

*We're ConnectingChemistry*

*DELIVERING  
**SERVICE**  
EXCELLENCE*

*ANNUAL REPORT*  
**2016**



# *CONTENTS*

## *ANNUAL 2016*

- 1 EDITORIAL
- 2 BOARD TALK
- 6 DELIVERING SERVICE EXCELLENCE

## *FINANCIAL REPORT 2016*

- 2 CEO LETTER
- 6 TO OUR SHAREHOLDERS
- 40 MANAGEMENT REPORT
- 110 CONSOLIDATED FINANCIAL STATEMENTS
- 210 FURTHER INFORMATION

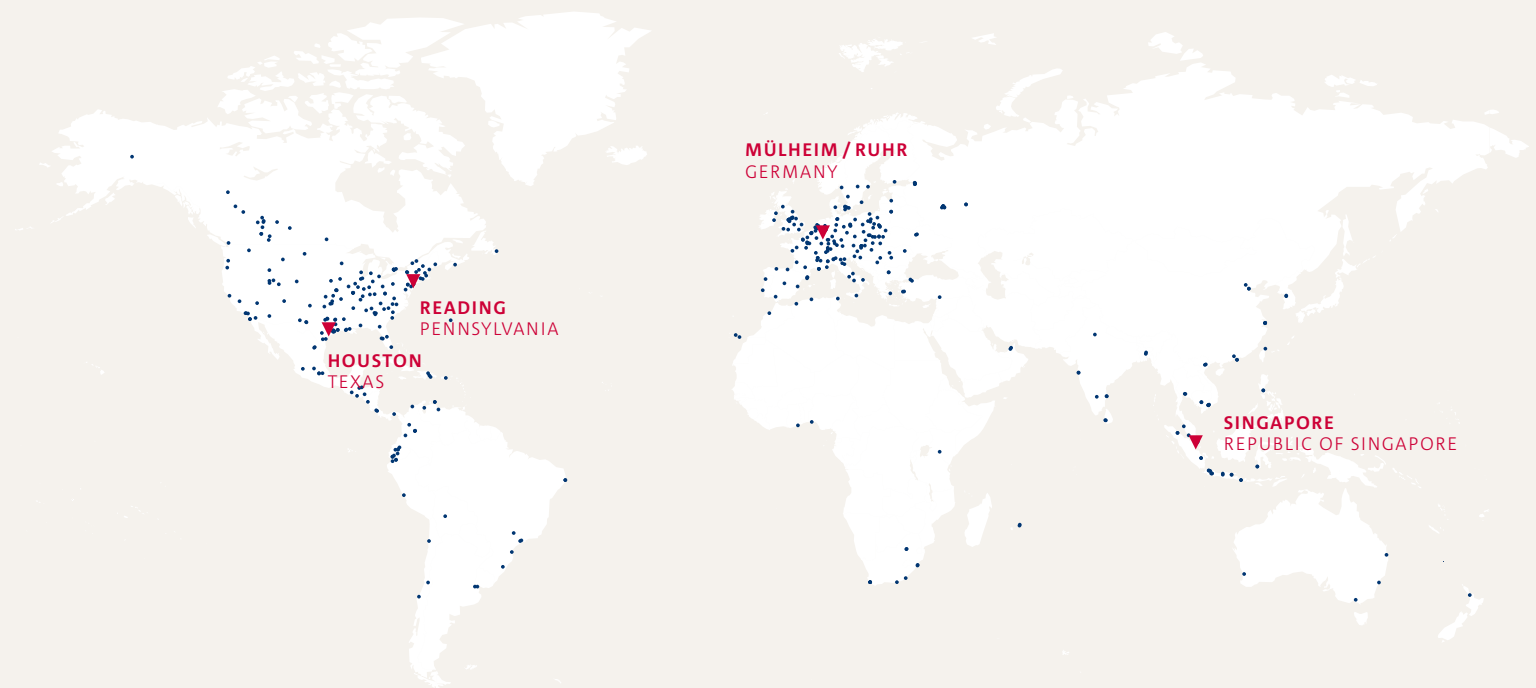
*We're Connecting***Chemistry**

*DELIVERING  
**SERVICE**  
EXCELLENCE*

ANNUAL  
**2016**

## COMPANY PROFILE

Brenntag is the global market leader in chemical distribution. The company manages complex supply chains for both chemical manufacturers and users by simplifying market access to thousands of products and services. It combines a global network with outstanding local execution. Brenntag is therefore the industry's most effective and preferred channel to market for partners – really living its philosophy: “ConnectingChemistry”. Brenntag operates a global network spanning more than 550 locations in 74 countries. With its global workforce of 15,000 employees, the company generated sales of EUR 10.5 billion in 2016.



### EMPLOYEES

**> 4,600**

North America

**> 6,600**

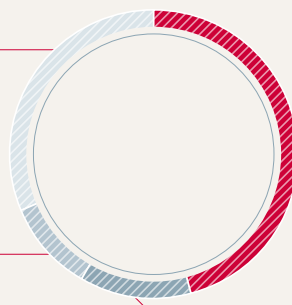
EMEA

**> 1,400**

Latin America

**> 1,900**

Asia Pacific





## DEAR LADIES AND GENTLEMEN,

It is my pleasure to be able to present to you our Annual for financial year 2016. In addition to our Annual Report containing full details on the key financial figures for 2016, we wish to use this format to give you an overview of our company and activities.

In 2016, we once again encountered a rapidly evolving market environment, in which we strive continuously to improve our performance in all areas of business. As the number 1 in chemical distribution, our success is defined in many ways, such as tailored solutions for customers and suppliers, efficiency and excellence in execution, access to different markets all over the world and knowledge of the customer industries.

We firmly believe that one factor plays a predominant role in chemical distribution and is crucial to our business success. That factor – SERVICE – is therefore the focus of this Annual.

Our highly qualified employees are the heart of our organization. They focus on our partners' wishes and requirements, providing value-added services that contribute significantly to the Group's positive performance.

It is my pleasure to be able to present to you here several Brenntag employees who, together with their teams, provide value-creating services of outstanding quality to our partners every day – true to our slogan

*"We're ConnectingChemistry"*

Best wishes

A handwritten signature in blue ink, reading "Holland".

**STEVEN HOLLAND**  
*Chief Executive Officer*



# ***SERVICE IS THE KEY TO SUCCESS***

Service is something Brenntag considers to be especially important and this 2016 Annual showcases examples of the different ways in which Brenntag employees provide valuable services to the company's partners every day. In this interview, CEO Steven Holland and CFO Georg Müller talk about the importance of service in chemical distribution and at Brenntag.



**GEORG MÜLLER**  
*Chief Financial Officer*

**STEVEN HOLLAND**  
*Chief Executive Officer*

**OUR ANNUAL REPORT FOR 2016 FOCUSES ON SERVICE. WHY IS THIS SUCH A KEY ISSUE IN CHEMICAL DISTRIBUTION?**

**STEVEN HOLLAND:** Chemical distribution is a complex business with significant sales and marketing resources, but some people still think of it as a purely logistical service activity – that is to say, transporting chemicals from A to B. Logistics do of course play a major role, but chemical distribution is now much more than that. True to our slogan “We’re ConnectingChemistry”, we are the preferred chemical distributor by virtue of our service focus, connecting customers and suppliers in a fruitful partnership. For us, services delivered to a high standard of quality and reliability are the basis of a sound partnership.

**CAN YOU GIVE SOME EXAMPLES OF SERVICES?**

**GEORG MÜLLER:** The chemical distribution value chain is made up of a wide variety of functions and we basically add a service to each customer order: Brenntag buys chemicals in bulk and stores them at our sites all over the world. The bulk quantities are then filled or repacked into smaller quantities tailored to the customer. Our service philosophy also includes ensuring that the right products of the right quality are always available at short notice.

**STEVEN HOLLAND:** But our services are of course much more multi-faceted, as we have a broad customer base of around 185,000 customers spanning

all possible end markets. We put ourselves in the shoes of our partners – both customers and suppliers – and ask ourselves: “How can we help our business partners to succeed?” This is precisely where our service then comes into play: we offer our customers manifold and specialized handling services which streamline their production process – among others in our life science business.

**ARE THERE ANY PARTICULAR CHALLENGES IN THE SPECIALTY CHEMICALS SEGMENT?**

**GEORG MÜLLER:** In specialty chemicals in particular, the services we offer are becoming very complex very quickly. They require not only the infrastructure – which at Brenntag is our application centres equipped with the latest technology and equipment – but also highly qualified staff who know the products and how they work and always have their finger on the pulse of market trends. Specialty chemicals products are developed through a relatively lengthy joint working process between the customer and Brenntag. Our application engineers offer technical support and advice and are experts in the myriad customer industries.

**THAT IS INDEED A DIVERSE RANGE OF SERVICES, BUT AREN'T THEY OFFERED BY OTHER CHEMICAL DISTRIBUTORS TOO?**

**STEVEN HOLLAND:** Certainly some of the services mentioned are also offered by our competitors, but we are confident that both the quality of the services and the portfolio of services on offer set us apart from all competitors. Here too, we see

ourselves as a full-line distributor and wish to serve all customer requirements.

**YOU ALSO MENTION SUPPLIERS. WHICH SERVICES PLAY A ROLE HERE?**

**STEVEN HOLLAND:** Our suppliers are the chemical manufacturers. For them, we act as an effective sales and marketing channel by bringing their products quickly and efficiently to precisely the right markets. The chemical manufacturers build on our market expertise and access to a broad customer base where we provide a very effective channel to market for their products, making them available to a much wider market of end consumers.

**HOW DO YOU GUARANTEE THIS IMPORTANT ACCESS TO MARKETS AND END CONSUMERS?**

**STEVEN HOLLAND:** At the heart of the Group are our staff, and each and every Brenntag employee makes a valuable contribution on a daily basis. However, our sales and marketing organization in particular is vital in this regard. More than a third of the Brenntag workforce of about 15,000 employees works in sales and marketing. Through continuous personal contact, they ensure that we always actively approach our partners and focus on their requirements. The aim is to offer our partners individual and tailored solutions at all times, and to do so quickly and to the highest standard of quality.





**SO THAT IS BRENNTAG'S PLACE IN THE SUPPLY CHAIN. BUT WHAT EXACTLY ARE THE BENEFITS THAT BRENNTAG BRINGS TO ITS PARTNERS?**

**STEVEN HOLLAND:** The benefits that Brenntag offers are diverse, as we focus our activities on our partners' requirements. We reduce complexity for chemical manufacturers by taking on the very granular business in less-than-truckload quantities, for example. We also make life easier for our customers. Expressions such as "one-stop-shop solution" are common in chemical distribution, but that is exactly what we are for our customers. Through our broad portfolio of products and services, we offer customers everything they need from industrial chemicals to highly specialized life science products and services! That is how we achieve our primary objective, namely to increase the profitability of our partners and Brenntag.

**GEORG MÜLLER:** Because we offer a very broad range of services, our partners are able to concentrate on their core business. We give them more flexibility and make them more efficient – and all over the world too! Chemical distribution is also a local business. Each Brenntag company must adapt to the local conditions specific to a country or region. That applies to customers, suppliers, macroeconomic conditions, market characteristics and individual trends in the customer industries. Safety and quality are also very important to us as a global market leader. Health, safety and sustainability are paramount for Brenntag. In this respect too, we aim to offer our partners the highest standards.

**SO CHEMICAL DISTRIBUTION IS A COMPLEX, VERY INDIVIDUAL BUSINESS. HOW, IN YOUR OPINION, DOES BRENNTAG DIFFERENTIATE ITSELF FROM COMPETITORS?**

**STEVEN HOLLAND:** We are the global market leader in chemical distribution – and for good reason. Brenntag offers an unparalleled combination of a highly efficient logistics network, a broad product portfolio of industrial and specialty chemicals and a diverse service offering. We combine global reach and the benefits of a global market leader with local proximity and excellence in execution for our partners. We not only offer our customers solutions that are tailored to them, but are also the preferred distributor for chemical manufacturers. All that and in particular the excellent relationships of trust that we have built with our partners over decades give Brenntag a decisive competitive edge. We can continue to build on that going forward!

# KEEPING THE SUPPLY CHAIN ALIVE

Chemical distribution is a highly complex and multi-faceted business comprising purchase and storage as well as logistics solutions. While Brenntag develops its business through a dedicated sales and marketing organization, it is also essential to implement smooth logistics processes.

Brenntag operates a global network of over 550 locations serving around 185,000 customers. One of our largest sites is the one in Rotterdam. Located right at the port, it plays a strategic role within Brenntag's EMEA region.

The Brenntag operations in Rotterdam perform a variety of functions. Firstly, the site serves as a hub within the Brenntag network. On the one hand, it supplies solvents such as xylene, toluene, acetone and ethyl acetate to local customers in the Netherlands; on the other, it provides products to other warehouses within the Brenntag network in Europe and globally. The site focuses on the bulk breaking, mixing and blending and filling of a wide range of solvents – over 180,000 tonnes a year in total. The highly automated filling lines enable the

solvents to be placed into different container sizes, from five millilitres for hospitals or laboratories up to 25 tonnes of a chemical. Aafke Dijkma, Operations Manager Netherlands, is responsible for all operations at the Rotterdam site as well as for our locations in Zwijndrecht, Moerdijk and Amsterdam. She leads a diverse team of plant managers, transport managers, quality, health, safety and environment managers, supervisors and truck drivers.

The different parts of the business at a Brenntag site are as varied as the customers' requirements and include production planning, transport coordination and logistics, quality control, documentation and customs clearance. However, safety always takes priority over all other business activities.

"Keeping the supply chain alive" is one of the core tasks of Aafke Dijkma and her team. They focus consistently on optimizing the production process by adding value to the supply chains of both customers and suppliers. The goal is to provide a full service package.



»I'm **ConnectingChemistry.**«

AAFKE DIJKSMA

*Operations Manager  
Netherlands*



“Our goal is to add value to the supply chain of our customers and suppliers by providing a reliable distribution network. Added value can come from diverse service offerings, safety and increased efficiency. For some major suppliers, we simplify the supply chain by taking over the complete handling of their products. We store the bulk products in our storage tanks, fill them into drums or other packaging units and independently process the customer orders for the supplier. This also includes just-in-time delivery globally,” says Aafke Dijksema.

Brenntag combines a dense global network with outstanding local execution. We strive to increase speed and flexibility for Brenntag and its customers. To increase efficiency, the Rotterdam site is focused on just-in-time deliveries and providing different products at the same time. If a customer places an order before 10.00 a.m. in the morning, the team is able to deliver the products the next day, a level of service quite unusual in chemical distribution. Also, Brenntag operates trucks with different compartments, meaning that up to eight products can be delivered to the customer on one trip. In addition, Brenntag uses a delivery telemetry system in the



#### ROTTERDAM PORT

The Brenntag site is strategically located right at the port of Rotterdam.



*»Chemical distribution is a  
»people business« and rela-  
tionships of trust are key to  
success. We can only serve  
our partners' requirements  
if we have satisfied people  
in a highly motivated team.«*

**A AFKE DIJKSMA**  
Operations Manager  
Netherlands

Netherlands. "For some customers, we have implemented a delivery telemetry system in their tanks. Our sales representatives, who in any case are in close contact with their customers, are able to monitor the filling level of the tanks and send a sales order to our ERP systems should the customer run out of product," explains Aafke Dijkma. Close interaction and cooperation among the different Brenntag departments is essential to ensuring that these processes run smoothly.

While the Rotterdam site is an important node in the Brenntag logistics network, Aafke Dijkma is also aware of the importance of people management. She is always in close contact with the whole team and mindful of the responsibility that her position as Operations Manager entails.

"Chemical distribution is a 'people business' and relationships of trust are key to success. We can only serve our partners' requirements if we have satisfied people in a highly motivated team."



# *DELIVERING TRUE VALUE IN THE SPECIALTY CHEMICALS BUSINESS*

Brenntag is a chemical distributor with a truly global footprint. The company manages the business regionally, in EMEA (Europe, Middle East & Africa), North America, Latin America and Asia Pacific. While every region has its specific characteristics, Latin America presents a particular challenge in terms of diversity. Brenntag operates in almost 20 different countries on this continent and serves a broad and diverse customer base. Here too, the expansion and development of the specialty chemicals business plays an important role.

Diego Pierotty Carvajal is the Business Manager for our specialty division Aces & Construction in the northern half of Latin America. He leads a team of close to 30 people, including technical specialists, sales representatives and marketing managers.

The team focuses on developing and executing our specialty chemicals strategy in Mexico, Central America, the Caribbean islands and the Andes region – in more than a dozen countries overall!

Given the different cultures and levels of development, one can easily imagine how numerous and diverse are the requirements that both our customers and suppliers place on us. Whether it is adding waterproofing characteristics to concrete, implementing individual logistics and infrastructure solutions or testing and optimizing coatings for industrial maintenance – we always deliver tailor-made solutions for our partners.



»I'm **ConnectingChemistry.**«

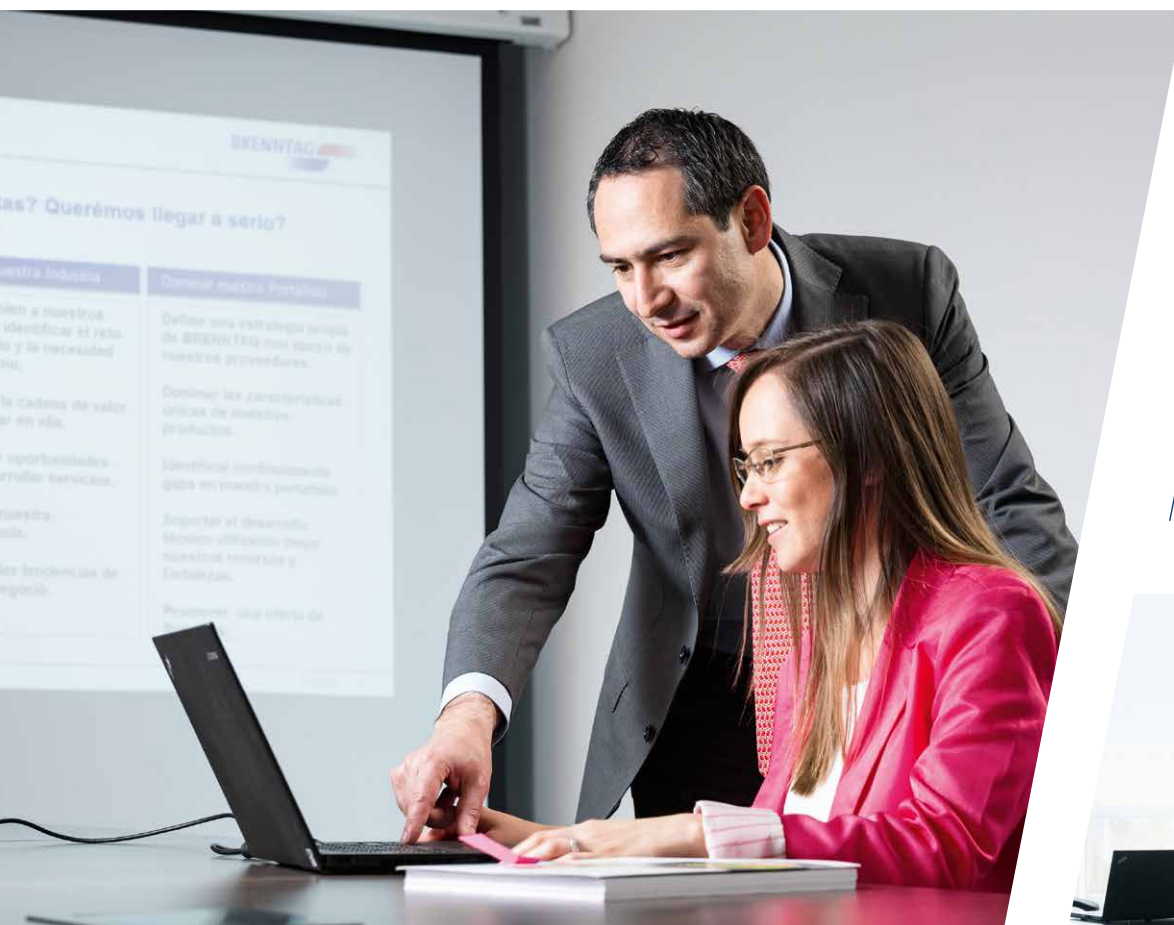
DIEGO PIEROTTY CARVAJAL

*Business Manager  
Aces & Construction  
Latin America North*

"For some customers in Colombia, for example, we have developed pigment blends that meet specific colour and shade needs and that no other distributor was able to produce. These blends are used mainly in the construction industry for precast concrete or plasters and they have two or more pigments and some additives that our customers add directly to their formulations. We have developed tailor-made pigment blends and created unique colour compositions according to the customers' requirements. The production of these blends requires particular infrastructure such as mixers, quality control, trained personnel and expertise," says Diego Pierotty Carvajal.

Particularly in the specialty chemicals business, collaboration with customers and suppliers is a mutual process driven by relationships of trust and personal contact. Maintaining close contact with our partners is key to growing our market presence in specialty chemicals.

Diego Pierotty Carvajal: "We approach our partners – customers as well as suppliers – proactively in order to strengthen the relationships in all the different layers of their organizations. We keep an updated market map for customers and market segments so as to increase our footprint and pass on our



#### TRAINING AND SEMINARS

Brenntag offers both its business partners and its employees regular training on current developments in specific customer industries.





knowledge to our partners. The same level of intimacy is required with suppliers to ensure that we align our efforts in a joint strategy to develop the different product lines in a given market space. This is of utmost importance since we are the exclusive channel for these manufacturers in the region.”

In order to constantly develop knowledge of the different customer industries and current market trends, we provide regular training courses and seminars not only for our customers and suppliers, but also for our employees. A typical training course, on coatings, for example, focuses on imparting knowledge of the technical and commercial aspects of the ingredients and products that Brenntag delivers. In the coatings market, additives and dispersions for architectural and industrial paints give the film specific properties that enable surfaces to be protected from heat and UV radiation. During these training courses, our technical, marketing and sales staff both develop their skills so as to better identify our customers’ and suppliers’ requirements and have the opportunity to share their personal experience with our partners and actively transfer knowledge to their colleagues.

This is how we make sure that Brenntag’s experts continuously keep up-to-date their in-depth knowledge of the different markets, trends and customer industries – in Latin America and around the world.



*»For some customers in Colombia, for example, we have developed pigment blends that meet specific colour and shade needs and that no other distributor was able to produce.«*

**DIEGO PIEROTTY CARVAJAL**  
Business Manager  
Aces & Construction  
Latin America North

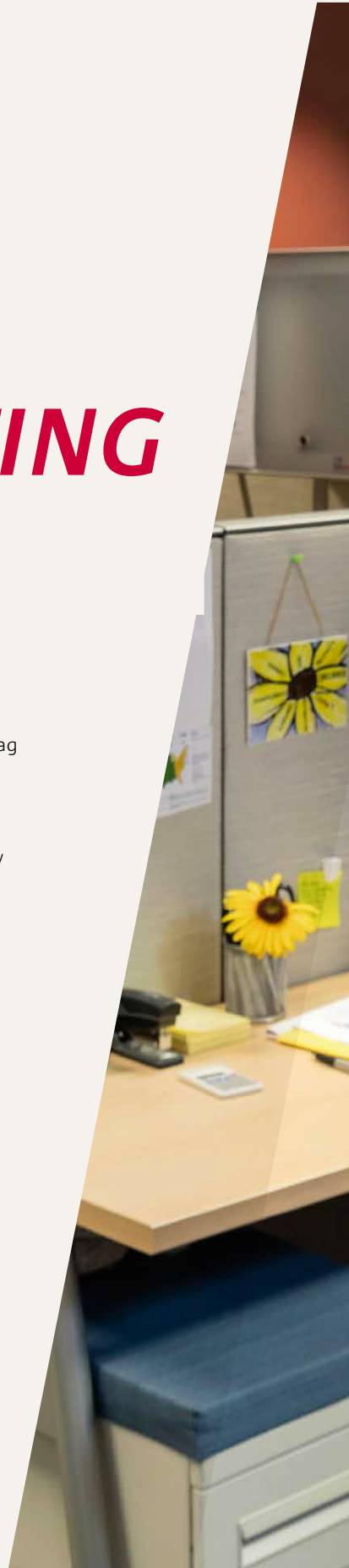
# EXECUTING INDIVIDUAL SALES & MARKETING SOLUTIONS

Brenntag is the global market leader in chemical distribution, and with good reason: we place our partners' requirements at the centre of everything we do. Brenntag has a workforce of around 15,000 people serving a customer base of around 185,000 customers and several thousand suppliers. Over a third of this workforce focuses on sales and marketing activities in the Brenntag organization – because for us, chemical distribution is about much more than just delivering chemicals.

Just as Brenntag strives to connect chemical manufacturers (our suppliers) and chemical users (our customers), Brenntag Solutions Group acts as an internal link in our sales and marketing organization by providing innovative solutions that support our sales and marketing force in North America.

Elin Rodenstam is Managing Director Brenntag Solutions Group. She is a Swedish national and has already worked in various sales positions within Brenntag EMEA (Europe, Middle East & Africa). When the opportunity arose to make an international move into a different field, she didn't hesitate and relocated to the US.

By moving its people worldwide, Brenntag ensures that the organization is constantly evolving and able to transfer best practices from country to country around the globe.



A woman with blonde hair, wearing a white blazer and a red skirt, stands in an office cubicle with her arms crossed. She is smiling at the camera. The cubicle has a desk with a computer monitor, keyboard, and various papers. The background is a warm orange wall.

»I'm **ConnectingChemistry.**«

ELIN RODENSTAM

*Managing Director  
Brenntag Solutions Group  
North America*



Today, Elin heads a team of 25 people and she is excited about her job:

### WHAT IS SPECIAL ABOUT BRENNTAG SOLUTIONS GROUP?

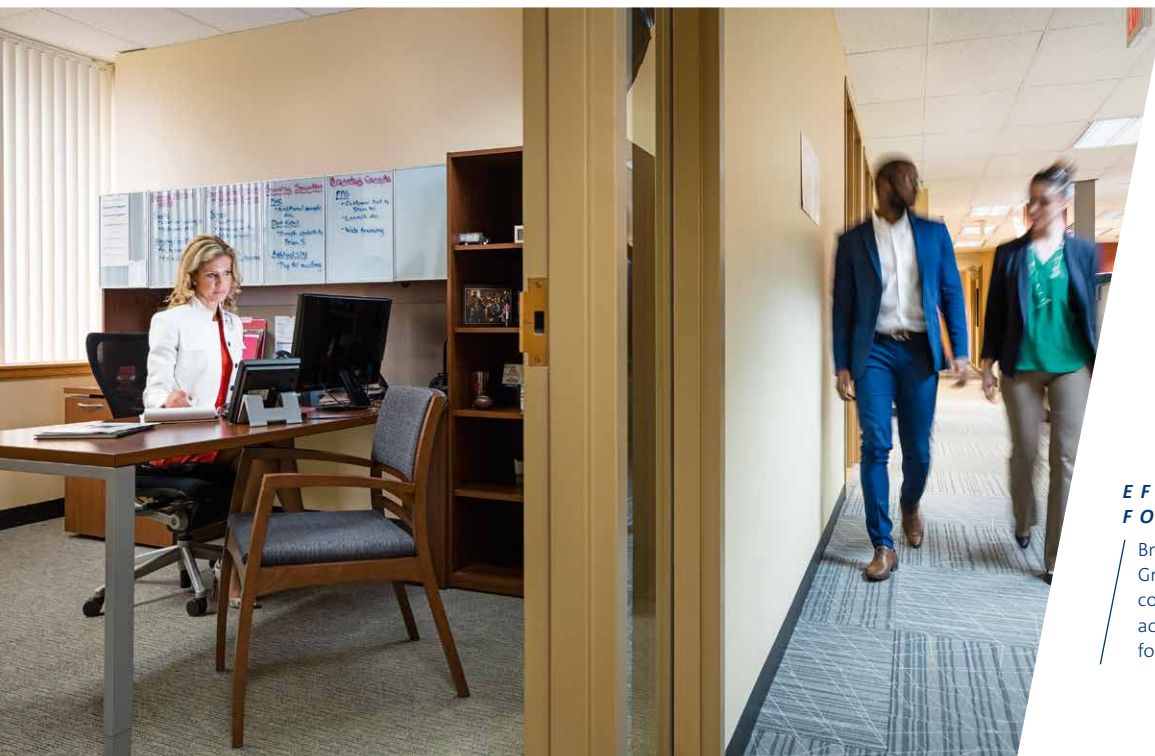
**ELIN RODENSTAM:** We are a dedicated inside sales and marketing organization staffed by highly trained technical and commercial people. Internally, we support our sales, marketing and sourcing force in North America and, externally, we build strategic relationships with suppliers by providing market intelligence and expertise that every supplier has long been coming to us for.

### WHAT ARE THE MAIN TASKS YOU AND YOUR TEAM PERFORM?

**ELIN RODENSTAM:** Our tasks are diverse and constantly evolving in step with the market and internal requirements. Our inside sales organization continuously liaises with our sales teams in the regions and supports them in dedicated sales activities. The external

sales managers serve customers in the different customer industries, such as food, water treatment and ACES (adhesives, coatings, elastomers, sealants), and the inside sales people are experts in these industries. Thus, we align our capabilities and ensure effective processes for Brenntag and its partners.

We also implement tailor-made marketing campaigns for our suppliers. Together with our partners, we develop an idea for a campaign and identify a customer contact list. Our team members are then trained in this specific topic. They scan the market, conduct surveys, prepare market data and business intelligence and in the course of the process contact the customers within a set timeframe. Afterwards, the local sales teams follow up on the opportunities that emerged during the campaign.



### EFFECTIVE SALES FORCE SUPPORT

Brenntag Solutions Group is the perfect complement to the sales activities of our sales force in North America.



*»We strive to attract new suppliers and business as the need for innovative sales and marketing solutions in chemical distribution continues to grow.«*

**ELIN RODENSTAM**  
Managing Director  
Brenntag Solutions Group  
North America

Another main task of Brenntag Solutions Group is converting opportunities into business. The team generates leads from different sources, such as through collaboration with our suppliers, via our website, at trade shows and through e-mail marketing. It is extremely important for us to process the leads and ensure a quick response and swift action as well as to document our findings from start to finish in order to identify strengths and weaknesses. This enables us to constantly develop the capabilities we offer our partners and increase our success rate.

#### **SPECIFICALLY, WHAT IS THE SERVICE YOU ARE PROVIDING?**

**ELIN RODENSTAM:** We really see ourselves as a catalyst and incubator for growing the business in North America. We provide a discrete, efficient way for Brenntag North America to go successfully to market. Brenntag Solutions Group not only services more accounts, but also more efficiently enables our external sales force to focus on strategic regional opportunities. Through our deep involvement and full integration with Brenntag North America's regional operating companies, we

provide a competitive advantage both within the organization and for our suppliers. This is an unparalleled business model in the marketplace.

#### **HOW WILL THE FUTURE LOOK FOR BRENNTAG SOLUTIONS GROUP?**

**ELIN RODENSTAM:** Brenntag Solutions Group is already successful, but it is still a young organization in the overall context. The mission is to play an integral part within Brenntag North America by continuously improving processes and capabilities. We strive to attract new suppliers and business as the need for innovative sales and marketing solutions in chemical distribution continues to grow. Our goal is to position the team as a 'centre of excellence' by attracting the most talented and diverse people and providing opportunities for their personal development building on the unique Brenntag Solutions Group culture. This group consists of high performers who constantly come up with creative solutions, and for us the journey towards an exciting and successful future has only just begun.

# PROVIDING HIGHLY SKILLED TECHNICAL ADVICE

Brenntag is a full-line chemical distributor selling more than 10,000 industrial and specialty chemicals products. While industrial chemicals often comprise standardized products, specialty chemicals are far more complex and evolve quickly in the different customer industries, such as food, personal care and pharmaceuticals.

At Brenntag, the specialty chemicals business is driven by close collaboration between the Brenntag experts and our partners, leading to long-standing relationships of trust. Our application engineers and sales representatives provide a valuable combination of products, laboratory services, technical expertise and in-depth knowledge of local market requirements to our partners – be they customers or suppliers.

In our Asia Pacific region, specialty chemicals in particular form a major part of Brenntag's business. In Vietnam, we have established an ultra-high temperature (UHT) pilot plant, mainly serving the important food and beverage industry.

Quyen Nguyen Huu Le, Application Centre Manager in Ho Chi Minh City: "The supply chain in this industry is complex, and we understand the challenges when it comes to product quality, regulatory compliance and the safe handling of products."







»I'm **ConnectingChemistry.**«

QUYEN NGUYEN HUU LE

*Application  
Centre Manager  
Vietnam*



#### HIGHLY EQUIPPED APPLICATION CENTRES

Brenntag Vietnam alone has five application centres focusing on applications around dairy products, beverages, bakery products and UHT treatment in the food industry.



She and her team have developed a chocolate malt drink for a well-known dairy company in Vietnam: “The development of the chocolate malt drink made especially for children and its introduction into the beverage market in Vietnam were a great success. In specialty chemicals, the interaction between the sales team and application engineers on the one hand and the customer on the other is key. Our sales representatives are in constant contact with our customers, know their requirements and communicate them internally to the technical staff in our application centres. Based on this information, the application engineers are able to develop formulations and recipes in line with our customers’ ideas. Hence, for this chocolate malt drink, we developed a recipe based on a product briefing. We were able to combine different

ingredients such as malt extract, flavours and dyes that matched the customer’s expectations perfectly. But in addition to this, we were also able to provide the technical equipment for the production of the drink – the UHT pilot plant. Thus, we helped our customer to save time during product development and reduce overall production costs,” says Quyen Nguyen Huu Le.

Through our worldwide network of application centres, Brenntag offers a variety of value-added services, from product development, quality testing and prototyping to seminars and innovation workshops for our customers and suppliers – ultimately leading to increased flexibility and expertise as well as cost optimization for our partners.

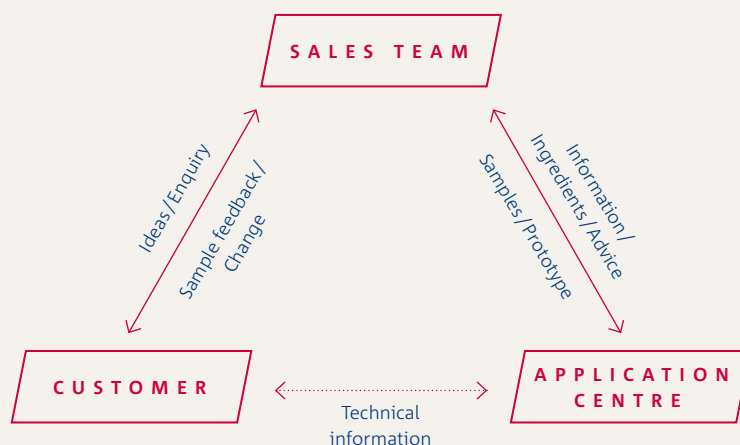


»The supply chain in this industry is complex, and we understand the challenges when it comes to product quality, regulatory compliance and the safe handling of products.«

**QUYEN NGUYEN HUU LE**  
Application Centre Manager  
Vietnam

#### UHT PILOT PLANT

With the UHT pilot plant, Brenntag produces product samples to evaluate the characteristics of the final product.



# *SIMPLIFYING CUSTOMERS' PROCESSES*

As a full-line chemical distributor, Brenntag provides more than 10,000 industrial and specialty chemicals products. The business model is highly diversified along many lines, such as geographic coverage, customers, suppliers, markets and industries. Brenntag EMEA (Europe, Middle East & Africa) is the largest Brenntag region, making an important contribution to the Group's overall performance. This region is also markedly diversified, as we are present in 37 countries. Every country has its own specific characteristics and focus industries. For the Brenntag location in Orbassano, Italy, the rubber industry is a major sector.

Sara Ghione, Business Manager Rubber & Polymers, Italy: "In the rubber industry, our customers are well-known tyre manufacturers or come from the automotive sector. As a leading distributor of products for the rubber industry, we offer our partners comprehensive services, provide added value to our suppliers and distribute our products from Italy to the four corners of the globe."

The Brenntag site in Orbassano is equipped with innovative storage and processing systems as well as a state-of-the-art application centre where raw materials undergo strict checks on receipt of incoming goods and before shipment.

The automatic dosing of the raw materials into bags with a low melting point plays an important role in the rubber industry value chain, as it saves the customer time. All rubber compound ingredients, such as vulcanizing agents, release agents and accelerators, are accurately dosed and packaged into bags of various sizes. The site in Orbassano has eight automatic dosing machines. This equipment enables Brenntag to pre-weigh the products in quantities of between 50 grams and 20 kilos as requested by the customer, making the customers' production processes flexible and efficient.







»I'm **ConnectingChemistry.**«

SARA GHIONE

*Business Manager  
Rubber & Polymers  
Italy*



“In the rubber industry, it’s all about easy handling! For our customers, we provide pre-weighed bags in what we call a ‘Bags in Bag’ solution. One larger bag contains different pre-weighed chemicals in smaller bags to suit the customer’s formulation, enabling us to maintain the shelf life of the products and avoid a chemical reaction among the ingredients. Brenntag is able to provide dosing of powders, granules and liquids. Our ‘Bags in Bag’ solution allows us to deliver packages of additives tailored specifically to our customers’ requirements. This is quite similar to a baking mix one might have at home in the kitchen”, states Sara Ghione.

In addition, Brenntag is able to treat a wide range of liquid additives, transforming them into what are termed “dry liquids”. This process adds to the liquid product a solid

carrier material compatible with the rubber and in accordance with the customer’s requirements, thereby changing the product’s state of aggregation. The final product is a powder which has undergone different analyses in our application centre. It is easier for the customer to handle and disperses easily during production.

As the global market leader, Brenntag is committed to maintaining the highest health, safety and environment (HSE) and quality standards, which in many countries far exceed statutory requirements. In Italy too, Brenntag is certified to DIN ISO, giving it an important competitive edge over our competitors. By offering these standards to the key players in the tyre and automotive industry, we not only remove the need for them to obtain these expensive certifications themselves, but also become their preferred distributor.



*»In an increasingly globalized economy, Brenntag is well placed to adapt to ever-changing economic conditions and continues to focus on the needs of its customers and suppliers.«*

**SARA GHIONE**  
Business Manager  
Rubber & Polymers  
Italy



Sara Ghione: "In an increasingly globalized economy, Brenntag is well placed to adapt to ever-changing economic conditions and continues to focus on the needs of its customers and suppliers. My team and I intend to be the preferred partner in the European and the global rubber market."

#### INDIVIDUAL FILLING

In Orbassano, solid and liquid products are weighed and filled exactly according to customer specifications.





*We're ConnectingChemistry*

*DELIVERING  
**SERVICE**  
EXCELLENCE*

*FINANCIAL REPORT*  
**2016**

# SEGMENTS

**36.5%**

SHARE OF SALES

## NORTH AMERICA

Brenntag is one of the market leaders in North America. With about 190 distribution centres, we operate in all the major industrial areas in the USA. More than 4,600 employees ensure that our customers in the region have all the products and services they need.

in EUR m	2016	2015
External sales	3,828.8	3,600.6
Operating gross profit	997.5	942.6
Operating expenses	–640.2	–577.0
<b>Operating EBITDA</b>	<b>357.3</b>	<b>365.6</b>

**7.4%**

SHARE OF SALES

## LATIN AMERICA

In Latin America, Brenntag is the only large trans regional chemical distributor covering the entire continent with its broad portfolio of chemical products and services. Our customers are served by more than 1,400 employees from 66 locations in the 20 most important Latin American countries.

in EUR m	2016	2015
External sales	780.9	925.8
Operating gross profit	170.9	201.2
Operating expenses	–125.0	–136.5
<b>Operating EBITDA</b>	<b>45.9</b>	<b>64.7</b>

Figures exclude all other segments, which, in addition to various holding companies, comprise the international activities of Brenntag International Chemicals.



# 43.7%

SHARE OF SALES

## EMEA

Brenntag is the number one chemical distributor in EMEA. The region operates a dense network of more than 210 distribution centres. From these locations, our workforce of more than 6,600 employees provides Brenntag's customers with the chemicals and services they need.

in EUR m	2016	2015
External sales	4,586.1	4,654.4
Operating gross profit	1,064.6	1,024.2
Operating expenses	−702.3	−671.2
<b>Operating EBITDA</b>	<b>362.3</b>	<b>353.0</b>

MÜLHEIM/RUHR  
GERMANY

SINGAPORE  
REPUBLIC OF SINGAPORE

# 9.6%

SHARE OF SALES

## ASIA PACIFIC

Brenntag entered the Asia Pacific markets in 2008 and continuously expanded this network over the following years. Today, we have over 80 locations in 15 countries and a workforce of more than 1,900 employees supplying chemical products and services to all our customers in the region.

in EUR m	2016	2015
External sales	1,010.7	834.1
Operating gross profit	182.3	140.0
Operating expenses	−115.6	−89.7
<b>Operating EBITDA</b>	<b>66.7</b>	<b>50.3</b>

# KEY FINANCIAL FIGURES AT A GLANCE

## CONSOLIDATED INCOME STATEMENT

		2016	2015	Change in %	Change in % (fx adj.)
Sales	EUR m	10,498.4	10,346.1	1.5	2.9
Gross profit	EUR m	2,369.3	2,266.0	4.6	6.0
Operating EBITDA	EUR m	810.0	807.4	0.3	1.9
Operating EBITDA/gross profit	%	34.2	35.6		
EBITDA	EUR m	810.0	807.4	0.3	1.9
Profit after tax	EUR m	361.0	368.1	-1.9	
Earnings per share	EUR	2.33	2.36	-1.3	

## CONSOLIDATED BALANCE SHEET

		Dec. 31, 2016	Dec. 31, 2015
Total assets	EUR m	7,287.0	6,976.2
Equity	EUR m	2,959.2	2,690.5
Working capital	EUR m	1,354.6	1,268.1
Net financial liabilities	EUR m	1,681.9	1,676.1

## CONSOLIDATED CASH FLOW

		2016	2015
Net cash provided by operating activities	EUR m	539.9	593.7
Investments in non-current assets (capex)	EUR m	-141.1	-130.1
Free cash flow	EUR m	641.4	764.3

## KEY DATA ON THE BRENNTAG SHARES

		Dec. 31, 2016	Dec. 31, 2015
Share price	EUR	52.80	48.28
No. of shares (unweighted)		154,500,000	154,500,000
Market capitalization	EUR m	8,158	7,459
Free float	%	100.00	100.00



# ***SERVICE IS THE KEY TO SUCCESS***



Brenntag is the global market leader in chemical distribution!

Our philosophy “ConnectingChemistry” describes our understanding of chemical distribution: we are the link between chemical manufacturers, our suppliers, and chemical users, our customers, and strive to build winning partnerships with our partners, thus being an integral part of their value chain.

For Brenntag, chemical distribution goes far beyond the sheer distribution of chemicals. Value-added services are an important part of our value proposition. With our broad portfolio of both industrial and specialty chemicals as well as with our best-in-class services, Brenntag is the preferred partner in chemical distribution.



# COMPANY PROFILE

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

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

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

# CONTENTS

	2	CEO Letter			
<b>A</b>	<b>6</b>	<b>TO OUR SHAREHOLDERS</b>	<b>C</b>	<b>110</b>	<b>CONSOLIDATED FINANCIAL STATEMENTS</b>
	8	Brenntag on the Stock Market		112	Consolidated Income Statement
	14	Report of the Supervisory Board		113	Consolidated Statement of Comprehensive Income
	20	Corporate Governance		114	Consolidated Balance Sheet
	28	Board of Management		116	Consolidated Statement of Changes in Equity
	38	Supervisory Board		118	Consolidated Cash Flow Statement
				119	Notes
				199	Responsibility Statement
				200	Annex: List of Shareholdings
<b>B</b>	<b>40</b>	<b>MANAGEMENT REPORT</b>	<b>D</b>	<b>210</b>	<b>FURTHER INFORMATION</b>
	42	Group Overview		212	Independent Auditor's Report
	51	Report on Economic Position		220	Segment Information
	69	Annual Financial Statements of Brenntag AG		226	Glossary
	72	Remuneration Report		236	Table Directory
	86	Employees		239	Five-year Overview
	89	Health, Safety and Environmental Protection, Quality Management		240	Imprint and Contact
	92	Report on Expected Developments, Opportunities and Risks			
	104	Information Required Pursuant to Section 289, para. 4 and Section 315, para. 4 of the German Commercial Code (HGB) and Explanatory Report			
	109	Corporate Governance Statement			



## *DEAR SHAREHOLDERS, DEAR LADIES AND GENTLEMEN,*

For financial year 2016, Brenntag once again reported convincing operating results above the prior year. We continued to demonstrate the resilience of our business model, which is highly diversified in terms of customers, suppliers, products and end markets. Due to our global footprint, we are able to flexibly react to challenging and changing economic conditions. Brenntag achieved operating EBITDA of EUR 810.0 million and hit the mid-point of the guidance. On a constant currency basis, operating EBITDA grew by 1.9%. The gross profit of the Group amounted to EUR 2,369.3 million, representing an increase of 6.0% on a constant currency basis.

Although 2016 showed a mixed macroeconomic picture in our regions and was characterized by a challenging economic environment around the globe, large parts of our business delivered encouraging results. In EMEA and Asia Pacific, we achieved clear growth in the existing business. In North America, industrial demand was subdued overall and we faced continued weak demand from customers in the oil & gas industry. The segment Latin America was heavily affected by the currency devaluation in Venezuela. Also we saw difficult conditions in some other Latin American countries, particularly in Brazil.

After we had executed some larger acquisitions in 2015 which contributed to our positive overall performance, we followed our proven acquisition strategy on a more normal level last year. In the course of the year, we implemented eight bolt-on acquisitions and made a significant step in China. Since 2011, we have managed the business together with a local partner and are now the sole owner of our Chinese operations. In total we spent around EUR 200 million on our acquisitions. In the current year, Brenntag will continue its acquisition path, expanding its product and service portfolio and strengthening its international presence.

Our market leadership is not only evident in terms of economic indicators. When it comes to sustainability, we also hold a leading position, which we strengthened also in 2016. We achieved great progress in our sustainability management and for that achieved the Gold Recognition Level of the international rating agency EcoVadis. The positive feedback we get from our stakeholders encourages us to continuously improve our sustainability activities in the coming years.

*»We continued to demonstrate the resilience of our business model, which is highly diversified in terms of customers, suppliers, products and end markets.«*

**STEVEN HOLLAND**  
*Chief Executive Officer*



Brenntag is in constant dialogue with the capital markets and aims to constantly broaden its shareholder base while serving existing shareholders in the best way possible. For 2016, we are pleased to announce that the positive development of the Group will again permit the payment of an attractive dividend. The Board of Management and the Supervisory Board will therefore propose to the General Shareholders' Meeting a dividend of EUR 1.05 per share, representing an increase of 5% on the previous year.

For 2017, we expect slightly better conditions in parts of the global economy, however developments on the political level have to be watched carefully. We expect our regions EMEA and Asia Pacific to remain on their growth path as well some improvement in the oil & gas sector and the overall macroeconomy in North America. The situation in Latin America will continue to be volatile. Overall, we remain confident in our strategy and the Group is well-positioned to capture future growth opportunities.

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

Mülheim an der Ruhr, March 6, 2017



**STEVEN HOLLAND**  
*Chief Executive Officer*



## *TO OUR SHAREHOLDERS*

<b>8</b>	<b>BRENNTAG ON THE STOCK MARKET</b>
<b>14</b>	<b>REPORT OF THE SUPERVISORY BOARD</b>
<b>20</b>	<b>CORPORATE GOVERNANCE</b>
20	Corporate Governance Report
25	Corporate Governance Statement
<b>28</b>	<b>BOARD OF MANAGEMENT</b>
35	Offices of the Board of Management and Supervisory Board
<b>38</b>	<b>SUPERVISORY BOARD</b>

## *BRENNTAG ON THE STOCK MARKET*

### **SHARE PRICE PERFORMANCE**

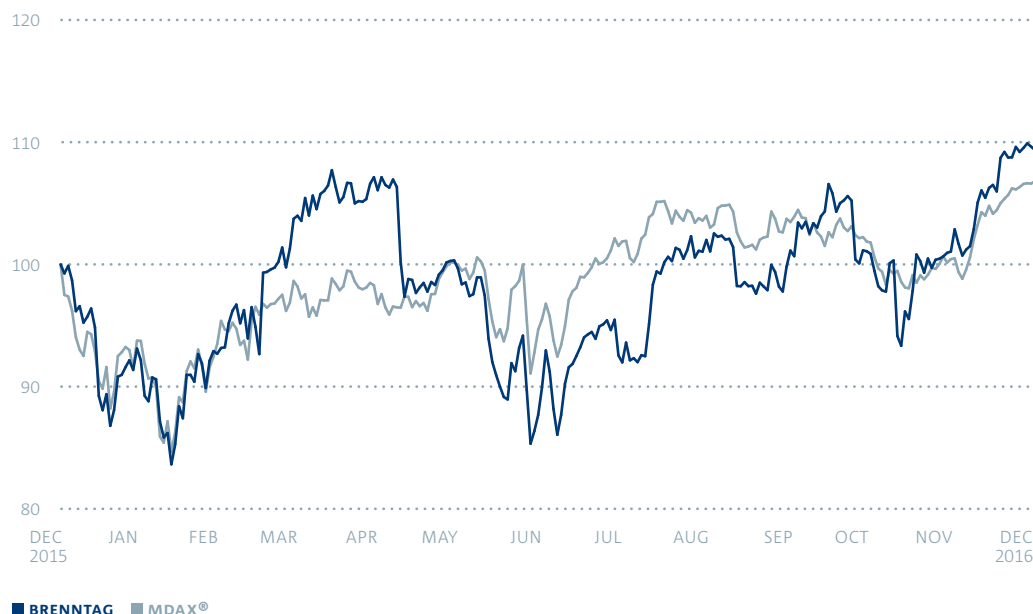
At the beginning of 2016, stock prices on equity markets around the world declined significantly, due mainly to low oil prices and uncertainty about the growth of the Chinese economy. After a period where share prices recovered, volatility increased again around the middle of the year as attention turned to the upcoming referendum on the United Kingdom's membership of the European Union. The vote for "Brexit" came as a surprise to most market participants, putting pressure on global capital markets. However, equity markets quickly stabilized and showed a positive trend overall in the following months. The US presidential election resulted in a short period of high volatility, but the major indices then regained confidence and share prices started to rise.

The European Central Bank launched its capital market-friendly corporate bond purchase programme in 2016 and in December announced an extension. In contrast, the US Federal Reserve raised interest rates in 2016. On the currency markets, the US dollar remained at strong levels. Oil prices increased in the course of the year.

In this environment, Germany's two leading indices, the DAX® and the MDAX®, made a weak start into 2016, but then stabilized in the course of the year and started to rise towards year-end, finally closing up above the prior year-end. The DAX® closing level of 11,481 at the end of 2016 represents an increase of 6.9% on the beginning of the year and the MDAX® gained 6.8% to close at 22,189 points. Brenntag shares closed at EUR 52.80, up 9.4% on the beginning of the year.

According to Deutsche Börse AG's ranking, Brenntag AG ranked 32<sup>nd</sup> among all listed companies in Germany by market capitalization at the end of 2016. The average number of Brenntag shares traded daily on Xetra® in 2016 was approximately 291,000 compared with around 285,000 in the prior-year period.

