ConnectingChemistry

BRENNTAG

We're ConnectingChemistry

DELIVERING **SERVICE** EXCELLENCE

INTERIM REPORT

JANUARY – MARCH 2017

KEY FINANCIAL FIGURES AT A GLANCE

CONSOLIDATED INCOME STATEMENT

		Q1 2017	Q1 2016
Sales	EUR m	2,973.3	2,580.1
Gross profit	EUR m	631.8	586.6
Operating EBITDA	EUR m	201.6	192.1
Operating EBITDA / gross profit	%	31.9	32.7
Profit after tax	EUR m	94.7	66.0
Earnings per share	EUR	0.61	0.43

CONSOLIDATED BALANCE SHEET

		Mar. 31, 2017	Dec. 31, 2016
Total assets	EUR m	7,472.0	7,287.0
Equity	EUR m	3,054.6	2,959.2
Working capital	EUR m	1,511.2	1,354.6
Net financial liabilities	EUR m	1,657.6	1,681.9

CONSOLIDATED CASH FLOW

		Q1 2017	Q1 2016
Net cash provided by operating activities	EUR m	75.7	99.0
Investments in non-current assets (capex)	EUR m	−20.1	−17.6
Free cash flow	EUR m	25.7	131.2

KEY DATA ON THE BRENNTAG SHARES

		Mar. 31, 2017	Dec. 31, 2016
Share price	EUR	52.55	52.80
No. of shares (unweighted)		154,500,000	154,500,000
Market capitalization	EUR m	8,119	8,158

COMPANY PROFILE

Brenntag is the global leader in chemical distribution. The company manages complex supply chains for both chemical manufacturers and users by simplifying market access to thousands of products and services. It combines a global network with outstanding local execution.

Brenntag is therefore the industry's most effective and preferred channel to market for partners – really living its philosophy: "ConnectingChemistry".

Brenntag operates a global network spanning more than 550 locations in 74 countries. With its global workforce of about 15,000 employees, the company generated sales of EUR 10.5 billion in 2016.

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DEAR SHAREHOLDERS, DEAR LADIES AND GENTLEMEN,

The company continued to perform well in the first quarter of 2017 and we saw encouraging trends in our main regions. The Group's gross profit amounted to EUR 631.8 million, representing an increase of 5.5% on a constant currency basis.

Our business performance in the first quarter of 2017 has to be viewed against the background of the macroeconomic developments in the regions. Our EMEA region continued to show good results in an economic environment with moderate momentum. We are also pleased with the performance in Asia Pacific, where the growth against a strong prior-year quarter was driven by both the existing business and our acquisitions. North America was characterized by a generally improved demand situation and an ongoing stabilizing trend in the oil and gas sector. As a result, the region reported encouraging growth in operating gross profit. Latin America, which is our smallest region, continued to be impacted by currently difficult economic conditions in some countries on the continent. In this environment, the Brenntag Group achieved operating EBITDA of EUR 201.6 million, an increase of 2.5% on a constant currency basis.

In the reporting period, we executed two acquisitions, both complementing our product and service portfolio in North America. First, we acquired the service provider Petra Industries, which strengthens the mixing and blending business in the Mid-South region. We also expanded our service offerings in the oil and gas sector by acquiring a division of Greene's Energy Group, LLC. The business is focused on pipeline cleaning and other services.

In January, we refinanced our existing syndicated loan. The term of the new syndicated loan in the amount of around EUR 1.7 billion is now to end in January 2022. This refinancing reduces interest expense and brings about further improvements in the credit documentation.

With regard to the outlook, we remain positive about the global economic environment and see continued growth opportunities in the EMEA and Asia Pacific segments. North America is now showing a noticeable increase in overall demand and some product price inflation, which underline a recovery under way after a weak 2016. Oil and gas markets have steadily stabilized and as such are not expected to prove a headwind as seen in the previous year. Latin America remains volatile, with conditions still particularly difficult in Brazil and Argentina.

Overall, the business is expected to sustain its performance in terms of gross profit growth and improvement in operating leverage as the year progresses, with a positive impact on operating EBITDA.

On behalf of the entire Board of Management, I would like to thank you for your continued support of our work and the confidence you have placed in our company.

Mülheim an der Ruhr, May 9, 2017

STEVEN HOLLAND
Chief Executive Officer

BRENNTAG ON THE STOCK MARKET

SHARE PRICE PERFORMANCE

In the first quarter of 2017, equity markets around the globe were in good shape. The positive sentiment after the US presidential election continued into 2017 and there were no adverse events with a major impact on the markets.

The European Central Bank continued its capital market-friendly corporate bond purchase programme, but as communicated in December 2016 has reduced its purchases from April onwards. On the currency market, the US dollar remained at strong levels. Oil prices were stable throughout the quarter, but showed a decline in March 2017.

In this environment, Germany's leading index, the DAX®, rose by more than 7% in the first quarter of 2017 to close at 12,313 points. The MDAX® performed similarly, finishing the quarter up around 8% at 23,904 points. Brenntag shares closed the reporting period at EUR 52.55, a minor decrease of 0.5% compared with the 2016 closing price.

According to Deutsche Börse AG's ranking, Brenntag AG ranked 32nd among all listed companies in Germany by market capitalization at the end of March 2017. The average number of Brenntag shares traded daily on Xetra® in the first quarter of 2017 was approximately 271,000 compared with around 352,000 shares in the first quarter of 2016.

A.01 BRENNTAG SHARE PRICE PERFORMANCE (INDEXED)

SHAREHOLDER STRUCTURE

It is Brenntag's declared policy to pay its shareholders an attractive dividend each year. The Board of Management and Supervisory Board will recommend to shareholders at the General Shareholders' Meeting a dividend payment of EUR 1.05 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 45.0%. Through this dividend, we would like our shareholders to participate directly in the company's positive cash flow performance.

As at May 1, 2017, notification had been received from the following shareholders under Section 21, para. 1 of the German Securities Trading Act (WpHG) that their share of the voting rights now exceeds the 3% or 5% threshold:

A.02 SHAREHOLDER STRUCTURE

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

A.03 KEY DATA ON THE BRENNTAG SHARES

		Dec. 31, 2016	**Mar. 31, 2017**
Share price (Xetra® closing price)	EUR	52.80	52.55
Market capitalization	EUR m	8,158	8,119
Primary stock exchange			Xetra®
Indices			MDAX®, MSCI, Stoxx Europe 600
ISIN/WKN/trading symbol			DE000A1DAHH0/A1DAHH/BNR

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).

A.04 KEY DATA ON THE BONDS OF THE BRENNTAG GROUP

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

GROUP INTERIM MANAGEMENT REPORT

for the period from January 1 to March 31, 2017

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GROUP OVERVIEW

BUSINESS ACTIVITIES AND GROUP STRUCTURE

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 also on high diversity across suppliers, customers and industries and its 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 various suppliers, enabling the company to achieve economies of scale and offer a full-line range of chemical products and value-added services to around 185,000 customers. Brenntag is the strategic partner and service provider for manufacturers of industrial and specialty chemicals at the one end and chemical users at the other end of the value chain. Brenntag's role in the value chain is also expressed in our brand identity "ConnectingChemistry".

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

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

GROUP STRUCTURE

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

The consolidated financial statements as at March 31, 2017 include Brenntag AG, 30 (Dec. 31, 2016: 31) domestic and 192 (Dec. 31, 2016: 191) foreign consolidated subsidiaries including structured entities. Five (Dec. 31, 2016: five) associates have been accounted for using the equity method.

SEGMENTS AND LOCATIONS

The Brenntag Group is managed by the geographically structured segments EMEA (Europe, Middle East & Africa), North America, Latin America and Asia Pacific. In addition, all other segments cover the central functions for the entire Group and the operations of Brenntag International Chemicals, which buys and sells chemicals in bulk on an international scale without regional boundaries.

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

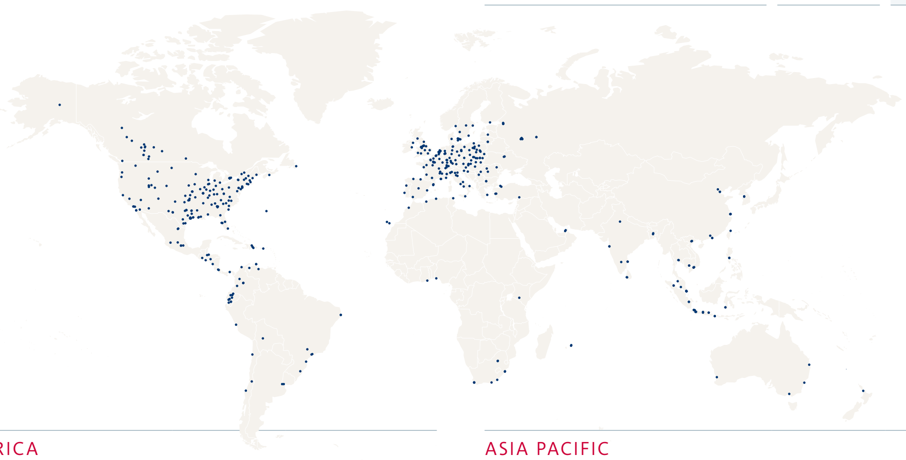
B.01 GLOBAL NETWORK OF THE BRENNTAG GROUP

NORTH AMERICA

		Q1 2017
External sales	EUR m	1,129.8
Operating gross profit	EUR m	272.5
Operating EBITDA	EUR m	88.6
Employees[1]		4,682

EMEA

		Q1 2017
External sales	EUR m	1,254.7
Operating gross profit	EUR m	279.0
Operating EBITDA	EUR m	95.8
Employees[1]		6,730



LATIN AMERICA

		Q1 2017
External sales	EUR m	210.1
Operating gross profit	EUR m	43.7
Operating EBITDA	EUR m	9.2
Employees[1]		1,489

ASIA PACIFIC

		Q1 2017
External sales	EUR m	285.5
Operating gross profit	EUR m	48.3
Operating EBITDA	EUR m	17.0
Employees[1]		1,927

Figures exclude all other segments, which, in addition to various holding companies, comprise the international activities of Brenntag International Chemicals.
[1] The number of employees is calculated as the number of employees on the basis of full-time equivalents at the reporting date.

