ConnectingChemistry

BRENNTAG

# GLOBAL MARKET LEADER

IN CHEMICAL
DISTRIBUTION

INTERIM REPORT
Q3 2016

# KEY FINANCIAL FIGURES AT A GLANCE

## CONSOLIDATED INCOME STATEMENT

| | | **Q3 2016** | Q3 2015 |
|---|---|---|---|
| Sales | EUR m | 2,619.2 | 2,607.5 |
| Gross profit | EUR m | 593.9 | 570.5 |
| Operating EBITDA | EUR m | 205.2 | 204.4 |
| Operating EBITDA / gross profit | % | 34.6 | 35.8 |
| Profit after tax | EUR m | 93.4 | 94.7 |
| Earnings per share | EUR | 0.60 | 0.61 |

## CONSOLIDATED BALANCE SHEET

| | | **Sep. 30, 2016** | Dec. 31, 2015 |
|---|---|---|---|
| Total assets | EUR m | 7,025.3 | 6,976.2 |
| Equity | EUR m | 2,752.8 | 2,690.5 |
| Working capital | EUR m | 1,311.0 | 1,268.1 |
| Net financial liabilities | EUR m | 1,604.0 | 1,676.1 |

## CONSOLIDATED CASH FLOW

| | | **Q3 2016** | Q3 2015 |
|---|---|---|---|
| Net cash provided by operating activities | EUR m | 180.0 | 166.9 |
| Investments in non-current assets (capex) | EUR m | 26.2 | 25.3 |
| Free cash flow | EUR m | 190.1 | 191.0 |

## KEY FIGURES BRENNTAG SHARE

| | | **Sep. 30, 2016** | Dec. 31, 2015 |
|---|---|---|---|
| Share price | EUR | 48.61 | 48.28 |
| No. of shares (unweighted) | | 154,500,000 | 154,500,000 |
| Market capitalization | EUR m | 7,510 | 7,459 |

A.01 KEY FINANCIAL FIGURES AT A GLANCE

# COMPANY PROFILE

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

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

Brenntag operates a global network spanning more than 530 locations in 74 countries. With its global workforce of more than 14,000 employees, the company generated sales of EUR 10.3 billion in 2015.

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CEO Letter

**Dear Shareholders,**

In the third quarter of 2016 Brenntag achieved growth in a challenging environment which was impacted by a number of geopolitical and economic factors affecting overall demand thereby once again underlining the resilience of our business. The gross profit of the Group amounted to EUR 593.9 million, representing an increase of 5.5% on a constant currency basis. Our operating EBITDA amounted to EUR 205.2 million, which is an increase of 2.0% on a constant currency basis.

Our business performance in this quarter showed a differentiated picture similar to what we have observed in previous quarters. We achieved clear growth in the existing business in the EMEA and in particular in the Asia Pacific segment. In North America we still had to face weak demand in the oil and gas sector as well as overall weak momentum in the macro economy. The segment Latin America continued to be impacted by the currency devaluation in Venezuela and the difficult environment particularly in Brazil.

The acquisitions we have undertaken so far contributed positively to this quarterly result. We have successfully expanded our lubricants business in North America with the acquisition of Mayes County Petroleum Products and Noco Inc. There remains an active pipeline of potential future acquisitions in all regions.

Overall in the third quarter of 2016 macroeconomic conditions continued to be weak, but our business remains highly diversified and well positioned to capture future growth.

Against the background of only low global macroeconomic growth and continued challenges around the world, for the full year 2016 we expect growth of gross profit and operating EBITDA on an fx adjusted basis. This is in particular supported by the performance of the regions EMEA and Asia Pacific. In North America, we expect the continuing weak demand and the difficult macro economy in Latin America to be a challenge.

We see the current trends in the business as unchanged but believe we should narrow our full year guidance to reflect overall weakness in demand. Therefore, we expect operating EBITDA for 2016 to be between EUR 800 million and EUR 820 million assuming no significant changes in the average US dollar / euro exchange rate.

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

Mülheim an der Ruhr, November 8, 2016

Steven Holland
Chief Executive Officer

# BRENNTAG ON THE STOCK MARKET

## SHARE PRICE PERFORMANCE

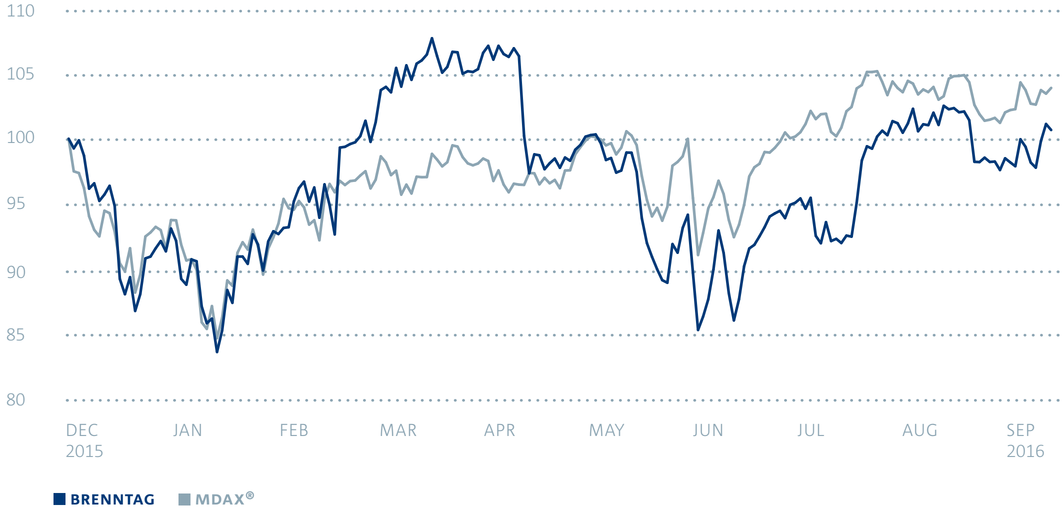
Equity markets remained volatile at the beginning of the third quarter of 2016 due to the EU membership referendum held by the United Kingdom at the end of June. Following this volatile start, equity markets stabilized and showed a positive trend overall.

The European Central Bank continued its programme to purchase corporate bonds during the third quarter, thereby underlining its capital market-friendly stance. On the currency market, the US dollar remained at strong levels. Oil prices increased in the course of the quarter.

In this environment, Germany's leading index, the DAX®, declined by around 2% in the first nine months of 2016 to close at 10,511 points at the end of September 2016. The MDAX® performed better, ending the first nine months up 3.9% to 21,584 points. Brenntag shares closed the reporting period at EUR 48.61, an increase of 0.7% compared with the 2015 closing price.

According to Deutsche Börse AG's ranking, Brenntag AG ranked 34th among all listed companies in Germany by market capitalization at the end of September 2016. The average number of Brenntag shares traded daily on Xetra® in the first nine months of 2016 totalled about 297,000 compared with around 281,000 shares in the same period of 2015.

BRENNTAG SHARE PRICE PERFORMANCE (INDEXED)




A.02 BRENNTAG SHARE PRICE PERFORMANCE (INDEXED)

## SHAREHOLDER STRUCTURE

As at September 30, 2016, 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 STRUCTURE

| Shareholder | Interest in % | Date of notification |
|---|---|---|
| Sun Life / MFS | >5 | July 3, 2012 |
| Norges Bank | >5 | September 2, 2016 |
| Oppenheimer Funds, Inc. | >3 | December 7, 2015 |
| Threadneedle | >3 | June 27, 2016 |
| BlackRock | >3 | September 2, 2016 |

A.03 SHAREHOLDER STRUCTURE

KEY DATA ON THE BRENNTAG SHARES

| | | IPO Mar. 29, 2010 [1] | Dec. 31, 2015 | **Sep. 30, 2016** |
|---|---|---|---|---|
| Share price (Xetra® closing price) | EUR | 16.67 | 48.28 | 48.61 |
| Market capitalization | EUR m | 2,576 | 7,459 | 7,510 |
| Primary stock exchange | | | | Xetra® |
| Indices | | | | MDAX®, MSCI, STOXX EUROPE 600 |
| ISIN / WKN / trading symbol | | | | DE000A1DAHH0 / A1DAHH / BNR |

A.04 KEY DATA ON THE BRENNTAG SHARES

[1] As part of a stock split, the number of shares was increased in the third quarter of 2014 from 51.5 million to 154.5 million. The number of shares and the share prices have been retroactively adjusted in line with the stock split.

## CREDITOR RELATIONS

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

On November 25, 2015, Brenntag Finance B.V., Amsterdam, Netherlands, an indirectly wholly-owned subsidiary of Brenntag AG, successfully completed the placement of a senior, unsecured bond with warrant units maturing in 2022 in the final amount of USD 500 million and bearing a coupon of 1.875% per annum. The warrants provide the option to acquire no-par value ordinary registered Brenntag AG shares upon payment of an exercise price of EUR 72.8486 currently.

On July 19, 2011, Brenntag Finance B.V. issued a corporate bond in the amount of EUR 400 million. The seven-year bond bears a coupon of 5.50% per annum. The issue price was 99.321% of par value.

KEY DATA ON THE BONDS OF THE BRENNTAG GROUP

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

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

# GROUP INTERIM MANAGEMENT REPORT

for the period from January 1 to September 30, 2016

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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 on complete geographic coverage, a wide product and service portfolio and high diversity across suppliers, customers and industries.

Connecting chemical manufacturers (our suppliers) and chemical users (our customers), Brenntag provides complete distribution solutions rather than just chemical products. Brenntag purchases large-scale quantities of industrial and specialty chemicals from various suppliers, enabling the company to achieve economies of scale and offer a full-line range of chemical products and value-added services to around 180,000 customers. Brenntag is the strategic partner and service provider for manufacturers of industrial and specialty chemicals at the one end and chemical users at the other end of the value chain. Brenntag's role in the value chain is also expressed in our brand identity "ConnectingChemistry".

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

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

### GROUP STRUCTURE

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

The consolidated financial statements as at September 30, 2016 include Brenntag AG, 31 (Dec. 31, 2015: 27) domestic and 189 (Dec. 31, 2015: 194) foreign consolidated subsidiaries including structured entities. Five (Dec. 31, 2015: five) associates have been accounted for using the equity method.

## SEGMENTS AND LOCATIONS

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

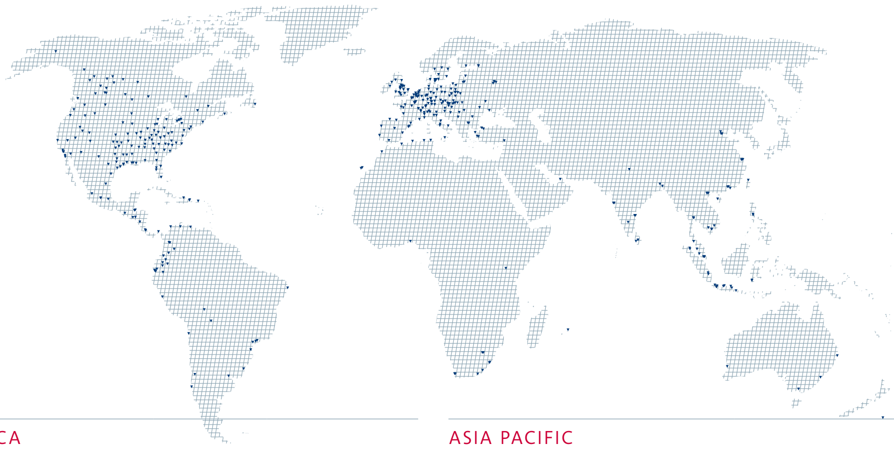
The following graphic gives an overview of the global network and the locations of the Brenntag Group:

NORTH AMERICA

| | | 9M 2016 |
|---|---|---|
| External sales | EUR m | 2,833.8 |
| Operating gross profit | EUR m | 745.2 |
| Operating EBITDA | EUR m | 274.1 |
| Employees[1] | | 4,393 |

EMEA

| | | 9M 2016 |
|---|---|---|
| External sales | EUR m | 3,493.7 |
| Operating gross profit | EUR m | 807.7 |
| Operating EBITDA | EUR m | 277.0 |
| Employees[1] | | 6,627 |



LATIN AMERICA

| | | 9M 2016 |
|---|---|---|
| External sales | EUR m | 583.5 |
| Operating gross profit | EUR m | 128.2 |
| Operating EBITDA | EUR m | 33.2 |
| Employees[1] | | 1,489 |

ASIA PACIFIC

| | | 9M 2016 |
|---|---|---|
| External sales | EUR m | 731.4 |
| Operating gross profit | EUR m | 133.9 |
| Operating EBITDA | EUR m | 48.9 |
| Employees[1] | | 1,837 |

B.01 GLOBAL NETWORK OF THE BRENNTAG GROUP

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

# VISION, OBJECTIVES AND STRATEGY

## ConnectingChemistry

Our philosophy "ConnectingChemistry" describes 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.

