RAJ PETRO SPECIALITIES PRIVATE LIMITED	Mumbai	0.00	65.00	65.00[2]	124
82	Brenntag Ingredients (India) Private Limited	Mumbai	0.00	100.00	100.00	151
Indonesia						
83	PT. TAT PETROLEUM INDONESIA	South Jakarta	0.00	99.90 0.10	100.00 0.00	151 85
84	PT. Dharmala HCI i.L.	Jakarta	0.00	91.14	91.14	124
85	PT. Brenntag	Jakarta Selatan	0.00	100.00	100.00	151
Ireland						
86	Brenntag Chemicals Distribution (Ireland) Limited	Dublin	0.00	100.00	100.00	209
Italy						
87	BRENNTAG S.P.A.	Assago	0.00	100.00	100.00	124
88	CHIMAB S.p.A.	Campodarsego (Padua)	0.00	100.00	100.00	87
89	NATURAL WORLD S.R.L.	Lugo	0.00	100.00	100.00	87
Canada						
90	Pachem Distribution Inc.	Laval	0.00	100.00	100.00[2]	92
91	CCC Chemical Distribution Inc.	Toronto	0.00	100.00	100.00[2]	92
92	BRENNTAG CANADA INC.	Toronto	0.00	100.00	100.00	113
Colombia						
93	CONQUIMICA S.A.	Itagüí	0.00	100.00	100.00[2]	95
94	BRENNTAG COLOMBIA ZONA FRANCA S.A.S.	Barranquilla	0.00	100.00	100.00	95
95	BRENNTAG COLOMBIA S.A.	Bogotá D.C.	0.00	94.87 4.15 0.41 0.38 0.19	100.00	124 116 29 115 119
Croatia						
96	BRENNTAG HRVATSKA d.o.o.	Zagreb	0.00	100.00	100.00	127
Latvia						
97	SIA BRENNTAG LATVIA	Riga	0.00	100.00	100.00	138
98	SIA DIPOL BALTIJA	Riga	0.00	100.00	100.00	183
Lithuania						
99	UAB BRENNTAG LIETUVA	Kaunas	0.00	100.00	100.00	138

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
Malaysia						
100	AKASHI SDN. BHD.	Kuala Lumpur	0.00	100.00	100.00	102
101	BRENNTAG MALAYSIA SDN. BHD.	Kuala Lumpur	0.00	100.00	100.00	124
102	BRENNTAG SDN. BHD.	Kuala Lumpur	0.00	100.00	100.00	151
Morocco						
103	ALCOCHIM MAROC S.A.R.L.	Casablanca	0.00	100.00	99.94	64
104	BRENNTAG MAROC S.A.R.L associé unique	Casablanca	0.00	100.00	99.94	64
Mauritius						
105	Multisol Mauritius Limited	Port Louis	0.00	100.00	100.00	205
106	Brenntag Chemicals Mauritius Limited	Port Louis	0.00	100.00	100.00	124
Mexico						
107	BRENNTAG PACIFIC, S. DE R.L. DE C.V.	Tijuana	0.00	99.00 1.00	100.00	197 195
108	BRENNTAG MÉXICO, S.A. DE C.V.	Cuautitlan Izcalli	0.00	100.00 0.00	100.00	124 116
109	AMCO INTERNACIONAL S.A. DE C.V.	Mexico City	0.00	100.00 0.00	100.00	108 107
New Zealand						
110	BRENNTAG NEW ZEALAND LIMITED	Wellington	0.00	100.00	100.00	151
Nicaragua						
111	BRENNTAG NICARAGUA, S.A.	Managua	0.00	100.00 0.00	100.00	124 115
Netherlands						
112	Raj Petro Specialties (Europe) BV	Rotterdam	0.00	100.00	65.00[2]	81
113	Holland Chemical International B.V.	Dordrecht	0.00	100.00	100.00	124
114	HCI U.S.A. Holdings B.V.	Amsterdam	0.00	100.00	100.00	123
115	HCI Central Europe Holding B.V.	Amsterdam	0.00	100.00	100.00	124
116	H.C.I. Chemicals Nederland B.V.	Amsterdam	0.00	100.00	100.00	124
117	DigiB B.V.	Amsterdam	0.00	100.00	100.00	124
118	Brenntag Vastgoed B.V.	Dordrecht	0.00	100.00	100.00	119
119	Brenntag Nederland B.V.	Dordrecht	0.00	100.00	100.00	124
120	Brenntag HoldCo B.V.	Amsterdam	0.00	100.00	100.00	47
121	Brenntag Finance B.V.	Amsterdam	0.00	100.00	100.00	124
122	BRENNTAG Dutch C.V.	Amsterdam	0.00	99.90 0.10	100.00	124 116
123	BRENNTAG Coöperatief U.A.	Amsterdam	0.00	99.00 1.00	100.00	195 194
124	BRENNTAG (Holding) B.V.	Amsterdam	0.00	74.00 26.00	100.00	120 51
Nigeria						
125	Brenntag Chemicals Nigeria Limited	Onikan-Lagos	0.00	90.00 10.00	100.00	124 115