VISION, OBJECTIVES AND STRATEGY

ConnectingChemistry

Our philosophy “ConnectingChemistry” describes our company’s purpose, value creation 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.

2020 VISION

Our “2020 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.

OBJECTIVES AND STRATEGY

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

ORGANIC GROWTH AND ACQUISITIONS

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

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

STEADILY IMPROVING PROFITABILITY

A further element of our strategy is to continually and systematically increase profitability. On the basis of our entrepreneurial culture, our operational excellence and our resilient business model, we strive to steadily increase operating gross profit, 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.

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

In order to offer our business partners the best service in the industry, we are continuously working worldwide with particular emphasis on commercial excellence – that is to say, our effectiveness and efficiency in procurement, sales and marketing – including by leveraging the opportunities arising from digitalization. Our points of focus include systematically expanding business with regional, pan-regional and global key accounts, for which our broad product offering and extensive geographic network provide unrivalled service capabilities. In addition, we will continue to actively realize the potential that arises as a result of chemical producers outsourcing supply chain and commercial activities.

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

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

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

SUSTAINABILITY

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 remain 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 our 2016 Annual Report.

REPORT ON ECONOMIC POSITION

ECONOMIC ENVIRONMENT

The improving macroeconomic background towards the end of last year continued into the first quarter of 2017. This trend is reflected in the Global Manufacturing Purchasing Managers' Index (PMI), which stood at 53 in March, a reading above the 50 neutral mark. Global industrial production grew by around 2.7% year on year in the first two months of the first quarter of 2017.

Europe continued to record moderate economic growth overall. Industrial production expanded by 1.4% year on year in the first two months of the first quarter of 2017.

The USA saw a return to positive growth in industrial production for the first time in five quarters. However, the growth of 0.6% in the first quarter of 2017 compared with the prior-year period was still very weak.

Economic conditions in Latin America remained difficult, particularly in the southern part of the subcontinent including Brazil and Argentina. Overall, Latin American industrial production contracted by approximately 1.6% year on year in the first two months of the first quarter of 2017.

The economies of Asia, particularly China, continued to see stable growth momentum. Industrial production across the region as a whole grew by around 5.6% year on year in the first two months of the first quarter of 2017.

BUSINESS PERFORMANCE

MAJOR EVENTS IMPACTING ON BUSINESS IN Q1 2017

In January 2017, Brenntag took advantage of the attractive capital market conditions and refinanced the existing syndicated loan ahead of schedule. The term of the new syndicated loan is now to end in January 2022 at the earliest. The previous syndicated loan had been scheduled to run until March 2019. Brenntag has thus improved its maturity profile significantly, while at the same time reducing interest expense. The transaction was heavily over-subscribed, reflecting Brenntag's strong credit standing and its excellent reputation on the capital markets.

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

STATEMENT BY THE BOARD OF MANAGEMENT ON BUSINESS PERFORMANCE

In an economic environment that continued to be marked by slight recovery, the Brenntag Group achieved growth in operating gross profit on an as reported as well as on a constant currency basis. This volume-driven growth consisted of a moderate increase in the existing business and the contribution from the acquirees, particularly NOCO, USA and WARREN CHEM SPECIALITIES (PTY) LTD, South Africa, which were acquired in 2016 and first consolidated for the full year in 2017. Due to the favourable trend in exchange rates, the rate of growth at actual exchange rates was even higher.

The inclusion of the acquisitions and the fact that the growth in operating gross profit was mainly volume-driven resulted in a corresponding increase in operating expenses. EBITDA for the first quarter of 2017 nevertheless showed a slight increase on the previous year on a constant currency basis.

The business in the EMEA region made a very encouraging start to 2017. In North America, demand stabilized, enabling a return to positive growth both in the oil and gas sector and in other customer industries. In several markets of the Latin American segment, particularly in Brazil and Argentina, demand was very weak. The business in the Asia Pacific region delivered another strong performance in the first quarter of 2017. This was due in particular to the acquisitions and also to an increase in the existing business.

Average working capital in the first quarter of 2017 was up on the prior-year level due to the rise in sales. We were able to improve annualized working capital turnover year on year.

As planned, capital expenditure on property, plant and equipment showed a year-on-year increase in the first quarter of 2017. We continue to make appropriate investment both in our existing infrastructure and in growth projects.

Overall, operating EBITDA and the performance in terms of working capital and capital expenditure resulted in a free cash flow that was lower year on year. This was due mainly to the increase in chemical prices and the resulting rise in working capital.

Overall, business performance in the first quarter of 2017 was marked by strong growth in the EMEA and Asia Pacific regions and a stabilizing trend in North America. These positive developments more than offset the difficult situation in several Latin American countries.

RESULTS OF OPERATIONS

BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

B.02 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

			Change		
in EUR m	**Q1 2017**	Q1 2016	abs.	in %	in % (fx adj.)[1]
Sales	2,973.3	2,580.1	393.2	15.2	12.8
Operating gross profit	647.7	600.4	47.3	7.9	5.6
Operating expenses	−446.1	−408.3	−37.8	9.3	7.1
Operating EBITDA	**201.6**	**192.1**	**9.5**	**4.9**	**2.5**
Depreciation of property, plant and equipment	−28.9	−28.8	−0.1	0.3	−1.0
EBITA	172.7	163.3	9.4	5.8	3.1
Amortization of intangible assets	−11.6	−12.2	0.6	−4.9	−7.2
Net finance costs	−22.8	−49.7	26.9	−54.1	–
Profit before tax	138.3	101.4	36.9	36.4	–
Income tax expense	−43.6	−35.4	−8.2	23.2	–
Profit after tax	94.7	66.0	28.7	43.5	–

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

SALES AND 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 sales of EUR 2,973.3 million in the first quarter of 2017, a year-on-year increase of 15.2%. This sales growth of 12.8% on a constant currency basis is due to both a higher average sales price per unit and higher volumes and was driven primarily by the existing business.

OPERATING GROSS PROFIT

The Brenntag Group generated operating gross profit of EUR 647.7 million in the first quarter of 2017, an increase of 7.9%, or 5.6% on a constant currency basis, due to higher volumes. The growth in operating gross profit is attributable to the positive performance from the existing business in the EMEA, North America and Asia Pacific segments and a positive contribution from the acquirees, particularly NOCO, USA and WARREN CHEM SPECIALITIES (PTY) LTD, South Africa, which were acquired in 2016 and first consolidated for the full year in 2017. This performance and contribution more than offset the decline in operating gross profit in Latin America.

OPERATING EXPENSES

The Brenntag Group's operating expenses amounted to EUR 446.1 million in the first quarter of 2017. This rise of 9.3% year on year, or 7.1% on a constant currency basis, is due primarily to the volume-driven business growth, which resulted in part from the inclusion of the acquisitions. Operating expenses for the existing business were only moderately higher.

OPERATING EBITDA

The Brenntag Group achieved operating EBITDA of EUR 201.6 million overall in the first quarter of 2017, an increase of 4.9% on the prior-year period. This represents earnings growth of 2.5% on a constant currency basis. The growth in the EMEA, North America and Asia Pacific segments more than offset the still-difficult situation in several Latin American countries.

DEPRECIATION, AMORTIZATION AND NET FINANCE COSTS

Depreciation of property, plant and equipment and amortization of intangible assets amounted to EUR 40.5 million in the first quarter of 2017, with depreciation of property, plant and equipment accounting for EUR 28.9 million and amortization of intangible assets for EUR 11.6 million. Compared with the first quarter of 2016, we recorded a slight decrease in total depreciation and amortization of EUR 0.5 million.

Net finance costs amounted to EUR 22.8 million in the first quarter of 2017 (Q1 2016: EUR 49.7 million). In the previous year, net finance costs were impacted by the changes made by the Venezuelan government to the official exchange rate mechanisms and the resulting foreign exchange losses of EUR 27.1 million. Net interest expense, which is a component of net finance costs, came to EUR 24.8 million (Q1 2016: EUR 20.3 million). The net increase in expense is due mainly to transaction costs still recognized in connection with the previous financing being charged to profit or loss as a result of the refinancing in January 2017.

PROFIT BEFORE TAX

Profit before tax amounted to EUR 138.3 million in the first quarter of 2017 (Q1 2016: EUR 101.4 million). The lower profit before tax in the first quarter of 2016 was mainly the result of foreign exchange losses in Venezuela.

INCOME TAXES AND PROFIT AFTER TAX

Income tax expense increased by EUR 8.2 million year on year to EUR 43.6 million in the first quarter of 2017 (Q1 2016: EUR 35.4 million) due to the higher profit before tax.

Profit after tax stood at EUR 94.7 million in the first quarter of 2017 (Q1 2016: EUR 66.0 million).

