

CREATING
VALUE 
THROUGH **GLOBAL**
REACH

INTERIM REPORT
JANUARY – JUNE 2018

KEY FINANCIAL FIGURES AT A GLANCE

CONSOLIDATED INCOME STATEMENT

		Q2 2018	Q2 2017
Sales	EUR m	3,215.0	3,001.4
Operating gross profit	EUR m	677.0	656.5
Operating EBITDA	EUR m	231.3	220.7
Operating EBITDA/operating gross profit	%	34.2	33.6
Profit after tax	EUR m	118.3	106.8
Earnings per share	EUR	0.76	0.69

CONSOLIDATED BALANCE SHEET


		Jun. 30, 2018	Dec. 31, 2017
Total assets	EUR m	7,705.7	7,284.8
Equity	EUR m	3,047.8	2,985.7
Working capital	EUR m	1,790.7	1,510.5
Net financial liabilities	EUR m	1,916.5	1,571.9

CONSOLIDATED CASH FLOW

		Q2 2018	Q2 2017
Net cash provided by operating activities	EUR m	72.7	48.1
Investments in non-current assets (capex)	EUR m	-38.0	-27.3
Free cash flow	EUR m	147.9	123.4

KEY DATA ON THE BRENNTAG SHARES

		Jun. 30, 2018	Dec. 31, 2017
Share price	EUR	47.72	52.77
No. of shares (unweighted)		154,500,000	154,500,000
Market capitalization	EUR m	7,373	8,153
Free float	%	100.0	100.0



COMPANY PROFILE

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

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

Brenntag operates a global network spanning more than 530 locations in 74 countries with a workforce of more than **16,000 employees**. Worldwide, the company generated sales of **EUR 11.7 billion** in 2017.



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TO OUR SHAREHOLDERS
CEO LETTER



DEAR SHAREHOLDERS,

Brenntag grew strongly again in the second quarter of 2018, continuing this year's positive trend. The Group increased operating gross profit by 8.4% on a constant currency basis to EUR 677.0 million. Operating EBITDA rose by 10.7% to EUR 231.3 million. As in the first quarter of 2018, growth is mainly organic with additional contribution from acquisitions.

This positive earnings performance was broad-based with EMEA, North America and Asia Pacific regions showing high single or double-digit growth in operating EBITDA. In the EMEA region, the initiatives to increase efficiency that we implemented in late last year and continued in the first half contributed to the good performance. In North America, we likewise reported very healthy growth, with contributions coming from almost all customer industries. The Asia Pacific region also posted another excellent quarter, sustaining its growth trajectory. In our Latin America segment, we achieved flat results year over year – in an economic and political environment that remains challenging in many countries across this region. However, we are well positioned to capture future growth as greater stability returns.

We continued to deliver on our acquisition strategy, closing the acquisition of the Quimitecnica Group in Portugal and, in an initial step, purchasing 65% of Raj Petro Specialities Private Limited in India. We also signed an agreement to acquire Canada Colors and Chemicals Ltd. based in Toronto. This is a significant step forward for our business in Canada and we are delighted to welcome Canada Colors to the Group.

In July 2018, there was a change to our capital structure, as our EUR 400.0 million 'Bond 2018' issued in 2011 was repaid on schedule.

Along with the results for the second quarter of 2018, we are also providing an outlook for financial year 2018 which is based on the trends that we have seen so far this year. We expect the Brenntag Group's operating EBITDA for 2018 as a whole to be in the EUR 870 to 900 million range, assuming that exchange rates remain largely unchanged.

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

Essen, August 7, 2018



STEVEN HOLLAND
CHIEF EXECUTIVE OFFICER

Brenntag on the Stock Market

SHARE PRICE PERFORMANCE

In the second quarter of 2018, equity markets around the globe continued to be marked by heightened volatility. Although overall sentiment on the global economy remained positive, discussions on possible global trade restrictions and import tariffs led to increased uncertainty on the capital markets.

While the US Federal Reserve increased its base interest rate for the second time in 2018, the European Central Bank is preparing the markets for a change in its monetary policy. On the currency market, the US dollar appreciated slightly against the euro.

Germany's leading index, the DAX®, closed the second quarter of 2018 at 12,306 points, down 4.7% compared with year-end 2017. The MDAX® finished down 1.3% at 25,854 points. Brenntag shares closed the reporting period at EUR 47.72, a decrease of 9.6% compared with the 2017 closing price.

According to Deutsche Börse AG's ranking, Brenntag AG ranked 36th among all listed companies in Germany by market capitalization at the end of June 2018. The average number of Brenntag shares traded daily on Xetra® in the first half of 2018 was approximately 287,000 compared with around 278,000 shares in the first half of 2017.



A.01 BRENNTAG SHARE PRICE PERFORMANCE (INDEXED)

SHAREHOLDER STRUCTURE

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

Shareholder	Interest in %	Date of notification
BlackRock	>5	Oct. 18, 2016
MFS Investment Management	>5	Jul. 3, 2012
Norges Bank	>3	Jul. 5, 2018
Threadneedle	>3	May 17, 2018
Flossbach von Storch	>3	Mar. 27, 2018

A.02 SHAREHOLDER STRUCTURE

		Dec. 31, 2017	Jun. 30, 2018
Price (Xetra® closing price)	EUR	52.77	47.72
Market capitalization	EUR m	8,153	7,373
Primary stock exchange			Xetra®
Indices		MDAX®, MSCI, Stoxx Europe 600	
ISIN/WKN/trading symbol		DE000A1DAHH0/A1DAHH/BNR	

A.03 KEY DATA ON THE BRENNTAG SHARES

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).

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

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



GROUP INTERIM MANAGEMENT REPORT

for the period from January 1 to June 30, 2018



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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 especially on high diversity across our suppliers, customers and industries and our targeted use of the potential offered by outsourcing.

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

Brenntag stores the products it purchases in its distribution facilities, packs them into quantities the customers require and delivers them, typically in less-than-truckloads. Brenntag's customers worldwide are active in diverse end-market industries such as adhesives, paints, oil and gas, food, water treatment, personal care and pharmaceuticals. In order to be able to react quickly to the market and customers' and suppliers' requirements, Brenntag manages its business through its geographically structured segments in EMEA (Europe, Middle East & Africa), North America, Latin America and Asia Pacific. Brenntag offers a broad range of more than 10,000 products in addition to 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 June 30, 2018 include Brenntag AG, 28 (Dec. 31, 2017: 28) domestic and 188 (Dec. 31, 2017: 184) foreign consolidated subsidiaries including structured entities. Five (Dec. 31, 2017: five) associates have been accounted for using the equity method.

SEGMENTS AND LOCATIONS

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

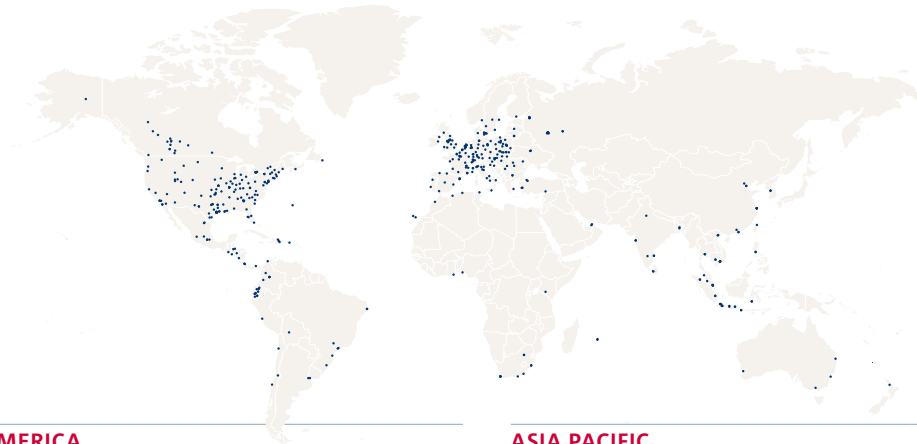
The following graphic gives an overview of the global network and the locations of the Brenntag Group:

NORTH AMERICA

		H1 2018
External sales	EUR m	2,247.3
Operating gross profit	EUR m	539.0
Operating EBITDA	EUR m	196.1
Employees ¹⁾		4,863

EMEA

		H1 2018
External sales	EUR m	2,717.4
Operating gross profit	EUR m	583.0
Operating EBITDA	EUR m	204.4
Employees ¹⁾		6,943



LATIN AMERICA

		H1 2018
External sales	EUR m	381.3
Operating gross profit	EUR m	78.6
Operating EBITDA	EUR m	16.8
Employees ¹⁾		1,427

ASIA PACIFIC

		H1 2018
External sales	EUR m	636.5
Operating gross profit	EUR m	106.1
Operating EBITDA	EUR m	37.2
Employees ¹⁾		2,544

B.01 GLOBAL NETWORK OF THE BRENNTAG GROUP

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

¹⁾ The number of employees is calculated as the number of employees on the basis of full-time equivalents at the reporting date.

Objectives and Strategy

ConnectingChemistry

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

- **Success**

We support our partners in developing and growing their businesses, and enable them to expand their market reach. Equally, we are committed to creating value for our shareholders and developing our employees throughout all stages of their careers.

- **Expertise**

We provide our partners with in-depth product, application and industry expertise, and sophisticated market intelligence. We set ourselves apart, drawing on our extensive product and service portfolio as well as our comprehensive industry coverage on a global level and our ability to develop creative, tailor-made solutions.

- **Customer orientation and service excellence**

We offer powerful channels to market and provide the best customer service in the industry. Only when our partners are fully satisfied do we consider our service to be delivered.

VISION, OBJECTIVES AND STRATEGY

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

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

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

Organic growth and acquisitions

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

Strategic initiatives

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

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

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

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

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

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

SUSTAINABILITY

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

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

We are committed to the principles of responsible care and responsible distribution as well as the principles of the UN Global Compact. We are also a member of “Together for Sustainability”, an industry initiative that aims to enhance sustainability across the entire chemical supply chain. Detailed information on our sustainability management is provided in our latest sustainability report and in the “Health, Safety and Environmental Protection, Quality Management” chapter of the 2017 Annual Report.

REPORT ON ECONOMIC POSITION

Economic Environment

Last year's positive trend in the global economy continued into the second quarter of 2018. This trend is also reflected in the Global Manufacturing Purchasing Managers' Index (PMI), which stood at 53 in June, a reading above the 50 neutral mark. Global industrial production grew by around 3.8% year on year in the first two months of the second quarter of 2018.

Europe recorded slightly reduced economic growth compared with previous quarters. Industrial production expanded by 2.1% year on year in the first two months of the second quarter of 2018.

The US economy remained on a positive trajectory. Industrial production grew by 3.6% year on year in the second quarter of 2018.

Economic conditions in Latin America remain challenging. Overall, Latin American industrial production declined by around 2.4% year on year in the first two months of the second quarter of 2018.

The economies of Asia, particularly China, continued to see stable growth momentum. Industrial production across the region as a whole grew by approximately 6.7% year on year in the first two months of the second quarter of 2018.