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
Norway						
126	BRENNTAG NORDIC AS	Borgenhaugen	0.00	100.00	100.00	148
Austria						
127	Brenntag Austria GmbH	Vienna	0.00	99.90 0.10	100.00	128 53
128	Brenntag Austria Holding GmbH	Vienna	0.00	100.00	100.00	9
129	JLC-Chemie Handels GmbH	Wiener Neustadt	0.00	100.00	100.00	127
130	Provida GmbH	Vienna	0.00	100.00	100.00	127
Panama						
131	BRENNTAG PANAMA S.A.	Panama City	0.00	100.00	100.00	124
Peru						
132	BRENNTAG PERU S.A.C.	Lima	0.00	100.00 0.00	100.00	124 115
Philippines						
133	BRENNTAG INGREDIENTS INC.	Muntinlupa City	0.00	100.00	100.00	124
Poland						
134	PHU ELMAR sp. z o.o.	Bydgoszcz	0.00	100.00	100.00	138
135	Obsidian Company sp. z o.o.	Warsaw	0.00	100.00	100.00	138
136	Fred Holmberg & Co Polska Sp.z o.o.	Warsaw	0.00	100.00	100.00	138
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	9 127
139	BCD POLYMERS Sp. z o.o.	Suchy Las	0.00	100.00	100.00	10
140	BCD Polska Sp. z o.o	Warsaw	0.00	100.00	100.00	10
Portugal						
141	Brenntag Portugal-Produtos Quimicos, Lda.	Sintra	0.00	73.67 26.05 0.28	100.00	51 124 50
142	Quimitécnica.com – Comércio e Industria Química, S.A.	Lordelo	0.00	73.95 26.05	100.00[2]	51 124
Puerto Rico						
143	Brenntag Puerto Rico, Inc.	Caguas	0.00	100.00	100.00	124
Romania						
144	BRENNTAG S.R.L.	Chiajna	0.00	100.00	100.00	115
Republic of Serbia						
145	Brenntag d.o.o. Beograd-Savski Venac	Belgrade	0.00	100.00	100.00	124
Russia						
146	OOO BRENNTAG	Moscow	0.00	100.00	100.00	127
147	OOO MULTISOL	Moscow	0.00	100.00	100.00	206
Sweden						
148	Brenntag Nordic AB	Malmö	0.00	100.00	100.00	124
Switzerland						
149	Brenntag Schweizerhall AG	Basel	0.00	100.00	100.00	65