BUSINESS PERFORMANCE IN THE SEGMENTS

B.03 BUSINESS PERFORMANCE IN THE SEGMENTS

Q1 2017 in EUR m	**Brenntag Group**	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	2,973.3	1,254.7	1,129.8	210.1	285.5	93.2
Operating gross profit	647.7	279.0	272.5	43.7	48.3	4.2
Operating expenses	−446.1	−183.2	−183.9	−34.5	−31.3	−13.2
Operating EBITDA	**201.6**	**95.8**	**88.6**	**9.2**	**17.0**	**−9.0**

EMEA (EUROPE, MIDDLE EAST & AFRICA)

B.04 BUSINESS PERFORMANCE IN THE SEGMENTS / EMEA

			Change		
in EUR m	**Q1 2017**	Q1 2016	abs.	in %	in % (fx adj.)
External sales	1,254.7	1,154.2	100.5	8.7	9.4
Operating gross profit	279.0	267.6	11.4	4.3	5.1
Operating expenses	−183.2	−179.3	−3.9	2.2	3.2
Operating EBITDA	**95.8**	**88.3**	**7.5**	**8.5**	**9.1**

External sales and volumes
The EMEA segment generated external sales of EUR 1,254.7 million in the first quarter of 2017, a rise of 8.7% compared with the prior-year period. On a constant currency basis, external sales were 9.4% higher and based in part on higher volumes.

Operating gross profit
The operating gross profit generated by the companies in the EMEA segment climbed by 4.3% year on year to EUR 279.0 million in the first quarter of 2017. This represents growth of 5.1% on a constant currency basis and is due predominantly to the encouraging performance from the existing business. Several smaller acquisitions also made a positive contribution to the business growth, particularly WARREN CHEM SPECIALITIES (PTY) LTD in South Africa.

Operating expenses
The EMEA segment posted operating expenses of EUR 183.2 million in the first quarter of 2017. This represents a moderate rise of 2.2% compared with the first quarter of 2016, or 3.2% on a constant currency basis, and is due primarily to higher personnel costs as well as to higher transport costs as a result of the increase in volumes.

Operating EBITDA
The companies in the EMEA segment achieved operating EBITDA of EUR 95.8 million in the first quarter of 2017 and thus posted very encouraging earnings growth of 8.5% and, on a constant currency basis, 9.1%. This growth is based mainly on the very positive performance from the existing business and in part on the contribution from the acquisitions. We are very satisfied with this result, especially given the fact that economic growth was only moderate.

NORTH AMERICA

B.05 BUSINESS PERFORMANCE IN THE SEGMENTS / NORTH AMERICA

			Change		
in EUR m	**Q1 2017**	Q1 2016	abs.	in %	in % (fx adj.)
External sales	1,129.8	941.3	188.5	20.0	15.6
Operating gross profit	272.5	244.2	28.3	11.6	7.5
Operating expenses	−183.9	−159.6	−24.3	15.2	10.9
Operating EBITDA	**88.6**	**84.6**	**4.0**	**4.7**	**1.0**

Performance in the North America segment during the first quarter of 2017 was characterized by a somewhat improved macroeconomic environment and a stabilizing trend in the oil and gas industry.

External sales and volumes

The North America segment generated external sales of EUR 1,129.8 million in the first quarter of 2017. This rise of 20.0% compared with the first quarter of 2016, or 15.6% on a constant currency basis, is attributable to a combination of price increases and encouraging volume growth.

Operating gross profit

The operating gross profit generated by the North American companies rose by 11.6% year on year to EUR 272.5 million in the first quarter of 2017. This represents growth of 7.5% on a constant currency basis and is based on higher volumes. The growth was driven, firstly, by an increase in the existing business, which also included a rise in operating gross profit from customers in the oil and gas industry. Secondly, the acquisitions made a positive contribution.

Operating expenses

Operating expenses in the North America segment amounted to EUR 183.9 million in the first quarter of 2017, a year-on-year increase of 15.2% (10.9% on a constant currency basis). In addition to higher volumes in the existing business, the rise is partly due to the acquisition-driven growth. Personnel, rent and transport expenses in particular were higher. In addition, the year-on-year increase in the oil price resulted in higher energy costs overall.

Operating EBITDA

The North American companies achieved operating EBITDA of EUR 88.6 million in the first quarter of 2017, an increase of 4.7% compared with the first quarter of 2016. This growth of 1.0% on a constant currency basis is due primarily to the inclusion of the acquirees, particularly NOCO, which was acquired in 2016 and first consolidated for the full year in 2017, while the existing business remained virtually on a par with the previous year. The economic environment displayed an improving trend, with industrial production showing slight growth for the first time in five quarters.

LATIN AMERICA

B.06 BUSINESS PERFORMANCE IN THE SEGMENTS / LATIN AMERICA

			Change		
in EUR m	**Q1 2017**	Q1 2016	abs.	in %	in % (fx adj.)
External sales	210.1	191.8	18.3	9.5	−0.8
Operating gross profit	43.7	43.6	0.1	0.2	−9.0
Operating expenses	**−34.5**	**−31.2**	**−3.3**	**10.6**	**1.5**
Operating EBITDA	**9.2**	**12.4**	**−3.2**	**−25.8**	**−34.3**

External sales and volumes
The Latin America segment generated external sales of EUR 210.1 million in the first quarter of 2017 and thus posted a rise of 9.5%, or a slight decline of 0.8% on a constant currency basis. Volumes were higher than in the prior-year period.

Operating gross profit
The operating gross profit achieved by the Latin American companies in the first quarter of 2017 amounted to EUR 43.7 million. Compared with the prior-year period, operating gross profit therefore rose by 0.2% thanks to more favourable exchange rates; on a constant currency basis, it declined by 9.0%. The still-difficult economic situation in countries such as Brazil, and to an increasing extent Argentina too, continued to have a negative impact on our business during the first quarter of 2017.

Operating expenses
Operating expenses in the Latin America segment amounted to EUR 34.5 million in the first quarter of 2017. Despite significantly higher volumes, we managed to limit the increase on a constant currency basis to 1.5% compared with the first quarter of 2016. Based on reported figures, however, the rise in operating expenses was a significantly higher 10.6%.

Operating EBITDA
The Latin American companies posted operating EBITDA of EUR 9.2 million overall in the first quarter of 2017, a decrease of 25.8% on the prior-year period. On a constant currency basis, operating EBITDA dropped by 34.3%, due mainly to the aforementioned difficult economic situation in Brazil and Argentina. Overall in Latin America, we saw another decline in industrial production in the first quarter of 2017.

ASIA PACIFIC

B.07 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC

			Change		
in EUR m	**Q1 2017**	Q1 2016	abs.	in %	in % (fx adj.)
External sales	285.5	234.1	51.4	22.0	18.4
Operating gross profit	48.3	41.9	6.4	15.3	12.1
Operating expenses	−31.3	−27.0	−4.3	15.9	12.6
Operating EBITDA	**17.0**	**14.9**	**2.1**	**14.1**	**11.1**

External sales and volumes
External sales in the Asia Pacific segment increased by 22.0% year on year to EUR 285.5 million in the first quarter of 2017. This represents sales growth of 18.4% on a constant currency basis and is due equally to higher volumes and a higher average sales price per unit.

Operating gross profit
The Asia Pacific segment generated operating gross profit of EUR 48.3 million in the first quarter of 2017, a rise of 15.3% compared with the prior-year period. On a constant currency basis, operating gross profit climbed by 12.1% due to an increase in volumes. This was driven by both the growth in the existing business and the contribution from the acquisitions made in 2016.

Operating expenses
The operating expenses of the companies in the Asia Pacific segment rose by 15.9% year on year, or 12.6% on a constant currency basis, to EUR 31.3 million in the first quarter of 2017. The increase in costs is attributable to both the acquisitions and the growth in the existing business, which resulted, among other things, in higher personnel, rent and transport costs.

Operating EBITDA
The companies in the Asia Pacific segment generated operating EBITDA of EUR 17.0 million in the first quarter of 2017 and thus posted encouraging earnings growth of 14.1% compared with the prior-year period. This represents a rise of 11.1% on a constant currency basis and is due to both an increase in the existing business and the inclusion of the acquisitions.

ALL OTHER SEGMENTS

B.08 BUSINESS PERFORMANCE IN THE SEGMENTS / ALL OTHER SEGMENTS

			Change		
in EUR m	**Q1 2017**	Q1 2016	abs.	in %	in % (fx adj.)
External sales	93.2	58.7	34.5	58.8	58.8
Operating gross profit	4.2	3.1	1.1	35.5	35.5
Operating expenses	–13.2	–11.2	–2.0	17.9	17.9
Operating EBITDA	**–9.0**	**–8.1**	**–0.9**	**11.1**	**11.1**

In addition to various holding companies, all other segments contain the operations of Brenntag International Chemicals, which buys and sells chemicals in bulk on an international scale without regional boundaries.

In the first quarter of 2017, Brenntag International Chemicals GmbH, Mülheim an der Ruhr, was able to increase operating EBITDA compared with the prior-year period.

The operating expenses posted by the holding companies in the same period were up on the first quarter of 2016.

Overall, the operating EBITDA of all other segments dropped by EUR 0.9 million year on year to EUR –9.0 million in the first quarter of 2017.

FINANCIAL POSITION

CAPITAL STRUCTURE

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

The most important component in the financing structure of Brenntag AG is the Group-wide syndicated loan agreement. Total liabilities (excluding accrued interest and before offsetting of transaction costs) under the syndicated loan amounted to EUR 1,107.0 million as at March 31, 2017.

In January 2017, Brenntag took advantage of the very favourable capital market conditions for borrowers and refinanced the syndicated loan ahead of schedule. To do so, a new syndicated loan totalling the equivalent of EUR 1.7 billion was concluded with a consortium of international banks. In refinancing the loan, an amount of USD 150.0 million was repaid from available liquidity. The new loan runs until 2022. It is based on variable interest rates with margins depending on leverage, and is divided into different tranches with different currencies. In addition to fully drawn tranches, the loan agreement also contains two revolving credit facilities totalling EUR 940.0 million, which can be drawn down in various currencies. As at March 31, 2017 one of the two revolving credit facilities was fully drawn down in the amount of EUR 340.0 million. The second revolving credit facility in the amount of EUR 600.0 million was mostly unused at that date. While some of our subsidiaries are still direct borrowers under the loan, others obtain their financing from intra-Group loans.