Business Performance

MAJOR EVENTS IMPACTING ON BUSINESS IN Q2 2018

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

In addition, in June 2018, Brenntag acquired the Quimitecnica Group based in Lordelo (Guimarães), Portugal. The acquisition of Quimitecnica is an excellent strategic fit with Brenntag's existing distribution activities in Portugal and the north of Spain. Quimitecnica has a strong position in the markets for industrial chemicals, water treatment and specialty chemicals. The acquiree generated sales of almost EUR 40 million in financial year 2017.

STATEMENT BY THE BOARD OF MANAGEMENT ON BUSINESS PERFORMANCE

The Brenntag Group generated operating EBITDA of EUR 231.3 million in the second quarter of 2018. On a constant currency basis, this represents strong earnings growth of 10.7%.

This growth was underpinned by strong growth in EMEA, North America and Asia Pacific, where we achieved high single-digit or double-digit growth. Operating EBITDA in the EMEA, North America and Asia Pacific segments rose at a faster pace than operating gross profit. Despite the fact that economic conditions remain difficult, Latin America ended the second quarter of 2018 in line with the prior-year period on a constant currency basis. Overall, the second quarter of 2018 saw an encouraging increase in both operating gross profit and operating EBITDA on a constant currency basis. In addition to strong organic growth, our recent acquisitions also contributed to the growth.

The second quarter of 2018 brought a further rise in working capital. The market environment continues to be marked by a strong increase in chemical prices. Annualized working capital turnover was lower year on year.

As expected, capital expenditure in the second quarter of 2018 showed an increase on the prior-year figure due to planned projects to expand our business operations. We are also continuing to maintain our existing infrastructure and expand it through targeted growth projects.

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

Overall, we are pleased with the performance in the second quarter of 2018. Double-digit increases on a constant currency basis in operating EBITDA in the EMEA and Asia Pacific regions and a strong rate of growth in North America reflect our Group's above-average growth potential. In addition to encouraging organic growth, the good performance from our acquisitions also contributed to this positive result.

Results of Operations

BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

in EUR m	Q2 2018	Q2 2017	Change		
			abs.	in%	in % (fx adj.) ¹⁾
Sales	3,215.0	3,001.4	213.6	7.1	12.2
Operating gross profit	677.0	656.5	20.5	3.1	8.4
Operating expenses	-445.7	-435.8	-9.9	2.3	7.2
Operating EBITDA²⁾	231.3	220.7	10.6	4.8	10.7
Net expense from special items	-1.3	-0.9	-0.4	-	-
Depreciation of property, plant and equipment	-29.8	-29.2	-0.6	2.1	6.5
EBITA	200.2	190.6	9.6	5.0	10.7
Amortization of intangible assets	-12.1	-11.7	-0.4	3.4	9.1
Net finance costs	-23.8	-23.1	-0.7	3.0	-
Profit before tax	164.3	155.8	8.5	5.5	-
Income tax expense	-46.0	-49.0	3.0	-6.1	-
Profit after tax	118.3	106.8	11.5	10.8	-

in EUR m	H1 2018	H1 2017	Change		
			abs.	in%	in % (fx adj.) ¹⁾
Sales	6,190.2	5,974.7	215.5	3.6	10.1
Operating gross profit	1,314.6	1,304.2	10.4	0.8	7.5
Operating expenses	-876.7	-881.7	5.0	-0.6	5.9
Operating EBITDA	437.9	422.5	15.4	3.6	10.9
Net expense from special items	-1.5	-1.1	-0.4	-	-
Depreciation of property, plant and equipment	-58.0	-58.1	0.1	-0.2	5.5
EBITA	378.4	363.3	15.1	4.2	10.9
Amortization of intangible assets	-24.3	-23.3	-1.0	4.3	12.5
Net finance costs	-42.8	-45.9	3.1	-6.8	-
Profit before tax	311.3	294.1	17.2	5.8	-
Income tax expense	-87.0	-92.6	5.6	-6.0	-
Profit after tax	224.3	201.5	22.8	11.3	-

B.02 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

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

²⁾ Operating EBITDA is calculated as EBITDA adjusted for special items. For a list of special items, please see table B.03 below.

Net expense from special items breaks down as follows:

in EUR m	Q2 2018	Q2 2017
Expenses in connection with the programme to increase efficiency in the EMEA segment	1.3	0.9
Net expense from holding charges and special items	1.3	0.9

in EUR m	H1 2018	H1 2017
Expenses in connection with the programme to increase efficiency in the EMEA segment	1.5	1.1
Net expense from holding charges and special items	1.5	1.1

B.03 NET EXPENSE FROM SPECIAL ITEMS

Sales and volumes

The Brenntag Group generated sales of EUR 3,215.0 million in the second quarter of 2018, an increase of 7.1% on the prior-year figure. On a constant currency basis, this represents sales growth of 12.2% due in particular to a higher average sales price per unit as well as a moderate increase in volumes.

Sales for the first half of 2018 were up by 3.6% on the prior-year figure. On a constant currency basis, they rose by 10.1%.

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

Operating gross profit

The Brenntag Group generated operating gross profit of EUR 677.0 million in the second quarter of 2018, a rise of 3.1%, or 8.4% on a constant currency basis. Due to the weakness of the US dollar, the reported growth rate is well below the growth rate on a constant currency basis. The growth is mostly organic, with all regions contributing to this encouraging performance at operating gross profit level. The growth in operating gross profit was also supported by a positive contribution from the acquisitions.

Operating gross profit for the first half of 2018 was up by 0.8%, or 7.5% on a constant currency basis.

Operating expenses

The Brenntag Group's operating expenses amounted to EUR 445.7 million in the second quarter of 2018, an increase of 2.3% on the prior-year quarter. On a constant currency basis, Brenntag posted a rise in operating expenses of 7.2%. The growing business led to additional costs, particularly personnel, rent and transport costs.

In the first half of 2018, the Brenntag Group's operating expenses declined by 0.6%. On a constant currency basis, this represents a rise of 5.9%.

Operating EBITDA

The Brenntag Group achieved operating EBITDA of EUR 231.3 million overall in the second quarter of 2018, an increase of 4.8% on the prior-year period. On a constant currency basis, we achieved double-digit growth rates in the EMEA and Asia Pacific segments and a strong increase in earnings in North America, which led to earnings growth of 10.7% across the Group.

In the first half of 2018, the Brenntag Group generated operating EBITDA of EUR 437.9 million, an increase of 3.6%. On a constant currency basis, this represents a strong rise of 10.9% compared with the first half of 2017.

Depreciation, amortization and net finance costs

Depreciation of property, plant and equipment and amortization of intangible assets amounted to EUR 41.9 million in the second quarter of 2018, with depreciation of property, plant and equipment accounting for EUR 29.8 million of this amount and amortization of intangible assets for EUR 12.1 million. Compared with the second quarter of 2017, we recorded an increase in total depreciation and amortization of EUR 1.0 million.

In the first half of 2018, depreciation of property, plant and equipment and amortization of intangible assets amounted to EUR 82.3 million (H1 2017: EUR 81.4 million).

Net finance costs amounted to EUR 23.8 million in the second quarter of 2018 (Q2 2017: EUR 23.1 million). Net interest expense, which is a component of net finance costs, was up slightly on the previous year to EUR 22.5 million (Q2 2017: EUR 20.5 million), while the net expense arising on the translation of foreign currency receivables and liabilities was down on the previous year.

The slight improvement in net finance costs in the first half of the year to EUR 42.8 million (H1 2017: EUR 45.9 million) is due primarily to an improvement in net interest expense. This stood at EUR 43.0 million in the first half of 2018 compared with EUR 45.3 million in the same period of 2017.

Profit before tax

Profit before tax amounted to EUR 164.3 million in the second quarter of 2018 (Q2 2017: EUR 155.8 million) and EUR 311.3 million in the first half of 2018 (H1 2017: EUR 294.1 million).

Income taxes and profit after tax

Income tax expense declined by EUR 3.0 million year on year to EUR 46.0 million in the second quarter of 2018 (Q2 2017: EUR 49.0 million). This is due mainly to the reduction in the federal corporate tax rate under the US tax reform with effect from 2018.

Income tax expense for the first half of 2018 declined by EUR 5.6 million compared with the prior-year period to EUR 87.0 million (H1 2017: EUR 92.6 million).

Profit after tax rose by EUR 11.5 million year on year to EUR 118.3 million in the second quarter of 2018 (Q2 2017: EUR 106.8 million) and by EUR 22.8 million compared with the prior-year period to EUR 224.3 million in the first half of 2018 (H1 2017: EUR 201.5 million).

BUSINESS PERFORMANCE IN THE SEGMENTS

Q2 2018 in EUR m	Brenntag Group	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	3,215.0	1,373.9	1,180.0	195.4	351.7	114.0
Operating gross profit	677.0	293.5	281.4	40.7	57.2	4.2
Operating expenses	-445.7	-190.5	-173.4	-32.0	-37.4	-12.4
Operating EBITDA¹⁾	231.3	103.0	108.0	8.7	19.8	-8.2

H1 2018 in EUR m	Brenntag Group	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	6,190.2	2,717.4	2,247.3	381.3	636.5	207.7
Operating gross profit	1,314.6	583.0	539.0	78.6	106.1	7.9
Operating expenses	-876.7	-378.6	-342.9	-61.8	-68.9	-24.5
Operating EBITDA¹⁾	437.9	204.4	196.1	16.8	37.2	-16.6

B.04 BUSINESS PERFORMANCE IN THE SEGMENTS

EMEA (Europe, Middle East & Africa)

in EUR m	Q2 2018	Q2 2017	Change		
			abs.	in%	in% (fx adj.)
External sales	1,373.9	1,295.9	78.0	6.0	7.8
Operating gross profit	293.5	280.0	13.5	4.8	6.4
Operating expenses	-190.5	-185.2	-5.3	2.9	4.3
Operating EBITDA¹⁾	103.0	94.8	8.2	8.6	10.6

in EUR m	H1 2018	H1 2017	Change		
			abs.	in%	in% (fx adj.)
External sales	2,717.4	2,550.6	166.8	6.5	8.1
Operating gross profit	583.0	559.0	24.0	4.3	5.8
Operating expenses	-378.6	-368.2	-10.4	2.8	4.2
Operating EBITDA¹⁾	204.4	190.8	13.6	7.1	8.8

B.05 BUSINESS PERFORMANCE IN THE SEGMENTS / EMEA

¹⁾ Operating EBITDA is calculated as EBITDA adjusted for special items. For a list of special items, please see table B.03.

External sales and volumes

The EMEA segment generated external sales of EUR 1,373.9 million in the second quarter of 2018, a rise of 6.0% compared with the prior-year period. On a constant currency basis, external sales were 7.8% higher. This rise is due to higher average sales prices per unit.

External sales for the first half of 2018 increased by 6.5% year on year. On a constant currency basis, they were up by 8.1%.