## A.01 BRENNTAG SHARE PRICE PERFORMANCE (INDEXED)



## BRENNTAG IN DIALOGUE WITH THE CAPITAL MARKET

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

In 2016, we again attached significant importance to personal contact with capital market participants. The Board of Management and the Investor Relations team were in constant dialogue with investors and analysts worldwide. We discussed the company's business performance in detail in numerous meetings at road shows, investor conferences and other occasions such as our capital markets day and the Annual General Shareholders' Meeting. In addition to the above-mentioned activities, the Board of Management and the Investor Relations team regularly provided investors, analysts and private shareholders with information on Brenntag AG in numerous phone calls.

We provide comprehensive and up-to-date information on the Brenntag shares and the outstanding bonds in the Investor Relations section of the website at [www.brenntag.com](http://www.brenntag.com).

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

Further information  
at [www.brenntag.com](http://www.brenntag.com)  
under Investor  
Relations

Brenntag AG  
Corporate Finance &  
Investor Relations  
Phone:  
+ 49 (0) 208 7828 7653  
E-mail:  
[IR@brenntag.de](mailto:IR@brenntag.de)



## SHAREHOLDER STRUCTURE

The notifications  
are available at  
[www.brenntag.com/  
voting\\_rights\\_  
announcements](http://www.brenntag.com/voting_rights_announcements)

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

### A.02 SHAREHOLDER STRUCTURE

Shareholder	Interest in %	Date of notification
BlackRock	>5	October 18, 2016
Norges Bank	>5	September 2, 2016
Sun Life/MFS	>5	July 3, 2012
Allianz Global Investors	>3	November 25, 2016
Threadneedle	>3	June 27, 2016

### A.03 KEY DATA ON THE BRENNTAG SHARES

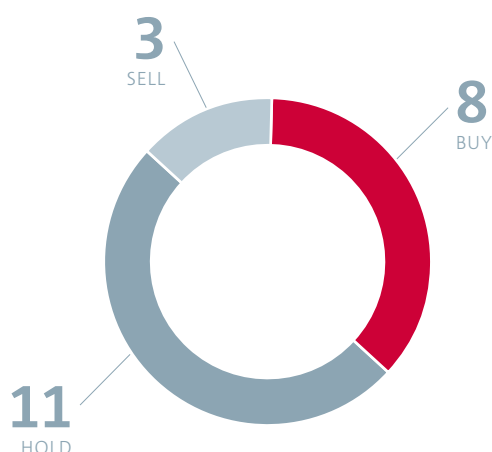
		Dec. 31, 2015	Dec. 31, 2016
No. of shares (unweighted)		154,500,000	154,500,000
Price (Xetra® closing price)		48.28	52.80
Market capitalization	EUR m	7,459	8,158
Primary stock exchange			Xetra®
Indices		MDAX®, MSCI, Stoxx Europe 600	
ISIN/WKN/trading symbol		DE000A1DAH0/A1DAHH/BNR	

## ANALYSTS' OPINIONS

Currently (as at March 1, 2017), 22 banks regularly publish research reports on our company's latest performance and give recommendations. Eight analysts give Brenntag shares a buy recommendation, eleven recommend holding the shares and three are advising to sell. Many analysts value Brenntag highly as a growth stock with strong cash flow generation.

Current analysts' opinions at [www.brenntag.com/analysts\\_opinions](http://www.brenntag.com/analysts_opinions)

### A.04 ANALYSTS' OPINIONS



## CREDITOR RELATIONS

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

### A.05 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 (Frankfurt 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		July 19	Semi-annual	June 2/Dec. 2	
Maturity		July 19, 2018		Dec. 2, 2022	

## GENERAL SHAREHOLDERS' MEETING

The 2016 Annual General Shareholders' Meeting of Brenntag AG was held in Düsseldorf on June 14, 2016. Based on the Board of Management's report on the company's performance in financial year 2015 and the Group's future strategy as well as the general discussion, the shareholders present were able to gain a comprehensive picture of Brenntag AG. 74.13% of the share capital of 154,500,000 shares was represented.

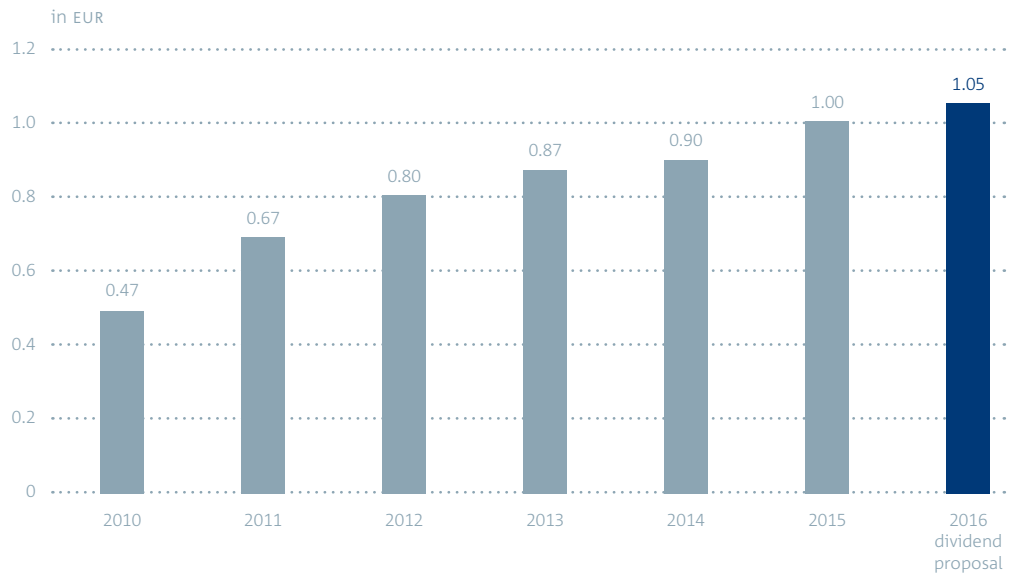
The Annual General Shareholders' Meeting approved the distribution of a dividend of EUR 1.00 (previous year: EUR 0.90) per share. The payout ratio was 42.3% of the consolidated profit after tax for 2015 attributable to shareholders of Brenntag AG.

## ATTRACTIVE DIVIDEND PROPOSAL FOR 2016

It is Brenntag's declared policy to pay its shareholders an attractive dividend each year. The company now aims to distribute 35%–50% of its consolidated profit after tax attributable to shareholders of Brenntag AG. The Board of Management and Supervisory Board will recommend to shareholders at the General Shareholders' Meeting a dividend payment of EUR 1.05 per share. The payout ratio on the basis of the consolidated profit after tax for the year attributable to shareholders of Brenntag AG is therefore 45.0%. Through this payout ratio, we would like our shareholders to participate directly in the company's positive cash flow performance.

—  
EUR  
**1.05**  
dividend proposal  
2016

## A.06 DIVIDEND PERFORMANCE



## REPORT OF THE SUPERVISORY BOARD



**STEFAN ZUSCHKE**  
*Chairman*



Dear Shareholders,

2016 was another challenging but successful year for our company. Despite a somewhat subdued macroeconomic environment, Brenntag was able to lift its results again and sustain the positive performance of past years. The Supervisory Board sees this as evidence of a robust corporate strategy fit for the future and consistent, strong corporate management and governance.

## COMPOSITION OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

There were no changes in the composition of either the Board of Management or the Supervisory Board of Brenntag AG in the reporting period. In June 2016, the Supervisory Board resolved by circular resolution to extend the appointment of Board of Management member Georg Müller by five years until March 31, 2022.

## COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

In financial year 2016, the Supervisory Board of Brenntag AG performed the duties assigned to it by law, by the company's Articles of Association and by its rules of procedure with great diligence. The members of the Supervisory Board regularly advised the Board of Management in its management of the company and monitored its activities. The Board of Management provided the Supervisory Board with timely and comprehensive information, in both written and verbal form, on the course of business, earnings, corporate planning, strategic further development and the Group's current position. The Supervisory Board was also kept abreast of Brenntag's risk position, including risk management, deviations from plan and compliance matters. The Chairman of the Supervisory Board and the Chairman of the Board of Management regularly exchanged information. The Supervisory Board was therefore able to discuss the company's strategic direction and business transactions of key importance with the Board of Management and to vote on them. Further information on the duties of the Supervisory Board can be found in the Corporate Governance Report.

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

The Supervisory Board held four ordinary meetings and one extraordinary meeting in the reporting period. All members of the Supervisory Board attended each of the meetings.

## TOPICS ADDRESSED IN THE SUPERVISORY BOARD MEETINGS

The ordinary meeting on March 14, 2016 focused on the 2015 consolidated financial statements of Brenntag AG, on which the Board of Management and the appointed auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, reported in detail. After thorough discussion, the Supervisory Board approved the consolidated financial statements of Brenntag AG for financial year 2015 as well as the annual financial statements of Brenntag AG and thereby adopted the 2015 annual financial statements. At the meeting, the Supervisory Board also received a status

report on the legal risks to the Group, information from the auditors on the findings of the audit of Brenntag's risk early warning system, and a special briefing from the Board of Management on developments in Venezuela and in the North American oil & gas business. The Board of Management also reported on business in China and Thailand. In addition, the Supervisory Board dealt with the integration of the companies acquired in 2015 and the acquisition projects in 2016. Further topics covered at this Supervisory Board meeting included, in an investor relations context, the composition of the shareholder structure and the planned agenda for the 2016 General Shareholders' Meeting and, in a global human resources context, strategic projects and organizational changes centred on the development of executive and senior management and the Group-wide standardization of human resources structures.

The next ordinary meeting took place on June 14, 2016 after the 2016 General Shareholders' Meeting. On this occasion, the Board of Management provided the Supervisory Board with detailed information on the current financial situation of the Group and the course of business in the four regions. The focus was on the strategic direction of the North America region, including in light of the forecast for the oil & gas business. This was followed by status reports from the Mergers & Acquisitions (M&A), Investor Relations and Human Resources (HR) departments. Other topics on the agenda included digitalization and big data and their increasing importance in the chemicals industry supply chain. The Board of Management reported on projects initiated in this area in order to investigate and assess the opportunities for Brenntag's business operations.

The ordinary meeting on September 7, 2016 focused on changes to the EU rules on statutory auditing and the reporting requirements for listed companies. Firstly, those rules were transposed into German law through the German Statutory Audit Reform Act (AReG) and the German Statutory Auditor Supervision Reform Act (APAReG), and the Board of Management informed the Supervisory Board about the significant effects of the provisions applicable to Brenntag as of 2017. An explanation was provided, in particular, of the requirement to rotate the statutory auditor, the tightened restrictions relating to the engagement of the statutory auditor to provide non-audit services, the new format of the auditor's report and the additional supervisory board and audit committee responsibilities also resulting from the new provisions. Secondly, the Board of Management explained the non-financial reporting requirements applicable to Brenntag as of financial year 2017 as a result of the transposition into German law of EU Directive 2014/95/EU (the Corporate Social Responsibility, or CSR, Directive). At the meeting, the Supervisory Board was also briefed on the course of business in the first half of 2016 and the key developments in the four Brenntag regions. In addition, the Board of Management provided an overview of activities in Investor Relations and Global Human Resources and reported on the acquisitions carried out thus far in 2016 as well as other planned M&A projects.

On October 7, 2016, an extraordinary meeting was held by teleconference. This was due to the planned acquisition of the lubricants business of US company NOCO Inc., which is intended to complement Brenntag North America's existing lubricants business in the American Northeast and extend it into Canada. Following a detailed explanation of the strategic objectives and the terms of the acquisition, the Supervisory Board approved the transaction.

The last ordinary meeting of the reporting period took place on December 15, 2016. Here, after thorough examination and consultation, the Supervisory Board resolved to submit the declaration of conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG). This was signed jointly by the chairmen of the Board of

Management and the Supervisory Board on the same day. At the meeting, the Board of Management provided the Supervisory Board with detailed information on the projected results for financial year 2016 as well as the strategic plans and budgets for 2017. Other items on the agenda included the refinancing of the syndicated loan and reports on current and planned acquisition and human resources projects. In addition, the Board of Management again provided information on the current status of the digitalization projects.

## SUPERVISORY BOARD COMMITTEE ACTIVITIES

In financial year 2016, as in previous years, the Supervisory Board of Brenntag AG had two committees: the Audit Committee and the Presiding and Nomination Committee. Their chairmen reported in detail on the current work of the committees in the Supervisory Board meetings.

The Audit Committee, composed of Prof. Dr Edgar Fluri (Chairman), Doreen Nowotne and Stefanie Berlinger, held four meetings during the reporting period, at which it dealt with the following core topics: the audit of the consolidated financial statements and the annual financial statements of Brenntag AG for 2015, the work and findings of Corporate Internal Audit, the effectiveness of the internal control system and the further development of compliance management. The work of the statutory auditor and the proposal regarding the election of the auditor for the new financial year and for the respective quarterly results were also addressed. Other topics included the changes in legal requirements resulting from the German Statutory Audit Reform Act and the German Statutory Auditor Supervision Reform Act as well as the preparation of the measures required to implement those new requirements at Brenntag, information on the German Act Implementing EMIR (European Market Infrastructure Regulation) and the requirement to have compliance with EMIR verified by an auditor, Group-wide IT and data security, and the tax compliance system.

The Presiding and Nomination Committee, composed of Stefan Zuschke (Chairman), Dr Thomas Ludwig and Dr Andreas Rittstieg, met twice in the reporting period. One topic of discussion at both meetings was the succession of Supervisory Board members Prof. Dr Edgar Fluri and Dr Thomas Ludwig, who will leave the Supervisory Board as planned at the close of the 2017 General Shareholders' Meeting. Another point of discussion was the extension of the contract of Board of Management member Georg Müller, which was decided by circular resolution in June 2016.

## GERMAN CORPORATE GOVERNANCE CODE

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

On December 15, 2016, the Supervisory Board and the Board of Management jointly submitted a new declaration of conformity, according to which Brenntag AG complies and plans to continue to comply with the recommendations of the Government Commission “German Corporate Governance Code” as amended on May 5, 2015, published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger), with the exception of the recommendations in number 4.2.3, para. 3 and number 5.4.1, para. 2 of the Code, as was also the case in the previous year. The exceptions are declared for the following reasons: Brenntag AG generally follows the recommendation in number 4.2.3, para. 3. However, for two members of the Board of Management there are defined contribution plans that do not aim to achieve a specific level of pensions. With regard to pension awards, therefore, the Supervisory Board does not refer to a targeted level of provision. As it is intended to establish a similar agreement for a third Board of Management member as of May 2017, the current declaration of conformity contains a further exception to number 4.2.3, para. 3 of the Code as of that date.

Furthermore, as was also the case in the previous year, the Supervisory Board does not set a regular limit on length of membership of the Supervisory Board, as recommended in number 5.4.1, para. 2 of the Code. A regular limit on length of membership of the Supervisory Board does not take into account the advantages that individual members’ experience brings and that should, if at all possible, be retained.

In the new declaration of conformity, the Board of Management and Supervisory Board also declare that, since its last declaration of conformity dated December 17, 2015, Brenntag AG has complied in the reporting period with all recommendations of the German Corporate Governance Code, as amended on May 5, 2015, with the exception of the recommendations in number 4.2.3, para. 3 and number 5.4.1, para. 2 of the Code as explained above. Details on corporate governance in the company can be found in the Corporate Governance Report.

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

The annual financial statements of Brenntag AG for the year ended December 31, 2016 and the combined Group management report and management report of Brenntag AG were prepared by the Board of Management in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act, and the consolidated financial statements, pursuant to Section 315a of the German Commercial Code, in accordance with the principles of the International Financial Reporting Standards (IFRSs) as adopted in the EU.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, the auditors elected by the General Shareholders’ Meeting and appointed by the Supervisory Board, audited and issued unqualified the auditor’s report on the annual financial statements of Brenntag AG, the combined Group management report and management report of Brenntag AG and the consolidated financial statements.

The annual financial statements of Brenntag AG, the consolidated financial statements and the combined Group management report and management report of Brenntag AG as well as the auditors’ audit reports were available to all members of the Supervisory Board in good time ahead of the Audit Committee meeting on February 28, 2017 and the Supervisory Board meeting on the financial statements on March 3, 2017. The financial statement documents were discussed in detail on the Audit Committee and in the Supervisory Board’s meeting on the financial statements, in both cases in the presence of the auditors, who gave a report.

The Supervisory Board endorses the findings of the audit. Following the preliminary examination by the Audit Committee and its own review, there were no objections to be raised. The Supervisory Board approved the above-mentioned financial statements prepared by the Board of Management. The annual financial statements were thus adopted on March 3, 2017. The Supervisory Board concurs with the Board of Management's proposal to use the distributable profit to pay a dividend of EUR 1.05 per dividend-bearing no-par value share.

The Supervisory Board expresses its thanks and appreciation to the Brenntag Board of Management and all employees for their dedicated work in financial year 2016.

On behalf of the Supervisory Board



Stefan Zuschke  
Chairman  
Mülheim an der Ruhr, March 2017



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT

Corporate governance is the good and responsible management and monitoring of a company. In this chapter, which also makes reference to the Remuneration Report, the Board of Management and the Supervisory Board of Brenntag AG report in detail, in accordance with number 3.10 of the German Corporate Governance Code (hereinafter referred to as “Code”) as amended on May 5, 2015, on the principles of responsible corporate governance at Brenntag.

### COMMITMENT TO RESPONSIBLE CORPORATE GOVERNANCE

Brenntag has always attached great importance to responsible and prudent corporate governance. As was also the case in the previous year, the Board of Management and the Supervisory Board thoroughly examined the requirements of the Code and their fulfilment in this reporting year. On the basis of these deliberations, the Board of Management and Supervisory Board issued, on December 15, 2016, the declaration of conformity with the recommendations of the Code, made in accordance with Section 161, para. 1 of the German Stock Corporation Act. The exact wording of the declaration of conformity is given in the chapter “Corporate Governance Statement” and is also posted on the Brenntag AG website, where declarations of previous years will remain accessible as well. If there are any changes in the handling of the recommendations of the Code, the declaration of conformity will be updated during the year and posted in its amended form on the website of Brenntag AG.

In the reporting year, the Government Commission “German Corporate Governance Code” resolved no changes to the Code. Therefore, the last version of the Code dated May 5, 2015, which was published in the Federal Gazette (Bundesanzeiger) on June 12, 2015, continues to apply.

Since its last declaration of conformity in December 2015, Brenntag AG has complied with the recommendations of the Code as amended on May 5, 2015 with two exceptions, and also plans to comply in future with the recommendations of the Code in its latest version with two exceptions.

In the current declaration of conformity, an exception to number 4.2.3, para. 3 of the Code was declared regarding pension awards for Board of Management members as two members of the Board of Management have contractually specified defined contribution plans that do not aim to achieve a specific level of provision. As for a third member it is intended to establish a corresponding agreement as of May 2017, the current declaration of conformity contains a further exception to number 4.2.3, para. 3 of the Code as of this time. Furthermore, the Supervisory Board does not specify a regular limit on length of membership of the Supervisory Board. Therefore, as was also the case in the previous year, an exception to number 5.4.1, para. 2 of the Code was declared.

### COMPOSITION OF THE GOVERNING BODIES

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

## COMPOSITION OF THE BOARD OF MANAGEMENT

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

## COMPOSITION OF THE SUPERVISORY BOARD

The number of members of the Supervisory Board also remained unchanged at six members in the reporting year.

In line with the recommendation in number 5.4.1, para. 2 in conjunction with number 5.4.2 of the Code, in December 2015 the Supervisory Board specified concrete objectives regarding its composition which, whilst considering the specifics of the company, take into account the company's international activities, potential conflicts of interest, the number of independent Supervisory Board members, diversity and an appropriate degree of female representation:

- At least 15% of the members of the Supervisory Board shall have relevant industry experience.
- At least 15% of the members of the Supervisory Board shall have particularly great experience gained abroad. This experience may also have been gained in other industries.
- At least 50% of the members of the Supervisory Board shall not hold offices at customers', suppliers' or lenders' of the company.
- At least 50% of the members of the Supervisory Board shall be independent within the meaning of number 5.4.2 of the Code.
- At least 33.3% of the seats on the Supervisory Board shall be filled by women by June 30, 2017.
- No member of the Supervisory Board shall continue to hold office beyond the close of the General Shareholders' Meeting following his/her 70th birthday.

As was also the case in the previous year, the Supervisory Board fully meets the objectives which it has set itself and complies with the requirements of the Code with the declared exceptions regarding the level of pension award provision and the regular limit on length of membership of the Supervisory Board.

The composition of the Supervisory Board of Brenntag AG must be chosen in such a way that effective monitoring of and advice to the Board of Management are ensured. Therefore, members are to be chosen for their professional qualifications, their knowledge and their particular experience. The members of the Supervisory Board as a whole are familiar with the business sector in which Brenntag operates. In addition, Stefan Zuschke and Doreen Nowotne have been advising Brenntag Management GmbH since 2006 and, following its conversion into a stock corporation, Brenntag AG, and therefore have special company and industry-specific knowledge. Dr Thomas Ludwig and Dr Andreas Rittstieg have been members of the Supervisory Board of Brenntag AG since Brenntag AG's IPO in 2010. Dr Thomas Ludwig has many years of experience in the industry. Dr Andreas Rittstieg has recognized expertise in the fields of Mergers & Acquisitions, company law and compliance. Through the election of the Swiss national, Prof. Dr Edgar Fluri, who has particularly great experience abroad, the company also documents its claim to internationality, also with regard to its supervisory functions. Stefanie Berlinger has particularly great financial and capital market expertise and was already an advisor to Brenntag AG during its IPO in 2010. In line with the Supervisory Board's objectives, only one member of the Supervisory Board held office at customers', suppliers' or lenders' of the company as at December 31, 2016.

Members of the  
Supervisory Board  
[www.brenntag.com/  
supervisory\\_board](http://www.brenntag.com/supervisory_board)

Once again no specific objectives with regard to employee representatives have been set since the Supervisory Board of Brenntag AG has no employee representatives as members.

#### **SHARES HELD BY THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD**

On December 31, 2016, no member of the Board of Management or the Supervisory Board held share packages of Brenntag AG or financial instruments relating to such shares, which in each case exceed 1% of the shares issued by Brenntag AG either directly or indirectly. At that date, the total number of shares held by all members of the Board of Management and Supervisory Board together also did not exceed 1% of the shares issued by the company.

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

As was also the case in the previous years, in the reporting year 2016 there were no advisory or other service agreements and contracts for work between a member of the Supervisory Board and the company or the other consolidated subsidiaries. There were no conflicts of interest of Board of Management or Supervisory Board members which are to be reported immediately to the Supervisory Board owing to the duty of loyalty to the company. Further relevant details can be found in the Report of the Supervisory Board. A detailed list of the mandates held by the members of the Supervisory Board on supervisory boards to be established by law or on comparable domestic and foreign supervisory bodies of business enterprises is given in the chapter "Members of the Supervisory Board". In line with the recommendation of the Code (cf. number 5.4.5, para. 1), no member of the Board of Management has accepted more than a total of three supervisory board mandates in non-Group listed companies or in supervisory bodies of non-Group companies which make similar requirements.

#### **REPORTABLE SECURITIES TRANSACTIONS OF BOARD OF MANAGEMENT AND SUPERVISORY BOARD MEMBERS**

Pursuant to Section 15, para. 2 of the German Securities Trading Act (WpHG) in conjunction with Article 19, para. 3 and Article 3, para. 1 of the Regulation (EU) No. 596/2014, the so-called Market Abuse Regulation, any persons working in a management capacity for an issuer of securities and any persons closely associated with said persons are obliged to report transactions involving Brenntag shares or related financial instruments if the value of the transactions which they have made in one calendar year reaches or exceeds EUR 5,000. In financial year 2016, one transaction was reported to Brenntag AG, which was duly published and can also be accessed at any time on the website of Brenntag AG under the section "Financial News/Directors' Dealings".

## DECLARATION OF EXCEPTIONS TO THE GERMAN CORPORATE GOVERNANCE CODE

In accordance with number 4.2.3, para. 3 of the Code, for pension plans the Supervisory Board shall establish the level of provision aimed for in each case – also considering the length of time for which the individual has been a Board of Management member – and take into account the resulting annual and long-term expense for the company. In principle, the relevant agreements made with the members of the Board of Management meet these requirements. The exception to this recommendation stated in the 2015 declaration of conformity was also declared in the current declaration of conformity for two members of the Board of Management who have defined contribution plans which do not aim to achieve a specific level of provision. With regard to these pension awards, the Supervisory Board does not, therefore, refer to a targeted level of provision. From the company's point of view, this approach is even preferable to the approach of a defined benefit plan, as external risks and investment risks are not shifted to the company. As it is intended to establish a similar agreement without a targeted level of provision for a third Board of Management member as of May 2017, a further exception was already included in the 2016 declaration of conformity.

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

## D&O INSURANCE DEDUCTIBLE

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

## APPROPRIATE CONTROL AND RISK MANAGEMENT

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

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

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

## TRANSPARENCY AND EQUAL TREATMENT THROUGH COMPREHENSIVE INFORMATION

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

## SHAREHOLDERS AND GENERAL SHAREHOLDERS' MEETING

As provided for by law and in the Articles of Association, the shareholders of Brenntag AG exercise their rights before or during the General Shareholders' Meeting and, in this respect, may also exercise their voting rights. Each share carries one vote in the General Shareholders' Meeting. The General Shareholders' Meeting resolves, among other things, on the appropriation of profit, the discharge of the Board of Management and of the Supervisory Board and on the election of the auditors. The Chairman of the Supervisory Board presides over the General Shareholders' Meeting. The ordinary General Shareholders' Meeting takes place once a year. Shareholders who are registered with the share register of the company and whose application for participation is received by the company or any other body designated in the notice of the respective General Shareholders' Meeting in good time before the General Shareholders' Meeting are entitled to participate in the General Shareholders' Meeting and exercise their voting rights. Shareholders may exercise their right to vote in the General Shareholders' Meeting either personally or through a representative of their choice, or by a company-appointed proxy acting on their instructions. As was also the case in the previous year, shareholders were offered the option of exercising their right to vote at the 2016 General Shareholders' Meeting in writing by postal vote, without appointing a person to represent them. It is also planned to offer the option of postal voting for the 2017 ordinary General Shareholders' Meeting. To provide information for the shareholders, Brenntag AG posts the annual report on the past financial year on its website promptly after the Supervisory Board meeting at which the annual financial statements are adopted. As was also the case in the previous year, notice of the 2017 ordinary General Shareholders' Meeting will be given at least 36 days before the date on which it is to be held. The invitation to attend will include a list of items on the agenda as well as an explanation of conditions for attendance and the rights of the shareholders. All documents and information on the forthcoming ordinary General Shareholders' Meeting are also available in good time for downloading from the website of Brenntag AG. After the General Shareholders' Meeting, Brenntag AG also publishes attendance and the results of votes on the Internet.



## ACCOUNTING AND FINANCIAL STATEMENT AUDITING

The consolidated financial statements of Brenntag AG are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. The financial statements of Brenntag AG, on which the dividend payment is based, are drawn up in accordance with the German Commercial Code and the German Stock Corporation Act. All single-entity and consolidated financial statements of Brenntag AG since the IPO in 2010 have been audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. The audit is managed centrally by the PwC branch at Moskauer Str. 19, 40227 Düsseldorf. The undersigned statutory auditors are Thomas Tandetzki (since 2013 for the single-entity and consolidated financial statements) and Frank Schemann (since 2012 for the single-entity financial statements and since 2014 also for the consolidated financial statements). The statutory requirements and requirements to rotate pursuant to Sections 319 and 319a of the German Commercial Code (HGB) are met. For financial year 2016, it was again agreed with the statutory auditors that the Chairman of the Audit Committee would be informed immediately of any possible grounds for exclusion or bias arising during the audit insofar as they are not immediately eliminated, and that the auditors would report immediately on any findings or occurrences during the audit which have a significant bearing on the duties of the Supervisory Board. It was also agreed that the auditors would inform the Supervisory Board or make a note in the audit report of any facts ascertained during their examination that conflict with the declaration of conformity with the recommendations known of the Government Commission "German Corporate Governance Code"; this declaration was issued by the Board of Management and Supervisory Board pursuant to Section 161 of the German Stock Corporation Act.

## CORPORATE GOVERNANCE STATEMENT

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

On December 15, 2016, the Board of Management and Supervisory Board submitted the following declaration on the recommendations of the Government Commission "German Corporate Governance Code" in accordance with Section 161, para. 1 of the German Stock Corporation Act:

"The Board of Management and the Supervisory Board hereby declare that Brenntag AG complies and plans to continue to comply with the recommendations of the Government Commission 'German Corporate Governance Code' in the version dated May 5, 2015, announced by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger), with the exception of the recommendations in Section 4.2.3, para. 3 and Section 5.4.1, para. 2 of the Code. The deviations from the recommendations are based on the following considerations:

Brenntag AG generally follows the recommendation in Section 4.2.3, para. 3 of the Code. However, for two members of the Board of Management there are, and for a third member it is intended to establish as of May 2017, contractually determined contributions without the aim to achieve a specific level of pensions. The Supervisory Board therefore does not establish the targeted level of pensions in this respect.

In addition, the Supervisory Board does not specify a regular limit of length of membership as recommended in Section 5.4.1, para 2 of the Code. A regular limit of length of membership does not take into account the benefits resulting from the experience of individual members.

Furthermore, the Board of Management and the Supervisory Board hereby declare that Brenntag AG did comply with the recommendations of the Government Commission 'German Corporate Governance Code' in the version dated May 5, 2015 since its last declaration of conformity dated December 17, 2015 with the exception of the recommendation in Section 4.2.3, para. 3 for two members of the Board of Management, and the recommendation in Section 5.4.1, para 2 of the Code as described above."

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

### COMPLIANCE REPORT AND DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

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

In addition to the Code of Business Conduct and Ethics, there are further Group policies detailing compliance requirements, including an Anti-corruption Guideline and an Insider Compliance Guideline, which were both implemented throughout the Group in the reporting year.

The employees are regularly trained with regard to compliance requirements. In the reporting year, a global training programme on the Brenntag Code of Business Conduct and Ethics was launched which will be rolled out successively in all regions as a global e-learning system. In addition, our compliance training courses focus particularly on observing antitrust law requirements, avoiding bribery and corruption as well as ensuring safety and environmental protection and health. The aim is to keep the employees' knowledge up to date and avoid any illegal actions as well as to protect the environment and employees.

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

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

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

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

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

## BOARD OF MANAGEMENT



**GEORG MÜLLER**  
*Chief Financial Officer*

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



**STEVEN HOLLAND**  
*Chief Executive Officer*

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



**MARKUS KLÄHN**  
*Member of the Board of  
Management*

North America Region

**KARSTEN BECKMANN**  
*Member of the Board of  
Management*

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

**HENRI NEJADE**  
*Member of the Board of  
Management*

Asia Pacific Region  
Global Sourcing

## BOARD OF MANAGEMENT

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

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

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

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

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



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

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

## SUPERVISORY BOARD

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

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

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

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

The Supervisory Board of Brenntag AG has six members, as was also the case in the previous year. The Chairman of the Supervisory Board is Stefan Zuschke. There are no employee representatives on the Supervisory Board of Brenntag AG as the German One-Third Employee Participation Act (Drittelbeteiligungsgesetz) and the German Codetermination Act (Mitbestimmungsgesetz) are not applicable. The Supervisory Board members are in principle elected for a period up to the close of the General Shareholders' Meeting which resolves on the formal discharge of the Supervisory Board for the fourth financial year after commencement of the respective term of office. The financial year in which the term of office starts is not counted for this purpose. The General Shareholders' Meeting can determine a shorter term of office for the Supervisory Board members. Members of the Supervisory Board may be re-elected. The next elections to the Supervisory Board will be held for two Supervisory Board members at the General Shareholders' Meeting which resolves on the formal discharge of the Supervisory Board for financial year 2016; for the other Supervisory Board members at the General Shareholders' Meeting which resolves on the formal discharge of the Supervisory Board for financial year 2019.

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

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

The Supervisory Board reviews the efficiency of its activities on a regular basis but at least once every two years. The last efficiency review took place in December 2015. The Supervisory Board examined in particular whether the existing internal rules of procedure have proved to be appropriate for good corporate governance, how the activities of the Supervisory Board can be made even more efficient and whether there are further opportunities to implement the corporate governance requirements even more effectively.

The Supervisory Board has set up two committees from among its members, namely the Presiding and Nomination Committee as well as the Audit Committee. The members of the committees are appointed for the entire period of office as members of the Supervisory Board. Each committee chairman reports regularly to the Supervisory Board on the committee's activities.

#### **PRESIDING AND NOMINATION COMMITTEE**

The Presiding and Nomination Committee set up by the Supervisory Board of Brenntag AG consists – as was also the case in the previous year – of the Chairman of the Supervisory Board, Stefan Zuschke, and two other members, Dr Thomas Ludwig and Dr Andreas Rittstieg. The Chairman of the Supervisory Board is always also the Chairman of the Presiding and Nomination Committee.

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

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

## AUDIT COMMITTEE

The Supervisory Board of Brenntag AG has set up an Audit Committee, which meets at least four times in each calendar year and in particular monitors the accounting process and the audit of the annual financial statements. The Audit Committee has three members who are appointed by the Supervisory Board. At the present time, they are Prof. Dr Edgar Fluri, Doreen Nowotne and Stefanie Berlinger.

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

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

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

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

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

**DECLARATION PURSUANT TO SECTION 289A AND SECTION 315,  
PARA. 5 OF THE GERMAN COMMERCIAL CODE**

In accordance with Section 76, para. 4 and Section 111, para. 5 of the German Stock Corporation Act, Brenntag AG is required to set targets for the percentage of women on the Supervisory Board, Board of Management and on the first two management levels below the Board of Management. By resolution passed in September 2015, the Supervisory Board set the target for the percentage of women on the Supervisory Board at 33.3% and the target for the percentage of women on the Board of Management at 0% in the period up to June 30, 2017. By resolution passed in September 2015, the Board of Management set a target of 30% for the percentage of women on the only management level in the company below the Board of Management in the period up to June 30, 2017. The respective targets reflected the status quo when the resolutions were passed in September 2015 but this does not rule out the possibility that the percentage of women will increase. The target deadline is the longest permissible for companies setting their first target deadline. As of the reporting date, these targets had been met. Before the above-mentioned deadline expires, the Supervisory Board and Board of Management will make a new resolution on the setting of targets.

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

## OFFICES OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

### MEMBERS OF THE BOARD OF MANAGEMENT

The members of the Board of Management hold the following offices on supervisory boards or comparable supervising bodies of companies.

#### **Steven Holland,**

London/United Kingdom  
Chief Executive Officer

- Brenntag Nederland B.V. (Chairman of the Supervisory Board)
- BRENNTAG Polska sp. z o.o. (Chairman of the Supervisory Board until September 20, 2016)
- BRENNTAG QUIMICA, S.A.U. (Member of the Board of Directors)
- BRENNTAG SA (Chairman of the Supervisory Board until May 9, 2016)

#### **Karsten Beckmann,**

Essen/Germany  
Member of the Board of Management

- BRENNTAG GmbH (Member of the Supervisory Board)
- BRENNTAG SA (Chairman of the Supervisory Board since May 12, 2016; Deputy Chairman of the Supervisory Board until May 11, 2016)
- BRENNTAG Polska sp. z o.o. (Member of the Supervisory Board until September 20, 2016)
- Brenntag Nederland B.V. (Member of the Supervisory Board)

#### **Markus Klähn,**

Wayne, Pennsylvania/USA  
Member of the Board of Management

- None

#### **Georg Müller,**

Essen/Germany  
Chief Financial Officer

- BRENNTAG GmbH (Chairman of the Supervisory Board)

#### **Henri Nejade,**

Singapore/Republic of Singapore  
Member of the Board of Management

- Brenntag (Shanghai) Chemical Trading Co., Ltd. (Supervisor/Supervisory body)

These offices are exclusively offices held in Group company bodies.

## MEMBERS OF THE SUPERVISORY BOARD

The members of the Supervisory Board hold the following offices on supervisory boards or comparable supervising bodies of companies.

### **Stefan Zuschke,**

Hamburg/Germany, Managing Director BC Partner Beteiligungsberatung GmbH  
Chairman of the Supervisory Board

- Aenova Holding GmbH (Chairman of the Advisory Board)
- Brachem Acquisition S.C.A. (Member of the Advisory Board)
- Nils Swed AB (Supervisory function on the Board of Directors)
- Nils Norway I AS (Supervisory function on the Board of Directors)
- Nils Norway II AS (Supervisory function on the Board of Directors)
- OME Acquisition S.C.A. (Chairman of the Supervisory Board)
- OME Investment Acquisition S.C.A. (Chairman of the Supervisory Board)
- SL Lux Investment (Member of the Advisory Board)

### **Dr Thomas Ludwig,**

Düsseldorf/Germany, Managing Director and Managing Partner Lindsay Goldberg Vogel GmbH  
Deputy Chairman of the Supervisory Board

- Bandstahl Schulte & Co. GmbH (Chairman of the Advisory Board)
- Grünenthal GmbH (Member of the Advisory Board)
- TRIMET Aluminium SE (Chairman of the Supervisory Board)
- TRIMET SE (Chairman of the Supervisory Board)
- VDM Metals GmbH (Chairman of the Supervisory Board)
- Schur Flexibles Holding GesmbH (Member of the Advisory Board since January 25, 2017)

### **Stefanie Berlinger,**

Frankfurt/Germany, Managing Director Lilja & Co. GmbH  
Member of the Supervisory Board

- None

### **Prof. Dr Edgar Fluri,**

Binningen/Switzerland, Swiss Certified Public Accountant,  
member of multiple boards of directors and supervisory boards  
Member of the Supervisory Board

- Galerie Beyeler AG (Member of the Board of Directors)
- Orior AG (Member of the Board of Directors)
- Laroba AG (Member of the Board of Directors)



**Doreen Nowotne,**

Hamburg/Germany, Business Advisor

Member of the Supervisory Board

- JENOPTIK AG (Member of the Supervisory Board)

**Dr Andreas Rittstieg,**

Hamburg/Germany,

Member of the Board of Management Legal and Compliance Hubert Burda Media

Holding Kommanditgesellschaft

Member of the Supervisory Board

- Huesker Holding GmbH (Member of the Advisory Board)
- Kühne Holding AG (Member of the Board of Directors)
- HolidayCheck Group AG (Member of the Supervisory Board)

TO OUR SHAREHOLDERS  
SUPERVISORY BOARD

## *SUPERVISORY BOARD*



PROF. DR EDGAR FLURI

DR ANDREAS RITTSTIEG

STEFANIE BERLINGER



**STEFAN ZUSCHKE**  
*Chairman  
of the Supervisory Board*

**DR THOMAS LUDWIG**  
*Deputy Chairman  
of the Supervisory Board*

**DOREEN NOWOTNE**



*COMBINED GROUP  
MANAGEMENT REPORT AND  
MANAGEMENT REPORT  
OF BRENNTAG AG*

<b>42</b>	<b>GROUP OVERVIEW</b>	97	Report on Opportunities and Risks
		103	Summary of the Opportunities and Risk Situation
42	Group Business Model		
44	Vision, Objectives and Strategy		
47	Financial Management System	<b>104</b>	<b>INFORMATION REQUIRED PURSUANT TO SECTION 289, PARA. 4 AND SECTION 315, PARA. 4 OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT</b>
<b>51</b>	<b>REPORT ON ECONOMIC POSITION</b>		
51	Economic Environment		
51	Business Performance		
54	Results of Operations		
62	Financial Position	104	Composition of the Subscribed Capital
67	Financial and Assets Position	104	Restrictions on Voting Rights or Transfer of Shares
<b>69</b>	<b>ANNUAL FINANCIAL STATEMENTS OF BRENNTAG AG</b>	104	Direct or Indirect Interests in the Capital of the Company Exceeding 10% of the Voting Rights
69	Results of Operations and Financial Position of Brenntag AG	105	Shares with Special Rights Conferring Powers of Control
71	Appropriation of Distributable Profit of Brenntag AG	105	System of Control of any Employee Participation Scheme Where the Control Rights are not Exercised Directly by the Employees
<b>72</b>	<b>REMUNERATION REPORT</b>	105	Legislation and Provisions of the Articles of Association Applicable to the Appointment and Removal of the Members of the Board of Management and Governing Amendments to the Articles of Association
72	Board of Management Remuneration System		
84	Remuneration of the Supervisory Board		
<b>86</b>	<b>EMPLOYEES</b>	106	Powers of the Board of Management to Issue or Repurchase Shares
87	Developing our Employees		
88	Diversity and Inclusion	108	Significant Agreements Which Take Effect, Alter or Terminate Upon a Change of Control of the Company Following a Takeover Bid
88	Remuneration and Benefits		
<b>89</b>	<b>HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION, QUALITY MANAGEMENT</b>	109	Compensation Agreements with Members of the Board of Management or Employees in the Event of a Takeover Bid
89	Brenntag's HSE Strategy		
<b>92</b>	<b>REPORT ON EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS</b>	<b>109</b>	<b>CORPORATE GOVERNANCE STATEMENT</b>
92	Report on Expected Developments		
94	Description of the Internal Control/ Risk Management System		

## GROUP OVERVIEW

### GROUP BUSINESS MODEL

#### BUSINESS ACTIVITIES

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

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

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

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

#### GROUP STRUCTURE

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



The consolidated financial statements as at December 31, 2016 include Brenntag AG, 31 (Dec. 31, 2015: 27) domestic and 191 (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. In addition, all other segments cover the central functions for the entire Group and the operations of Brenntag International Chemicals, which buys and sells chemicals in bulk on an international scale without regional boundaries.

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

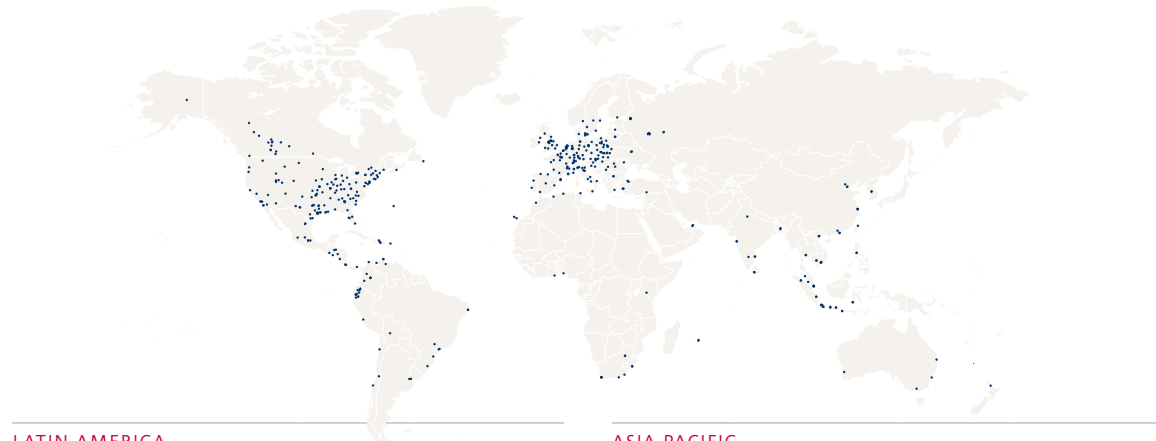
### B.01 GLOBAL NETWORK OF THE BRENNTAG GROUP

#### NORTH AMERICA

		2016
External sales	EUR m	3,828.8
Operating gross profit	EUR m	997.5
Operating EBITDA	EUR m	357.3
Employees <sup>1)</sup>		4,602

#### EMEA

		2016
External sales	EUR m	4,586.1
Operating gross profit	EUR m	1,064.6
Operating EBITDA	EUR m	362.3
Employees <sup>1)</sup>		6,688



#### LATIN AMERICA

		2016
External sales	EUR m	780.9
Operating gross profit	EUR m	170.9
Operating EBITDA	EUR m	45.9
Employees <sup>1)</sup>		1,482

#### ASIA PACIFIC

		2016
External sales	EUR m	1,010.7
Operating gross profit	EUR m	182.3
Operating EBITDA	EUR m	66.7
Employees <sup>1)</sup>		1,921

Figures exclude all other segments, which, in addition to various holding companies, comprise the international activities of Brenntag International Chemicals.

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

## VISION, OBJECTIVES AND STRATEGY

### ConnectingChemistry

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

- **Success**

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

- **Expertise**

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

- **Customer orientation and service excellence**

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

### 2020 VISION

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

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

### OBJECTIVES AND STRATEGY

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

### ORGANIC GROWTH AND ACQUISITIONS

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

Extending our market leadership by steadily growing organically

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

### STEADILY IMPROVING PROFITABILITY

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

Improving profitability

### 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.

Supporting the strategy through global and regional initiatives

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

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

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

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

## SUSTAINABILITY

Further information  
in chapter "Brenntag's  
HSE Strategy"

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

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

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

We 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 this annual report.

<sup>1)</sup> Downstream: the refining and processing sector of the oil and gas industry

## FINANCIAL MANAGEMENT SYSTEM

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

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

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

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

### OPERATING GROSS PROFIT

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

### OPERATING EBITDA

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

Information on current operating EBITDA performance in the Brenntag Group and the segments can be found in the chapters “Business Performance of the Brenntag Group” and “Business Performance in the Segments”.

## RETURN ON CAPITAL

In the Brenntag Group, we measure return on capital using the indicator return on capital employed (ROCE). This indicator calculates return on capital taking into account the purchase price for acquisitions. ROCE is defined as:

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

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

We no longer use RONA (return on net assets), which was previously used to measure return on capital and was one of several indicators included when measuring variable Board of Management remuneration under the Board of Management remuneration system replaced in 2015.

## CASH GENERATION

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

$$\begin{aligned} &\text{EBITDA} \\ &- \text{other additions to property, plant and equipment} \\ &\quad \text{as well as other additions to intangible assets (capex)} \\ &+/- \text{changes in working capital} \\ &= \text{free cash flow} \end{aligned}$$

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



## ADDITIONAL PERFORMANCE INDICATORS

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

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

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

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

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

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

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

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

## ADJUSTMENT FOR EXCHANGE RATE EFFECTS

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

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

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

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

## REPORT ON ECONOMIC POSITION

### ECONOMIC ENVIRONMENT

Global economic performance in 2016 was subdued overall and only towards the end of the year were there signs of a slight recovery. This is reflected in the Global Manufacturing Purchasing Managers' Index (PMI), which stood at 52.7 in December, a reading above the 50 neutral mark. Global industrial production only grew by about 1.5% year on year in 2016.

Europe continued to record moderate economic growth overall. Industrial production expanded by approximately 1.4% year on year in 2016.

Partly because of the low oil price, the USA saw a generally weak trend, with industrial production in contraction. Overall, industrial production declined by 1.0% year on year in 2016.

Latin America experienced a downturn in economic conditions. Venezuela underwent fundamental economic changes and Brazil continued to face economic challenges. Overall, Latin American industrial production contracted by approximately 3.8% year on year in 2016.

While the economies of Asia, particularly China, continued to see slower growth momentum, Asia nevertheless remained the fastest-expanding region globally. Industrial production across the region as a whole grew by around 4.6% year on year in 2016.

### BUSINESS PERFORMANCE

#### MAJOR EVENTS IMPACTING ON BUSINESS IN 2016

In the EMEA segment, Brenntag carried out several smaller acquisitions in financial year 2016. In Germany, our existing business was complemented by the acquisition of Leis Polytechnik – polymere Werkstoffe GmbH and ACU PHARMA und CHEMIE Group. We also made two acquisitions in South Africa, namely PLASTICHEM (PTY) LTD and WARREN CHEM SPECIALITIES (PTY) LTD.

In North America, we expanded our lubricants business by acquiring Mayes County Petroleum Products, Inc. (MCP) and NOCO Inc. These acquisitions are a valuable addition to J.A.M. Distributing Company and G.H. Berlin-Windward, which we acquired in 2015.

In the Asia Pacific segment in financial year 2016, we acquired the outstanding shares in Chinese distributor Zhong Yung. Brenntag also acquired specialty chemical distributor Whanee Corporation in South Korea and the distribution business of EPChem Group in Singapore.

Successfully completed acquisitions with enterprise values totalling more than  
**EUR 200 m**

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%. For Brenntag, this gave rise to losses of approximately EUR 27.1 million triggered by exchange rate movements and recognized in net finance costs. In addition, Brenntag's local Venezuelan earnings are now translated at a much weaker exchange rate, as a result of which the business in Venezuela is no longer making an appreciable contribution to operating EBITDA.

#### STATEMENT BY THE BOARD OF MANAGEMENT ON BUSINESS PERFORMANCE

In divergent economic conditions, the Brenntag Group achieved operating EBITDA of EUR 810.0 million in financial year 2016, a slight increase on the prior-year figure of EUR 807.4 million. On a constant currency basis, earnings grew by 1.9%.

Operating EBITDA was affected by political and economic factors. In North America, our business with customers in the oil & gas sector continued to be impacted by weak demand in financial year 2016. The trend stabilized in the course of the year, but at a lower level than in the previous year. We also saw a weak economic trend outside this sector in North America. The loss of earnings in Venezuela and the difficult situation in some Latin American countries put pressure on our earnings in this region. Thanks to our diversified business model, however, we were able to counter the difficulties in North America and Latin America. The existing business in the EMEA segment and in the Asia Pacific region in particular delivered an encouraging performance. The acquisitions also made a valuable contribution to the Group's earnings, as a result of which we recorded an overall increase compared with the previous year.

The EMEA segment posted firm growth in operating EBITDA on a constant currency basis due to both the positive performance from the existing business and the inclusion of several smaller acquisitions. However, the depreciation of the pound sterling reduced the earnings of our UK companies translated into the Group currency, the euro, as a result of which the reported rates of growth were lower than those on a constant currency basis.

Business performance in North America was affected by the factors mentioned: while the existing business continued to be impacted by weak demand in the oil & gas sector and weak economic momentum outside this sector, the effects were 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 adversely affected by the difficult situation in Brazil. This led to a decline in operating EBITDA overall.

The Asia Pacific segment achieved very encouraging growth in financial year 2016 due to both strong double-digit rates of growth in the existing business and the valuable contribution from the acquisitions.

Despite higher sales, average working capital in financial year 2016 was up only slightly on the prior-year level. We were able to keep annualized working capital turnover on a par with the previous year.

Capital expenditure on property, plant and equipment showed only a marginal year-on-year increase in financial year 2016. The inclusion of the acquisitions carried out in 2015 did not result in a meaningful increase in capital expenditure. We are continuing to follow our strategy of maintaining our existing infrastructure and expanding it appropriately through growth projects.

Overall, the outlined performance in operating EBITDA, working capital and capital expenditure resulted in a free cash flow that reached a high level again but was lower than in the previous year, when working capital dropped significantly due to strong falls in chemical prices, benefiting free cash flow considerably.

Business performance in financial year 2016 was mixed overall. We achieved solid organic growth in EMEA and double-digit rates of growth in the existing business in the Asia Pacific region. The acquisitions also made an important contribution. These positive effects helped to curb the impact of the difficulties in North America and Latin America, enabling the Group to increase operating EBITDA overall.