In April 2013, parts of the floating-rate syndicated loan were hedged against interest rate risk using appropriate financial instruments. Following the expiry of some of those instruments, slightly more than 50% of the Brenntag Group's financial liabilities are currently hedged against the risk of interest rate increases.

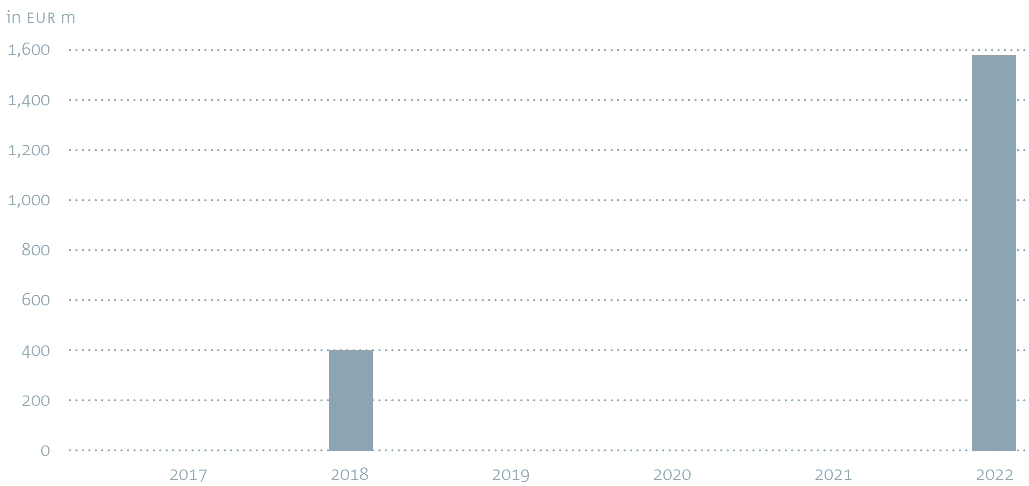
The EUR 400 million bond (Bond 2018) issued by our Group company Brenntag Finance B.V., Amsterdam, Netherlands, in July 2011 matures in July 2018 and bears a coupon of 5.5% with interest paid annually. It is guaranteed by Brenntag AG. If any of the events of default defined in the conditions of issue occurs, each holder of the Bond 2018 may terminate his bond and request that it be repaid immediately. Should the issuer not be able to meet its repayment obligations, the bondholders are entitled to call on the guarantee provided by Brenntag AG as security.

Furthermore, in November 2015, Brenntag Finance B.V. issued a bond with warrant units in the amount of USD 500.0 million maturing in December 2022. The bond (Bond (with Warrants) 2022) was issued at 92.7% of par and bears a coupon of 1.875% p.a. with interest payable semi-annually. It is guaranteed by Brenntag AG. The interest expense from the Bond (with Warrants) 2022 comprises the aforementioned interest payments and the ongoing amortization of the discount. The discount (7.3% or USD 36.5 million) is the warrant premium on the warrants issued together with the Bond (with Warrants) 2022 to purchase Brenntag AG shares. The warrant premium was recognized in the Group's additional paid-in capital in 2015. If a termination event as defined in the bond terms and conditions occurs, each holder of the Bond (with Warrants) 2022 may terminate his Bond (with Warrants) 2022 and request that it be repaid immediately. Should the issuer not be able to meet its repayment obligations, the bondholders are entitled to call on the guarantee provided by Brenntag AG as security.

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

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

B.09 MATURITY PROFILE OF OUR CREDIT PORTFOLIO[1] AS AT MARCH 31, 2017



[1] Syndicated loan, Bond 2018 and Bond (with Warrants) 2022 excluding accrued interest and transaction costs.

INVESTMENTS

In the first quarter of 2017, investments in property, plant and equipment and intangible assets (excluding additions from acquisitions) led to a total cash outflow of EUR 25.6 million (Q1 2016: EUR 24.0 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.

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

LIQUIDITY

CASH FLOW

B.10 CASH FLOW

in EUR m	**Q1 2017**	Q1 2016
Net cash provided by operating activities	**75.7**	**99.0**
Net cash used in investing activities	**−51.1**	**−52.9**
thereof payments to acquire consolidated subsidiaries, other business units and other financial assets	(−27.3)	(−31.3)
thereof payments to acquire intangible assets and property, plant and equipment	(−25.6)	(−24.0)
thereof proceeds from divestments	(1.8)	(2.4)
Net cash used in financing activities	**−116.3**	**−20.8**
thereof repayments of / proceeds from borrowings	(−116.3)	(−6.3)
thereof other financing activities	(–)	(−14.5)
Change in cash and cash equivalents	**−91.7**	**25.3**

Net cash provided by operating activities of EUR 75.7 million includes an inflow of EUR 47.8 million from the reimbursement of a fine paid in 2013. The reimbursement was added to provisions, as proceedings are still ongoing before the court of appeal and the amount of any fine ultimately imposed will depend on how those proceedings progress. The net cash inflow from operating activities was influenced by the rise in working capital of EUR 155.8 million.

Of the net cash of EUR 51.1 million used in investing activities, EUR 25.6 million comprised payments to acquire intangible assets and property, plant and equipment. Payments to acquire consolidated subsidiaries, other business units and other financial assets amounted to EUR 27.3 million and included, among other items, the purchase prices for the acquisition of all shares in specialist chemical services provider Petra Industries, Inc. based in Fairmont City, Illinois, USA and for the pipeline and chemical services division of Greene's Energy Group, LLC based in Houston, Texas, USA, which was acquired in an asset deal.

Net cash used in financing activities amounted to EUR 116.3 million. This includes a net amount of EUR 134.1 million repaid in refinancing the syndicated loan ahead of schedule.

FREE CASH FLOW

B.11 FREE CASH FLOW

			Change	
in EUR m	**Q1 2017**	Q1 2016	abs.	in %
Operating EBITDA	201.6	192.1	9.5	4.9
Investments in non-current assets (capex)	−20.1	−17.6	−2.5	14.2
Change in working capital	−155.8	−43.3	−112.5	259.8
Free cash flow	**25.7**	**131.2**	**−105.5**	**−80.4**

The Brenntag Group's free cash flow amounted to EUR 25.7 million in the first quarter of 2017. We therefore recorded a decrease compared with the prior-year period (EUR 131.2 million).

This is due mainly to the increase in working capital. In the prior-year period, the rise in working capital was much smaller due to lower prices on the chemical market. Nevertheless, we were able to limit the increase in working capital in the first quarter of 2017 and improve working capital turnover.

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

FINANCIAL AND ASSETS POSITION

B.12 FINANCIAL AND ASSETS POSITION

	Mar. 31, 2017		Dec. 31, 2016	
in EUR m	**abs.**	**in %**	abs.	in %
Assets				
Current assets	**3,472.5**	**46.5**	**3,281.7**	**45.0**
Cash and cash equivalents	506.5	6.8	601.9	8.3
Trade receivables	1,744.5	23.3	1,511.2	20.7
Other receivables and assets	208.5	2.8	205.8	2.8
Inventories	1,013.0	13.6	962.8	13.2
Non-current assets	**3,999.5**	**53.5**	**4,005.3**	**55.0**
Intangible assets [1]	2,868.9	38.4	2,873.2	39.4
Other fixed assets	1,031.7	13.8	1,034.7	14.2
Receivables and other assets	98.9	1.3	97.4	1.4
Total assets	**7,472.0**	**100.0**	**7,287.0**	**100.0**
Liabilities and equity				
Current liabilities	**1,960.1**	**26.2**	**1,714.6**	**23.5**
Provisions	86.0	1.2	36.2	0.5
Trade payables	1,246.3	16.7	1,119.4	15.4
Financial liabilities	179.6	2.4	146.3	2.0
Miscellaneous liabilities	448.2	5.9	412.7	5.6
Equity and non-current liabilities	**5,511.9**	**73.8**	**5,572.4**	**76.5**
Equity	3,054.6	40.9	2,959.2	40.6
Non-current liabilities	2,457.3	32.9	2,613.2	35.9
Provisions	272.7	3.6	281.5	3.9
Financial liabilities	1,984.5	26.6	2,137.5	29.3
Miscellaneous liabilities	200.1	2.7	194.2	2.7
Total liabilities and equity	**7,472.0**	**100.0**	**7,287.0**	**100.0**

[1] Of the intangible assets as at March 31, 2017, some EUR 1,299 million relates to goodwill and trademarks that were capitalized as part of the purchase price allocation performed on the acquisition of the Brenntag Group by funds advised by BC Partners Limited, Bain Capital, Ltd. and subsidiaries of Goldman Sachs International at the end of the third quarter of 2006 in addition to the relevant intangible assets already existing in the previous Group structure.

As at March 31, 2017, total assets had increased by EUR 185.0 million compared with the end of the previous year to EUR 7,472.0 million (Dec. 31, 2016: EUR 7,287.0 million).

Cash and cash equivalents were down year on year to EUR 506.5 million (Dec. 31, 2016: EUR 601.9 million).

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

- Trade receivables increased by 15.4% in the reporting period to EUR 1,744.5 million (Dec. 31, 2016: EUR 1,511.2 million).
- Inventories increased by 5.2% in the reporting period to EUR 1,013.0 million (Dec. 31, 2016: EUR 962.8 million).
- With the opposite effect on working capital, trade payables increased by 11.3% to EUR 1,246.3 million (Dec. 31, 2016: EUR 1,119.4 million).