Operating gross profit

The operating gross profit generated by the companies in the EMEA segment climbed by 4.8% year on year to EUR 293.5 million in the second quarter of 2018. This represents an increase of 6.4% on a constant currency basis and is due primarily to organic growth. Almost all countries contributed to this positive performance. The business delivered an above-average performance in the Middle East & Africa region and in eastern Europe in particular.

In the first half of 2018, operating gross profit in the EMEA segment climbed by 4.3% compared with the same period of 2017, or by 5.8% on a constant currency basis.

Operating expenses

The EMEA segment posted operating expenses of EUR 190.5 million in the second quarter of 2018, a moderate rise of 2.9% compared with the same period of 2017. On a constant currency basis, this represents a rise of 4.3% due primarily to an increase in personnel, rent and transport costs.

In the first half of 2018, operating expenses increased by 2.8% and, on a constant currency basis, by 4.2%.

Operating EBITDA

The companies in the EMEA segment achieved operating EBITDA of EUR 103.0 million in the second quarter of 2018 and thus posted very encouraging earnings growth of 8.6%. On a constant currency basis, they achieved an increase of 10.6%. This is based mainly on organic growth and in part on the contribution from the acquisitions. In addition, operating EBITDA grew at a faster pace than operating gross profit.

Operating EBITDA for the first half of 2018 climbed by 7.1% (8.8% on a constant currency basis).

North America

in EUR m	Q2 2018	Q2 2017	Change		
			abs.	in%	in% (fx adj.)
External sales	1,180.0	1,127.9	52.1	4.6	12.9
Operating gross profit	281.4	280.2	1.2	0.4	8.5
Operating expenses	-173.4	-173.6	0.2	-0.1	7.7
Operating EBITDA	108.0	106.6	1.4	1.3	9.8

in EUR m	H1 2018	H1 2017	Change		
			abs.	in%	in% (fx adj.)
External sales	2,247.3	2,257.7	-10.4	-0.5	10.8
Operating gross profit	539.0	552.7	-13.7	-2.5	8.6
Operating expenses	-342.9	-357.5	14.6	-4.1	6.7
Operating EBITDA	196.1	195.2	0.9	0.5	11.9

B.06 BUSINESS PERFORMANCE IN THE SEGMENTS / NORTH AMERICA

External sales and volumes

The North America segment generated external sales of EUR 1,180.0 million in the second quarter of 2018, an increase of 4.6% compared with the same period of 2017. On a constant currency basis, we achieved significant year-on-year growth of 12.9%. This is primarily attributable to price trends and a slight increase in volumes.

External sales for the first half of 2018 were 0.5% lower year on year. This decline is due entirely to the weakening of the US dollar. On a constant currency basis, this represents a rise of 10.8%.

Operating gross profit

Despite the aforementioned weakening of the US dollar, the operating gross profit generated by the North American companies rose by 0.4% year on year to EUR 281.4 million in the second quarter of 2018. On a constant currency basis, operating gross profit showed a clear increase of 8.5%. This growth is entirely organic. Almost all customer industries contributed to this strong growth. The measures we have taken to improve earnings in the business had a positive effect on operating gross profit.

For the first half of 2018, we posted a 2.5% decrease in operating gross profit compared with the same period of 2017 due to the aforementioned weakening of the US dollar. On a constant currency basis, we achieved a strong increase of 8.6%.

Operating expenses

At EUR 173.4 million in the second quarter of 2018, operating expenses in the North America segment were down by 0.1% on the prior-year period. On a constant currency basis, operating expenses rose by 7.7%. The rise is attributable to the organic growth in the business. As a result, personnel, transport and energy expenses in particular were higher.

In the first half of 2018, operating expenses declined by 4.1% year on year. On a constant currency basis, they increased by 6.7%.

Operating EBITDA

The North American companies achieved operating EBITDA of EUR 108.0 million in the second quarter of 2018, an increase of 1.3% compared with the same period of 2017 despite the weak US dollar.

On a constant currency basis, this represents a clear rise of 9.8% due entirely to organic growth. We were thus able to translate the sound growth in operating gross profit into an even better increase in operating EBITDA. We are very pleased with this result.

In the first half of 2018, operating EBITDA rose by 0.5% overall. On a constant currency basis, the segment achieved a double-digit increase of 11.9%.

Latin America

in EUR m	Q2 2018	Q2 2017	Change		
			abs.	in%	in% (fx adj.)
External sales	195.4	204.3	-8.9	-4.4	5.5
Operating gross profit	40.7	44.1	-3.4	-7.7	2.0
Operating expenses	-32.0	-34.4	2.4	-7.0	2.6
Operating EBITDA	8.7	9.7	-1.0	-10.3	0.0

in EUR m	H1 2018	H1 2017	Change		
			abs.	in%	in% (fx adj.)
External sales	381.3	414.4	-33.1	-8.0	4.0
Operating gross profit	78.6	87.8	-9.2	-10.5	1.3
Operating expenses	-61.8	-68.9	7.1	-10.3	1.5
Operating EBITDA	16.8	18.9	-2.1	-11.1	0.6

B.07 BUSINESS PERFORMANCE IN THE SEGMENTS / LATIN AMERICA

External sales and volumes

The Latin America segment generated external sales of EUR 195.4 million in the second quarter of 2018, a decline of 4.4% due to the weakness of the US dollar, as business in Latin America is mostly transacted in US dollars. On a constant currency basis, however, the segment achieved an increase of 5.5%. The growth is due to higher average sales prices.

In the first half of 2018, external sales in the Latin America segment dropped by 8.0%. On a constant currency basis, they rose by 4.0% year on year.

Operating gross profit

The operating gross profit achieved by the Latin American companies in the second quarter of 2018 amounted to EUR 40.7 million. Compared with the prior-year period, operating gross profit therefore dropped by 7.7% due to less favourable exchange rates; on a constant currency basis, it grew by 2.0%.

In the first half of 2018, operating gross profit in the Latin America segment dropped by 10.5%. On a constant currency basis, this represents a rise of 1.3%.

Operating expenses

Operating expenses in the Latin America segment amounted to EUR 32.0 million in the second quarter of 2018, a decrease of 7.0% on the prior-year figure. On a constant currency basis, operating expenses showed a slight increase of 2.6%. The rise is partly attributable to higher transport costs.

In the first half of 2018, operating expenses in the Latin America segment declined by 10.3% year on year. On a constant currency basis, they rose by 1.5%.

Operating EBITDA

Overall, the Latin American companies posted operating EBITDA of EUR 8.7 million in the second quarter of 2018, a decrease of 10.3% on the prior-year period. On a constant currency basis, operating EBITDA was at the prior-year level.

In the first half of 2018, operating EBITDA in the Latin America segment declined by 11.1% overall. On a constant currency basis, this represents a slight increase of 0.6%.

Asia Pacific

in EUR m	Q2 2018	Q2 2017	Change		
			abs.	in %	in % (fx adj.)
External sales	351.7	284.4	67.3	23.7	30.1
Operating gross profit	57.2	48.9	8.3	17.0	23.5
Operating expenses	-37.4	-32.1	-5.3	16.5	23.3
Operating EBITDA	19.8	16.8	3.0	17.9	24.1

in EUR m	H1 2018	H1 2017	Change		
			abs.	in %	in % (fx adj.)
External sales	636.5	569.9	66.6	11.7	20.0
Operating gross profit	106.1	97.2	8.9	9.2	17.6
Operating expenses	-68.9	-63.4	-5.5	8.7	17.2
Operating EBITDA	37.2	33.8	3.4	10.1	18.5

B.08 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC

External sales and volumes

External sales in the Asia Pacific segment were up by 23.7% on the prior-year figure to EUR 351.7 million in the second quarter of 2018. This sales growth of 30.1% on a constant currency basis is almost entirely attributable to higher volumes.

External sales for the first half of 2018 rose by 11.7% year on year, or 20.0% on a constant currency basis.

Operating gross profit

The Asia Pacific segment generated operating gross profit of EUR 57.2 million in the second quarter of 2018, a rise of 17.0% compared with the prior-year period. On a constant currency basis, operating gross profit climbed by 23.5%. This was due to our acquisitions as well as the positive performance from our business in China, Thailand and Vietnam.

In the first half of 2018, the segment lifted operating gross profit by 9.2% year on year, or 17.6% on a constant currency basis.

Operating expenses

The operating expenses of the companies in the Asia Pacific segment rose by 16.5% year on year, or 23.3% on a constant currency basis, to EUR 37.4 million in the second quarter of 2018. The rise in costs relates in part to a growth-driven increase in personnel, rent and transport costs.

In the first half of 2018, operating expenses increased by 8.7% (17.2% on a constant currency basis) compared with the prior-year period.

Operating EBITDA

The companies in the Asia Pacific segment generated operating EBITDA of EUR 19.8 million in the second quarter of 2018 and thus posted earnings growth of 17.9% compared with the prior-year period. On a constant currency basis, this represents an encouraging rise of 24.1% attributable to our acquisitions as well as strong organic growth.

In the first half of 2018, operating EBITDA increased by 10.1% overall, or by 18.5% on a constant currency basis.

All other segments

in EUR m	Q2 2018	Q2 2017	Change		
			abs.	in %	in % (fx adj.)
External sales	114.0	88.9	25.1	28.2	28.2
Operating gross profit	4.2	3.3	0.9	27.3	27.3
Operating expenses	-12.4	-10.5	-1.9	18.1	18.1
Operating EBITDA	-8.2	-7.2	-1.0	13.9	13.9

in EUR m	H1 2018	H1 2017	Change		
			abs.	in %	in % (fx adj.)
External sales	207.7	182.1	25.6	14.1	14.1
Operating gross profit	7.9	7.5	0.4	5.3	5.3
Operating expenses	-24.5	-23.7	-0.8	3.4	3.4
Operating EBITDA	-16.6	-16.2	-0.4	2.5	2.5

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

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

In the second quarter of 2018, BRENNTAG International Chemicals GmbH exceeded prior-year operating EBITDA.

The operating expenses posted by the holding companies were up on the second quarter of 2017. The rise in 2018 is attributable in particular to additional expenses incurred in implementing several strategic projects.

Overall, the operating EBITDA of all other segments was down by EUR 1.0 million year on year to EUR –8.2 million in the second quarter of 2018.

Earnings for the first half of 2018 declined by EUR 0.4 million to EUR –16.6 million.

Financial Position

CAPITAL STRUCTURE

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

The most important component in the financing structure of Brenntag AG is the Group-wide syndicated loan agreement. The syndicated loan totalling the equivalent of just over EUR 1.4 billion originally had a term ending in January 2022, which in early 2018 was extended until January 2023. It is based on variable interest rates with margins depending on leverage, and is divided into different tranches with different currencies.

Total liabilities (excluding accrued interest and before offsetting of transaction costs) under the syndicated loan amounted to EUR 502 million as at June 30, 2018. In addition to fully drawn tranches, the loan agreement also contains two revolving credit facilities totalling EUR 940.0 million, which were mostly unused as at June 30, 2018. While some of our subsidiaries are direct borrowers under the loan, others obtain their financing from intra-Group loans.