## RESULTS OF OPERATIONS

### BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

#### B.02 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

in EUR m	2016	2015	Change		
			abs.	in %	in % (fx adj.) <sup>1)</sup>
Sales	10,498.4	10,346.1	152.3	1.5	2.9
Operating gross profit	2,428.7	2,321.7	107.0	4.6	6.1
Operating expenses	-1,618.7	-1,514.3	-104.4	6.9	8.3
<b>Operating EBITDA</b>	<b>810.0</b>	<b>807.4</b>	<b>2.6</b>	<b>0.3</b>	<b>1.9</b>
Depreciation of property, plant and equipment	-115.5	-108.7	-6.8	6.3	8.1
EBITA	694.5	698.7	-4.2	-0.6	0.9
Amortization of intangible assets	-47.2	-36.9	-10.3	27.9	31.1
Net finance costs	-111.6	-112.5	0.9	-0.8	-
Profit before tax	535.7	549.3	-13.6	-2.5	-
Income tax expense	-174.7	-181.2	6.5	-3.6	-
Profit after tax	361.0	368.1	-7.1	-1.9	-

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

Despite several challenges, the Brenntag Group performed well overall in financial year 2016. In the following, we only comment on performance compared with the forecast published in last year's annual report where it differs from that forecast.

#### SALES AND VOLUMES

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

The Brenntag Group generated sales of EUR 10,498.4 million in financial year 2016, a year-on-year increase of 1.5%. This represents sales growth of 2.9% on a constant currency basis and is based on higher volumes. The acquisitions, particularly J.A.M. Distributing Company, G.H. Berlin-Windward and TAT Group, which we acquired at the end of financial year 2015, made a contribution, more than offsetting the moderate decline in sales in the existing business.

EUR  
**10,498.4** m  
sales

#### OPERATING GROSS PROFIT

The Brenntag Group generated operating gross profit of EUR 2,428.7 million in financial year 2016, an increase of 4.6%, or 6.1% on a constant currency basis, due mainly to higher volumes. The growth in operating gross profit is attributable to the positive performance from the existing operations in the EMEA and Asia Pacific segments and the contribution from the acquisitions, particularly J.A.M. Distributing Company, G.H. Berlin-Windward and TAT Group, which more than offset the clear reduction in operating gross profit in the oil & gas sector in North America and the decline in operating gross profit in Latin America.

EUR  
**2,428.7**<sub>m</sub>  
operating gross profit

#### OPERATING EXPENSES

The Brenntag Group's operating expenses amounted to EUR 1,618.7 million in financial year 2016. This is a rise of 6.9% year on year, or 8.3% on a constant currency basis, and due mainly to the acquisition-driven business growth. Operating expenses for the existing business were only moderately higher.

#### OPERATING EBITDA

The Brenntag Group achieved operating EBITDA of EUR 810.0 million overall in financial year 2016, a slight increase on the prior-year figure (0.3%). This represents earnings growth of 1.9% on a constant currency basis and therefore does not fully meet the prior-year growth forecast for 2016. However, earnings are in the middle of the forecast range of EUR 800 million to EUR 820 million published in November 2016. The growth in the existing business in the EMEA and Asia Pacific segments and the inclusion of the acquisitions more than offset the decrease in earnings in the oil & gas sector in North America and the difficult situation in some Latin American countries.

EUR  
**810.0**<sub>m</sub>  
operating EBITDA

#### DEPRECIATION, AMORTIZATION AND NET FINANCE COSTS

Depreciation of property, plant and equipment and amortization of intangible assets amounted to EUR 162.7 million in financial year 2016, with depreciation of property, plant and equipment accounting for EUR 115.5 million and amortization of intangible assets for EUR 47.2 million. Compared with financial year 2015, total depreciation and amortization was up by EUR 17.1 million, a rise due mainly to higher amortization charges on customer relationships resulting from acquisitions.

Net finance costs amounted to EUR 111.6 million in 2016 (2015: EUR 112.5 million). Interest expense, which is a component of net finance costs, came to EUR 81.5 million, an increase on the previous year (EUR 71.5 million) driven mainly by the bond with warrant units issued in the amount of USD 500.0 million in November 2015.

In addition, net finance costs in both 2015 and 2016 reflected a relatively significant one-time effect: in 2015, the remeasurement of the purchase price obligation for the remaining shares in Zhong Yung led to an expense (EUR 23.4 million) and, in 2016, the changes made by the Venezuelan government to the official exchange rate mechanism resulted in increased expense (EUR 27.1 million). Net expense from foreign currency items showed a significant improvement.



#### PROFIT BEFORE TAX

Profit before tax amounted to EUR 535.7 million in financial year 2016 (2015: EUR 549.3 million).

#### INCOME TAXES AND PROFIT AFTER TAX

Income tax expense declined by EUR 6.5 million year on year to EUR 174.7 million (2015: EUR 181.2 million) due to the lower profit before tax.

Profit after tax totalled EUR 361.0 million in financial year 2016 (2015: EUR 368.1 million).

#### RETURN ON CAPITAL EMPLOYED (ROCE)

##### B.03 RETURN ON CAPITAL EMPLOYED (ROCE)

in EUR m	2016	2015	Change	
			abs.	in %
EBITA	694.5	698.7	-4.2	-0.6
Average carrying amount of equity	2,753.8	2,534.6	219.2	8.6
Average carrying amount of financial liabilities	2,238.3	1,961.8	276.5	14.1
Average carrying amount of cash and cash equivalents	-566.3	-460.9	-105.4	22.9
<b>ROCE</b>	<b>15.7%</b>	<b>17.3%</b>	-	-

In financial year 2016, the Brenntag Group posted ROCE of 15.7%, a decrease of 1.6 percentage points compared with the previous year due predominantly to the significant increase in capital employed. The average carrying amount of both equity and financial liabilities showed a significant year-on-year rise, which was not offset by the increase in cash and cash equivalents. In addition, EBITA declined slightly.

## BUSINESS PERFORMANCE IN THE SEGMENTS

### B.04 BUSINESS PERFORMANCE IN THE SEGMENTS

2016 in EUR m	Brenntag Group	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	10,498.4	4,586.1	3,828.8	780.9	1,010.7	291.9
Operating gross profit	2,428.7	1,064.6	997.5	170.9	182.3	13.4
Operating expenses	-1,618.7	-702.3	-640.2	-125.0	-115.6	-35.6
<b>Operating EBITDA</b>	<b>810.0</b>	<b>362.3</b>	<b>357.3</b>	<b>45.9</b>	<b>66.7</b>	<b>-22.2</b>

#### EMEA (EUROPE, MIDDLE EAST & AFRICA)

### B.05 BUSINESS PERFORMANCE IN THE SEGMENTS/EMEA

in EUR m	2016	2015	Change		
			abs.	in %	in % (fx adj.)
External sales	4,586.1	4,654.4	-68.3	-1.5	0.6
Operating gross profit	1,064.6	1,024.2	40.4	3.9	6.4
Operating expenses	-702.3	-671.2	-31.1	4.6	6.9
<b>Operating EBITDA</b>	<b>362.3</b>	<b>353.0</b>	<b>9.3</b>	<b>2.6</b>	<b>5.6</b>

#### External sales and volumes

The EMEA segment generated external sales of EUR 4,586.1 million in financial year 2016, a decline of 1.5% compared with the previous year. This is partly due to the depreciation of the pound sterling against the euro. On a constant currency basis, external sales were up by 0.6% on the previous year based on higher volumes.

#### Operating gross profit

The operating gross profit generated by the companies in the EMEA segment climbed by 3.9% year on year to EUR 1,064.6 million in financial year 2016. This represents growth of 6.4% on a constant currency basis and is due predominantly to the encouraging performance from the existing business. Several smaller acquisitions also made a positive contribution to the business growth.

#### Operating expenses

The EMEA segment posted operating expenses of EUR 702.3 million in financial year 2016. This represents a rise of 4.6% year on year, or 6.9% on a constant currency basis, and is due primarily to higher personnel, transport and rent costs as well as the inclusion of the smaller acquisitions.

### Operating EBITDA

The companies in the EMEA segment achieved operating EBITDA of EUR 362.3 million in financial year 2016 and thus posted earnings growth of 2.6% and, on a constant currency basis, 5.6%. This growth is based on both the positive performance from the existing business and the contribution from the acquisitions. We are satisfied with the result, especially given the fact that economic growth was only moderate.

### NORTH AMERICA

#### B.06 BUSINESS PERFORMANCE IN THE SEGMENTS / NORTH AMERICA

in EUR m	2016	2015	Change		
			abs.	in %	in % (fx adj.)
External sales	3,828.8	3,600.6	228.2	6.3	6.4
Operating gross profit	997.5	942.6	54.9	5.8	5.9
Operating expenses	-640.2	-577.0	-63.2	11.0	11.1
<b>Operating EBITDA</b>	<b>357.3</b>	<b>365.6</b>	<b>-8.3</b>	<b>-2.3</b>	<b>-2.2</b>

Performance in the North America segment during financial year 2016 was impacted by different effects: the contribution from the newly acquired J.A.M. Distributing Company and G.H. Berlin-Windward contrasted with weak demand from customers in the oil & gas sector and a generally subdued economic environment.

### External sales and volumes

The North America segment posted external sales of EUR 3,828.8 million in financial year 2016. This rise of 6.3% compared with financial year 2015, or 6.4% on a constant currency basis, is attributable to higher volumes and due to the contribution from acquirees J.A.M. Distributing Company and G.H. Berlin-Windward.

### Operating gross profit

The operating gross profit generated by the North American companies rose by 5.8% to EUR 997.5 million in financial year 2016. This represents growth of 5.9% on a constant currency basis and is based on higher volumes. Earnings are therefore lower than we forecast, due mainly to the fact that business with customers in the oil & gas sector performed worse this year than originally expected. The upstream sector<sup>2)</sup> and midstream sector<sup>2)</sup> especially were impacted by weak demand, and to a lesser extent the downstream sector<sup>2)</sup> too. In addition, the acquisition of J.A.M. Distributing Company in particular underperformed our expectations, due primarily to competitive pressures in the marine fuel business. Adjusted for the oil & gas sector and the acquisitions, operating gross profit declined by around 1% year on year on a constant currency basis in financial year 2016.

<sup>2)</sup> 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.

### Operating expenses

Operating expenses in the North America segment amounted to EUR 640.2 million in financial year 2016, a year-on-year increase of 11.0% (11.1% on a constant currency basis). The rise is due to the acquisition-driven business growth, which resulted in higher personnel and rent costs in particular. Operating expenses for the existing business, on the other hand, were on a par with the previous year. 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%.

### Operating EBITDA

The North American companies achieved operating EBITDA of EUR 357.3 million in financial year 2016, a decrease of 2.3% compared with financial year 2015 and a decline of 2.2% on a constant currency basis. Earnings are therefore below our forecast. This is partly due to the aforementioned weakness in the oil & gas sector, which was more pronounced than originally expected. In addition, the acquisition of J.A.M. Distributing Company in particular underperformed our expectations, due primarily to continuing competitive pressures in the marine fuel business. Overall, there was a downturn in economic conditions, with industrial production in contraction.

### LATIN AMERICA

#### B.07 BUSINESS PERFORMANCE IN THE SEGMENTS / LATIN AMERICA

in EUR m	2016	2015	Change		
			abs.	in %	in % (fx adj.)
External sales	780.9	925.8	-144.9	-15.7	-14.0
Operating gross profit	170.9	201.2	-30.3	-15.1	-13.4
Operating expenses	-125.0	-136.5	11.5	-8.4	-6.7
<b>Operating EBITDA</b>	<b>45.9</b>	<b>64.7</b>	<b>-18.8</b>	<b>-29.1</b>	<b>-27.6</b>
<b>Operating EBITDA excluding Venezuela</b>	<b>45.6</b>	<b>54.3</b>	<b>-8.7</b>	<b>-16.0</b>	<b>-14.0</b>

### External sales and volumes

The Latin America segment generated external sales of EUR 780.9 million in financial year 2016, a decline of 15.7%, or 14.0% on a constant currency basis. Volumes were down on the prior-year level.

### Operating gross profit

The operating gross profit generated by the Latin American companies in financial year 2016 amounted to EUR 170.9 million, a decline of 15.1% year on year, or 13.4% on a constant currency basis, due primarily to the loss of earnings in Venezuela. This result is less than we forecast last year. The difficult economic situation in Brazil had an increasingly negative impact on our business during financial year 2016.

### Operating expenses

Operating expenses in the Latin America segment amounted to EUR 125.0 million in financial year 2016, a reduction of 8.4%. This represents a decrease of 6.7% on a constant currency basis and is partly due to lower personnel and transport costs. It also reflects the lower volume of business in Venezuela.

### Operating EBITDA

The Latin American companies posted operating EBITDA of EUR 45.9 million overall in financial year 2016 and were therefore down by 29.1% on the prior-year figure. On a constant currency basis, operating EBITDA dropped by 27.6%. Earnings were significantly impacted by the fact that local Venezuelan earnings are now translated at a weaker exchange rate, as a result of which the business in Venezuela is no longer making any appreciable contribution to operating EBITDA. In financial year 2015, operating EBITDA in Venezuela amounted to EUR 10.4 million. Adjusted for the business in Venezuela, earnings were down by 14.0% on a constant currency basis due primarily to the difficult economic situation in Brazil. Overall in Latin America, we saw a decline in industrial production in 2016.

## ASIA PACIFIC

### B.08 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC

in EUR m	2016	2015	Change		
			abs.	in %	in % (fx adj.)
External sales	1,010.7	834.1	176.6	21.2	24.6
Operating gross profit	182.3	140.0	42.3	30.2	33.7
Operating expenses	-115.6	-89.7	-25.9	28.9	32.4
<b>Operating EBITDA</b>	<b>66.7</b>	<b>50.3</b>	<b>16.4</b>	<b>32.6</b>	<b>35.8</b>

### External sales and volumes

External sales in the Asia Pacific segment increased by 21.2% year on year to EUR 1,010.7 million in financial year 2016. This represents sales growth of 24.6% on a constant currency basis and is due to higher volumes.

### Operating gross profit

The Asia Pacific segment generated operating gross profit of EUR 182.3 million in financial year 2016, a year-on-year rise of 30.2%. On a constant currency basis, operating gross profit climbed by 33.7% due predominantly to an increase in volumes. The existing business delivered a very encouraging performance and achieved strong double-digit rates of growth. This was also supported by the contribution from the acquisitions, particularly TAT Group.

### Operating expenses

The operating expenses of the companies in the Asia Pacific segment rose by 28.9% year on year, or 32.4% on a constant currency basis, to EUR 115.6 million in financial year 2016. The rise in costs is attributable to both the acquisitions and the growth in the existing business, which resulted, among other things, in higher personnel, rent and transport costs.

### Operating EBITDA

The companies in the Asia Pacific segment generated operating EBITDA of EUR 66.7 million in financial year 2016 and thus posted encouraging earnings growth of 32.6% compared with the previous year. This represents a rise of 35.8% on a constant currency basis and is due to both the extremely positive performance from the existing business and the inclusion of the acquirees, particularly TAT Group.

### ALL OTHER SEGMENTS

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

in EUR m	2016	2015	Change		
			abs.	in %	in % (fx adj.)
External sales	291.9	331.2	−39.3	−11.9	−11.9
Operating gross profit	13.4	13.7	−0.3	−2.2	−2.2
Operating expenses	−35.6	−39.9	4.3	−10.8	−10.8
<b>Operating EBITDA</b>	<b>−22.2</b>	<b>−26.2</b>	<b>4.0</b>	<b>−15.3</b>	<b>−15.3</b>

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 financial year 2016, Brenntag International Chemicals GmbH, Mülheim an der Ruhr, matched the high operating EBITDA achieved in the previous year.

The operating EBITDA posted by the holding companies in financial year 2016 showed a year-on-year improvement.

Overall, the operating EBITDA of all other segments improved by EUR 4.0 million year on year to EUR −22.2 million in financial year 2016.

## FINANCIAL POSITION

### CAPITAL STRUCTURE

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

The most important component in the financing structure of Brenntag AG is the Group-wide syndicated loan agreement. Total liabilities (excluding accrued interest and before offsetting of transaction costs) under the syndicated loan running until March 2019 amounted to EUR 1,253.8 million as at December 31, 2016. The revolving credit facility of EUR 600.0 million under the syndicated loan arrangement was mostly unused at that date.

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

In April 2013, parts of the floating-rate syndicated loan were hedged against interest rate risk using appropriate financial instruments. 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. In connection with the aforementioned refinancing of the syndicated loan, the recognized hedging relationship comprising the financial market instruments still in place to hedge against interest rate risk was reversed.

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

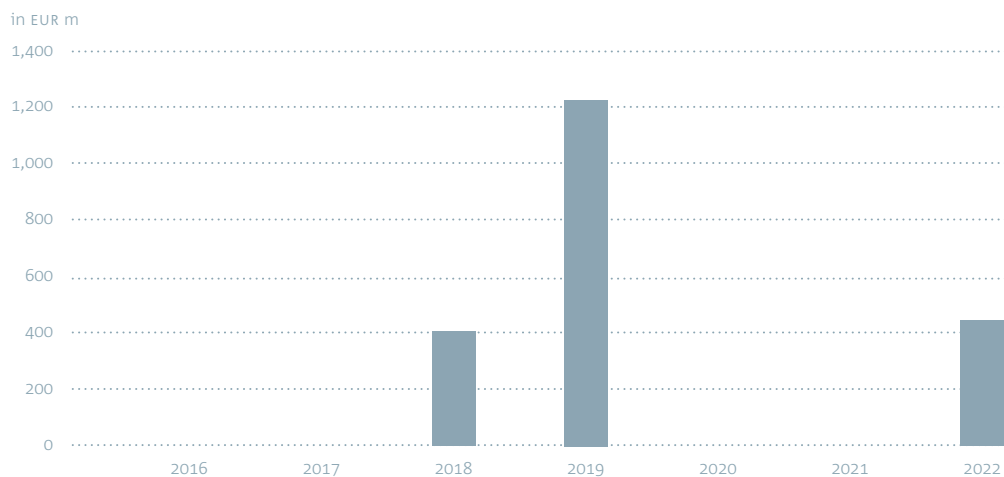


Furthermore, in November 2015, Brenntag Finance B.V. issued a bond with warrant units in the amount of USD 500.0 million maturing in December 2022. The bond (Bond (with Warrants) 2022) was issued at 92.7% of par and bears a coupon of 1.875% p.a. with interest payable semi-annually. It is guaranteed by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

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

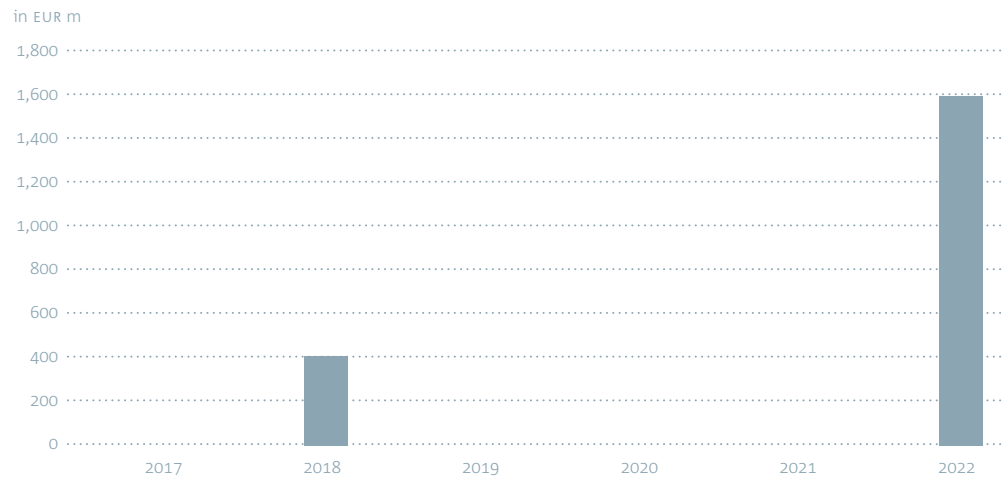
According to our short and mid-term financial planning, the capital requirements for operating activities, investments in property, plant and equipment as well as dividends and acquisitions in the size of past practice are expected to be covered by the cash provided by operating activities so that no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

#### B.10 MATURITY PROFILE OF OUR CREDIT PORTFOLIO<sup>1)</sup> AS AT DECEMBER 31, 2016



<sup>1)</sup> Syndicated loan, Bond 2018 and Bond (with Warrants) 2022 excluding accrued interest and transaction costs.

## B.11 MATURITY PROFILE OF OUR CREDIT PORTFOLIO<sup>1)</sup> AS AT JANUARY 31, 2017



<sup>1)</sup> Syndicated loan, Bond 2018 and Bond (with Warrants) 2022 excluding accrued interest and transaction costs.

## INVESTMENTS

In financial year 2016, investments in property, plant and equipment and intangible assets (excluding additions from company acquisitions) led to a total cash outflow of EUR 138.8 million (2015: EUR 126.7 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 chemical distributor, we attach importance to ensuring that our property, plant and equipment meet comprehensive health, safety and environmental requirements.

One notable example among an array of investments is the project at the site in Houston, Texas, USA, entailing an investment volume of EUR 6.3 million in 2016. Here, three existing sites are being amalgamated into one. The project involves the construction of an additional warehouse together with tank farms and a works siding. By consolidating the sites, we hope to be able to manage our business more efficiently and have also put in place our capacities for additional growth. We expect the improvements to the logistics chain to generate significant cost savings. The project was initiated in financial year 2015.

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

## LIQUIDITY

### CASH FLOW

#### B.12 CASH FLOW

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

in EUR m	2016	2015
<b>Net cash provided by operating activities</b>	<b>539.9</b>	<b>593.7</b>
<b>Net cash used in investing activities</b>	<b>-269.4</b>	<b>-621.6</b>
thereof payments to acquire consolidated subsidiaries, other business units and other financial assets	-139.8	-500.9
thereof payments to acquire intangible assets and property, plant and equipment	-138.8	-126.7
thereof proceeds from divestments	9.2	6.0
<b>Net cash used in / provided by financing activities</b>	<b>-249.1</b>	<b>112.0</b>
thereof dividends paid to Brenntag shareholders	-154.5	-139.1
thereof repayments of / proceeds from borrowings	-30.8	218.7
thereof other financing activities	-63.8	32.4
<b>Change in cash and cash equivalents</b>	<b>21.4</b>	<b>84.1</b>

The Group's net cash inflow from operating activities amounted to EUR 539.9 million in the reporting period, a decrease of EUR 53.8 million on the prior-year figure. While tax and interest payments remained on a par with the previous year, working capital increased year on year.

Of the net cash of EUR 269.4 million used in investing activities, EUR 138.8 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 139.8 million and included, among other items, the purchase prices for the acquisition of the lubricants business of NOCO, Inc. based in Tonawanda, New York, USA, the distribution business of EPChem Group based in Singapore and the shares in WARREN CHEM SPECIALITIES (PTY) LTD based in Cape Town, South Africa.

Of the net cash of EUR 63.8 million used in other financing activities, EUR 62.2 million related to the repayment of the liability to acquire the remaining shares in Zhong Yung (second tranche).

## FREE CASH FLOW

### B.13 FREE CASH FLOW

in EUR m	2016	2015	Change	
			abs.	in %
Operating EBITDA	810.0	807.4	2.6	0.3
Investments in non-current assets (capex)	-141.1	-130.1	-11.0	8.5
Change in working capital	-27.5	87.0	-114.5	-131.6
<b>Free cash flow</b>	<b>641.4</b>	<b>764.3</b>	<b>-122.9</b>	<b>-16.1</b>

The Brenntag Group's free cash flow amounted to EUR 641.4 million in financial year 2016. We therefore recorded a decrease of 16.1% compared with the previous year (EUR 764.3 million) and were within the forecast published in the 2015 annual report.

This is due mainly to the increase in working capital. Prior-year free cash flow benefitted significantly from a reduction in working capital supported by the decline in chemical prices. As expected, this reduction was not repeated. Nevertheless, we were able to limit the increase in working capital in financial year 2016 and keep working capital turnover at a high level.

The planned increase in capital expenditure to expand our infrastructure also contributed to the decrease in free cash flow. Operating EBITDA was up slightly on the prior-year figure.

## FINANCIAL AND ASSETS POSITION

### B.14 FINANCIAL AND ASSETS POSITION

in EUR m	Dec. 31, 2016		Dec. 31, 2015	
	abs.	in %	abs.	in %
<b>Assets</b>				
<b>Current assets</b>	<b>3,281.7</b>	<b>45.0</b>	<b>3,098.8</b>	<b>44.4</b>
Cash and cash equivalents	601.9	8.3	579.1	8.3
Trade receivables	1,511.2	20.7	1,426.5	20.4
Other receivables and assets	205.8	2.8	196.1	2.8
Inventories	962.8	13.2	897.1	12.9
<b>Non-current assets</b>	<b>4,005.3</b>	<b>55.0</b>	<b>3,877.4</b>	<b>55.6</b>
Intangible assets <sup>1)</sup>	2,873.2	39.4	2,772.1	39.7
Other fixed assets	1,034.7	14.2	994.4	14.3
Receivables and other assets	97.4	1.4	110.9	1.6
<b>Total assets</b>	<b>7,287.0</b>	<b>100.0</b>	<b>6,976.2</b>	<b>100.0</b>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>	<b>1,714.6</b>	<b>23.5</b>	<b>1,738.9</b>	<b>24.9</b>
Provisions	36.2	0.5	42.1	0.6
Trade payables	1,119.4	15.4	1,055.5	15.1
Financial liabilities	146.3	2.0	160.8	2.3
Miscellaneous liabilities	412.7	5.6	480.5	6.9
<b>Equity and non-current liabilities</b>	<b>5,572.4</b>	<b>76.5</b>	<b>5,237.3</b>	<b>75.1</b>
Equity	2,959.2	40.6	2,690.5	38.6
Non-current liabilities	2,613.2	35.9	2,546.8	36.5
Provisions	281.5	3.9	272.0	3.9
Financial liabilities	2,137.5	29.3	2,094.4	30.0
Miscellaneous liabilities	194.2	2.7	180.4	2.6
<b>Total liabilities and equity</b>	<b>7,287.0</b>	<b>100.0</b>	<b>6,976.2</b>	<b>100.0</b>

<sup>1)</sup> Of the intangible assets as at December 31, 2016, some EUR 1,308 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 December 31, 2016, total assets had increased by EUR 310.8 million compared with the end of the previous year to EUR 7,287.0 million (Dec. 31, 2015: EUR 6,976.2 million).

Cash and cash equivalents were up on year-end 2015 to EUR 601.9 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 5.9% in the reporting period to EUR 1,511.2 million (Dec. 31, 2015: EUR 1,426.5 million).
- Inventories rose by 7.3% in the reporting period to EUR 962.8 million (Dec. 31, 2015: EUR 897.1 million).
- With the opposite effect on working capital, trade payables increased by 6.1% to EUR 1,119.4 million (Dec. 31, 2015: EUR 1,055.5 million).

Adjusted for exchange rate effects and acquisitions, working capital rose by a total of EUR 27.5 million compared with December 31, 2015. At 8.0 in the reporting period, annualized working capital turnover<sup>3)</sup> was on a par with the previous year (8.0).

The Brenntag Group's intangible and other non-current assets increased by 3.8% or EUR 141.4 million year on year to EUR 3,907.9 million (Dec. 31, 2015: EUR 3,766.5 million). The increase is mainly the result of investments in non-current assets (EUR 141.1 million), acquisitions (EUR 110.1 million) and exchange rate effects (EUR 57.2 million). This was partly offset by depreciation and amortization (EUR 161.7 million).

Current financial liabilities declined by EUR 14.5 million to EUR 146.3 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 increased by 2.1% year on year to EUR 2,137.5 million (Dec. 31, 2015: EUR 2,094.4 million). This slight increase in non-current financial liabilities is due to exchange rate effects.

Current and non-current provisions amounted to a total of EUR 317.7 million (Dec. 31, 2015: EUR 314.1 million). This figure included pension provisions in the amount of EUR 160.2 million (Dec. 31, 2015: EUR 150.9 million).

As at December 31, 2016, the equity of the Brenntag Group totalled EUR 2,959.2 million (Dec. 31, 2015: EUR 2,690.5 million).

<sup>3)</sup> Ratio of annual sales to average working capital: average working capital is defined for a particular year as the average of working capital at the beginning of the year, the end of each of the first, second and third quarters, and the end of the year.

## ANNUAL FINANCIAL STATEMENTS OF BRENNTAG AG

### RESULTS OF OPERATIONS AND FINANCIAL POSITION OF BRENNTAG AG

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

in EUR m	2016	2015
Sales	26.9	–
Other operating income	82.7	117.0
Cost of materials	–9.9	–
Personnel expenses	–24.0	–23.5
Amortization of intangible assets and depreciation of property, plant and equipment	–3.3	–3.2
Other operating expenses	–94.5	–107.2
Net finance income	256.9	288.1
<b>Profit from ordinary business activities</b>	<b>234.8</b>	<b>271.2</b>
Taxes on income	–10.1	–6.0
<b>Net income for the financial year</b>	<b>224.7</b>	<b>265.2</b>
Appropriation to retained earnings	–62.5	–110.7
<b>Distributable profit</b>	<b>162.2</b>	<b>154.5</b>

Sales result largely from sales to affiliated companies. Due to the first-time application of the new definition of sales under Section 277, para. 1 of the German Commercial Code (HGB), the sales reported in financial year 2016 are not comparable with the prior-year disclosures.

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

Cost of materials consists solely of the cost of purchased services, which was recognized in cost of materials for the first time in 2016 in line with the amended definition of sales.

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



As in the previous year, net finance income consists mainly of income from profits transferred by Brenntag Holding GmbH, Mülheim an der Ruhr, in the amount of EUR 241.9 million (2015: EUR 278.6 million). Net interest income in the amount of EUR 15.0 million (2015: EUR 9.5 million) was driven mainly by intra-Group financing activities. Although base interest rates remained low, interest income increased slightly, partly as a result of a higher volume of receivables, while interest expense decreased slightly. In addition, net expenses from the unwinding of discounting of provisions for pensions declined due to the change to the discount rate required to be applied under Section 253, para. 2 of the German Commercial Code.

Taxes on income in the amount of EUR 10.1 million (2015: EUR 6.0 million) relate to 2016 and prior years. In the reporting period, current income tax expenses account for EUR 7.4 million and deferred taxes for EUR 2.7 million. As at December 31, 2016, temporary differences give rise to a future tax liability of EUR 7.1 million, as deferred tax liabilities exceed deferred tax assets.

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

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

in EUR m	Dec. 31, 2016	Dec. 31, 2015
Fixed assets	2,429.4	2,429.6
Current assets including prepaid expenses and excess of plan assets over post-employment benefit liability	870.3	809.3
<b>Total assets</b>	<b>3,299.7</b>	<b>3,238.9</b>
Equity	2,637.1	2,566.9
Provisions	38.0	43.2
Liabilities	617.5	624.4
Deferred tax liabilities	7.1	4.4
<b>Total equity and liabilities</b>	<b>3,299.7</b>	<b>3,238.9</b>

The fixed assets of Brenntag AG in the amount of EUR 2,429.4 million (Dec. 31, 2015: EUR 2,429.6 million) almost exclusively comprise shares in affiliated companies.

The equity of Brenntag AG increased by EUR 70.2 million to EUR 2,637.1 million in 2016. This rise resulted from the net income for the financial year of EUR 224.7 million achieved in 2016 minus the dividend of EUR 154.5 million paid for financial year 2015.

The subscribed capital amounts to EUR 154.5 million in total (Dec. 31, 2015: EUR 154.5 million) and, as in the previous year, is divided into 154,500,000 no-par value registered shares.

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

## APPROPRIATION OF DISTRIBUTABLE PROFIT OF BRENNTAG AG

The net income of Brenntag AG as at December 31, 2016 was EUR 224,662,913.12. After allowing for the transfer of EUR 62,437,913.12 to retained earnings, the distributable profit is EUR 162,225,000.00.

At the General Shareholders' Meeting on June 8, 2017, the Board of Management and the Supervisory Board will propose that the distributable profit of Brenntag AG amounting to EUR 162,225,000.00 be used to pay a dividend of EUR 1.05 per no-par value share entitled to a dividend; that is a total of EUR 162,225,000.00.

—  
EUR  
**1.05**  
dividend proposal  
2016

Further information at  
[www.brenntag.com/  
general\\_shareholders  
\\_meeting](http://www.brenntag.com/general_shareholders_meeting)

## REMUNERATION REPORT

### BOARD OF MANAGEMENT REMUNERATION SYSTEM

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

The remuneration structure introduced when Steven Holland's service agreement was extended with effect from March 1, 2015 was also used as a basis for the service agreements of Karsten Beckmann, Markus Klähn and Henri Nejade, who were appointed to the Board of Management with effect from July 1, 2015. Georg Müller's service agreement was also amended accordingly with effect from April 1, 2015. The following information on Board of Management remuneration refers to the remuneration system introduced in 2015 and the rules of the share-based remuneration programme based on virtual shares (Virtual Share Plan) for Steven Holland and Georg Müller, which is expiring but still applies to the tranches granted before their service agreements were extended or changed over to the new remuneration system. All remuneration components under the current remuneration system and the amounts still resulting from the expiring Virtual Share Plan apply pro rata temporis for financial year 2015.

### REMUNERATION COMPONENTS

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

#### ANNUAL BASE SALARY AND SHORT-TERM VARIABLE REMUNERATION<sup>4)</sup>

The Annual Base Salary is payable in twelve equal monthly instalments.

The Preliminary Annual Bonus agreed as short-term variable remuneration is based on a contractually specified amount (Annual Bonus) and depends on the achievement of certain targets based on specific key performance indicators (KPIs). The KPIs specified are operating EBITDA (70%), working capital turnover (WCT; 15%) and conversion ratio (EBITDA/operating gross profit; 15%). In the cases of Karsten Beckmann, Markus Klähn and Henri Nejade, 66.67% of this bonus is based on targets for the particular region they are responsible for and 33.33% on targets for the Group. The sole deciding factor in the calculation of the Annual Bonus is the achievement of the KPI targets in the financial year for which the bonus is paid. The targets and the figures actually achieved are translated using

<sup>4)</sup> For Steven Holland and Georg Müller, whose service agreements were amended with effect from March 1, 2015 and April 1, 2015 respectively, the provisions of the previous service agreements still applied pro rata temporis with regard to short-term variable remuneration for financial year 2015. The annual bonus was calculated as follows: 40% on operating EBITDA, 20% on operating gross profit, 20% on free cash flow and 20% on RONA of the Group. The annual bonus was determined on the basis of achievement of the key performance indicator (KPI) targets in the financial year for which the bonus was paid and on the basis of the KPI targets achieved in the two preceding financial years (in each case on a consolidated basis). If the target for a KPI was not reached, this part of the bonus was reduced by 3% for each 1% shortfall. In case of outperformance, the maximum bonus for that KPI was nonetheless capped at the full achievement amount.

the same exchange rates. If the target set for a KPI is not achieved, this part of the bonus is reduced by 4% for each 1% shortfall of the target set. If the target is exceeded, the relevant part of the bonus is increased by 4% for each 1% exceedance of the target set. The KPI targets for the coming financial year are mutually agreed by the Supervisory Board and Board of Management, or, if they are not separately set, are derived from the annual budget for the relevant financial year as approved by the Supervisory Board. In addition, individual performance is taken into account in that, at the end of the financial year, the Supervisory Board decides on a multiplier for the Preliminary Annual Bonus (amount after allowance for target shortfalls or exceedances) of between 0.7 and 1.3. The resulting Final Annual Bonus is capped at 200% of the Annual Bonus. If the service agreement does not subsist for a full twelve months in a financial year, the Final Annual Bonus is paid pro rata temporis.

#### BENEFITS IN KIND AND OTHER BENEFITS

In addition to the above-mentioned remuneration components, the Board of Management members receive benefits in kind and other benefits such as a company car, also for private use, or a car allowance and benefits for a health care and long-term care insurance, but not more than 50% of the premium they pay into their health care and long-term care insurance. Markus Klähn receives an amount of max. USD 20,000 p.a. for participation in the US Health Care Plan. Brenntag AG pays the cost of a yearly medical check-up for Karsten Beckmann. Furthermore, Brenntag AG has taken out Group accident insurance. In addition, the company has taken out Directors & Officers Insurance (damage liability insurance) for the Board of Management members. In accordance with the provisions of the German Act on Appropriateness of Management Board Compensation (VorstAG), a deductible of 10% of the damages claimed in each case, but in each year limited to 150% of the Annual Base Salary, is applied. For his services as CEO and President of Brenntag Pte. Ltd., Singapore, Henri Nejade also receives fixed remuneration from this subsidiary in the amount of SGD 500,000 per annum, depending on the exchange rate but no more than EUR 335,000. In the event of temporary disability due to illness, accident, or any other cause not due to the fault of a member of the Board, said member is entitled to continued payment of the full Annual Base Salary for a period of no more than nine months. For the first three months of such incapacity, the full bonus claims regarding the Annual Bonus and the Target Amount of the Long Term Incentive Bonus are also retained.

#### LONG-TERM VARIABLE REMUNERATION

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

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

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

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

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

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

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

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

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

With regard to Steven Holland's claims under the long-term, share-based remuneration programme based on virtual shares (Virtual Share Plan) of his previous service agreement, it has been mutually agreed that the portion relating to the virtual shares is to be continued in accordance with the provisions of the previous service agreement while the retained base amounts were paid out in 2015 on expiry of the previous service agreement. The base amount for financial year 2015 to which Steven Holland was entitled pro rata temporis under his previous service agreement was paid out in 2016.

The tranches allocated under this plan to Georg Müller up to the end of the previous service agreement will be continued under the provisions of the previous service agreement and paid out at the times specified therein. The pro-rata base amount for financial year 2015 to which he was entitled under his previous service agreement was paid out in 2016.

William Fidler's remuneration for the period from January 1 to June 30, 2015 no longer contained any short-term variable component. This was replaced by a higher fixed salary. The amounts to which he was entitled under the long-term, share-based remuneration programme based on virtual shares (Virtual Share Plan) and the pro-rata base amount for financial year 2015 which he was due were paid out in 2016 in accordance with the provisions of the expired service agreement.

#### PENSION ENTITLEMENTS

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

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

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

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

William Fidler (Board of Management member until June 30, 2015) participated in the USA in the local defined contribution plans which were set up for staff and management on an equal basis. In 2015, payments were made into two defined contribution plans: the "Profit Sharing Plan" and the "Pension Plan".

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

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

in EUR k		Steven Holland <sup>4)</sup>	Karsten Beckmann <sup>5)</sup>	William Fidler
Term of service agreement		(until Feb. 29, 2020)	(until Jun. 30, 2018)	(until Jun. 30, 2015)
Annual base salary	<b>2016</b>	<b>900</b>	<b>450</b>	–
	2015	870	225	560
Company pension (defined contribution plan)	<b>2016</b>	–	–	–
	2015	–	–	23
Benefits in kind/other benefits	<b>2016</b>	<b>1,669<sup>6)</sup></b>	<b>24</b>	–
	2015	54	12	23
<b>Total non-performance-based remuneration</b>	<b>2016</b>	<b>2,569</b>	<b>474</b>	–
	2015	924	237	606
Short-term variable remuneration <sup>1)</sup>	<b>2016</b>	<b>646</b>	<b>378</b>	–
	2015	654	186	–
Long-term variable remuneration <sup>2)3)</sup>	<b>2016</b>	<b>837</b>	<b>418</b>	–
	2015	1,020	267	250
<b>Total performance-based remuneration</b>	<b>2016</b>	<b>1,483</b>	<b>796</b>	–
	2015	1,674	453	250
<b>Total remuneration in accordance with the German Commercial Code (HGB)</b>	<b>2016</b>	<b>4,052</b>	<b>1,270</b>	–
	2015	2,598	690	856

<sup>1)</sup> The above amounts are based on preliminary assumptions used for measurement of the respective provisions. These amounts will be adjusted in the subsequent financial year if the amounts finally approved by the Supervisory Board differ.

<sup>2)</sup> Fair value of the share-based remuneration granted at the date of grant.

<sup>3)</sup> The amounts for the Long Term Incentive Bonus are based on assumptions used for measurement of the respective provisions and will, if necessary, be adjusted in the subsequent year on the basis of the parameters finally approved by the Supervisory Board.

<sup>4)</sup> Amounts for 2015 still relate pro rata temporis (Steven Holland until February 29, Georg Müller until March 31) to the previous remuneration system.

<sup>5)</sup> The amounts for the Board of Management members appointed with effect from July 1, 2015, Karsten Beckmann, Markus Klähn and Henri Nejade, are pro rata temporis in 2015.

<sup>6)</sup> In December 2016, the Supervisory Board agreed with Steven Holland on an amendment to his existing service agreement with regard to retirement benefits. According to this agreement, Steven Holland waives all expectancies, rights and claims under the Deferred Compensation Contingency Plan of Brenntag AG and, as compensation for this waiver, receives a one-off amount of EUR 1,700k payable within five business days after May 31, 2017, said amount corresponding to the actuarial fair value of the pension entitlements earned up to May 31, 2017. The other benefits reported here include the fair value already earned up to December 31, 2016 in the amount of EUR 1,605k.



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

Markus Klähn <sup>5)</sup> (until Jun. 30, 2018)	Georg Müller <sup>4)</sup> (until Mar. 31, 2022)	Henri Nejade <sup>5)</sup> (until Jun. 30, 2018)	Total
<b>450</b>	<b>480</b>	<b>450</b>	<b>2,730</b>
225	480	225	2,585
<b>114</b>	–	–	<b>114</b>
66	–	–	89
<b>14</b>	<b>18</b>	<b>373</b>	<b>2,098</b>
13	25	187	314
<b>578</b>	<b>498</b>	<b>823</b>	<b>4,942</b>
304	505	412	2,988
<b>254</b>	<b>323</b>	<b>428</b>	<b>2,029</b>
133	346	171	1,490
<b>416</b>	<b>502</b>	<b>418</b>	<b>2,591</b>
265	610	267	2,679
<b>670</b>	<b>825</b>	<b>846</b>	<b>4,620</b>
398	956	438	4,169
<b>1,248</b>	<b>1,323</b>	<b>1,669</b>	<b>9,562</b>
702	1,461	850	7,157

in EUR k		Steven Holland	Karsten Beckmann	William Fidler (until Jun. 30, 2015)
Cost of pension commitments	<b>2016</b>	– <sup>1)</sup>	<b>192</b>	–
	2015	506	106	–
Present value of pension commitments in accordance with HGB	<b>2016</b>	– <sup>1)</sup>	<b>1,334<sup>2)</sup></b>	–
	2015	1,768	1,141 <sup>2)</sup>	–

<sup>1)</sup> In December 2016, the Supervisory Board agreed with Steven Holland on an amendment to his existing service agreement with regard to retirement benefits. According to this agreement, Steven Holland waives all expectancies, rights and claims under the Deferred Compensation Contingency Plan of Brenntag AG and, as compensation for this waiver, receives a one-off amount of EUR 1,700k payable within five business days after May 31, 2017, said amount corresponding to the actuarial fair value of the pension entitlements earned up to May 31, 2017. According to HGB, this amount is therefore no

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

in EUR k		Steven Holland <sup>2)</sup>	Karsten Beckmann <sup>3)</sup>	William Fidler (until Jun. 30, 2015)
Total non-performance-based remuneration	<b>2016</b>	<b>964</b>	<b>474</b>	–
	2015	924	237	606
Short-term variable remuneration <sup>1)</sup>	<b>2016</b>	<b>646</b>	<b>378</b>	–
	2015	654	186	–
Long-term variable remuneration (share-based remuneration earned in current year)	<b>2016</b>	<b>802</b>	<b>249</b>	–
	2015	1,203	89	1,208
Current service cost for pension entitlements earned in the current year (defined benefit plans)	<b>2016</b>	<b>230<sup>4)</sup></b>	<b>115</b>	–
	2015	221	58	–
<b>Board of Management remuneration in accordance with IFRSs</b>	<b>2016</b>	<b>2,642</b>	<b>1,216</b>	–
	2015	3,002	570	1,814
<b>Present value of pension commitments in accordance with IFRSs</b>	<b>2016</b>	– <sup>5)</sup>	<b>2,205<sup>6)</sup></b>	–
	2015	2,204	1,574 <sup>6)</sup>	–

<sup>1)</sup> The above amounts are based on preliminary assumptions used for measurement of the respective provisions. These amounts will be adjusted in the subsequent financial year if the amounts finally approved by the Supervisory Board differ.

<sup>2)</sup> Amounts for 2015 still relate pro rata temporis (Steven Holland until February 29, Georg Müller until March 31) to the previous remuneration system.

<sup>3)</sup> The amounts for the Board of Management members appointed with effect from July 1, 2015, Karsten Beckmann, Markus Klähn and Henri Nejade, are pro rata temporis in 2015.

<sup>4)</sup> In December 2016, the Supervisory Board agreed with Steven Holland on an amendment to his existing service agreement with regard to retirement benefits. According to this agreement, Steven Holland waives all expectancies, rights and claims under the Deferred Compensation Contingency Plan of

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

Markus Klähn	Georg Müller	Henri Nejade	Total
–	<b>212</b>	<b>154</b>	<b>558</b>
–	467	80	1,159
–	<b>1,961<sup>2)</sup></b>	<b>234</b>	<b>3,529</b>
–	1,749 <sup>2)</sup>	80	4,738

longer recognized as cost of pension commitments but as other remuneration under non-performance-related remuneration. The fair value of the obligation is no longer recognized at December 31, 2016 as a provision for pensions but as a current liability.

<sup>2)</sup> Of which EUR 312k self-financed by Georg Müller under a deferred compensation plan (2015: EUR 312k) and EUR 59k self-financed by Karsten Beckmann under a deferred compensation plan (2015: EUR 59k).

**B.19 BOARD OF MANAGEMENT REMUNERATION IN ACCORDANCE WITH IFRSS**

Markus Klähn <sup>3)</sup>	Georg Müller <sup>2)</sup>	Henri Nejade <sup>3)</sup>	Total
<b>578</b>	<b>498</b>	<b>823</b>	<b>3,337</b>
304	505	412	2,988
<b>254</b>	<b>323</b>	<b>428</b>	<b>2,029</b>
133	346	171	1,490
<b>264</b>	<b>297</b>	<b>249</b>	<b>1,861</b>
88	560	89	3,237
–	<b>119</b>	<b>115</b>	<b>579</b>
–	136	58	473
<b>1,096</b>	<b>1,237</b>	<b>1,615</b>	<b>7,806</b>
525	1,547	730	8,188
–	<b>3,427<sup>6)</sup></b>	<b>399</b>	<b>6,031</b>
–	2,488 <sup>6)</sup>	112	6,378

Brenntag AG and, as compensation for this waiver, receives a one-off amount of EUR 1,700k payable within five business days after May 31, 2017, said amount corresponding to the actuarial fair value of the pension entitlements earned up to May 31, 2017. The reversal of the existing provision as a result of the early pay-out is not included in this calculation.

<sup>3)</sup> The fair value of the obligation is no longer recognized as a provision for pensions at December 31, 2016 but as a current liability (also see footnote 4).

<sup>6)</sup> Of which EUR 366k self-financed by Georg Müller under a deferred compensation plan (2015: EUR 366k) and EUR 102k self-financed by Karsten Beckmann under a deferred compensation plan (2015: EUR 102k).

### COMPENSATION CAP IN THE EVENT OF PREMATURE TERMINATION OF EMPLOYMENT

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

### CHANGE-OF-CONTROL ARRANGEMENTS

There are no separate change-of-control arrangements.

### POST-CONTRACTUAL NON-COMPETITION CLAUSE

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

### LOANS

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

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

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

Amounts are generally recognized as having been granted – within the meaning of the German Corporate Governance Code – in the financial year in which the underlying activity for this remuneration was performed. This is subject to the proviso that a commitment to pay remuneration must have been given at the time the remuneration report was prepared. In addition, it must be possible to establish a reliable estimate of the amount of this remuneration. The year in which fixed remuneration and fringe benefits are granted is generally also the year in which they are recognized as an expense. In contrast to 2015, the amount set aside in the current financial year for the one-year variable remuneration is no longer recognized as the fair value at the date of grant but the relevant

Target Amount in the case of 100% target achievement.<sup>5)</sup> The multi-year variable remuneration resulting from the Long Term Incentive Plan is in each case subject to a vesting period of three years. However, as a new plan is granted every year, in each case with a vesting period of three years, the total Target Amount allocated per year in the case of 100% target achievement or the fair value at the date of grant is recognized as having been granted and not – as in the previous year – the portion (1/3) calculated as attributable to the reporting year.<sup>5)</sup>

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

<sup>5)</sup> Prior-year amounts in the table on benefits granted have been adjusted in line with this more informative presentation.

BENEFITS GRANTED	Steven Holland <sup>1)</sup> Chief Executive Officer				Karsten Beckmann <sup>2)</sup> Member of the Board of Management (since Jul. 1, 2015)				William Fidler Member of the Board of Management (until Jun. 30, 2015)			
	2015	2016	2016 (MIN)	2016 (MAX)	2015	2016	2016 (MIN)	2016 (MAX)	2015	2016	2016 (MIN)	2016 (MAX)
in EUR k												
Fixed remuneration	870	900	900	900	225	450	450	450	560	–	–	–
Fringe benefits	54	64	64	64	12	24	24	24	46	–	–	–
<b>Total</b>	<b>924</b>	<b>964</b>	<b>964</b>	<b>964</b>	<b>237</b>	<b>474</b>	<b>474</b>	<b>474</b>	<b>606</b>	<b>–</b>	<b>–</b>	<b>–</b>
One-year variable remuneration	767	800	–	1,600	200	400	–	800	–	–	–	–
Multi-year variable remuneration												
LTI Bonus 2016–2018	–	1,000	–	2,000		500	–	1,000				
LTI Bonus 2015–2017	833	–	–	–	250	–	–	–	289	–	–	–
Virtual Share Plan 2015–2019	150	–	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>1,750</b>	<b>1,800</b>	<b>–</b>	<b>3,600</b>	<b>450</b>	<b>900</b>	<b>–</b>	<b>1,800</b>	<b>289</b>	<b>–</b>	<b>–</b>	<b>–</b>
Service cost	221	230	230	230	58	115	115	115	–	–	–	–
<b>Total remuneration</b>	<b>2,895</b>	<b>2,994</b>	<b>1,194</b>	<b>3,930</b>	<b>745</b>	<b>1,489</b>	<b>589</b>	<b>2,389</b>	<b>895</b>	<b>–</b>	<b>–</b>	<b>–</b>

<sup>1)</sup> Amounts for 2015 still relate pro rata temporis (Steven Holland until February 29, Georg Müller until March 31) to the previous remuneration system.

<sup>2)</sup> The amounts for the Board of Management members appointed with effect from July 1, 2015, Karsten Beckmann, Markus Klähn and Henri Nejade, are pro rata temporis in 2015.