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
Singapore						
150	DigiB Asia Pacific Pte. Ltd.	Singapore	0.00	100.00	100.00	117
151	BRENNTAG PTE. LTD.	Singapore	0.00	100.00	100.00	152
152	BRENNTAG ASIA PACIFIC PTE. LTD.	Singapore	0.00	100.00	100.00	124
Slovakia						
153	BRENNTAG SLOVAKIA s.r.o.	Pezinok	0.00	100.00	100.00	127
Slovenia						
154	BRENNTAG LJUBLJANA d.o.o.	Ljubljana	0.00	100.00	100.00	127
Spain						
155	BRENNTAG QUIMICA, S.A.U.	Dos Hermanas	0.00	100.00	100.00	65
156	Cofarcas Productos Químicos y Servicios, S.A.	Burgos	0.00	100.00	100.00[2]	158
157	Devon Chemicals S.A.	Barcelona	0.00	100.00	100.00	124
158	Quimitécnica Comércio e Indústria Química, S.L.U.	Burgos	0.00	100.00	100.00[2]	155
Sri Lanka						
159	BRENNTAG LANKA (PRIVATE) LIMITED	Athurugiriya	0.00	100.00	100.00	124
South Africa						
160	BRENNTAG SOUTH AFRICA (PTY) LTD	Century City, Cape Town	0.00	100.00	100.00	124
161	LIONHEART CHEMICAL ENTERPRISES (PROPRIETARY) LIMITED	Benoni	0.00	100.00	100.00	124
162	Multisol South Africa (Proprietary) Limited	Cape Town	0.00	100.00	100.00	205
163	PLASTICHEM (PTY) LTD	Kempton Park	0.00	100.00	100.00	124
164	Tradefirm 100 (Proprietary) Limited	Cape Town	0.00	100.00	100.00	124
South Korea						
165	Brenntag Korea Co., Ltd.	Gyeonggi-do	0.00	100.00	100.00	51
Taiwan						
166	Brenntag Taiwan Co., Ltd.	Taipei	0.00	100.00	100.00	124
Thailand						
167	Brenntag Enterprises (Thailand) Co., Ltd.	Bangkok	0.00	51.00 49.00	100.00	169 124
168	Brenntag Ingredients (Thailand) Public Company Limited	Bangkok	0.00	51.00 49.00	100.00	167 124
169	Brenntag Service (Thailand) Co., Ltd.	Bangkok	0.00	51.01 48.99	100.00	167 124
170	Thai-Dan Corporation Limited	Bangkok	0.00	99.90 0.05 0.05	100.00	168 167 169
Czech Republic						
171	Brenntag CR s.r.o.	Prague	0.00	100.00	100.00	127
Tunisia						
172	ALLIANCE – TUNISIE S.A.R.L.	Tunis	0.00	100.00	99.94	64
Turkey						
173	BRENNTAG KIMYA TICARET LIMITED SIRKETI	Istanbul	0.00	100.00	100.00	127

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
Ukraine						
174	TOB TRIDE	Kiev	0.00	100.00	100.00	127
175	TOB BRENNTAG UKRAINE	Kiev	0.00	100.00	100.00	183
Hungary						
176	BRENNTAG Hungaria Kft.	Budapest	0.00	97.93 2.07	100.00	127 115
177	BCB Union Kft.	Budapest	0.00	96.67 3.33	100.00	124 116
Uruguay						
178	BRENNTAG SOURCING URUGUAY S.A.	Colonia del Sacramento	0.00	100.00	100.00	124
USA						
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]	
182	J.A.M. Distributing Company	Houston/Texas	0.00	100.00	100.00	195
183	Dipol Chemical International, Inc.	Kings/New York	0.00	100.00	100.00	127
184	Coastal Chemical Co., L.L.C.	Abbeville/Louisiana	0.00	100.00	100.00	114
185	BWE, LLC	East Hartford/Connecticut	0.00	100.00	100.00	195
186	Brenntag Specialties, Inc.	Wilmington/Delaware	0.00	100.00	100.00	195
187	Alphamin Inc.	Dallas	0.00	100.00	100.00[2]	8
188	Altivia Louisiana, L.L.C.	St. Gabriel/Louisiana	0.00	100.00	100.00	198
189	BNA JAM Real Property Holdings, LLC	Houston/Texas	0.00	100.00	100.00	182
190	Brenntag Global Marketing, LLC	Wilmington/Delaware	0.00	100.00	100.00	195
191	Brenntag Great Lakes, LLC	Chicago/Illinois	0.00	100.00	100.00	114
192	Brenntag Latin America, Inc.	Wilmington/Delaware	0.00	100.00	100.00	195
193	Brenntag Mid-South, Inc.	Henderson/Kentucky	0.00	100.00	100.00	195
194	Brenntag North America Foreign Holding, LLC	Wilmington/Delaware	0.00	100.00	100.00	195
195	Brenntag North America, Inc.	Wilmington/Delaware	0.00	100.00	100.00	124
196	Brenntag Northeast, LLC	Wilmington/Delaware	0.00	100.00	100.00	195
197	Brenntag Pacific, Inc.	Wilmington/Delaware	0.00	100.00	100.00	195
198	Brenntag Southwest, Inc.	Longview/Texas	0.00	100.00	100.00	195
199	BWEV, LLC	Wilmington	0.00	100.00	100.00	185
United Arab Emirates						
200	Raj Petro Specialties DMCC	Dubai	0.00	100.00	65.00[2]	81
201	Trychem FZCO	Jebel Ali, Dubai	0.00	51.00	51.00	124
202	Trychem Trading L.L.C.	Port Saeed, Dubai	0.00	100.00	51.00	201