The EUR 400 million bond (Bond 2018) issued by our Group company Brenntag Finance B.V., Amsterdam, Netherlands, in July 2011 bore a coupon of 5.5% with interest paid annually. The bond was repaid on schedule on July 19, 2018.

In September 2017, Brenntag Finance B.V. issued another, EUR 600 million bond (Bond 2025) maturing in 2025 and bearing a coupon of 1.125% with interest paid annually.

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

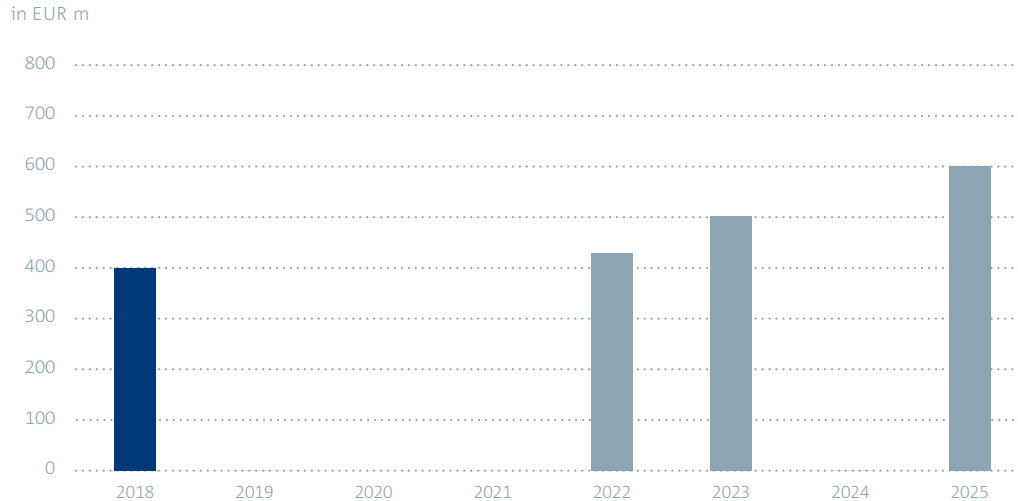
Each of the three bonds issued by Brenntag Finance B.V. is guaranteed by Brenntag AG.

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

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

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

MATURITY PROFILE OF OUR CREDIT PORTFOLIO¹⁾ AS AT JUNE 30, 2018 IN EUR M



B.10 MATURITY PROFILE OF OUR CREDIT PORTFOLIO

¹⁾ Syndicated loan maturing in 2023, Bond 2018 (repaid on July 19, 2018), Bond (with Warrants) 2022 and Bond 2025 excluding accrued interest and transaction costs.

INVESTMENTS

In the first half of 2018, investments in property, plant and equipment and intangible assets (excluding additions from acquisitions) led to a total cash outflow of EUR 72.5 million (H1 2017: EUR 53.1 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 net cash provided by operating activities and/or available cash from the respective Group companies. With larger investment plans which cannot be covered by local funds, financing is provided by the Group and external borrowings are mostly not necessary.

LIQUIDITY

Cash flow

in EUR m	H1 2018	H1 2017
Net cash used in/provided by operating activities	60.5	123.8
Net cash used in investing activities	-136.6	-76.1
thereof payments to acquire consolidated subsidiaries, other business units and other financial assets	(-69.2)	(-34.9)
thereof payments to acquire intangible assets and property, plant and equipment	(-72.5)	(-53.1)
thereof proceeds from divestments	(5.1)	(11.9)
Net cash provided by/used in financing activities	-109.0	-254.7
thereof dividends paid to Brenntag shareholders	(-170.0)	(-162.2)
thereof repayments of/proceeds from borrowings	(62.0)	(-91.5)
thereof other financing activities	(-1.0)	(-1.0)
Change in cash and cash equivalents	-185.1	-207.0

B.11 CASH FLOW

Net cash provided by operating activities of EUR 60.5 million was influenced by the rise in working capital of EUR 197.2 million. In the prior-year period, net cash provided by operating activities included an inflow of EUR 47.8 million from the reimbursement of a fine paid in 2013. In the current reporting period, a fine of EUR 30.0 million was paid in connection with a related matter.

Of the net cash of EUR 136.6 million used in investing activities, EUR 72.5 million comprised payments to acquire intangible assets and property, plant and equipment. Payments to acquire consolidated subsidiaries, other business units and other financial assets primarily included the purchase prices for 65% of the shares in Raj Petro Specialities Private Limited based in Mumbai, India and for all shares in the Quimitecnica Group based in Lordelo (Guimarães), Portugal.

Net cash used in financing activities amounted to EUR 109.0 million. In addition to the EUR 170.0 million dividend payment to Brenntag shareholders, it was attributable mostly to the increased use made of local bank loans. In the prior-year period, net cash used in financing activities mainly reflected the repayment of the syndicated loan.

Free cash flow

in EUR m	H1 2018	H1 2017	Change	
			abs.	in%
Operating EBITDA	437.9	422.5	15.4	3.6
Investments in non-current assets (capex)	-65.1	-47.4	-17.7	37.3
Change in working capital	-197.2	-225.8	28.6	-12.7
Free cash flow	175.6	149.3	26.3	17.6

B.12 FREE CASH FLOW

The Brenntag Group's free cash flow amounted to EUR 175.6 million in the first half of 2018, an increase of 17.6% on the same period of 2017 (EUR 149.3 million).

The growth in operating EBITDA and the lower rise in working capital compared with the prior-year period more than offset the planned increase in capital expenditure to expand our infrastructure.

Financial and Assets Position

in EUR m	Jun. 30, 2018		Dec. 31, 2017	
	abs.	in %	abs.	in %
Assets				
Current assets	3,825.6	49.6	3,490.4	47.9
Cash and cash equivalents	332.8	4.3	518.0	7.1
Trade receivables	1,989.7	25.7	1,672.7	23.0
Other receivables and assets	319.8	4.2	256.1	3.5
Inventories	1,183.3	15.4	1,043.6	14.3
Non-current assets	3,880.1	50.4	3,794.4	52.1
Intangible assets	2,811.9	36.5	2,746.7	37.7
Other non-current assets	988.7	12.8	968.0	13.3
Receivables and other assets	79.5	1.1	79.7	1.1
Total assets	7,705.7	100.0	7,284.8	100.0
Liabilities and equity				
Current liabilities	2,645.6	34.3	2,338.2	32.1
Provisions	89.0	1.2	117.4	1.6
Trade payables	1,382.3	17.9	1,205.8	16.6
Financial liabilities	709.8	9.2	569.8	7.8
Miscellaneous liabilities	464.5	6.0	445.2	6.1
Equity and non-current liabilities	5,060.1	65.7	4,946.6	67.9
Equity	3,047.8	39.6	2,985.7	41.0
Non-current liabilities	2,012.3	26.1	1,960.9	26.9
Provisions	263.1	3.4	262.9	3.6
Financial liabilities	1,539.5	20.0	1,520.1	20.9
Miscellaneous liabilities	209.7	2.7	177.9	2.4
Total liabilities and equity	7,705.7	100.0	7,284.8	100.0

B.13 FINANCIAL AND ASSETS POSITION

As at June 30, 2018, total assets had increased by EUR 420.9 million compared with the end of the previous year to EUR 7,705.7 million (Dec. 31, 2017: EUR 7,284.8 million).

Cash and cash equivalents were down on the 2017 year-end figure to EUR 332.8 million (Dec. 31, 2017: EUR 518.0 million). The main items set against the positive net cash inflow from operating activities and increased borrowings were the dividend payment by Brenntag AG in the amount of EUR 170.0 million and the net cash outflow from investing activities.

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 19.0% in the reporting period to EUR 1,989.7 million (Dec. 31, 2017: EUR 1,672.7 million).
- Inventories increased by 13.4% in the reporting period to EUR 1,183.3 million (Dec. 31, 2017: EUR 1,043.6 million).
- With the opposite effect on working capital, trade payables increased by 14.6% to EUR 1,382.3 million (Dec. 31, 2017: EUR 1,205.8 million).

Adjusted for exchange rate effects and acquisitions, working capital rose by a total of EUR 197.2 million compared with December 31, 2017. This rise is due in part to a further increase in prices on the chemical market in the first half of 2018. At 7.5 in the reporting period, annualized working capital turnover¹⁾ was lower than at the end of 2017 (7.9).

The Brenntag Group's intangible and other non-current assets increased by EUR 85.9 million compared with the end of the previous year to EUR 3,800.6 million (Dec. 31, 2017: EUR 3,714.7 million). The increase is mainly the result of acquisitions (EUR 78.1 million), investments in non-current assets (EUR 65.1 million) and exchange rate effects (EUR 27.0 million). This was partly offset by depreciation and amortization (EUR 82.3 million).

Current financial liabilities increased by EUR 140.0 million to EUR 709.8 million in total (Dec. 31, 2017: EUR 569.8 million). This increase is due primarily to Brenntag companies drawing temporarily on local credit facilities in order to smooth fluctuations in liquidity as well as to the first-time consolidation of Raj Petro Specialities Private Limited. Non-current financial liabilities rose by a marginal 1.3% compared with the end of the previous year to EUR 1,539.5 million (Dec. 31, 2017: EUR 1,520.1 million).

Current and non-current provisions amounted to a total of EUR 352.1 million (Dec. 31, 2017: EUR 380.3 million). This figure included pension provisions in the amount of EUR 152.3 million (Dec. 31, 2017: EUR 155.9 million).

As at June 30, 2018, the equity of the Brenntag Group totalled EUR 3,047.8 million (Dec. 31, 2017: EUR 2,985.7 million).

¹⁾ Ratio of annual sales to average working capital; annual sales are defined as sales for the first half extrapolated to the full year (first-half sales multiplied by two); average working capital for the first half is defined as the average of working capital at the beginning of the year and at the end of the first and second quarters.

EMPLOYEES

As at June 30, 2018, Brenntag had 15,932 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.

Full Time Equivalents (FTE)	Jun. 30, 2018		Dec. 31, 2017	
	abs.	in %	abs.	in %
EMEA	6,943	43.6	6,823	45.0
North America	4,863	30.4	4,717	31.1
Latin America	1,427	9.0	1,443	9.5
Asia Pacific	2,544	16.0	2,041	13.4
All other segments	155	1.0	148	1.0
Brenntag Group	15,932	100.0	15,172	100.0

B.14 EMPLOYEES PER SEGMENT

REPORT ON EXPECTED DEVELOPMENTS

The International Monetary Fund forecasts that the **global economy**, measured in terms of GDP, will continue to grow in 2018. As regards the individual segments of the Brenntag Group, the Asian economies are predicted to achieve the highest growth. The two large regions, North America and EMEA, are also expected to remain on a positive growth track. In a market environment still marked by volatility, Latin America is expected to see lower growth than the other regions of the Brenntag Group. Weighted by the sales generated by Brenntag in the individual countries, this results in a forecast average GDP growth rate of 2.9% in 2018.