ALLOCATION	Steven Holland Chief Executive Officer		Karsten Beckmann Member of the Board of Management (since Jul. 1, 2015)		William Fidler Member of the Board of Management (until Jun. 30, 2015)	
	2016	2015	2016	2015	2016	2015
in EUR k						
Fixed remuneration	900	870	450	225	–	560
Fringe benefits	64	54	24	12	–	46
<b>Total</b>	<b>964</b>	<b>924</b>	<b>474</b>	<b>237</b>	<b>–</b>	<b>606</b>
One-year variable remuneration <sup>1)</sup>	561	92	186	–		–
Multi-year variable remuneration						
Virtual Share Plan 2010–2014	–	1,495	–	–	–	1,314
Virtual Share Plan 2011–2015	1,095	371	–	–	683	–
Virtual Share Plan 2012–2016	–	300	–	–	446	–
Virtual Share Plan 2013–2017	–	200	–	–	380	–
Virtual Share Plan 2014–2018	–	189	–	–	319	–
Virtual Share Plan 2015–2019	77	–	–	–	151	–
Other	–	–	–	–	–	–
<b>Total</b>	<b>1,733</b>	<b>2,647</b>	<b>186</b>	<b>–</b>	<b>1,979</b>	<b>1,314</b>
Service cost	230	221	115	58	–	–
<b>Total remuneration</b>	<b>2,927</b>	<b>3,792</b>	<b>775</b>	<b>295</b>	<b>1,979</b>	<b>1,920</b>

<sup>1)</sup> In 2015 only relates to the one-year variable remuneration for the Board of Management under the old remuneration structure, i.e. in 2015 only to the pro rata temporis amount for Steven Holland and Georg Müller, whose service agreements were amended with effect from March 1, 2015 and April 1, 2015 respectively. The amount of one-year variable remuneration under the current remuneration structure had yet to be finally decided at the time the remuneration report was prepared; the amounts shown as allocated in 2016 are the amounts for 2015 paid out in 2016.

## B.20 BOARD OF MANAGEMENT BENEFITS GRANTED

Markus Klähn <sup>2)</sup> Member of the Board of Management (since Jul. 1, 2015)				Georg Müller <sup>1)</sup> Chief Financial Officer				Henri Nejade <sup>2)</sup> Member of the Board of Management (since Jul. 1, 2015)			
2015	2016	2016 (MIN)	2016 (MAX)	2015	2016	2016 (MIN)	2016 (MAX)	2015	2016	2016 (MIN)	2016 (MAX)
225	450	450	450	480	480	480	480	225	450	450	450
79	128	128	128	25	18	18	18	187	373	373	373
<b>304</b>	<b>578</b>	<b>578</b>	<b>578</b>	<b>505</b>	<b>498</b>	<b>498</b>	<b>498</b>	<b>412</b>	<b>823</b>	<b>823</b>	<b>823</b>
203	406	–	813	400	400	–	800	200	400	–	800
–	497	–	995	–	600	–	1,200	–	500	–	1,000
248	–	–	–	450	–	–	–	250	–	–	–
–	–	–	–	150	–	–	–	–	–	–	–
<b>451</b>	<b>903</b>	–	<b>1,808</b>	<b>1,000</b>	<b>1,000</b>	–	<b>2,000</b>	<b>450</b>	<b>900</b>	–	<b>1,800</b>
–	–	–	–	136	119	119	119	58	115	115	115
<b>755</b>	<b>1,481</b>	<b>578</b>	<b>2,386</b>	<b>1,641</b>	<b>1,617</b>	<b>617</b>	<b>2,617</b>	<b>920</b>	<b>1,838</b>	<b>938</b>	<b>2,738</b>

## B.21 BOARD OF MANAGEMENT ALLOCATION

Markus Klähn Member of the Board of Management (since Jul. 1, 2015)		Georg Müller Chief Financial Officer		Henri Nejade Member of the Board of Management (since Jul. 1, 2015)	
2016	2015	2016	2015	2016	2015
450	225	480	480	450	225
128	79	18	25	373	187
<b>578</b>	<b>304</b>	<b>498</b>	<b>505</b>	<b>823</b>	<b>412</b>
133	–	252	92	171	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	77	–	–	–
–	–	–	–	–	–
<b>133</b>	–	<b>329</b>	<b>92</b>	<b>171</b>	–
–	–	119	136	115	58
<b>711</b>	<b>304</b>	<b>946</b>	<b>733</b>	<b>1,109</b>	<b>470</b>



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

Under the German Commercial Code (HGB), the funding surplus for pension obligations to former members of the Board of Management and their surviving dependants amounted to EUR 178k as at December 31, 2016 (Dec. 31, 2015: EUR 140k); in accordance with IFRSs, the provision amounted to EUR 3,262k (Dec. 31, 2015: EUR 1,862k). In 2016, the cost of pension commitments (defined benefit plans) under the German Commercial Code (HGB) amounted to EUR 159k (2015: EUR 827k). In accordance with IFRSs and as in 2015, no current service cost for pension entitlements earned in the current year was incurred.

### REMUNERATION OF THE SUPERVISORY BOARD

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

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

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

The following table shows the amounts due to the individual Supervisory Board members in 2016:

## B.22 TOTAL REMUNERATION OF THE SUPERVISORY BOARD

in EUR k		Fixed remuneration	Office bonuses	Total
Stefan Zuschke (Chairman)	<b>2016</b>	<b>210</b>	<b>15</b>	<b>225</b>
	2015	210	15	225
Dr Thomas Ludwig (Deputy Chairman)	<b>2016</b>	<b>150</b>	<b>10</b>	<b>160</b>
	2015	150	10	160
Stefanie Berlinger (from Jun. 9, 2015)	<b>2016</b>	<b>120</b>	<b>25</b>	<b>145</b>
	2015	67 <sup>1)</sup>	14 <sup>1)</sup>	81 <sup>1)</sup>
Stephen Clark (until Jun. 9, 2015)	<b>2016</b>	–	–	–
	2015	53 <sup>1)</sup>	11 <sup>1)</sup>	64 <sup>1)</sup>
Prof. Dr Edgar Fluri	<b>2016</b>	<b>120</b>	<b>85</b>	<b>205</b>
	2015	120	85	205
Doreen Nowotne	<b>2016</b>	<b>120</b>	<b>25</b>	<b>145</b>
	2015	120	25	145
Dr Andreas Rittstieg	<b>2016</b>	<b>120</b>	<b>10</b>	<b>130</b>
	2015	120	10	130
<b>Total remuneration</b>	<b>2016</b>	<b>840</b>	<b>170</b>	<b>1,010</b>
	2015	840	170	1,010

<sup>1)</sup> pro rata temporis

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

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

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

## EMPLOYEES

As at December 31, 2016, Brenntag had 14,826 employees worldwide. The total number of employees is determined on the basis of full-time equivalents, i.e. part-time jobs are weighted according to the number of hours worked.

The increase in the total number of people employed in the Brenntag Group by 367, or 2.5%, compared with the previous year is due primarily to the acquisitions made in 2016. Almost 90% of the total workforce of 14,826 is employed outside Germany.

### B.23 EMPLOYEES PER SEGMENT

Full-time equivalents (FTEs)	Dec. 31, 2016		Dec. 31, 2015	
	abs.	in %	abs.	in %
EMEA	6,688	45.1	6,482	44.8
North America	4,602	31.0	4,525	31.3
Latin America	1,482	10.0	1,511	10.5
Asia Pacific	1,921	13.0	1,814	12.5
All other segments	133	0.9	127	0.9
<b>Brenntag Group</b>	<b>14,826</b>	<b>100.0</b>	<b>14,459</b>	<b>100.0</b>

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

### B.24 EMPLOYEES PER AREA OF WORK

Full-time equivalents (FTEs)	EMEA	North America	Latin America	Asia Pacific	All other segments	Dec. 31, 2016	
						abs.	in %
Sales	2,617	1,537	547	999	13	5,713	38.5
Distribution	782	1,055	71	187	–	2,095	14.1
Warehouses	2,153	1,621	486	252	–	4,512	30.5
Administration	1,136	389	378	483	120	2,506	16.9
<b>Brenntag Group</b>	<b>6,688</b>	<b>4,602</b>	<b>1,482</b>	<b>1,921</b>	<b>133</b>	<b>14,826</b>	<b>100.0</b>

Personnel expenses including social insurance contributions amounted to EUR 913.0 million (2015: EUR 853.0 million).

The Brenntag employee turnover rate in 2016 was 5.9% worldwide (2015: 5.8%).

At Brenntag, we aim to create a working environment where the best people want to contribute with passion, where they want to exploit their full potential and where they enjoy working.

## DEVELOPING OUR EMPLOYEES

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

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

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

To make sure our leaders are ready for their leadership tasks, we train them in different aspects of leadership at local, regional and global level. A customized Executive Development Program has been put in place that was designed in cooperation with a renowned business school specifically for the unique needs of Brenntag's executives. With experienced professors and a sophisticated curriculum, participants gain valuable know-how that can be applied directly to the business.

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

## DIVERSITY AND INCLUSION

The company's headquarters is in Mülheim an der Ruhr, Germany. Brenntag has more than 550 locations in 74 countries, with a global workforce numbering significantly more than 14,000 people. This means we have colleagues from many different nationalities with many diverse backgrounds. We have people with many years of experience and we have people who have just started their careers.

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

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

## REMUNERATION AND BENEFITS

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

The value-based remuneration system for the management level provides for variable and fixed components. The ratio of fixed to variable pay components depends on the influence the particular manager can have on the success of the company. As an incentive system, the remuneration and target agreement system is based on the Management by Objectives model, the variable remuneration components being closely linked to the company's results and personal performance.

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

## HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION, QUALITY MANAGEMENT

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

Health, safety and environment are an absolute priority for Brenntag

### BRENTAG'S HSE STRATEGY

#### SAFETY POLICY

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

#### PRODUCT STEWARDSHIP POLICY

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

#### ENVIRONMENTAL POLICY

Brenntag works continually on minimizing impacts on the environment throughout.

#### COMPLIANCE POLICY

Brenntag is committed to complying with all health, safety and environmental legal requirements, including import and export regulations as well as selling and use restrictions for chemicals in all our operations and sales organizations.

#### QUALITY POLICY

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

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

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

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

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

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

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

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

Accidents at work and similar occurrences are recorded and evaluated centrally according to a standardized system. Key lessons learned are communicated throughout the entire organization and included in the aforementioned HSE manuals. Due to Brenntag's policy of continually improving equipment, processes and the culture of safety, the number of reportable industrial accidents remained unchanged in 2016 despite several acquisitions. This led to a reduction in the lost time injury rate (1 day/1 million)<sup>5)</sup> from 1.6 in 2015 to 1.5 in 2016.

In 2015, in the context of its "2020 Vision", Brenntag launched the "BEST" (Brenntag Enhanced Safety Thinking) initiative with the aim of constantly improving the culture of safety throughout the Brenntag Group. Core elements include developing a standard on safe conduct as well as a Group-wide employee survey based on that standard. The findings of the survey have been incorporated into the relevant action plans for 2016 and the following years.

<sup>5)</sup> LTIR (Lost Time Injury Rate) – number of industrial accidents resulting in at least one day's absence from work per one million working hours.

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

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

The basis of quality management within the Brenntag Group is the internationally applicable ISO 9001 standard. By December 31, 2016, 90.0% of our operating sites had introduced quality management systems certified to this standard. In addition, 108 sites are certified to international standard ISO 14001 for environmental management systems.

## REGULATORY ENVIRONMENT

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

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

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

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



## REPORT ON EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS

### REPORT ON EXPECTED DEVELOPMENTS

The International Monetary Fund forecasts that growth in the **global economy**, measured in terms of GDP, will be slightly higher year on year in 2017. As regards the individual segments of the Brenntag Group, the Asian economies are predicted to achieve the highest growth. The European economy is forecast to remain on a moderately positive growth track. In Latin America, the economy is expected to remain volatile with a high degree of uncertainty, especially in Brazil. The rate of expansion in North America, on the other hand, will likely be higher than in the previous year. Weighted by the sales generated by Brenntag in the individual countries, this results in a forecast average growth rate of 1.8%.

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

Further growth  
in operating gross  
profit and operating  
EBITDA expected

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

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

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

In the **Latin America segment**, we predict that we are well placed to be successful, even as macroeconomic conditions remain volatile. In particular, we are planning to expand our product portfolio in food and feed as well as in the agriculture industry. We therefore expect meaningful increases in operating gross profits based on higher volumes. In addition, we forecast a meaningful rise in operating EBITDA.

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

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

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

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

## DESCRIPTION OF THE INTERNAL CONTROL / RISK MANAGEMENT SYSTEM

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

### RISK REPORTING (EARLY DETECTION SYSTEM)

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

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

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

a) Possible extent of damage:

- Insignificant
- Low
- Medium
- High
- Critical

b) Probability of occurrence:

- Highly improbable ( $\leq 10\%$ )
- Improbable (11 – 20%)
- Possible (21 – 50%)
- Probable (51 – 90%)
- Highly probable ( $\geq 91\%$ )

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

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

## B.25 RISK ASSESSMENT MATRIX

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

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

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

## CONTROLLING

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

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

## INTERNAL MONITORING SYSTEM

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

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

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

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

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

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

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

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

Furthermore, the external auditors perform quarterly reviews of selected companies to aid in ensuring that the regulations specified in the accounting manual have been observed. The security and proper functioning of the software used is confirmed by the statutory auditors during the annual audits.

## REPORT ON OPPORTUNITIES AND RISKS

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

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

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

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

### ◦ Economic and political stability:

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

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

The impact on economic performance of the UK's referendum on its withdrawal from the EU is impossible to estimate at the present time. Growth in Europe is expected to be lower than in the previous year, partly as a result of the outcome of the referendum, but we do not yet believe that this will have any significant impact on our business. The translation effect of the depreciation of the pound sterling on the consolidated results expressed in euros is an exception to this statement.

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

◦ **Market risks and opportunities:**

Brenntag's strategic development is geared to the current global, regional and local market growth drivers.

We see major sales opportunities, which are of strategic significance for Brenntag, in the particularly attractive focus industries water treatment, personal care, pharmaceuticals, food and beverages, oil & gas as well as adhesives, sealants, coatings and elastomers. Our global network and our comprehensive portfolio of products and services also place us in a unique position to meet customers' increasing demands for pan-regional and global total solutions. The growing demand for customer-specific solutions, blending and services and alternative sales channels also open up further growth opportunities. While persistently low oil and gas prices are resulting in an unusually high level of uncertainty about the near-term direction of this customer industry, particularly in the North America region, we are counting on the industry's long-term potential in combination with our excellent capabilities and supplier and customer network.

As an international Group, we see opportunities in all our regions to extend our market lead. The continuous expansion of our geographic presence in emerging markets, particularly in the Asia Pacific region, also offers above-average growth opportunities. We will continue to optimally exploit the opportunities presented by company acquisitions and the active consolidation of the fragmented chemical distribution market.

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

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

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

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

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

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

◦ **Financial risks and opportunities:**

Our business is exposed to exchange rate, interest rate, credit and price risks.

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

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

The UK's referendum on its withdrawal from the EU has not yet had a significant impact on our business operations, but future effects cannot be ruled out once details of the country's withdrawal from the EU become clear. The pound sterling has fallen in the wake of the referendum, resulting in a corresponding translation effect on the Group's figures.

We limit risks for our cash investments by only doing business with banks and business partners with credit ratings we consider to be strong. Payments are also handled through such banks. The largely unused revolving credit facility under the syndicated loan is made available by a large number of international banks, meaning that availability is ensured through high diversity. Uncollectibility risk is reduced by continually monitoring our customers' credit ratings and payment behaviour and setting appropriate credit limits. The risk is limited by the large number of customers the company has in different countries; even the largest customer accounts for less than 1.5% of Group sales. In addition, risks are limited by taking out credit insurance.

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



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

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

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

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

○ **Quality, safety, health and environmental risks:**

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

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

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

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

○ **IT risks and opportunities:**

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

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

○ **Personnel risks and opportunities:**

Personnel risks result mainly from the potential turnover of staff in key positions or the inability to find a sufficient number of qualified staff to fill vacancies within the Group. Brenntag limits these risks by positioning itself as an attractive employer and fostering employees' long-term loyalty to the Group. It also limits these risks through targeted long-term succession planning and performance-related remuneration, including performance-based incentive systems. Moreover, we offer world-wide career opportunities. Information on our staff development programmes is provided in the chapter "Employees". In 2016, our employee turnover rate was 5.9% worldwide.

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

○ **Acquisition risks and opportunities:**

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

currency risks) are typical of target companies in these countries. However, there are also considerably greater opportunities in these countries owing to the higher growth rates.

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

○ **Legal risks:**

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

In 2013, the French Competition Authority imposed fines on Brenntag and others in relation to the allocation of customers and coordination of prices in the period to 2005. Brenntag appealed against the decision of the French Competition Authority. On February 2, 2017, the court of appeal set aside the decision due to procedural errors. The court ordered that the proceedings be reopened, but did not make any findings in the matter. The proceedings are ongoing before the court of appeal. Regarding the investigation additionally ongoing at the French Competition Authority concerning whether BRENNTAG SA has illegally made use of its market position, a decision by the Authority is still pending. The status of the investigation does not permit an assessment of the outcome. Based on current knowledge, Brenntag further assumes that claims for civil liability arising from the above-mentioned proceedings are not sufficiently substantiated.

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

The German Brenntag companies are currently the subject of a routine tax audit for the years 2010 to 2012. At the reporting date, there were no significant findings by the tax authorities. The tax audit for the years 2006 to 2009 was completed in December 2016. In relation to the deductibility of interest on the loan granted by the former shareholder, there was an adjustment to the interest rate. The resulting tax liability is covered by tax provisions.

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

We consider the possible extent of damage in the event that the legal risks occur to be medium and the probability of occurrence of these risks to be improbable. Overall, we rate these risks as low risks.

## SUMMARY OF THE OPPORTUNITIES AND RISK SITUATION

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

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

### COMPOSITION OF THE SUBSCRIBED CAPITAL

As at December 31, 2016, the subscribed capital of Brenntag AG totalled EUR 154,500,000. The share capital is divided into 154,500,000 no-par value registered shares, each with a notional value of EUR 1.00.

Articles of Association  
of Brenntag AG at  
[www.brenntag.com/  
articles\\_of\\_association](http://www.brenntag.com/articles_of_association)

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

### RESTRICTIONS ON VOTING RIGHTS OR TRANSFER OF SHARES

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

### DIRECT OR INDIRECT INTERESTS IN THE CAPITAL OF THE COMPANY EXCEEDING 10% OF THE VOTING RIGHTS

Section 21 of the German Securities Trading Act (WpHG) requires that any investor whose percentage of voting rights in Brenntag AG reaches, exceeds or falls below certain thresholds as a result of purchases, disposals or otherwise must notify Brenntag AG and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht). As at December 31, 2016, the company was not aware of any direct or indirect interests in the capital of Brenntag AG that exceeded 10% of the voting rights. All voting right notifications in accordance with Section 21 of the German

Securities Trading Act received by Brenntag AG in the reporting period can be viewed in the Investor Relations section of the company's website at [www.brenntag.com](http://www.brenntag.com).

## SHARES WITH SPECIAL RIGHTS CONFERRING POWERS OF CONTROL

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

## SYSTEM OF CONTROL OF ANY EMPLOYEE PARTICIPATION SCHEME WHERE THE CONTROL RIGHTS ARE NOT EXERCISED DIRECTLY BY THE EMPLOYEES

Brenntag AG does not have a general employee participation scheme.

## LEGISLATION AND PROVISIONS OF THE ARTICLES OF ASSOCIATION APPLICABLE TO THE APPOINTMENT AND REMOVAL OF THE MEMBERS OF THE BOARD OF MANAGEMENT AND GOVERNING AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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

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

## POWERS OF THE BOARD OF MANAGEMENT TO ISSUE OR REPURCHASE SHARES

### AUTHORIZATION TO CREATE AUTHORIZED CAPITAL

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

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

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

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

also be used subject to exclusion of the shareholders' subscription rights existing in principle and in particular by way of simplified exclusion of subscription rights as specified above.

## AUTHORIZATION TO ISSUE BONDS AND TO CREATE CONDITIONAL CAPITAL

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

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

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

By resolution of the General Shareholders' Meeting on June 17, 2014, the registered share capital of Brenntag AG was conditionally increased by up to EUR 25,750,000 by issuing up to 25,750,000 new no-par value registered shares conferring profit-sharing rights from the beginning of the financial year in which they were issued. The conditional capital increase serves to grant shares to the holders or creditors of warrant-linked or convertible bonds as well as profit-sharing certificates with option or conversion rights which are issued in the period up to June 16, 2019, based on the authorization approved by the General Shareholders' Meeting. The conditional capital increase will only be implemented to the extent that warrants or conversion rights under bonds with warrant units and conver-



tible bonds have been exercised or conversion obligations under such Bonds have to be fulfilled and to the extent that neither treasury shares nor new shares from the authorized capital are used to fulfil such claims. The Board of Management was authorized to stipulate the additional details of the implementation of the conditional capital increase.

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

## SIGNIFICANT AGREEMENTS WHICH TAKE EFFECT, ALTER OR TERMINATE UPON A CHANGE OF CONTROL OF THE COMPANY FOLLOWING A TAKEOVER BID

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

The Bond 2018 for EUR 400.0 million issued by Brenntag Finance B.V. on July 19, 2011 also contains provisions for the event of a change of control under article 5 of the Conditions of Issue. According to said provisions, the bond creditors may demand early repayment of the bond if the rating (in each case as defined in the Conditions of Issue) has been downgraded within a certain period after the change of control.

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

## COMPENSATION AGREEMENTS WITH MEMBERS OF THE BOARD OF MANAGEMENT OR EMPLOYEES IN THE EVENT OF A TAKEOVER BID

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

## CORPORATE GOVERNANCE STATEMENT

The corporate governance statement required under Section 289a, 315 para. 5 of the German Commercial Code (HGB) can be found in the chapter “To Our Shareholders” in connection with the Corporate Governance Report. It is also available in the Investor Relations section of the website at [www.brenntag.com](http://www.brenntag.com).

Further information in  
chapter “Corporate  
Governance”

110 – 209



# *CONSOLIDATED FINANCIAL STATEMENTS*

<b>112</b>	<b>CONSOLIDATED INCOME STATEMENT</b>	<b>199</b>	<b>RESPONSIBILITY STATEMENT</b>
<b>113</b>	<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>200</b>	<b>ANNEX</b>
<b>114</b>	<b>CONSOLIDATED BALANCE SHEET</b>	200	List of Shareholdings in Accordance with Section 313, para. 2 of the German Commercial Code as at December 31, 2016
<b>116</b>	<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>		
<b>118</b>	<b>CONSOLIDATED CASH FLOW STATEMENT</b>		
<b>119</b>	<b>NOTES</b>		
119	Key Financial Figures by Segment		
120	Group Key Financial Figures		
121	General Information		
122	Consolidation Policies and Methods		
134	Accounting and Measurement Policies		
144	Consolidated Income Statement Disclosures		
151	Consolidated Balance Sheet Disclosures		
183	Consolidated Cash Flow Statement Disclosures		
183	Segment Reporting		
185	Other Financial Obligations and Contingent Liabilities		
186	Legal Proceedings and Disputes		
187	Reporting of Financial Instruments		
196	Related Parties		
197	Fees for the Auditors of the Consolidated Financial Statements		
198	Exemptions Pursuant to Section 264, para. 3/Section 264b of the German Commercial Code		
198	Declaration of Conformity with the German Corporate Governance Code		
198	Events after the End of the Reporting Period		

## CONSOLIDATED INCOME STATEMENT

### C.01 CONSOLIDATED INCOME STATEMENT

in EUR m	Note	2016	2015
Sales	1.)	10,498.4	10,346.1
Cost of sales	2.)	–8,129.1	–8,080.1
<b>Gross profit</b>		<b>2,369.3</b>	<b>2,266.0</b>
Selling expenses	3.)	–1,563.8	–1,461.2
Administrative expenses	4.)	–175.9	–166.5
Other operating income	5.)	33.4	45.4
Other operating expenses	6.)	–15.7	–21.9
<b>Operating profit</b>		<b>647.3</b>	<b>661.8</b>
Share of profit or loss of equity-accounted investments		2.8	3.7
Interest income	7.)	2.9	3.3
Interest expense	8.)	–84.4	–74.8
Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	9.)	–2.6	–24.9
Other net finance costs	10.)	–30.3	–19.8
<b>Net finance costs</b>		<b>–111.6</b>	<b>–112.5</b>
<b>Profit before tax</b>		<b>535.7</b>	<b>549.3</b>
Income tax expense	11.)	–174.7	–181.2
<b>Profit after tax</b>		<b>361.0</b>	<b>368.1</b>
Attributable to:			
Shareholders of Brenntag AG		360.3	365.0
Non-controlling interests		0.7	3.1
<b>Basic earnings per share in euro</b>	<b>13.)</b>	<b>2.33</b>	<b>2.36</b>
<b>Diluted earnings per share in euro</b>	<b>13.)</b>	<b>2.33</b>	<b>2.36</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### C.02 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR m	2016	2015
<b>Profit after tax</b>	<b>361.0</b>	<b>368.1</b>
Remeasurements of defined benefit pension plans	-9.7	21.1
Deferred tax relating to remeasurements of defined benefit pension plans	3.9	-6.0
<b>Items that will not be reclassified to profit or loss</b>	<b>-5.8</b>	<b>15.1</b>
Change in exchange rate differences on translation of consolidated companies	60.1	58.6
Change in exchange rate differences on translation of equity-accounted investments	2.7	-3.2
Change in net investment hedge reserve	2.2	-2.2
Change in cash flow hedge reserve	0.7	-2.9
Deferred tax relating to change in cash flow hedge reserve	-0.3	1.2
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>65.4</b>	<b>51.5</b>
<b>Other comprehensive income, net of tax</b>	<b>59.6</b>	<b>66.6</b>
<b>Total comprehensive income</b>	<b>420.6</b>	<b>434.7</b>
Attributable to:		
Shareholders of Brenntag AG	421.3	429.4
Non-controlling interests	-0.7	5.3

## CONSOLIDATED BALANCE SHEET

### ASSETS

in EUR m	Note	Dec. 31, 2016	Dec. 31, 2015
<b>Current assets</b>			
Cash and cash equivalents	14.)	601.9	579.1
Trade receivables	15.)	1,511.2	1,426.5
Other receivables	16.)	145.4	137.0
Other financial assets	17.)	18.6	10.2
Current tax assets		41.8	47.9
Inventories	18.)	962.8	897.1
Non-current assets held for sale		–	1.0
		<b>3,281.7</b>	<b>3,098.8</b>
<b>Non-current assets</b>			
Property, plant and equipment	19.)	1,009.1	971.9
Intangible assets	20.)	2,873.2	2,772.1
Equity-accounted investments	21.)	25.6	22.5
Other receivables	16.)	25.1	21.1
Other financial assets	17.)	14.4	38.4
Deferred tax assets	11.)	57.9	51.4
		<b>4,005.3</b>	<b>3,877.4</b>
<b>Total assets</b>		<b>7,287.0</b>	<b>6,976.2</b>

C.03 CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY

in EUR m	Note	Dec. 31, 2016	Dec. 31, 2015
<b>Current liabilities</b>			
Trade payables	22.)	1,119.4	1,055.5
Financial liabilities	23.)	146.3	160.8
Other liabilities	24.)	376.2	370.5
Other provisions	25.)	36.2	42.1
Liabilities relating to acquisition of non-controlling interests	27.)	–	63.3
Current tax liabilities		36.5	46.7
		<b>1,714.6</b>	<b>1,738.9</b>
<b>Non-current liabilities</b>			
Financial liabilities	23.)	2,137.5	2,094.4
Other liabilities	24.)	2.0	2.6
Other provisions	25.)	121.3	121.1
Provisions for pensions and other post-employment benefits	26.)	160.2	150.9
Liabilities relating to acquisition of non-controlling interests	27.)	5.5	5.4
Deferred tax liabilities	11.)	186.7	172.4
		<b>2,613.2</b>	<b>2,546.8</b>
<b>Equity</b>	28.)		
Subscribed capital		154.5	154.5
Additional paid-in capital		1,491.4	1,491.4
Retained earnings		1,168.5	938.0
Accumulated other comprehensive income		135.1	62.5
<b>Equity attributable to shareholders of Brenntag AG</b>		<b>2,949.5</b>	<b>2,646.4</b>
Equity attributable to non-controlling interests		9.7	44.1
		2,959.2	2,690.5
<b>Total liabilities and equity</b>		<b>7,287.0</b>	<b>6,976.2</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR m	Subscribed capital	Additional paid-in capital	Retained earnings
<b>Dec. 31, 2014</b>	<b>154.5</b>	<b>1,457.1</b>	<b>700.7</b>
Dividends	–	–	–139.1
Capital increase from warrants issued	–	34.3	–
Business combinations	–	–	–
Transactions with owners	–	–	–3.7
Profit after tax	–	–	365.0
Other comprehensive income, net of tax	–	–	15.1
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>380.1</b>
<b>Dec. 31, 2015</b>	<b>154.5</b>	<b>1,491.4</b>	<b>938.0</b>
Dividends	–	–	–154.5
Business combinations	–	–	–
Transactions with owners	–	–	30.5
Profit after tax	–	–	360.3
Other comprehensive income, net of tax	–	–	–5.8
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>354.5</b>
<b>Dec. 31, 2016</b>	<b>154.5</b>	<b>1,491.4</b>	<b>1,168.5</b>

C.04 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Exchange rate differences	Net investment hedge reserve	Cash flow hedge reserve	Deferred taxes relating to cash flow hedge reserve	Equity attributable to shareholders of Brenntag AG	Non-controlling interests	Equity
<b>17.1</b>	<b>-6.4</b>	<b>4.1</b>	<b>-1.6</b>	<b>2,325.5</b>	<b>31.4</b>	<b>2,356.9</b>
-	-	-	-	-139.1	-0.1	-139.2
-	-	-	-	34.3	-	34.3
-	-	-	-	-	7.5	7.5
-	-	-	-	-3.7	-	-3.7
-	-	-	-	365.0	3.1	368.1
53.2	-2.2	-2.9	1.2	64.4	2.2	66.6
<b>53.2</b>	<b>-2.2</b>	<b>-2.9</b>	<b>1.2</b>	<b>429.4</b>	<b>5.3</b>	<b>434.7</b>
<b>70.3</b>	<b>-8.6</b>	<b>1.2</b>	<b>-0.4</b>	<b>2,646.4</b>	<b>44.1</b>	<b>2,690.5</b>
-	-	-	-	-154.5	-	-154.5
-	-	-	-	-	2.6	2.6
5.8	-	-	-	36.3	-36.3	-
-	-	-	-	360.3	0.7	361.0
64.2	2.2	0.7	-0.3	61.0	-1.4	59.6
<b>64.2</b>	<b>2.2</b>	<b>0.7</b>	<b>-0.3</b>	<b>421.3</b>	<b>-0.7</b>	<b>420.6</b>
<b>140.3</b>	<b>-6.4</b>	<b>1.9</b>	<b>-0.7</b>	<b>2,949.5</b>	<b>9.7</b>	<b>2,959.2</b>

## CONSOLIDATED CASH FLOW STATEMENT

### C.05 CONSOLIDATED CASH FLOW STATEMENT

in EUR m	Note	2016	2015
	30.)		
<b>Profit after tax</b>		<b>361.0</b>	<b>368.1</b>
Depreciation and amortization	19.)/20.)	162.7	145.6
Income tax expense	11.)	174.7	181.2
Income taxes paid		–170.6	–174.2
Net interest expense	7.)/8.)	81.5	71.5
Interest paid (netted against interest received)		–67.0	–67.2
Dividends received		2.5	3.1
Changes in provisions		–13.7	–5.9
Changes in current assets and liabilities			
Inventories		–20.0	64.2
Receivables		–44.3	109.2
Liabilities		36.7	–112.8
Non-cash change in liabilities relating to acquisition of non-controlling interests	9.)	2.6	24.9
Other non-cash items and reclassifications		33.8	–14.0
<b>Net cash provided by operating activities</b>		<b>539.9</b>	<b>593.7</b>
Proceeds from the disposal of consolidated subsidiaries and other business units		3.7	–
Proceeds from the disposal of other financial assets		0.3	–
Proceeds from the disposal of intangible assets and property, plant and equipment		5.2	6.0
Payments to acquire consolidated subsidiaries and other business units		–139.6	–500.8
Payments to acquire other financial assets		–0.2	–0.1
Payments to acquire intangible assets and property, plant and equipment		–138.8	–126.7
<b>Net cash used in investing activities</b>		<b>–269.4</b>	<b>–621.6</b>
Proceeds from warrants issued		–	34.3
Dividends paid to Brenntag shareholders		–154.5	–139.1
Profits distributed to non-controlling interests		–1.6	–1.9
Repayments of liabilities relating to acquisition of non-controlling interests		–62.2	–
Proceeds from borrowings		33.3	524.7
Repayments of borrowings		–64.1	–306.0
<b>Net cash used in / provided by financing activities</b>		<b>–249.1</b>	<b>112.0</b>
<b>Change in cash and cash equivalents</b>		<b>21.4</b>	<b>84.1</b>
Effect of exchange rate changes on cash and cash equivalents		1.4	3.1
Cash and cash equivalents at beginning of period	14.)	579.1	491.9
<b>Cash and cash equivalents at end of period</b>	<b>14.)</b>	<b>601.9</b>	<b>579.1</b>

## NOTES

### KEY FINANCIAL FIGURES BY SEGMENT

for the period from January 1 to December 31

#### C.06 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8<sup>1)</sup>

in EUR m		EMEA <sup>5)</sup>	North America	Latin America	Asia Pacific	All other segments	Consolidation	Group
	<b>2016</b>	<b>4,586.1</b>	<b>3,828.8</b>	<b>780.9</b>	<b>1,010.7</b>	<b>291.9</b>	<b>–</b>	<b>10,498.4</b>
External sales	2015	4,654.4	3,600.6	925.8	834.1	331.2	–	10,346.1
	Change in %	–1.5	6.3	–15.7	21.2	–11.9	–	1.5
	fx adjusted change in %	0.6	6.4	–14.0	24.6	–11.9	–	2.9
Inter-segment sales	<b>2016</b>	<b>8.8</b>	<b>12.5</b>	<b>1.5</b>	<b>0.2</b>	<b>0.3</b>	<b>–23.3</b>	<b>–</b>
	2015	9.9	6.2	1.3	–	0.7	–18.1	–
Operating gross profit <sup>2)</sup>	<b>2016</b>	<b>1,064.6</b>	<b>997.5</b>	<b>170.9</b>	<b>182.3</b>	<b>13.4</b>	<b>–</b>	<b>2,428.7</b>
	2015	1,024.2	942.6	201.2	140.0	13.7	–	2,321.7
	Change in %	3.9	5.8	–15.1	30.2	–2.2	–	4.6
	fx adjusted change in %	6.4	5.9	–13.4	33.7	–2.2	–	6.1
Gross profit	<b>2016</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,369.3</b>
	2015	–	–	–	–	–	–	2,266.0
	Change in %	–	–	–	–	–	–	4.6
	fx adjusted change in %	–	–	–	–	–	–	6.0
Operating EBITDA <sup>3)</sup> (segment result)	<b>2016</b>	<b>362.3</b>	<b>357.3</b>	<b>45.9</b>	<b>66.7</b>	<b>–22.2</b>	<b>–</b>	<b>810.0</b>
	2015	353.0	365.6	64.7	50.3	–26.2	–	807.4
	Change in %	2.6	–2.3	–29.1	32.6	–15.3	–	0.3
	fx adjusted change in %	5.6	–2.2	–27.6	35.8	–15.3	–	1.9
Operating EBITDA <sup>3)/</sup> operating gross profit <sup>2)</sup>	<b>2016 in %</b>	<b>34.0</b>	<b>35.8</b>	<b>26.9</b>	<b>36.6</b>	<b>–165.7</b>	<b>–</b>	<b>33.4</b>
	2015 in %	34.5	38.8	32.2	35.9	–191.2	–	34.8
Investments in non-current assets (capex) <sup>4)</sup>	<b>2016</b>	<b>75.0</b>	<b>45.5</b>	<b>12.3</b>	<b>8.1</b>	<b>0.2</b>	<b>–</b>	<b>141.1</b>
	2015	59.0	52.0	12.3	6.1	0.7	–	130.1

<sup>1)</sup> For further information on segment reporting in accordance with IFRS 8, see Note 30).

<sup>2)</sup> External sales less cost of materials.

<sup>3)</sup> 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.

<sup>4)</sup> Investments in non-current assets are the other additions to property, plant and equipment and intangible assets.

<sup>5)</sup> Europe, Middle East & Africa.

## GROUP KEY FINANCIAL FIGURES

### C.07 FREE CASH FLOW

in EUR m	2016	2015
<b>Operating EBITDA</b>	<b>810.0</b>	<b>807.4</b>
Investments in non-current assets (capex) <sup>1)</sup>	-141.1	-130.1
Change in working capital <sup>2)3)</sup>	-27.5	87.0
<b>Free cash flow</b>	<b>641.4</b>	<b>764.3</b>

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

<sup>2)</sup> Definition of working capital: trade receivables plus inventories less trade payables.

<sup>3)</sup> Adjusted for exchange rate effects and acquisitions.

### C.08 RECONCILIATION OF OPERATING EBITDA TO PROFIT BEFORE TAX

in EUR m	2016	2015
<b>Operating EBITDA (segment result)<sup>1)2)</sup></b>	<b>810.0</b>	<b>807.4</b>
Depreciation of property, plant and equipment	-114.5	-108.7
Impairment of property, plant and equipment	-1.0	-
<b>EBITA</b>	<b>694.5</b>	<b>698.7</b>
Amortization of intangible assets <sup>3)</sup>	-47.2	-36.9
Impairment of intangible assets	-	-
<b>EBIT</b>	<b>647.3</b>	<b>661.8</b>
Net finance costs	-111.6	-112.5
<b>Profit before tax</b>	<b>535.7</b>	<b>549.3</b>

<sup>1)</sup> At Group level, operating EBITDA corresponds to EBITDA.

<sup>2)</sup> Operating EBITDA of the reportable segments (EMEA, North America, Latin America and Asia Pacific) amounts to EUR 832.2 million (2015: EUR 833.6 million) and operating EBITDA of all other segments to EUR -22.2 million (2015: EUR -26.2 million).

<sup>3)</sup> For the period from January 1 to December 31, 2016, this figure includes amortization of customer relationships in the amount of EUR 35.9 million (2015: EUR 27.7 million).

## C.09 DETERMINATION OF ROCE

in EUR m	2016	2015
EBITA	694.5	698.7
Average carrying amount of equity	2,753.8	2,534.6
Average carrying amount of financial liabilities	2,238.3	1,961.8
Average carrying amount of cash and cash equivalents	-566.3	-460.9
<b>ROCE<sup>1)</sup></b>	<b>15.7%</b>	<b>17.3%</b>

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

## C.10 RECONCILIATION OF OPERATING GROSS PROFIT TO GROSS PROFIT

in EUR m	2016	2015
<b>Operating gross profit</b>	<b>2,428.7</b>	<b>2,321.7</b>
Production/mixing & blending costs	-59.4	-55.7
<b>Gross profit</b>	<b>2,369.3</b>	<b>2,266.0</b>

## GENERAL INFORMATION

As one of the world's leading chemical distributors with more than 550 locations, Brenntag<sup>1)</sup> offers its customers and suppliers an extensive range of services, global supply chain management and a highly developed chemical distribution network in EMEA, North and Latin America as well as in the Asia Pacific region.

These consolidated financial statements of Brenntag AG were prepared by the Board of Management of Brenntag AG on February 28, 2017, authorized for publication and submitted to the Supervisory Board for approval at its meeting on March 3, 2017.

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

<sup>1)</sup> Brenntag AG, Stinnes-Platz 1, 45472 Mülheim an der Ruhr

## CONSOLIDATION POLICIES AND METHODS

### STANDARDS APPLIED

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

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

The accounting methods applied comply with all the standards and interpretations existing and adopted by the EU as at December 31, 2016 whose application is mandatory. In addition, the German commercial law provisions to be applied in accordance with Section 315a, para. 1 of the German Commercial Code were taken into account.

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

- Amendments to IAS 19 (Employee Benefits) 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

The amendments to IAS 19 (Employee Benefits) provide 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.

The following (in some cases revised) standards and interpretations had been published by the end of 2016, but their adoption is not yet mandatory. They will probably only be applied in Brenntag's consolidated financial statements when their adoption is mandatory and if they are endorsed by the European Union.

Probable first-time adoption in 2017:

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

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



Probable first-time adoption in 2018:

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

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

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

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

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

Brenntag is currently examining the effects of IFRS 15 (Revenue from Contracts with Customers) and IFRS 9 (Financial Instruments) and will complete this examination in the course of financial year 2017. In examining the effects of IFRS 15, the subsidiaries' different revenue streams are being identified and analyzed using a questionnaire spanning the five-step model. Due to our business model (chemical distribution), most of our performance obligations are satisfied at a point in time. In particular, this gives rise to questions regarding the timing of recognition of revenue from services upstream and downstream of chemical distribution. At present, however, it is not yet possible to make a sufficiently reliable assessment of the effects of the new standard on the presentation of the Group's net assets,

financial position and results of operations. As the quantitative effects are still being investigated, it is also not yet possible to comment on the nature of the retrospective disclosures for financial year 2017 on initial application in financial year 2018. Provided that the initial application of IFRS 15 has only an insignificant effect, Brenntag will probably apply the modified retrospective method, under which prior-year figures are not adjusted. Any effects after the reporting date will be recognized directly in equity at January 1, 2018. In examining the effects of IFRS 9, the new rules on the recognition of impairment losses on trade receivables are being given particular attention. At present, however, it is not yet possible to comment on the quantitative effects.

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

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

Probable first-time adoption in 2019:

○ IFRS 16 (Leases)

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

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

In financial year 2016, rental and lease expenses for operating leases amounted to a total of EUR 128.9 million. Application of the new IFRS 16 will result in an improvement in operating EBITDA and also in an increase in depreciation and interest expense. The right-of-use assets and lease liabilities required to be recognized in the balance sheet result in an increase in total assets and liabilities. However, the effects of the new rules on the presentation of the Group's net assets, financial position and results of operations cannot yet be quantified exactly.

## SCOPE OF CONSOLIDATION

As at December 31, 2016, the consolidated financial statements include Brenntag AG and in addition 31 (Dec. 31, 2015: 27) domestic and 191 (Dec. 31, 2015: 194) foreign consolidated subsidiaries including structured entities.

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

### C.11 CHANGES IN SCOPE OF CONSOLIDATION

	Dec. 31, 2015	Additions	Disposals	Dec. 31, 2016
Domestic consolidated companies	28	4	–	32
Foreign consolidated companies	194	6	9	191
<b>Total consolidated companies</b>	<b>222</b>	<b>10</b>	<b>9</b>	<b>223</b>

The additions relate to entities acquired in business combinations under IFRS 3 and the establishment of one entity.

The disposals result from mergers and from the liquidation of companies no longer operating.

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

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

Existing regulatory restrictions in Venezuela limit the ability of our Venezuelan subsidiary to distribute dividends and to make certain other payments to Brenntag Group companies. These currency transfer restrictions affected net assets totalling approximately EUR 4 million as at December 31, 2016 (Dec. 31, 2015: approximately EUR 31 million), of which EUR 1.3 million as at December 31, 2016 related to cash and cash equivalents (Dec. 31, 2015: EUR 14.1 million).

In the case of five (Dec. 31, 2015: three) subsidiaries where Brenntag does not hold the majority of the voting rights, it nevertheless exercises its power to direct the relevant activities. The structured entities individually listed in the List of Shareholdings in accordance with Section 313, para. 2 of the German Commercial Code (HGB) are a leasing company, a logistics company and three sales companies.

### BUSINESS COMBINATIONS IN ACCORDANCE WITH IFRS 3

In early February 2016, 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 2016, 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 2016, Brenntag additionally acquired 100% of the shares in specialty chemical distributor Plastichem Pty. Ltd. based in Kempton Park, South Africa. Plastichem Pty. Ltd. 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 2016, Brenntag acquired all shares in South Korean specialty chemical distributor Whanee Corporation. Based in Gyeonggi-do near Seoul, the company mainly serves the South Korean food and beverages industry. The acquisition gives Brenntag access to the attractive national specialty chemical market.

In North America, we expanded our lubricants business by acquiring the business of Mayes County Petroleum Products, Inc. (MCP) in October 2016 and the business of NOCO Inc. in November 2016. These acquisitions are a valuable addition to J.A.M. and G.H. Berlin-Windward, which we acquired in 2015.

In November 2016, Brenntag acquired WARREN CHEM SPECIALITIES (PTY) LTD based in Cape Town, South Africa. Specialty chemical distributor Warren Chem focuses on the pharmaceuticals and food industries in South Africa.

In December 2016, Brenntag acquired the distribution business of EPChem Group in Singapore. Focusing on wax and wax products, EPChem distributes specialty chemicals for various sectors of industry and applications, primarily in the Asia Pacific region.

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

**C.12 NET ASSETS ACQUIRED IN 2016**

in EUR m	Provisional fair value
<b>Purchase price</b>	<b>153.3</b>
of which consideration contingent on earnings targets	8.7
<b>Assets</b>	
Cash and cash equivalents	5.3
Trade receivables, other financial assets and other receivables	38.0
Other current assets	39.7
Non-current assets	44.2
<b>Liabilities</b>	
Current liabilities	23.3
Non-current liabilities	7.1
<b>Net assets</b>	<b>96.8</b>
of which Brenntag's share	96.8
<b>Goodwill</b>	<b>56.5</b>
of which deductible for tax purposes	14.7

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

Acquisition-related costs in the amount of EUR 2.3 million were recognized under other operating expenses.

Carrying amounts and annual amortization of the intangible assets contained in non-current assets, in each case at the exchange rate at the acquisition date, break down as follows:

### C.13 INTANGIBLE ASSETS ACQUIRED

in EUR m	Provisional fair value
<b>Customer relationships and similar rights</b>	
Carrying amount	33.7
Annual amortization	8.9
<b>Software, licences and similar rights</b>	
Carrying amount	0.4
Annual amortization	0.1

Since their acquisition by Brenntag, the business units acquired in 2016 have generated the following sales and the following profit after tax:

### C.14 SALES AND PROFIT AFTER TAX OF THE BUSINESSES ACQUIRED SINCE ACQUISITION

in EUR m	2016
Sales	85.3
Profit after tax	5.1

If the above-mentioned business combinations had taken place with effect from January 1, 2016, sales of about EUR 10,795 million would have been reported for the Brenntag Group in the reporting period. Profit after tax would have been about EUR 368 million.

The measurement of the assets and liabilities of J.A.M. Parent Company, LLC and related entities (J.A.M.), based in Houston, Texas, USA, BWE, LLC and related entities (G.H. Berlin-Windward) based in East Hartford, Connecticut, USA, TAT Petroleum Pte Ltd and related entities (TAT Group), based in Singapore, Republic of Singapore, and the other entities acquired in 2015 has been completed.

The purchase prices, net assets acquired and goodwill were adjusted as follows in the measurement period:

**C.15 NET ASSETS ACQUIRED IN 2015 (J.A.M. AND G.H. BERLIN-WINDWARD)**

Business combination in EUR m	J.A.M.			G.H. Berlin-Windward		
	Provisional fair value	Adjust- ments	Final fair value	Provisional fair value	Adjust- ments	Final fair value
<b>Purchase price</b>	<b>228.4</b>	<b>-0.2</b>	<b>228.2</b>	<b>166.1</b>	<b>4.6</b>	<b>170.7</b>
of which consideration contingent on earnings targets	-	-	-	-	-	-
<b>Assets</b>						
Cash and cash equivalents	5.1	3.8	8.9	2.7	-	2.7
Trade receivables, other financial assets and other receivables	25.5	1.9	27.4	11.4	0.8	12.2
Other current assets	17.0	-1.4	15.6	13.5	0.5	14.0
Non-current assets	57.4	6.0	63.4	27.1	6.3	33.4
<b>Liabilities</b>						
Current liabilities	14.6	6.4	21.0	34.2	-2.9	31.3
Non-current liabilities	10.1	1.3	11.4	2.8	-2.1	0.7
Contingent liabilities	-	-	-	-	-	-
<b>Net assets</b>	<b>80.3</b>	<b>2.6</b>	<b>82.9</b>	<b>17.7</b>	<b>12.6</b>	<b>30.3</b>
of which Brenntag's share	73.7	0.5	74.2	17.7	12.6	30.3
<b>Goodwill</b>	<b>154.7</b>	<b>-0.7</b>	<b>154.0</b>	<b>148.4</b>	<b>-8.0</b>	<b>140.4</b>
of which deductible for tax purposes	-	-	-	148.4	-8.0	140.4

C.16 NET ASSETS ACQUIRED IN 2015 (TAT GROUP AND OTHER BUSINESS COMBINATIONS)

Business combination	TAT Group			Other		
in EUR m	Provisional fair value	Adjustments	Final fair value	Provisional fair value	Adjustments	Final fair value
<b>Purchase price</b>	<b>65.4</b>	<b>5.1</b>	<b>70.5</b>	<b>72.4</b>	<b>–</b>	<b>72.4</b>
of which consideration contingent on earnings targets	–	–	–	1.2	–	1.2
<b>Assets</b>						
Cash and cash equivalents	20.8	0.2	21.0	11.4	–	11.4
Trade receivables, other financial assets and other receivables	29.0	–2.2	26.8	27.3	–	27.3
Other current assets	17.7	1.6	19.3	15.6	–0.3	15.3
Non-current assets	18.8	3.1	21.9	22.8	0.2	23.0
<b>Liabilities</b>						
Current liabilities	49.6	0.3	49.9	26.4	–	26.4
Non-current liabilities	2.5	–0.2	2.3	8.5	0.1	8.6
Contingent liabilities	0.6	–	0.6	–	–	–
<b>Net assets</b>	<b>33.6</b>	<b>2.6</b>	<b>36.2</b>	<b>42.2</b>	<b>–0.2</b>	<b>42.0</b>
of which Brenntag's share	33.6	2.1	35.7	41.3	–0.2	41.1
<b>Goodwill</b>	<b>31.8</b>	<b>3.0</b>	<b>34.8</b>	<b>31.1</b>	<b>0.2</b>	<b>31.3</b>
of which deductible for tax purposes	–	–	–	–	–	–

Goodwill from the business combinations carried out in 2015 and 2016 therefore changed as follows overall:

C.17 CHANGES IN GOODWILL

in EUR m	J.A.M.	G.H. Berlin-Windward	TAT Group	Other	Goodwill
<b>Dec. 31, 2015</b>	<b>155.6</b>	<b>149.1</b>	<b>31.8</b>	<b>19.4</b>	<b>355.9</b>
Exchange rate differences	5.0	4.6	0.4	0.3	10.3
Business combinations in 2016	–	–	–	56.5	56.5
Adjustments in the measurement period	–0.7	–8.0	3.0	0.2	–5.5
<b>Dec. 31, 2016</b>	<b>159.9</b>	<b>145.7</b>	<b>35.2</b>	<b>76.4</b>	<b>417.2</b>



The net cash outflow in 2016 resulting from business combinations has been determined as follows:

**C.18 RECONCILIATION OF ACQUISITION COSTS TO PAYMENTS  
TO ACQUIRE CONSOLIDATED SUBSIDIARIES AND OTHER BUSINESS UNITS**

in EUR m	
<b>Purchase price</b>	<b>153.3</b>
Less purchase price components not yet paid	19.2
Less cash and cash equivalents acquired	5.3
Plus subsequent purchase price payments for business combinations from prior years	10.8
<b>Payments to acquire consolidated subsidiaries and other business units</b>	<b>139.6</b>

**CONSOLIDATION METHODS**

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

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

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

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

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

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

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

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

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

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

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

## CURRENCY TRANSLATION

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

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

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

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

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

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

The euro exchange rates of major currencies changed as follows:

#### C.19 EXCHANGE RATES OF MAJOR CURRENCIES

	Closing rate		Average rate	
	Dec. 31, 2016	Dec. 31, 2015	2016	2015
EUR 1 = currencies				
Canadian dollar (CAD)	1.4188	1.5116	1.4659	1.4186
Swiss franc (CHF)	1.0739	1.0835	1.0902	1.0679
Chinese yuan renminbi (CNY)	7.3202	7.0608	7.3522	6.9733
Danish krone (DKK)	7.4344	7.4626	7.4452	7.4587
Pound sterling (GBP)	0.8562	0.7340	0.8195	0.7258
Polish zloty (PLN)	4.4103	4.2639	4.3632	4.1841
Swedish krona (SEK)	9.5525	9.1895	9.4689	9.3535
US dollar (USD)	1.0541	1.0887	1.1069	1.1095

## ACCOUNTING AND MEASUREMENT POLICIES

### REVENUE RECOGNITION

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

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

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

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

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

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

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

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

## CASH AND CASH EQUIVALENTS

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

## TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER FINANCIAL ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

## INVENTORIES

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

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

## PROPERTY, PLANT AND EQUIPMENT

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

Acquisition costs include all expenditure directly attributable to the acquisition.