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
United Kingdom						
203	Murgatroyd's Salt & Chemical Company Limited	Leeds	0.00	100.00	100.00	210
204	Multisol Limited	Leeds	0.00	100.00	100.00	209
205	Multisol Group Limited	Leeds	0.00	100.00	100.00	204
206	Multisol Europe Limited	Leeds	0.00	100.00	100.00	205
207	Kluman and Balter Limited	Leeds	0.00	100.00	100.00	209
208	Brenntag UK Limited	Leeds	0.00	100.00	100.00	209
209	Brenntag UK Holding Limited	Leeds	0.00	100.00	100.00	65
210	Brenntag Inorganic Chemicals Limited	Leeds	0.00	100.00	100.00	209
211	Brenntag Inorganic Chemicals (Thetford) Limited	Leeds	0.00	100.00	100.00	209
212	Brenntag Colours Limited	Leeds	0.00	100.00	100.00	209
213	A1 Cake Mixes Limited	Glasgow	0.00	50.00 50.00	100.00	209 207
Vietnam						
214	BRENNTAG VIETNAM COMPANY LIMITED	Ho Chi Minh City	0.00	100.00	100.00	151
215	Nam Giang Trading and Service Co., Ltd	Ho Chi Minh City	0.00	0.00	0.00[3]	

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
Denmark						
216	Borup Kemi I/S	Borup	0.00	33.33	33.33	30
Germany						
217	SOFT CHEM GmbH	Laatzen	0.00	33.40	17.03	42
South Africa						
218	Crest Chemicals (Proprietary) Limited	Woodmead	0.00	50.00	50.00	124
Thailand						
219	Berli Asiatic Soda Co., Ltd.	Bangkok	0.00	50.00	50.00	168
220	Siri Asiatic Co., Ltd.	Bangkok	0.00	50.00	50.00	168

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 statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2018, 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 January 1 to December 31, 2018. In accordance with the German legal requirements, 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 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 December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, 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") 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 January 1 to December 31, 2018. 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 € 2.6 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 (combination of bottom up and top down) 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 CCC Chemical Distribution Inc., with registered office in Toronto, Canada, the Quimitecnica Group, Lordelo, Portugal, Alphamin S.A., Wavre, Belgium, Pachem Distribution Inc, Laval, Canada, CONQUIMICA S.A., Itagui, Columbia, as well as the business of Nemo Oil Company, Branford, Connecticut, USA. It also acquired 65% of the shares in RAJ PETRO SPECIALITIES PRIVATE LIMITED with registered office in Mumbai, India. The remaining 35% of the shares in RAJ PETRO will be purchased in five years, but not later than after seven years. 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 35% of the shares in Raj Petro, 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 € 118.2 million (relative to 100%), the resulting purchased goodwill amounts to € 110.9 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 € 26.8 million recognized for the acquisition of the remaining shares in RAJ PETRO, we reconciled the calculation model used to calculate the purchase price liability with both the purchase agreement and the corporate planning of RAJ PETRO, 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 December 31, 2018, 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 € 92.7 million. The provisions also include contingent liabilities of € 19.5 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 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 June 20, 2018. We were engaged by the supervisory board on November 5, 2018. 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, February 26, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Thomas Tandetzki
Wirtschaftsprüfer
(German Public Auditor)

sgd. ppa. Frank Schemann
Wirtschaftsprüfer
(German Public Auditor)