Adjusted for exchange rate effects and acquisitions, working capital rose by a total of EUR 155.8 million compared with December 31, 2016. This rise is due to a strong increase in prices on the chemical market in the first quarter of 2017. At 8.3 in the reporting period, annualized working capital turnover[1)] was up on the prior-year period (8.1).

The Brenntag Group's intangible and other non-current assets declined by EUR 7.3 million year on year to EUR 3,900.6 million (Dec. 31, 2016: EUR 3,907.9 million). The decline is mainly the result of depreciation and amortization (EUR 40.5 million) and exchange rate effects (EUR 15.5 million). This was partly offset by additions from acquisitions (EUR 29.1 million) and investments in non-current assets (EUR 20.1 million).

Current financial liabilities increased by EUR 33.3 million to EUR 179.6 million in total (Dec. 31, 2016: EUR 146.3 million). Current financial liabilities consist mostly of temporary local loans taken out by Brenntag companies. Non-current financial liabilities declined by 7.2% year on year to EUR 1,984.5 million (Dec. 31, 2016: EUR 2,137.5 million). This decline in non-current financial liabilities is due in particular to the repayment of EUR 134.1 million in refinancing the syndicated loan ahead of schedule in January 2017.

Current and non-current provisions amounted to a total of EUR 358.7 million (Dec. 31, 2016: EUR 317.7 million). This figure included pension provisions in the amount of EUR 153.4 million (Dec. 31, 2016: EUR 160.2 million).

As at March 31, 2017, the equity of the Brenntag Group totalled EUR 3,054.6 million (Dec. 31, 2016: EUR 2,959.2 million).

[1)] Ratio of annual sales to average working capital; annual sales are defined as sales for the first quarter extrapolated to the full year (quarterly sales multiplied by four); average working capital for the first quarter is defined as the average of working capital at the beginning of the year and at the end of the first quarter.

EMPLOYEES

As at March 31, 2017, Brenntag had 14,960 employees worldwide. The total number of employees is determined on the basis of full-time equivalents, i.e. part-time jobs are weighted according to the number of hours worked.

B.13 EMPLOYEES PER SEGMENT

	Mar. 31, 2017		Dec. 31, 2016	
Full-time equivalents (FTEs)	**abs.**	**in %**	abs.	in %
EMEA	6,730	45.0	6,688	45.1
North America	4,682	31.3	4,602	31.0
Latin America	1,489	9.9	1,482	10.0
Asia Pacific	1,927	12.9	1,921	13.0
All other segments	132	0.9	133	0.9
Brenntag Group	**14,960**	**100.0**	**14,826**	**100.0**

REPORT ON EXPECTED DEVELOPMENTS

The International Monetary Fund forecasts that growth in the **global economy**, measured in terms of GDP, will be slightly higher year on year in 2017. As regards the individual segments of the Brenntag Group, the Asian economies are predicted to achieve the highest growth. The European economy is forecast to remain on a moderately positive growth track. In Latin America, the market environment is expected to remain volatile and the economic trend highly uncertain, especially in Brazil. The rate of expansion in North America, on the other hand, will likely be higher than in the previous year. Weighted by the sales generated by Brenntag in the individual countries, this results in a forecast average growth rate of 2.6%.

Against this background, we currently expect the following Group and segment performance in financial year 2017 in local currencies, i.e. excluding exchange rate effects:

We expect that the **Brenntag Group** will see growth in our key performance indicators operating gross profit and operating EBITDA. Operating gross profit is anticipated to show a meaningful increase due predominantly to higher volumes in the existing business. The EMEA, North America and Asia Pacific regions are expected to support this performance. Operating EBITDA is forecast to grow at a meaningful rate, with the EMEA, North America and Asia Pacific segments contributing to this growth.

For the **EMEA segment**, we forecast meaningful increases in operating gross profit, attributable primarily to higher volumes. We are focusing on the life science business among others and also planning to expand in high-growth regions such as Africa and the Middle East. We expect to be able to translate the growth in operating gross profit into meaningful growth in operating EBITDA.

In the **North America segment**, we expect a meaningful rise in operating gross profit due in part to the planned expansion of the business in the food and water treatment industry and also the lubricants business. Based on the forecast of a more positive environment for customers in the oil & gas sector, we predict an increase in demand and therefore operating gross profit in this sector. We therefore expect operating EBITDA to show meaningful growth.

In the **Latin America segment**, despite the significant decline in the first quarter of 2017, we predict that we are generally well placed to be successful, even as macroeconomic conditions remain volatile. In particular, we are planning to expand our product portfolio in food and feed as well as in the agriculture industry. We therefore expect our operating gross profits and operating EBITDA to be roughly on a par with the previous year.

For the **Asia Pacific segment**, we predict a significant increase in operating gross profit, particularly in light of the positive economic momentum. This is attributable to higher volumes in our existing business, but also to the acquisitions carried out in 2016. In addition, we are planning to expand our geographical presence and accelerate growth in the industrial chemical business. We therefore also predict a significant increase in operating EBITDA.

Given the planned growth in business volume, we expect average **working capital** to show a meaningful increase compared with 2016. We will continue to focus on customer and supplier relationship management and work continuously to improve our warehouse logistics. As a result, we expect to be able to accelerate the working capital turnover achieved in 2016.

In order to keep property, plant and equipment capacities in line with the increasing volume of business and support organic growth, we plan to make **investments** in property, plant and equipment in excess of depreciation in 2017. We expect capital expenditure to increase to over EUR 150 million, primarily as a result of projects to expand our business operations.

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

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.

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.

As a global company, Brenntag has to comply with the country-specific tax and customs regulations in each jurisdiction. In this context, risks could result primarily from current and future tax audits of our German and foreign subsidiaries. Specifically, Brenntag is presently examining to what extent the German customs authorities' current review of the tax on spirits gives rise to particular risks.

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 of this year. 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. In the proceedings ongoing before the court of appeal, it will be decided to what extent a fine will be imposed. An appeal has been lodged against this decision by the court of appeal with the aim of definitively reversing the fine ruling. Regarding the investigation also ongoing at the French Competition Authority concerning whether BRENNTAG SA has illegally made use of its market position, a decision by the Authority is still pending. The Authority has stated that it believes that Brenntag has breached duties to cooperate in this investigation. A fine may be imposed. Brenntag believes that all legal obligations were fulfilled.

In the first quarter of 2017, there were otherwise no significant changes in the opportunities and risks for the Brenntag Group described in detail in the 2016 Annual Report. Other risks that we are currently unaware of or that we currently consider immaterial might also negatively impact our business operations. Currently, there are no indications of risks that may jeopardize the continued existence of the company.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

at March 31, 2017

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CONSOLIDATED INCOME STATEMENT

C.01 CONSOLIDATED INCOME STATEMENT

in EUR m	Note	**Jan. 1 – Mar. 31, 2017**	Jan. 1 – Mar. 31, 2016
Sales		2,973.3	2,580.1
Cost of sales		−2,341.5	−1,993.5
Gross profit		**631.8**	**586.6**
Selling expenses		−426.0	−392.4
Administrative expenses		−48.3	−46.3
Other operating income		7.3	6.6
Other operating expenses		−3.7	−3.4
Operating profit		**161.1**	**151.1**
Share of profit or loss of equity-accounted investments		1.0	0.4
Interest income	1.)	0.9	1.1
Interest expense	2.)	−25.7	−21.4
Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	3.)	−0.3	−1.2
Other net finance costs	4.)	1.3	−28.6
Net finance costs		**−22.8**	**−49.7**
Profit before tax		**138.3**	**101.4**
Income tax expense	5.)	−43.6	−35.4
Profit after tax		**94.7**	**66.0**
Attributable to:			
Shareholders of Brenntag AG		94.5	65.9
Non-controlling interests		0.2	0.1
Basic earnings per share in euro	**6.)**	**0.61**	**0.43**
Diluted earnings per share in euro	**6.)**	**0.61**	**0.43**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

C.02 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR m	Note	**Jan. 1 – Mar. 31, 2017**	Jan. 1 – Mar. 31, 2016
Profit after tax		**94.7**	**66.0**
Remeasurements of defined benefit pension plans	9.)	5.9	−29.7
Deferred tax relating to remeasurements of defined benefit pension plans	9.)	−1.8	8.3
Items that will not be reclassified to profit or loss		**4.1**	**−21.4**
Change in exchange rate differences on translation of consolidated companies		−2.7	−36.2
Change in exchange rate differences on translation of equity-accounted investments		0.3	−0.2
Change in net investment hedge reserve		–	2.3
Change in cash flow hedge reserve		−1.9	−4.4
Deferred tax relating to change in cash flow hedge reserve		0.7	1.6
Items that may be reclassified subsequently to profit or loss		**−3.6**	**−36.9**
Other comprehensive income, net of tax		**0.5**	**−58.3**
Total comprehensive income		**95.2**	**7.7**
Attributable to:			
Shareholders of Brenntag AG		95.3	9.4
Non-controlling interests		−0.1	−1.7

CONSOLIDATED BALANCE SHEET

ASSETS

in EUR m	Note	**Mar. 31, 2017**	Dec. 31, 2016
Current assets			
Cash and cash equivalents		506.5	601.9
Trade receivables		1,744.5	1,511.2
Other receivables		152.2	145.4
Other financial assets		13.9	18.6
Current tax assets		42.4	41.8
Inventories		1,013.0	962.8
		3,472.5	**3,281.7**
Non-current assets			
Property, plant and equipment		1,004.8	1,009.1
Intangible assets		2,868.9	2,873.2
Equity-accounted investments		26.9	25.6
Other receivables		25.8	25.1
Other financial assets		15.1	14.4
Deferred tax assets		58.0	57.9
		3,999.5	4,005.3
Total assets		**7,472.0**	**7,287.0**