### 2020 VISION

Our "2020 Vision" illustrates how we continue to position ourselves in the markets and industries we serve and is summarized by the following five commitments to our current and future development:

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

### OBJECTIVES AND STRATEGY

With our "2020 Vision", we pursue our goal to be the preferred distributor for both specialty and industrial 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 Latin America and Asia Pacific to capture the expected strong growth in demand for chemicals in these regions. In the established markets of Western Europe and North America, we continue to further develop our product and service portfolio as well as to optimize our national and international distribution networks through acquisitions.

### STEADILY IMPROVING PROFITABILITY

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

### STRATEGIC INITIATIVES

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

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

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

As part of our regional growth strategies, we continue seeking to effectively leverage our capabilities in rapidly growing and therefore particularly attractive industries such as water treatment, personal care, pharmaceuticals, food & beverages as well as adhesives, coatings, paints, elastomers and sealants. In oil & gas, we are still counting on the segment's long-term potential in combination with our excellent capabilities and our supplier and customer network despite the current uncertainty about the near-term direction of the industry. In order to achieve sustainable growth, we are placing more emphasis on developing our global oil and gas expertise as well as downstream[1)] products and services. Further initiatives focus on growing the customer-specific mixing and blending business by providing value-added services.

[1)] Downstream: the refining and processing sector of the oil and gas industry.

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

In our human resources activities, we seek to recruit, develop and retain highly qualified employees. Last year, we extensively revised our global human resources strategy and launched various new initiatives with the aim of best positioning the Brenntag brand in the employment market. We put particular emphasis on our employees' continuing development and on targeted succession planning.

## SUSTAINABILITY

As the global market leader in full-line chemical distribution, we also aim to lead the industry in sustainability. We are aware of our responsibility to future generations and therefore it is important to us to operate safely, act as a responsible corporate citizen, minimize our impact on the environment and ensure our long-term financial viability.

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

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

We remain committed to the principles of responsible care and responsible distribution as well as the principles of the UN Global Compact. We are also a member of "Together for Sustainability", an industry initiative that aims to enhance sustainability across the entire chemical supply chain. Detailed information on our sustainability management can be found in our latest sustainability report and in the "Health, Safety and Environmental Protection, Quality Management" chapter of our 2015 Annual Report.

# REPORT ON ECONOMIC POSITION

## ECONOMIC ENVIRONMENT

Global economic performance remained subdued in the third quarter of 2016. The Global Manufacturing Purchasing Managers' Index (PMI) stood at 51 in September, a reading just above the 50 neutral mark. Global industrial production grew by around 1.3% year on year in the first two months of the third quarter of 2016.

The European economy continued to deliver moderate, albeit slightly weaker growth. Industrial production expanded by 0.9% year on year in the first two months of the third quarter of 2016.

Partly because of the persistently low oil price, the USA saw a continuation of the weak trend, with industrial production in contraction for the fourth quarter in succession. Industrial production contracted by 1.0% year on year in the third quarter of 2016.

Latin America continued to experience an economic downturn. Venezuela is into its third year of severe recession in 2016. Imports of chemical products by chemicals distributors were practically at a standstill. Brazil also continued to face economic challenges. Overall, industrial production in Latin America contracted by approximately 4.8% year on year in the first two months of the third quarter of 2016.

The economies of Asia, particularly China, continued to see slower growth momentum, but Asia remained the fastest-expanding region globally. Industrial production across the region as a whole grew by around 4.7% year on year in the first two months of the third quarter of 2016.

# BUSINESS PERFORMANCE

## STATEMENT BY THE BOARD OF MANAGEMENT ON BUSINESS PERFORMANCE

In the third quarter of 2016, the Brenntag Group's operating EBITDA were up slightly on the prior-year figure. On a constant currency basis, the increase amounts to 2.0%.

Earnings were affected by a number of geopolitical and economic factors. On the one hand, we achieved clear growth in the existing business in the EMEA segment and in particular in the Asia Pacific segment. At the same time, the acquisitions made an appreciable contribution to Group earnings. These positive effects helped to counter the challenges in other segments such as North America and Latin America. The oil & gas sector in North America continued to be impacted by weak demand. Economic performance also remained on the weak side outside this sector in North America. Furthermore, our earnings in Latin America were affected by the loss of earnings in Venezuela and the challenging macroeconomic conditions in Brazil.

In the EMEA segment, we again achieved firm growth in operating EBITDA on a constant currency basis. This was the combined effect of the performance from the existing business and the positive contribution from several smaller acquisitions. Due to the depreciation of the pound sterling, the growth rates on a constant currency basis clearly exceeded the reported rates of growth.

Business performance in North America continued to be shaped mainly by weak demand in the oil & gas sector, but in other customer industries too, weak economic momentum caused our operating EBITDA from the existing business to decline. Overall, however, the decline was offset by the contribution from the acquisitions in North America.

In addition to the loss of earnings in Venezuela, earnings performance in Latin America was also impacted by the challenging macroeconomic conditions in Brazil, as a result of which we posted a decrease in operating EBITDA overall.

The Asia Pacific region demonstrated another excellent quarter due to both strong growth in the existing business and the contribution from the acquisitions.

We achieved a slight year-on-year reduction in average working capital in the third quarter of 2016, as we were able to increase annualized working capital turnover.

Capital expenditure on property, plant and equipment showed a slight year-on-year reduction in the third quarter of 2016. We are continuing to follow our strategy of maintaining our existing infrastructure and expanding it appropriately through growth projects.

Free cash flow reached a high level again in the third quarter of 2016.

Overall, business performance in the third quarter of 2016 was mixed. In the EMEA and Asia Pacific regions, we achieved growth in the existing business. The acquisitions also made an important contribution to earnings. At the same time, the aforementioned performance in North America and Latin America resulted in the Brenntag Group's operating EBITDA showing only a slight increase year on year.

# RESULTS OF OPERATIONS

## BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

| | | | Change | | |
|---|---|---|---|---|---|
| in EUR m | **Q3 2016** | Q3 2015 | abs. | in % | in % (fx adj.)[1] |
| Sales | 2,619.2 | 2,607.5 | 11.7 | 0.4 | 1.6 |
| Operating gross profit | 607.7 | 584.4 | 23.3 | 4.0 | 5.4 |
| Operating expenses | −402.5 | −380.0 | −22.5 | 5.9 | 7.2 |
| **Operating EBITDA** | **205.2** | **204.4** | **0.8** | **0.4** | **2.0** |
| Depreciation of property, plant and equipment | −28.3 | −26.8 | −1.5 | 5.6 | 8.0 |
| EBITA | 176.9 | 177.6 | −0.7 | −0.4 | 1.1 |
| Amortization of intangible assets | −11.7 | −9.4 | −2.3 | 24.5 | 27.2 |
| Net finance costs | −23.9 | −27.3 | 3.4 | −12.5 | – |
| Profit before tax | 141.3 | 140.9 | 0.4 | 0.3 | – |
| Income tax expense | −47.9 | −46.2 | −1.7 | 3.7 | – |
| Profit after tax | 93.4 | 94.7 | −1.3 | −1.4 | – |

| | | | Change | | |
|---|---|---|---|---|---|
| in EUR m | **9M 2016** | 9M 2015 | abs. | in % | in % (fx adj.)[1] |
| Sales | 7,863.3 | 7,872.8 | −9.5 | −0.1 | 1.7 |
| Operating gross profit | 1,825.5 | 1,754.7 | 70.8 | 4.0 | 5.9 |
| Operating expenses | −1,212.4 | −1,139.9 | −72.5 | 6.4 | 8.2 |
| **Operating EBITDA** | **613.1** | **614.8** | **−1.7** | **−0.3** | **1.7** |
| Depreciation of property, plant and equipment | −85.5 | −80.5 | −5.0 | 6.2 | 8.4 |
| EBITA | 527.6 | 534.3 | −6.7 | −1.3 | 0.6 |
| Amortization of intangible assets | −35.9 | −28.4 | −7.5 | 26.4 | 30.5 |
| Net finance costs | −93.0 | −68.8 | −24.2 | 35.2 | – |
| Profit before tax | 398.7 | 437.1 | −38.4 | −8.8 | – |
| Income tax expense | −137.2 | −143.1 | 5.9 | −4.1 | – |
| Profit after tax | 261.5 | 294.0 | −32.5 | −11.1 | – |

B.02 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

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

## SALES AND VOLUMES

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

In the third quarter of 2016, the Brenntag Group generated sales of EUR 2,619.2 million, a slight increase on the prior-year figure (0.4%). This represents a rise of 1.6% on a constant currency basis and is attributable to higher volumes. The sales growth, achieved thanks to the contribution from the acquisitions, particularly J.A.M. Distributing Company, G.H. Berlin-Windward and TAT Group, more than offset the decrease in sales in the existing business.

Sales for the first nine months were essentially on a par with the previous year (–0.1%). On a constant currency basis, they were up by 1.7%.

## OPERATING GROSS PROFIT

The Brenntag Group's operating gross profit increased by 4.0% to EUR 607.7 million in the third quarter of 2016. This is a rise of 5.4% on a constant currency basis and the result of higher volumes. The growth in operating gross profit is attributable to our existing business in the EMEA and Asia Pacific segments and the inclusion of the acquisitions, particularly J.A.M. Distributing Company, G.H. Berlin-Windward and TAT Group, which more than offset the decline in operating gross profit from customers in the oil & gas sector in the North America segment and the decline in operating gross profit in Latin America.

In the first nine months, operating gross profit climbed by 4.0% and, on a constant currency basis, by 5.9% overall compared with the prior-year period.

## OPERATING EXPENSES

The Brenntag Group posted operating expenses of EUR 402.5 million in the third quarter of 2016. This is a rise of 5.9%, or 7.2% on a constant currency basis, and due mainly to the acquisition-driven business growth, which resulted in higher personnel, rent and transport costs. Operating expenses for the existing business were only slightly higher year on year.

In the first nine months of 2016, the Brenntag Group's operating expenses increased by 6.4% and, on a constant currency basis, by 8.2%.

## OPERATING EBITDA

The Brenntag Group achieved operating EBITDA of EUR 205.2 million overall in the third quarter of 2016, a slight increase on the prior-year figure (0.4%) or, on a constant currency basis, a rise of 2.0%. Our business was impacted by continued weak demand in the oil & gas sector in North America and the difficult situation in some Latin American countries. This was fully offset, however, by the positive trend in the EMEA and Asia Pacific segments and the contribution from the acquisitions.

In the first nine months of 2016, the Brenntag Group generated operating EBITDA of EUR 613,1 million, a slight decrease on prior-year earnings (–0.3%). On a constant currency basis, it exceeded the prior-year figure by 1.7%.

### DEPRECIATION, AMORTIZATION AND NET FINANCE COSTS

Depreciation of property, plant and equipment and amortization of intangible assets amounted to EUR 40.0 million in the third quarter of 2016, with depreciation of property, plant and equipment accounting for EUR 28.3 million and amortization of intangible assets for EUR 11.7 million. Compared with the third quarter of 2015, total depreciation and amortization was up by EUR 3.8 million, a rise due mainly to higher amortization charges on customer relationships resulting from acquisitions.

In the first nine months of 2016, depreciation of property, plant and equipment and amortization of intangible assets amounted to EUR 121.4 million (9M 2015: EUR 108.9 million).

Net finance costs amounted to EUR 23.9 million in the third quarter of 2016 (Q3 2015: EUR 27.3 million). The improvement in net finance costs is due mainly to lower expense within the net gain/loss on foreign currency items, which is a component of net finance costs. Net finance costs also include a slight increase in interest expense attributable to the bond with warrant units issued in the amount of USD 500.0 million in November 2015.

Net finance costs for the first nine months of 2016 showed a year-on-year increase to EUR 93.0 million (9M 2015: EUR 68.8 million) due mainly to the change to the official exchange rate mechanisms announced by the Venezuelan government in mid-February and the resulting foreign exchange losses of EUR 27.1 million.

### PROFIT BEFORE TAX

Profit before tax amounted to EUR 141.3 million in the third quarter of 2016 (Q3 2015: EUR 140.9 million) and EUR 398.7 million in the first nine months of 2016 (9M 2015: EUR 437.1 million). The year-on-year decline in profit before tax in the first nine months of 2016 is mainly the result of foreign exchange losses in Venezuela in 2016.

### INCOME TAXES AND PROFIT AFTER TAX

Income tax expense amounted to EUR 47.9 million in the third quarter of 2016 (Q3 2015: EUR 46.2 million).

Income tax expense for the first nine months of 2016 declined by EUR 5.9 million year on year to EUR 137.2 million (9M 2015: EUR 143.1 million) due to the lower profit before tax.

Profit after tax stood at EUR 93.4 million in the third quarter of 2016 (Q3 2015: EUR 94.7 million) and EUR 261.5 million in the first nine months of 2016 (9M 2015: EUR 294.0 million).