SEGMENT REPORTING

BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

in EUR m	2018	2017	Change abs.	Change in %	Change in % (fx adj.)
Sales	12,550.0	11,743.3	806.7	6.9	10.2
Operating gross profit	2,660.9	2,554.1	106.8	4.2	7.5
Operating expenses	−1,785.4	−1,718.1	−67.3	3.9	7.1
Operating EBITDA	**875.5**	**836.0**	**39.5**	**4.7**	**8.4**
Net income/expense from special items	17.4	−53.8	71.2	–	–
Depreciation of property, plant and equipment	−122.0	−118.9	−3.1	2.6	5.1
EBITA	770.9	663.3	107.6	16.2	20.4
Amortization of intangible assets	−49.9	−44.2	−5.7	12.9	17.7
Net finance costs	−97.5	−94.5	−3.0	3.2	–
Profit before tax	623.5	524.6	98.9	18.9	–
Income tax expense	−161.2	−162.6	1.4	−0.9	–
Profit after tax	462.3	362.0	100.3	27.7	–

D.01 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP/ 2018

in EUR m	Q4 2018	Q4 2017	Change abs.	Change in %	Change in % (fx adj.)
Sales	3,138.0	2,876.1	261.9	9.1	8.6
Operating gross profit	668.3	617.7	50.6	8.2	7.4
Operating expenses	−455.2	−420.2	−35.0	8.3	7.7
Operating EBITDA	**213.1**	**197.5**	**15.6**	**7.9**	**6.8**
Net income/expense from special items	19.1	−47.9	67.0	–	–
Depreciation of property, plant and equipment	−33.8	−32.7	−1.1	3.4	2.5
EBITA	198.4	116.9	81.5	69.7	69.1
Amortization of intangible assets	−12.6	−9.7	−2.9	29.9	27.8
Net finance costs	−26.9	−26.8	−0.1	0.4	–
Profit before tax	158.9	80.4	78.5	97.6	–
Income tax expense	−31.4	−20.7	−10.7	51.7	–
Profit after tax	127.5	59.7	67.8	113.6	–

D.02 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP / Q4 2018

BUSINESS PERFORMANCE IN THE SEGMENTS

in EUR m	**Brenntag Group**	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	12,550.0	5,339.3	4,636.9	807.8	1,383.5	382.5
Operating gross profit	2,660.9	1,141.2	1,118.3	163.1	224.2	14.1
Operating expenses	−1,785.4	−755.7	−708.7	−123.2	−146.3	−51.5
Operating EBITDA	**875.5**	**385.5**	**409.6**	**39.9**	**77.9**	**−37.4**

D.03 BUSINESS PERFORMANCE IN THE SEGMENTS / 2018

in EUR m	**Brenntag Group**	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	3,138.0	1,295.0	1,177.7	213.1	374.1	78.1
Operating gross profit	668.3	273.2	289.1	42.4	60.6	3.0
Operating expenses	−455.2	−188.0	−187.5	−30.5	−37.7	−11.5
Operating EBITDA	**213.1**	**85.2**	**101.6**	**11.9**	**22.9**	**−8.5**

D.04 BUSINESS PERFORMANCE IN THE SEGMENTS / Q4 2018

EMEA

			Change		
in EUR m	**2018**	**2017**	abs.	in %	in % (fx adj.)
External sales	5,339.3	5,016.8	322.5	6.4	7.9
Operating gross profit	1,141.2	1,094.8	46.4	4.2	5.5
Operating expenses	−755.7	−729.2	−26.5	3.6	4.7
Operating EBITDA	**385.5**	**365.6**	**19.9**	**5.4**	**7.2**

D.05 BUSINESS PERFORMANCE IN THE SEGMENTS / EMEA 2018

			Change		
in EUR m	**Q4 2018**	**Q4 2017**	abs.	in %	in % (fx adj.)
External sales	1,295.0	1,222.2	72.8	6.0	7.0
Operating gross profit	273.2	266.2	7.0	2.6	3.6
Operating expenses	−188.0	−182.0	−6.0	3.3	4.0
Operating EBITDA	**85.2**	**84.2**	**1.0**	**1.2**	**2.8**

D.06 BUSINESS PERFORMANCE IN THE SEGMENTS / EMEA Q4 2018

NORTH AMERICA

in EUR m	2018	2017	Change abs.	Change in %	Change in % (fx adj.)
External sales	4,636.9	4,368.0	268.9	6.2	11.0
Operating gross profit	1,118.3	1,073.9	44.4	4.1	8.9
Operating expenses	−708.7	−688.9	−19.8	2.9	7.6
Operating EBITDA	**409.6**	**385.0**	**24.6**	**6.4**	**11.2**