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

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

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

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

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

Assets are depreciated over the following useful lives:

### C.20 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

## INTANGIBLE ASSETS

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

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

Separately acquired intangible assets are carried at cost.

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

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

### C.21 USEFUL LIVES OF INTANGIBLE ASSETS

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

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

## IMPAIRMENT TESTING OF NON-CURRENT NON-FINANCIAL ASSETS

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

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

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

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

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

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

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

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

## OTHER PROVISIONS

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

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

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

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



## PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

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

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

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

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

Life expectancy is determined using the latest mortality tables.

The pension costs are made up of the three components:

### C.22 PENSION COST COMPONENTS

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

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

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

## TRADE PAYABLES, FINANCIAL LIABILITIES AND OTHER LIABILITIES

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

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

Finance lease liabilities are stated at their amortized cost.

## DEFERRED TAXES AND CURRENT INCOME TAXES

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

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

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

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

Deferred taxes for domestic companies are calculated on the basis of the combined income tax rate of the German consolidated tax group of Brenntag AG of 32% (2015: 32%) for corporate income tax, solidarity surcharge and trade income tax, and for foreign companies, at local tax rates. These are tax rates which can be expected to apply on the basis of laws in the different countries that have been enacted or substantially enacted at the reporting date.

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

### **BOND WITH WARRANT UNITS**

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

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

The warrants constitute equity as they entitle the holder to acquire a fixed number of Brenntag shares at a specified strike price. Upon issue, they were therefore taken directly to additional paid-in capital and recognized at fair value (warrant premium), including transaction costs. There will be no subsequent measurement.

### **NET INVESTMENT HEDGES**

When a net investment in a foreign operation is hedged (net investment hedge), exchange rate-related changes in liabilities included in net investment hedge accounting, calculated on the effective portion, are recognized within equity in the net investment hedge reserve. In the event of the sale of part or all of the foreign operation, the amount previously presented in the net investment hedge reserve is recognized in profit or loss.

### **CASH FLOW HEDGES**

The hedge-effective portion of changes in the fair value of derivative financial instruments included in cash flow hedge accounting is recognized within equity in the cash flow hedge reserve. Gains or losses from the effective portion of these derivatives are only reclassified to the income statement when the underlying hedged item is recognized in profit or loss. If the cash flows from a hedged item are no longer expected, the accumulated gains or losses recognized in equity are reclassified to profit or loss immediately. Ineffective portions of hedge accounting are recognized in profit or loss immediately.

### **ASSUMPTIONS AND ESTIMATES**

Preparation of the consolidated financial statements requires the use of assumptions and estimates which may affect the amount and presentation of assets and liabilities and income and expenses. These assumptions and estimates mainly relate to the calculation and discounting of cash flows when impairment tests are performed, the probability of occurrence as well as interest rates and other measurement parameters used to measure provisions, particularly for environmental risks and defined benefit pension obligations. Furthermore, assumptions are made as to the realization of future tax benefits from loss carryforwards and to the useful lives of intangible assets and property, plant and equipment.

If the WACC (weighted average cost of capital after taxes) taken as a basis for goodwill impairment testing had been one percentage point higher, no impairment would have arisen as in the previous year. A 10% lower free cash flow, with all other conditions remaining the same, would, as in 2015, also not have led to an impairment. A 20% lower growth rate over the entire planning period, with all other conditions remaining the same, would, as in 2015, also not have led to any impairment.

If the discount rates used to determine the environmental provisions had been one percentage point higher or lower and all other conditions had remained the same, the provision would have decreased by EUR 5.6 million (Dec. 31, 2015: EUR 5.2 million) or increased by EUR 6.3 million (Dec. 31, 2015: EUR 5.9 million), respectively.

Sensitivity analyses of defined benefit pension obligations are described in the section “Provisions for Pensions and Other Post-employment Benefits”.

The actual amounts may differ from the assumptions and estimates in individual cases. Adjustments are recognized when estimates are revised.

## CASH FLOW STATEMENT

The cash flow statement classifies cash flows by operating, investing and financing activities. The cash provided by operating activities is determined using the indirect method on the basis of the profit/loss after tax. Interest payments made and received, tax payments and dividends received are presented as components of cash provided by operating activities. The effects of acquisitions of consolidated subsidiaries and other business units as defined by IFRS 3 (Business Combinations) are eliminated from the individual items of the cash flow statement and combined under cash flow from investing activities. Repayments of finance lease liabilities are presented as cash used in financing activities. Cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents in the balance sheet. The effect of exchange rate changes on cash and cash equivalents is shown separately.

## SEGMENT REPORTING

Segment reporting under IFRS 8 (Operating Segments) is based on the management approach. Reporting is based on the internal control and reporting information used by the top management to assess segment performance and allocate resources.

## CONSOLIDATED INCOME STATEMENT DISCLOSURES

### 1.) SALES

The sales of EUR 10,498.4 million (2015: EUR 10,346.1 million) mainly relate to the sale of goods. Sales of EUR 1.3 million (2015: EUR 0.8 million) were generated with related parties.

### 2.) COST OF SALES

Cost of sales includes cost of materials and other operating expenses attributable to this line item. Cost of materials amounts to EUR 8,069.7 million (2015: EUR 8,024.4 million). Cost of sales also includes a net expense in the amount of EUR 4.3 million (2015: EUR 4.3 million) from valuation allowances and reversals of valuation allowances on inventories.

### 3.) SELLING EXPENSES

Selling expenses include all direct selling and distribution costs as well as respective overheads incurred in the reporting period and attributable directly or proportionately to this line item.

Rental and lease expenses for operating leases total EUR 128.9 million (2015: EUR 118.1 million), of which EUR 0.5 million (2015: EUR 0.6 million) are for contingent rents. They are mainly presented under selling expenses.

### 4.) ADMINISTRATIVE EXPENSES

Administrative expenses contain all costs of a general administrative nature provided they are not attributable to other functions.

### 5.) OTHER OPERATING INCOME

#### C.23 OTHER OPERATING INCOME

in EUR m	2016	2015
Income from the disposal of non-current assets	2.7	4.5
Income from the reversal of liabilities and provisions no longer required	12.9	10.6
Income from receivables derecognized in prior periods	0.2	0.2
Miscellaneous operating income	17.6	30.1
<b>Total</b>	<b>33.4</b>	<b>45.4</b>

## 6.) OTHER OPERATING EXPENSES

### C.24 OTHER OPERATING EXPENSES

in EUR m	2016	2015
Valuation allowances on trade receivables	-6.4	-10.2
Valuation allowances on other receivables	-0.3	-
Income from the reversal of valuation allowances on trade receivables	2.3	4.8
Income from the reversal of valuation allowances on other receivables	-	0.1
Losses on the disposal of non-current assets	-1.5	-0.6
Miscellaneous operating expenses	-9.8	-16.0
<b>Total</b>	<b>-15.7</b>	<b>-21.9</b>

## 7.) INTEREST INCOME

Interest income in the amount of EUR 2.9 million (2015: EUR 3.3 million) is interest income from third parties.

## 8.) INTEREST EXPENSE

### C.25 INTEREST EXPENSE

in EUR m	2016	2015
Interest expense on liabilities to third parties	-76.4	-65.4
Expense from the fair value measurement of interest rate swaps	-2.2	-3.3
Net interest expense on defined benefit pension plans	-3.4	-3.4
Interest expense on other provisions	-1.8	-1.8
Interest expense on finance leases	-0.6	-0.9
<b>Total</b>	<b>-84.4</b>	<b>-74.8</b>

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

**C.26 CHANGE IN LIABILITIES RELATING TO ACQUISITION  
OF NON-CONTROLLING INTERESTS RECOGNIZED IN PROFIT OR LOSS**

in EUR m	2016	2015
Unwinding of discounting of liabilities relating to acquisition of non-controlling interests	-1.4	-7.5
Final purchase price adjustment for the acquisition of Zhong Yung	0.4	-15.9
Change in liabilities recognized in profit or loss arising from limited partners' rights to repayment of contributions	-1.6	-1.5
<b>Total</b>	<b>-2.6</b>	<b>-24.9</b>

For further information, please refer to Note 27.).

**10.) OTHER NET FINANCE COSTS**

**C.27 OTHER NET FINANCE COSTS**

in EUR m	2016	2015
Exchange rate loss/gain on foreign currency receivables and liabilities	-54.6	3.1
Exchange rate gain/loss on foreign currency derivatives	23.2	-24.5
Miscellaneous other net finance costs	1.1	1.6
<b>Total</b>	<b>-30.3</b>	<b>-19.8</b>

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.

## 11.) INCOME TAX EXPENSE

### C.28 INCOME TAX EXPENSE

in EUR m	2016	2015
Current income taxes	-168.0	-159.9
Deferred taxes	-6.7	-21.3
(thereof for temporary differences)	(-5.7)	(-18.1)
(thereof for tax loss carryforwards)	(-1.0)	(-3.2)
<b>Total</b>	<b>-174.7</b>	<b>-181.2</b>

The effective tax expense of EUR 174.7 million (2015: EUR 181.2 million) differs by EUR 3.3 million (2015: EUR 5.4 million) from the expected tax expense of EUR 171.4 million (2015: EUR 175.8 million). The expected tax expense results from applying the Group tax rate of 32% (2015: 32%) to profit before tax.

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

### C.29 TAX RATE RECONCILIATION

in EUR m	2016	2015
Profit before tax	535.7	549.3
<b>Expected income tax expense (32%, 2015: 32%)</b>	<b>-171.4</b>	<b>-175.8</b>
Difference due to tax base	1.3	7.9
Effect of different tax rates arising on the inclusion of foreign and domestic subsidiaries	10.5	3.7
Changes in valuation allowances on deferred tax assets/losses for which deferred taxes are not recognized/utilization of loss carryforwards	3.7	-6.8
Changes in the tax rate and tax laws	0.8	0.1
Expenses not deductible for tax purposes	-24.6	-14.0
Tax-free income	2.7	1.5
Share of profit or loss of equity-accounted investments	0.7	1.0
Prior-period tax expense	5.2	11.8
Deferred taxes for temporary differences from investments in subsidiaries	-0.6	-0.8
Changes in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	-0.5	-6.3
Other effects	-2.5	-3.5
<b>Effective tax expense</b>	<b>-174.7</b>	<b>-181.2</b>



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

### C.30 DEFERRED TAX ASSETS AND LIABILITIES

in EUR m	Dec. 31, 2016		Dec. 31, 2015	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
<b>Current assets</b>				
Cash and cash equivalents and financial assets	7.5	5.6	7.1	6.3
Inventories	13.0	0.6	10.8	0.9
<b>Non-current assets</b>				
Property, plant and equipment	13.3	87.3	15.1	89.6
Intangible assets	23.0	181.1	18.1	164.4
Financial assets	9.6	4.0	11.6	4.7
<b>Current liabilities</b>				
Other provisions	5.0	1.1	5.5	0.3
Liabilities	30.0	5.1	27.4	2.0
<b>Non-current liabilities</b>				
Provisions for pensions	33.4	8.3	29.9	6.7
Other provisions	21.1	4.9	22.7	0.9
Liabilities	13.5	2.7	13.2	7.0
Special tax-allowable reserves	–	3.6	–	3.9
Loss carryforwards	61.8	–	71.7	–
Valuation allowances on loss carryforwards	–46.7	–	–55.7	–
Valuation allowances on balance sheet items	–1.9	–	–5.1	–
Consolidation items	–	7.1	–	6.6
Offsetting	–124.7	–124.7	–120.9	–120.9
<b>Deferred taxes</b>	<b>57.9</b>	<b>186.7</b>	<b>51.4</b>	<b>172.4</b>
<b>Deferred tax liabilities (net)</b>		<b>128.8</b>		<b>121.0</b>

Deferred tax assets and liabilities and their recovery periods are as follows:

### C.31 DEFERRED TAX BY MATURITY

in EUR m	Dec. 31, 2016	Dec. 31, 2015
Deferred tax assets to be recovered after more than 12 months	12.1	11.9
Deferred tax assets to be recovered within 12 months	45.8	39.5
<b>Deferred tax assets</b>	<b>57.9</b>	<b>51.4</b>
Deferred tax liabilities to be recovered after more than 12 months	181.1	168.7
Deferred tax liabilities to be recovered within 12 months	5.6	3.7
<b>Deferred tax liabilities</b>	<b>186.7</b>	<b>172.4</b>
<b>Deferred tax liabilities (net)</b>	<b>128.8</b>	<b>121.0</b>

Deferred tax liabilities (net) changed as follows:

### C.32 CHANGE IN DEFERRED TAX LIABILITIES (NET)

in EUR m	2016	2015
<b>Deferred tax liabilities (net) at Jan. 1</b>	<b>121.0</b>	<b>80.1</b>
Exchange rate differences	1.3	1.2
Income/expense in profit and loss	6.7	21.3
Income taxes recognized in other comprehensive income	-4.0	4.8
Business combinations	3.8	13.6
<b>Deferred tax liabilities (net) at Dec. 31</b>	<b>128.8</b>	<b>121.0</b>

The existing tax loss carryforwards can be utilized as follows:

### C.33 TAX LOSS CARRYFORWARDS

in EUR m	Dec. 31, 2016		Dec. 31, 2015	
	Loss carry-forwards	thereof loss carryforwards for which deferred taxes are not recognized	Loss carry-forwards	thereof loss carryforwards for which deferred taxes are not recognized
Within one year	3.6	(2.1)	3.2	(2.4)
2 to 5 years	17.8	(13.9)	17.3	(13.3)
6 to 9 years	9.6	(8.9)	9.6	(9.6)
More than 9 years	288.3	(278.3)	282.4	(270.6)
Unlimited	158.4	(118.0)	171.5	(130.9)
<b>Total</b>	<b>477.7</b>	<b>(421.2)</b>	<b>484.0</b>	<b>(426.8)</b>

Deferred tax on loss carryforwards is measured based on the expected taxable income derived from the current mid-term planning, allowing for restrictions on loss carryforwards and their utilization (minimum taxation).

Deferred taxes of EUR 15.1 million (Dec. 31, 2015: EUR 16.0 million) were recognized for loss carryforwards of EUR 56.5 million (Dec. 31, 2015: EUR 57.2 million) which are likely to be utilized. These include loss carryforwards of US subsidiaries for state taxes totalling EUR 10.0 million (tax rate between 5% and 7%) (Dec. 31, 2015: EUR 11.8 million).

No deferred taxes were recognized for loss carryforwards of EUR 421.2 million (Dec. 31, 2015: EUR 426.8 million) which are not likely to be utilized. This figure includes domestic corporation tax and trade tax loss carryforwards totalling EUR 93.4 million (Dec. 31, 2015: EUR 93.3 million) as well as loss carryforwards totalling EUR 278.3 million (Dec. 31, 2015: EUR 270.6 million) of US subsidiaries for state taxes (tax rate between 5% and 7%).

Temporary differences in connection with investments in subsidiaries for which no deferred tax liabilities were recognized amount to EUR 449.2 million (Dec. 31, 2015: EUR 457.8 million).

## 12.) PERSONNEL EXPENSES/EMPLOYEES

Personnel expenses amount to EUR 913.0 million in total (2015: EUR 853.0 million). This line item includes wages and salaries totalling EUR 731.4 million (2015: EUR 679.5 million) as well as social insurance contributions of EUR 181.6 million (2015: EUR 173.5 million), of which pension expenses (including employer contributions to the statutory pension insurance fund) account for EUR 52.7 million (2015: EUR 53.4 million). Net interest expense from defined benefit plans is not included in personnel expenses but presented within net finance costs under interest expense. Personnel expenses for the share-based remuneration programmes on the basis of virtual shares amount to EUR 1.9 million (2015: EUR 3.1 million).

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

### C.34 EMPLOYEES BY SEGMENT

	2016	2015
EMEA	6,814	6,655
North America	4,501	4,196
Latin America	1,501	1,513
Asia Pacific	1,877	1,679
All other segments	139	133
<b>Total</b>	<b>14,832</b>	<b>14,176</b>

As at December 31, 2016, the Brenntag Group had a workforce of 15,072 (Dec. 31, 2015: 14,707). Of this figure, 1,596 (Dec. 31, 2015: 1,455) were employed in Germany.

## 13.) EARNINGS PER SHARE

Earnings per share in the amount of EUR 2.33 (2015: EUR 2.36) are determined by dividing the share of profit after tax of EUR 360.3 million (2015: EUR 365.0 million) attributable to the shareholders of Brenntag AG by the number of shares (154.5 million).

In November 2015, Brenntag issued a bond with warrant units, the warrants of which entitle holders to purchase Brenntag shares. The warrants had no diluting effect as the average Brenntag share price is lower than the strike price of the warrants of EUR 72.8486. The diluted earnings per share are therefore the basic earnings per share.

## CONSOLIDATED BALANCE SHEET DISCLOSURES

### 14.) CASH AND CASH EQUIVALENTS

#### C.35 CASH AND CASH EQUIVALENTS

in EUR m	Dec. 31, 2016	Dec. 31, 2015
Bank deposits	589.5	566.0
Cheques and cash on hand	12.4	13.1
<b>Total</b>	<b>601.9</b>	<b>579.1</b>

### 15.) TRADE RECEIVABLES

#### C.36 TRADE RECEIVABLES

in EUR m	Dec. 31, 2016	Dec. 31, 2015
Trade receivables from third parties	1,510.7	1,426.4
Trade receivables from related parties	0.5	0.1
<b>Total</b>	<b>1,511.2</b>	<b>1,426.5</b>

Trade receivables past due but not impaired at the reporting date were past due within the following buckets:

#### C.37 MATURITY OF TRADE RECEIVABLES PAST DUE BUT NOT IMPAIRED

in EUR m	Dec. 31, 2016	Dec. 31, 2015
1 to 30 days	185.4	197.3
31 to 60 days	33.6	38.9
61 to 90 days	11.3	14.8
91 to 180 days	6.2	8.1
more than 180 days	1.0	6.4
<b>Receivables past due but not impaired</b>	<b>237.5</b>	<b>265.5</b>
Receivables neither past due nor impaired	1,268.4	1,158.8
Gross carrying amount of receivables impaired	38.2	39.9
<b>Gross carrying amount of trade receivables</b>	<b>1,544.1</b>	<b>1,464.2</b>

Of the trade receivables, EUR 551.1 million (Dec. 31, 2015: EUR 603.3 million) are secured by trade credit insurance.

In the EMEA segment, most of the trade receivables are secured by trade credit insurance. In the Latin America and Asia Pacific segments, there is trade credit insurance for most of the receivables in certain countries. In the North America segment as well as in some countries in the EMEA, Latin America and Asia Pacific segments, there is no trade credit insurance.

Impairment losses on trade receivables changed as follows:

### C.38 CHANGE IN IMPAIRMENT LOSSES ON TRADE RECEIVABLES

in EUR m	Accumulated impairment losses on trade receivables	
	2016	2015
<b>Jan. 1</b>	<b>37.7</b>	<b>35.2</b>
Exchange rate differences	–	0.7
Added	6.4	10.2
Reversed	–2.3	–4.8
Utilized	–8.9	–3.6
<b>Dec. 31</b>	<b>32.9</b>	<b>37.7</b>

## 16.) OTHER RECEIVABLES

### C.39 OTHER RECEIVABLES

in EUR m	Dec. 31, 2016		Dec. 31, 2015	
		thereof current		thereof current
Value-added tax receivables	35.4	(35.4)	34.8	(34.8)
Receivables from packaging	12.0	(12.0)	13.2	(13.2)
Reimbursement claims – environment	3.2	(–)	3.2	(–)
Suppliers with debit balances	6.6	(6.6)	5.2	(5.2)
Receivables from insurance claims	2.7	(2.7)	5.7	(5.7)
Deposits	3.9	(3.9)	3.5	(3.5)
Receivables from commissions and rebates	22.7	(22.7)	17.1	(17.1)
Prepayments	20.6	(20.6)	18.2	(18.1)
Receivables from other taxes	8.3	(8.3)	6.4	(6.4)
Receivables from long-term service contracts	2.6	(–)	4.8	(–)
Plan assets not netted with provisions for pensions	3.3	(–)	2.5	(–)
Receivables from employees	0.7	(0.7)	0.6	(0.6)
Miscellaneous other receivables	31.8	(16.5)	25.7	(16.0)
Prepaid expenses	16.7	(16.0)	17.2	(16.4)
<b>Total</b>	<b>170.5</b>	<b>(145.4)</b>	<b>158.1</b>	<b>(137.0)</b>

## 17.) OTHER FINANCIAL ASSETS

### C.40 OTHER FINANCIAL ASSETS / DEC. 31, 2016

in EUR m	Remaining term			Dec. 31, 2016
	less than 1 year	1 to 5 years	more than 5 years	
Financial receivables from third parties	14.6	10.9	0.5	26.0
Derivative financial instruments	3.9	1.9	–	5.8
Available-for-sale financial assets	0.1	–	1.1	1.2
<b>Total</b>	<b>18.6</b>	<b>12.8</b>	<b>1.6</b>	<b>33.0</b>

C.41 OTHER FINANCIAL ASSETS / DEC. 31, 2015

in EUR m	Remaining term			Dec. 31, 2015
	less than 1 year	1 to 5 years	more than 5 years	
Financial receivables from third parties	7.0	35.4	–	42.4
Derivative financial instruments	2.8	2.0	–	4.8
Available-for-sale financial assets	0.3	–	1.0	1.3
Financial receivables from related parties	0.1	–	–	0.1
<b>Total</b>	<b>10.2</b>	<b>37.4</b>	<b>1.0</b>	<b>48.6</b>

18.) INVENTORIES

The inventories break down as follows:

C.42 INVENTORIES

in EUR m	Dec. 31, 2016	Dec. 31, 2015
Merchandise	937.4	874.4
Finished goods	19.7	16.7
Raw materials and supplies	5.7	6.0
<b>Total</b>	<b>962.8</b>	<b>897.1</b>

## 19.) PROPERTY, PLANT AND EQUIPMENT

### C.43 PROPERTY, PLANT AND EQUIPMENT

in EUR m	Land, land rights and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Prepayments and assets under construction	Total
<b>Cost</b>					
<b>Dec. 31, 2014</b>	<b>687.9</b>	<b>531.6</b>	<b>231.7</b>	<b>33.9</b>	<b>1,485.1</b>
Exchange rate differences	20.6	27.8	7.8	1.7	57.9
Business combinations	18.0	25.5	4.9	0.2	48.6
Other additions	8.4	28.5	28.7	58.7	124.3
Disposals	-1.0	-6.8	-22.0	-	-29.8
Transfers	10.9	8.3	13.8	-35.1	-2.1
<b>Dec. 31, 2015</b>	<b>744.8</b>	<b>614.9</b>	<b>264.9</b>	<b>59.4</b>	<b>1,684.0</b>
Exchange rate differences	5.2	7.5	0.2	1.2	14.1
Business combinations	6.9	9.4	1.0	1.0	18.3
Other additions	14.1	33.5	28.8	52.1	128.5
Disposals	-2.6	-8.7	-19.0	-0.6	-30.9
Transfers	21.0	26.0	6.9	-53.6	0.3
<b>Dec. 31, 2016</b>	<b>789.4</b>	<b>682.6</b>	<b>282.8</b>	<b>59.5</b>	<b>1,814.3</b>
<b>Accumulated depreciation and impairment</b>					
<b>Dec. 31, 2014</b>	<b>174.5</b>	<b>285.6</b>	<b>145.7</b>	<b>-</b>	<b>605.8</b>
Exchange rate differences	5.9	15.6	4.4	-	25.9
Depreciation	24.6	48.1	36.0	-	108.7
Disposals	-0.8	-5.7	-20.8	-	-27.3
Transfers	-	-6.5	5.5	-	-1.0
<b>Dec. 31, 2015</b>	<b>204.2</b>	<b>337.1</b>	<b>170.8</b>	<b>-</b>	<b>712.1</b>
Exchange rate differences	0.1	3.6	0.1	-	3.8
Depreciation	25.6	52.4	36.5	-	114.5
Impairment	0.9	0.1	-	-	1.0
Disposals	-1.2	-7.0	-18.0	-	-26.2
Transfers	-	-0.3	0.3	-	-
<b>Dec. 31, 2016</b>	<b>229.6</b>	<b>385.9</b>	<b>189.7</b>	<b>-</b>	<b>805.2</b>
Carrying amounts at Dec. 31, 2015	540.6	277.8	94.1	59.4	971.9
Carrying amounts at Dec. 31, 2016	559.8	296.7	93.1	59.5	1,009.1

The net carrying amounts of the property, plant and equipment subject to impairment totalled EUR 1.0 million.

The carrying amounts for assets recognized on the basis of finance leases total EUR 3.7 million (Dec. 31, 2015: EUR 4.4 million) for land and buildings, EUR 1.0 million (Dec. 31, 2015: EUR 1.7 million) for technical equipment and machinery, and EUR 6.4 million (Dec. 31, 2015: EUR 7.4 million) for other equipment, operating and office equipment.



The carrying amounts of property, plant and equipment serving as collateral for liabilities to banks amount to EUR 24.3 million (Dec. 31, 2015: EUR 18.5 million). The carrying amounts of property, plant and equipment which are subject to restrictions on their disposal total EUR 2.9 million (Dec. 31, 2015: EUR 3.0 million).

The volume of government grants totals EUR 1.4 million (Dec. 31, 2015: EUR 1.2 million).

## 20.) INTANGIBLE ASSETS

### C.44 INTANGIBLE ASSETS

in EUR m	Goodwill	Trademarks	Customer relationships and similar rights	Software, licences and similar rights	Total
<b>Cost</b>					
<b>Dec. 31, 2014</b>	<b>1,994.8</b>	<b>215.8</b>	<b>120.3</b>	<b>56.8</b>	<b>2,387.7</b>
Exchange rate differences	90.2	1.2	4.6	2.4	98.4
Business combinations	363.6	9.8	65.6	1.9	440.9
Other additions	–	–	–	5.8	5.8
Disposals	–	–0.5	–45.6	–0.5	–46.6
Transfers	–	–	–	2.3	2.3
<b>Dec. 31, 2015</b>	<b>2,448.6</b>	<b>226.3</b>	<b>144.9</b>	<b>68.7</b>	<b>2,888.5</b>
Exchange rate differences	41.8	–0.2	3.1	1.0	45.7
Business combinations	51.0	–0.1	40.1	0.8	91.8
Other additions	–	–	0.7	11.9	12.6
Disposals	–0.4	–3.8	–24.9	–0.8	–29.9
Transfers	–	–	–	0.3	0.3
<b>Dec. 31, 2016</b>	<b>2,541.0</b>	<b>222.2</b>	<b>163.9</b>	<b>81.9</b>	<b>3,009.0</b>
<b>Accumulated amortization and impairment</b>					
<b>Dec. 31, 2014</b>	<b>–</b>	<b>14.7</b>	<b>64.0</b>	<b>41.0</b>	<b>119.7</b>
Exchange rate differences	–	0.8	2.6	1.8	5.2
Amortization	–	2.7	27.7	6.5	36.9
Disposals	–	–0.5	–45.6	–0.5	–46.6
Transfers	–	–	–	1.2	1.2
<b>Dec. 31, 2015</b>	<b>–</b>	<b>17.7</b>	<b>48.7</b>	<b>50.0</b>	<b>116.4</b>
Exchange rate differences	–	–0.4	1.2	0.7	1.5
Amortization	–	3.8	35.9	7.5	47.2
Disposals	–	–3.7	–24.9	–0.7	–29.3
<b>Dec. 31, 2016</b>	<b>–</b>	<b>17.4</b>	<b>60.9</b>	<b>57.5</b>	<b>135.8</b>
Carrying amounts at Dec. 31, 2015	2,448.6	208.6	96.2	18.7	2,772.1
Carrying amounts at Dec. 31, 2016	2,541.0	204.8	103.0	24.4	2,873.2

The goodwill and the “Brenntag” trademark are assets with an indefinite useful life. They are tested regularly, at least annually, for impairment after completion of the annual budget process. The carrying amount of the “Brenntag” trademark is EUR 196.9 million as in the previous year.

Of the intangible assets as at December 31, 2016, some EUR 1,308 million (Dec. 31, 2015: EUR 1,275 million) relate to goodwill and trademarks that were recognized as part of the purchase price allocation performed on the acquisition of the Brenntag Group by funds advised by BC Partners Limited, Bain Capital, Ltd. and subsidiaries of Goldman Sachs International at the end of the third quarter of 2006 in addition to the relevant intangible assets already existing in the previous Group structure.

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

#### C.45 REGIONAL ALLOCATION OF GOODWILL

in EUR m	Dec. 31, 2016	Dec. 31, 2015
EMEA	857.9	846.3
North America	1,327.9	1,277.5
Latin America	88.5	79.6
Asia Pacific	238.3	216.8
All other segments	28.4	28.4
<b>Group</b>	<b>2,541.0</b>	<b>2,448.6</b>

Fair value less costs of disposal is taken as the recoverable amount. This amount is determined on the basis of a recognized company valuation model. The company valuation model is based on cash flow plans, which are in turn based on the five-year plan approved by the Board of Management and applicable at the date of the performance of the impairment test. The five-year plan consists of the mid-term planning for the first three years submitted by the Group companies and aggregated at segment level (bottom up) and an extrapolation for the two following years performed by management (top down). The fair value thus determined is required to be classified into Level 3 of the IFRS 13 measurement hierarchy.

The cash flow forecasts for the impairment test of the financial year ended December 31, 2016 were derived from the budget for 2017 and the plan years 2018 to 2021. The growth rates are based on management’s historical experience and expectations as to future trends in markets and costs as well as quantities and prices on the basis of external macroeconomic data. After the, in some cases, much higher growth rates in the years 2017 to 2021 (detailed planning period), the assumed growth rates for the period from 2022 onwards are 1.0% in EMEA (2015: 1.0%), 1.25% in North America (2015: 1.25%) and 2.0% in Latin America and Asia Pacific (2015: 2.0%).

The region-specific WACC used to discount the cash flows thus determined is based on a risk-free interest rate of 1.00% (2015: 1.50%) and a market risk premium of 6.75% (2015: 6.25%). The estimates of daily yield curves published by the German central bank, the Bundesbank, are taken as a basis for determining the risk-free interest rate. The beta factor used and the capital structure are derived from a peer group. Furthermore, region-specific tax rates and country risk premiums (according to Damodaran) are used.

#### C.46 WACC BY SEGMENT

WACC in %	2016	2015
EMEA	6.5	6.8
North America	6.1	6.3
Latin America	7.8	8.4
Asia Pacific	7.3	7.2
Group	6.5	6.7

Amortization on customer relationships and similar rights as well as local trademarks is recognized under selling expenses.

## 21.) EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted investments changed as follows:

#### C.47 CHANGE IN EQUITY-ACCOUNTED INVESTMENTS

in EUR m		Investments in associates
<b>Dec. 31, 2014</b>		<b>25.0</b>
Exchange rate differences	-3.2	
Share of profit or loss of equity-accounted investments	3.7	
Total comprehensive income		0.5
Dividends received		-3.0
<b>Dec. 31, 2015</b>		<b>22.5</b>
Exchange rate differences	2.7	
Share of profit or loss of equity-accounted investments	2.8	
Total comprehensive income		5.5
Dividends received		-2.4
<b>Dec. 31, 2016</b>		<b>25.6</b>

The financial year of the investments accounted for using the equity method is the calendar year.

## 22.) TRADE PAYABLES

Trade payables of EUR 1,119.4 million (Dec. 31, 2015: EUR 1,055.5 million) include accruals of EUR 156.5 million (Dec. 31, 2015: EUR 124.8 million) and liabilities to related parties of EUR 0.1 million (Dec. 31, 2015: EUR 0.1 million).

## 23.) FINANCIAL LIABILITIES

### C.48 FINANCIAL LIABILITIES/DEC. 31, 2016

in EUR m	Remaining term			Dec. 31, 2016
	less than 1 year	1 to 5 years	more than 5 years	
Liabilities under syndicated loan	1.1	1,247.9	–	1,249.0
Other liabilities to banks	111.6	0.5	4.3	116.4
Bond 2018	9.9	398.0	–	407.9
Bond (with Warrants) 2022	0.7	–	441.4	442.1
Finance lease liabilities	2.8	5.7	3.0	11.5
Derivative financial instruments	1.8	–	–	1.8
Other financial liabilities	18.4	31.3	5.4	55.1
<b>Total</b>	<b>146.3</b>	<b>1,683.4</b>	<b>454.1</b>	<b>2,283.8</b>
Cash and cash equivalents				601.9
<b>Net financial liabilities</b>				<b>1,681.9</b>

### C.49 FINANCIAL LIABILITIES/DEC. 31, 2015

in EUR m	Remaining term			Dec. 31, 2015
	less than 1 year	1 to 5 years	more than 5 years	
Liabilities under syndicated loan	0.9	1,213.8	–	1,214.7
Other liabilities to banks	128.7	0.2	5.3	134.2
Bond 2018	9.9	396.6	–	406.5
Bond (with Warrants) 2022	0.7	–	422.5	423.2
Finance lease liabilities	3.6	6.9	3.9	14.4
Derivative financial instruments	4.3	–	–	4.3
Other financial liabilities	12.7	45.2	–	57.9
<b>Total</b>	<b>160.8</b>	<b>1,662.7</b>	<b>431.7</b>	<b>2,255.2</b>
Cash and cash equivalents				579.1
<b>Net financial liabilities</b>				<b>1,676.1</b>

The syndicated bullet loan is a loan agreement with a consortium of international banks. The syndicated loan is divided into different tranches with different currencies.

The liabilities under the syndicated loan break down as follows:

**C.50 LIABILITIES UNDER SYNDICATED LOAN/DEC. 31, 2016**

in EUR m		Remaining term	Interest rate above EURIBOR/LIBOR	Dec. 31, 2016
Tranches				
	Tranche A	Mar. 28, 2019	1.15%	390.5
	Tranche B	Mar. 28, 2019	1.15%	863.3
<b>Total</b>				<b>1,253.8</b>
Accrued interest				1.1
Transaction costs				-5.9
<b>Liabilities under syndicated loan</b>				<b>1,249.0</b>

**C.51 LIABILITIES UNDER SYNDICATED LOAN/DEC. 31, 2015**

in EUR m		Remaining term	Interest rate above EURIBOR/LIBOR	Dec. 31, 2015
Tranches				
	Tranche A	Mar. 28, 2019	1.05%	386.4
	Tranche B	Mar. 28, 2019	1.05%	835.9
<b>Total</b>				<b>1,222.3</b>
Accrued interest				0.9
Transaction costs				-8.5
<b>Liabilities under syndicated loan</b>				<b>1,214.7</b>

In addition to the above-mentioned tranches, the syndicated loan also includes a revolving credit facility in the amount of EUR 600.0 million (Dec. 31, 2015: EUR 600.0 million), which was largely unutilized as at December 31, 2016.

The EUR 400.0 million bond (Bond 2018) matures in July 2018. At an issue price of 99.321%, the Bond 2018 bears a coupon of 5.5% with interest paid annually. The bond with warrant units in the amount of USD 500.0 million issued in November 2015 matures in December 2022. The Bond (with Warrants) 2022 was issued at 92.7% of par and bears a coupon of 1.875% p.a. with interest payable semi-annually. The discount (7.3% or USD 36.5 million) is the warrant premium on the warrants to purchase Brenntag shares issued together with the Bond (with Warrants) 2022. The warrant

premium was recognized in the additional paid-in capital of Brenntag AG. The Bond 2018 and the Bond (with Warrants) 2022 were issued by our Group company, Brenntag Finance B.V., Amsterdam, Netherlands.

Of the other liabilities to banks, EUR 5.8 million (Dec. 31, 2015: EUR 30.8 million) are secured by inventories in the amount of EUR 10.4 million (Dec. 31, 2015: EUR 12.3 million).

Detailed disclosures concerning the terms of the syndicated loan, the Bond 2018 and the bond with warrant units are included in the chapters "Capital Structure" and "Financial Risks and Opportunities" in the management report.

The following table shows the reconciliation of future minimum lease payments to liabilities under finance leases:

#### C.52 MINIMUM LEASE PAYMENTS/2016

in EUR m	Minimum lease payments	Interest component	Finance lease liabilities
less than 1 year	3.5	0.7	2.8
1 to 2 years	2.5	0.5	2.0
2 to 3 years	2.1	0.4	1.7
3 to 4 years	1.4	0.3	1.1
4 to 5 years	1.2	0.3	0.9
more than 5 years	4.9	1.9	3.0
<b>Dec. 31, 2016</b>	<b>15.6</b>	<b>4.1</b>	<b>11.5</b>

#### C.53 MINIMUM LEASE PAYMENTS/2015

in EUR m	Minimum lease payments	Interest component	Finance lease liabilities
less than 1 year	4.4	0.8	3.6
1 to 2 years	3.3	0.6	2.7
2 to 3 years	2.5	0.5	2.0
3 to 4 years	1.8	0.4	1.4
4 to 5 years	1.2	0.4	0.8
more than 5 years	6.5	2.6	3.9
<b>Dec. 31, 2015</b>	<b>19.7</b>	<b>5.3</b>	<b>14.4</b>

## 24.) OTHER LIABILITIES

### C.54 OTHER LIABILITIES

in EUR m	Dec. 31, 2016		Dec. 31, 2015	
		thereof current		thereof current
Liabilities to employees	113.1	(113.1)	103.0	(103.0)
Liabilities from packaging	62.3	(62.3)	63.1	(63.1)
Liabilities from value-added tax	44.7	(44.7)	45.1	(45.1)
Customers with credit balances	26.8	(26.8)	27.0	(27.0)
Liabilities from other taxes	16.9	(16.9)	20.1	(20.1)
Liabilities to insurance companies	17.4	(17.4)	16.8	(16.8)
Liabilities from sales deductions, rebates	13.8	(13.8)	13.7	(13.7)
Deferred income	6.7	(6.5)	7.5	(7.2)
Liabilities from social insurance contributions	9.7	(9.7)	9.8	(9.8)
Liabilities from the acquisition of assets	10.5	(10.5)	10.5	(10.5)
Miscellaneous other liabilities	56.3	(54.5)	56.5	(54.2)
<b>Total</b>	<b>378.2</b>	<b>(376.2)</b>	<b>373.1</b>	<b>(370.5)</b>

Other liabilities include accruals of EUR 43.0 million (Dec. 31, 2015: EUR 40.6 million).

## 25.) OTHER PROVISIONS

Other provisions changed as follows:

### C.55 CHANGE IN OTHER PROVISIONS

in EUR m	Environmental provisions	Provisions for personnel expenses	Miscellaneous provisions	<b>Total</b>
<b>Jan. 1, 2016</b>	<b>104.8</b>	<b>21.4</b>	<b>37.0</b>	<b>163.2</b>
Exchange rate differences	1.6	0.1	1.0	2.7
Additions from business combinations	–	–	0.3	0.3
Unwinding of discounting	1.2	0.3	0.3	1.8
Utilized	–6.1	–9.8	–12.3	28.2
Reversed	–3.4	–1.1	–5.5	–10.0
Added	4.1	9.1	16.8	30.0
Transferred	–	–0.4	–1.9	–2.3
<b>Dec. 31, 2016</b>	<b>102.2</b>	<b>19.6</b>	<b>35.7</b>	<b>157.5</b>

Other provisions have the following maturities:

#### C.56 MATURITY OF OTHER PROVISIONS

in EUR m	Dec. 31, 2016	Dec. 31, 2015
less than 1 year	36.2	42.1
1 to 5 years	49.7	59.4
more than 5 years	71.6	61.7
<b>Total</b>	<b>157.5</b>	<b>163.2</b>

#### ENVIRONMENTAL PROVISIONS

The recognition and measurement of environmental provisions are coordinated centrally by external independent experts. The provision amounts are determined on the basis of individual cost estimates for each case. Allowance is made not only for the nature and severity of pollution but also for the conditions at the respective sites and the sovereign territories in which these sites are located.

Environmental provisions are stated at their present values. They are discounted at maturity-dependent, risk-free interest rates for the respective functional currencies. Increases in the future expenditure due to inflation are allowed for. The discount rates for environmental provisions are unchanged at between 0.0 and 6.9%, depending on the currency.

As at December 31, 2016, environmental provisions total EUR 102.2 million (Dec. 31, 2015: EUR 104.8 million). They mainly relate to the rehabilitation of soil and ground water for current and former, owned and leased sites but also cover costs for further and accompanying measures such as necessary environmental inspections and observations. The provisions include EUR 22.1 million (Dec. 31, 2015: EUR 23.0 million) for contingencies for which a cash outflow is not likely but nevertheless possible. In line with the requirements of IFRS 3, these contingencies have entered the balance sheet largely through the purchase price allocation in connection with the acquisition of the Brenntag Group by funds advised by BC Partners Limited, Bain Capital, Ltd. and subsidiaries of Goldman Sachs International at the end of the third quarter of 2006.

Due to the nature and the large number of parameters which have to be considered when determining environmental provisions, there are uncertainties in their measurement. This applies both to the amount and the timing of future expenditure. However, based on the information available at the time of the preparation of these financial statements, it can be assumed that the environmental provisions are reasonable and any additional amounts incurred would not have any material effect on the net assets, financial position and results of operations of the Group.

In some cases, special agreements have been reached which ensure that the cost of any future environmental work necessary will be borne by third parties. If receipt of payment from the third party is virtually certain provided Brenntag meets its obligations, these reimbursement claims are recognized. They are generally measured in the same way as the corresponding provisions. The amount recognized does not exceed the amount of the provision. The reimbursement claims recognized at December 31, 2016 amount to EUR 3.2 million (Dec. 31, 2015: EUR 3.2 million).



#### PROVISIONS FOR PERSONNEL EXPENSES

Provisions for personnel expenses primarily contain obligations arising from future variable and individual one-time payments, payments in connection with employee long-service anniversary bonuses, early retirement regulations and pre-retirement part-time work compensation. Provisions for share-based remuneration programmes on the basis of virtual shares are also presented under this item. These programmes are long-term bonus systems for members of the Board of Management of Brenntag AG, on the one hand, and for executives and senior managers of the Brenntag Group, on the other.

#### Long-term share-based remuneration programmes for the members of the Board of Management and Long-Term Incentive Plan for Executives and Senior Managers (LTI Plan)

In 2015, one single remuneration system was introduced for all members of the Board of Management of Brenntag AG, which also includes a long-term share-based remuneration programme (Long-Term Incentive Plan). The long-term variable remuneration is awarded every year and is partly based on the development of the share price. On the basis of a contractually set Annual Target Amount, this remuneration component is subject to a vesting period of in each case three years. 50% of the Target Amount is contingent on the development of the value of the company's shares during these three years (External LTI Portion) and 50% is contingent on the long-term development of specific Group-wide KPIs (Internal LTI Portion).

50% of the External LTI Portion is measured by the absolute development of the total shareholder return for the company's shares during the vesting period (Absolute External LTI Portion), while the other 50% of the External LTI Portion is measured by the relative development of the total shareholder return for the company's shares in comparison to the development of the MDAX during the vesting period (Relative External LTI Portion). For every percentage point by which the average share price on the last trade day of the vesting period exceeds or falls short of the average share price on the last trade day before the vesting period, the Absolute External LTI Portion is increased or decreased by 2%. For every percentage point by which the MDAX is over- or underperformed in the vesting period, the Relative External LTI Portion is increased or decreased by 3%. The overall External LTI Portion at the end of the relevant vesting period equals the sum of the Absolute External LTI Portion and Relative External LTI Portion. The Absolute External LTI Portion and Relative External LTI Portion may not be less than EUR 0, the External LTI Portion is capped overall at 100% of the Target Amount (for sum of External and Internal LTI Portions).

The Internal LTI Portion is measured by the following KPI targets, which are agreed at the end of each financial year for the following vesting period in an LTI Bonus Plan: EBITDA, ROCE and earnings per share. At the end of each financial year during a vesting period, the achievement of the KPI targets in the particular financial year is calculated for a share of 1/3 of the Internal LTI Portion. For every percentage point by which the targets of a given KPI are over- or underperformed in the particular financial year, the Annual Internal LTI Portion is increased or decreased by 3%. This may also lead to a negative Annual Internal LTI Portion. The overall Internal LTI Portion at the end of the relevant vesting period equals the sum of the Annual Internal LTI Portions. The Internal LTI Portion is capped at 100% of the portion of the contractually set Target Amount (for sum of External and Internal LTI Portions). The Long Term Incentive Bonus for each financial year equals the sum of the External and Internal LTI Portions.

The Long-Term Incentive Bonus for each financial year is also capped at 200% of the Target Amount (LTI Cap).

The long-term share-based remuneration programme introduced in 2010 for the members of the Board of Management of Brenntag AG is expiring according to the provisions of the previous service agreements and was only awarded pro rata temporis in 2015. In principle, according to this programme, the amount of the bonus depended on the outperformance of quantitative targets and the achievement of qualitative targets as well as Brenntag's share price performance. Half of the base amounts awarded each year to those eligible was converted into virtual shares. At the end of the vesting period, they are multiplied by total shareholder return (the average share price adjusted for dividends, capital transactions and stock splits). The further change in the other half of the base amounts until pay-out after completion of the individual vesting periods depends on the outperformance or underperformance of the total shareholder return compared with the average MDAX performance. The total amount to be paid out must not exceed 250% of the base amount.

The LTI Plan was offered for the first time in 2013 to a group of managers which is to be redefined every year by the Board of Management of Brenntag AG. The term of the programme is divided into a one-year performance period and a general vesting period of three years. The total bonus pool amount available for one annual tranche of the LTI Plan basically depends on the change in operating EBITDA in the performance period; further amounts can be assigned to the bonus pool at the discretion of the Board of Management. Restrictions exist to the extent that the bonus pool may not exceed 0.675% of the actual operating EBITDA. On the basis of this bonus pool, the number of virtual shares is determined for each plan participant pro rata based on the annual salary of the participant in relation to the total annual salaries of all participants and the average price of the Brenntag shares. After expiry of the vesting period, the plan participants receive remuneration resulting from the virtual shares allocated multiplied by the average Brenntag share price, adjusted for dividends, capital transactions and stock splits. Payment per virtual share must not exceed 250% of the average share price, on the basis of which the number of virtual shares was determined.

At December 31, 2016, provisions for share-based remuneration total EUR 3.9 million (Dec. 31, 2015: EUR 5.5 million).

#### MISCELLANEOUS PROVISIONS

Miscellaneous provisions include provisions for compensation payable, provisions for restoration obligations as well as provisions for risks from legal proceedings and disputes.

Provisions for current and likely litigation are established in those cases where reasonable estimates are possible. These provisions contain all estimated legal costs as well as the possible settlement costs. The amounts are based on information and cost estimates provided by lawyers.

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

There are both defined contribution and defined benefit pension plans for the employees of the Brenntag Group. The pension obligations vary depending on the legal, tax and economic circumstances in the respective country and the employee's years of service with the company and pay grade.

### DEFINED CONTRIBUTION PLANS

A large number of the employees of the Brenntag Group will receive benefits from the statutory social insurance fund, into which the contributions are paid as part of their salary. In addition, various other pension fund commitments exist at the companies of the Brenntag Group. As the company has no further obligations after payment of the retirement pension contributions to the state social insurance fund and private insurance companies, these plans are treated as defined contribution plans. Current pension contribution payments are recognized as expense for the relevant period. In financial year 2016, pension expenses in the Brenntag Group total EUR 24.9 million (2015: EUR 24.2 million) for employer contributions to the statutory pension insurance fund and EUR 22.0 million (2015: EUR 17.4 million) for non-statutory defined contribution plans.

In the USA, subsidiaries of the Brenntag Group pay into defined benefit plans maintained by more than one employer (so-called multi-employer plans). These multi-employer defined benefit plans are accounted for in the consolidated financial statements as defined contribution plans because the information required to use defined benefit accounting is not available in a timely manner and in sufficient detail. Furthermore, there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual participating employers, which is necessary for accounting for defined benefit plans in accordance with IAS 19.

If other participating employers do not meet their payment obligations, Brenntag may be liable for the obligations of those employers. Any potential withdrawal from the plans by an entity may lead to that entity having to offset the potential shortfall relating to its share of the plan. The funding level of the individual plans ranged from about 32% to 92% as at December 31, 2016 (about 37% to 92% as at December 31, 2015). Brenntag Group subsidiaries account for approximately 0.07% to 2.9% of the total contributions (2015: 0.04% to 4.2%), depending on the plan. Withdrawal from all plans at the present time would lead to an estimated one-time expense of approximately EUR 31 million or approximately USD 34 million (2015: approximately EUR 28 million or approximately USD 31 million). No withdrawal from any of these plans is intended at this time.

In financial year 2016, contributions of EUR 2.3 million or USD 2.6 million (2015: EUR 2.4 million or USD 2.6 million) were paid. The contributions are included in the above-mentioned contributions for non-statutory defined contribution plans. The contributions are expected to amount to approximately EUR 2.3 million in 2017.

### DEFINED BENEFIT PLANS

The defined benefit plans of the Brenntag Group are funded by provisions and largely covered by assets. The principal obligations (over 90% of the total volume) are in Switzerland, Germany, Canada and the Netherlands. The remaining obligations are spread over another eleven countries in the EMEA, Latin America and Asia Pacific segments.

## Switzerland

In Switzerland, every employer is obliged by national law to set up a company retirement pension scheme. When determining the pension benefits, the minimum requirements of the Federal Law on Occupational Retirement, Surviving Dependants' and Disability Pensions (Bundesgesetz über die beruflichen Alters-, Hinterlassenen- und Invalidenvorsorge (BVG)) and the corresponding regulations are required to be observed.

The Swiss group company maintains a funded pension plan for its employees. The assets of this plan are held in two autonomous foundations. The foundation board is made up of equal numbers of employer and employee representatives. It is responsible for setting the investment strategy, for changes in the plan rules and in particular also for determining the financing of the pension benefits.