## BUSINESS PERFORMANCE IN THE SEGMENTS

| **Q3 2016**<br>in EUR m | **Brenntag Group** | EMEA | North America | Latin America | Asia Pacific | All other segments |
|---|---|---|---|---|---|---|
| External sales | 2,619.2 | 1,133.2 | 957.4 | 198.2 | 249.5 | 80.9 |
| Operating gross profit | 607.7 | 261.3 | 254.7 | 41.7 | 46.4 | 3.6 |
| Operating expenses | −402.5 | −173.1 | −158.4 | −32.3 | −29.7 | −9.0 |
| **Operating EBITDA** | **205.2** | **88.2** | **96.3** | **9.4** | **16.7** | **−5.4** |

| **9M 2016**<br>in EUR m | **Brenntag Group** | EMEA | North America | Latin America | Asia Pacific | All other segments |
|---|---|---|---|---|---|---|
| External sales | 7,863.3 | 3,493.7 | 2,833.8 | 583.5 | 731.4 | 220.9 |
| Operating gross profit | 1,825.5 | 807.7 | 745.2 | 128.2 | 133.9 | 10.5 |
| Operating expenses | −1,212.4 | −530.7 | −471.1 | −95.0 | −85.0 | −30.6 |
| **Operating EBITDA** | **613.1** | **277.0** | **274.1** | **33.2** | **48.9** | **−20.1** |

B.03 BUSINESS PERFORMANCE IN THE SEGMENTS

## EMEA (EUROPE, MIDDLE EAST & AFRICA)

| | | | Change | | |
|---|---|---|---|---|---|
| in EUR m | **Q3 2016** | Q3 2015 | abs. | in % | in % (fx adj.) |
| External sales | 1,133.2 | 1,171.1 | −37.9 | −3.2 | −0.9 |
| Operating gross profit | 261.3 | 255.1 | 6.2 | 2.4 | 5.3 |
| Operating expenses | −173.1 | −167.9 | −5.2 | 3.1 | 5.7 |
| **Operating EBITDA** | **88.2** | **87.2** | **1.0** | **1.1** | **4.6** |

| | | | Change | | |
|---|---|---|---|---|---|
| in EUR m | **9M 2016** | 9M 2015 | abs. | in % | in % (fx adj.) |
| External sales | 3,493.7 | 3,551.5 | −57.8 | −1.6 | 0.4 |
| Operating gross profit | 807.7 | 775.3 | 32.4 | 4.2 | 6.6 |
| Operating expenses | −530.7 | −507.0 | −23.7 | 4.7 | 6.8 |
| **Operating EBITDA** | **277.0** | **268.3** | **8.7** | **3.2** | **6.1** |

B.04 BUSINESS PERFORMANCE IN THE SEGMENTS / EMEA

### EXTERNAL SALES AND VOLUMES

The EMEA segment posted external sales of EUR 1,133.2 million in the third quarter of 2016, a year-on-year decline of 3.2%. The steep depreciation of the pound sterling against the euro created some headwinds. On a constant currency basis, we posted only a marginal decline of 0.9%. Volumes increased slightly in the reporting period.

The EMEA segment's external sales for the first nine months of 2016 were down by 1.6% year on year. On a constant currency basis, this represents a slight rise of 0.4%.

### OPERATING GROSS PROFIT

The companies in the EMEA segment lifted operating gross profit by 2.4% to EUR 261.3 million in the third quarter of 2016. This represents a rise of 5.3% on a constant currency basis and is due predominantly to the encouraging performance from the existing business. Several smaller acquisitions also made a positive contribution.

In the first nine months of 2016, the EMEA segment's operating gross profit rose by 4.2% and, on a constant currency basis, by 6.6% year on year.

### OPERATING EXPENSES

Operating expenses in the EMEA segment increased by 3.1% year on year to EUR 173.1 million in the third quarter of 2016. This represents a rise of 5.7% on a constant currency basis and is due primarily to higher personnel, transport and rent costs.

In the first nine months of 2016, operating expenses in the EMEA segment were up by 4.7% (6.8% on a constant currency basis).

### OPERATING EBITDA

The companies in the EMEA segment generated operating EBITDA of EUR 88.2 million in the third quarter of 2016 and thus posted an increase of 1.1%. This represents encouraging earnings growth of 4.6% on a constant currency basis and is due to both the contribution from the acquisitions and the favourable performance from the existing business.

In the first nine months of 2016, operating EBITDA in the EMEA segment increased by 3.2% overall, or by 6.1% on a constant currency basis.

## NORTH AMERICA

| in EUR m | Q3 2016 | Q3 2015 | Change abs. | Change in % | Change in % (fx adj.) |
|---|---|---|---|---|---|
| External sales | 957.4 | 908.1 | 49.3 | 5.4 | 5.9 |
| Operating gross profit | 254.7 | 240.9 | 13.8 | 5.7 | 6.2 |
| Operating expenses | −158.4 | −145.2 | −13.2 | 9.1 | 9.6 |
| **Operating EBITDA** | **96.3** | **95.7** | **0.6** | **0.6** | **1.0** |

| in EUR m | 9M 2016 | 9M 2015 | Change abs. | Change in % | Change in % (fx adj.) |
|---|---|---|---|---|---|
| External sales | 2,833.8 | 2,738.7 | 95.1 | 3.5 | 4.1 |
| Operating gross profit | 745.2 | 712.6 | 32.6 | 4.6 | 5.2 |
| Operating expenses | −471.1 | −430.6 | −40.5 | 9.4 | 10.1 |
| **Operating EBITDA** | **274.1** | **282.0** | **−7.9** | **−2.8** | **−2.4** |

B.05 BUSINESS PERFORMANCE IN THE SEGMENTS / NORTH AMERICA

Performance in the North America segment during the third quarter of 2016 was impacted by a mix of effects: the contribution from the newly acquired J.A.M. Distributing Company and G.H. Berlin-Windward contrasted with consistently weak demand from customers in the oil & gas sector and a weak overall economic environment.

### EXTERNAL SALES AND VOLUMES

The North American companies generated external sales of EUR 957.4 million in the third quarter of 2016. This growth of 5.4%, or 5.9% on a constant currency basis, is attributable to an increase in volumes and due to the contribution from acquirees J.A.M. Distributing Company and G.H. Berlin-Windward.

In the first nine months of 2016, external sales in the North America segment increased by 3.5% and, on a constant currency basis, by 4.1%.

## OPERATING GROSS PROFIT

Operating gross profit in the North America segment increased by 5.7% to EUR 254.7 million in the third quarter of 2016. This is a rise of 6.2% on a constant currency basis and due to higher volumes. Business with customers in the oil & gas sector continued to be impacted by weak demand in the third quarter. The upstream sector[2)] and midstream sector[2)] in particular were adversely affected, and to a lesser extent the downstream sector[2)] too. Adjusted for the oil & gas sector and acquirees J.A.M. Distributing Company and G.H. Berlin-Windward, operating gross profit declined by around 1% on a constant currency basis in the third quarter of 2016, due primarily to the generally weak economic environment in North America.

The acquisitions contributed EUR 23.9 million to operating gross profit in the third quarter of 2016, less than we expected due in particular to continuing competitive pressures in the marine fuel business.

Operating gross profit for the first nine months of 2016 was therefore up by 4.6% (5.2% on a constant currency basis).

## OPERATING EXPENSES

Operating expenses in the North America segment amounted to EUR 158.4 million in the third quarter of 2016, a year-on-year increase of 9.1%. This represents a rise of 9.6% on a constant currency basis and is due in particular to the acquisition-driven increase in business, which mainly resulted in higher personnel and rent costs.

We achieved a reduction in operating expenses for the existing business in the reporting period. Since the end of 2014, we have been continually adjusting headcount in line with the changes in demand in the oil & gas sector and have since reduced the number of employees in this area of business by almost 20%.

In the first nine months, operating expenses showed a year-on-year increase of 9.4%, or 10.1% on a constant currency basis.

## OPERATING EBITDA

The North American companies generated operating EBITDA of EUR 96.3 million in the third quarter of 2016, a slight year-on-year increase of 0.6%. This represents a rise of 1.0% on a constant currency basis and is due to the contribution from acquirees J.A.M. Distributing Company and G.H. Berlin-Windward. The existing business continued to be impacted by falling demand in the oil & gas sector and the generally weak macroeconomic environment.

In the first nine months, operating EBITDA in the North America segment therefore declined by 2.8% overall, or by 2.4% on a constant currency basis.

[2)] Upstream: the sector of the oil and gas industry primarily comprising exploration and related activities; midstream: the sector of the oil and gas industry comprising treatment, transportation and storage; downstream: the refining and processing sector of the oil and gas industry.

## LATIN AMERICA

| in EUR m | Q3 2016 | Q3 2015 | Change abs. | Change in % | Change in % (fx adj.) |
|---|---|---|---|---|---|
| External sales | 198.2 | 234.2 | −36.0 | −15.4 | −16.7 |
| Operating gross profit | 41.7 | 50.5 | −8.8 | −17.4 | −18.7 |
| Operating expenses | −32.3 | −35.1 | 2.8 | −8.0 | −9.4 |
| **Operating EBITDA** | **9.4** | **15.4** | **−6.0** | **−39.0** | **−40.1** |
| **Operating EBITDA w/o Venezuela** | **9.3** | **12.4** | **−3.1** | **−25.0** | **−26.8** |

| in EUR m | 9M 2016 | 9M 2015 | Change abs. | Change in % | Change in % (fx adj.) |
|---|---|---|---|---|---|
| External sales | 583.5 | 700.2 | −116.7 | −16.7 | −13.1 |
| Operating gross profit | 128.2 | 150.7 | −22.5 | −14.9 | −11.3 |
| Operating expenses | −95.0 | −103.8 | 8.8 | −8.5 | −4.8 |
| **Operating EBITDA** | **33.2** | **46.9** | **−13.7** | **−29.2** | **−25.9** |
| **Operating EBITDA w/o Venezuela** | **33.3** | **38.0** | **−4.7** | **−12.4** | **−7.2** |

B.06 BUSINESS PERFORMANCE IN THE SEGMENTS / LATIN AMERICA

### EXTERNAL SALES AND VOLUMES

External sales in the Latin America segment amounted to EUR 198.2 million in the third quarter of 2016, a year-on-year decrease of 15.4%, or 16.7% on a constant currency basis. Volumes were down slightly on the prior-year level.

In the first nine months of 2016, external sales in the Latin America segment declined by 16.7%, or 13.1% on a constant currency basis.

### OPERATING GROSS PROFIT

The Latin American companies posted operating gross profit of EUR 41.7 million in the third quarter of 2016, a year-on-year decline of 17.4%, or 18.7% on a constant currency basis, due primarily to the loss of earnings in Venezuela. In addition, our business was increasingly impacted by the difficult economic situation in Brazil.

In the first nine months of 2016, operating gross profit in the Latin America segment dropped by 14.9% and thus by 11.3% on a constant currency basis.

### OPERATING EXPENSES

Operating expenses in the Latin America segment were reduced by 8.0% year on year to EUR 32.3 million in the third quarter of 2016. This represents a fall of 9.4% on a constant currency basis.

In the first nine months of 2016, the Latin America segment posted a year-on-year reduction in operating expenses of 8.5%, or 4.8% on a constant currency basis.

### OPERATING EBITDA

The Latin American companies generated operating EBITDA of EUR 9.4 million in the third quarter of 2016, a decrease of 39.0%. On a constant currency basis, operating EBITDA fell by 40.1%. This decrease is attributable in particular to the decline in earnings in Venezuela due to the collapse of the economy. Adjusted for the business in Venezuela, earnings were down by 26.8% on a constant currency basis due primarily to the difficult situation in Brazil.

In the first nine months, operating EBITDA were down by 29.2% on the prior-year period overall, or by 25.9% on a constant currency basis, while operating EBITDA from business in Latin America outside Venezuela were 7.2% lower year on year on a constant currency basis.

## ASIA PACIFIC

| in EUR m | Q3 2016 | Q3 2015 | Change abs. | Change in % | Change in % (fx adj.) |
|---|---|---|---|---|---|
| External sales | 249.5 | 203.5 | 46.0 | 22.6 | 23.8 |
| Operating gross profit | 46.4 | 34.4 | 12.0 | 34.9 | 36.3 |
| Operating expenses | −29.7 | −22.3 | −7.4 | 33.2 | 35.2 |
| **Operating EBITDA** | **16.7** | **12.1** | **4.6** | **38.0** | **38.3** |

| in EUR m | 9M 2016 | 9M 2015 | Change abs. | Change in % | Change in % (fx adj.) |
|---|---|---|---|---|---|
| External sales | 731.4 | 617.1 | 114.3 | 18.5 | 23.1 |
| Operating gross profit | 133.9 | 104.7 | 29.2 | 27.9 | 32.7 |
| Operating expenses | −85.0 | −67.8 | −17.2 | 25.4 | 30.4 |
| **Operating EBITDA** | **48.9** | **36.9** | **12.0** | **32.5** | **37.0** |

B.07 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC

### EXTERNAL SALES AND VOLUMES

The Asia Pacific segment posted external sales of EUR 249.5 million in the third quarter of 2016 and thus achieved sales growth of 22.6% compared with the prior-year period. This represents a rise of 23.8% on a constant currency basis and is due to higher volumes.