D.07 BUSINESS PERFORMANCE IN THE SEGMENTS / NORTH AMERICA 2018

in EUR m	Q4 2018	Q4 2017	Change abs.	Change in %	Change in % (fx adj.)
External sales	1,177.7	1,059.8	117.9	11.1	8.0
Operating gross profit	289.1	255.6	33.5	13.1	9.8
Operating expenses	−187.5	−169.4	−18.1	10.7	7.9
Operating EBITDA	**101.6**	**86.2**	**15.4**	**17.9**	**13.6**

D.08 BUSINESS PERFORMANCE IN THE SEGMENTS / NORTH AMERICA Q4 2018

LATIN AMERICA

in EUR m	2018	2017	Change abs.	Change in %	Change in % (fx adj.)
External sales	807.8	819.2	−11.4	−1.4	6.1
Operating gross profit	163.1	172.5	−9.4	−5.4	1.9
Operating expenses	−123.2	−130.1	6.9	−5.3	1.7
Operating EBITDA	**39.9**	**42.4**	**−2.5**	**−5.9**	**2.3**

D.09 BUSINESS PERFORMANCE IN THE SEGMENTS / LATIN AMERICA 2018

in EUR m	Q4 2018	Q4 2017	Change abs.	Change in %	Change in % (fx adj.)
External sales	213.1	204.1	9.0	4.4	6.0
Operating gross profit	42.4	42.7	−0.3	−0.7	1.4
Operating expenses	−30.5	−29.8	−0.7	2.3	3.4
Operating EBITDA	**11.9**	**12.9**	**−1.0**	**−7.8**	**−3.2**

D.10 BUSINESS PERFORMANCE IN THE SEGMENTS / LATIN AMERICA Q4 2018

ASIA PACIFIC

in EUR m	2018	2017	Change abs.	Change in %	Change in % (fx adj.)
External sales	1,383.5	1,170.6	212.9	18.2	22.7
Operating gross profit	224.2	198.7	25.5	12.8	17.2
Operating expenses	−146.3	−125.0	−21.3	17.0	21.8
Operating EBITDA	**77.9**	**73.7**	**4.2**	**5.7**	**9.4**

D.11 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC 2018

in EUR m	Q4 2018	Q4 2017	Change abs.	Change in %	Change in % (fx adj.)
External sales	374.1	301.1	73.0	24.2	24.5
Operating gross profit	60.6	50.4	10.2	20.2	20.4
Operating expenses	−37.7	−29.3	−8.4	28.7	30.8
Operating EBITDA	**22.9**	**21.1**	**1.8**	**8.5**	**6.2**

D.12 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC Q4 2018

ALL OTHER SEGMENTS

in EUR m	2018	2017	Change abs.	Change in %	Change in % (fx adj.)
External sales	382.5	368.7	13.8	3.7	3.7
Operating gross profit	14.1	14.2	−0.1	−0.7	−0.7
Operating expenses	−51.5	−44.9	−6.6	14.7	14.7
Operating EBITDA	**−37.4**	**−30.7**	**−6.7**	**21.8**	**21.8**

D.13 BUSINESS PERFORMANCE IN THE SEGMENTS / ALL OTHER SEGMENTS 2018

in EUR m	Q4 2018	Q4 2017	Change abs.	Change in %	Change in % (fx adj.)
External sales	78.1	88.9	−10.8	−12.1	−12.1
Operating gross profit	3.0	2.8	0.2	7.1	7.1
Operating expenses	−11.5	−9.7	−1.8	18.6	18.6
Operating EBITDA	**−8.5**	**−6.9**	**−1.6**	**23.2**	**23.2**