The pension benefits are based on the retirement assets accrued. The annual retirement credits and interest are credited to these retirement assets. On retirement, the insured person is obliged to take 30% of the accrued retirement assets in the form of a lump-sum payment and may choose whether to take the remaining 70% of the accrued retirement assets in the form of a life-long pension or another lump-sum payment. In addition to the retirement benefits, the pension benefits also include disability and surviving dependants' pensions. The insured person may also dispose of parts of his accrued retirement assets prematurely if this serves to improve his pension situation. If there is a change of employer, the retirement assets are transferred to the pension scheme of the new employer.

The employee and employer contributions are set by the foundation board. According to the BVG, the employer pays at least 50% of the necessary contributions. In the case of Brenntag Schweizerhall AG, the employer pays some 70% of the contributions in accordance with the rules of the plan.

As the contributions to the pension plan that the employees in Switzerland pay are based on formal rules, the risk distribution between employee and employer is taken into account when measuring the obligation. In the case of Brenntag Schweizerhall AG, this leads to an only minor reduction in the present value of the benefit obligation.

## Germany

The German group companies have retirement pension plans which are based on contractual provisions or works agreements:

The Employee Pension Plan 2000/2012 (Mitarbeiter Vorsorgeplan 2000/2012) is a pension plan funded by the employer. The employer awards an annual pension contribution of between EUR 250 and EUR 500 depending on length of service, which is converted into pension modules. The amount of the benefits depends on the pension modules accrued before retirement.

The Pension Scheme 2000/2012 for Executives (Leistungsordnung 2000/2012 für Führungskräfte) of the German Brenntag companies is a pension plan for executives funded by the employer in the form of individual commitments. The annual pension contribution depends on the pensionable remuneration (basis of assessment). The annual basis of assessment is the sum total of the fixed remuneration, Christmas and vacation allowances and bonuses but no more than three times the contribution assessment limit for the statutory pension system. The pension contribution is a maximum of 4% of the basis of assessment up to the contribution assessment limit plus a maximum of 10% for parts exceeding the contribution assessment limit. The annual pension contributions are converted into pension modules. The amount of the benefits depends on the pension modules accrued before retirement.

All employees have the option to convert pay components into an entitlement to pension benefits within the meaning of the German Company Pension Act (Betriebsrentengesetz (BetrAVG)) by participating in the Pension Plan Through Employee-funded Pension Commitments (Vorsorgeplan über mitarbeiterfinanzierte Versorgungszusagen). The annual pension contribution for participating employees is between at least EUR 250 and a maximum of 4% of the contribution assessment limit for the statutory pension system (Section 1a BetrAVG). The company also pays an additional pension allowance of 15% to the converted amount provided that the pension contribution comes from remuneration subject to statutory pension insurance contributions. Furthermore, through the Deferred Compensation Plan (DCP), employees have the option to convert pay components into an entitlement to pension benefits. The individual pension contribution must be at least EUR 5,000. The converted employee contributions are protected by a reinsurance policy pledged to the employee who is entitled to the pension. With both employee-funded plans, the employees must decide every year on the pension contribution they wish to make.

In addition to the retirement benefits, the pension benefits also include surviving dependants' pensions and – except in the case of the Deferred Compensation Plan (DCP) – disability benefits.

The Pension Scheme 2000/2012 for Executives (Leistungsordnung 2000/2012 für Führungskräfte) is a pure retirement pension plan with a monthly life-long pension. With the other pension plans, if the capital amount is no more than EUR 25,000, the pension benefit is paid out as a lump sum or, if the capital amount is more than EUR 25,000, the pension benefit is paid as an annual capital instalment spread over a maximum of five years or as a life-long pension.

The retirement pension entitlements of the members of the Board of Management are described in the chapter "Remuneration Report" of the Group management report.

Furthermore, in Germany, Brenntag still has isolated retirement and disability pension commitments under pension plans set up in the past. These commitments depend on the years of service and the pay grades of the respective employees. They are mainly commitments involving monthly pension payments.

#### Canada

In Canada, Brenntag maintains an employer-funded pension plan with a life-long monthly pension for employees who joined the company before December 31, 2011. The basis of assessment for calculating the annual pension is 1% of the average salary of the three highest annual salaries of the beneficiary multiplied by the number of years of service. In addition to the retirement benefits, the pension benefits include disability and surviving dependants' pensions.

The plan participants in the employer-funded pension plan who are under 50 or who have less than 15 years of service or less than 55 points (sum of age and years of service) must pay into a defined contribution plan newly set up in 2014 in order to continue to build up their retirement pension. The employees' contribution is 3% of their salary. The employer's contribution is 4% for this compulsory part. The employees may voluntarily increase their contribution by a further 3%. The employer's contribution for this voluntary part is between 3.25% and 6%, depending on the years of service. The entitlements accrued up to the date of transition remain in place.

Employees who joined the company on or after January 1, 2012 must pay at least 3% of their salary into a defined contribution pension plan in order to build up a retirement pension. The employer's contribution is 3%. The employees may voluntarily increase their contribution by a further 3%. The employer's contribution for this voluntary part is also 3%.

For employees in Canada who joined the company up to and including May 31, 2013, there is an employer-funded supplementary medical cost plan in retirement as well as a life insurance payment of CAD 5,000 on retirement. As this plan has the characteristics of a pension, it is classified under pensions and other post-employment benefits.

#### Netherlands

Company pension systems play a prominent role in the Netherlands as the pay-as-you-go statutory pension scheme only provides a basic pension.

The companies maintain a funded retirement plan for their employees. When there is a change of employer, the credit balance from the plan assets can be transferred to the pension scheme of the new employer or remains in the previous company's pension scheme. About 20% of the retirement pension plan is funded by the employee and about 80% by the employer. Depending on the employer's commitment, the basis of assessment for calculating the annual pension is the last salary before the employee reaches retirement age or the average salary over the employee's active career before reaching retirement age. Depending on the employer's commitment, the annual pension is between 1.5% and 1.75% of the salary reduced by a base amount and multiplied by the number of years of service. This base amount represents the basic pension under the statutory pension scheme. The retirement pension plan is a pure pension plan with a life-long monthly pension. In addition to the retirement benefits, the pension benefits include disability and surviving dependants' pensions.

#### Risks arising from defined benefit pension plans

Brenntag is exposed to risks arising from the plans. An increase in life expectancy, salaries, as well as the adjustment of pensions in line with inflation as required by law in Germany, or an increase in medical costs in Canada, would lead to higher cash outflows and, in combination with falling discount rates, in each case to higher present values of the defined benefit obligation. There is investment risk in Switzerland primarily with regard to the proportion of the plan assets invested in shares. There is no investment risk in Germany or the Netherlands as the plan assets consist solely of insurance policies. In Canada, the plan assets consisting of external fund shares are in principle exposed to investment risk. In order to minimize this risk, the plan assets in Canada are subject by law to an audit every three years to establish whether the assets invested are sufficient to fund the pension obligations.

### Actuarial parameters applied

The plan assets are measured at fair value. The calculation of the present value of the benefit obligations is based on the following main actuarial parameters. When several countries are grouped together, the values are average values weighted by the present value of the respective benefit obligation:

### C.57 ACTUARIAL PARAMETERS APPLIED

in %		Switzerland	Germany	Canada	Netherlands	Other countries	Weighted
	<b>2016</b>	<b>0.60</b>	<b>1.60</b>	<b>4.00</b>	<b>1.60</b>	<b>2.47</b>	<b>1.73</b>
Discount rate	2015	0.70	2.40	4.20	2.40	3.17	2.13
	<b>2016</b>	<b>1.00</b>	<b>2.70</b>	<b>2.75</b>	<b>2.70</b>	<b>3.53</b>	<b>2.25</b>
Expected salary trend	2015	1.00	2.70	2.75	2.70	3.48	2.16
	<b>2016</b>	<b>0.00</b>	<b>1.75</b>	<b>2.25</b>	<b>1.75</b>	<b>2.23</b>	<b>1.33</b>
Expected pension trend	2015	0.25	1.75	2.25	1.75	2.26	1.33
	<b>2016</b>	<b>n.a.</b>	<b>n.a.</b>	<b>6.04</b>	<b>n.a.</b>	<b>n.a.</b>	<b>6.04</b>
Medical cost trend	2015	n.a.	n.a.	6.23	n.a.	n.a.	6.23

With respect to life expectancy, in Germany the Heubeck 2005 G mortality tables (generational tables) are taken as a basis. In Switzerland, the BVG–2015 generational mortality tables are used. In the Netherlands, we use the “Prognose Tafel 2016” table and, in Canada, the “CPM2014Priv generational mortality table”.

### Provisions for pensions and other post-employment benefits by country

### C.58 PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS BY COUNTRY/DEC. 31, 2016

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	Dec. 31, 2016
Present value of the defined benefit obligation	122.9	116.5	61.8	64.4	31.8	397.4
Fair value of plan assets	–110.7	–17.4	–51.6	–56.4	–4.4	–240.5
<b>Provisions for pensions and other post-employment benefits – net</b>	<b>12.2</b>	<b>99.1</b>	<b>10.2</b>	<b>8.0</b>	<b>27.4</b>	<b>156.9</b>
thereof assets recognized	–	–	3.3	–	–	3.3
<b>Provisions for pensions and other post-employment benefits recognized in the balance sheet</b>	<b>12.2</b>	<b>99.1</b>	<b>13.5</b>	<b>8.0</b>	<b>27.4</b>	<b>160.2</b>

C.59 PROVISION FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS BY COUNTRY / DEC. 31, 2015

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	Dec. 31, 2015
Present value of the defined benefit obligation	132.3	97.2	56.7	53.6	29.0	368.8
Fair value of plan assets	-108.2	-17.0	-45.0	-46.0	-4.2	-220.4
<b>Provisions for pensions and other post-employment benefits – net</b>	<b>24.1</b>	<b>80.2</b>	<b>11.7</b>	<b>7.6</b>	<b>24.8</b>	<b>148.4</b>
thereof assets recognized	–	–	2.5	–	–	2.5
<b>Provisions for pensions and other post-employment benefits recognized in the balance sheet</b>	<b>24.1</b>	<b>80.2</b>	<b>14.2</b>	<b>7.6</b>	<b>24.8</b>	<b>150.9</b>

Pension obligations, plan assets and provisions for pensions and other post-employment benefits recognized in the balance sheet changed as follows:

Change in the present value of the defined benefit obligations

C.60 CHANGE IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS

in EUR m	Principal pension plans	Other countries	2016	Principal pension plans	Other countries	2015
Present value of pension obligations at the beginning of the period	339.8	29.0	368.8	346.8	28.1	374.9
Exchange rate differences	4.8	0.4	5.2	9.0	0.1	9.1
Transferred	-1.6	–	-1.6	–	–	–
Utilized	-10.5	-1.7	-12.2	-11.8	-1.0	-12.8
Service cost						
Current service cost	9.5	1.4	10.9	10.1	1.7	11.8
Past service cost	-4.1	–	-4.1	–	–	–
Employee contributions	1.4	–	1.4	1.5	–	1.5
Interest expense on the present value of the obligation	6.8	0.9	7.7	6.7	0.9	7.6
Settlements	-1.4	–	-1.4	-1.5	–	-1.5
Remeasurement components						
Change in economic assumptions	25.1	2.3	27.4	-17.7	-1.9	-19.6
Change in demographic assumptions	-1.9	–	-1.9	–	–	–
Experience adjustments	-2.3	-0.5	-2.8	-3.3	1.1	-2.2
<b>Present value of pension obligations at the end of the period</b>	<b>365.6</b>	<b>31.8</b>	<b>397.4</b>	<b>339.8</b>	<b>29.0</b>	<b>368.8</b>



The present value of pension obligations totalling EUR 397.4 million (Dec. 31, 2015: EUR 368.8 million) includes pension obligations for members of the Board of Management amounting to EUR 6.4 million (Dec. 31, 2015: EUR 6.7 million) and for former members of the Board of Management amounting to EUR 10.9 million (Dec. 31, 2015: EUR 9.3 million).

The terms of the plan in Switzerland have been amended. On retirement, the insured person is obliged to take 30% of the accrued retirement assets in the form of a lump-sum payment. Before the terms of the plan were amended, the insured person had freedom of choice over the full amount of the retirement assets. Retirement assets were usually granted in the form of a life-long pension and measured as such. The resulting income of EUR 4.1 million in 2016 was recognized as a plan amendment in past service cost.

The income from settlements in the amount of EUR 1.4 million recognized in 2016 is the result of Steven Holland's decision to waive his entitlements under his Deferred Compensation Plan with Brenntag AG. The payment measured as at December 31, 2016 in the amount of EUR 1.6 million was reclassified into other liabilities. The reinsurance policy measured as at December 31, 2016 in the amount of EUR 1.1 million was reclassified into other receivables. Further explanatory notes on this can be found in the "Remuneration Report" chapter of the Group management report.

The income from settlements in the amount of EUR 0.4 million recognized in 2015 (pension obligation of EUR 1.5 million less fair value of plan assets of EUR 1.1 million) was the result of a business relocation and the consequent reduction in workforce numbers.

#### Change in the fair value of plan assets

#### C.61 CHANGE IN THE FAIR VALUE OF PLAN ASSETS

in EUR m	Principal pension plans	Other countries	2016	Principal pension plans	Other countries	2015
Fair value of plan assets at the beginning of the period	216.2	4.2	220.4	208.5	3.8	212.3
Exchange rate differences	4.1	0.1	4.2	7.2	-0.1	7.1
Transferred	-1.1	-	-1.1	-	-	-
Utilized	-9.1	-0.6	-9.7	-10.3	-0.2	-10.5
Employer contributions	7.6	0.8	8.4	7.4	0.6	8.0
Administrative costs for plan assets	-0.4	-	-0.4	-0.4	-	-0.4
Employee contributions	1.4	-	1.4	1.5	-	1.5
Interest income on plan assets	4.2	0.1	4.3	4.1	0.1	4.2
Settlements	-	-	-	-1.1	-	-1.1
Remeasurement components						
Income/(expense) from plan assets (excl. amounts in net interest expense)	13.2	-0.2	13.0	-0.7	-	-0.7
<b>Fair value of plan assets at the end of the period</b>	<b>236.1</b>	<b>4.4</b>	<b>240.5</b>	<b>216.2</b>	<b>4.2</b>	<b>220.4</b>

Change in provisions for pensions and other post-employment benefits recognized in the balance sheet

C.62 CHANGE IN PROVISIONS FOR PENSIONS  
AND OTHER POST-EMPLOYMENT BENEFITS RECOGNIZED IN THE BALANCE SHEET

in EUR m	Principal pension plans	Other countries	2016	Principal pension plans	Other countries	2015
Provisions for pensions and other post-employment benefits at the beginning of the period	123.6	24.8	148.4	138.3	24.3	162.6
Exchange rate differences	0.7	0.3	1.0	1.8	0.2	2.0
Transferred	-0.5	-	-0.5	-	-	-
Utilized	-1.4	-1.1	-2.5	-1.5	-0.8	-2.3
Employer contributions	-7.6	-0.8	-8.4	-7.4	-0.6	-8.0
Current service cost	9.5	1.4	10.9	10.1	1.7	11.8
Past service cost	-4.1	-	-4.1	-	-	-
Administrative costs for plan assets	0.4	-	0.4	0.4	-	0.4
Net interest expense	2.6	0.8	3.4	2.6	0.8	3.4
Settlements	-1.4	-	-1.4	-0.4	-	-0.4
Remeasurement components	7.7	2.0	9.7	-20.3	-0.8	-21.1
<b>Provisions for pensions and other post-employment benefits – net</b>	<b>129.5</b>	<b>27.4</b>	<b>156.9</b>	<b>123.6</b>	<b>24.8</b>	<b>148.4</b>
thereof assets recognized	3.3	-	3.3	2.5	-	2.5
<b>Provisions for pensions and other post-employment benefits recognized in the balance sheet</b>	<b>132.8</b>	<b>27.4</b>	<b>160.2</b>	<b>126.1</b>	<b>24.8</b>	<b>150.9</b>

Recognized provisions for pensions include EUR 13.4 million (Dec. 31, 2015: EUR 14.1 million) for the supplemental medical cost plan in Canada. Pension costs recognized in the income statement for obligations under defined benefit plans total EUR 9.2 million (2015: EUR 15.2 million). Net interest expense is presented within net finance costs. Current service cost and administrative costs for plan assets are allocated to the functions within operating profit, where the amounts of past service cost and the amounts from settlements are also recognized.

The present values of the defined benefit obligations break down as follows into active members, former employees with vested rights and pensioners, split according to the payout method, resulting in the following weighted average duration of the defined benefit obligations:

**C.63 BREAKDOWN OF THE PRESENT VALUES OF DEFINED BENEFIT OBLIGATIONS BY MEMBERS**

in EUR m	Principal pension plans	Other countries	2016	Principal pension plans	Other countries	2015
<b>Present value of the pension obligations funded by plan assets, thereof:</b>	<b>275.6</b>	<b>11.2</b>	<b>286.8</b>	<b>261.8</b>	<b>10.2</b>	<b>272.0</b>
Active members with lump-sum payout	7.2	8.8	16.0	–	7.8	7.8
Active members with monthly pension	120.8	1.8	122.6	124.2	2.0	126.2
Active members with option to choose	22.1	–	22.1	19.2	–	19.2
Former employees with vested rights to lump-sum payment	0.2	–	0.2	0.2	–	0.2
Former employees with vested rights to monthly pension	16.2	–	16.2	13.2	–	13.2
Former employees with vested rights with option to choose	9.2	–	9.2	6.6	–	6.6
Pensioners with monthly pension	99.9	0.6	100.5	98.4	0.4	98.8
<b>Present value of the pension obligations not funded by plan assets, thereof:</b>	<b>76.6</b>	<b>20.6</b>	<b>97.2</b>	<b>63.9</b>	<b>18.8</b>	<b>82.7</b>
Active members with lump-sum payout	16.9	10.8	27.7	14.4	9.8	24.2
Active members with monthly pension	29.8	9.7	39.5	24.8	8.9	33.7
Active members with option to choose	–	–	–	–	–	–
Former employees with vested rights to lump-sum payment	4.4	–	4.4	3.5	–	3.5
Former employees with vested rights to monthly pension	5.6	–	5.6	3.0	–	3.0
Former employees with vested rights with option to choose	–	–	–	–	–	–
Pensioners with monthly pension	19.9	0.1	20.0	18.2	0.1	18.3
<b>Medical cost plan</b>	<b>13.4</b>	<b>–</b>	<b>13.4</b>	<b>14.1</b>	<b>–</b>	<b>14.1</b>
<b>Present value of pension obligations at the end of the period</b>	<b>365.6</b>	<b>31.8</b>	<b>397.4</b>	<b>339.8</b>	<b>29.0</b>	<b>368.8</b>
<b>Weighted average duration of the pension obligations in years</b>	<b>17</b>	<b>14</b>	<b>17</b>	<b>17</b>	<b>15</b>	<b>17</b>

The pension payments to be made by the company directly amount to EUR 2.5 million in 2016 (2015: EUR 2.3 million). From today's point of view, the cash outflow resulting from pension payments made by the company directly will remain at a level of EUR 2.5 to 3.5 million in the long term. The pension payments expected to be made by the company directly in 2017 total EUR 3.1 million.

The fair value of the plan assets disaggregates into the following asset classes:

**C.64 FAIR VALUE OF THE PLAN ASSETS BY ASSET CLASS/DEC. 31, 2016**

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	Dec. 31, 2016
Shares	18.6	–	21.4	–	–	40.0
Fixed-interest securities	11.9	–	29.8	–	0.9	42.6
Insurance policies	79.5	17.4	–	56.4	2.5	155.8
Cash and cash equivalents	0.7	–	0.4	–	1.0	2.1
<b>Fair value of plan assets</b>	<b>110.7</b>	<b>17.4</b>	<b>51.6</b>	<b>56.4</b>	<b>4.4</b>	<b>240.5</b>

**C.65 FAIR VALUE OF THE PLAN ASSETS BY ASSET CLASS/DEC. 31, 2015**

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	Dec. 31, 2015
Shares	10.6	–	21.4	–	–	32.0
Fixed-interest securities	11.9	–	22.0	–	1.0	34.9
Insurance policies	78.9	17.0	–	46.0	2.5	144.4
Cash and cash equivalents	6.8	–	1.6	–	0.7	9.1
<b>Fair value of plan assets</b>	<b>108.2</b>	<b>17.0</b>	<b>45.0</b>	<b>46.0</b>	<b>4.2</b>	<b>220.4</b>

The plan assets are solely for fulfilling the defined benefit obligations and constitute protection for pension entitlements, which is a legal requirement in some countries and is voluntary in other countries.

The structure of the plan assets is reviewed at regular intervals. All assets, which, in Brenntag's case, mainly consist of insurance policies, are tailored long-term to the amount and maturity of the pension commitments, taking investment risks and statutory regulations governing the investment of retirement assets into account.

Owing to the composition of the plan assets, investment risk at Brenntag is limited to securities traded in active markets (shares and fixed-interest securities). This part is subject to market fluctuations (2016: 34.3% of plan assets; 2015: 30.4% of plan assets). All other assets are not traded in an active market.

The payments made into the plan assets, which, according to the plan rules, consist almost exclusively of obligatory payments, amount to EUR 8.4 million (2015: EUR 8.0 million). From today's point of view, the cash outflow resulting from contributions made by the company will remain at a level of EUR 7 to 9 million in the long term. Payments into plan assets for financial year 2017 are expected to total EUR 8.5 million.

#### Sensitivity analysis of the present value of the defined benefit obligation

The sensitivity analysis takes into account in each case the change in an assumption and the resulting effects on the defined benefit obligations, the other assumptions remaining the same as in the original calculation.

#### C.66 SENSITIVITY ANALYSIS OF THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

in EUR m	Principal pension plans	Other countries	2016	Principal pension plans	Other countries	2015
Discount rate						
Increase by 0.5 percentage points	-27.5	-1.9	-29.4	-25.0	-1.7	-26.7
Decrease by 0.5 percentage points	31.4	2.1	33.5	28.3	1.8	30.1
Expected salary trend						
Increase by 0.5 percentage points	2.7	1.1	3.8	2.5	1.2	3.7
Decrease by 0.5 percentage points	-2.6	-1.0	-3.6	-2.4	-1.1	-3.5
Expected pension trend						
Increase by 0.5 percentage points	8.7	0.8	9.5	9.9	0.7	10.6
Decrease by 0.5 percentage points	-7.9	-0.7	-8.6	-9.2	-0.7	-9.9
Medical cost trend						
Increase by 0.5 percentage points	1.1	-	1.1	1.4	-	1.4
Decrease by 0.5 percentage points	-1.0	-	-1.0	-1.2	-	-1.2

A 10% decrease in the mortality rates leads to an increase in life expectancy, depending on the individual age of each beneficiary. That means, for example, that the life expectancy of a 63-year-old employee as at December 31, 2016 increases by about one year. In order to determine the sensitivity of longevity, the mortality rates for the beneficiaries were reduced by 10%. If the mortality rates decreased by 10%, the present value of the defined benefit obligation would increase by EUR 10.9 million (2015: EUR 10.6 million) in the case of the principal pension plans and by EUR 0.4 million (2015: EUR 0.4 million) in the other countries.

## 27.) LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS

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

### C.67 LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS

in EUR m	Dec. 31, 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	1.8	1.7
<b>Total</b>	<b>5.5</b>	<b>68.7</b>

At the end of May 2016, 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 9.).

## 28.) EQUITY

### CAPITAL MANAGEMENT

The aim of capital management at Brenntag is to optimally deploy the resources used to ensure the company's continued existence and, at the same time, to generate a reasonable return on capital – measured by ROCE – for the shareholders in line with market conditions.

In 2016, the Group generated ROCE of 15.7% (2015: 17.3%).

### C.68 DETERMINATION OF ROCE

in EUR m	2016	2015
<b>EBITA</b>	<b>694.5</b>	<b>698.7</b>
Average carrying amount of equity	2,753.8	2,534.6
Average carrying amount of financial liabilities	2,238.3	1,961.8
Average carrying amount of cash and cash equivalents	–566.3	–460.9
<b>ROCE<sup>1)</sup></b>	<b>15.7%</b>	<b>17.3%</b>

<sup>1)</sup> For the definition of ROCE, see the chapter "Group Key Financial Figures".

Brenntag monitors the appropriateness of borrowings inter alia through the ratio of net financial liabilities to operating EBITDA (leverage). In principle, Brenntag considers leverage at the current level of approximately 2x to be acceptable. Brenntag would only accept significantly higher leverage if it were only temporary, for example in connection with acquisitions. The current level may fall in line with the continued positive business performance without, in the company's opinion, any immediate counteraction being necessary.

The ratio of net financial liabilities to operating EBITDA remained unchanged year on year at 2.1.

#### C.69 NET FINANCIAL LIABILITIES / OPERATING EBITDA

in EUR m	2016	2015
Non-current financial liabilities	2,137.5	2,094.4
Current financial liabilities	146.3	160.8
Less cash and cash equivalents	-601.9	-579.1
Net financial liabilities	1,681.9	1,676.1
Operating EBITDA	810.0	807.4
<b>Net financial liabilities / operating EBITDA</b>	<b>2.1x</b>	<b>2.1x</b>

#### SUBSCRIBED CAPITAL

As at December 31, 2016, the subscribed capital of Brenntag AG totalled EUR 154.5 million. The share capital is divided into 154,500,000 no-par value registered shares, each with a notional value of EUR 1.00.

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

#### ADDITIONAL PAID-IN CAPITAL

The additional paid-in capital amounts to EUR 1,491.4 million (2015: EUR 1,491.4 million).

As a result of the issue of the bond with warrant units in November 2015, the additional paid-in capital increased by EUR 34.5 million in the previous year. This increase was the warrant premium which was recognized in the Group's additional paid-in capital. Costs in the amount of EUR 0.3 million in connection with the issue of the bond with warrant units were offset directly against the additional paid-in capital, taking relevant tax effects in the amount of EUR 0.1 million into account.

#### RETAINED EARNINGS

The retained earnings include cumulative profit after tax and the remeasurement component of the defined benefit pension plans including deferred taxes. Transactions with owners are also recognized here. The latter are effects of share purchases and sales which have no influence on existing control and are recognized in retained earnings. In financial year 2016, the remaining shares (49%) were acquired in Chinese distributor Zhong Yung. This transaction with owners increased retained earnings by EUR 30.5 million due to the reclassification of non-controlling interests.

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 154.5 million (2015: EUR 139.1 million). Based on 154.5 million shares, that is a dividend of EUR 1.00 (2015: EUR 0.90) per no-par value share entitled to a dividend.

At the General Shareholders' Meeting on June 8, 2017, the Board of Management and the Supervisory Board will propose that a dividend of EUR 162,225,000.00 be paid. Based on 154.5 million shares, this is a dividend of EUR 1.05 per no-par value share entitled to a dividend.

#### OTHER COMPONENTS OF EQUITY/NON-CONTROLLING INTERESTS

Other components of equity contain the cumulative gain/loss from exchange rate differences, the net investment hedge reserve and the cash flow hedge reserve including deferred taxes.

The cumulative gain/loss from exchange rate differences contains the differences from the translation of the financial statements of foreign companies into the Group currency (euro), which are recognized in other comprehensive income.

Exchange rate differences from liabilities included in net investment hedge accounting are recognized within equity in the net investment hedge reserve.

The cash flow hedge reserve contains the effective portions of the cumulative changes in the fair value of derivative financial instruments included in cash flow hedge accounting.



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

#### C.70 CHANGE IN NON-CONTROLLING INTERESTS

in EUR m	Subscribed capital, retained earnings and additional paid-in capital	Exchange rate differences	Non-controlling interests
<b>Dec. 31, 2014</b>	<b>26.1</b>	<b>5.3</b>	<b>31.4</b>
Dividends	-0.1	-	-0.1
Business combinations	7.5	-	7.5
Profit after tax	3.1	-	3.1
Other comprehensive income	-	2.2	2.2
<b>Total comprehensive income for the period</b>	<b>3.1</b>	<b>2.2</b>	<b>5.3</b>
<b>Dec. 31, 2015</b>	<b>36.6</b>	<b>7.5</b>	<b>44.1</b>
Business combinations	2.6	-	2.6
Transactions with owners	-30.5	-5.8	-36.3
Profit after tax	0.7	-	0.7
Other comprehensive income	-	-1.4	-1.4
<b>Total comprehensive income for the period</b>	<b>0.7</b>	<b>-1.4</b>	<b>-0.7</b>
<b>Dec. 31, 2016</b>	<b>9.4</b>	<b>0.3</b>	<b>9.7</b>

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

#### POWERS OF THE BOARD OF MANAGEMENT TO ISSUE AND REPURCHASE SHARES

##### Authorization to create authorized capital

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

Details can be found in the Articles of Association of Brenntag AG, which are available on the website at [www.brenntag.com](http://www.brenntag.com) under Investor Relations.

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

#### Authorization to purchase and use treasury shares in accordance with Section 71, para. 1, No. 8 of the German Stock Corporation Act

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

#### Authorization to issue bonds and to create conditional capital

By resolution of the General Shareholders' Meeting on June 17, 2014, the Board of Management was authorized, subject to the consent of the Supervisory Board, to issue in one or more tranches in the period up to June 16, 2019 registered or bearer warrant-linked or convertible bonds as well as profit-sharing certificates conferring option or conversion rights in an aggregate nominal amount of up to EUR 2,000,000,000 of limited or unlimited term (hereinafter collectively "Bonds") and to grant the holders or creditors of the Bonds option or conversion rights for up to 25,750,000 new shares of Brenntag AG with a pro-rata amount of the registered share capital of up to EUR 25,750,000 further subject to the terms and conditions of the respective warrant-linked or convertible bonds and/or terms and conditions of the profit-sharing certificates to be defined by the Board of Management (hereinafter in each case "Terms and Conditions"). Other than in euros, the Bonds may also be issued – subject to the limitation to the corresponding equivalent value in euros – in a foreign legal currency. The Bonds may also be issued by companies which are controlled by Brenntag AG or in which it holds a majority interest; in such case, the Board of Management was authorized, subject to the consent of the Supervisory Board, to assume on behalf of Brenntag AG, the guarantee for the Bonds and to grant the holders of such Bonds option and/or conversion rights for shares of Brenntag AG and to effect any further declarations and acts as are required for a successful issue. The issues of the Bonds may in each case be divided into partial bonds with equal entitlement amongst themselves. The issue of Bonds may also be effected against non-cash contributions, provided that the value of the non-cash contribution is equal to the issue price and such issue price is not substantially lower than the market value of the Bonds. The Board of Management is authorized, under certain circumstances and subject to the consent of the Supervisory Board, to exclude the subscription right of

the shareholders for the Bonds. However, such authorization to exclude the subscription rights shall apply only provided that the shares issued to fulfil the option or conversion rights and/or in the case of fulfilment of the conversion obligation represent no more than 10% of the registered share capital. Decisive for the threshold of 10% is the registered share capital in the amount of EUR 154,500,000 (simplified exclusion of subscription rights).

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

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

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

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

## 29.) CONSOLIDATED CASH FLOW STATEMENT DISCLOSURES

The net cash inflow from operating activities amounting to EUR 539.9 million was influenced by cash outflows from the increase in working capital of EUR 27.5 million.

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

### C.71 CHANGE IN WORKING CAPITAL

in EUR m	2016	2015
Increase/decrease in inventories	-20.0	64.2
Increase/decrease in gross trade receivables	-36.8	109.9
Decrease/increase in trade payables	37.6	-90.2
Valuation allowances on trade receivables and on inventories <sup>1)</sup>	-8.3	3.1
<b>Change in working capital<sup>2)</sup></b>	<b>-27.5</b>	<b>87.0</b>

<sup>1)</sup> Presented within other non-cash items.

<sup>2)</sup> Adjusted for exchange rate effects and acquisitions.

At 8.0 in the reporting period, annualized working capital turnover<sup>3)</sup> was on a par with the previous year (8.0).

Of the interest payments, EUR 2.8 million (2015: EUR 3.2 million) relate to interest received and EUR 69.8 million (2015: EUR 70.4 million) to interest paid.

## 30.) SEGMENT REPORTING

The Brenntag Group operates solely in the chemical distribution business and is managed through the regions EMEA, North America, Latin America and Asia Pacific. The activities are allocated to these segments on the basis of the location of the registered office of the respective subsidiary. Allocation of the activities on the basis of the location of the registered offices of the customers would not lead to a different segmentation. The geographical segmentation reflects control and supervision by the management and permits a reliable estimate of risks and rewards.

Central functions for the entire Group and the international business of Brenntag International Chemicals are combined as all other segments.

All consolidation adjustments between the segments are presented separately. Differences between the figures from the segment reporting and the corresponding figures in the consolidated financial statements are presented as a reconciliation. All transactions between companies within a segment have been eliminated. The Group accounts for inter-segment sales transactions as if the transactions were made with third parties at current prices (arm's length principle).

<sup>3)</sup> Ratio of annual sales to average working capital: average working capital is defined for a particular year as the average of working capital at the beginning of the year, the end of each of the first, second and third quarters, and the end of the year.

The key earnings metric used at Brenntag for segment management is operating EBITDA. Operating EBITDA is the operating profit as reported in the consolidated income statement plus amortization of intangible assets and depreciation of property, plant and equipment. At Group level, operating EBITDA corresponds to EBITDA. 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.

There are no significant non-cash items in the reporting period.

In 2016, impairment losses on property, plant and equipment in the amount of EUR 1.0 million related to the EMEA segment. They were presented in selling expenses. In financial year 2015, there were no impairments of property, plant and equipment and intangible assets.

Non-current assets comprise property, plant and equipment and intangible assets. Non-current assets are allocated to the different countries as follows:

#### C.72 NON-CURRENT ASSETS BY COUNTRY

in EUR m		Germany	USA	France	Switzer- land	Italy	Spain	Others	Group
Property, plant and equipment	<b>Dec. 31, 2016</b>	<b>89.5</b>	<b>288.6</b>	<b>90.0</b>	<b>56.3</b>	<b>45.9</b>	<b>47.6</b>	<b>391.2</b>	<b>1,009.1</b>
	Dec. 31, 2015	88.2	267.2	88.4	57.4	42.0	49.5	379.2	971.9
Intangible assets <sup>1)</sup>	<b>Dec. 31, 2016</b>	<b>11.0</b>	<b>68.0</b>	<b>2.0</b>	<b>0.1</b>	<b>3.4</b>	<b>1.4</b>	<b>49.4</b>	<b>135.3</b>
	Dec. 31, 2015	4.4	73.5	1.8	0.1	4.1	1.6	41.1	126.6

<sup>1)</sup> Intangible assets excluding goodwill and "Brenntag" trademark.

The allocation of external sales to the different countries is shown in the following table:

#### C.73 EXTERNAL SALES BY COUNTRY

in EUR m		Germany	USA	France	Italy	Great Britain	Poland	Others	Group
External sales	<b>2016</b>	<b>1,095.0</b>	<b>3,555.5</b>	<b>471.1</b>	<b>455.4</b>	<b>444.2</b>	<b>410.5</b>	<b>4,066.7</b>	<b>10,498.4</b>
	2015	1,138.3	3,323.6	495.6	470.9	503.5	428.3	3,985.9	10,346.1

### 31.) OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

The following other financial obligations exist:

#### C.74 OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES / DEC. 31, 2016

in EUR m	Remaining term			Dec. 31, 2016
	less than 1 year	1 to 5 years	more than 5 years	
Purchase commitments in respect of property, plant and equipment	3.4	–	–	3.4
Obligations from future minimum lease payments for operating leases	84.1	201.1	71.7	356.9
<b>Total</b>	<b>87.5</b>	<b>201.1</b>	<b>71.7</b>	<b>360.3</b>

#### C.75 OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES / DEC. 31, 2015

in EUR m	Remaining term			Dec. 31, 2015
	less than 1 year	1 to 5 years	more than 5 years	
Purchase commitments in respect of property, plant and equipment	1.0	–	–	1.0
Obligations from future minimum lease payments for operating leases	80.4	194.6	79.4	354.4
<b>Total</b>	<b>81.4</b>	<b>194.6</b>	<b>79.4</b>	<b>355.4</b>

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

In connection with the elimination of environmental damage, as at December 31, 2016, there are contingent liabilities with a fair value of EUR 2.4 million (Dec. 31, 2015: EUR 2.5 million).

## 32.) LEGAL PROCEEDINGS AND DISPUTES

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

In 2013, the French Competition Authority imposed fines on Brenntag and others in relation to the allocation of customers and coordination of prices in the period to 2005. Brenntag appealed against the decision of the French Competition Authority. On February 2, 2017, the court of appeal set aside the decision due to procedural errors. The court ordered that the proceedings be reopened, but did not make any findings in the matter. The proceedings are ongoing before the court of appeal. Regarding investigation additionally ongoing at the French Competition Authority concerning whether BRENNTAG SA has illegally made use of its market position, a decision by the Authority is still pending. The status of the investigation does not permit an assessment of the outcome. Based on current knowledge, Brenntag further assumes that claims for civil liability arising from the above-mentioned proceedings are not sufficiently substantiated.

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

The German Brenntag companies are currently the subject of a routine tax audit for the years 2010 to 2012. At the reporting date, there were no significant findings by the tax authorities. The tax audit for the years 2006 to 2009 was completed in December 2016. In relation to the deductibility of interest on the loan granted by the former shareholder, there was an adjustment to the interest rate. The resulting tax liability is covered by tax provisions.

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

### 33.) REPORTING OF FINANCIAL INSTRUMENTS

#### CARRYING AMOUNTS AND FAIR VALUES BY MEASUREMENT CATEGORY

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

#### C.76 CLASSIFICATION OF FINANCIAL ASSETS BY MEASUREMENT CATEGORY / DEC. 31, 2016

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

#### C.77 CLASSIFICATION OF FINANCIAL ASSETS BY MEASUREMENT CATEGORY/ DEC. 31, 2015

in EUR m	2015					
Measurement in the balance sheet:	At amortized cost	At fair value			Dec. 31, 2015	
	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Derivatives designated in hedge accounting	Total carrying amount	Fair value
Classification of financial assets:						
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
<b>Total</b>	<b>2,129.7</b>	<b>2.4</b>	<b>1.3</b>	<b>2.5</b>	<b>2,135.9</b>	<b>2,135.9</b>

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 80.9 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:

**C.78 CLASSIFICATION OF FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY/DEC. 31, 2016**

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

**C.79 CLASSIFICATION OF FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY/DEC. 31, 2015**

in EUR m		2015					
Measurement in the balance sheet:	At amortized cost		At fair value			Dec. 31, 2015	
	Not designated in hedge accounting	Designated in hedge accounting	Financial liabilities at fair value through profit or loss	Derivatives designated in hedge accounting	Carrying amount under IAS 17	Total carrying amount	Fair value
Classification of financial liabilities:							
Trade payables	1,055.5	–	–	–	–	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
<b>Total</b>	<b>3,484.4</b>	<b>63.3</b>	<b>4.3</b>	<b>–</b>	<b>14.4</b>	<b>3,566.4</b>	<b>3,605.4</b>

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

Of the other liabilities recognized in the balance sheet, EUR 192.4 million (Dec. 31, 2015: EUR 186.1 million) are not financial liabilities within the meaning of IFRS 7. They are mainly liabilities to employees, liabilities from value-added tax and other taxes, as well as deferred income.

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

#### C.80 FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY / DEC. 31, 2016

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

#### C.81 FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY / DEC. 31, 2015

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

The net gains/losses from financial assets and liabilities broken down into measurement categories are as follows:

**C.82 NET GAINS/LOSSES FROM FINANCIAL ASSETS AND LIABILITIES / 2016**

in EUR m	2016								
	Interest		Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	At fair value		Currency translation		Impairments, net	Net gain/loss
	Income	Expense		Gains	Losses	Gains	Losses		
Measurement category:									
Loans and receivables	2.9	–	–	–	–	73.3	–85.2	–4.4	–13.4
Financial liabilities measured at amortized cost	–	–74.6	–2.6	–	–	30.7	–73.5	–	–120.0
Financial assets and liabilities at fair value through profit or loss	–	–	–	62.9	–39.7	–	–	–	23.2
Derivatives designated in hedge accounting	–	–2.2	–	–	–	–	–	–	–2.2
<b>Total</b>	<b>2.9</b>	<b>–76.8</b>	<b>–2.6</b>	<b>62.9</b>	<b>–39.7</b>	<b>104.0</b>	<b>–158.7</b>	<b>–4.4</b>	<b>–112.4</b>

**C.83 NET GAINS/LOSSES FROM FINANCIAL ASSETS AND LIABILITIES / 2015**

in EUR m	2015								
	Interest		Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	At fair value		Currency translation		Impairments, net	Net gain/loss
	Income	Expense		Gains	Losses	Gains	Losses		
Measurement category:									
Loans and receivables	3.3	–	–	–	–	83.1	–55.3	–5.3	25.8
Financial liabilities measured at amortized cost	–	–63.8	–24.9	–	–	60.5	–85.2	–	–113.4
Financial assets and liabilities at fair value through profit or loss	–	–	–	36.8	–61.3	–	–	–	–24.5
Derivatives designated in hedge accounting	–	–3.3	–	–	–	–	–	–	–3.3
<b>Total</b>	<b>3.3</b>	<b>–67.1</b>	<b>–24.9</b>	<b>36.8</b>	<b>–61.3</b>	<b>143.6</b>	<b>–140.5</b>	<b>–5.3</b>	<b>–115.4</b>

Of the interest expense on liabilities to third parties contained in interest expense, EUR 1.8 million (2015: EUR 1.7 million) is interest expense which is not part of the effective interest on financial liabilities measured at amortized cost.

With the exception of valuation allowances on trade receivables and other receivables, net gains and losses on subsequent measurement are presented within net finance costs. Valuation allowances on trade receivables and other receivables are presented under other operating expenses and the income from the receipt of trade receivables derecognized in prior periods is presented within other operating income.

## OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The gross amounts of financial assets and liabilities are offset on the basis of netting arrangements in the balance sheet as follows or they are subject to the following enforceable master netting arrangements or similar agreements that do not meet the requirements for offsetting in the balance sheet:

### C.84 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES / DEC. 31, 2016

in EUR m	Gross amounts of financial assets and liabilities	Offsetting	Gross carrying amounts in the balance sheet	Enforceable master netting arrangements and similar arrangements	Dec. 31, 2016 Net amount
Trade receivables	1,545.2	-34.0	1,511.2	-3.1	1,508.1
Other receivables	170.5	-	170.5	-0.1	170.4
Other financial assets	33.0	-	33.0	-1.1	31.9
Trade payables	1,124.9	-5.5	1,119.4	-2.9	1,116.5
Other liabilities	406.7	-28.5	378.2	-0.3	377.9
Financial liabilities	2,283.8	-	2,283.8	-1.1	2,282.7

### C.85 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES / DEC. 31, 2015

in EUR m	Gross amounts of financial assets and liabilities	Offsetting	Gross carrying amounts in the balance sheet	Enforceable master netting arrangements and similar arrangements	Dec. 31, 2015 Net amount
Trade receivables	1,465.7	-39.2	1,426.5	-9.7	1,416.8
Other receivables	158.1	-	158.1	-0.1	158.0
Other financial assets	48.6	-	48.6	-0.9	47.7
Trade payables	1,060.9	-5.4	1,055.5	-7.9	1,047.6
Other liabilities	406.9	-33.8	373.1	-1.9	371.2
Financial liabilities	2,255.2	-	2,255.2	-0.9	2,254.3

## NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

The sources of as well as the processes and policies used to manage these risks are described in detail in the chapter “Financial Risks and Opportunities” in the management report.

### CURRENCY RISKS

Currency risks arise particularly when monetary items or contracted future transactions are in a currency other than the functional currency of a company. Foreign exchange forwards and foreign exchange swaps are used as hedging instruments. The derivative financial instruments used have maturities of less than one year and are not included in hedge accounting.

The entire liability relating to the acquisition of non-controlling interests in Zhong Yung was included in net investment hedge accounting until acquisition of the remaining shares at the end of May so the exchange rate-related changes in the liability were recognized in the net investment hedge reserve. As a result, the net investment hedge reserve changed as follows:

#### C.86 CHANGE IN NET INVESTMENT HEDGE RESERVE

in EUR m	Net investment hedge reserve
<b>Dec. 31, 2015</b>	<b>-8.6</b>
Transfer to net investment hedge reserve	2.2
<b>Dec. 31, 2016</b>	<b>-6.4</b>

If the euro had been worth 10% more or less in each case against major currencies as at December 31, 2016, translation of monetary items in foreign currency into the Group currency, the euro, allowing for the foreign exchange forward deals and foreign exchange swaps still open on December 31, 2016, would have resulted in the following changes in net finance costs:

#### C.87 SENSITIVITY ANALYSIS CURRENCY RISK

in EUR m	2016		2015	
	+10%	-10%	+10%	-10%
USD	-1.3	1.6	-1.4	1.8
GBP	1.7	-2.1	0.2	-0.3
PLN	-0.5	0.6	-	-

#### INTEREST RATE RISKS

Interest rate risks can occur due to changes in market interest rates. The risks result from changes in the fair values of fixed-rate financial instruments or from changes in the cash flows of variable-rate financial instruments. In April 2013, parts of the floating-rate syndicated loan were hedged against interest rate risks in the long term with interest swaps and the interest swaps were included in cash flow hedge accounting.

The cash flow hedge reserve changed as follows:

#### C.88 CHANGE IN CASH FLOW HEDGE RESERVE

in EUR m	Cash flow hedge reserve
<b>Dec. 31, 2015</b>	<b>1.2</b>
Reclassification to profit and loss	2.1
Measurement at fair value	-1.4
<b>Dec. 31, 2016</b>	<b>1.9</b>

If the market interest rate at December 31, 2016 had been 25 basis points (2015: 25 basis points) higher or lower (relative to the total amount of derivatives and variable-rate financial liabilities as at December 31, 2016), the cash flow hedge reserve would have been EUR 1.4 million higher (Dec. 31, 2015: EUR 2.0 million higher) or EUR 1.7 million lower (Dec. 31, 2015: EUR 2.7 million lower). The negative impact on net finance costs would have been EUR 2.7 million or the positive impact EUR 2.7 million (2015: negative impact of EUR 1.9 million or positive impact of EUR 1.9 million).

#### CREDIT RISKS

Non-derivative financial instruments entail credit risk when contractually agreed payments are not made by the contracting parties. The maximum credit risk on non-derivative financial instruments corresponds to their carrying amounts. The expected credit risk from individual receivables is allowed for by recognizing write-downs of the assets. See also Note 15.).

With the derivative financial instruments used, the maximum credit risk is the total of all positive fair values of these instruments as, in the event of non-performance by the contracting parties, losses on assets would be restricted to this amount.

#### LIQUIDITY RISKS

Liquidity risk is the risk that the Brenntag Group may in future not be able to meet its contractual payment obligations. Due to the fact that the Brenntag Group's business is not subject to any pronounced seasonal fluctuations, there is relatively little fluctuation in liquidity during the financial year.

To ensure that the Brenntag Group can pay at all times, it not only has appropriate liquidity reserves in the form of cash and cash equivalents but also credit lines under the syndicated loan which can be utilized as needed. In order to identify the liquidity risks, the Group has a multi-annual liquidity plan which is regularly reviewed and adjusted if necessary.

The undiscounted cash flows resulting from financial liabilities are shown in the following table:

#### C.89 FUTURE CASH FLOWS FROM FINANCIAL LIABILITIES/DEC. 31, 2016

in EUR m	Carrying amount Dec. 31, 2016	Cash flows 2017–2022 ff.					
		2017	2018	2019	2020	2021	2022 ff.
Trade payables	1,119.4	1,119.4	–	–	–	–	–
Other liabilities	378.2	376.2	0.7	0.1	0.2	0.3	0.7
Liabilities relating to acquisition of non-controlling interests	5.5	5.5	–	–	–	–	–
Liabilities under syndicated loan	1,249.0	21.6	21.6	1,259.1	–	–	–
Other liabilities to banks	116.4	111.6	0.4	0.1	–	–	4.3
Bond 2018	407.9	22.0	422.0	–	–	–	–
Bond (with Warrants) 2022	442.1	8.9	8.9	8.9	8.9	8.9	483.2
Finance lease liabilities	11.5	3.5	2.5	2.1	1.4	1.2	4.9
Derivative financial instruments	1.8						
of which cash inflows	–	178.0	–	–	–	–	–
of which cash outflows	–	180.6	–	–	–	–	–
Other financial liabilities	55.1	18.4	20.8	8.9	1.1	0.5	5.4
<b>Total</b>	<b>3,786.9</b>	<b>1,689.7</b>	<b>476.9</b>	<b>1,279.2</b>	<b>11.6</b>	<b>10.9</b>	<b>498.5</b>

## C.90 FUTURE CASH FLOWS FROM FINANCIAL LIABILITIES/DEC. 31, 2015

in EUR m	Carrying amount Dec. 31, 2015	Cash flows 2017–2021 ff.					
		2016	2017	2018	2019	2020	2021 ff.
Trade payables	1,055.5	1,055.5	–	–	–	–	–
Other liabilities	187.0	184.4	0.5	0.6	0.2	0.2	1.1
Liabilities relating to acquisition of non-controlling interests	68.7	68.7	–	–	–	–	–
Liabilities under syndicated loan	1,214.7	16.8	16.8	16.8	1,226.3	–	–
Other liabilities to banks	134.2	128.7	0.2	–	–	–	5.3
Bond 2018	406.5	22.0	22.0	422.0	–	–	–
Bond (with Warrants) 2022	423.2	8.6	8.6	8.6	8.6	8.6	476.5
Finance lease liabilities	14.4	4.4	3.3	2.5	1.8	1.2	6.5
Derivative financial instruments	4.3						
of which cash inflows	–	477.9	–	–	–	–	–
of which cash outflows	–	482.2	0.4	–	–	–	–
Other financial liabilities	57.9	12.7	20.8	21.5	1.3	1.6	–
<b>Total</b>	<b>3,566.4</b>	<b>1,506.1</b>	<b>72.6</b>	<b>472.0</b>	<b>1,238.2</b>	<b>11.6</b>	<b>489.4</b>

## DERIVATIVE FINANCIAL INSTRUMENTS

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

## C.91 DERIVATIVE FINANCIAL INSTRUMENTS

in EUR m	Dec. 31, 2016			Dec. 31, 2015		
	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Foreign exchange forward transactions and foreign exchange swaps not included in hedge accounting	614.3	3.9	1.8	637.3	2.4	4.1
Interest rate swaps in hedge accounting	284.6	1.9	–	459.3	2.5	–
Interest rate swaps not included in hedge accounting	–	–	–	100.0	–	0.2
<b>Total</b>		<b>5.8</b>	<b>1.8</b>		<b>4.9</b>	<b>4.3</b>



### 34.) RELATED PARTIES

In the course of its normal business activities, Brenntag AG also obtains services from and provides services for related entities. These related entities are the subsidiaries included in the consolidated financial statements as well as associates accounted for using the equity method and their subsidiaries.

Related persons are the members of the Board of Management and Supervisory Board of Brenntag AG and members of their families.