External sales for the first nine months of 2016 increased by 18.5%, or 23.1% on a constant currency basis.

### OPERATING GROSS PROFIT

The Asia Pacific segment generated operating gross profit of EUR 46.4 million in the third quarter of 2016, a year-on-year rise of 34.9%. On a constant currency basis, operating gross profit climbed by 36.3% due mainly to an increase in volumes. This is attributable to double-digit rates of growth in the existing business and was also supported by the contribution from the acquisitions, particularly TAT Group.

In the first nine months of 2016, operating gross profit grew by 27.9%, or 32.7% on a constant currency basis.

### OPERATING EXPENSES

Operating expenses for the companies in the Asia Pacific segment rose by 33.2% to EUR 29.7 million in the third quarter of 2016. This represents a rise of 35.2% on a constant currency basis and is attributable to both organic business growth and the inclusion of the acquisitions, particularly TAT Group.

Operating expenses for the first nine months of 2016 were up by 25.4%, or 30.4% on a constant currency basis.

### OPERATING EBITDA

The companies in the Asia Pacific segment generated operating EBITDA of EUR 16.7 million in the third quarter of 2016 and thus posted earnings growth of 38.0% year on year. The rise was 38.3% on a constant currency basis and due to both the encouraging double-digit growth in the existing business and the inclusion of the acquisitions. Our business in China also showed another clear increase in the third quarter, despite the weaker pace of economic growth.

Earnings for the first nine months therefore grew by an encouraging 32.5%, or 37.0% on a constant currency basis.

## ALL OTHER SEGMENTS

| in EUR m | Q3 2016 | Q3 2015 | Change abs. | Change in % | Change in % (fx adj.) |
|---|---|---|---|---|---|
| External sales | 80.9 | 90.6 | −9.7 | −10.7 | −10.7 |
| Operating gross profit | 3.6 | 3.5 | 0.1 | 2.9 | 2.9 |
| Operating expenses | −9.0 | −9.5 | 0.5 | −5.3 | −5.3 |
| **Operating EBITDA** | **−5.4** | **−6.0** | **0.6** | **−10.0** | **−10.0** |

| in EUR m | 9M 2016 | 9M 2015 | Change abs. | Change in % | Change in % (fx adj.) |
|---|---|---|---|---|---|
| External sales | 220.9 | 265.3 | −44.4 | −16.7 | −16.7 |
| Operating gross profit | 10.5 | 11.4 | −0.9 | −7.9 | −7.9 |
| Operating expenses | −30.6 | −30.7 | 0.1 | −0.3 | −0.3 |
| **Operating EBITDA** | **−20.1** | **−19.3** | **−0.8** | **4.1** | **4.1** |

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

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

In the third quarter of 2016, Brenntag International Chemicals GmbH, Mülheim an der Ruhr, was able to repeat the strong operating EBITDA achieved in the previous year.

The operating EBITDA posted by the holding companies in the third quarter of 2016 exceeded the prior-year figure.

Overall, the operating EBITDA of all other segments rose by EUR 0.6 million year on year to EUR −5.4 million in the third quarter of 2016.

In the first nine months of 2016, the operating EBITDA of all other segments dropped by EUR 0.8 million to EUR −20.1 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 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 running until March 2019, which we concluded with a consortium of international banks. The loan is based on variable interest rates with margins depending on leverage, and is divided into different tranches with different currencies. In addition to these fully drawn tranches, the loan agreement also contains a revolving credit facility of EUR 600.0 million, which can be drawn down in various currencies. While some of our subsidiaries are direct borrowers under the loan, others obtain their financing from intra-group loans. Total liabilities (excluding accrued interest and before offsetting of transaction costs) under the syndicated loan amounted to EUR 1,203.0 million as at September 30, 2016. The revolving credit facility was mostly unused on the reporting date.

In April 2013, parts of the floating-rate syndicated loan were hedged against interest rate risk using appropriate financial instruments. Some of these financial instruments expired in July 2016 and were not extended. Accordingly, slightly more than 50% of the Brenntag Group's financial liabilities are currently hedged against the risk of interest rate increases.

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

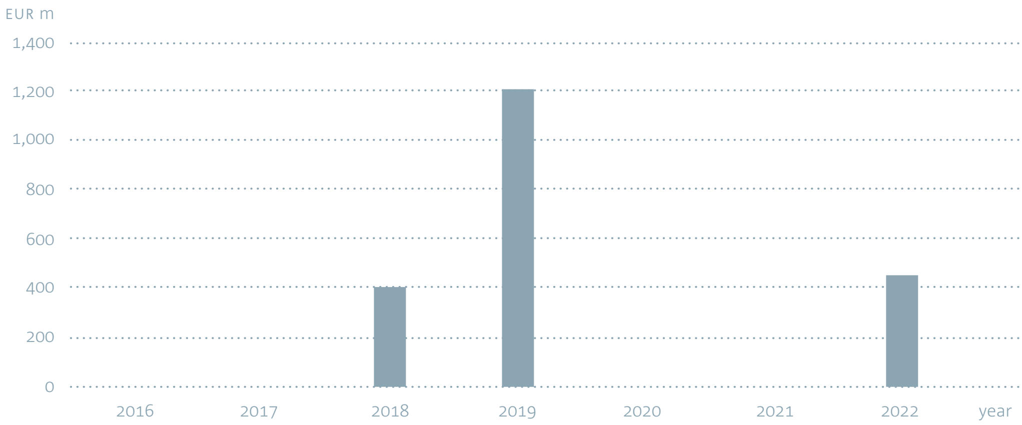
Furthermore, in November 2015, Brenntag Finance B.V. issued a bond with warrant units in the amount of USD 500.0 million maturing in December 2022. The bond (Bond (with Warrants) 2022) was issued at 92.7% of par and bears a coupon of 1.875% p.a. with interest payable semi-annually. It is guaranteed by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

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

Based on our decision not to extend the international accounts receivable securitization programme, we repaid the corresponding financial liabilities in the amount of EUR 187.5 million in June 2015.

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 previously mentioned revolving credit facility available to cover short-term liquidity requirements and for general corporate purposes.

MATURITY PROFILE OF OUR CREDIT PORTFOLIO [1] AS PER SEPTEMBER 30, 2016




B.09 MATURITY PROFILE OF OUR CREDIT PORTFOLIO

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

## INVESTMENTS

In the first nine months of 2016, investments in property, plant and equipment and intangible assets (excluding additions from company acquisitions) led to a total cash outflow of EUR 76.3 million (9M 2015: EUR 66.7 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 chemicals distributor, we attach importance to ensuring that our property, plant and equipment meet comprehensive health, safety and environmental requirements.

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

## LIQUIDITY

### CASH FLOW

| in EUR m | 9M 2016 | 9M 2015 |
|---|---|---|
| **Net cash provided by operating activities** | **394.0** | **333.6** |
| **Net cash used in investing activities** | **−118.6** | **−110.4** |
| thereof payments to acquire consolidated subsidiaries, other business units and other financial assets | (−46.6) | (−47.8) |
| thereof payments to acquire intangible assets and property, plant and equipment | (−76.3) | (−66.7) |
| thereof proceeds from divestments | (4.3) | (4.1) |
| **Net cash used in financing activities** | **−229.4** | **−337.1** |
| **Change in cash and cash equivalents** | **46.0** | **−113.9** |

B.10 CASH FLOW

The Group's net cash inflow from operating activities amounted to EUR 394.0 million in the reporting period, an increase of EUR 60.4 million on the prior-year figure. Cash flow was positively impacted primarily by the reduction in tax payments in the current financial year. Conversely, working capital showed a larger increase year on year.

Of the net cash of EUR 118.6 million used in investing activities, EUR 76.3 million comprised payments to acquire intangible assets and property, plant and equipment. Payments to acquire consolidated subsidiaries, other business units and other financial assets amounted to EUR 46.6 million and included, among other items, the purchase prices for the acquisition of Leis Polytechnik polymere Werkstoffe GmbH based in Ramstein-Miesenbach, Germany, ACU PHARMA und CHEMIE Group (ACU) based in Apolda, Germany and Whanee Corporation based in Gwacheon near Seoul in South Korea.

Of the net cash of EUR 229.4 million used in financing activities, EUR 154.5 million related to the dividend payment to Brenntag shareholders. A further EUR 62.2 million related to the repayment of the liability to acquire the remaining shares in Zhong Yung (second tranche). The other changes comprise local bank loans taken out in the amount of EUR 31.7 million and repayments on local bank loans of EUR 35.7 million.

## FREE CASH FLOW

| in EUR m | 9M 2016 | 9M 2015 | Change abs. | Change in % |
|---|---|---|---|---|
| Operating EBITDA | 613.1 | 614.8 | −1.7 | −0.3 |
| Investments in non-current assets (Capex) | −70.3 | −62.9 | −7.4 | 11.8 |
| Change in working capital | −56.8 | −32.8 | −24.0 | 73.2 |
| **Free cash flow** | **486.0** | **519.1** | **−33.1** | **−6.4** |

B.11 FREE CASH FLOW

The Brenntag Group's free cash flow amounted to EUR 486.0 million in the first nine months of 2016, a decrease of 6.4% on the first nine months of 2015 (EUR 519.1 million).

This is due mainly to the increase in working capital. Due to changes in prices on the chemicals market, the increase in working capital in the first nine months of 2016 was larger than in the prior-year period. Nevertheless, we were able to limit the increase in working capital in the reporting period.

The planned increase in capital expenditure to expand our infrastructure also contributed to the decrease in free cash flow. Operating EBITDA were almost on a par with the previous year.

# FINANCIAL AND ASSETS POSITION

| | Sep. 30, 2016 | | Dec. 31, 2015 | |
|---|---|---|---|---|
| in EUR m | abs. | in % | abs. | in % |
| **Assets** | | | | |
| **Current assets** | **3,215.5** | **45.8** | **3,098.8** | **44.4** |
| Cash and cash equivalents | 607.1 | 8.6 | 579.1 | 8.3 |
| Trade receivables | 1,508.4 | 21.5 | 1,426.5 | 20.4 |
| Other receivables and assets | 216.8 | 3.1 | 196.1 | 2.8 |
| Inventories | 883.2 | 12.6 | 897.1 | 12.9 |
| **Non-current assets** | **3,809.8** | **54.2** | **3,877.4** | **55.6** |
| Intangible assets[1] | 2,735.9 | 38.9 | 2,772.1 | 39.7 |
| Other fixed assets | 970.2 | 13.8 | 994.4 | 14.3 |
| Receivables and other assets | 103.7 | 1.5 | 110.9 | 1.6 |
| **Total assets** | **7,025.3** | **100.0** | **6,976.2** | **100.0** |
| **Liabilities and Equity** | | | | |
| **Current liabilities** | **1,709.3** | **24.3** | **1,738.9** | **24.9** |
| Provisions | 40.3 | 0.6 | 42.1 | 0.6 |
| Trade payables | 1,080.6 | 15.4 | 1,055.5 | 15.1 |
| Financial liabilities | 149.5 | 2.1 | 160.8 | 2.3 |
| Miscellaneous liabilities | 438.9 | 6.2 | 480.5 | 6.9 |
| **Equity and non-current liabilities** | **5,316.0** | **75.7** | **5,237.3** | **75.1** |
| Equity | 2,752.8 | 39.2 | 2,690.5 | 38.6 |
| Non-current liabilities | 2,563.2 | 36.5 | 2,546.8 | 36.5 |
| Provisions | 327.4 | 4.7 | 272.0 | 3.9 |
| Financial liabilities | 2,061.6 | 29.3 | 2,094.4 | 30.0 |
| Miscellaneous liabilities | 174.2 | 2.5 | 180.4 | 2.6 |
| **Total liabilities and equity** | **7,025.3** | **100.0** | **6,976.2** | **100.0** |

B.12 FINANCIAL AND ASSETS POSITION

[1] Of the intangible assets as at September 30, 2016, some EUR 1,267.3 million relates to goodwill and trademarks that were capitalized as part of the purchase price allocation performed on the acquisition of the Brenntag Group by funds advised by BC Partners Limited, Bain Capital, Ltd. and subsidiaries of Goldman Sachs International at the end of the third quarter of 2006 in addition to the relevant intangible assets already existing in the previous Group structure.

As at September 30, 2016, total assets had increased by EUR 49.1 million compared with the end of the previous year to EUR 7,025.3 million (Dec. 31, 2015: EUR 6,976.2 million).

Compared with year-end 2015, cash and cash equivalents were up slightly to EUR 607.1 million (Dec. 31, 2015: EUR 579.1 million). This increase is attributable to the excellent cash inflow from operating activities, which more than offset the outflows for the dividend and several acquisitions.

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 5.7% in the reporting period to EUR 1,508.4 million (Dec. 31, 2015: EUR 1,426.5 million).
- Inventories decreased by 1.5% in the reporting period to EUR 883.2 million (Dec. 31, 2015: EUR 897.1 million).
- With the opposite effect on working capital, trade payables increased by 2.4% to EUR 1,080.6 million (Dec. 31, 2015: EUR 1,055.5 million).