In this macroeconomic environment, we expect the **Brenntag Group** to see a meaningful rise in operating gross profit and achieve operating EBITDA of between EUR 870 million and EUR 900 million in financial year 2018. This range implies significant growth compared with 2017 on a constant currency basis. As it is currently assumed that the US dollar will weaken relative to the 2017 average EUR/USD exchange rate, our growth rates on a constant currency basis will exceed the reported growth rates. We expect all regions to support this performance. This range considers the acquisitions already undertaken, assuming that exchange rates remain largely unchanged.

In the **EMEA segment**, we predict that we will see a meaningful increase in operating gross profit and improve our operating EBITDA significantly. In addition to the sound performance from the acquisitions closed at the end of 2017, the measures implemented with a view to increasing efficiency in the EMEA segment will also make a positive contribution. In the **North America segment**, we are planning a meaningful rise in operating gross profit and operating EBITDA. This growth is broad-based across most customer industries. In the **Latin America segment**, we expect a meaningful increase in operating gross profit. We anticipate a slight rise in operating EBITDA in light of the fact that macroeconomic conditions remain volatile. We believe that we remain well positioned to be successful, even in this environment. In the **Asia Pacific segment**, we expect a significant increase in operating gross profit and operating EBITDA, supported both by the positive performance from the closed acquisitions and by clear organic growth.

Given the expected growth in business volume and the increases in chemical prices so far, we expect average **working capital** to show a significant increase compared with 2017. We will continue to focus on customer and supplier relationship management and improving our warehouse logistics.

We plan to make **investments** in property, plant and equipment of almost EUR 190 million in 2018, primarily as a result of projects to expand our business operations. The amount stated for capital expenditure includes two new sites in China, although set against these are proceeds from the sale of existing sites amounting to slightly more than EUR 30 million. These proceeds offset some of the aforementioned capital expenditure of almost EUR 190 million.

Overall, we anticipate that **free cash flow** will be up significantly on 2017. 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.

In connection with the antitrust proceedings in France which concern matters dating back to 1998, there have been the following developments: In the proceedings regarding the decision issued by the French Competition Authority in 2013 in relation to the allocation of customers and coordination of prices, Brenntag's request to have the fine ruling definitively reversed due to procedural errors was dismissed. The court of appeal is now to decide to what extent a fine will be imposed. In connection with the investigation into whether BRENNTAG SA illegally made use of its market position, a provision of EUR 30.0 million was recognized in December 2017 for a fine imposed by the French Competition Authority and the amount paid in April 2018. Brenntag has filed an appeal against the decision.

In the first half of 2018, there were no further significant changes in the opportunities and risks for the Brenntag Group described in detail in the 2017 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 June 30, 2018



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CONSOLIDATED INCOME STATEMENT

in EUR m	Note	Jan. 1, – Jun. 30, 2018	Jan. 1, – Jun. 30, 2017	Apr. 1, – Jun. 30, 2018	Apr. 1, – Jun. 30, 2017
Sales		6,190.2	5,974.7	3,215.0	3,001.4
Cost of sales		–4,906.2	–4,701.6	–2,553.9	–2,360.1
Gross profit		1,284.0	1,273.1	661.1	641.3
Selling expenses		–845.2	–849.5	–429.3	–423.5
Administrative expenses		–95.2	–95.6	–48.9	–47.3
Other operating income		16.6	18.5	8.4	11.2
Impairment losses on trade receivables and other receivables		–1.6	–1.6	–0.7	–0.5
Other operating expenses		–4.5	–4.9	–2.5	–2.3
Operating profit		354.1	340.0	188.1	178.9
Share of profit or loss of equity-accounted investments		1.4	2.1	0.8	1.1
Interest income	1.)	1.5	1.4	0.7	0.5
Interest expense	2.)	–44.5	–46.7	–23.2	–21.0
Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	3.)	–1.3	–0.5	–1.1	–0.2
Other net finance costs		0.1	–2.2	–1.0	–3.5
Net finance costs		–42.8	–45.9	–23.8	–23.1
Profit before tax		311.3	294.1	164.3	155.8
Income tax expense	4.)	–87.0	–92.6	–46.0	–49.0
Profit after tax		224.3	201.5	118.3	106.8
Attributable to:					
Shareholders of Brenntag AG		223.4	201.2	117.8	106.7
Non-controlling interests		0.9	0.3	0.5	0.1
Basic earnings per share in euro	5.)	1.45	1.30	0.76	0.69
Diluted earnings per share in euro	5.)	1.45	1.30	0.76	0.69

C.01 CONSOLIDATED INCOME STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR m	Note	Jan. 1, – Jun. 30, 2018	Jan. 1, – Jun. 30, 2017	Apr. 1, – Jun. 30, 2018	Apr. 1, – Jun. 30, 2017
Profit after tax		224.3	201.5	118.3	106.8
Remeasurements of defined benefit pension plans	9.)	5.0	11.8	0.9	5.9
Deferred tax relating to remeasurements of defined benefit pension plans	9.)	-1.2	-3.4	-0.2	-1.6
Items that will not be reclassified to profit or loss		3.8	8.4	0.7	4.3
Change in exchange rate differences on translation of consolidated companies		9.6	-101.7	51.6	-99.2
Exchange rate differences reclassified to profit or loss		-	-2.6	-	-2.6
Change in exchange rate differences on translation of equity-accounted investments		-1.2	-0.6	-1.4	-0.9
Change in cash flow hedge reserve		-	-1.9	-	-
Deferred tax relating to change in cash flow hedge reserve		-	0.7	-	-
Items that may be reclassified subsequently to profit or loss		8.4	-106.1	50.2	-102.7
Other comprehensive income, net of tax		12.2	-97.7	50.9	-98.4
Total comprehensive income		236.5	103.8	169.2	8.4
Attributable to:					
Shareholders of Brenntag AG		235.5	104.1	168.1	8.8
Non-controlling interests		1.0	-0.3	1.1	-0.4

C.02 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED BALANCE SHEET

ASSETS

in EUR m	Note	Jun. 30, 2018	Dec. 31, 2017
Current assets			
Cash and cash equivalents		332.8	518.0
Trade receivables		1,989.7	1,672.7
Other receivables		191.7	145.1
Other financial assets		14.5	20.9
Current tax assets		62.1	37.7
Inventories		1,183.3	1,043.6
		3,774.1	3,438.0
Assets held for sale	6.)	51.5	52.4
		3,825.6	3,490.4
Non-current assets			
Property, plant and equipment		967.5	946.4
Intangible assets		2,811.9	2,746.7
Equity-accounted investments		21.2	21.6
Other receivables		23.3	21.1
Other financial assets		3.8	7.6
Deferred tax assets		52.4	51.0
		3,880.1	3,794.4
Total assets		7,705.7	7,284.8

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY

in EUR m	Note	Jun. 30, 2018	Dec. 31, 2017
Current liabilities			
Trade payables		1,382.3	1,205.8
Financial liabilities	7.)	709.8	569.8
Other liabilities		393.7	398.3
Other provisions	8.)	89.0	117.4
Current tax liabilities		53.5	29.9
		2,628.3	2,321.2
Liabilities associated with assets held for sale	6.)	17.3	17.0
		2,645.6	2,338.2
Non-current liabilities			
Financial liabilities	7.)	1,539.5	1,520.1
Other liabilities		0.8	1.3
Other provisions	8.)	110.8	107.0
Provisions for pensions and other post-employment benefits	9.)	152.3	155.9
Liabilities relating to acquisition of non-controlling interests	10.)	37.7	13.5
Deferred tax liabilities		171.2	163.1
		2,012.3	1,960.9
Equity			
Subscribed capital		154.5	154.5
Additional paid-in capital		1,491.4	1,491.4
Retained earnings		1,402.1	1,363.4
Accumulated other comprehensive income		-27.8	-36.1
Equity attributable to shareholders of Brenntag AG		3,020.2	2,973.2
Equity attributable to non-controlling interests	11.)	27.6	12.5
		3,047.8	2,985.7
Total liabilities and equity		7,705.7	7,284.8

C.03 CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR m	Subscribed capital	Additional paid-in capital	Retained earnings
Dec. 31, 2016	154.5	1,491.4	1,168.5
Dividends	–	–	–162.2
Transfers	–	–	–
Profit after tax	–	–	201.2
Other comprehensive income, net of tax	–	–	8.4
Total comprehensive income for the period	–	–	209.6
Jun. 30, 2017	154.5	1,491.4	1,215.9
Dec. 31, 2017	154.5	1,491.4	1,363.4
Initial application of IFRS 15 at Jan. 1, 2018	–	–	6.0
Initial application of IFRS 9 at Jan. 1, 2018	–	–	–0.6
Jan. 1, 2018 after initial application of IFRS 15 and IFRS 9	154.5	1,491.4	1,368.8
Dividends	–	–	–170.0
Business combinations	–	–	–23.9
Profit after tax	–	–	223.4
Other comprehensive income, net of tax	–	–	3.8
Total comprehensive income for the period	–	–	227.2
Jun. 30, 2018	154.5	1,491.4	1,402.1

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Exchange rate differences	Net investment hedge reserve	Cash flow hedge reserve	Deferred taxes relating to cash flow hedge reserve	Equity attributable to shareholders of Brenntag AG	Equity attributable to non-controlling interests	Equity
140.3	-6.4	1.9	-0.7	2,949.5	9.7	2,959.2
-	-	-	-	-162.2	-	-162.2
-6.4	6.4	-	-	-	-	-
-	-	-	-	201.2	0.3	201.5
-104.3	-	-1.9	0.7	-97.1	-0.6	-97.7
-104.3	-	-1.9	0.7	104.1	-0.3	103.8
29.6	-	-	-	2,891.4	9.4	2,900.8

C.04 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY / JUN. 30, 2017

-36.1	-	-	-	2,973.2	12.5	2,985.7
-	-	-	-	6.0	-	6.0
-	-	-	-	-0.6	-	-0.6
-36.1	-	-	-	2,978.6	12.5	2,991.1
-	-	-	-	-170.0	-	-170.0
-	-	-	-	-23.9	14.1	-9.8
-	-	-	-	223.4	0.9	224.3
8.3	-	-	-	12.1	0.1	12.2
8.3	-	-	-	235.5	1.0	236.5
-27.8	-	-	-	3,020.2	27.6	3,047.8