The total remuneration of the Board of Management due in the short term including the remuneration for performing their tasks at subsidiaries amounts to EUR 5.3 million for financial year 2016 (2015: EUR 4.5 million). Furthermore, there are long-term remuneration programmes for members of the Board of Management that are partly based on the development of the share price. The resulting bonus earned in 2016 plus changes in the amount of entitlements not yet paid out totals EUR 1.9 million (2015: EUR 3.2 million). The cost (excluding interest expense) of the pension entitlements earned in the reporting year (defined benefit plans) and the defined contribution pension plans amounts to EUR 0.6 million (thereof: EUR 0.6 million for defined benefit plans); in 2015: EUR 0.5 million (thereof: EUR 0.5 million for defined benefit plans). The total remuneration of the Board of Management is therefore EUR 7.8 million (2015: EUR 8.2 million). In financial year 2016, as in the previous year, no expense for remuneration to former members of the Board of Management was incurred.

The Board of Management remuneration system and the remuneration of each member of the Board of Management are detailed in the remuneration report, which is an integral part of the combined management report.

The total remuneration of the members of the Supervisory Board due in the short term amounts to EUR 1.0 million for financial year 2016 (2015: EUR 1.0 million).

The Supervisory Board remuneration system and the remuneration of each member of the Supervisory Board are detailed in the remuneration report, which is an integral part of the combined management report.

Apart from the aforementioned, there were no transactions with related persons.

The following business transactions were performed on terms equivalent to those that prevail in arm's length transactions:

#### C.92 TRANSACTIONS WITH RELATED PARTIES

in EUR m	2016	2015
Sales from transactions with associates	1.3	0.8
Goods and services rendered by associates	0.8	0.7
Sales from transactions with companies at which related persons perform a supervisory function	0.2	0.2

#### C.93 RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES

in EUR m	Dec. 31, 2016	Dec. 31, 2015
Trade receivables from associates	0.5	0.1
Trade payables to associates	0.1	0.1
Financial receivables from associates	–	0.1

The transactions of Brenntag AG with consolidated subsidiaries as well as between consolidated subsidiaries have been eliminated.

### 35.) FEES FOR THE AUDITORS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The following fees for the services of the auditors of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, were recognized as expenses:

#### C.94 FEES FOR THE AUDITORS OF THE CONSOLIDATED FINANCIAL STATEMENTS

in EUR m	2016	2015
Financial statement audit services	0.8	0.8
Other assurance services	0.2	0.2
Tax advisory services	0.2	0.1
Other services rendered	0.1	–
<b>Total</b>	<b>1.3</b>	<b>1.1</b>

### 36.) EXEMPTIONS PURSUANT TO SECTION 264, PARA. 3 / SECTION 264B OF THE GERMAN COMMERCIAL CODE

For financial year 2016, the following subsidiaries of Brenntag AG are making use of the exemptions pursuant to Section 264, para. 3 and Section 264b of the German Commercial Code:

- Brenntag Holding GmbH, Mülheim an der Ruhr
- Brenntag Germany Holding GmbH, Mülheim an der Ruhr
- Brenntag Foreign Holding GmbH, Mülheim an der Ruhr
- Brenntag Beteiligungs GmbH, Mülheim an der Ruhr
- BRENNTAG GmbH, Duisburg
- BRENNTAG International Chemicals GmbH, Mülheim an der Ruhr
- Brenntag Real Estate GmbH, Mülheim an der Ruhr
- BCD Chemie GmbH, Hamburg
- CLG Lagerhaus GmbH & Co. KG, Mülheim an der Ruhr
- Brenntag European Services GmbH & Co. KG, Zossen
- CM Komplementär 03–018 GmbH & Co. KG, Mülheim an der Ruhr
- CM Komplementär 03–019 GmbH & Co. KG, Mülheim an der Ruhr
- CM Komplementär 03–020 GmbH & Co. KG, Mülheim an der Ruhr

### 37.) DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

On December 15, 2016, the Board of Management and Supervisory Board issued the declaration of conformity with the recommendations of the government commission “German Corporate Governance Code” for financial year 2016 as required by Section 161 of the German Stock Corporation Act. The declaration of conformity can be viewed at any time on the website of Brenntag AG ([http://www.brenntag.com/media/documents/investor\\_relations/2016/declaration\\_of\\_conformity\\_e.pdf](http://www.brenntag.com/media/documents/investor_relations/2016/declaration_of_conformity_e.pdf)).

### 38.) EVENTS AFTER THE END OF THE REPORTING PERIOD

In January 2017, Brenntag took advantage of the very favourable market conditions for borrowers and refinanced the syndicated loan ahead of schedule. To do so, a new syndicated loan totalling the equivalent of EUR 1.7 billion was concluded with a consortium of international banks. In refinancing the loan, an amount of USD 150 million was repaid from available liquidity. The new loan runs until 2022. It is based on variable interest rates with margins depending on leverage, and is divided into different tranches with different currencies. In addition to fully drawn tranches, the loan agreement also contains two revolving credit facilities totalling EUR 940.0 million, which can be drawn down in various currencies. When the loan was refinanced in January 2017, one of the two revolving credit facilities was fully drawn down in the amount of EUR 340.0 million. The second revolving credit facility in the amount of EUR 600.0 million was mostly unused at that date. While some of our subsidiaries are still direct borrowers under the loan, others obtain their financing from intra-Group loans.

## RESPONSIBILITY STATEMENT

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

Mülheim an der Ruhr, February 28, 2017

Brenntag AG

BOARD OF MANAGEMENT

Steven Holland

Karsten Beckmann

Markus Klähn

Georg Müller

Henri Nejade

## ANNEX

### LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313, PARA. 2 OF THE GERMAN COMMERCIAL CODE AS AT DECEMBER 31, 2016

No.	Company	Domicile	Held directly % <sup>1)</sup>	Held indirectly % <sup>1)</sup>	Effective net holding % <sup>1)</sup>	Via no.
1	Brenntag AG	Mülheim an der Ruhr				
<b>CONSOLIDATED SUBSIDIARIES</b>						
<b>Algeria</b>						
2	Alliance Chimie Algerie SPA	Algiers	0.00	100.00	99.94	72
<b>Argentina</b>						
3	Brenntag Argentina S.A.	Buenos Aires	0.00	90.00 10.00	100.00	123 115
<b>Australia</b>						
4	Brenntag Australia Pty. Ltd.	Highett	0.00	100.00	100.00	150
5	Brenntag Pty. Ltd. i. L.	Highett	0.00	100.00	100.00	4
<b>Bangladesh</b>						
6	BRENNTAG BANGLADESH FORMULATION LTD.	Dhaka	0.00	100.00	100.00	123
7	BRENNTAG BANGLADESH LTD.	Dhaka	0.00	100.00	100.00	123
8	BRENNTAG BANGLADESH SERVICES LTD.	Dhaka	0.00	100.00	100.00	7
<b>Belgium</b>						
9	BRENNTAG NV	Deerlijk	0.00	99.99 0.01	100.00	74 55
10	European Polymers and Chemicals Distribution BVBA	Deerlijk	0.00	100.00	100.00	128
<b>Bermuda</b>						
11	HCI Ltd.	Hamilton	0.00	100.00	100.00	12
12	Pelican Chemical Traders Ltd.	Hamilton	0.00	100.00	100.00	26
<b>Bolivia</b>						
13	Brenntag Bolivia S.R.L.	Santa Cruz	0.00	90.00 10.00	100.00	123 116
<b>Brazil</b>						
14	Brenntag Quimica Brasil Ltda.	Guarulhos, State of São Paulo	0.00	100.00	100.00	123
<b>Bulgaria</b>						
15	BRENNTAG BULGARIA EOOD	Sofia	0.00	100.00	100.00	123
<b>Chile</b>						
16	Brenntag Chile Comercial e Industrial Limitada	Santiago	0.00	95.00 5.00	100.00	123 116

No.	Company	Domicile	Held directly % <sup>1)</sup>	Held indirectly % <sup>1)</sup>	Effective net holding % <sup>1)</sup>	Via no.
<b>China</b>						
17	Tianjin Zhong Rong Chemical Storage Co., Ltd.	Tianjin	0.00	100.00	100.00	81
18	Tianjin Tai Rong Chemical Trading Co., Ltd.	Tianjin	0.00	100.00	100.00	21
19	TAT Petroleum (Guangzhou) Ltd	Guangzhou	0.00	100.00	100.00	151
20	Shanghai Yi Rong International Trading Co., Ltd.	Shanghai	0.00	75.00 25.00	100.00	21 81
21	Shanghai Jia Rong Trading Co., Ltd.	Shanghai	0.00	100.00	100.00	17
22	Shanghai Anyijie Chemical Logistic Co., Ltd.	Shanghai	0.00	100.00	100.00	17
23	Guangzhou Fan Ya Jia Rong Trading Co., Ltd.	Guangzhou	0.00	60.00 40.00	100.00	21 18
24	Brenntag (Shanghai) Chemical Trading Co., Ltd.	Shanghai	0.00	100.00	100.00	123
<b>Costa Rica</b>						
25	Quimicos Holanda Costa Rica S.A.	San José	0.00	100.00	100.00	123
<b>Curaçao</b>						
26	H.C.I. (Curaçao) N.V.	Curaçao	0.00	100.00	100.00	123
27	HCI Shipping N.V.	Curaçao	0.00	100.00	100.00	26
<b>Denmark</b>						
28	Aktieselskabet af 1. Januar 1987	Ballerup	0.00	100.00	100.00	30
29	Brenntag Biosector A/S	Ballerup	0.00	100.00	100.00	30
30	Brenntag Nordic A/S	Ballerup	0.00	100.00	100.00	123
<b>Germany</b>						
31	BRENTAG International Chemicals GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	59
32	Brenntag Real Estate GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	55
33	Brenntag Vermögensmanagement GmbH	Zossen	0.00	100.00	100.00	55
34	CLG Lagerhaus GmbH	Duisburg	0.00	100.00	100.00	59
35	CLG Lagerhaus GmbH & Co. KG	Mülheim an der Ruhr	0.00	100.00	100.00	59
36	CM Komplementär 03–018 GmbH & Co. KG	Mülheim an der Ruhr	0.00	100.00 0.00	100.00	58 51
37	CM Komplementär 03–019 GmbH & Co. KG	Mülheim an der Ruhr	0.00	100.00 0.00	100.00	36 52
38	CM Komplementär 03–020 GmbH & Co. KG	Mülheim an der Ruhr	0.00	100.00 0.00	100.00	37 53
39	CVB Albert Carl GmbH & Co. KG Berlin	Berlin	0.00	100.00	51.00	40
40	CVH Chemie-Vertrieb GmbH & Co. Hannover KG	Hanover	0.00	51.00	51.00	59
41	CVH Chemie-Vertrieb Verwaltungsgesellschaft mbH	Hanover	0.00	51.00	51.00	59
42	CVM Chemie-Vertrieb Magdeburg GmbH & Co. KG	Schönebeck	0.00	100.00	51.00	40
43	CVP Chemie-Vertrieb Berlin GmbH	Berlin	0.00	100.00	51.00	40
44	Fred Holmberg & Co GmbH	Hamburg	0.00	100.00	100.00	145
45	ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Hüttenheim KG	Düsseldorf	0.00	94.00	94.00 <sup>3)</sup>	59
46	Leis Polytechnik – polymere Werkstoffe GmbH	Ramstein-Miesenbach	0.00	100.00	100.00 <sup>2)</sup>	61
47	Brenntag Holding GmbH	Mülheim an der Ruhr	100.00	0.00	100.00	1

No.	Company	Domicile	Held directly % <sup>1)</sup>	Held indirectly % <sup>1)</sup>	Effective net holding % <sup>1)</sup>	Via no.
48	ACU PHARMA und CHEMIE GmbH	Apolda	0.00	100.00	100.00 <sup>2)</sup>	54
49	BBG Berlin-Brandenburger Lager- u. Distri- butionsgesellschaft Biesterfeld Brenntag mbH	Hoppegarten	0.00	50.00 50.00	100.00	59 50
50	BCD Chemie GmbH	Hamburg	0.00	100.00	100.00	59
51	Blitz 03–1161 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	58
52	Blitz 03–1162 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	36
53	Blitz 03–1163 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	37
54	Bloch GmbH	Apolda	0.00	100.00	100.00 <sup>2)</sup>	59
55	Brenntag Beteiligungs GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	47
56	Brenntag European Services GmbH & Co. KG	Zossen	0.00	100.00	100.00	55
57	Brenntag Finanz-Service GmbH i. L.	Mülheim an der Ruhr	0.00	100.00	100.00	61
58	Brenntag Foreign Holding GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	55
59	Brenntag Germany Holding GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	55
60	Brenntag Global Services GmbH	Zossen	0.00	100.00	100.00 <sup>2)</sup>	56
61	BRENTAG GmbH	Duisburg	0.00	100.00	100.00	59
<b>Dominican Republic</b>						
62	BRENTAG CARIBE S.R.L.	Santo Domingo	0.00	100.00 0.00	100.00	123 115
63	HCI CHEMCENTRAL DOM. REP. S.R.L.	Santo Domingo	0.00	99.80 0.10 0.10	100.00	123 26 27
<b>Ecuador</b>						
64	BRENTAG ECUADOR S.A.	Guayaquil	0.00	100.00 0.00	100.00	123 115
<b>El Salvador</b>						
65	BRENTAG EL SALVADOR, S.A. DE C.V.	Soyapango	0.00	100.00 0.00	100.00	123 116
<b>Finland</b>						
66	Brenntag Nordic Oy	Vantaa	0.00	100.00	100.00	123
<b>France</b>						
67	SOCIETE COMMERCIALE TARDY ET CIE. SARL	Vitrolles	0.00	51.00	50.97	75
68	Multisol International Services SAS	Sotteville Les Rouen	0.00	80.00 20.00	100.00	74 69
69	Multisol France SAS	Villebon sur Yvette	0.00	100.00	100.00	74
70	METAUSEL SAS	Chassieu	0.00	100.00	99.94	71
71	BRENTAG SA	Chassieu	0.00	99.94	99.94	74
72	BRENTAG MAGHREB SAS	Vitrolles	0.00	100.00	99.94	75
73	BRENTAG INVESTISSEMENTS SAS	Chassieu	0.00	100.00	100.00	74
74	BRENTAG FRANCE HOLDING SAS	Chassieu	0.00	100.00	100.00	76
75	BRENTAG EXPORT SARL	Vitrolles	0.00	100.00	99.94	71
76	BRACHEM FRANCE HOLDING SAS	Chassieu	0.00	100.00	100.00	47

No.	Company	Domicile	Held directly % <sup>1)</sup>	Held indirectly % <sup>1)</sup>	Effective net holding % <sup>1)</sup>	Via no.
<b>Ghana</b>						
77	Brenntag Ghana Limited	Accra	0.00	100.00	100.00	123
<b>Greece</b>						
78	Brenntag Hellas Chimika Monoprosopi EPE	Penteli	0.00	100.00	100.00	126
<b>Guatemala</b>						
79	BRENNTAG GUATEMALA S.A.	Guatemala City	0.00	99.97 0.03	100.00	123 115
<b>Honduras</b>						
80	INVERSIONES QUIMICAS, S.A.	San Pedro Sula	0.00	98.51 1.49	100.00	123 115
<b>Hong Kong</b>						
81	Zhong Yung (International) Chemical Co., Limited	Hong Kong	0.00	100.00	100.00	123
82	Brenntag Chemicals (HK) Pte Limited	Hong Kong	0.00	100.00	100.00	151
83	Brenntag Hong Kong Limited	Hong Kong	0.00	99.96 0.04	100.00	123 115
84	Yuen Fung Hong Petroleum Co., Ltd	Hong Kong	0.00	100.00	100.00	82
<b>India</b>						
85	Brenntag Ingredients (India) Private Limited	Mumbai	0.00	100.00	100.00	150
<b>Indonesia</b>						
86	PT. TAT Petroleum Indonesia	South Jakarta	0.00	99.00 1.00	100.00	151 88
87	PT. Dharmala HCl i.L.	Jakarta	0.00	91.14	91.14	123
88	PT. Brenntag	Jakarta Selatan	0.00	100.00	100.00	150
<b>Ireland</b>						
89	Brenntag Chemicals Distribution (Ireland) Limited	Dublin	0.00	100.00	100.00	215
<b>Italy</b>						
90	NATURAL WORLD S.R.L.	Lugo	0.00	100.00	100.00	92
91	CHIMAB S.p.A.	Campodarsego (Padua)	0.00	100.00	100.00	92
92	BRENNTAG S.P.A.	Milan	0.00	100.00	100.00	123
<b>Canada</b>						
93	BRENNTAG CANADA INC.	Toronto	0.00	100.00	100.00	113
<b>Colombia</b>						
94	SURTIQUIMICOS S.A.	Bogotá	0.00	100.00	100.00	95
95	BRENNTAG COLOMBIA S.A.	Bogotá D.C.	0.00	94.87 4.15 0.41 0.38 0.19	100.00	123 116 27 115 26
<b>Croatia</b>						
96	BRENNTAG HRVATSKA d.o.o.	Zagreb	0.00	100.00	100.00	126



No.	Company	Domicile	Held directly % <sup>1)</sup>	Held indirectly % <sup>1)</sup>	Effective net holding % <sup>1)</sup>	Via no.
<b>Latvia</b>						
97	SIA BRENNTAG LATVIA	Riga	0.00	100.00	100.00	139
98	SIA DIPOL BALTIJA	Riga	0.00	100.00	100.00	188
<b>Lithuania</b>						
99	UAB BRENNTAG LIETUVA	Kaunas	0.00	100.00	100.00	139
<b>Malaysia</b>						
100	AKASHI SDN. BHD.	Kuala Lumpur	0.00	100.00	100.00	103
101	BRENNTAG MALAYSIA SDN. BHD.	Kuala Lumpur	0.00	100.00	100.00	123
102	BRENNTAG MALAYSIA SERVICES SDN. BHD. i. L.	Kuala Lumpur	0.00	100.00	100.00	100
103	BRENNTAG SDN. BHD.	Kuala Lumpur	0.00	100.00	100.00	150
<b>Morocco</b>						
104	ALCOCHIM MAROC S.A.R.L.	Casablanca	0.00	100.00	99.94	72
105	BRENNTAG MAROC S.A.R.L associé unique	Casablanca	0.00	100.00	99.94	72
<b>Mauritius</b>						
106	Multisol Mauritius Limited	Port Louis	0.00	100.00	100.00	209
107	Brenntag Chemicals Mauritius Limited	Port Louis	0.00	100.00	100.00 <sup>2)</sup>	123
<b>Mexico</b>						
108	BRENNTAG PACIFIC, S. DE R.L. DE C.V.	Tijuana	0.00	99.00 1.00	100.00	193 195
109	BRENNTAG MÉXICO, S.A. DE C.V.	Cuautitlan Izcalli	0.00	100.00 0.00	100.00	123 116
110	AMCO INTERNACIONAL S.A. DE C.V.	Mexico City	0.00	100.00 0.00	100.00	109 108
<b>New Zealand</b>						
111	BRENNTAG NEW ZEALAND LIMITED	Wellington	0.00	100.00	100.00	150
<b>Nicaragua</b>						
112	BRENNTAG NICARAGUA, S.A.	Managua	0.00	100.00 0.00	100.00	123 115
<b>Netherlands</b>						
113	Holland Chemical International B.V.	Dordrecht	0.00	100.00	100.00	123
114	HCI U.S.A. Holdings B.V.	Amsterdam	0.00	100.00	100.00	122
115	HCI Central Europe Holding B.V.	Amsterdam	0.00	100.00	100.00	123
116	H.C.I. Chemicals Nederland B.V.	Amsterdam	0.00	100.00	100.00	123
117	Brenntag Vastgoed B.V.	Dordrecht	0.00	100.00	100.00	118
118	Brenntag Nederland B.V.	Dordrecht	0.00	100.00	100.00	123
119	Brenntag HoldCo B.V.	Amsterdam	0.00	100.00	100.00	47
120	Brenntag Finance B.V.	Amsterdam	0.00	100.00	100.00	123
121	BRENNTAG Dutch C.V.	Amsterdam	0.00	99.90 0.10	100.00	123 116
122	BRENNTAG Coöperatief U.A.	Amsterdam	0.00	99.00 1.00	100.00	195 196
123	BRENNTAG (Holding) B.V.	Amsterdam	0.00	74.00 26.00	100.00	119 58

No.	Company	Domicile	Held directly % <sup>1)</sup>	Held indirectly % <sup>1)</sup>	Effective net holding % <sup>1)</sup>	Via no.
<b>Nigeria</b>						
124	Brenntag Chemicals Nigeria Limited	Onikan-Lagos	0.00	90.00 10.00	100.00	123 115
<b>Norway</b>						
125	BRENNTAG NORDIC AS	Borgenhaugen	0.00	100.00	100.00	146
<b>Austria</b>						
126	Brenntag Austria GmbH	Vienna	0.00	99.90 0.10	100.00	127 55
127	Brenntag Austria Holding GmbH	Vienna	0.00	100.00	100.00	9
128	JLC-Chemie Handels GmbH	Wiener Neustadt	0.00	100.00	100.00	126
129	Provida GmbH	Vienna	0.00	100.00	100.00	126
<b>Panama</b>						
130	BRENNTAG PANAMA S.A.	Panama City	0.00	100.00	100.00	26
<b>Peru</b>						
131	BRENNTAG PERU S.A.C.	Lima	0.00	100.00 0.00	100.00	123 115
<b>Philippines</b>						
132	BRENNTAG INGREDIENTS INC.	Makati City	0.00	100.00	100.00	123
<b>Poland</b>						
133	PHU ELMAR sp. z o.o.	Bydgoszcz	0.00	100.00	100.00	139
134	Obsidian Company sp. z o.o.	Warsaw	0.00	100.00	100.00	139
135	Motor Polimer sp. z o.o.	Suchy Las	0.00	100.00	100.00	10
136	Fred Holmberg & Co Polska Sp.z o.o.	Warsaw	0.00	100.00	100.00	139
137	FORCHEM sp. z o.o	Warsaw	0.00	100.00	100.00	10
138	Eurochem Service Polska sp. z o.o.	Warsaw	0.00	100.00	100.00	139
139	BRENNTAG Polska sp. z o.o.	Kedzierzyn-Kozle	0.00	61.00 39.00	100.00	9 126
<b>Portugal</b>						
140	Brenntag Portugal - Produtos Quimicos, Lda.	Sintra	0.00	73.67 26.05 0.28	100.00	58 123 59
<b>Puerto Rico</b>						
141	Brenntag Puerto Rico, Inc.	Caguas	0.00	100.00	100.00	123
<b>Romania</b>						
142	BRENNTAG S.R.L.	Chiajna	0.00	100.00	100.00	115
<b>Russia</b>						
143	OOO BRENNTAG	Moscow	0.00	100.00	100.00	126
144	OOO MULTISOL	Moscow	0.00	100.00	100.00	211
<b>Sweden</b>						
145	Brenntag Nordic AB	Malmö	0.00	100.00	100.00	147
146	Brenntag Nordic Holding AB	Malmö	0.00	100.00	100.00	123
147	Brenntag Nordic Investment AB	Malmö	0.00	100.00	100.00	146

No.	Company	Domicile	Held directly % <sup>1)</sup>	Held indirectly % <sup>1)</sup>	Effective net holding % <sup>1)</sup>	Via no.
<b>Switzerland</b>						
148	Brenntag Schweizerhall AG	Basel	0.00	100.00	100.00	74
<b>Singapore</b>						
149	Axxmo International Pte Ltd	Singapore	0.00	100.00	100.00	123
150	BRENTAG PTE. LTD.	Singapore	0.00	100.00	100.00	123
151	TAT Petroleum Pte Ltd	Singapore	0.00	100.00	100.00	123
<b>Slovakia</b>						
152	BRENTAG SLOVAKIA s.r.o.	Pezinok	0.00	100.00	100.00	126
<b>Slovenia</b>						
153	BRENTAG LJUBLJANA d.o.o.	Ljubljana	0.00	100.00	100.00	126
<b>Spain</b>						
154	BRENTAG QUIMICA, S.A.U.	Dos Hermanas	0.00	100.00	100.00	74
155	Devon Chemicals S.A.	Barcelona	0.00	100.00	100.00	123
156	Quimicas Merono, S.L.	Cartagena	0.00	100.00	100.00	154
<b>Sri Lanka</b>						
157	BRENTAG LANKA (PRIVATE) LIMITED	Athurugiriya	0.00	100.00	100.00	123
<b>South Africa</b>						
158	Canada Oil Sales (Proprietary) Limited	Cape Town	0.00	0.00	0.00 <sup>3)</sup>	1
159	LIONHEART CHEMICAL ENTERPRISES (PROPRIETARY) LIMITED	Benoni	0.00	100.00	100.00	123
160	Multisol South Africa (Proprietary) Limited	Cape Town	0.00	100.00	100.00	209
161	PLASTICHEM (PTY) LTD	Kempton Park	0.00	100.00	100.00 <sup>2)</sup>	123
162	Trade Firm 100 (Proprietary) Limited	Cape Town	0.00	100.00	100.00	160
163	WARREN CHEM SPECIALITIES (PTY) LTD	Century City, Cape Town	0.00	100.00	100.00 <sup>2)</sup>	123
<b>South Korea</b>						
164	Brenntag Chemicals Korea Co., Ltd.	Seoul	0.00	100.00	100.00	151
165	Whanee Corporation	Gyeonggi-do	0.00	100.00	100.00 <sup>2)</sup>	58
<b>Taiwan</b>						
166	Brenntag (Taiwan) Co., Ltd.	Taipeh	0.00	100.00	100.00	123
167	Brenntag Taiwan Co., Ltd.	Taipeh	0.00	100.00	100.00	123
<b>Thailand</b>						
168	Thai-Dan Corporation Limited	Bangkok	0.00	99.90 0.05 0.05	100.00	170 171 169
169	Brenntag Service (Thailand) Co., Ltd.	Bangkok	0.00	51.01 48.99	100.00	171 123
170	Brenntag Ingredients (Thailand) Public Company Limited	Bangkok	0.00	51.00 49.00	100.00	171 123
171	Brenntag Enterprises (Thailand) Co., Ltd.	Bangkok	0.00	51.00 49.00	100.00	169 123
<b>Czech Republic</b>						
172	Brenntag CR s.r.o.	Prague	0.00	100.00	100.00	126

No.	Company	Domicile	Held directly % <sup>1)</sup>	Held indirectly % <sup>1)</sup>	Effective net holding % <sup>1)</sup>	Via no.
<b>Tunisia</b>						
173	ALLIANCE – TUNISIE S.A.R.L.	Tunis	0.00	100.00	99.94	72
<b>Turkey</b>						
174	BRENTAG KIMYA TICARET LIMITED SIRKETI	Istanbul	0.00	100.00	100.00	126
<b>Ukraine</b>						
175	TOB TRIDE	Kiev	0.00	100.00	100.00	126
176	TOB BRENTAG UKRAINE	Kiev	0.00	100.00	100.00	188
<b>Hungary</b>						
177	BRENTAG Hungaria Kft.	Budapest	0.00	97.93 2.07	100.00	126 115
178	BCB Union Kft.	Budapest	0.00	96.67 3.33	100.00	123 116
<b>Uruguay</b>						
179	BRENTAG SOURCING URUGUAY S.A.	Colonia del Sacramento	0.00	100.00	100.00	123
<b>USA</b>						
180	Altivia Louisiana, L.L.C.	St. Gabriel/Louisiana	0.00	100.00	100.00	192
181	BNA JAM Real Property Holdings, LLC	Houston/Texas	0.00	100.00	100.00	187
182	Brenntag Funding LLC	Wilmington/Delaware	0.00	100.00	100.00	195
183	Project Tumbleweed LLC	Tulsa/Oklahoma	0.00	100.00	100.00 <sup>2)</sup>	187
184	New Jersey Lube Oil, LLC	East Hartford/Connecticut	0.00	100.00	100.00	190
185	KB Page, LLC	Springfield/Massachusetts	0.00	100.00	100.00	190
186	JMS Marine Services, LLC	Kemah/Texas	0.00	0.00	0.00 <sup>3)</sup>	1
187	J.A.M. Distributing Company	Houston/Texas	0.00	100.00	100.00	195
188	Dipol Chemical International, Inc.	Kings/New York	0.00	100.00	100.00	126
189	Coastal Chemical Co., L.L.C.	Abbeville/Louisiana	0.00	100.00	100.00	114
190	BWE, LLC	East Hartford/Connecticut	0.00	100.00	100.00	195
191	Brenntag Specialties, Inc.	Wilmington/Delaware	0.00	100.00	100.00	195
192	Brenntag Southwest, Inc.	Longview/Texas	0.00	100.00	100.00	195
193	Brenntag Pacific, Inc.	Wilmington/Delaware	0.00	100.00	100.00	195
194	Brenntag Northeast, Inc.	Wilmington/Delaware	0.00	100.00	100.00	195
195	Brenntag North America, Inc.	Wilmington/Delaware	0.00	100.00	100.00	123
196	Brenntag North America Foreign Holding, LLC	Wilmington/Delaware	0.00	100.00	100.00	195
197	Brenntag Mid-South, Inc.	Henderson/Kentucky	0.00	100.00	100.00	195
198	Brenntag Latin America, Inc.	Wilmington/Delaware	0.00	100.00	100.00	195
199	Brenntag Great Lakes, LLC	Chicago/Illinois	0.00	100.00	100.00	114
200	Brenntag Global Marketing, LLC	Wilmington/Delaware	0.00	100.00	100.00	195
<b>Venezuela</b>						
201	QUIMICOS BARCELONA, C.A.	Caracas	0.00	100.00	100.00	203
202	INVERSIONES HCI-CHEMCENTRAL de VENEZUELA, C.A.	Caracas	0.00	100.00	100.00	203
203	HOLANDA VENEZUELA, C.A.	Valencia	0.00	100.00	100.00	123

No.	Company	Domicile	Held directly % <sup>1)</sup>	Held indirectly % <sup>1)</sup>	Effective net holding % <sup>1)</sup>	Via no.
<b>United Arab Emirates</b>						
204	Trychem FZCO	Jebel Ali, Dubai	0.00	51.00	51.00	123
205	Trychem Trading L.L.C.	Port Saeed, Dubai	0.00	100.00	51.00	204
<b>United Kingdom</b>						
206	Water Treatment Solutions Limited	Leeds	0.00	100.00	100.00	215
207	Murgatroyd's Salt & Chemical Company Limited	Leeds	0.00	100.00	100.00	217
208	Multisol Limited	Leeds	0.00	100.00	100.00	213
209	Multisol Holdings Limited	Leeds	0.00	100.00	100.00	208
210	Multisol Group Limited	Leeds	0.00	100.00	100.00	215
211	Multisol Europe Limited	Leeds	0.00	100.00	100.00	209
212	Multisol EBT Limited	Leeds	0.00	100.00	100.00	208
213	Multisol Chemicals Limited	Leeds	0.00	100.00	100.00	210
214	Brenntag UK Limited	Leeds	0.00	100.00	100.00	215
215	Brenntag UK Holding Limited	Leeds	0.00	100.00	100.00	73
216	Brenntag UK Group Limited	Leeds	0.00	100.00	100.00	215
217	Brenntag Inorganic Chemicals Limited	Leeds	0.00	100.00	100.00	215
218	Brenntag Inorganic Chemicals (Thetford) Limited	Leeds	0.00	100.00	100.00	215
219	Brenntag Colours Limited	Leeds	0.00	100.00	100.00	215
<b>Vietnam</b>						
220	BRENTAG VIETNAM COMPANY LIMITED	Ho Chi Minh City	0.00	100.00	100.00	150
221	DANG NGOC HUNG ONE MEMBER COMPANY LIMITED	Ho Chi Minh City	0.00	0.00	0.00 <sup>3)</sup>	1
222	Nam Giang Trading and Service Co., Ltd	Ho Chi Minh City	0.00	0.00	0.00 <sup>3)</sup>	1
223	TAT PETROLEUM (VIETNAM) COMPANY LIMITED	Ho Chi Minh City	0.00	100.00	100.00	151

No.	Company	Domicile	Held directly % <sup>1)</sup>	Held indirectly % <sup>1)</sup>	Effective net holding % <sup>1)</sup>	Via no.
<b>INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>						
<b>Denmark</b>						
224	Borup Kemi I/S	Borup	0.00	33.33	33.33	28
<b>Germany</b>						
225	SOFT CHEM GmbH	Laatzen	0.00	33.40	17.03	41
<b>South Africa</b>						
226	Crest Chemicals (Proprietary) Limited	Woodmead	0.00	50.00	50.00	123
<b>Thailand</b>						
227	Berli Asiatic Soda Co., Ltd.	Bangkok	0.00	50.00	50.00	170
228	Siri Asiatic Co., Ltd.	Bangkok	0.00	50.00	50.00	170

<sup>1)</sup> Share in the capital of the company

<sup>2)</sup> Business combination in accordance with IFRS 3

<sup>3)</sup> Structured entity



## *FURTHER INFORMATION*

212	INDEPENDENT AUDITOR'S REPORT
220	SEGMENT REPORTING
226	GLOSSARY
236	TABLE DIRECTORY
239	FIVE-YEAR OVERVIEW
240	IMPRINT AND CONTACT



## *INDEPENDENT AUDITOR'S REPORT*

### **TO BRENNTAG AG, MÜLHEIM AN DER RUHR**

#### **REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

##### **Audit Opinion on the Consolidated Financial Statements**

We have audited the consolidated financial statements of Brenntag AG, Mülheim an der Ruhr, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from January 1, to December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

According to § (Article) 322 Abs. (paragraph) 3 Satz (sentence) 1 zweiter Halbsatz (second half sentence) HGB ("Handelsgesetzbuch": German Commercial Code), we state that, in our opinion, based on the findings of our audit, the accompanying consolidated financial statements comply, in all material respects, with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at December 31, 2016, as well as the results of operations for the financial year from January 1, to December 31, 2016, in accordance with these requirements.

According to § 322 Abs. 3 Satz 1 erster Halbsatz HGB, we state that our audit has not led to any reservations with respect to the propriety of the consolidated financial statements.

##### **Basis for Audit Opinion on the Consolidated Financial Statements**

We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), and additionally considered the International Standards on Auditing (ISA). Our responsibilities under those provisions and standards, as well as supplementary standards, are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group entities in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other German ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

##### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, to December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate audit opinion on these matters.

In our view, the key audit matters were as follows:

- 1) Recoverability of goodwill
- 2) Accounting treatment of the acquisition of shares in various companies
- 3) Accounting treatment of the change in Venezuela's exchange rate mechanism
- 4) Measurement of environmental provisions

Our presentation of these key audit matters has been structured as follows:

- 1) Matter and issue
- 2) Audit approach and findings
- 3) Reference to further information

#### 1) Recoverability of goodwill

- 1) In the consolidated financial statements of Brenntag AG an amount of EUR 2.5 billion in goodwill (35% of consolidated total assets) has been reported under the "Intangible assets" balance sheet line item. The Company allocates goodwill to the respective cash-generating units. Goodwill is tested by the Company for impairment ("impairment test") as of the balance sheet date on an annual basis or if there are indications that goodwill may be impaired. An external expert assisted the Company in conducting the impairment tests. The basis for the measurement is generally the present value of the future cash flows of the respective cash-generating unit, which is calculated as fair value less costs of disposal and compared against the respective unit's goodwill. Present values are calculated using discounted cash flow models. The business valuation model is based on cash flow projections, which in turn are based on the five-year plan approved by management and applicable at the time the impairment test is carried out. The five-year plan consists of the medium-term planning for the first three years submitted by the Group entities and aggregated on a segment level (bottom up) and the management's extrapolations for the two subsequent years (top down). The discount rate used is the weighted average cost of capital for the relevant cash-generating unit. The result of this measurement depends to a large extent on management's assessment of future cash inflows and the discount rate used, and is therefore subject to uncertainty. In addition, the methodological requirements of an impairment test are subject to continual regulatory development, which as a consequence results in continually increasing complexity of measurement models. Therefore, assessing whether or not goodwill was impaired was of particular importance during our audit.
- 2) As part of our audit, we, among other things, examined the method used for performing impairment tests and assessed the calculation of the weighted average cost of capital. With respect to the appropriateness of the future cash inflows used in the calculation we satisfied ourselves, amongst other procedures, by comparing this data with the five-year plan adopted by management, as well as by reconciling it against general and sector-specific market expectations. We also satisfied ourselves that the costs for corporate functions were properly taken into consideration when testing the respective cash-generating units for impairment. With the knowledge that even relatively small changes in the discount rate applied can have material effects on the amount of goodwill calculated in this way, we also focused our testing on the parameters used to determine the discount rate applied, and evaluated the measurement model. Furthermore, we evaluated the sensitivity analyses additionally performed by the external expert for the cash-generating units and, on the basis of the available information, determined that the respective goodwill is sufficiently covered by the discounted future cash surpluses. We also assessed the usability of the external report and assessed the appropriateness of the raw data underlying the expert report,

the assumptions made, the methods used and how consistent these were in comparison to prior periods. We consider the measurement inputs and assumptions used by management to be in line with our expectations.

- 3) The Company's disclosures pertaining to goodwill is contained in the section entitled "20) Intangible assets" of the notes to the consolidated financial statements.

**2) Accounting treatment of the acquisition of shares in various companies**

- 1) During the financial year, the Company acquired the business of Mayes County Petroleum Products, Inc., Pryor, USA, NOCO Inc. based in Tonawanda, USA, and EPChem Group in Singapore, Republic of Singapore. Furthermore all of the shares in WARREN CHEM SPECIALITIES (PTY) LTD, based in Cape Town, South Africa, as well as various other companies have been acquired. The purchase price for the company acquisitions totaled EUR 153.3 million. In general, the acquired assets and liabilities are recognized at fair value as of the acquisition date. Under consideration of the acquired pro-rated net assets of EUR 96.8 million that are to be allocated to Brenntag AG, the acquired goodwill amounts to EUR 56.5 million. Since the company acquisitions on the whole materially impact the Brenntag Group's financial position, cash flows and financial performance and due to the complexity of measuring company acquisitions, they were of particular importance during our audit.
- 2) In auditing the accounting treatment of the company acquisitions we initially inspected and examined the respective contractual agreements underlying the company acquisitions and reconciled the purchase prices paid as consideration for the shares received with the supporting payment documentation provided to us. We assessed the opening balance sheets underlying the aforementioned company acquisitions. We assessed fair values that were measured centrally (e.g., fair values of customer relationships) by reconciling quantitative input data with the original financial accounting records and the parameters used. Furthermore, using checklists, we examined whether the disclosure requirements under IFRS 3 for the notes to the consolidated financial statements had been complied with in full. By performing the audit procedures described and further audit procedures, we were able to, on the basis of the available information, satisfy ourselves that the acquisition of the respective shares is properly presented.
- 3) The Company's disclosures pertaining to company acquisitions are contained in the section entitled "Business combinations in accordance with IFRS 3" of the notes to the consolidated financial statements.

**3) Accounting treatment of the change in Venezuela's exchange rate mechanism**

- 1) In middle of February 2016, the Venezuelan government devalued its national currency, the bolivar, by more than 90%. The previous three-tiered model, consisting of the CENCOEX, SICAD and SIMADI exchange rate mechanisms in place since February 2015, was reorganized into a dual model in February 2016. Since then only DIPRO (formerly CENCOEX) and DICOM (formerly SIMADI) are available, which, due to local regulations, results in Brenntag AG's use of the DICOM as the official exchange rate. For Brenntag AG, the change in exchange rates led to losses of EUR 27.1 million stemming from the translation of the local currency (bolivar) into the Company's functional currency in Venezuela (US dollar). These exchange-rate-related losses were reported under other net finance costs. Due to its materiality for the consolidated financial statements, this matter was of particular importance during our audit.

- 2) In auditing the accounting treatment of the change in Venezuela's exchange rate mechanism in connection with translating the local currency (bolivar) into the Company's functional currency (US dollar), we satisfied ourselves as to the validity of using the DICOM as the exchange rate. In this context, we made use of publicly available information on currency translation in Venezuela. We then recalculated the translation of the local balance sheet into the functional currency (US dollar), including the determination of the impairment losses, and overall came to the conclusion that the matter is properly presented.
- 3) The Company's disclosures pertaining to the accounting treatment of the change in Venezuela's exchange rate mechanism used for translating the local currency (bolivar) into the functional currency (US dollar) are contained in the section entitled "10) Other net finance costs" of the notes to the consolidated financial statements.

#### 4) Measurement of environmental provisions

- 1) As of December 31, 2016, the environmental provisions recognized in the consolidated financial statements of Brenntag AG, primarily for the decontamination of soil and groundwater at current and former Company-owned or leased locations, amount to EUR 102.2 million. The provisions also include contingent liabilities of EUR 22.1 million for which cash outflows are not likely but nonetheless possible. Due to purchase price allocations in connection with company acquisitions, these were reported in the consolidated statement of financial position in accordance with IFRS 3. The recognition of environmental provisions at the subsidiaries was coordinated centrally by an external expert. In addition, another auditing firm assisted the Company in measuring the provisions and summarized the results in an expert report. The environmental provisions were recognized at the present value of the expected expenditures, taking into account future inflation-related increases. The provisions were discounted using interest rates for risk-free assets with matching terms for each functional currency. Due to the nature and large number of influencing factors that need to be taken into account when calculating environmental provisions, the measurement of such provisions is subject to considerable uncertainties. Overall the measurement was therefore of particular importance during our audit.
- 2) As part of our audit, we, among other things, assessed the appropriateness of the measurement models and assumptions used. Accordingly, we retraced and assessed the underlying future cash outflows calculated by the Group entities. We also examined measurement parameters (in particular inflation rates, discount rates and currency translation from the functional to the reporting currency) used by the Company. Furthermore, we verified and assessed the mathematical accuracy of the calculations and the appropriateness of the calculations performed by the other auditing firm in its sensitivity analyses. We do not have any reservations regarding the measurement of the environmental provisions.
- 3) The Company's disclosures pertaining to the measurement of environmental provisions are contained in the sections entitled "Environmental provisions" and "Assumptions and estimates" of the notes to the consolidated financial statements.

### Other Information

Management is responsible for the other information. The other information comprises

- the Corporate Governance Report according to section 3.10 of the German Corporate Governance Code,
- the Corporate Governance Statement pursuant to § 289a HGB and § 315 Abs. 5 HGB, as well as
- other parts of the annual report of Brenntag AG, Mülheim an der Ruhr, for the financial year ended on December 31, 2016, which were not subject of our audit.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements, which comply with IFRS, as adopted by the EU, and the additional German legal requirements applicable under § 315a Abs. 1 HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), under additional consideration of the ISA, will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), under additional consideration of the ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or the group management report or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with IFRS, as adopted by the EU, and the additional German legal requirements applicable under § 315a Abs. 1 HGB.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report on the audit of the consolidated financial statements unless law or regulation precludes public disclosure about the matter.

## OTHER LEGAL AND REGULATORY REQUIREMENTS

### REPORT ON THE AUDIT OF THE GROUP MANAGEMENT REPORT

#### Audit Opinion on the Group Management Report

We have audited the group management report of Brenntag AG, Mülheim an der Ruhr, which is combined with the Company's management report, for the financial year from January 1, to December 31, 2016.

In our opinion, based on the findings of our audit, the accompanying group management report as a whole provides a suitable view of the Group's position. In all material respects, the group management report is consistent with the consolidated financial statements, complies with legal requirements and suitably presents the opportunities and risks of future development.

Our audit has not led to any reservations with respect to the propriety of the group management report.

#### Basis for Audit Opinion on the Group Management Report

We conducted our audit of the group management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management and Those Charged with Governance for the Group Management Report

Management is responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position, is consistent with the consolidated financial statements, complies with legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for such policies and procedures (systems) as management determines are necessary to enable the preparation of a group management report in accordance with the German legal requirements applicable under § 315 Abs. 1 HGB and to provide sufficient and appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the group management report.

#### Auditor's Responsibilities for the Audit of the Group Management Report

Our objective is to obtain reasonable assurance about whether the group management report as a whole provides a suitable view of the Group's position as well as, in all material respects, is consistent with the consolidated financial statements as well as the findings of our audit, complies with legal requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the group management report.

As part of an audit, we examine the group management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the IDW. In this connection, we draw attention to the following:

- The audit of the group management report is integrated into the audit of the consolidated financial statements.
- We obtain an understanding of the policies and procedures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these policies and procedures (systems).
- We perform audit procedures on the prospective information presented by management in the group management report. Based on appropriate and sufficient audit evidence, we hereby, in particular, evaluate the material assumptions used by management as a basis for the prospective information and assess the reasonableness of these assumptions as well as the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.
- We are also not issuing a separate audit opinion on individual disclosures in the group management report; our audit opinion covers the group management report as a whole.

#### RESPONSIBLE AUDITOR

The auditor responsible for the audit is Thomas Tandetzki.

Düsseldorf, February 28, 2017

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

sgd. Thomas Tandetzki  
Wirtschaftsprüfer  
(German Public Auditor)

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



# SEGMENT REPORTING

## BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

### D.01 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP/2016

in EUR m	2016	2015	Change		
			abs.	in %	in % (fx adj.)
Sales	10,498.4	10,346.1	152.3	1.5	2.9
Operating gross profit	2,428.7	2,321.7	107.0	4.6	6.1
Operating expenses	-1,618.7	-1,514.3	-104.4	6.9	8.3
<b>Operating EBITDA</b>	<b>810.0</b>	<b>807.4</b>	<b>2.6</b>	<b>0.3</b>	<b>1.9</b>
Depreciation of property, plant and equipment	-115.5	-108.7	-6.8	6.3	8.1
EBITA	694.5	698.7	-4.2	-0.6	0.9
Amortization of intangible assets	-47.2	-36.9	-10.3	27.9	31.1
Net finance costs	-111.6	-112.5	0.9	-0.8	-
Profit before tax	535.7	549.3	-13.6	-2.5	-
Income tax expense	-174.7	-181.2	6.5	-3.6	-
Profit after tax	361.0	368.1	-7.1	-1.9	-

### D.02 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP /Q4 2016

in EUR m	Q4 2016	Q4 2015	Change		
			abs.	in %	in % (fx adj.)
Sales	2,635.1	2,473.3	161.8	6.5	6.6
Operating gross profit	603.2	567.0	36.2	6.4	6.6
Operating expenses	-406.3	-374.4	-31.9	8.5	8.6
<b>Operating EBITDA</b>	<b>196.9</b>	<b>192.6</b>	<b>4.3</b>	<b>2.2</b>	<b>2.8</b>
Depreciation of property, plant and equipment	-30.0	-28.2	-1.8	6.4	8.0
EBITA	166.9	164.4	2.5	1.5	1.9
Amortization of intangible assets	-11.3	-8.5	-2.8	32.9	31.8
Net finance costs	-18.6	-43.7	25.1	-57.4	-
Profit before tax	137.0	112.2	24.8	22.1	-
Income tax expense	-37.5	-38.1	0.6	-1.6	-
Profit after tax	99.5	74.1	25.4	34.3	-

## BUSINESS PERFORMANCE IN THE SEGMENTS

### D.03 BUSINESS PERFORMANCE IN THE SEGMENTS / 2016

in EUR m	Brenntag Group	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	10,498.4	4,586.1	3,828.8	780.9	1,010.7	291.9
Operating gross profit	2,428.7	1,064.6	997.5	170.9	182.3	13.4
Operating expenses	-1,618.7	-702.3	-640.2	-125.0	-115.6	-35.6
<b>Operating EBITDA</b>	<b>810.0</b>	<b>362.3</b>	<b>357.3</b>	<b>45.9</b>	<b>66.7</b>	<b>-22.2</b>

### D.04 BUSINESS PERFORMANCE IN THE SEGMENTS / Q4 2016

in EUR m	Brenntag Group	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	2,635.1	1,092.4	995.0	197.4	279.3	71.0
Operating gross profit	603.2	256.9	252.3	42.7	48.4	2.9
Operating expenses	-406.3	-171.6	-169.1	-30.0	-30.6	-5.0
<b>Operating EBITDA</b>	<b>196.9</b>	<b>85.3</b>	<b>83.2</b>	<b>12.7</b>	<b>17.8</b>	<b>-2.1</b>

## EMEA

### D.05 BUSINESS PERFORMANCE IN THE SEGMENTS / EMEA 2016

in EUR m	2016	2015	Change		
			abs.	in %	in % (fx adj.)
External sales	4,586.1	4,654.4	-68.3	-1.5	0.6
Operating gross profit	1,064.6	1,024.2	40.4	3.9	6.4
Operating expenses	-702.3	-671.2	-31.1	4.6	6.9
<b>Operating EBITDA</b>	<b>362.3</b>	<b>353.0</b>	<b>9.3</b>	<b>2.6</b>	<b>5.6</b>

### D.06 BUSINESS PERFORMANCE IN THE SEGMENTS / EMEA Q4 2016

in EUR m	Q4 2016	Q4 2015	Change		
			abs.	in %	in % (fx adj.)
External sales	1,092.4	1,102.9	-10.5	-1.0	1.3
Operating gross profit	256.9	248.9	8.0	3.2	6.0
Operating expenses	-171.6	-164.2	-7.4	4.5	7.0
<b>Operating EBITDA</b>	<b>85.3</b>	<b>84.7</b>	<b>0.6</b>	<b>0.7</b>	<b>4.0</b>

## NORTH AMERICA

### D.07 BUSINESS PERFORMANCE IN THE SEGMENTS/NORTH AMERICA 2016

in EUR m	2016	2015	Change		
			abs.	in %	in % (fx adj.)
External sales	3,828.8	3,600.6	228.2	6.3	6.4
Operating gross profit	997.5	942.6	54.9	5.8	5.9
Operating expenses	-640.2	-577.0	-63.2	11.0	11.1
<b>Operating EBITDA</b>	<b>357.3</b>	<b>365.6</b>	<b>-8.3</b>	<b>-2.3</b>	<b>-2.2</b>

### D.08 BUSINESS PERFORMANCE IN THE SEGMENTS/NORTH AMERICA Q4 2016

in EUR m	Q4 2016	Q4 2015	Change		
			abs.	in %	in % (fx adj.)
External sales	995.0	861.9	133.1	15.4	14.0
Operating gross profit	252.3	230.0	22.3	9.7	8.2
Operating expenses	-169.1	-146.4	-22.7	15.5	13.9
<b>Operating EBITDA</b>	<b>83.2</b>	<b>83.6</b>	<b>-0.4</b>	<b>-0.5</b>	<b>-1.8</b>

## LATIN AMERICA

### D.09 BUSINESS PERFORMANCE IN THE SEGMENTS/LATIN AMERICA 2016

in EUR m	2016	2015	Change		
			abs.	in %	in % (fx adj.)
External sales	780.9	925.8	-144.9	-15.7	-14.0
Operating gross profit	170.9	201.2	-30.3	-15.1	-13.4
Operating expenses	-125.0	-136.5	11.5	-8.4	-6.7
<b>Operating EBITDA</b>	<b>45.9</b>	<b>64.7</b>	<b>-18.8</b>	<b>-29.1</b>	<b>-27.6</b>

### D.10 BUSINESS PERFORMANCE IN THE SEGMENTS/LATIN AMERICA Q4 2016

in EUR m	Q4 2016	Q4 2015	Change		
			abs.	in %	in % (fx adj.)
External sales	197.4	225.6	-28.2	-12.5	-16.8
Operating gross profit	42.7	50.5	-7.8	-15.4	-19.0
Operating expenses	-30.0	-32.7	2.7	-8.3	-12.1
<b>Operating EBITDA</b>	<b>12.7</b>	<b>17.8</b>	<b>-5.1</b>	<b>-28.7</b>	<b>-31.7</b>

## ASIA PACIFIC

### D.11 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC 2016

in EUR m	2016	2015	Change		
			abs.	in %	in % (fx adj.)
External sales	1,010.7	834.1	176.6	21.2	24.6
Operating gross profit	182.3	140.0	42.3	30.2	33.7
Operating expenses	-115.6	-89.7	-25.9	28.9	32.4
<b>Operating EBITDA</b>	<b>66.7</b>	<b>50.3</b>	<b>16.4</b>	<b>32.6</b>	<b>35.8</b>

### D.12 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC Q4 2016

in EUR m	Q4 2016	Q4 2015	Change		
			abs.	in %	in % (fx adj.)
External sales	279.3	217.0	62.3	28.7	28.8
Operating gross profit	48.4	35.3	13.1	37.1	37.0
Operating expenses	-30.6	-21.9	-8.7	39.7	39.2
<b>Operating EBITDA</b>	<b>17.8</b>	<b>13.4</b>	<b>4.4</b>	<b>32.8</b>	<b>33.3</b>

## ALL OTHER SEGMENTS

### D.13 BUSINESS PERFORMANCE IN THE SEGMENTS / ALL OTHER SEGMENTS 2016

in EUR m	2016	2015	Change		
			abs.	in %	in % (fx adj.)
External sales	291.9	331.2	-39.3	-11.9	-11.9
Operating gross profit	13.4	13.7	-0.3	-2.2	-2.2
Operating expenses	-35.6	-39.9	4.3	-10.8	-10.8
<b>Operating EBITDA</b>	<b>-22.2</b>	<b>-26.2</b>	<b>4.0</b>	<b>-15.3</b>	<b>-15.3</b>

### D.14 BUSINESS PERFORMANCE IN THE SEGMENTS / ALL OTHER SEGMENTS Q4 2016

in EUR m	Q4 2016	Q4 2015	Change		
			abs.	in %	in % (fx adj.)
External sales	71.0	65.9	5.1	7.7	7.7
Operating gross profit	2.9	2.3	0.6	26.1	26.1
Operating expenses	-5.0	-9.2	4.2	-45.7	-45.7
<b>Operating EBITDA</b>	<b>-2.1</b>	<b>-6.9</b>	<b>4.8</b>	<b>-69.6</b>	<b>-69.6</b>

## KEY FINANCIAL FIGURES BY SEGMENT

for the period from January 1 to December 31

### D.15 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8<sup>1)</sup> / 2016

in EUR m		EMEA <sup>5)</sup>	North America	Latin America	Asia Pacific	All other segments	Consolidation	Group
	<b>2016</b>	<b>4,586.1</b>	<b>3,828.8</b>	<b>780.9</b>	<b>1,010.7</b>	<b>291.9</b>	<b>–</b>	<b>10,498.4</b>
	2015	4,654.4	3,600.6	925.8	834.1	331.2	–	10,346.1
External sales	Change in %	–1.5	6.3	–15.7	21.2	–11.9	–	1.5
	fx adjusted change in %	0.6	6.4	–14.0	24.6	–11.9	–	2.9
	<b>2016</b>	<b>8.8</b>	<b>12.5</b>	<b>1.5</b>	<b>0.2</b>	<b>0.3</b>	<b>–23.3</b>	<b>–</b>
Inter-segment sales	2015	9.9	6.2	1.3	–	0.7	–18.1	–
	<b>2016</b>	<b>1,064.6</b>	<b>997.5</b>	<b>170.9</b>	<b>182.3</b>	<b>13.4</b>	<b>–</b>	<b>2,428.7</b>
	2015	1,024.2	942.6	201.2	140.0	13.7	–	2,321.7
Operating gross profit <sup>2)</sup>	Change in %	3.9	5.8	–15.1	30.2	–2.2	–	4.6
	fx adjusted change in %	6.4	5.9	–13.4	33.7	–2.2	–	6.1
	<b>2016</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,369.3</b>
	2015	–	–	–	–	–	–	2,266.0
Gross profit	Change in %	–	–	–	–	–	–	4.6
	fx adjusted change in %	–	–	–	–	–	–	6.0
	<b>2016</b>	<b>362.3</b>	<b>357.3</b>	<b>45.9</b>	<b>66.7</b>	<b>–22.2</b>	<b>–</b>	<b>810.0</b>
	2015	353.0	365.6	64.7	50.3	–26.2	–	807.4
Operating EBITDA <sup>3)</sup>	Change in %	2.6	–2.3	–29.1	32.6	–15.3	–	0.3
	fx adjusted change in %	5.6	–2.2	–27.6	35.8	–15.3	–	1.9
	<b>2016 in %</b>	<b>34.0</b>	<b>35.8</b>	<b>26.9</b>	<b>36.6</b>	<b>–165.7</b>	<b>–</b>	<b>33.4</b>
Operating EBITDA <sup>3)</sup> / operating gross profit <sup>2)</sup>	2015 in %	34.5	38.8	32.2	35.9	–191.2	–	34.8
	<b>2016</b>	<b>75.0</b>	<b>45.5</b>	<b>12.3</b>	<b>8.1</b>	<b>0.2</b>	<b>–</b>	<b>141.1</b>
Investments in non-current assets (capex) <sup>4)</sup>	2015	59.0	52.0	12.3	6.1	0.7	–	130.1

<sup>1)</sup> For further information on segment reporting in accordance with IFRS 8, see Note 30.) in the notes.