Adjusted for exchange rate effects and acquisitions, working capital rose by a total of EUR 56.8 million compared with December 31, 2015. At 8.1 in the reporting period, annualized working capital turnover[3)] was on a par with the prior-year period (8.1).

The Brenntag Group's intangible and other non-current assets declined by 1.6% or EUR 60.4 million year on year to EUR 3,706.1 million (Dec. 31, 2015: EUR 3,766.5 million). The decline is mainly the result of depreciation and amortization (EUR 121.4 million) and exchange rate effects (EUR 52.6 million). This was partly offset by additions from investments in non-current assets (EUR 70.3 million) and acquisitions (EUR 46.3 million).

Current financial liabilities showed a slight decrease of EUR 11.3 million to EUR 149.5 million in total (Dec. 31, 2015: EUR 160.8 million). Current financial liabilities consist mostly of temporary local loans taken out by Brenntag companies. Non-current financial liabilities declined by 1.6% year on year to EUR 2,061.6 million (Dec. 31, 2015: EUR 2,094.4 million). This slight reduction in non-current financial liabilities is due to exchange rate effects.

Current and non-current provisions amounted to a total of EUR 367.7 million (Dec. 31, 2015: EUR 314.1 million). This figure included pension provisions in the amount of EUR 207.9 million (Dec. 31, 2015: EUR 150.9 million).

As at September 30, 2016, the equity of the Brenntag Group totalled EUR 2,752.8 million (Dec. 31, 2015: EUR 2,690.5 million).

3) Ratio of annual sales to average working capital; annual sales are defined as sales for the first nine months extrapolated to the full year (sales for the first nine months divided by three and multiplied by four); average working capital for the first nine months is defined as the average of working capital at the beginning of the year and at the end of the first, second and third quarters.

# EMPLOYEES

As at September 30, 2016, Brenntag had 14,478 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.

| | **Sep. 30, 2016** | | Dec. 31, 2015 | |
|---|---|---|---|---|
| Full-time Equivalents (FTE) | **abs.** | **in %** | abs. | in % |
| EMEA | 6,627 | 45.8 | 6,482 | 44.8 |
| North America | 4,393 | 30.3 | 4,525 | 31.3 |
| Latin America | 1,489 | 10.3 | 1,511 | 10.5 |
| Asia Pacific | 1,837 | 12.7 | 1,814 | 12.5 |
| All other segments | 132 | 0.9 | 127 | 0.9 |
| **Brenntag Group** | **14,478** | **100.0** | **14,459** | **100.0** |

B.13 EMPLOYEES PER SEGMENT

# REPORT ON EXPECTED DEVELOPMENTS

The International Monetary Fund forecasts that growth in the **global economy**, measured in terms of GDP, will remain at a low level for the rest of the year. In North America, growth this year is expected to slow even further from the low level seen in 2015 and we foresee negative growth in industrial production in 2016. The economy is likely to continue to be adversely affected by the uncertainty surrounding oil price developments. Growth in Europe is expected to be low and slightly weaker than in 2015 and the UK referendum has added to the uncertainty about future performance. Negative economic growth is anticipated for Latin America in 2016. The Asian economies are predicted to achieve the highest growth. Weighted by the sales generated by Brenntag in the individual countries, this results in a forecast average growth rate of 1.8%.

Against this background, we currently expect the following Group and segment performance in financial year 2016 in local currencies, i.e. excluding exchange rate effects:

We believe that the **Brenntag Group** will see growth in our key performance indicators operating gross profit and operating EBITDA. Operating gross profit is likely to show a meaningful increase. This performance is expected to be supported by the business in the EMEA and Asia Pacific regions in particular. The downturn in the oil & gas business in North America and macroeconomic conditions in Latin America, particularly Venezuela and Brazil, will pull in the opposite direction. We also expect a positive contribution from the acquisitions made in 2015 and 2016. Having issued earnings guidance after the second quarter of 2016, we are now able to forecast operating EBITDA more precisely. Based on the results in the first nine months of 2016 and the continued macroeconomic weakness, we are retaining the lower end of the previous guidance and narrowing the guidance range to EUR 800 million to EUR 820 million, excluding one-time effects. This is based on the assumption that, over the period to year-end, the average exchange rate of the various currencies to the euro, particularly the US dollar, will not change significantly compared with rates in the first nine months.

For the **EMEA segment**, we expect a meaningful increase in operating gross profit. Among other things, we aim to grow by extending our business in industries and countries with attractive growth opportunities. Overall, we expect meaningful growth in operating EBITDA.

In the **North America segment**, we predict a meaningful rise in operating gross profit, driven in particular by the expansion of the lubricants business made possible by the acquisition of G.H. Berlin-Windward and J.A.M. Distributing Company. At the same time, we continue to see uncertainty about the near-term direction of the oil & gas sector due to the continued low level of the crude oil price. Our diversified portfolio across the entire oil & gas value chain and active cost management will help to mitigate the short-term effects of the weakness in this sector. We believe that we will be broadly in line with prior-year operating EBITDA.

In the **Latin America segment**, we expect a meaningful decline in operating gross profit and believe that operating EBITDA will be down significantly on the high level reached in the previous year despite the positive trend in some countries. The decline is primarily attributable to the collapse of the Venezuelan economy as a result of the change to the currency exchange mechanism in February 2016. We expect earnings in Venezuela to drop by around EUR 12 million year on year. In addition, our business in Brazil will likely continue to be impacted by the climate of political and economic uncertainty.

In the **Asia Pacific segment**, we expect both organic growth and the successful integration of TAT Group to continue. We therefore forecast significant growth in operating gross profit, which we aim to translate into a significant increase in operating EBITDA.

Given the planned increase in business volume as a result of organic growth and the acquisitions carried out, we expect average **working capital** to increase slightly year on year. We will continue to focus on customer and supplier relationship management and work continuously to bring about ongoing improvements in warehouse logistics. As a result, we expect a slight improvement on the working capital turnover achieved in 2015.

We continue to invest in capacities to support the increasing volume of business and organic growth. We expect **capital expenditure** to be in line with our previous estimate of EUR 150 million, primarily as a result of projects to expand our business operations.

The exceptionally high **free cash flow** achieved in 2015 benefitted from a reduction in working capital supported by the decline in chemical pricing. As the reduction in working capital is not expected to be repeated in 2016, we expect a moderate decrease in free cash flow despite the positive trend in operating EBITDA. We 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, control 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.

The impact of the UK referendum on economic performance is almost impossible to estimate at the present time. Although growth in Europe is expected to be lower than in the previous year, partly as a result of the referendum, we do not yet believe that this will have a significant impact on our business.

In the first nine months of 2016, there were otherwise no significant changes in the opportunities and risks for the Brenntag Group described in detail in the 2015 Annual Report. Other risks that we are currently unaware of or that we now 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 September 30, 2016

## CONTENTS

# CONSOLIDATED INCOME STATEMENT

| in EUR m | Note | **Jan. 1, – Sep. 30, 2016** | Jan. 1, – Sep. 30, 2015 | **Jul. 1, – Sep. 30, 2016** | Jul. 1, – Sep. 30, 2015 |
|---|---|---|---|---|---|
| Sales | | 7,863.3 | 7,872.8 | 2,619.2 | 2,607.5 |
| Cost of sales | | −6,079.2 | −6,159.7 | −2,025.3 | −2,037.0 |
| **Gross profit** | | **1,784.1** | **1,713.1** | **593.9** | **570.5** |
| | | | | | |
| Selling expenses | | −1,170.9 | −1,098.8 | −390.4 | −367.0 |
| Administrative expenses | | −133.6 | −124.9 | −42.7 | −42.1 |
| Other operating income | | 21.8 | 30.2 | 7.1 | 11.2 |
| Other operating expenses | | −9.7 | −13.7 | −2.7 | −4.4 |
| **Operating profit** | | **491.7** | **505.9** | **165.2** | **168.2** |
| | | | | | |
| Share of profit or loss of equity-accounted investments | | 2.3 | 3.1 | 0.9 | 1.1 |
| Interest income | 1.) | 2.0 | 1.9 | 0.6 | 0.7 |
| Interest expense | 2.) | −65.2 | −55.7 | −21.7 | −18.1 |
| Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss | 3.) | −1.9 | −2.8 | −0.3 | −1.0 |
| Other net finance costs | 4.) | −30.2 | −15.3 | −3.4 | −10.0 |
| **Net finance costs** | | **−93.0** | **−68.8** | **−23.9** | **−27.3** |
| | | | | | |
| **Profit before tax** | | **398.7** | **437.1** | **141.3** | **140.9** |
| Income tax expense | 5.) | −137.2 | −143.1 | −47.9 | −46.2 |
| **Profit after tax** | | **261.5** | **294.0** | **93.4** | **94.7** |
| Attributable to: | | | | | |
| Shareholders of Brenntag AG | | 260.8 | 291.7 | 93.4 | 93.9 |
| Non-controlling interests | | 0.7 | 2.3 | – | 0.8 |
| **Basic earnings per share in euro** | 6.) | **1.69** | **1.89** | **0.60** | **0.61** |
| **Diluted earnings per share in euro** | 6.) | **1.69** | **1.89** | **0.60** | **0.61** |

C.01 CONSOLIDATED INCOME STATEMENT

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| in EUR m | Note | **Jan. 1, – Sep. 30, 2016** | Jan. 1, – Sep. 30, 2015 | **Jul. 1, – Sep. 30, 2016** | Jul. 1, – Sep. 30, 2015 |
|---|---|---|---|---|---|
| **Profit after tax** | | **261.5** | **294.0** | **93.4** | **94.7** |
| Remeasurements of defined benefit pension plans | 9.) | −54.1 | 20.1 | −7.5 | −0.4 |
| Deferred tax relating to remeasurements of defined benefit pension plans | 9.) | 14.9 | −5.7 | 2.5 | – |
| **Items that will not be reclassified to profit or loss** | | **−39.2** | **14.4** | **−5.0** | **−0.4** |
| Change in exchange rate differences on translation of consolidated companies | | −7.0 | 29.2 | −5.7 | −54.6 |
| Change in exchange rate differences on translation of equity-accounted investments | | 1.3 | −1.8 | 0.9 | −2.4 |
| Change in net investment hedge reserve | | 2.2 | −2.2 | – | 1.1 |
| Change in cash flow hedge reserve | | −3.7 | −5.5 | 1.7 | −3.6 |
| Deferred tax relating to change in cash flow hedge reserve | | 1.5 | 2.1 | −0.6 | 1.3 |
| **Items that may be reclassified subsequently to profit or loss** | | **−5.7** | **21.8** | **−3.7** | **−58.2** |
| **Other comprehensive income** | | **−44.9** | **36.2** | **−8.7** | **−58.6** |
| **Total comprehensive income** | | **216.6** | **330.2** | **84.7** | **36.1** |
| Attributable to: | | | | | |
| Shareholders of Brenntag AG | | 217.6 | 326.1 | 84.7 | 36.3 |
| Non-controlling interests | | −1.0 | 4.1 | – | −0.2 |

C.02 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

# CONSOLIDATED BALANCE SHEET

## ASSETS

| in EUR m | Sep. 30, 2016 | Dec. 31, 2015 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 607.1 | 579.1 |
| Trade receivables | 1,508.4 | 1,426.5 |
| Other receivables | 151.9 | 137.0 |
| Other financial assets | 9.3 | 10.2 |
| Current tax assets | 54.6 | 47.9 |
| Inventories | 883.2 | 897.1 |
| Non-current assets held for sale | 1.0 | 1.0 |
| | **3,215.5** | **3,098.8** |
| **Non-current assets** | | |
| Property, plant and equipment | 946.3 | 971.9 |
| Intangible assets | 2,735.9 | 2,772.1 |
| Equity-accounted investments | 23.9 | 22.5 |
| Other receivables | 20.4 | 21.1 |
| Other financial assets | 23.1 | 38.4 |
| Deferred tax assets | 60.2 | 51.4 |
| | **3,809.8** | **3,877.4** |
| **Total assets** | **7,025.3** | **6,976.2** |

## LIABILITIES AND EQUITY

| in EUR m | Note | Sep. 30, 2016 | Dec. 31, 2015 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade payables | | 1,080.6 | 1,055.5 |
| Financial liabilities | 7.) | 149.5 | 160.8 |
| Other liabilities | | 376.6 | 370.5 |
| Other provisions | 8.) | 40.3 | 42.1 |
| Liabilities relating to acquisition of non-controlling interests | 10.) | – | 63.3 |
| Current tax liabilities | | 62.3 | 46.7 |
| | | **1,709.3** | **1,738.9** |
| **Non-current liabilities** | | | |
| Financial liabilities | 7.) | 2,061.6 | 2,094.4 |
| Other liabilities | | 2.1 | 2.6 |
| Other provisions | 8.) | 119.5 | 121.1 |
| Provisions for pensions and other post-employment benefits | 9.) | 207.9 | 150.9 |
| Liabilities relating to acquisition of non-controlling interests | 10.) | 5.4 | 5.4 |
| Deferred tax liabilities | | 166.7 | 172.4 |
| | | **2,563.2** | **2,546.8** |
| **Equity** | | | |
| Subscribed capital | | 154.5 | 154.5 |
| Additional paid-in capital | | 1,491.4 | 1,491.4 |
| Retained earnings | | 1,035.5 | 938.0 |
| Accumulated other comprehensive income | | 64.3 | 62.5 |
| **Equity attributable to Brenntag shareholders** | 11.) | **2,745.7** | **2,646.4** |
| Equity attributable to non-controlling interests | 11.) | 7.1 | 44.1 |
| | | **2,752.8** | **2,690.5** |
| **Total liabilities and equity** | | **7,025.3** | **6,976.2** |