C.05 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY / JUN. 30, 2018

CONSOLIDATED CASH FLOW STATEMENT

in EUR m	Note	Jan. 1, – Jun. 30, 2018	Jan. 1, – Jun. 30, 2017	Apr. 1, – Jun. 30, 2018	Apr. 1, – Jun. 30, 2017
	12.)				
Profit after tax		224.3	201.5	118.3	106.8
Depreciation and amortization		82.3	81.4	41.9	40.9
Income tax expense		87.0	92.6	46.0	49.0
Income taxes paid		–83.8	–102.7	–50.9	–73.0
Net interest expense		43.0	45.3	22.5	20.5
Dividends received		0.6	2.8	0.6	2.8
Interest paid (netted against interest received)		–21.6	–29.4	–13.3	–13.8
Changes in provisions		–27.9	45.3	3.2	–1.1
Changes in current assets and liabilities					
Inventories		–101.8	–89.7	–51.6	–39.1
Receivables		–273.1	–323.7	–67.5	–83.6
Liabilities		139.1	188.0	32.5	30.5
Non-cash change in liabilities relating to acquisition of non-controlling interests		1.3	0.5	1.1	0.2
Other non-cash items and reclassifications		–8.9	11.9	–10.1	8.0
Net cash provided by operating activities		60.5	123.8	72.7	48.1
Proceeds from the disposal of intangible assets and property, plant and equipment		4.9	11.9	1.0	10.1
Proceeds from the disposal of other financial assets		0.2	–	0.2	–
Payments to acquire consolidated subsidiaries and other business units		–69.2	–34.9	–69.0	–7.6
Payments to acquire intangible assets and property, plant and equipment		–72.5	–53.1	–38.0	–27.5
Net cash used in investing activities		–136.6	–76.1	–105.8	–25.0
Dividends paid to Brenntag shareholders		–170.0	–162.2	–170.0	–162.2
Profits distributed to non-controlling interests		–1.0	–1.0	–1.0	–1.0
Proceeds from borrowings		73.3	142.2	51.4	25.6
Repayments of borrowings		–11.3	–233.7	–7.0	–0.8
Net cash used in financing activities		–109.0	–254.7	–126.6	–138.4
Change in cash and cash equivalents		–185.1	–207.0	–159.7	–115.3
Effect of exchange rate changes on cash and cash equivalents		0.1	–14.4	3.9	–10.7
Reclassification into assets held for sale		–0.2	–	–0.5	–
Cash and cash equivalents at beginning of period		518.0	601.9	489.1	506.5
Cash and cash equivalents at end of period		332.8	380.5	332.8	380.5

C.06 CONSOLIDATED CASH FLOW STATEMENT

CONDENSED NOTES

Key Financial Figures by Segment

for the period from January 1 to June 30

in EUR m		EMEA ⁴⁾	North America	Latin America	Asia Pacific	All other segments	Consolidation	Group
	2018	2,717.4	2,247.3	381.3	636.5	207.7	–	6,190.2
External sales within the meaning of IFRS 15	2017	2,550.6	2,257.7	414.4	569.9	182.1	–	5,974.7
	Change in %	6.5	–0.5	–8.0	11.7	14.1	–	3.6
	fx adjusted change in %	8.1	10.8	4.0	20.0	14.1	–	10.1
Inter-segment sales	2018	5.5	5.0	–	0.1	–	–10.6	–
	2017	5.4	5.7	–	–	0.6	–11.7	–
Operating gross profit ¹⁾	2018	583.0	539.0	78.6	106.1	7.9	–	1,314.6
	2017	559.0	552.7	87.8	97.2	7.5	–	1,304.2
	Change in %	4.3	–2.5	–10.5	9.2	5.3	–	0.8
	fx adjusted change in %	5.8	8.6	1.3	17.6	5.3	–	7.5
Gross profit	2018	–	–	–	–	–	–	1,284.0
	2017	–	–	–	–	–	–	1,273.1
	Change in %	–	–	–	–	–	–	0.9
	fx adjusted change in %	–	–	–	–	–	–	7.5
Operating EBITDA ²⁾ (segment result)	2018	204.4	196.1	16.8	37.2	–16.6	–	437.9
	2017	190.8	195.2	18.9	33.8	–16.2	–	422.5
	Change in %	7.1	0.5	–11.1	10.1	2.5	–	3.6
	fx adjusted change in %	8.8	11.9	0.6	18.5	2.5	–	10.9
Investments in non-current assets (capex) ³⁾	2018	27.8	25.0	2.2	5.1	5.0	–	65.1
	2017	22.3	18.7	3.1	2.5	0.8	–	47.4

C.07 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8

¹⁾ External sales less cost of materials.

²⁾ Segment operating EBITDA is calculated as segment EBITDA adjusted for holding charges and special items. For a list of special items, please see table B.03 in the Group Interim Management Report.

³⁾ Investments in non-current assets are the other additions to property, plant and equipment and intangible assets.

⁴⁾ Europe, Middle East & Africa.

Key Financial Figures by Segment

for the period from April 1 to June 30

in EUR m		EMEA ⁴⁾	North America	Latin America	Asia Pacific	All other segments	Consolidation	Group
	2018	1,373.9	1,180.0	195.4	351.7	114.0	–	3,215.0
External sales within the meaning of IFRS 15	2017	1,295.9	1,127.9	204.3	284.4	88.9	–	3,001.4
	Change in %	6.0	4.6	–4.4	23.7	28.2	–	7.1
	fx adjusted change in %	7.8	12.9	5.5	30.1	28.2	–	12.2
Inter-segment sales	2018	2.7	2.6	–	0.1	–	–5.4	–
	2017	2.9	3.2	–	–	0.2	–6.3	–
	2018	293.5	281.4	40.7	57.2	4.2	–	677.0
Operating gross profit ¹⁾	2017	280.0	280.2	44.1	48.9	3.3	–	656.5
	Change in %	4.8	0.4	–7.7	17.0	27.3	–	3.1
	fx adjusted change in %	6.4	8.5	2.0	23.5	27.3	–	8.4
	2018	–	–	–	–	–	–	661.1
Gross profit	2017	–	–	–	–	–	–	641.3
	Change in %	–	–	–	–	–	–	3.1
	fx adjusted change in %	–	–	–	–	–	–	8.3
	2018	103.0	108.0	8.7	19.8	–8.2	–	231.3
Operating EBITDA ²⁾ (segment result)	2017	94.8	106.6	9.7	16.8	–7.2	–	220.7
	Change in %	8.6	1.3	–10.3	17.9	13.9	–	4.8
	fx adjusted change in %	10.6	9.8	–	24.1	13.9	–	10.7
Investments in non-current assets (capex) ³⁾	2018	18.0	13.9	1.5	1.5	3.1	–	38.0
	2017	12.3	10.2	2.4	1.7	0.7	–	27.3

C.08 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8

¹⁾ External sales less cost of materials.

²⁾ Segment operating EBITDA is calculated as segment EBITDA adjusted for holding charges and special items. For a list of special items, please see table B.03 in the Group Interim Management Report.

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

in EUR m	Jan. 1, – Jun. 30, 2018	Jan. 1, – Jun. 30, 2017	Apr. 1, – Jun. 30, 2018	Apr. 1, – Jun. 30, 2017
Operating EBITDA	437.9	422.5	231.3	220.7
Investments in non-current assets (capex) ¹⁾	–65.1	–47.4	–38.0	–27.3
Change in working capital ^{2) 3)}	–197.2	–225.8	–45.4	–70.0
Free cash flow	175.6	149.3	147.9	123.4

C.09 FREE CASH FLOW

¹⁾ Investments in non-current assets are the other additions to property, plant and equipment and intangible assets.

²⁾ Definition of working capital: trade receivables plus inventories less trade payables.

³⁾ Adjusted for exchange rate effects and acquisitions.

in EUR m	Jan. 1, – Jun. 30, 2018	Jan. 1, – Jun. 30, 2017	Apr. 1, – Jun. 30, 2018	Apr. 1, – Jun. 30, 2017
Operating EBITDA (segment result)^{1) 2)}	437.9	422.5	231.3	220.7
Net expense from special items	–1.5	–1.1	–1.3	–0.9
EBITDA	436.4	421.4	230.0	219.8
Depreciation of property, plant and equipment	–58.0	–57.7	–29.8	–28.8
Impairment of property, plant and equipment	–	–0.4	–	–0.4
EBITA	378.4	363.3	200.2	190.6
Amortization of intangible assets ³⁾	–24.3	–23.3	–12.1	–11.7
Impairment of intangible assets	–	–	–	–
EBIT	354.1	340.0	188.1	178.9
Net finance costs	–42.8	–45.9	–23.8	–23.1
Profit before tax	311.3	294.1	164.3	155.8

C.10 RECONCILIATION OF OPERATING EBITDA TO PROFIT BEFORE TAX

¹⁾ Operating EBITDA is calculated as EBITDA adjusted for special items. For a list of special items, please see table B.03 in the Group Interim Management Report.

²⁾ Operating EBITDA of the reportable segments (EMEA, North America, Latin America and Asia Pacific) amounts to EUR 454.5 million (H1 2017: EUR 438.7 million) and operating EBITDA of all other segments to EUR –16.6 million (H1 2017: EUR –16.2 million).

³⁾ This figure includes amortization of customer relationships in the amount of EUR 19.7 million (H1 2017: EUR 18.5 million).

in EUR m	Jan. 1, – Jun. 30, 2018	Jan. 1, – Jun. 30, 2017	Apr. 1, – Jun. 30, 2018	Apr. 1, – Jun. 30, 2017
Operating gross profit	1,314.6	1,304.2	677.0	656.5
Production/mixing & blending costs	–30.6	–31.1	–15.9	–15.2
Gross profit	1,284.0	1,273.1	661.1	641.3

C.11 RECONCILIATION OF OPERATING GROSS PROFIT TO GROSS PROFIT

Consolidation Policies and Methods

STANDARDS APPLIED

These interim consolidated financial statements for the period from January 1 to June 30, 2018 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, 2017.

With the exception of the standards and interpretations that became effective on January 1, 2018, the same accounting policies have been applied as for the consolidated financial statements as at December 31, 2017.

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

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

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

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

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

In examining the effects of IFRS 15 (Revenue from Contracts with Customers), the subsidiaries' different revenue streams were identified and analyzed using a questionnaire spanning the five-step model. Due to our business model (chemical distribution), most of our performance obligations are satisfied at a point in time. However, questions arose in particular with regard to the timing of recognition of revenue from services provided prior to and after the sale of chemicals. Applying the new standard did not have a material effect on the presentation of the Group's net assets, financial position and results of operations. As a result, Brenntag applied the modified retrospective method, under which prior-year figures are not adjusted. Effects in the amount of EUR 6.0 million were recognized directly in equity at January 1, 2018, increasing equity by that amount. Compared with the rules in effect under IAS 11, IAS 18 and the related interpretations prior to the introduction of IFRS 15, the balance sheet items affected changed as follows:

in EUR m	Jan. 1, 2018	Jun. 30, 2018
Trade receivables	3.2	3.9
Inventories	-0.6	-0.7
Other current liabilities	-5.5	-6.0
Current tax liabilities	0.7	1.0
Deferred tax liabilities	1.4	1.4
Exchange rate differences	-	-
Retained earnings	6.0	6.8

C.12 EFFECTS OF IFRS 15 ON THE BALANCE SHEET

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

in EUR m	Jan. 1– Jun. 30, 2018
Sales	1.4
Other operating income	–0.1
Cost of sales	–0.2
Income tax expense	–0.3
Profit after tax	0.8

C.13 EFFECTS OF IFRS 15 ON THE INCOME STATEMENT

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

In examining the effects of IFRS 9 (Financial Instruments), the new rules on the recognition of impairment losses on trade receivables were given particular attention. The effects of the new model for classifying financial assets were also investigated. Applying the new standard did not have a material effect on the presentation of the Group's net assets, financial position and results of operations. Effects of the initial application of the expected loss model in the amount of EUR 0.6 million were recognized directly in equity at January 1, 2018, reducing equity by that amount. Trade receivables decreased by EUR 0.8 million, while deferred tax assets increased by EUR 0.2 million. Compared with the incurred loss model, no additional impairment loss had to be recognized for the first half of 2018 as a result of applying the expected loss model.