<sup>2)</sup> External sales less cost of materials.

<sup>3)</sup> 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.

<sup>4)</sup> Investments in non-current assets are the other additions to property, plant and equipment and intangible assets.

<sup>5)</sup> Europe, Middle East & Africa.

## KEY FINANCIAL FIGURES BY SEGMENT

for the period from October 1 to December 31

### D.16 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8<sup>1)</sup>/Q4 2016

in EUR m		EMEA <sup>5)</sup>	North America	Latin America	Asia Pacific	All other segments	Consolidation	Group
	<b>2016</b>	<b>1,092.4</b>	<b>995.0</b>	<b>197.4</b>	<b>279.3</b>	<b>71.0</b>	–	<b>2,635.1</b>
External sales	2015	1,102.9	861.9	225.6	217.0	65.9	–	2,473.3
	Change in %	–1.0	15.4	–12.5	28.7	7.7	–	6.5
	fx adjusted change in %	1.3	14.0	–16.8	28.8	7.7	–	6.6
Inter-segment sales	<b>2016</b>	<b>2.4</b>	<b>2.5</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>–5.4</b>	<b>–</b>
	2015	2.2	0.3	–	–	0.1	–2,6	–
	<b>2016</b>	<b>256.9</b>	<b>252.3</b>	<b>42.7</b>	<b>48.4</b>	<b>2.9</b>	–	<b>603.2</b>
Operating gross profit <sup>2)</sup>	2015	248.9	230.0	50.5	35.3	2.3	–	567.0
	Change in %	3.2	9.7	–15.4	37.1	26.1	–	6.4
	fx adjusted change in %	6.0	8.2	–19.0	37.0	26.1	–	6.6
Gross profit	<b>2016</b>	–	–	–	–	–	–	<b>585.2</b>
	2015	–	–	–	–	–	–	552.9
	Change in %	–	–	–	–	–	–	5.8
	fx adjusted change in %	–	–	–	–	–	–	6.1
Operating EBITDA <sup>3)</sup>	<b>2016</b>	<b>85.3</b>	<b>83.2</b>	<b>12.7</b>	<b>17.8</b>	<b>–2.1</b>	–	<b>196.9</b>
	2015	84.7	83.6	17.8	13.4	–6.9	–	192.6
	Change in %	0.7	–0.5	–28.7	32.8	–69.6	–	2.2
	fx adjusted change in %	4.0	–1.8	–31.7	33.3	–69.6	–	2.8
Operating EBITDA <sup>3)</sup> / operating gross profit <sup>2)</sup>	<b>2016 in %</b>	<b>33.2</b>	<b>33.0</b>	<b>29.7</b>	<b>36.8</b>	<b>–72.4</b>	–	<b>32.6</b>
	2015 in %	34.0	36.3	35.2	38.0	–300.0	–	34.0
Investments in non-current assets (capex) <sup>4)</sup>	<b>2016</b>	<b>41.1</b>	<b>19.1</b>	<b>7.3</b>	<b>3.3</b>	–	–	<b>70.8</b>
	2015	29.8	27.2	7.2	2.8	0.2	–	67.2

<sup>1)</sup> For further information on segment reporting in accordance with IFRS 8, see Note 30.) in the notes.

<sup>2)</sup> External sales less cost of materials.

<sup>3)</sup> 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.

<sup>4)</sup> Investments in non-current assets are the other additions to property, plant and equipment and intangible assets.

<sup>5)</sup> Europe, Middle East & Africa.

## GLOSSARY

### A

#### **ACCOUNTS RECEIVABLE SECURITIZATION PROGRAMME |**

Financing instrument that secures the lender by transferring trade receivables.

**ADDITIONAL PAID-IN CAPITAL |** Part of equity resulting from contributions by the shareholders, e.g. if new shares are issued at a price above the par value as part of a capital increase.

**AD-HOC PUBLICITY |** Obligation of issuers of securities to immediately report and publish any inside information that directly affects them. The ad-hoc publicity obligation is regulated in Section 15 of the German Securities Trading Act (VpHG). The aim is to avoid the abuse of inside information and enhance market transparency.

### B

**BEARER SHARE |** A bearer share is not issued in a person's name and is therefore wholly owned by whoever holds the physical share certificate. It grants the holder of the share all shareholder rights. As a result, these shares can be bought or sold without any formal process.

**BEST PRACTICES |** A best practice is a method or technique that has consistently shown results superior to those achieved with other means and that is used as a benchmark.

**BOARD OF MANAGEMENT |** In addition to the → Supervisory Board, the Board of Management is the second body of a stock corporation required according to the German Stock Corporation Act. The Board of Management is, among other things, responsible for managing and representing the company. It is appointed by the Supervisory Board for maximum periods of five years.

**BOND |** Security which represents a loan liability of the issuer and is generally traded on a stock market. The buyer of the bond therefore becomes a lender and, in return, receives interest payments which are specified in the coupon.

**BOND WITH WARRANT UNITS |** A special form of a → bond that, in addition to the bond portion, includes option rights to buy Brenntag AG shares. The bond with warrant units is composed of a straight bond and warrants. Both portions can be detached as well as combined again by the investor. The bond with warrant units, the straight bond and the warrants each have their own ISIN and can therefore be traded separately on the stock exchange. The bond portion was issued at a discount reflecting the warrant premium. This discount will be appreciated over the lifetime of the instrument. The warrant premium was recognized in the additional paid-in capital.

### C

**CAGR |** CAGR is the abbreviation for compound annual growth rate and refers to the average annual growth rate.

**CAPEX |** Capex is the abbreviation for capital expenditure and shows investments in non-current assets. At Brenntag, capex is defined as additions to both property, plant and equipment and acquired software, licences and similar rights unless the latter are related to company acquisitions (see the notes to the consolidated financial statements, notes 20 and 21).

**CASH FLOW |** Cash flow is an indicator of the liquidity of an entity. The total change in cash and cash equivalents consists of the cash flow from operating activities (operating cash flow), the cash flow used in investing activities and the cash flow from financing activities. Cash flow from operating activities is available e.g. for investments, repayment of debt or distribution of → dividends.

**CASH FLOW HEDGE RESERVE |** If certain criteria are met, the effective part of the fair value measurement of hedging instruments designated as a → cash flow hedge can be recognized in other comprehensive income (OCI).

**CASH FLOW HEDGES |** Cash flow hedges are used to hedge the risk of cash flow fluctuations. This risk can relate either to assets or liabilities recognized in the balance sheet or arise from a planned transaction. Cash flow fluctuations can be caused, for example, by variations in interest rates or exchange rates, which are counteracted by e.g. concluding → interest rate swaps or → foreign exchange forwards.

**CASH GENERATING UNIT (CGU)** | Identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other (groups of) assets. It is used to determine potential impairments of assets that cannot be calculated separately.

**COMPLIANCE** | General term for the observance of all applicable laws, external and internal regulations, principles, procedures and standards.

**CONSOLIDATED FINANCIAL STATEMENTS** | Consolidated financial statements are the financial statements of a group of entities presented as if they were a single entity. All relationships between the legally independent but economically affiliated entities are eliminated so that the consolidated financial statements only show the activities of the Group with third parties.

**CONTINGENT LIABILITY** | Possible obligation which must not be recognized due to significant uncertainty regarding its occurrence and/or amount. Contingent liabilities are to be reported as additional information in the notes.

**CONTROLLING** | Corporate Controlling provides analyses on the performance of Group entities using numerous key performance indicators and support for decisions on resource allocation (e.g. investment decisions). The department is also responsible for the monthly management reporting process as well as the forecasting and planning processes.

**CONVERSION RATIO** | The conversion ratio at Brenntag is calculated as the quotient of operating EBITDA and gross profit. It represents one of the most important efficiency ratios.

**CORPORATE GOVERNANCE** | This refers to the regulatory framework for the management and monitoring of a company. A large proportion of this regulatory framework is contained in the → German Corporate Governance Code.

**COST OF SALES** | Cost of sales include cost of materials for merchandise, raw materials and supplies, services purchased, inventory changes in finished and semi-finished goods, other own work capitalized and operating costs.

**COVENANTS** | This term refers to clauses or (subsidiary) agreements in loan agreements and bond conditions. They are contractually binding warranties given by the borrower or bond debtor for the term of a loan agreement.

**CROSS-DEFAULT CLAUSE** | Clause in a loan agreement or bond conditions under which a default is deemed to have occurred if the borrower is in default with other creditors without being in default of the loan agreement containing the clause.

**CROSS-SELLING** | At Brenntag, we understand cross-selling to mean both the selling of our existing product portfolio to new customers, who, for example, come to Brenntag as a result of acquisitions, and the selling of newly acquired product portfolios to our existing customers.

**CURRENCY SWAP** | Financial transaction with a counterparty (generally a bank) undertaken as part of foreign currency management. The two parties to the contract first swap two sums in different currencies and, at the same time, conclude an agreement to reverse the swap at a future point in time. The underlying exchange rates for the two swaps are usually different.



**D&O INSURANCE** | Directors' and officers' insurance is a liability insurance that offers financial protection to bodies of the company against claims by third parties and by the company for breaches of their duty of care.

**DAX** | The "Deutsche Aktienindex DAX®" (DAX® German stock exchange index) is the top index on the German stock exchange and measures the performance of the 30 largest companies on the German stock market that post the highest revenues.

**DECLARATION OF CONFORMITY** | Pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz), the management and supervisory boards of a listed stock corporation are required to issue an annual declaration on the extent to which the recommendations of the → German Corporate Governance Code have been complied with and explain why recommendations were not complied with.



**DEFERRED TAX ASSETS** | Deferred tax assets are recognized as future tax benefit resulting from temporary differences between the IFRS carrying amount and tax balance sheet carrying value as well as from tax loss carryforwards. Deferred tax assets may result in future tax refunds. However, at the reporting date, there are no effective tax receivables from tax authorities resulting from deferred taxes.

**DEFERRED TAX LIABILITIES** | Deferred tax liabilities are recognized as future tax burden resulting from temporary differences between the IFRS carrying amount and tax balance sheet carrying value. Deferred tax liabilities may result in future tax payments. However, at the reporting date, there are no effective tax liabilities to tax authorities resulting from deferred taxes.

**DERIVATIVES** | Derivatives → financial instruments or derivatives are linked to a price, index, exchange rate or similar variable and require no or only a minor initial investment compared with contracts with a similar response to changes in market factors. Examples of derivatives are → foreign exchange forwards and → interest rate swaps.

**DESIGNATED SPONSOR** | A designated sponsor is a bank, brokerage company or securities trading house admitted to the stock exchange as a market participant. It provides additional liquidity in the Xetra® electronic trading system for the issuers of shares by undertaking to enter binding bid and ask limits for the supported shares in the order book in continuous trading and in auctions. This enables investors to buy or sell supported shares at any time at prices in line with market conditions.

**DISCOUNTED CASH FLOW METHOD** | Method for valuing assets, particularly companies. The company's value is equal to the present value of the future cash flows generated by the company which are available to the investors. When calculating the present value, the future cash flows are discounted at a risk-adjusted interest rate to the valuation date.

**DISTRIBUTABLE PROFIT/LOSS** | According to German commercial law, the distributable profit/loss of a corporation is the part of the profit the use of which is decided by the → General Shareholders' Meeting or general meeting. It is the maximum amount available to distribute as a → dividend. The distributable profit/loss is an item in → single-entity financial statements drawn up in accordance with the provisions of the German Commercial Code (HGB) and is not shown in IFRS consolidated financial statements.

**DIVERSIFICATION** | Diversification at Brenntag means a broad range as regards geography, end markets, customers, products and suppliers. This high degree of diversification makes Brenntag largely independent of individual market segments or regions.

**DIVIDEND** | The dividend is the proportion of the profit paid out for each share owned. The → General Shareholders' Meeting decides on the amount of the dividend.

E

**EARNINGS PER SHARE** | Performance indicator calculated by dividing the portion of profit after tax attributable to shareholders of Brenntag AG by the average weighted number of shares in circulation.

**EBITA** | Earnings Before Interest, Taxes and Amortization. EBITA is a profitability performance indicator.

**EBITDA** | Earnings Before Interest, Taxes, Depreciation and Amortization. At Brenntag, EBITDA is a key performance indicator of the Group.

**EMEA** | Europe, Middle East & Africa

**EQUITY METHOD** | Accounting method for investments in companies that are not fully included with their assets and liabilities in the → consolidated financial statements. The carrying amount is adjusted to reflect changes in pro-rata equity of the investment. This change is recognized in the consolidated income statement.

**EURIBOR** | This is the abbreviation for European Interbank Offered Rate and it serves as both a reference interest rate for loans and invested funds in the short-term customer sector as well as for fixed-time deposits in the interbank sector (between banks). To calculate EURIBOR, banks in the eurozone state at what interest rates they are lending money to other banks and what rates they are being offered.

**EXTERNAL SALES** | External sales cover all revenues generated from normal business with third parties. Sales between consolidated subsidiaries including structured entities are not included.

F

**FAIR VALUE** | Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date.

**FEDERAL GAZETTE “BUNDESANZEIGER”** | The German electronic Federal Gazette is the central platform for official publications and announcements and for legally relevant news about companies.

**FINANCE LEASE** | Agreement to convey the right to use an asset in return for a single or series of payment(s) transferring substantially all the risks and rewards incidental to the ownership of the asset. The asset is to be recognized by the lessee (owner of the right to use the asset).

**FINANCIAL COVENANTS** | Subgroup of covenants in which the lender agrees to meet specific performance indicators.

**FINANCIAL INSTRUMENTS** | Financial instruments as defined by IFRS are contracts that give rise to a financial asset (cash, shares, receivables etc.) of one entity and, at the same time, a financial liability or equity instrument (residual interest in the assets of an entity after deducting all of its liabilities) of another entity.

**FOCUS INDUSTRIES** | Brenntag has identified six focus industries in which we expect above-average growth. These are the ACES segments (adhesives, coatings, elastomers, paints and sealants), the food industry, the oil and gas industry, the personal care industry, pharmaceuticals and water treatment.

**FOREIGN EXCHANGE FORWARD** | Transaction involving a fixed agreement between two parties to perform a currency transaction at a fixed rate on a future date.

**FORWARD CONTRACT** | Financial transaction with a counterparty (generally a bank) undertaken as part of foreign currency management. The two parties to the contract conclude an agreement to swap two currencies at a future point in time at a specified exchange rate.

**FREE CASH FLOW** | Ratio for measuring operational cash generation. At Brenntag, free cash flow is defined as → EBITDA less → capex plus/less changes in → working capital.

**FREE FLOAT** | Free float refers to shares that are not owned by major shareholders and can therefore be acquired and traded by the general public. As a rule, the larger the free float, the easier it is for investors to buy and sell the stock.

**FUEL ADDITIVES** | Fuel additives are substances added to fuels to obtain additional effects, e.g. engine cleaning or increased fuel storage life.

**FULL-TIME EQUIVALENTS** | Number of employees on a full-time equivalent basis, i.e. part-time jobs are weighted according to the number of hours worked.

**FX-ADJUSTED** | Adjusted for translation effects of exchange rates varying over time. Comparability of financial data relating to two reporting periods with different exchange rates is improved by translating both values at the same current exchange rate.

G

**GENERAL SHAREHOLDERS’ MEETING (GSM)** | The GSM is the meeting where shareholders can exercise their rights from their shareholding. An ordinary GSM takes place regularly and at least once a year. The GSM is, inter alia, responsible for appointing and removing the members of the Supervisory Board (but not of the employee representatives, if existing), deciding on the appropriation of profits and discharging the Board of Management and Supervisory Board.

**GERMAN CORPORATE GOVERNANCE CODE** | A collection of rules on → corporate governance compiled by the government commission on the “German Corporate Governance Code”. The Code focuses on rules concerning the shareholders and the General Shareholders’ Meeting, cooperation between the management and supervisory boards, the management and supervisory boards themselves and general rules on transparency, accounting and auditing. As well as repeating statutory regulations, the Code also contains “recommendations” and “suggestions”. Pursuant to Section 161 of the German Stock Corporation Act, the Board of Management and the Supervisory Board are obliged to publish a declaration of conformity with the Code every year and explain deviations from the “recommendations” (→ declaration of conformity).

**GLOBAL KEY ACCOUNTS** | At Brenntag, we take care of our key accounts at local, national, pan-regional and global level and develop and implement tailor-made concepts for their optimum supply with industrial and specialty chemicals. For our customers, this means they can concentrate on their core business secure in the knowledge that they have a partner they can rely on.

**GOODWILL** | Goodwill is the difference between the purchase price of an investment in a company and the → fair value of the acquired share in net assets at the date of acquisition.

**GROSS PROFIT** | Gross profit is defined as → operating gross profit less production costs and → mixing & blending costs.

**(GROUP) TREASURY** | Designates the Group finance department, which looks after matters such as financing, cash investment and the management of financial risks.

## H

**HEDGING** | Hedging is a strategy to protect against interest rate, currency or share price risks, e.g. by means of → derivative financial instruments (options, swaps and forward contracts etc.).

**HSE** | HSE stands for Health, Safety and Environment. HSE therefore covers topics concerning occupational health and safety and environmental protection.

**HUB-AND-SPOKE SYSTEM** | Brenntag sites are generally operated using an efficient 'hub-and-spoke' model. Large bulk quantities are received at Brenntag's 'hub' locations which have large tank farms, warehouses and mixing and blending facilities, plus sometimes white room facilities. From our hubs we supply our 'spoke' facilities which accommodate smaller tank farms and warehouses and are located in close proximity to our customers to ensure prompt and smooth delivery.

## I

**IBC** | IBC stands for intermediate bulk container. IBCs are used mostly for storing and transporting liquids. A capacity of 1,000 litres is typical.

**ICCTA** | The International Council of Chemical Trade Associations (established in 1991) represents the interests of over 1,500 chemical distributors worldwide. ICCTA was set up to fill the need to have a worldwide chemical association coordinating work on issues and programmes of international interest across chemical trade associations.

**IFRS/IAS** | International accounting standards issued by the IASB (International Accounting Standards Board) with the aim of creating transparent and comparable accounting principles. By decree of the European Parliament and the European Council, they are to be used by publicly traded EU companies. IFRS stands for International Financial Reporting Standards. IAS means International Accounting Standards.

**IMPAIRMENT TEST** | In an impairment test, the carrying amount of an asset is compared with its recoverable amount. The recoverable amount is the higher of → fair value less costs to sell and value in use. The value in use is the present value of future cash flows expected to be obtained from the use. If the carrying amount is higher than the recoverable amount, the carrying amount has to be adjusted to the recoverable amount (impairment).

**INDUSTRIAL CHEMICALS** | Industrial chemicals is the term used at Brenntag to distinguish standard chemical products that have specific properties and effects from → speciality chemicals. The manufacturer of the product is generally irrelevant for the user.

**INSIDE INFORMATION** | Inside information as defined in Art. 7 Regulation (EU) No. 596/2014 on market abuse (market abuse regulation – MAR) is particularly any information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

**INSTITUTIONAL INVESTOR** | Institutional investors include banks, insurers and asset management companies but also companies investing their retirement contributions in securities.

**INTEREST HEDGING** | Hedging against interest rate variations that occur with variable interest-rate loans. Instruments used can be → interest-rate swaps, for example.

**INTEREST-RATE SWAP** | Financial transaction with a counterparty (generally a bank) concluded in respect of an existing variable interest-rate loan to fix the total interest costs at a previously defined level.

**INVESTMENT PROPERTY** | Land, buildings or parts of buildings held to earn rentals or for capital appreciation.

**INVESTOR RELATIONS** | Department in charge of communication with shareholders, investors, analysts and financial media. The objective is to provide information that is necessary to evaluate the performance of the company.

**ISIN** | The International Securities Identification Number (ISIN) serves to uniquely identify securities on a worldwide basis and has in the meantime replaced the national securities identification number (WKN).

**ISO** | The International Organization for Standardization, or ISO for short, is the international association of national standardization organizations and prepares standards with international validity. The ISO 9001 standard lays down internationally accepted requirements for quality management systems as regards the quality of production, services and development.

J

**JUST-IN-TIME DELIVERY** | With just-in-time deliveries, the customer does not store supplies but orders the products as required ("just in time") from the supplier.

L

**LEVERAGE** | This term has various meanings in the world of finance. In this document, it refers to the ratio of net debt to → EBITDA.

**LIBOR** | This is the abbreviation for London Interbank Offered Rate and is the reference interest rate on the interbank money market. It serves as a reference interest rate for loans. To calculate it, London banks state at what interest rates they are lending to other banks and what interest rates they are being offered.

**LTIR** | LTIR stands for Lost Time Injury Rate. This performance indicator gives the number of industrial accidents per hours worked. The LTIR1d published in the Annual Report gives the number of industrial accidents resulting in at least one day's absence from work per one million working hours.

M

**MARKET CAPITALIZATION** | Market capitalization indicates the value of the equity of a listed stock corporation on the market. It is calculated by multiplying the number of shares issued by the current share price.

**MDAX** | The MDAX® stock index calculated by the German stock exchange covers 50 medium-sized German companies from the classic industries that rank immediately below the 30 companies listed in the DAX® index.

**MIXING & BLENDING** | The term "mixing & blending" describes the mixing and formulation of solid and liquid chemicals in the correct mixing ratio with consistent quality as well as the filling of products in the desired packaging unit. Brenntag offers its customers not just distribution services but the complete mixing & blending of end products as a value-added service.

**MOODY'S** | International rating agency → rating

**MSCI** | MSCI provides various services for institutional investors and has been calculating a number of indices since 1968.

**MULTI-PERIOD EXCESS EARNINGS METHOD** | Method for measuring intangible assets. The present value is based on the cash flows generated solely by the intangible asset to be valued. At Brenntag, the multi-period excess earnings method is used to measure acquired customer relationships and similar rights.

N

**NET DEBT** | This is essentially financial liabilities (debt) less available liquidity although both terms can be defined differently in various (loan) agreements.

**NET FINANCIAL LIABILITIES** | Part of total financial liabilities not covered by cash and cash equivalents (see also the Notes to the consolidated financial statements, Note 23).

**NET INVESTMENT HEDGE** | A net investment hedge uses derivative or non-derivative → financial instruments to hedge exchange rate-related fluctuations in the net assets of foreign business operations by recognizing the effective portion of the exchange rate-related fluctuations of the hedging instruments within equity in the net investment hedge reserve and thus compensating for the exchange rate-related fluctuations in the net assets of the foreign business operations.

**NO-PAR VALUE SHARE** | No-par value shares have no nominal value. All issued no-par value shares must represent the same portion of the share capital of a publicly listed company.

O

**ONE-STOP SHOP** | One-stop shop means that our customers can obtain a comprehensive range of specialty and industrial chemicals and services from a single source.

**OPERATING GROSS PROFIT** | Operating gross profit is defined as sales less cost of materials. For Brenntag as a chemical distributor, operating gross profit is a key performance indicator for management at Group and segment level.

**OPERATING LEASE** | Agreement to convey the right to use an asset in return for a single or series of payment(s) not to be classified as → finance lease. There is no asset or liability to be recognized by the lessee. The periodic payments are operating expenses in the lessee's accounts.

**OPTION (SHARES)** | Right for a certain period of time to buy (call) or sell (put) → shares of the issuer at a strike price.

**ORDINARY SHARE** | → Share carrying all standard rights, especially voting rights.

**OUTSOURCING** | Outsourcing at Brenntag is understood to mean that chemical manufacturers pass on their small and medium-sized customers to Brenntag who then obtain their chemicals from Brenntag.

P

**PACKAGING** | Packaging refers to packing or packing material.

**PACKING DRUM** | A packing drum is a packing unit in which a product is sold and delivered. Typical packing drum sizes are e.g. cans, barrels or → IBCs.

**PAYOUT RATIO** | The payout ratio indicates the percentage of profit after tax distributed to the shareholders as a → dividend.

**PLAN ASSETS** | Plan assets are assets which are available to be used only to fund pension obligations and are not – even in bankruptcy – available to the entity's own creditors. The assets classified as plan assets are netted against the pension obligations.

**PRIME STANDARD** | Prime Standard is an EU-regulated segment and the listing segment for companies that target not only German investors but also international investors. In addition to the requirements for admission to the General Standard, which imposes the statutory requirements of the regulated market, admission to Prime Standard requires the fulfilment of further transparency criteria. Being listed in Prime Standard is a prerequisite for a company to be included in the selection indices (DAX, MDAX, SDAX, TecDAX) of Deutsche Börse.



**RATING** | The assessment and valuation of the financial solvency of a debtor or certain financing instruments of a debtor by external, neutral rating agencies. In this document they are the international rating agencies Standard & Poor's and Moody's.

**REACH** | REACH (Registration, Evaluation, Authorization of Chemicals) is a regulation of the European Union, adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals.

**RECEIVABLES LOAN AGREEMENT** | Financing instrument that secures the lender by transferring trade receivables.

**RECYCLING** | Recycling is generally understood as the re-use or reprocessing of products no longer required.

**REGISTERED SHARE** | A type of stock which, contrary to a → bearer share, is registered in the name of the owner, who is also recorded in the share register of the company. The share register enables the company to gain a better understanding of its shareholder structure.

**REGULATED MARKET** | The regulated market is a market segment with particularly strict admission requirements and follow-up requirements. The regulated market is an organized market in accordance with Section 2, para. 5 of the Securities Trading Act. This means that the admission and follow-up requirements for the participants and the organization of trading are regulated by law. In addition to the admission requirements, issuers on the Frankfurt stock exchange opt for a transparency standard. Issuers in the regulated market can choose either the general or the prime standard. Issuers in the open market choose the entry standard. This choice determines the follow-up requirements.

**RELIEF-FROM-ROYALTY METHOD** | Valuation method for intangible assets, in particular → trademarks. The value is determined by estimating the fictitious licence fees which would hypothetically have to be paid to a licensor. The value is the discounted amount of licence fees saved in the future. These licence fees are calculated as a percentage of a reference parameter (usually sales) in line with the industry standard.

## **RESPONSIBLE CARE/RESPONSIBLE DISTRIBUTION** |

Responsible Care/Responsible Distribution (RC/RD) is a global initiative of the chemicals industry and chemicals traders. It is a voluntary commitment to act responsibly and do more than is required by law: to promote sustainability, demonstrate product stewardship, make plants and the surrounding areas safer as well as improve occupational health and safety and environmental protection.

**RETAINED EARNINGS** | Part of equity that mainly comprises non-distributed profit and, for the IFRS consolidated financial statements, other comprehensive income (OCI).

**RETURN ON CAPITAL** | This performance indicator shows a profit in the income statement as a proportion of the capital employed, in other words the interest earned on the capital employed. In the Brenntag Group, we measure the return on capital using the metric → RONA (Return on Net Assets) or alternatively → ROCE (Return on Capital Employed) taking into account the purchase price of acquisitions.

**ROADSHOW** | Presentation of a company to shareholders and potential investors in various financial centres. The roadshow is an important investor relations measure to stimulate interest in the company and help market the share.

**ROCE** | Return on Capital Employed (ROCE) is defined as → EBITA divided by the average carrying amount of equity + the average carrying amount of financial liabilities less the average carrying amount of cash and cash equivalents. The average carrying amounts in the denominator are defined for a particular year as the arithmetic average of the amounts at each of the following five dates: the beginning of the year, the end of each of the first, second and third quarters, and the end of the year. At Brenntag, ROCE is used for the measurement of the → return on capital.

**RONA** | Return on Net Assets (RONA) is defined as → EBITA divided by the total of average property, plant and equipment and average → working capital. At Brenntag, RONA is used for the measurement of the → return on capital.

S

**SEGMENT** | Component of an entity which is reported separately. In general, the definition is based on the internal reporting (management approach). The Brenntag Group is managed by geographically structured segments.

**SHARE** | Security representing a part of a company's overall share capital. Owning a share entitles the shareholder, among other things, to participate in General Shareholders' Meetings, to vote at General Shareholders' Meetings and to receive a share of profits (→ dividends).

**SHARE REGISTER** | Companies, which – like Brenntag AG – have issued → registered shares, maintain a share register, in which the name, date of birth and address of the shareholder and the number of shares held are kept (Section 67 of the German Stock Corporation Act (Aktiengesetz)).

**SHARE SPLIT** | A share split is an action in which a company divides its existing shares into two or more shares. The primary motive is to make shares more affordable and thus improve the marketability of the shares. The proportion that each individual shareholder holds in the company is the same before and after the share split as he holds a larger number of shares than before the split. The Company's assets are distributed over more shares than before.

**SINGLE-ENTITY FINANCIAL STATEMENTS** | Single-entity financial statements are the annual financial statements of a separate entity. In Germany, they must be prepared in accordance with the statutory provisions of the German Commercial Code (HGB) and generally accepted accounting principles (GoB). They are the basis for determining the distribution of → dividends and also taxation.

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

**SPECIALTY CHEMICAL** | Specialty chemicals, which are often developed for customized applications, are distinguished from → industrial chemicals by their individual formulations. Which manufacturer produces the specialty chemical is of prime importance for the user.

**STANDARD & POOR'S** | International rating agency → rating

**SUBSCRIBED CAPITAL** | The subscribed capital of a stock corporation is the share capital which is laid down in the Articles of Association.

**SUPERVISORY BOARD** | Control body of a stock corporation prescribed by the German Stock Corporation Act. The members of the Supervisory Board are generally elected by the General Shareholders' Meeting. The most important functions of the Supervisory Board are to appoint and remove Board of Management members, monitor their management of the company, advise the Board of Management regarding decisions on future company policy and approve the annual financial statements.

**SUPPLY CHAIN MANAGEMENT** | Brenntag provides large chemical producers and the processing industry with efficient logistic networks. We provide transport, warehousing and distribution and assist production and marketing processes. We warrant highest efficiency and best safety standards. We optimize supply chains, synchronize distribution, take on monitoring tasks, assume responsibility for VMI (Vendor Managed Inventory) and control and schedule follow-up orders for goods.

**SWAP CONTRACTS** | Financial transaction with a counterparty (generally a bank) to hedge financial risks (such as interest rate and currency risks) arising in the course of business.

**SYNDICATED FACILITIES AGREEMENT** | → syndicated loan

**SYNDICATED LOAN** | Loan in which at least two lenders grant a loan to one (or more) borrower(s) on the same terms and conditions.

T

**TOGETHER FOR SUSTAINABILITY (TFS)** | Tfs (Together for Sustainability) is the name of an industry initiative founded by major companies of the chemicals sectors. The purpose is to develop and implement a global audit programme to assess and improve sustainability practices within the supply chains of the chemical industry.

**TRADEMARK** | A trademark generally refers to a brand name and at Brenntag includes both the name and the blue-red logo.

**TRADING SYMBOL** | A three-digit combination of letters and possibly numbers. The trading symbol is allocated by WM Datenservice, which is also the body responsible for issuing the WKN and ISIN in Germany. Any share can be uniquely identified by the trading symbol – and also by the WKN (German securities identification code) or ISIN (International Securities Identification Number).

V

**VOTING RIGHT** | The shareholder is entitled to vote on resolutions that are proposed at the → General Shareholders' Meeting of the company he or she is a shareholder of. The weight of his or her vote depends on the amount of → shares held.

W

**WACC** | WACC (Weighted Average Cost of Capital) is a company-specific capital cost rate and is calculated as the weighted average of costs of equity and borrowing costs.

**WORKING CAPITAL** | Brenntag defines working capital as trade receivables plus inventories less trade payables. Working capital is an indicator for funds tied up in the operating business activities that are available in the short term.

**WORKING CAPITAL TURNOVER, ANNUALISED** | Working capital turnover is defined as sales divided by average → working capital. Average working capital is defined for a particular year as the average of the values for working capital at each of the following five dates: the beginning of the year, the end of each of the first, second and third quarters, and the end of the year.

X

**XETRA®** | The term Xetra® stands for the stock exchange electronic trading system of Deutsche Börse AG.



## TABLE DIRECTORY

### A TO OUR SHAREHOLDERS

<b>A.01</b>	Brenntag Share Price Performance (Indexed)	9
<b>A.02</b>	Shareholder Structure	10
<b>A.03</b>	Key Data on the Brenntag Shares	10
<b>A.04</b>	Analysts' Opinions	11
<b>A.05</b>	Key Data on the Bonds of the Brenntag Group	11
<b>A.06</b>	Dividend Performance	13

### B MANAGEMENT REPORT

<b>B.01</b>	Global Network of the Brenntag Group	43
<b>B.02</b>	Business Performance of the Brenntag Group	54
<b>B.03</b>	Return on Capital Employed (ROCE)	56
<b>B.04</b>	Business Performance in the Segments	57
<b>B.05</b>	Business Performance in the Segments/EMEA	57
<b>B.06</b>	Business Performance in the Segments/North America	58
<b>B.07</b>	Business Performance in the Segments/Latin America	59
<b>B.08</b>	Business Performance in the Segments/Asia Pacific	60
<b>B.09</b>	Business Performance in the Segments/All Other Segments	61
<b>B.10</b>	Maturity Profile of our Credit Portfolio as at December 31, 2016	63
<b>B.11</b>	Maturity Profile of our Credit Portfolio as at January 31, 2017	64
<b>B.12</b>	Cash Flow	65
<b>B.13</b>	Free Cash Flow	66
<b>B.14</b>	Financial and Assets Position	67
<b>B.15</b>	Income Statement of Brenntag AG in Accordance with the German Commercial Code (HGB)	69
<b>B.16</b>	Brenntag AG/Balance Sheet in Accordance with the German Commercial Code (HGB) – Condensed Version	70
<b>B.17</b>	Total Remuneration of the Board of Management in Accordance with the German Commercial Code (HGB)	77
<b>B.18</b>	Pension Commitments (Defined Benefit Plans) in Accordance with the German Commercial Code (HGB)	79
<b>B.19</b>	Board of Management Remuneration in Accordance with IFRSs	79
<b>B.20</b>	Board of Management Benefits Granted	83
<b>B.21</b>	Board of Management Allocation	83
<b>B.22</b>	Total Remuneration of the Supervisory Board	85
<b>B.23</b>	Employees per Segment	86
<b>B.24</b>	Employees per Area of Work	86
<b>B.25</b>	Risk Assessment Matrix	95

**C CONSOLIDATED FINANCIAL STATEMENTS**

<b>C.01</b>	Consolidated Income Statement	112	<b>C.49</b>	Financial Liabilities/Dec. 31, 2015	159
<b>C.02</b>	Consolidated Statement of Comprehensive Income	113	<b>C.50</b>	Liabilities under Syndicated Loan/Dec. 31, 2016	160
<b>C.03</b>	Consolidated Balance Sheet	114	<b>C.51</b>	Liabilities under Syndicated Loan/Dec. 31, 2015	160
<b>C.04</b>	Consolidated Statement of Changes in Equity	117	<b>C.52</b>	Minimum Lease Payments/2016	161
<b>C.05</b>	Consolidated Cash Flow Statement	118	<b>C.53</b>	Minimum Lease Payments/2015	161
<b>C.06</b>	Segment Reporting in Accordance with IFRS 8	119	<b>C.54</b>	Other Liabilities	162
<b>C.07</b>	Free Cash Flow	120	<b>C.55</b>	Change in Other Provisions	162
<b>C.08</b>	Reconciliation of Operating EBITDA to Profit Before Tax	120	<b>C.56</b>	Maturity of Other Provisions	163
<b>C.09</b>	Determination of ROCE	121	<b>C.57</b>	Actuarial Parameters Applied	170
<b>C.10</b>	Reconciliation of Operating Gross Profit to Gross Profit	121	<b>C.58</b>	Provisions for Pensions and Other Post-Employment Benefits by Country/Dec. 31, 2016	170
<b>C.11</b>	Changes in Scope of Consolidation	126	<b>C.59</b>	Provision for Pensions and Other Post-Employment Benefits by Country/Dec. 31, 2015	171
<b>C.12</b>	Net Assets Acquired in 2016	128	<b>C.60</b>	Change in the Present Value of the Defined Benefit Obligations	171
<b>C.13</b>	Intangible Assets Acquired	129	<b>C.61</b>	Change in the Fair Value of Plan Assets	172
<b>C.14</b>	Sales and Profit after Tax of the Businesses Acquired since Acquisition	129	<b>C.62</b>	Change in Provisions for Pensions and Other Post-Employment Benefits Recognized in the Balance Sheet	173
<b>C.15</b>	Net Assets Acquired in 2015 (J.A.M. and G.H. Berlin-Windward)	130	<b>C.63</b>	Breakdown of the Present Values of Defined Benefit Obligations by Members	174
<b>C.16</b>	Net Assets Acquired in 2015 (TAT Group and Other Business Combinations)	131	<b>C.64</b>	Fair Value of the Plan Assets by Asset Class/Dec. 31, 2016	175
<b>C.17</b>	Changes in Goodwill	131	<b>C.65</b>	Fair Value of the Plan Assets by Asset Class/Dec. 31, 2015	175
<b>C.18</b>	Reconciliation of Acquisition Costs to Payments to Acquire Consolidated Subsidiaries and Other Business Units	132	<b>C.66</b>	Sensitivity Analysis of the Present Value of the Defined Benefit Obligation	176
<b>C.19</b>	Exchange Rates of Major Currencies	134	<b>C.67</b>	Liabilities Relating to Acquisition of Non-Controlling Interests	177
<b>C.20</b>	Useful Lives of Property, Plant and Equipment	137	<b>C.68</b>	Determination of ROCE	177
<b>C.21</b>	Useful Lives of Intangible Assets	138	<b>C.69</b>	Net Financial Liabilities/Operating EBITDA	178
<b>C.22</b>	Pension Cost Components	140	<b>C.70</b>	Change in Non-Controlling Interests	180
<b>C.23</b>	Other Operating Income	144	<b>C.71</b>	Change in Working Capital	183
<b>C.24</b>	Other Operating Expenses	145	<b>C.72</b>	Non-Current Assets by Country	184
<b>C.25</b>	Interest Expense	145	<b>C.73</b>	External Sales by Country	184
<b>C.26</b>	Change in Liabilities Relating to Acquisition of Non-Controlling Interests Recognized in Profit or Loss	146	<b>C.74</b>	Other Financial Obligations and Contingent Liabilities/Dec. 31, 2016	185
<b>C.27</b>	Other Net Finance Costs	146	<b>C.75</b>	Other Financial Obligations and Contingent Liabilities/Dec. 31, 2015	185
<b>C.28</b>	Income Tax Expense	147	<b>C.76</b>	Classification of Financial Assets by Measurement Category/Dec. 31, 2016	187
<b>C.29</b>	Tax Rate Reconciliation	147	<b>C.77</b>	Classification of Financial Assets by Measurement Category/Dec. 31, 2015	187
<b>C.30</b>	Deferred Tax Assets and Liabilities	148	<b>C.78</b>	Classification of Financial Liabilities by Measurement Category/Dec. 31, 2016	188
<b>C.31</b>	Deferred Tax by Maturity	148	<b>C.79</b>	Classification of Financial Liabilities by Measurement Category/Dec. 31, 2015	188
<b>C.32</b>	Change in Deferred Tax Liabilities (net)	149	<b>C.80</b>	Financial Instruments According to Fair Value Hierarchy/Dec. 31, 2016	189
<b>C.33</b>	Tax Loss Carryforwards	149	<b>C.81</b>	Financial Instruments According to Fair Value Hierarchy/Dec. 31, 2015	189
<b>C.34</b>	Employees by Segment	150	<b>C.82</b>	Net Gains/Losses from Financial Assets and Liabilities/2016	190
<b>C.35</b>	Cash and Cash Equivalents	151	<b>C.83</b>	Net Gains/Losses from Financial Assets and Liabilities/2015	190
<b>C.36</b>	Trade Receivables	151	<b>C.84</b>	Offsetting of Financial Assets and Liabilities/Dec. 31, 2016	191
<b>C.37</b>	Maturity of Trade Receivables Past Due but not Impaired	151	<b>C.85</b>	Offsetting of Financial Assets and Liabilities/Dec. 31, 2015	191
<b>C.38</b>	Change in Impairment Losses on Trade Receivables	152	<b>C.86</b>	Change in Net Investment Hedge Reserve	192
<b>C.39</b>	Other Receivables	153	<b>C.87</b>	Sensitivity Analysis Currency Risk	192
<b>C.40</b>	Other Financial Assets/Dec. 31, 2016	153	<b>C.88</b>	Change in Cash Flow Hedge Reserve	193
<b>C.41</b>	Other Financial Assets/Dec. 31, 2015	154			
<b>C.42</b>	Inventories	154			
<b>C.43</b>	Property, Plant and Equipment	155			
<b>C.44</b>	Intangible Assets	156			
<b>C.45</b>	Regional Allocation of Goodwill	157			
<b>C.46</b>	WACC by Segment	158			
<b>C.47</b>	Change in Equity-Accounted Investments	158			
<b>C.48</b>	Financial Liabilities/Dec. 31, 2016	159			

<b>C.89</b>	Future Cash Flows from Financial Liabilities/Dec. 31, 2016	194
<b>C.90</b>	Future Cash Flows from Financial Liabilities/Dec. 31, 2015	195
<b>C.91</b>	Derivative Financial Instruments	195
<b>C.92</b>	Transactions with Related Parties	197
<b>C.93</b>	Receivables from and Payables to Related Parties	197
<b>C.94</b>	Fees for the Auditors of the Consolidated Financial Statements	197

<b>D</b>	<b>FURTHER INFORMATION</b>	
<b>D.01</b>	Business Performance of the Brenntag Group/2016	220
<b>D.02</b>	Business Performance of the Brenntag Group/Q4 2016	220
<b>D.03</b>	Business Performance in the Segments/2016	221
<b>D.04</b>	Business Performance in the Segments/Q4 2016	221
<b>D.05</b>	Business Performance in the Segments/EMEA 2016	221
<b>D.06</b>	Business Performance in the Segments/EMEA Q4 2016	221
<b>D.07</b>	Business Performance in the Segments/ North America 2016	222
<b>D.08</b>	Business Performance in the Segments/ North America Q4 2016	222
<b>D.09</b>	Business Performance in the Segments/ Latin America 2016	222
<b>D.10</b>	Business Performance in the Segments/ Latin America Q4 2016	222
<b>D.11</b>	Business Performance in the Segments/Asia Pacific 2016	223
<b>D.12</b>	Business Performance in the Segments/Asia Pacific Q4 2016	223
<b>D.13</b>	Business Performance in the Segments/ All Other Segments 2016	223
<b>D.14</b>	Business Performance in the Segments/ All Other Segments Q4 2016	223
<b>D.15</b>	Segment Reporting in Accordance with IFRS 8/2016	224
<b>D.16</b>	Segment Reporting in Accordance with IFRS 8/Q4 2016	225
<b>D.17</b>	Consolidated Income Statement	239
<b>D.18</b>	Consolidated Balance Sheet	239
<b>D.19</b>	Consolidated Cash Flow	239
<b>D.20</b>	Data on the Brenntag Shares	239

## FIVE-YEAR OVERVIEW

### D.17 CONSOLIDATED INCOME STATEMENT

		2016	2015	2014	2013	2012
Sales	EUR m	10,498.4	10,346.1	10,015.6	9,769.5	9,689.9
Gross profit	EUR m	2,369.3	2,266.0	2,027.5	1,945.5	1,925.7
Operating EBITDA	EUR m	810.0	807.4	726.7	698.3	707.0
Operating EBITDA/gross profit	%	34.2	35.6	35.8	35.9	36.7
EBITDA	EUR m	810.0	807.4	726.9	696.8	707.0
Profit after tax	EUR m	361.0	368.1	339.7	338.9	337.8
Earnings per share <sup>1)</sup>	EUR	2.33	2.36	2.20	2.20	2.17

### D.18 CONSOLIDATED BALANCE SHEET

		Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec 31, 2012
Total assets	EUR m	7,287.0	6,976.2	6,215.0	5,627.3	5,708.1
Equity	EUR m	2,959.2	2,690.5	2,356.9	2,093.7	1,944.2
Working capital	EUR m	1,354.6	1,268.1	1,226.8	1,044.4	1,018.6
Net financial liabilities	EUR m	1,681.9	1,676.1	1,409.7	1,341.7	1,482.9

### D.19 CONSOLIDATED CASH FLOW

		2016	2015	2014	2013	2012
Net cash provided by operating activities	EUR m	539.9	593.7	369.7	357.8	433.0
Investments in non-current assets (capex)	EUR m	-141.1	-130.1	-104.8	-97.2	-94.7
Free cash flow	EUR m	641.4	764.3	521.6	543.4	579.3

### D.20 KEY DATA ON THE BRENNTAG SHARES

		Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec 31, 2012
Share price <sup>1)</sup>	EUR	52.80	48.28	46.51	44.92	33.14
No. of shares (unweighted) <sup>1)</sup>		154,500,000	154,500,000	154,500,000	154,500,000	154,500,000
Market capitalization	EUR m	8,158	7,459	7,186	6,939	5,121
Free float	%	100.00	100.00	100.00	100.00	100.00

<sup>1)</sup> As part of a stock split, the number of shares was increased in the third quarter of 2014 from 51.5 million to 154.5 million. The earnings per share, the share price and the number of shares have been retroactively adjusted in line with the stock split.

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### INFORMATION ON THE ANNUAL REPORT

This translation is only a convenience translation. In the event of any differences, only the German version is binding.

### INFORMATION ON ROUNDING

Due to commercial rounding, minor differences may occur when using rounded amounts or rounded percentages.

### DISCLAIMER

This report may contain forward-looking statements based on current assumptions and forecasts made by Brenntag AG and other information currently available to the company. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. Brenntag AG does not intend, and does not assume any liability whatsoever, to update these forward-looking statements or to adapt them in line with future events or developments.

# FINANCIAL CALENDAR 2017

**MAR 30**

**2017**

Bankhaus Lampe  
Deutschlandkonferenz  
Baden-Baden



**MAY 10**

**2017**

Publication  
of Q1 2017 results



**JUN 8**

**2017**

General Shareholders' Meeting  
Düsseldorf



**JUN 22–23**

**2017**

Deutsche Bank  
dbAccess Berlin Conference  
Berlin



**AUG 9**

**2017**

Publication  
of Q2 2017 results



**NOV 8**

**2017**

Publication  
of Q3 2017 results