C.03 CONSOLIDATED BALANCE SHEET

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| in EUR m | Subscribed capital | Additional paid–in capital | Retained earnings |
|---|---|---|---|
| **Dec. 31, 2014** | **154.5** | **1,457.1** | **700.7** |
| Dividends | – | – | −139.1 |
| Profit after tax | – | – | 291.7 |
| Other comprehensive income | – | – | 14.4 |
| **Total comprehensive income** | **–** | **–** | **306.1** |
| **Sep. 30, 2015** | **154.5** | **1,457.1** | **867.7** |

| | | | |
|---|---|---|---|
| **Dec. 31, 2015** | **154.5** | **1,491.4** | **938.0** |
| Dividends | – | – | −154.5 |
| Business combinations | – | – | – |
| Transactions with owners | – | – | 30.4 |
| Profit after tax | – | – | 260.8 |
| Other comprehensive income | – | – | −39.2 |
| **Total comprehensive income** | **–** | **–** | **221.6** |
| **Sep. 30, 2016** | **154.5** | **1,491.4** | **1,035.5** |

| Exchange rate differences | Net investment hedge reserve | Cash flow hedge reserve | Deferred taxes relating to cash flow hedge reserve | Equity attributable to Brenntag shareholders | Non-controlling interests | **Equity** |
|---|---|---|---|---|---|---|
| **17.1** | **−6.4** | **4.1** | **−1.6** | **2,325.5** | **31.4** | **2,356.9** |
| – | – | – | – | −139.1 | −0.1 | −139.2 |
| – | – | – | – | 291.7 | 2.3 | 294.0 |
| 25.6 | −2.2 | −5.5 | 2.1 | 34.4 | 1.8 | 36.2 |
| **25.6** | **−2.2** | **−5.5** | **2.1** | **326.1** | **4.1** | **330.2** |
| **42.7** | **−8.6** | **−1.4** | **0.5** | **2,512.5** | **35.4** | **2,547.9** |

C.04 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY / SEP. 30, 2015

| | | | | | | |
|---|---|---|---|---|---|---|
| **70.3** | **−8.6** | **1.2** | **−0.4** | **2,646.4** | **44.1** | **2,690.5** |
| – | – | – | – | −154.5 | – | −154.5 |
| – | – | – | – | – | 0.2 | 0.2 |
| 5.8 | – | – | – | 36.2 | −36.2 | – |
| – | – | – | – | 260.8 | 0.7 | 261.5 |
| −4.0 | 2.2 | −3.7 | 1.5 | −43.2 | −1.7 | −44.9 |
| **−4.0** | **2.2** | **−3.7** | **1.5** | **217.6** | **−1.0** | **216.6** |
| **72.1** | **−6.4** | **−2.5** | **1.1** | **2,745.7** | **7.1** | **2,752.8** |

C.05 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY / SEP. 30, 2016

# CONSOLIDATED CASH FLOW STATEMENT

| in EUR m | Note | **Jan. 1, – Sep. 30, 2016** | Jan. 1, – Sep. 30, 2015 | **Jul. 1, – Sep. 30, 2016** | Jul. 1, – Sep. 30, 2015 |
|---|---|---|---|---|---|
| | 12.) | | | | |
| **Profit after tax** | | **261.5** | **294.0** | **93.4** | **94.7** |
| Depreciation and amortization | | 121.4 | 108.9 | 40.0 | 36.2 |
| Income tax expense | | 137.2 | 143.1 | 47.9 | 46.2 |
| Income taxes paid | | −131.7 | −142.0 | −42.7 | −31.3 |
| Net interest expense | | 63.2 | 53.8 | 21.1 | 17.4 |
| Interest paid (netted against interest received) | | −56.0 | −55.5 | −32.4 | −33.9 |
| Dividends received | | 2.2 | 2.8 | 0.1 | 2.5 |
| Changes in provisions | | −1.8 | −9.8 | 1.7 | −1.8 |
| Changes in current assets and liabilities | | | | | |
| Inventories | | 3.4 | 20.8 | −5.4 | 7.0 |
| Receivables | | −111.5 | −72.8 | 69.4 | 49.4 |
| Liabilities | | 59.0 | −1.6 | −27.1 | −31.5 |
| Non-cash change in liabilities relating to acquisition of non-controlling interests | | 1.9 | 2.8 | 0.3 | 1.0 |
| Other non-cash items and reclassifications | | 45.2 | −10.9 | 13.7 | 11.0 |
| **Net cash provided by operating activities** | | **394.0** | **333.6** | **180.0** | **166.9** |
| Proceeds from the disposal of other financial assets | | 0.3 | – | 0.3 | – |
| Proceeds from the disposal of intangible assets and property, plant and equipment | | 4.0 | 4.1 | 0.4 | 1.6 |
| Payments to acquire consolidated subsidiaries and other business units | | −46.4 | −47.7 | −0.3 | −3.3 |
| Payments to acquire other financial assets | | −0.2 | −0.1 | – | – |
| Payments to acquire intangible assets and property, plant and equipment | | −76.3 | −66.7 | −26.6 | −27.0 |
| **Net cash used in investing activities** | | **−118.6** | **−110.4** | **−26.2** | **−28.7** |
| Dividends paid to Brenntag shareholders | | −154.5 | −139.1 | – | – |
| Profits distributed to non-controlling interests | | −1.0 | −1.3 | – | – |
| Repayments of liabilities relating to acquisition of non-controlling interests | | −62.2 | – | −6.3 | – |
| Proceeds from borrowings | | 31.7 | 88.7 | – | 0.5 |
| Repayments of borrowings | | −43.4 | −285.4 | −3.3 | −61.6 |
| **Net cash used in financing activities** | | **−229.4** | **−337.1** | **−9.6** | **−61.1** |
| **Change in cash and cash equivalents** | | **46.0** | **−113.9** | **144.2** | **77.1** |
| Effect of exchange rate changes on cash and cash equivalents | | −18.0 | 11.1 | −0.5 | −7.0 |
| Cash and cash equivalents at beginning of period | | 579.1 | 491.9 | 463.4 | 319.0 |
| **Cash and cash equivalents at end of period** | | **607.1** | **389.1** | **607.1** | **389.1** |

C.06 CONSOLIDATED CASH FLOW STATEMENT

# CONDENSED NOTES

## KEY FINANCIAL FIGURES BY SEGMENT

for the period from January 1 to September 30

SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8

| in EUR m | | EMEA | North America | Latin America | Asia Pacific | All other segments | Consoli-dation | Group |
|---|---|---|---|---|---|---|---|---|
| External sales | **2016** | **3,493.7** | **2,833.8** | **583.5** | **731.4** | **220.9** | **–** | **7,863.3** |
| | 2015 | 3,551.5 | 2,738.7 | 700.2 | 617.1 | 265.3 | – | 7,872.8 |
| | Change in % | −1.6 | 3.5 | −16.7 | 18.5 | −16.7 | – | −0.1 |
| | fx adjusted change in % | 0.4 | 4.1 | −13.1 | 23.1 | −16.7 | – | 1.7 |
| Inter-segment sales | **2016** | **6.4** | **10.0** | **1.4** | **–** | **0.1** | **−17.9** | **–** |
| | 2015 | 7.7 | 5.9 | 1.3 | – | 0.6 | −15.5 | – |
| Operating gross profit [1] | **2016** | **807.7** | **745.2** | **128.2** | **133.9** | **10.5** | **–** | **1,825.5** |
| | 2015 | 775.3 | 712.6 | 150.7 | 104.7 | 11.4 | – | 1,754.7 |
| | Change in % | 4.2 | 4.6 | −14.9 | 27.9 | −7.9 | – | 4.0 |
| | fx adjusted change in % | 6.6 | 5.2 | −11.3 | 32.7 | −7.9 | – | 5.9 |
| Gross profit | **2016** | **–** | **–** | **–** | **–** | **–** | **–** | **1,784.1** |
| | 2015 | – | – | – | – | – | – | 1,713.1 |
| | Change in % | – | – | – | – | – | – | 4.1 |
| | fx adjusted change in % | – | – | – | – | – | – | 6.0 |
| Operating EBITDA [2] (Segment result) | **2016** | **277.0** | **274.1** | **33.2** | **48.9** | **−20.1** | **–** | **613.1** |
| | 2015 | 268.3 | 282.0 | 46.9 | 36.9 | −19.3 | – | 614.8 |
| | Change in % | 3.2 | −2.8 | −29.2 | 32.5 | 4.1 | – | −0.3 |
| | fx adjusted change in % | 6.1 | −2.4 | −25.9 | 37.0 | 4.1 | – | 1.7 |
| Investments in non-current assets (capex) [3] | **2016** | **33.9** | **26.4** | **5.0** | **4.8** | **0.2** | **–** | **70.3** |
| | 2015 | 29.2 | 24.8 | 5.1 | 3.3 | 0.5 | – | 62.9 |

C.07 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8 FOR THE PERIOD JAN. 1 – SEP. 30

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

# KEY FINANCIAL FIGURES BY SEGMENT

for the period July 1 to September 30

SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8

| in EUR m | | EMEA | North America | Latin America | Asia Pacific | All other segments | Consoli-dation | Group |
|---|---|---|---|---|---|---|---|---|
| External sales | **2016** | **1,133.2** | **957.4** | **198.2** | **249.5** | **80.9** | **–** | **2,619.2** |
| | 2015 | 1,171.1 | 908.1 | 234.2 | 203.5 | 90.6 | – | 2,607.5 |
| | Change in % | −3.2 | 5.4 | −15.4 | 22.6 | −10.7 | – | 0.4 |
| | fx adjusted change in % | −0.9 | 5.9 | −16.7 | 23.8 | −10.7 | – | 1.6 |
| Inter-segment sales | **2016** | **2.4** | **4.1** | **–** | **0.1** | **–** | **−6.6** | **–** |
| | 2015 | 2.4 | 2.3 | 0.1 | – | 0.2 | −5.0 | – |
| Operating gross profit [1] | **2016** | **261.3** | **254.7** | **41.7** | **46.4** | **3.6** | **–** | **607.7** |
| | 2015 | 255.1 | 240.9 | 50.5 | 34.4 | 3.5 | – | 584.4 |
| | Change in % | 2.4 | 5.7 | −17.4 | 34.9 | 2.9 | – | 4.0 |
| | fx adjusted change in % | 5.3 | 6.2 | −18.7 | 36.3 | 2.9 | – | 5.4 |
| Gross profit | **2016** | **–** | **–** | **–** | **–** | **–** | **–** | **593.9** |
| | 2015 | – | – | – | – | – | – | 570.5 |
| | Change in % | – | – | – | – | – | – | 4.1 |
| | fx adjusted change in % | – | – | – | – | – | – | 5.5 |
| Operating EBITDA [2] (Segment result) | **2016** | **88.2** | **96.3** | **9.4** | **16.7** | **−5.4** | **–** | **205.2** |
| | 2015 | 87.2 | 95.7 | 15.4 | 12.1 | −6.0 | – | 204.4 |
| | Change in % | 1.1 | 0.6 | −39.0 | 38.0 | −10.0 | – | 0.4 |
| | fx adjusted change in % | 4.6 | 1.0 | −40.1 | 38.3 | −10.0 | – | 2.0 |
| Investments in non-current assets (capex) [3] | **2016** | **13.8** | **9.3** | **2.0** | **1.0** | **0.1** | **–** | **26.2** |
| | 2015 | 9.7 | 11.7 | 3.0 | 0.8 | 0.1 | – | 25.3 |

C.08 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8 FOR THE PERIOD JUL. 1 – SEP. 30

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

# GROUP KEY FINANCIAL FIGURES

| in EUR m | **Jan. 1, – Sep. 30, 2016** | Jan. 1, – Sep. 30, 2015 | **Jul. 1, – Sep. 30, 2016** | Jul. 1, – Sep. 30, 2015 |
|---|---|---|---|---|
| Operating EBITDA | 613.1 | 614.8 | 205.2 | 204.4 |
| Investments in non-current assets (capex)[1] | −70.3 | −62.9 | −26.2 | −25.3 |
| Change in working capital[2] [3] | −56.8 | −32.8 | 11.1 | 11.9 |
| **Free cash flow** | **486.0** | **519.1** | **190.1** | **191.0** |

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, – Sep. 30, 2016** | Jan. 1, – Sep. 30, 2015 | **Jul. 1, – Sep. 30, 2016** | Jul. 1, – Sep. 30, 2015 |
|---|---|---|---|---|
| **Operating EBITDA[1] [2]** | **613.1** | **614.8** | **205.2** | **204.4** |
| Depreciation of property, plant and equipment | −85.5 | −80.5 | −28.3 | −26.8 |
| Impairment of property, plant and equipment | – | – | – | – |
| **EBITA** | **527.6** | **534.3** | **176.9** | **177.6** |
| Amortization of intangible assets[3] | −35.9 | −28.4 | −11.7 | −9.4 |
| Impairment of intangible assets | – | – | – | – |
| **EBIT** | **491.7** | **505.9** | **165.2** | **168.2** |
| Net finance costs | −93.0 | −68.8 | −23.9 | −27.3 |
| **Profit before tax** | **398.7** | **437.1** | **141.3** | **140.9** |

C.10 RECONCILIATION FROM OPERATING EBITDA TO PROFIT BEFORE TAX

[1] At Group level, operating EBITDA corresponds to EBITDA.
[2] Including operating EBITDA all other segments.
[3] This figure includes amortization of customer relationships in the amount of EUR 27.1 million (9M 2015: EUR 21.9 million).

| in EUR m | **Jan. 1, – Sep. 30, 2016** | Jan. 1, – Sep. 30, 2015 | **Jul. 1, – Sep. 30, 2016** | Jul. 1, – Sep. 30, 2015 |
|---|---|---|---|---|
| **Operating gross profit** | **1,825.5** | **1,754.7** | **607.7** | **584.4** |
| Production/mixing & blending costs | −41.4 | −41.6 | −13.8 | −13.9 |
| **Gross profit** | **1,784.1** | **1,713.1** | **593.9** | **570.5** |

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 September 30, 2016 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, 2015.