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

Income taxes have been recognized on the basis of the latest estimate of the Group tax rate expected for financial year 2018.

Under the new rules in IFRS 16 (Leases), which are effective from January 1, 2019, lessees will be required to recognize generally all leases in the balance sheet in the form of a right-of-use asset and a corresponding lease liability. In the income statement, leases will in all cases be presented as a financing transaction, i.e. the right-of-use asset will usually have to be depreciated on a straight-line basis and the lease liability adjusted using the effective interest method.

Brenntag has introduced a Group-wide software solution in which existing leases are currently being entered so that they can next be measured and quantified uniformly. Therefore, the effects of the new rules on the presentation of the Group's net assets, financial position and results of operations cannot yet be quantified exactly.

SCOPE OF CONSOLIDATION

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

	Dec. 31, 2017	Additions	Disposals	Jun. 30, 2018
Domestic consolidated companies	29	–	–	29
Foreign consolidated companies	184	8	4	188
Total consolidated companies	213	8	4	217

C.14 CHANGES IN SCOPE OF CONSOLIDATION

The disposals are the result of the liquidation and merger of companies no longer operating. The additions are attributable to entities acquired in business combinations under IFRS 3.

Five (Dec. 31, 2017: five) associates are accounted for using the equity method.

BUSINESS COMBINATIONS IN ACCORDANCE WITH IFRS 3

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

The purchase price, net assets and goodwill relating to Raj Petro break down as follows:

in EUR m	Provisional fair value
Purchase price	54.8
of which consideration contingent on earnings targets	–
Assets	
Cash and cash equivalents	9.9
Trade receivables, other financial assets and other receivables	90.8
Other current assets	34.0
Non-current assets	17.3
Liabilities	
Current liabilities	107.1
Non-current liabilities	4.6
Net assets	40.3
of which Brenntag's share (65%)	26.2
of which non-controlling interests (35%)	14.1
Goodwill	28.6
of which deductible for tax purposes	–

C.15 NET ASSETS ACQUIRED: RAJ PETRO

Measurement of the assets acquired and liabilities assumed (among others customer relationships, brands and deferred taxes) has not yet been completed for reasons of time. The main factors determining the goodwill are the above-mentioned reasons for the acquisition where not included in other assets (e.g. customer relationships, brands and similar rights). No share of the goodwill was recognized for non-controlling interests (partial goodwill method).

In addition, in June 2018, Brenntag most notably acquired the Quimitecnica Group based in Lordelo (Guimarães), Portugal. The acquisition of Quimitecnica is an excellent strategic fit with Brenntag's existing distribution activities in Portugal and the north of Spain. Quimitecnica has a strong position in the markets for industrial chemicals, water treatment and specialty chemicals. Also in June 2018, Brenntag acquired the business of Nemo Oil Company, USA.

The purchase price, net assets and goodwill relating to these companies break down as follows:

in EUR m	Provisional fair value
Purchase price	33.9
of which consideration contingent on earnings targets	3.4
Assets	
Cash and cash equivalents	2.3
Trade receivables, other financial assets and other receivables	8.7
Other current assets	2.4
Non-current assets	14.3
Liabilities	
Current liabilities	8.9
Non-current liabilities	2.8
Net assets	16.0
Goodwill	17.9
of which deductible for tax purposes	0.8

C.16 NET ASSETS ACQUIRED

Measurement of the assets acquired and liabilities assumed (among others customer relationships and deferred taxes) has not yet been completed for reasons of time. The main factors determining the goodwill are the above-mentioned reasons for the acquisition where not included in other assets (e.g. customer relationships and similar rights).

Acquisition-related costs in the amount of EUR 0.6 million were recognized under other operating expenses.

Since their acquisition by Brenntag, the businesses acquired in 2018 have generated sales of EUR 40.6 million and profit after tax of EUR 0.2 million.

If the above-mentioned business combinations had taken place with effect from January 1, 2018, sales of about EUR 6,281 million would have been reported for the Brenntag Group in the reporting period. Profit after tax would have been about EUR 225 million.

As a result of measurement-period adjustments, goodwill from entities acquired in 2017 increased by a total of EUR 2.0 million.

CURRENCY TRANSLATION

The euro exchange rates of major currencies changed as follows:

	Closing rate		Average rate	
	Jun. 30, 2018	Dec. 31, 2017	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
EUR 1 = currencies				
Canadian dollar (CAD)	1.5442	1.5039	1.5457	1.4453
Swiss franc (CHF)	1.1569	1.1702	1.1697	1.0766
Chinese yuan renminbi (CNY)	7.7170	7.8044	7.7086	7.4448
Danish krone (DKK)	7.4525	7.4449	7.4476	7.4368
Pound sterling (GBP)	0.8861	0.8872	0.8798	0.8606
Polish zloty (PLN)	4.3732	4.1770	4.2207	4.2690
Swedish krona (SEK)	10.4530	9.8438	10.1508	9.5968
US dollar (USD)	1.1658	1.1993	1.2104	1.0830

C.17 EXCHANGE RATES OF MAJOR CURRENCIES

Consolidated Income Statement, Consolidated Balance Sheet and Consolidated Cash Flow Statement Disclosures

1.) INTEREST INCOME

Interest income in the amount of EUR 1.5 million (H1 2017: EUR 1.4 million) is interest income from third parties.

2.) INTEREST EXPENSE

in EUR m	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
Interest expense on liabilities to third parties	–43.0	–46.1
Income from the fair value measurement of interest rate swaps	1.0	1.9
Net interest expense on defined benefit pension plans	–1.4	–1.3
Interest expense on other provisions	–0.9	–0.9
Interest expense on finance leases	–0.2	–0.3
Total	–44.5	–46.7

C.18 INTEREST EXPENSE

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

in EUR m	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	–0.7	–
Change in liabilities recognized in profit or loss arising from limited partners' rights to repayment of contributions	–0.6	–0.5
Total	–1.3	–0.5

C.19 CHANGE IN LIABILITIES RELATING TO ACQUISITION
OF NON-CONTROLLING INTERESTS RECOGNIZED IN PROFIT OR LOSS

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

4.) INCOME TAX EXPENSE

Income tax expense comprises current tax expense of EUR 85.5 million (H1 2017: current tax expense of EUR 88.1 million) and deferred tax expense of EUR 1.5 million (H1 2017: deferred tax expense of EUR 4.5 million).

Tax expense for the first half of 2018 was calculated using the Group tax rate expected for financial year 2018. 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.

in EUR m	Jan. 1–Jun. 30, 2018			Jan. 1–Jun. 30, 2017		
	Profit before tax	Tax rate in %	Income tax expense	Profit before tax	Tax rate in %	Income tax expense
excluding unplannable tax-neutral income/expenses	312.0	27.9	87.0	294.1	31.5	92.6
tax-neutral income/expenses that cannot be planned with sufficient accuracy	-0.7	–	–	–	–	–
including unplannable tax-neutral income/expenses	311.3	27.9	87.0	294.1	31.5	92.6

C.20 PROFIT BEFORE TAX AFTER ELIMINATION OF UNPLANNABLE TAX-NEUTRAL INCOME / EXPENSES

The expected Group tax rate for financial year 2018 is 27.9%, 3.6 percentage points lower than the prior-year rate. The lower Group tax rate for financial year 2018 is mainly the result of the reduction in the federal corporate tax rate under the US tax reform with effect from 2018.

5.) EARNINGS PER SHARE

Earnings per share in the amount of EUR 1.45 (H1 2017: EUR 1.30) are determined by dividing the share of profit after tax of EUR 223.4 million (H1 2017: EUR 201.2 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 72.7036. The diluted earnings per share are therefore the basic earnings per share.

The initial application of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) at January 1, 2018 did not have a material effect on earnings per share.

6.) ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

Assets held for sale and associated liabilities contain the assets and liabilities of our Danish subsidiary Brenntag Biosector A/S, Ballerup, as Brenntag intends to sell the company within one year.

The assets and liabilities break down as follows:

in EUR m	Jun. 30, 2018	Dec. 31, 2017
Cash and cash equivalents	0.7	0.6
Trade receivables and other receivables	5.6	5.9
Inventories	3.3	3.0
Property, plant and equipment and intangible assets	41.9	42.9
Assets held for sale	51.5	52.4
Trade payables, other liabilities and provisions	15.1	15.3
Current tax liabilities and deferred tax liabilities	2.2	1.7
Liabilities associated with assets held for sale	17.3	17.0

C.21 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

7.) FINANCIAL LIABILITIES

in EUR m	Jun. 30, 2018	Dec. 31, 2017
Liabilities under syndicated loan	500.8	488.3
Other liabilities to banks	255.9	130.4
Bond 2018	420.8	409.2
Bond 2025	598.3	594.5
Bond (with Warrants) 2022	406.7	393.2
Finance lease liabilities	7.2	8.2
Derivative financial instruments	1.6	4.1
Other financial liabilities	58.0	62.0
Total	2,249.3	2,089.9
Cash and cash equivalents	332.8	518.0
Net financial liabilities	1,916.5	1,571.9

C.22 DETERMINATION OF NET FINANCIAL LIABILITIES

8.) OTHER PROVISIONS

Other provisions break down as follows:

in EUR m	Jun. 30, 2018	Dec. 31, 2017
Environmental provisions	89.3	89.2
Provisions for personnel expenses	22.7	24.5
Miscellaneous provisions	87.8	110.7
Total	199.8	224.4

C.23 OTHER PROVISIONS

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

In the interim consolidated financial statements as at June 30, 2018, the present value of pension obligations was determined using a discount rate of 1.7% (Dec. 31, 2017: 1.7%) in Germany and the other countries of the euro zone, 0.8% (Dec. 31, 2017: 0.6%) in Switzerland and 3.9% (Dec. 31, 2017: 3.6%) in Canada.

Due to the remeasurement of defined benefit plans, provisions for pensions and other post-employment benefits decreased by an amount of EUR 5.0 million recognized directly in retained earnings. This is the result of the increase in the discount rate in Switzerland and Canada. Net of deferred taxes, actuarial losses recognized in other comprehensive income consequently decreased by EUR 3.8 million.

The new Heubeck 2018 G mortality tables for Germany were published on July 20, 2018. The tables reflect the latest statistics from the statutory pension insurance fund and the Federal Statistical Office. For the first time, they also include socioeconomic factors.

Brenntag expects pension obligations to increase only slightly as a result of first-time application. The effect of applying the new Heubeck 2018 G mortality tables for the first time will be recognized in other comprehensive income as part of the remeasurement component.