D.14 BUSINESS PERFORMANCE IN THE SEGMENTS / ALL OTHER SEGMENTS Q4 2018

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	**2018**	**5,339.3**	**4,636.9**	**807.8**	**1,383.5**	**382.5**	**–**	**12,550.0**
	2017	5,016.8	4,368.0	819.2	1,170.6	368.7	–	11,743.3
	Change in %	6.4	6.2	−1.4	18.2	3.7	–	6.9
	fx adjusted change in %	7.9	11.0	6.1	22.7	3.7	–	10.2
Inter-segment sales	**2018**	**12.6**	**9.7**	**0.1**	**0.1**	**0.3**	**−22.8**	**–**
	2017	10.3	11.9	0.3	0.1	0.7	−23.3	–
Operating gross profit[2]	**2018**	**1,141.2**	**1,118.3**	**163.1**	**224.2**	**14.1**	**–**	**2,660.9**
	2017	1,094.8	1,073.9	172.5	198.7	14.2	–	2,554.1
	Change in %	4.2	4.1	−5.4	12.8	−0.7	–	4,2
	fx adjusted change in %	5.5	8.9	1.9	17.2	−0.7	–	7.5
Gross profit	**2018**	**–**	**–**	**–**	**–**	**–**	**–**	**2,591.7**
	2017	–	–	–	–	–	–	2,491.7
	Change in %	–	–	–	–	–	–	4.0
	fx adjusted change in %	–	–	–	–	–	–	7.4
Operating EBITDA[3] (segment result)	**2018**	**385.5**	**409.6**	**39.9**	**77.9**	**−37.4**	**–**	**875.5**
	2017	365.6	385.0	42.4	73.7	−30.7	–	836.0
	Change in %	5.4	6.4	−5.9	5.7	21.8	–	4.7
	fx adjusted change in %	7.2	11.2	2.3	9.4	21.8	–	8.4
Operating EBITDA[3] / operating gross profit[2]	**2018 in %**	**33.8**	**36.6**	**24.5**	**34.7**	**−265.2**	**–**	**32.9**
	2017 in %	33.4	35.9	24.6	37.1	−216.2	–	32.7
Investments in non-current assets (capex)[4]	**2018**	**78.7**	**61.1**	**8.4**	**10.7**	**13.3**	**–**	**172.2**
	2017	68.3	48.8	10.3	9.2	11.5	–	148.1

D.15 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8[1] / 2018

[1] For further information on segment reporting in accordance with IFRS 8, see Note 31.).
[2] External sales less cost of materials.
[3] Brenntag adjusts operating EBITDA for holding charges and for income and expenses arising from special items (see table C. 08) so as to improve comparability in presenting the performance of its business operations over multiple reporting periods and explain it more appropriately. Holding charges are certain costs charged between holding companies and operating companies. At Group level, these effects net to zero.
[4] Investments in non-current assets are the other additions to property, plant and equipment and intangible 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	**2018**	**1,295.0**	**1,177.7**	**213.1**	**374.1**	**78.1**	**–**	**3,138.0**
	2017	1,222.2	1,059.8	204.1	301.1	88.9	–	2,876.1
	Change in %	6.0	11.1	4.4	24.2	−12.1	–	9.1
	fx adjusted change in %	7.0	8.0	6.0	24.5	−12.1	–	8.6
Inter-segment sales	**2018**	**2.4**	**2.5**	**–**	**0.1**	**0.1**	**−5.1**	**–**
	2017	2.2	3.9	–	0.1	−0.1	−6.1	–
Operating gross profit[2]	**2018**	**273.2**	**289.1**	**42.4**	**60.6**	**3.0**	**–**	**668.3**
	2017	266.2	255.6	42.7	50.4	2.8	–	617.7
	Change in %	2.6	13.1	−0.7	20.2	7.1	–	8.2
	fx adjusted change in %	3.6	9.8	1.4	20.4	7.1	–	7.4
Gross profit	**2018**	**–**	**–**	**–**	**–**	**–**	**–**	**648.5**
	2017	–	–	–	–	–	–	599.2
	Change in %	–	–	–	–	–	–	8.2
	fx adjusted change in %	–	–	–	–	–	–	7.5
Operating EBITDA[3] (segment result)	**2018**	**85.2**	**101.6**	**11.9**	**22.9**	**−8.5**	**–**	**213.1**
	2017	84.2	86.2	12.9	21.1	−6.9	–	197.5
	Change in %	1.2	17.9	−7.8	8.5	23.2	–	7.9
	fx adjusted change in %	2.8	13.6	−3.2	6.2	23.2	–	6.8
Operating EBITDA[3] / operating gross profit[2]	**2018 in %**	**31.2**	**35.1**	**28.1**	**37.8**	**−283.3**	**–**	**31.9**
	2017 in %	31.6	33.7	30.2	41.9	−246.4	–	32.0
Investments in non-current assets (capex)[4]	**2018**	**31.6**	**23.4**	**4.3**	**3.4**	**4.8**	**–**	**67.5**
	2017	32.0	19.0	6.2	4.6	7.4	–	69.2