With the exception of the standards and interpretations required to be applied for the first time in the period beginning January 1, 2016, the same accounting policies have been applied as for the consolidated financial statements as at December 31, 2015.

Income taxes have been recognized on the basis of the latest estimate of the Group tax rate expected for financial year 2016.

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

- Amendment to IAS 19 (Employee Benefits (revised 2011)) regarding employee contributions to defined benefit plans
- Amendments to IFRS 11 (Joint Arrangements) regarding the acquisition of an interest in a joint operation
- Amendments to IAS 16 (Property, Plant and Equipment) and IAS 38 (Intangible Assets) regarding acceptable methods of depreciation and amortization
- Amendments to IAS 1 (Presentation of Financial Statements) in connection with the Disclosure Initiative
- Annual Improvements to IFRSs (2010–2012 Cycle)
- Annual Improvements to IFRSs (2012–2014 Cycle)
- Amendments to IFRS 10 (Consolidated Financial Statements), IFRS 12 (Disclosure of Interests in Other Entities) and IAS 28 (Investments in Associates and Joint Ventures (revised 2011)) regarding the application of the consolidation exception for investment entities – not relevant to Brenntag
- Amendments to IAS 27 (Separate Financial Statements) regarding the use of the equity method in separate financial statements – not relevant to Brenntag
- Amendments to IAS 16 (Property, Plant and Equipment) and IAS 41 (Agriculture) regarding accounting for bearer plants – not relevant to Brenntag

IAS 19 (Employee Benefits (revised 2011)) provides for the sharing of risks between employees and employer to be taken into account when employees make their own contributions on the basis of the formal terms of a plan. This may lead to a reduction in the present value of the benefit obligation. Provided that the contributions are independent of the number of years of service, the amendment to IAS 19 leads to an option permitting the full amount of such contributions paid by employees to be taken into account in the present value of the defined benefit obligation.

The amendments to IFRS 11 (Joint Arrangements) regarding the acquisition of an interest in a joint operation clarify that the acquisition of an interest, or of an additional interest, in a joint operation that constitutes a business is a business combination in accordance with IFRS 3 and therefore the rules set out in IFRS 3 are required to be applied to the extent that they do not conflict with IFRS 11. In cases where additional interests are acquired and joint control is retained, previously held interests in the same joint operation are not remeasured.

The amendments to IAS 16 (Property, Plant and Equipment) and IAS 38 (Intangible Assets) regarding acceptable methods of depreciation and amortization clarify that depreciation of items of property, plant and equipment may not be calculated on the basis of revenues from the sale of goods manufactured using those assets. Revenue is presumed to be an inappropriate basis for amortizing an intangible asset, except in circumstances where the rights embodied in that intangible asset are expressed directly as a measure of revenue (as is the case for rights to a product which end when a specific revenue threshold is achieved) or when revenue and the consumption of the economic benefits of the intangible asset are highly correlated. It is also clarified that a fall in the sales price of goods manufactured and services provided using property, plant and equipment and intangible assets may be an indication that those items of property, plant and equipment and intangible assets are impaired.

The amendments to IAS 1 (Presentation of Financial Statements) made in connection with the Disclosure Initiative are intended to ensure that much more emphasis is placed on the materiality concept. The objective of the clarifications is to free the IFRS financial statements from immaterial information and to give more prominence to relevant information.

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

The aforementioned revised standards and annual improvements to IFRSs do not have a material effect on the presentation of the Group’s net assets, financial position and results of operations.

## SCOPE OF CONSOLIDATION

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

| | Dec. 31, 2015 | Additions | Disposals | **Sep. 30, 2016** |
|---|---|---|---|---|
| Domestic consolidated companies | 28 | 4 | – | 32 |
| Foreign consolidated companies | 194 | 3 | 8 | 189 |
| **Total consolidated companies** | **222** | **7** | **8** | **221** |

C.12 CHANGES IN SCOPE OF CONSOLIDATION

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

Five (Dec. 31, 2015: five) associates are accounted for using the equity method.

## BUSINESS COMBINATIONS IN ACCORDANCE WITH IFRS 3

In early February, Brenntag fully acquired Leis Polytechnik polymere Werkstoffe GmbH based in Ramstein-Miesenbach, Germany, which specializes in the development, production and distribution of high-performance polymer compounds. This acquisition strengthens Brenntag's market presence in Germany and expands its portfolio in the specialty polymers industry.

At the end of February, Brenntag fully acquired ACU PHARMA und CHEMIE Group (ACU) based in Apolda, Germany. Brenntag is thus continuing to systematically expand its portfolio of value-added services, particularly for customers in the life science segment.

In March, Brenntag additionally acquired 100% of the shares in specialty chemicals distributor Plastichem Pty. Ltd. based in Kempton Park, South Africa. Plastichem distributes high-performance polymers for plastics and rubber. With a larger range of specialty chemicals, Brenntag is diversifying its current product portfolio in South Africa.

In mid-June, Brenntag acquired all shares in South Korean specialty chemicals distributor Whanee Corporation. Based in Gwacheon near Seoul, the company mainly serves the South Korean food and beverages industry. The acquisition gives Brenntag access to the attractive national specialty chemicals market.

Purchase prices, net assets and goodwill relating to the acquisitions carried out in 2016 break down as follows:

| in EUR m | Provisional fair value |
|---|---|
| **Purchase price** | **49.6** |
| of which consideration contingent on profit targets | 3.6 |
| **Assets** | |
| Cash and cash equivalents | 5.0 |
| Trade receivables, other financial assets and other receivables | 10.2 |
| Other current assets | 9.5 |
| Non-current assets | 16.5 |
| **Liabilities** | |
| Current liabilities | 9.0 |
| Non-current liabilities | 4.7 |
| **Net assets** | **27.5** |
| **Goodwill** | **22.1** |
| of which deductible for tax purposes | – |

C.13 NET ASSETS ACQUIRED

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

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

Acquisition-related costs in the amount of EUR 0.9 million were recognized under other operating expenses.

Since their acquisition by Brenntag, the businesses acquired in 2016 have generated sales in the amount of EUR 34.1 million and profit after tax of EUR 2.8 million.

If the above-mentioned business combinations had taken place with effect from January 1, 2016, sales in the amount of about EUR 7,877 million would have been reported for the Brenntag Group in the reporting period. Profit after tax would have been about EUR 262 million.

As a result of subsequent acquisition costs, goodwill from BWE, LLC (G.H. Berlin-Windward), which was acquired in December 2015, increased by EUR 1.3 million and goodwill from TAT Group, which was acquired at the end of December 2015, increased by EUR 5.1 million.

## CURRENCY TRANSLATION

The euro exchange rates of major currencies changed as follows:

| | Closing rate | | Average rate | |
|---|---|---|---|---|
| EUR 1 = currencies | **Sep. 30, 2016** | Dec. 31, 2015 | **Jan. 1, – Sep. 30, 2016** | Jan. 1, – Sep. 30, 2015 |
| Canadian dollar (CAD) | 1.4690 | 1.5116 | 1.4746 | 1.4038 |
| Swiss franc (CHF) | 1.0876 | 1.0835 | 1.0936 | 1.0621 |
| Chinese yuan renminbi (CNY) | 7.4463 | 7.0608 | 7.3466 | 6.9641 |
| Danish crown (DKK) | 7.4513 | 7.4626 | 7.4472 | 7.4581 |
| Pound sterling (GBP) | 0.8610 | 0.7340 | 0.8030 | 0.7271 |
| Polish zloty (PLN) | 4.3192 | 4.2639 | 4.3582 | 4.1571 |
| Swedish crown (SEK) | 9.6210 | 9.1895 | 9.3732 | 9.3709 |
| US dollar (USD) | 1.1161 | 1.0887 | 1.1162 | 1.1144 |

C.14 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 2.0 million (9M 2015: EUR 1.9 million) is interest income from third parties.

## 2.) INTEREST EXPENSE

| in EUR m | **Jan. 1 – Sep. 30, 2016** | Jan. 1 – Sep. 30, 2015 |
|---|---|---|
| Interest expense on liabilities to third parties | −59.1 | −48.7 |
| Expense from the fair value measurement of interest rate swaps | −1.8 | −2.5 |
| Net interest expense on defined benefit pension plans | −2.6 | −2.6 |
| Interest expense on other provisions | −1.2 | −1.2 |
| Interest expense on finance leases | −0.5 | −0.7 |
| **Total** | **−65.2** | **−55.7** |

C.15 INTEREST EXPENSE

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

| in EUR m | **Jan. 1 – Sep. 30, 2016** | Jan. 1 – Sep. 30, 2015 |
|---|---|---|
| Unwinding of discounting of liabilities relating to acquisition of non-controlling interests | −1.4 | −1.9 |
| Final purchase price adjustment for the acquisition of Zhong Yung | 0.4 | – |
| Change in liabilities recognized in profit or loss arising from limited partners' rights to repayment of contributions | −0.9 | −0.9 |
| **Total** | **−1.9** | **−2.8** |

C.16 CHANGE IN LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS RECOGNIZED IN PROFIT OR LOSS

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

## 4.) OTHER NET FINANCE COSTS

As already outlined in the section of the 2015 Annual Report on events after the end of the reporting period, in mid-February 2016 the Venezuelan government further devalued the country's currency, the bolivar, by more than 90%. In February 2016, the existing, three-tier model in place since February 2015 was converted to a dual model, under which DIPRO (formerly CENCOEX) and DICOM (formerly SIMADI) will be the only official exchange mechanisms available. For Brenntag, this gave rise to losses of EUR 27.1 million triggered by exchange rate movements and recognized in other net finance costs.

## 5.) INCOME TAX EXPENSE

Income tax expense comprises current tax expense of EUR 137.8 million (9M 2015: current tax expense of EUR 140.0 million) and deferred tax income of EUR 0.6 million (9M 2015: deferred tax expense of EUR 3.1 million).

Tax expense for the first nine months of 2016 was calculated using the Group tax rate expected for financial year 2016. Some 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 for the reporting period.

| | **Jan. 1 – Sep. 30, 2016** | | | Jan. 1 – Sep. 30, 2015 | | |
|---|---|---|---|---|---|---|
| in EUR m | Profit before tax | Tax rate in % | Income tax expense | Profit before tax | Tax rate in % | Income tax expense |
| excluding unplannable tax-neutral income/expenses | 400.6 | 34.2 | −137.2 | 439.9 | 32.5 | −143.1 |
| tax-neutral income/expenses that cannot be planned with sufficient accuracy | −1.9 | – | – | −2.8 | – | – |
| including unplannable tax-neutral income/expenses | 398.7 | 34.4 | −137.2 | 437.1 | 32.7 | −143.1 |

C.17 PROFIT BEFORE TAX AFTER ELIMINATION OF UNPLANNABLE TAX-NEUTRAL INCOME/EXPENSES

The expected Group tax rate for financial year 2016 is 34.2%. Compared with the expected Group tax rate for 2015, this represents a rise of 1.7 percentage points due mainly to foreign exchange losses in Venezuela in 2016. Those losses, which are disregarded for tax purposes, are the result of the devaluation of the bolivar exchange rate relative to the functional currency, the US dollar.