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

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

in EUR m	Jun. 30, 2018	Dec. 31, 2017
Liabilities relating to acquisition of non-controlling interests	36.3	11.8
Liabilities arising from limited partners' rights to repayment of contributions	1.4	1.7
Total	37.7	13.5

C.24 LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS

On initial recognition in early May, the purchase price for the remaining 35% of the shares in Raj Petro was required to be recognized as a liability at its present value of EUR 23.9 million by reducing retained earnings. Unwinding of discounting and changes in estimates of the future purchase price are recognized in profit or loss.

As the liability has been included in net investment hedge accounting, exchange rate-related changes in the liability are recognized within equity in the net investment hedge reserve.

Those effects arising on liabilities relating to the acquisition of non-controlling interests that are recognized in profit or loss are presented in Note 3.).

11.) EQUITY

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

Retained earnings declined by EUR 23.9 million due to the initial recognition of the liability relating to the acquisition of the remaining 35% of the shares in Raj Petro in early May 2018.

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

in EUR m	Subscribed capital, retained earnings and additional paid-in capital	Exchange rate differences	Non-controlling interests
Dec. 31, 2016	9.4	0.3	9.7
Profit after tax	0.3	–	0.3
Other comprehensive income, net of tax	–	–0.6	–0.6
Total comprehensive income for the period	0.3	–0.6	–0.3
Jun. 30, 2017	9.7	–0.3	9.4

C.25 CHANGE IN NON-CONTROLLING INTERESTS/JUN. 30, 2017

in EUR m	Subscribed capital, retained earnings and additional paid-in capital	Exchange rate differences	Non-controlling interests
Dec. 31, 2017	13.7	-1.2	12.5
Business combinations	14.1	-	14.1
Profit after tax	0.9	-	0.9
Other comprehensive income, net of tax	-	0.1	0.1
Total comprehensive income for the period	0.9	0.1	1.0
Jun. 30, 2018	28.7	-1.1	27.6

C.26 CHANGE IN NON-CONTROLLING INTERESTS / JUN. 30, 2018

Non-controlling interests increased by EUR 14.1 million (35%) due to the acquisition of 65% of the shares in Raj Petro.

12.) CONSOLIDATED CASH FLOW STATEMENT DISCLOSURES

Net cash provided by operating activities was influenced by cash outflows attributable to the rise in working capital of EUR 197.2 million. The rise in working capital resulted from changes in inventories, gross trade receivables and trade payables as well as from valuation allowances on trade receivables and inventories as follows:

in EUR m	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
Increase in inventories	-101.8	-89,7
Increase in gross trade receivables	-235.9	-315,3
Increase in trade payables	138.2	174,9
Increase/decrease in valuation allowances on trade receivables and on inventories ¹⁾	2.3	4,3
Change in working capital²⁾	-197.2	-225,8

C.27 CHANGE IN WORKING CAPITAL

¹⁾ Presented within other non-cash items.

²⁾ Adjusted for exchange rate effects and acquisitions.

At 7.5 in the reporting period, annualized working capital turnover¹ was lower than at the end of 2017 (7.9).

The initial application of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) at January 1, 2018 did not have a material effect on the consolidated cash flow statement.

¹⁾ Ratio of annual sales to average working capital; annual sales are defined as sales for the first half extrapolated to the full year (first-half sales multiplied by two); average working capital for the first half is defined as the average of working capital at the beginning of the year and at the end of the first and second quarters.

13.) Legal proceedings and disputes

In connection with the antitrust proceedings in France which concern matters dating back to 1998, there have been the following developments: In the proceedings regarding the decision issued by the French Competition Authority in 2013 in relation to the allocation of customers and coordination of prices, Brenntag's request to have the fine ruling definitively reversed due to procedural errors was dismissed. The court of appeal is now to decide to what extent a fine will be imposed. In connection with the investigation into whether BRENNTAG SA illegally made use of its market position, a provision of EUR 30.0 million was recognized in December 2017 for a fine imposed by the French Competition Authority and the amount paid in April 2018. Brenntag has filed an appeal against the decision.

14.) Reporting of financial instruments

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

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

in EUR m	Jun. 30, 2018			
Classification of financial assets:	At amortized cost	FVTPL ¹⁾	Total carrying amount	Fair value
Cash and cash equivalents	332.8	–	332.8	332.8
Trade receivables	1,989.7	–	1,989.7	1,989.7
Other receivables	106.5	–	106.5	106.5
Other financial assets	7.5	10.8	18.3	18.3
Total	2,436.5	10.8	2,447.3	2,447.3

C.28 CLASSIFICATION OF FINANCIAL ASSETS BY MEASUREMENT CATEGORY / JUN. 30, 2018

¹⁾ Financial assets at fair value through profit or loss.

in EUR m

Measurement in the balance sheet:	At amortized cost	At fair value			Dec. 31, 2017	
		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
Classification of financial assets:						
Cash and cash equivalents	518.0	–	–	–	518.0	518.0
Trade receivables	1,672.7	–	–	–	1,672.7	1,672.7
Other receivables	95.7	–	–	–	95.7	95.7
Other financial assets	21.7	5.4	1.4	–	28.5	28.5
Total	2,308.1	5.4	1.4	–	2,314.9	2,314.9

C.29 CLASSIFICATION OF FINANCIAL ASSETS BY MEASUREMENT CATEGORY / DEC. 31, 2017

The majority of the financial assets measured at amortized cost have remaining terms of less than one year. Their carrying amounts at the reporting date approximate their fair values.

Of the other receivables recognized in the balance sheet, EUR 108.5 million (Dec. 31, 2017: EUR 70.4 million) are not financial assets as defined by IFRS 7. They are mainly receivables from value-added tax and other taxes, prepaid expenses and prepayments.

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

in EUR m

Classification of financial liabilities:	Jun. 30, 2018				Total carrying amount	Fair value
	At amortized cost	FVTPL ¹⁾	Carrying amount under IAS 17			
Trade payables	1,382.3	–	–		1,382.3	1,382.3
Other liabilities	173.1	–	–		173.1	173.1
Liabilities relating to acquisition of non-controlling interests	37.7	–	–		37.7	37.7
Financial liabilities	2,213.3	28.7	7.2		2,249.2	2,237.4
Total	3,806.4	28.7	7.2		3,842.3	3,830.5

C.30 CLASSIFICATION OF FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY / JUN. 30, 2018

¹⁾ Financial liabilities at fair value through profit or loss.

in EUR m

Measurement in the balance sheet:	At amortized cost		At fair value			Dec. 31, 2017	
	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
Classification of financial liabilities:							
Trade payables	1,205.8	–	–	–	–	1,205.8	1,205.8
Other liabilities	181.6	–	–	–	–	181.6	181.6
Liabilities relating to acquisition of non-controlling interests	13.5	–	–	–	–	13.5	13.5
Financial liabilities	2,054.0	–	27.7	–	8.2	2,089.9	2,114.6
Total	3,454.9	–	27.7	–	8.2	3,490.8	3,515.5

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

The majority of the trade payables and other liabilities measured at amortized cost have remaining terms of less than one year. Their carrying amounts at the reporting date therefore approximate their fair values. The fair values of the financial liabilities measured at amortized cost were mainly determined using quoted or market prices in an active market (Level 1 of the fair value hierarchy). The fair values of liabilities relating to the acquisition of non-controlling interests were determined on the basis of recognized company valuation models. The company valuation models are based on cash flow plans (Level 3 of the fair value hierarchy). The fair values of foreign exchange forwards and foreign exchange swaps are determined by comparing forward rates and discounted to present value (Level 2 of the fair value hierarchy). The fair values of interest rate swaps are determined by applying the discounted cash flow method on the basis of current interest curves, taking into account the non-performance risk (Level 2 of the fair value hierarchy).

Of the other liabilities recognized in the balance sheet, EUR 221.4 million (Dec. 31, 2017: EUR 217.4 million) are not financial liabilities as defined by 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:

in EUR m				
Hierarchy level	Level 1	Level 2	Level 3	Jun. 30, 2018
Financial assets at fair value through profit or loss	1.4	9.4	–	10.8
Financial liabilities at fair value through profit or loss	–	1.6	27.1	28.7

C.32 FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY / JUN. 30, 2018

in EUR m				
Hierarchy level	Level 1	Level 2	Level 3	Dec. 31, 2017
Financial assets at fair value through profit or loss	–	5.4	–	5.4
Financial liabilities at fair value through profit or loss	–	4.1	23.6	27.7
Available-for-sale financial assets	1.4	–	–	1.4

C.33 FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY / DEC. 31, 2017

Financial liabilities at fair value through profit or loss of EUR 27.1 million (Dec. 31, 2017: EUR 23.6 million) relate to liabilities for contingent purchase prices payable in acquisitions (Level 3 of the fair value hierarchy). The amount of the contingent purchase price components is required to be recognized at fair value and is contingent on the acquiree meeting certain earnings targets (e.g. operating gross profit, EBITDA).

Liabilities resulting from contingent consideration arrangements changed as follows:

in EUR m	2018	2017
Jan. 1	23.6	9.3
Adjustments in the measurement period (increase in goodwill)	0.1	0.7
Business combinations	3.4	–
Payments	–	–1.2
Exchange rate differences	–	–0.3
Jun. 30	27.1	8.5

C.34 CHANGE IN LIABILITIES RESULTING FROM CONTINGENT CONSIDERATION ARRANGEMENTS

15.) Events after the reporting period

At the beginning of July 2018, Brenntag announced that it had signed an agreement with Canada Colors and Chemicals Ltd. to acquire the company's chemical distribution business. Based in Toronto, Canada, the company serves a broad customer base across a range of industries at various locations in Canada. It generated annual sales of approximately EUR 140 million in financial year 2017.

The EUR 400 million bond (Bond 2018) issued by our Group company Brenntag Finance B.V., Amsterdam, Netherlands, in July 2011, which bore a coupon of 5.5% with interest paid annually, was repaid on schedule on July 19, 2018.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group in the remaining months of the financial year.

Essen, August 7, 2018

Brenntag AG

BOARD OF MANAGEMENT

Steven Holland

Karsten Beckmann

Markus Klähn

Georg Müller

Henri Nejade

REVIEW REPORT

To Brenntag AG, Essen

We have reviewed the condensed consolidated interim financial statements – comprising the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and selected explanatory notes – and the interim group management report of Brenntag AG, Essen, for the period from January 1 to June 30, 2018 which are part of the half-year financial report pursuant to § (Article) 115 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, August 7, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Thomas Tandetzki
Wirtschaftsprüfer
(German Public Auditor)

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

TABLE DIRECTORY

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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 2018


AUG 29
 **2018**
 Commerzbank Sector Week,
 Frankfurt


SEP 12
 **2018**
 UBS European
 Support Services Conference,
 London


SEP 25
 **2018**
 Baader Investment Conference,
 Munich


NOV 7
 **2018**
 Interim Report Q3 2018


NOV 8
 **2018**
 Capital Markets Day,
 Essen


DEC 4
 **2018**
 Berenberg European Conference,
 London

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