D.16 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8[1] / Q4 2018

[1] For further information on segment reporting in accordance with IFRS 8, see Note 31.).
[2] External sales less cost of materials.
[3] Brenntag adjusts operating EBITDA for holding charges and for income and expenses arising from special items (see table C. 08) so as to improve comparability in presenting the performance of its business operations over multiple reporting periods and explain it more appropriately. Holding charges are certain costs charged between holding companies and operating companies. At Group level, these effects net to zero.
[4] Investments in non-current assets are the other additions to property, plant and equipment and intangible assets.
[5] Europe, Middle East & Africa.

GLOSSARY

B

BEST | BEST (Brenntag Enhanced Safety Thinking) is a global Brenntag initiative to improve the safety behavior / the safety culture in the whole company.

C

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.

D

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.

E

EMEA | Europe, Middle East & Africa

G

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.

H

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.

ICTA | The ICTA (International Chemical Trade Association) was established in 2016 and replaced the ICCTA as the international council for chemical trade associations. It represents the interests of over 1,300 chemical distributors worldwide. ICTA provides a worldwide network, coordinating work on issues and programmes of international interest across chemical trade associations.

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.

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.

M

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.

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.

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.

R

REACH | REACH (Registration, Evaluation, Authorization and Restriction 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.

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.

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.

SOURCING ACTIVITIES | Brenntag has extensive experience and know-how in managing efficient sourcing relationships with national and international suppliers of chemical products.

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.

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.

T

TOGETHER FOR SUSTAINABILITY (TFS) | TfS (Together for Sustainability) is the name of an industry initiative founded by major companies of the chemical 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.

FIVE-YEAR OVERVIEW

		2018	2017	2016	2015	2014
Sales	EUR m	12,550.0	11,743.3	10,498.4	10,346.1	10,015.6
Operating gross profit	EUR m	2,660.9	2,554.1	2,428.7	2,321.7	2,078.2
Operating EBITDA	EUR m	875.5	836.0	810.0	807.4	726.7
Operating EBITDA / operating gross profit	%	32.9	32.7	33.4	34.8	35.0
Profit after tax	EUR m	462.3	362.0	361.0	368.1	339.7
Earnings per share after stock split [1]	EUR	2.98	2.34	2.33	2.36	2.20

D.17 CONSOLIDATED INCOME STATEMENT

		Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Total assets	EUR m	7,694.5	7,284.8	7,287.0	6,976.2	6,215.0
Equity	EUR m	3,301.2	2,985.7	2,959.2	2,690.5	2,356.9
Working capital	EUR m	1,807.0	1,510.5	1,354.6	1,268.1	1,226.8
Net financial liabilities	EUR m	1,761.9	1,571.9	1,681.9	1,676.1	1,409.7

D.18 CONSOLIDATED BALANCE SHEET

		2018	2017	2016	2015	2014
Net cash provided by operating activities	EUR m	375.3	404,5	539.9	593.7	369.7
Investments in non-current assets (capex)	EUR m	−172.2	−148.1	−141.1	−130.1	−104.8
Free cash flow [2]	EUR m	525.2	440.3	641.4	764.3	521.4

D.19 CONSOLIDATED CASH FLOW

		Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Share price	EUR	37.70	52.77	52.80	48.28	46.51
No. of shares (unweighted) [1]		154,500,000	154,500,000	154,500,000	154,500,000	154,500,000
Market capitalization	EUR m	5,825	8,153	8,158	7,459	7,186
Free float	%	100.00	100.00	100.00	100.00	100.00

D.20 KEY DATA ON 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.

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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 2019

MAR 12
2019
UBS Best of Business Services, Leisure and Transport Conference, Paris

MAR 28
2019
Mainfirst Copenhagen Conference, Copenhagen

MAY 9
2019
Interim Report Q1 2019, Essen

JUN 5-6
2019
dbAccess Berlin Conference, Berlin

JUN 13
2019
General Shareholders' Meeting, Essen

AUG 7
2019
Interim Report Q2 2019, Essen

NOV 6
2019
Interim Report Q3 2019, Essen