## 6.) EARNINGS PER SHARE

Earnings per share in the amount of EUR 1.69 (9M 2015: EUR 1.89) are determined by dividing the share of profit after tax of EUR 260.8 million (9M 2015: EUR 291.7 million) attributable to the shareholders of Brenntag AG by the average weighted number of shares in circulation.

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

## 7.) FINANCIAL LIABILITIES

| in EUR m | **Sep. 30, 2016** | Dec. 31, 2015 |
|---|---|---|
| Liabilities under syndicated loan | 1,197.0 | 1,214.7 |
| Other liabilities to banks | 132.6 | 134.2 |
| Bond 2018 | 402.1 | 406.5 |
| Bond (with Warrants) 2022 | 418.7 | 423.2 |
| Finance lease liabilities | 11.6 | 14.4 |
| Derivative financial instruments | 5.1 | 4.3 |
| Other financial liabilities | 44.0 | 57.9 |
| **Total** | **2,211.1** | **2,255.2** |
| Cash and cash equivalents | 607.1 | 579.1 |
| **Net financial liabilities** | **1,604.0** | **1,676.1** |

C.18 DETERMINATION OF NET FINANCIAL LIABILITIES

## 8.) OTHER PROVISIONS

Other provisions break down as follows:

| in EUR m | **Sep. 30, 2016** | Dec. 31, 2015 |
|---|---|---|
| Environmental provisions | 100.0 | 104.8 |
| Provisions for personnel expenses | 21.4 | 21.4 |
| Miscellaneous provisions | 38.4 | 37.0 |
| **Total** | **159.8** | **163.2** |

C.19 OTHER PROVISIONS

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

In the interim consolidated financial statements as at September 30, 2016, the present value of pension obligations was determined using a discount rate of 1.1% (Dec. 31, 2015: 2.4%) in Germany and the other countries of the euro zone, 0.25% (Dec. 31, 2015: 0.7%) in Switzerland and 3.3% (Dec. 31, 2015: 4.2%) in Canada.

Due to the remeasurement of defined benefit plans, provisions for pensions and other post-employment benefits increased by an amount of EUR 54.1 million recognized directly in retained earnings. This is mainly the result of the reduction in the discount rate. Net of deferred taxes, actuarial losses recognized in other comprehensive income consequently increased by EUR 39.2 million.

## 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 | **Sep. 30, 2016** | Dec. 31, 2015 |
|---|---|---|
| Liabilities relating to acquisition of non-controlling interests | 3.7 | 67.0 |
| Liabilities arising from limited partners' rights to repayment of contributions | 1.7 | 1.7 |
| **Total** | **5.4** | **68.7** |

C.20 LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS

At the end of May, Brenntag acquired the remaining shares (49%) in Chinese distributor Zhong Yung. On initial recognition at the end of August 2011, the purchase price expected in 2016 was required to be recognized as a liability in equity at its present value. Unwinding of discounting and changes in the estimate of the future purchase price were recognized in profit or loss.

As the entire liability was included in net investment hedge accounting, the exchange rate-related change in the liability was recognized within equity in the net investment hedge reserve. The effects of unwinding of discounting and the final purchase price adjustment 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 14, 2016 passed a resolution to pay a dividend of EUR 154,500,000.00. Based on 154.5 million shares, that is a dividend of EUR 1.00 per no-par value share entitled to a dividend.

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, 2014** | **26.1** | **5.3** | **31.4** |
| Dividends | −0.1 | – | −0.1 |
| Profit after tax | 2.3 | – | 2.3 |
| Other comprehensive income | – | 1.8 | 1.8 |
| **Total comprehensive income** | **2.3** | **1.8** | **4.1** |
| **Sep. 30, 2015** | **28.3** | **7.1** | **35.4** |

C.21 CHANGE IN NON-CONTROLLING INTERESTS/SEP. 30, 2015

| in EUR m | Subscribed capital, retained earnings and additional paid-in capital | Exchange rate differences | **Non-controlling interests** |
|---|---|---|---|
| **Dec. 31, 2015** | **36.6** | **7.5** | **44.1** |
| Business combinations | 0.2 | – | 0.2 |
| Transactions with owners | −30.4 | −5.8 | −36.2 |
| Profit after tax | 0.7 | – | 0.7 |
| Other comprehensive income | – | −1.7 | −1.7 |
| **Total comprehensive income** | **0.7** | **−1.7** | **−1.0** |
| **Sep. 30, 2016** | **7.1** | **–** | **7.1** |

C.22 CHANGE IN NON-CONTROLLING INTERESTS/SEP. 30, 2016

Transactions with owners relate to the acquisition of the remaining shares (49%) in Chinese distributor Zhong Yung.

## 12.) CASH FLOW STATEMENT DISCLOSURES

The net cash inflow from operating activities amounting to EUR 394.0 million was influenced by cash outflows from the increase in working capital of EUR 56.8 million.

The increase in working capital resulted from changes in inventories, gross trade receivables and trade payables as well as from valuation allowances on trade receivables and inventories as follows:

| in EUR m | **Jan. 1, – Sep. 30, 2016** | Jan. 1, – Sep. 30, 2015 |
|---|---|---|
| Decrease in inventories | 3.4 | 20.8 |
| Increase in gross trade receivables | −94.7 | −58.2 |
| Increase in trade payables | 38.8 | 0.3 |
| Valuation allowances on trade receivables and on inventories[1] | −4.3 | 4.3 |
| **Change in working capital[2]** | **−56.8** | **−32.8** |

C.23 CHANGE IN WORKING CAPITAL

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

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

## 13.) LEGAL PROCEEDINGS AND DISPUTES

In the first nine months of 2016, there were no significant changes within the Group compared with the legal proceedings and disputes described in the 2015 Annual Report.

[1] Ratio of annual sales to average working capital; annual sales are defined as sales for the first nine months extrapolated to the full year (sales for the first nine months divided by three and multiplied by four); average working capital for the first nine months is defined as the average of working capital at the beginning of the year and at the end of the first, second and third quarters.

## 14.) REPORTING OF FINANCIAL INSTRUMENTS

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

| in EUR m | 2016 | | | | | |
|---|---|---|---|---|---|---|
| Measurement in the balance sheet: | At amortized cost | At fair value | | | **Sep. 30, 2016** | |
| Classification of financial assets: | Loans and receivables | Financial assets at fair value through profit or loss | Available-for-sale financial assets | Loans and receivables | Total carrying amount | Fair value |
| Cash and cash equivalents | 607.1 | – | – | – | 607.1 | 607.1 |
| Trade receivables | 1,508.4 | – | – | – | 1,508.4 | 1,508.4 |
| Other receivables | 77.7 | – | – | – | 77.7 | 77.7 |
| Other financial assets | 29.0 | 2.1 | 1.3 | – | 32.4 | 32.4 |
| **Total** | **2,222.2** | **2.1** | **1.3** | **–** | **2,225.6** | **2,225.6** |

C.24 CLASSIFICATION OF FINANCIAL ASSETS BY MEASUREMENT CATEGORY / SEP. 30, 2016

| in EUR m | 2015 | | | | | |
|---|---|---|---|---|---|---|
| Measurement in the balance sheet: | At amortized cost | At fair value | | | Dec. 31, 2015 | |
| Classification of financial assets: | Loans and receivables | Financial assets at fair value through profit or loss | Available-for-sale financial assets | Loans and receivables | Total carrying amount | Fair value |
| Cash and cash equivalents | 579.1 | – | – | – | 579.1 | 579.1 |
| Trade receivables | 1,426.5 | – | – | – | 1,426.5 | 1,426.5 |
| Other receivables | 81.7 | – | – | – | 81.7 | 81.7 |
| Other financial assets | 42.4 | 2.4 | 1.3 | 2.5 | 48.6 | 48.6 |
| **Total** | **2,129.7** | **2.4** | **1.3** | **2.5** | **2,135.9** | **2,135.9** |

C.25 CLASSIFICATION OF FINANCIAL ASSETS BY MEASUREMENT CATEGORY / DEC. 31, 2015

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 94.6 million (Dec. 31, 2015: EUR 76.4 million) are not financial assets within the meaning of IFRS 7. They are mainly receivables from value-added tax and other taxes, prepaid expenses and prepayments.

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

| in EUR m | 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| Measurement in the balance sheet: | At amortized cost | | At fair value | | | Sep. 30, 2016 | |
| Classification of financial liabilities: | Not designated in hedge accounting | Designated in hedge accounting | Financial liabilities at fair value through profit or loss | Derivatives designated in hedge accounting | Carrying amount under IAS 17 | Total carrying amount | Fair value |
| Trade payables | 1,080.6 | – | – | – | – | 1,080.6 | 1,080.6 |
| Other liabilities | 184.7 | – | – | – | – | 184.7 | 184.7 |
| Liabilities relating to acquisition of non-controlling interests | 5.4 | – | – | – | – | 5.4 | 5.4 |
| Financial liabilities | 2,194.4 | – | 3.4 | 1.7 | 11.6 | 2,211.1 | 2,308.4 |
| **Total** | **3,465.1** | **–** | **3.4** | **1.7** | **11.6** | **3,481.8** | **3,579.1** |

C.26 CLASSIFICATION OF FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY / SEP. 30, 2016

| in EUR m | 2015 | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Measurement in the balance sheet: | At amortized cost | | At fair value | | | Dec. 31, 2015 | |
| Classification of financial liabilities: | Not designated in hedge accounting | Designated in hedge accounting | Financial liabilities at fair value through profit or loss | Derivatives designated in hedge accounting | Carrying amount under IAS 17 | Total carrying amount | Fair value |
| Trade payables | 1,055.5 | – | – | – | – | 1,055.5 | 1,055.5 |
| Other liabilities | 187.0 | – | – | – | – | 187.0 | 187.0 |
| Liabilities relating to acquisition of non-controlling interests | 5.4 | 63.3 | – | – | – | 68.7 | 69.3 |
| Financial liabilities | 2,236.5 | – | 4.3 | – | 14.4 | 2,255.2 | 2,293.6 |
| **Total** | **3,484.4** | **63.3** | **4.3** | **–** | **14.4** | **3,566.4** | **3,605.4** |

C.27 CLASSIFICATION OF FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY / DEC. 31, 2015

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 have been determined by applying the discounted cash flow method on the basis of current interest curves (Level 2 of the fair value hierarchy). The fair values of liabilities relating to the acquisition of non-controlling interests were determined on the basis of a recognized company valuation model. The company valuation model is based on cash flow plans (Level 3 of the fair value hierarchy).

Of the other liabilities recognized in the balance sheet, EUR 194.0 million (Dec. 31, 2015: EUR 186.1 million) are not financial liabilities within the meaning of IFRS 7. They are mainly liabilities from value-added tax and other taxes, as well as deferred income.

The allocation of the financial assets and liabilities recognized in the balance sheet at fair value to the levels of the IFRS 13 fair value hierarchy is shown in the table below:

in EUR m

| Hierarchy level | Level 1 | Level 2 | Level 3 | **Sep. 30, 2016** |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | – | 2.1 | – | 2.1 |
| Financial liabilities at fair value through profit or loss | – | 3.4 | – | 3.4 |
| Derivatives designated in hedge accounting with a negative fair value | – | 1.7 | – | 1.7 |
| Available-for-sale financial assets | 1.3 | – | – | 1.3 |

C.28 FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY / SEP. 30, 2016

in EUR m

| Hierarchy level | Level 1 | Level 2 | Level 3 | Dec. 31, 2015 |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | – | 2.4 | – | 2.4 |
| Derivatives designated in hedge accounting with a positive fair value | – | 2.5 | – | 2.5 |
| Financial liabilities at fair value through profit or loss | – | 4.3 | – | 4.3 |
| Available-for-sale financial assets | 1.3 | – | – | 1.3 |

C.29 FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY / DEC. 31, 2015

Mülheim an der Ruhr, November 8, 2016

Brenntag AG

BOARD OF MANAGEMENT

Steven Holland    Karsten Beckmann    Markus Klähn

Georg Müller    Henri Nejade

## REVIEW REPORT

To Brenntag AG, Mülheim an der Ruhr

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, income statement and statement of comprehensive income, cash flow statement, statement of changes in equity and selected explanatory notes – and the interim group management report of Brenntag AG, Mülheim an der Ruhr, for the period from January 1 to September 30, 2016 which are part of the quarterly financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Düsseldorf, November 8, 2016

**PricewaterhouseCoopers**
**Aktiengesellschaft**
**Wirtschaftsprüfungsgesellschaft**

sgd. Thomas Tandetzki
Wirtschaftsprüfer
(German Public Auditor)

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

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C CONSOLIDATED FINANCIAL STATEMENTS

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Information on the Annual Report
This translation is only a convenience translation. In case 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 conform them to future events or developments.

# FINANCIAL CALENDAR 2016

NOV 17
2016
Capital Markets Day
[ LONDON ]

DEC 6–7
2016
Berenberg European Conference
[ LONDON ]

JAN 9–10
2017
Commerzbank German Investment Seminar
[ NEW YORK ]

JAN 18
2017
Kepler Cheuvreux German Corporate Conference
[ FRANKFURT ]

MAR 7
2017
Annual Report 2016

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