C.03 CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY

in EUR m	Note	**Mar. 31, 2017**	Dec. 31, 2016
Current liabilities			
Trade payables		1,246.3	1,119.4
Financial liabilities	7.)	179.6	146.3
Other liabilities		399.1	376.2
Other provisions	8.)	86.0	36.2
Liabilities relating to acquisition of non-controlling interests	10.)	–	–
Current tax liabilities		49.1	36.5
		1,960.1	**1,714.6**
Non-current liabilities			
Financial liabilities	7.)	1,984.5	2,137.5
Other liabilities		1.9	2.0
Other provisions	8.)	119.3	121.3
Provisions for pensions and other post-employment benefits	9.)	153.4	160.2
Liabilities relating to acquisition of non-controlling interests	10.)	5.8	5.5
Deferred tax liabilities		192.4	186.7
		2,457.3	**2,613.2**
Equity			
Subscribed capital		154.5	154.5
Additional paid-in capital		1,491.4	1,491.4
Retained earnings		1,267.1	1,168.5
Accumulated other comprehensive income		131.8	135.1
Equity attributable to shareholders of Brenntag AG		**3,044.8**	**2,949.5**
Equity attributable to non-controlling interests	11.)	9.8	9.7
		3,054.6	2,959.2
Total liabilities and equity		**7,472.0**	**7,287.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR m	Subscribed capital	Additional paid-in capital	Retained earnings
Dec. 31, 2015	**154.5**	**1,491.4**	**938.0**
Business combinations	–	–	–
Profit after tax	–	–	65.9
Other comprehensive income, net of tax	–	–	−21.4
Total comprehensive income for the period	**–**	**–**	**44.5**
Mar. 31, 2016	**154.5**	**1,491.4**	**982.5**

Dec. 31, 2016	**154.5**	**1,491.4**	**1,168.5**
Transfers	–	–	–
Profit after tax	–	–	94.5
Other comprehensive income, net of tax	–	–	4.1
Total comprehensive income for the period	**–**	**–**	**98.6**
Mar. 31, 2017	**154.5**	**1,491.4**	**1,267.1**

C.04 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY / MAR 31, 2016

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	Non-controlling interests	**Equity**
70.3	**−8.6**	**1.2**	**−0.4**	**2,646.4**	**44.1**	**2,690.5**
–	–	–	–	–	0.2	0.2
–	–	–	–	65.9	0.1	66.0
−34.6	2.3	−4.4	1.6	−56.5	−1.8	−58.3
−34.6	**2.3**	**−4.4**	**1.6**	**9.4**	**−1.7**	**7.7**
35.7	**−6.3**	**−3.2**	**1.2**	**2,655.8**	**42.6**	**2,698.4**

C.05 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY / MAR 31, 2017

140.3	**−6.4**	**1.9**	**−0.7**	**2,949.5**	**9.7**	**2,959.2**
−6.4	6.4	–	–	–	–	–
–	–	–	–	94.5	0.2	94.7
−2.1	–	−1.9	0.7	0.8	−0.1	0.7
−2.1	**–**	**−1.9**	**0.7**	**95.3**	**0.1**	**95.4**
131.8	**–**	**–**	**–**	**3,044.8**	**9.8**	**3,054.6**

CONSOLIDATED CASH FLOW STATEMENT

C.06 CONSOLIDATED CASH FLOW STATEMENT

in EUR m	Note	**Jan. 1– Mar. 31, 2017**	Jan. 1– Mar. 31, 2016
	12.)		
Profit after tax		**94.7**	**66.0**
Depreciation and amortization		40.5	41.0
Income tax expense		43.6	35.4
Income taxes paid		−29.7	−43.8
Net interest expense		24.8	20.3
Interest paid (netted against interest received)		−15.6	−7.4
Changes in provisions		46.4	0.2
Changes in current assets and liabilities			
Inventories		−50.6	9.7
Receivables		−240.1	−118.7
Liabilities		157.5	55.2
Non-cash change in liabilities relating to acquisition of non-controlling interests		0.3	1.2
Other non-cash items and reclassifications		3.9	39.9
Net cash provided by operating activities		**75.7**	**99.0**
Proceeds from the disposal of intangible assets and property, plant and equipment		1.8	2.4
Payments to acquire consolidated subsidiaries and other business units		−27.3	−31.1
Payments to acquire other financial assets		–	−0.2
Payments to acquire intangible assets and property, plant and equipment		−25.6	−24.0
Net cash used in investing activities		**−51.1**	**−52.9**
Repayments of liabilities relating to acquisition of non-controlling interests		–	−14.5
Proceeds from borrowings		116.6	17.4
Repayments of borrowings		−232.9	−23.7
Net cash used in financing activities		**−116.3**	**−20.8**
Change in cash and cash equivalents		**−91.7**	**25.3**
Effect of exchange rate changes on cash and cash equivalents		−3.7	−24.2
Cash and cash equivalents at beginning of period		601.9	579.1
Cash and cash equivalents at end of period		**506.5**	**580.2**

CONDENSED NOTES

KEY FINANCIAL FIGURES BY SEGMENT

for the period from January 1 to March 31, 2017

C.07 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8

in EUR m		EMEA[4]	North America	Latin America	Asia Pacific	All other segments	Consoli-dation	**Group**
External sales	**2017**	**1,254.7**	**1,129.8**	**210.1**	**285.5**	**93.2**	**–**	**2,973.3**
	2016	1,154.2	941.3	191.8	234.1	58.7	–	2,580.1
	Change in %	8.7	20.0	9.5	22.0	58.8	–	15.2
	fx adjusted change in %	9.4	15.6	−0.8	18.4	58.8	–	12.8
Inter-segment sales	**2017**	**2.5**	**2.5**	**–**	**–**	**0.4**	**−5.4**	**–**
	2016	2.1	3.2	0.1	−0.1	0.1	−5.4	–
Operating gross profit[1]	**2017**	**279.0**	**272.5**	**43.7**	**48.3**	**4.2**	**–**	**647.7**
	2016	267.6	244.2	43.6	41.9	3.1	–	600.4
	Change in %	4.3	11.6	0.2	15.3	35.5	–	7.9
	fx adjusted change in %	5.1	7.5	−9.0	12.1	35.5	–	5.6
Gross profit	**2017**	**–**	**–**	**–**	**–**	**–**	**–**	**631.8**
	2016	–	–	–	–	–	–	586.6
	Change in %	–	–	–	–	–	–	7.7
	fx adjusted change in %	–	–	–	–	–	–	5.5
Operating EBITDA[2] (segment result)	**2017**	**95.8**	**88.6**	**9.2**	**17.0**	**−9.0**	**–**	**201.6**
	2016	88.3	84.6	12.4	14.9	−8.1	–	192.1
	Change in %	8.5	4.7	−25.8	14.1	11.1	–	4.9
	fx adjusted change in %	9.1	1.0	−34.3	11.1	11.1	–	2.5
Investments in non-current assets (capex)[3]	**2017**	**10.0**	**8.5**	**0.7**	**0.8**	**0.1**	**–**	**20.1**
	2016	7.8	6.9	1.3	1.6	–	–	17.6

[1] External sales less cost of materials.
[2] Segment operating EBITDA is calculated as segment EBITDA adjusted for holding charges. These are certain costs charged between holding companies and operating companies. At Group level they net to zero. Operating EBITDA therefore corresponds to EBITDA at Group level.
[3] Investments in non-current assets are the other additions to property, plant and equipment and intangible assets.
[4] Europe, Middle East & Africa.

GROUP KEY FINANCIAL FIGURES

C.08 FREE CASH FLOW

in EUR m	**Jan. 1– Mar. 31, 2017**	Jan. 1– Mar. 31, 2016
Operating EBITDA	**201.6**	**192.1**
Investments in non-current assets (capex)[1]	-20.1	-17.6
Change in working capital[2][3]	-155.8	-43.3
Free cash flow	**25.7**	**131.2**

[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.

C.09 RECONCILIATION FROM OPERATING EBITDA TO PROFIT BEFORE TAX

in EUR m	**Jan. 1– Mar. 31, 2017**	Jan. 1– Mar. 31, 2016
Operating EBITDA (segment result)[1][2]	**201.6**	**192.1**
Depreciation of property, plant and equipment	−28.9	−28.8
Impairment of property, plant and equipment	–	–
EBITA	**172.7**	**163.3**
Amortization of intangible assets[3]	−11.6	−12.2
Impairment of intangible assets	–	–
EBIT	**161.1**	**151.1**
Net finance costs	−22.8	−49.7
Profit before tax	**138.3**	**101.4**

[1] At Group level, operating EBITDA corresponds to EBITDA.
[2] Operating EBITDA of the reportable segments (EMEA, North America, Latin America and Asia Pacific) amounts to EUR 210.6 million (Q1 2016: EUR 200.2 million) and operating EBITDA of all other segments to EUR -9.0 million (Q1 2016: EUR -8.1 million).
[3] This figure includes amortization of customer relationships in the amount of EUR 9.1 million (Q1 2016: EUR 9.2 million).

C.10 RECONCILIATION OF OPERATING GROSS PROFIT TO GROSS PROFIT

in EUR m	**Jan. 1–Mar. 31, 2017**	Jan. 1–Mar. 31, 2016
Operating gross profit	**647.7**	**600.4**
Production / mixing & blending costs	−15.9	−13.8
Gross profit	**631.8**	**586.6**

CONSOLIDATION POLICIES AND METHODS

STANDARDS APPLIED

These interim consolidated financial statements for the period from January 1 to March 31, 2017 have been prepared in accordance with the requirements of IAS 34 (Interim Financial Reporting). The Notes are presented in condensed form compared with the Notes to the consolidated financial statements as at December 31, 2016.

The same accounting policies have been applied as for the consolidated financial statements as at December 31, 2016.

Income taxes have been recognized on the basis of the latest estimate of the Group tax rate expected for financial year 2017.

SCOPE OF CONSOLIDATION

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

C.11 CHANGES IN SCOPE OF CONSOLIDATION

	Dec. 31, 2016	Additions	Disposals	**Mar. 31, 2017**
Domestic consolidated companies	32	0	1	31
Foreign consolidated companies	191	3	2	192
Total consolidated companies	**223**	**3**	**3**	**223**

The additions relate to entities acquired in business combinations under IFRS 3 and entities established. The disposals result from mergers.

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

BUSINESS COMBINATIONS IN ACCORDANCE WITH IFRS 3

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

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

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

C.12 NET ASSETS ACQUIRED

in EUR m	Provisional fair value
Purchase price	**27.1**
of which considerations contingent on earnings targets	–
Assets	
Cash and cash equivalents	0.2
Trade receivables, other financial assets and other receivables	1.2
Other current assets	0.4
Non-current assets	16.4
Liabilities	
Current liabilities	0.8
Non-current liabilities	3.0
Net assets	**14.4**
Goodwill	**12.7**
of which deductible for tax purposes	2.3

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.

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

Acquisition-related costs in the amount of EUR 1.1 million were recognized under other operating expenses.

Since their acquisition by Brenntag, the businesses acquired in 2017 have generated sales of EUR 3.1 million and profit after tax of EUR 0.2 million.

If the above-mentioned business combinations had taken place with effect from January 1, 2017, sales of about EUR 2,977 million would have been reported for the Brenntag Group in the reporting period. Profit after tax would have been about EUR 95 million.

As a result of measurement-period adjustments and subsequent acquisition costs, goodwill from entities acquired in 2016 increased by a total EUR 5.9 million.

CURRENCY TRANSLATION

The euro exchange rates of major currencies changed as follows:

C.13 EXCHANGE RATES OF MAJOR CURRENCIES

	Closing rate		Average rate	
EUR 1 = currencies	**Mar. 31, 2017**	Dec. 31, 2016	**Jan. 1– Mar. 31, 2017**	Jan. 1– Mar. 31, 2016
Canadian dollar (CAD)	1.4265	1.4188	1.4101	1.5149
Swiss franc (CHF)	1.0696	1.0739	1.0694	1.0960
Chinese yuan renminbi (CNY)	7.3642	7.3202	7.3353	7.2101
Danish krone (DKK)	7.4379	7.4344	7.4353	7.4605
Pound sterling (GBP)	0.8555	0.8562	0.8601	0.7704
Polish zloty (PLN)	4.2265	4.4103	4.3206	4.3652
Swedish krona (SEK)	9.5322	9.5525	9.5063	9.3267
US dollar (USD)	1.0691	1.0541	1.0648	1.1020

CONSOLIDATED INCOME STATEMENT, CONSOLIDATED BALANCE SHEET AND CONSOLIDATED CASH FLOW STATEMENT DISCLOSURES

1.) INTEREST INCOME

Interest income in the amount of EUR 0.9 million (Q1 2016: EUR 1.1 million) is interest income from third parties.

2.) INTEREST EXPENSE

C.14 INTEREST EXPENSE

in EUR m	**Jan. 1– Mar. 31, 2017**	Jan. 1– Mar. 31, 2016
Interest expense on liabilities to third parties	−26.4	−19.1
Expense from the fair value measurement of interest rate swaps	2.2	−0.7
Net interest expense on defined benefit pension plans	−0.7	−0.9
Interest expense on other provisions	−0.7	−0.5
Interest expense on finance leases	−0.1	−0.2
Total	**−25.7**	**−21.4**

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

C.15 CHANGE IN LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS RECOGNIZED IN PROFIT OR LOSS

in EUR m	**Jan. 1– Mar. 31, 2017**	Jan. 1– Mar. 31, 2016
Unwinding of discounting of liabilities relating to acquisition of non-controlling interests	–	−0.9
Change in liabilities recognized in profit or loss arising from limited partners’ rights to repayment of contributions	−0.3	−0.3
Total	**−0.3**	**−1.2**

For further information, please refer to Note 10.).

4.) OTHER NET FINANCE COSTS

In the previous year, other net finance costs comprised foreign exchange losses of EUR 27.1 million resulting from the devaluation of the Venezuelan currency, the bolivar.

5.) INCOME TAX EXPENSE

Income tax expense comprises current tax expense of EUR 41.5 million (Q1 2016: current tax expense of EUR 34.9 million) and deferred tax expense of EUR 2.1 million (Q1 2016: deferred tax expense of EUR 0.5 million).

Tax expense for the first quarter of 2017 was calculated using the Group tax rate expected for financial year 2017. Any items of income and expense that cannot be planned with sufficient accuracy are disregarded when determining the expected Group tax rate and calculating tax expense.

C.16 PROFIT BEFORE TAX AFTER ELIMINATION OF UNPLANNABLE TAX-NEUTRAL INCOME / EXPENSES

	Jan. 1 – Mar. 31, 2017			Jan. 1 – Mar. 31, 2016		
in EUR m	Profit before tax	Tax rate in %	Income tax expense	Profit before tax	Tax rate in %	Income tax expense
excluding unplannable tax-neutral income / expenses	138.3	31.5	43.6	102.6	34.5	35.4
tax-neutral income / expenses that cannot be planned with sufficient accuracy	–	–	–	−1.2	–	–
including unplannable tax-neutral income / expenses	138.3	31.5	43.6	101.4	34.9	35.4

The expected Group tax rate for financial year 2017 is 31.5%, 3.0 percentage points lower than the prior-year rate. The higher Group tax rate for financial year 2016 was due mainly to foreign exchange losses in Venezuela, which are disregarded for tax purposes.

6.) EARNINGS PER SHARE

Earnings per share in the amount of EUR 0.61 (Q1 2016: EUR 0.43) are determined by dividing the share of profit after tax of EUR 94.5 million (Q1 2016: EUR 65.9 million) attributable to the shareholders of Brenntag AG by the average weighted number of shares in circulation.

The warrants from the bond (Bond (with Warrants) 2022) issued in November 2015 had no diluting effect as the average Brenntag share price is lower than the warrant strike price of EUR 72.8486. The diluted earnings per share are therefore the basic earnings per share.

7.) FINANCIAL LIABILITIES

C.17 DETERMINATION OF NET FINANCIAL LIABILITIES

in EUR m	**Mar. 31, 2017**	Dec. 31, 2016
Liabilities under syndicated loan	1,103.3	1,249.0
Other liabilities to banks	136.5	116.4
Bond 2018	413.7	407.9
Bond (with Warrants) 2022	439.4	442.1
Finance lease liabilities	10.7	11.5
Derivative financial instruments	8.4	1.8
Other financial liabilities	52.1	55.1
Total	**2,164.1**	**2,283.8**
Cash and cash equivalents	506.5	601.9
Net financial liabilities	**1,657.6**	**1,681.9**

8.) OTHER PROVISIONS

Other provisions break down as follows:

C.18 OTHER PROVISIONS

in EUR m	**Mar. 31, 2017**	Dec. 31, 2016
Environmental provisions	100.6	102.2
Provisions for personnel expenses	19.9	19.6
Miscellaneous provisions	84.8	35.7
Total	**205.3**	**157.5**

Due to procedural errors, Brenntag was reimbursed a fine paid in 2013 in the amount of EUR 47.8 million. No findings have yet been made in the matter, however. Proceedings are still ongoing before the court of appeal and the amount of any fine ultimately imposed will depend on how those proceedings progress. The reimbursement was therefore added to provisions and resulted mainly in the rise in miscellaneous provisions from EUR 35.7 million to EUR 84.8 million.

9.) PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

In the interim consolidated financial statements as at March 31, 2017, the present value of pension obligations was determined using a discount rate of 1.8% (Dec. 31, 2016: 1.6%) in Germany and the other countries of the euro zone, 0.6% (Dec. 31, 2016: 0.6%) in Switzerland and 3.9% (Dec. 31, 2016: 4.0%) in Canada.

Due to the remeasurement of defined benefit plans, provisions for pensions and other post-employment benefits decreased by an amount of EUR 5.9 million recognized directly in retained earnings. This is mainly the result of the increase in the discount rate in the euro zone. Net of deferred taxes, actuarial losses recognized in other comprehensive income consequently decreased by EUR 4.1 million.

10.) LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS

Liabilities relating to the acquisition of non-controlling interests break down as follows:

C.19 LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS

in EUR m	**Mar. 31, 2017**	Dec. 31, 2016
Liabilities relating to acquisition of non-controlling interests	3.7	3.7
Liabilities arising from limited partners' rights to repayment of contributions	2.1	1.8
Total	**5.8**	**5.5**

11.) EQUITY

Non-controlling interests comprise the shares of non-Group shareholders in the equity of consolidated entities. The non-controlling interests changed as follows:

C.20 CHANGE IN NON-CONTROLLING INTERESTS / MAR. 31, 2016

in EUR m	**Subscribed capital, retained earnings and additional paid-in capital**	**Exchange rate differences**	Non-controlling interests
Dec. 31, 2015	**36.6**	**7.5**	**44.1**
Business combinations	0.2	–	0.2
Profit after tax	0.1	–	0.1
Other comprehensive income, net of tax	–	−1.8	−1.8
Total comprehensive income for the period	**0.1**	**−1.8**	**−1.7**
Mar. 31, 2016	**36.9**	**5.7**	**42.6**

C.21 CHANGE IN NON-CONTROLLING INTERESTS / MAR. 31, 2017

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**
Transactions with owners	0.2	–	0.2
Profit after tax	0.2	–	0.2
Other comprehensive income, net of tax	–	−0.3	−0.3
Total comprehensive income for the period	**0.2**	**−0.3**	**−0.1**
Mar. 31, 2017	**9.8**	**–**	**9.8**

12.) CASH FLOW STATEMENT DISCLOSURES

Net cash provided by operating activities of EUR 75.7 million includes an inflow of EUR 47.8 million from the reimbursement of a fine paid in 2013. The reimbursement was added to provisions, as proceedings are still ongoing before the court of appeal and the amount of any fine ultimately imposed will depend on how those proceedings progress.

Net cash provided by operating activities was influenced by cash outflows attributable to the rise in working capital of EUR 155.8 million. The increase 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:

C.22 CHANGE IN WORKING CAPITAL

in EUR m	**Jan. 1 – Mar. 31, 2017**	Jan. 1 – Mar. 31, 2016
Increase/decrease in inventories	–50.6	9.7
Increase in gross trade receivables	–232.7	–95.7
Increase in trade payables	128.9	43.6
Valuation allowances on trade receivables and on inventories[1]	–1.4	–0.9
Change in working capital[2]	**–155.8**	**–43.3**

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

At 8.3 in the reporting period, annualized working capital turnover[1] was up on the prior-year period (8.1).

13.) LEGAL PROCEEDINGS AND DISPUTES

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 of this year. 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. In the proceedings ongoing before the court of appeal, it will be decided to what extent a fine will be imposed. An appeal has been lodged against this decision by the court of appeal with the aim of definitively reversing the fine ruling. Regarding the investigation also ongoing at the French Competition Authority concerning whether BRENNTAG SA has illegally made use of its market position, a decision by the Authority is still pending. The Authority has stated that it believes that Brenntag has breached duties to cooperate in this investigation. A fine may be imposed. Brenntag believes that all legal obligations were fulfilled.

[1] Ratio of annual sales to average working capital; annual sales are defined as sales for the first quarter extrapolated to the full year (quarterly sales multiplied by four); average working capital for the first quarter is defined as the average of working capital at the beginning of the year and at the end of the first quarter.

14.) REPORTING OF FINANCIAL INSTRUMENTS

The classification of the financial assets recognized in the balance sheet according to the measurement categories under IAS 39 is shown in the table below:

C.23 CLASSIFICATION OF FINANCIAL ASSETS BY MEASUREMENT CATEGORY / MAR. 31, 2017

in EUR m			**2017**			
Measurement in the balance sheet:	At amortized cost	At fair value			**Mar. 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	506.5	–	–	–	506.5	506.5
Trade receivables	1,744.5	–	–	–	1,744.5	1,744.5
Other receivables	87.8	–	–	–	87.8	87.8
Other financial assets	24.5	3.3	1.2	–	29.0	29.0
Total	**2,363.3**	**3.3**	**1.2**	**–**	**2,367.8**	**2,367.8**

C.24 CLASSIFICATION OF FINANCIAL ASSETS BY MEASUREMENT CATEGORY / DEC. 31, 2016

in EUR m			2016			
Measurement in the balance sheet:	At amortized cost	At fair value			Dec. 31, 2016	
Classification of financial assets:	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Derivatives designated in hedge accounting	Total carrying amount	Fair value
Cash and cash equivalents	601.9	–	–	–	601.9	601.9
Trade receivables	1,511.2	–	–	–	1,511.2	1,511.2
Other receivables	89.6	–	–	–	89.6	89.6
Other financial assets	26.0	3.9	1.2	1.9	33.0	33.0
Total	**2,228.7**	**3.9**	**1.2**	**1.9**	**2,235.7**	**2,235.7**

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 90.2 million (Dec. 31, 2016: EUR 80.9 million) are not financial assets within the meaning of IFRS 7. They are mainly receivables from value-added tax and other taxes, prepaid expenses and prepayments.

The classification of the financial liabilities recognized in the balance sheet according to the measurement categories under IAS 39 is shown in the table below:

C.25 CLASSIFICATION OF FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY / MAR. 31, 2017

in EUR m	2017						
Measurement in the balance sheet:	At amortized cost		At fair value			**Mar. 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	1,246.3	–	–	–	–	1,246.3	1,246.3
Other liabilities	178.2	–	–	–	–	178.2	178.2
Liabilities relating to acquisition of non-controlling interests	5.8	–	–	–	–	5.8	5.8
Financial liabilities	2,145.0	–	8.4	–	10.7	2,164.1	2,179.7
Total	**3,575.3**	**–**	**8.4**	**–**	**10.7**	**3,594.4**	**3,610.0**

C.26 CLASSIFICATION OF FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY / DEC. 31, 2016

in EUR m	2016						
Measurement in the balance sheet:	At amortized cost		At fair value			Dec. 31, 2016	
Classification of financial liabilities:	Not designated in hedge accounting	Designated in hedge accounting	Financial liabilities at fair value through profit or loss	Derivatives designated in hedge accounting	Carrying amount under IAS 17	Total carrying amount	Fair value
Trade payables	1,119.4	–	–	–	–	1,119.4	1,119.4
Other liabilities	185.8	–	–	–	–	185.8	185.8
Liabilities relating to acquisition of non-controlling interests	5.5	–	–	–	–	5.5	5.5
Financial liabilities	2,270.5	–	1.8	–	11.5	2,283.8	2,329.2
Total	**3,581.2**	**–**	**1.8**	**–**	**11.5**	**3,594.5**	**3,639.9**

The majority of the trade payables and other liabilities measured at amortized cost have remaining terms of less than one year. Their carrying amounts at the reporting date therefore approximate their fair values. The fair values of the financial liabilities measured at amortized cost were mainly determined using quoted or market prices in an active market (Level 1 of the fair value hierarchy). The fair values of liabilities relating to the acquisition of non-controlling interests were determined on the basis of a recognized company valuation model. The company valuation model is 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 222.8 million (Dec. 31, 2016: EUR 192.4 million) are not financial liabilities within the meaning of IFRS 7. They are mainly 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:

C.27 FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY / MAR. 31, 2017

in EUR m

Hierarchy level	Level 1	Level 2	Level 3	**Mar. 31, 2017**
Financial assets at fair value through profit or loss	–	3.3	–	3.3
Financial liabilities at fair value through profit or loss	–	8.4	–	8.4
Available-for-sale financial assets	1.2	–	–	1.2

C.28 FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY / DEC. 31, 2016

in EUR m

Hierarchy level	Level 1	Level 2	Level 3	Dec. 31, 2016
Financial assets at fair value through profit or loss	–	3.9	–	3.9
Derivatives designated in hedge accounting with a positive fair value	–	1.9	–	1.9
Financial liabilities at fair value through profit or loss	–	1.8	–	1.8
Available-for-sale financial assets	1.2	–	–	1.2

Mülheim an der Ruhr, May 9, 2017

Brenntag AG

BOARD OF MANAGEMENT

Steven Holland   Karsten Beckmann   Markus Klähn

Georg Müller   Henri Nejade

REVIEW REPORT

To Brenntag AG, Mülheim an der Ruhr

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, income statement and statement of comprehensive income, cash flow statement, statement of changes in equity and selected explanatory notes – and the interim group management report of Brenntag AG, Mülheim an der Ruhr, for the period from January 1 to March 31, 2017 which are part of the quarterly financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, May 9, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Thomas Tandetzki	ppa. Frank Schemann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

TABLE DIRECTORY

A TO OUR SHAREHOLDERS

B MANAGEMENT REPORT

C CONSOLIDATED FINANCIAL STATEMENTS

IMPRINT AND CONTACT

ISSUER
Brenntag AG
Stinnes-Platz 1
45472 Mülheim an der Ruhr, Germany
Phone: + 49 (0) 208 7828 0
Fax: + 49 (0) 208 7828 698
E-mail: info@brenntag.de
Internet: www.brenntag.com

CONTACT
Brenntag AG
Corporate Finance & Investor Relations
Thomas Langer, Diana Alester, René Weinberg
Phone: +49 (0) 208 7828 7653
Fax: +49 (0) 208 7828 7755
E-mail: IR@brenntag.de

CONCEPT AND TEXTS
Brenntag AG
Corporate Finance & Investor Relations

DESIGN
MPM Corporate Communication Solutions
Untere Zahlbacher Straße 13
55131 Mainz, Germany
Phone: + 49 (0) 61 31 95 69 0
Fax: + 49 (0) 61 31 95 69 112
E-mail: info@mpm.de
Internet: www.mpm.de

PRINT
Woeste Druck + Verlag GmbH & Co. KG, Essen

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INFORMATION ON THE INTERIM 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 2017

JUN 8
2017
General Shareholders' Meeting
Düsseldorf

JUN 22–23
2017
Deutsche Bank
dbAccess Berlin Conference
Berlin

JUN 27
2017
Goldman Sachs
Business Services Conference
London

AUG 9
2017
Publication
of Q2 2017 results

SEP 18
2017
Goldman Sachs/Berenberg
German Corporate Conference
Munich

SEP 19
2017
Baader Investment Conference
Munich

NOV 8
2017
Publication
of Q3 2017 results

Brenntag AG
Corporate Finance & Investor Relations
Stinnes-Platz 1
45472 Mülheim an der Ruhr
Germany

Phone: + 49 (0) 208 7828 7653
Fax: + 49 (0) 208 7828 7755
E-mail: IR@brenntag.de