ANNUAL REPORT
2020

CHANGE

ConnectingChemistry

BRENNTAG

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C H A N G E

ConnectingChemistry

BRENNTAG

SEVERAL THOUSAND

SUPPLIERS

+17,000

EMPLOYEES

AROUND

670

SITES GLOBALLY

FACTS & FIGURES

AROUND

185,000

CUSTOMERS

+10,000

PRODUCTS

PRESENT IN

77

COUNTRIES

AROUND

3,000,000

DELIVERIES P.A.

PROJECT BRENNTAG *Leaping to new heights*

A YEAR OF CHANGE

For many people and also for us at Brenntag, 2020 was quite an extraordinary year. The global COVID-19 pandemic had a severe adverse effect on all our lives, both personal and professional, and presented us with unprecedented challenges. For Brenntag, 2020 was also a year of change. We associate last year with a number of new developments, but also with the major opportunity to pave the way for an even more successful future. Our aim is to systematically expand Brenntag's position as global market leader, and this aim is embodied in our transformation programme, "Project Brenntag".

But why does the global market leader need to change? Why does the largest chemical distributor need to evolve? Our sector and our business partners are continuously changing. Our customers and suppliers have individual and ever more demanding needs and requirements, which we wish to address in the best way possible. The segments of industry in which we operate are impacted by a wide range of trends, some of them global and fast-moving, and we need to follow those trends and respond to them with flexibility and agility.

"Project Brenntag" addresses numerous aspects of our business model with the aim of sharpening our profile, reducing complexity and making us much more efficient. And our partners, too, will benefit from the company's repositioning: we want to expand the long-standing relationships of trust with our suppliers and deepen our customer relationships. As global market leader, we want to move forward and play a part in shaping the change in our industry. Only in this way can we create added value for our stakeholders on an ongoing basis.

For Brenntag, both 2020 and 2021 are years dominated by transformation and our further development: with a view to future growth and sustained success.

HIGHLIGHTS OF 2020

JANUARY

CHRISTIAN KOHLPAINTNER BECOMES THE NEW CHIEF EXECUTIVE OFFICER

With effect from January 1, 2020, Dr Christian Kohlpaintner became Chief Executive Officer and a member of the Board of Management of Brenntag SE. Over a period of almost three decades, Christian Kohlpaintner has performed various management roles in the chemical industry in an international environment. Upon taking up his role as CEO at Brenntag, he worked with his colleagues on the Board of Management to launch a holistic analysis of the Group and to plan measures which have now been combined in "Project Brenntag". ⟶

FEBRUARY

COVID-19 PANDEMIC

Since the beginning of 2020, the global economy and the life of people around the globe had been adversely affected by the COVID-19 pandemic. At an early stage, Brenntag took measures to safeguard the health and safety of its workforce and maintain business operations. Through local aid and donation initiatives, Brenntag also helped to ensure that required products reached our fellow human beings quickly and easily. ⟶

MARCH

FIRST COMMUNICATIONS ON "PROJECT BRENNTAG"

There was much anticipation ahead of our new CEO Christian Kohlpaintner's first appearance before the capital market. In March 2020, the moment arrived. His appearance at the publication of the 2019 annual results also marked the start of the regular public communications on "Project Brenntag". ⟶

JUNE

DOREEN NOWOTNE ELECTED TO SERVE AS THE NEW SUPERVISORY BOARD CHAIRWOMAN

In mid-June 2020, the Brenntag Supervisory Board unanimously elected Doreen Nowotne to serve as the Board's new Chairwoman. Ms Nowotne thus succeeded Stefan Zuschke, who had chaired the Supervisory Board since March 2010 and decided not to seek re-election. In addition, Richard Ridinger was elected as a new member of the Supervisory Board of Brenntag SE. ⟶

JULY

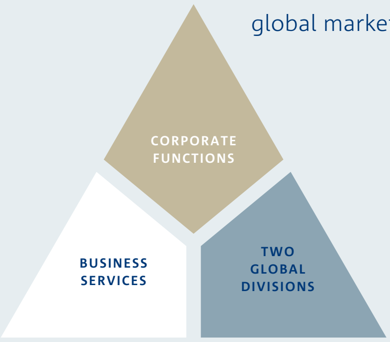
CHANGES ON THE BOARD OF MANAGEMENT

In July 2020, Steven Terwindt was appointed as a member of the Board of Management of Brenntag SE as part of the Board's new line-up. Since January 2021, the highly experienced Brenntag executive has been Chief Operating Officer responsible for the Brenntag Essentials division. Henri Nejade, a Board of Management member since 2015, is Chief Operating Officer in charge of the Brenntag Specialties division.

SEPTEMBER

ANNOUNCEMENT OF THE NEW OPERATING MODEL

In September 2020, Brenntag announces the changes to its operating model. After many years of being managed through the four regional segments North America, Latin America, EMEA (Europe, Middle East & Africa) and Asia Pacific, the company has since January 1, 2021 been managed through two global divisions: Brenntag Essentials and Brenntag Specialties. The operational realignment is a core element of the transformation programme "Project Brenntag" and is intended to enable the company to better address customers and suppliers in a rapidly changing global market environment.



NOVEMBER

CAPITAL MARKETS UPDATE

On November 4, 2020, Brenntag holds its first entirely virtual and very successful Capital Markets Day. Here too, the focus of the event for the roughly 200 participants is "Project Brenntag". The company presents details of all the aspects covered by the transformation programme as well as the expected financial effects. At the same time, the two future Chief Operating Officers, Steven Terwindt and Henri Nejade, who joined virtually from Canada and France respectively, use the platform to introduce themselves to sell-side analysts and investors.

DECEMBER

COMPLETION OF THE BOARD OF MANAGEMENT LINE-UP

In December 2020, the Brenntag Supervisory Board appoints Ewout van Jarwaarde as a member of the Board of Management and the Group's new Chief Transformation Officer. Among other matters, Ewout van Jarwaarde is responsible for the implementation of "Project Brenntag" and the company's IT and digitalization activities. When he starts in January 2021, he completes the line-up of the Board, which now comprises five members.

CHANGE IN EVENTFUL TIMES

INTERVIEW WITH THE CEO,
DR CHRISTIAN KOHLPAINTNER

Christian Kohlpaintner has been the Chief Executive Officer of Brenntag SE since the beginning of 2020. He has many years' international management experience in the chemical industry and during the course of his career has worked with many different people of different nationalities and cultures not only in Germany, but also in the USA, Switzerland and China.

Mr Kohlpaintner, you have been Chief Executive Officer at Brenntag for around fifteen months now. How would you review the time so far?

CHRISTIAN KOHLPAINTNER I already knew the company quite well from the collaboration with my former employers in the chemical industry and came to Brenntag with the vision of exploiting the enormous potential that we have and of which I am firmly convinced. That is precisely what we started to do in January 2020. By launching "Project Brenntag", we have initiated one of the most comprehensive transformations in our company's history – despite the COVID-19 pandemic, which has made circumstances much more difficult. We have made very good progress on our transformation thanks to our highly motivated team at Brenntag, who from the outset have been fully committed to undertaking this exciting journey with me. Despite the coronavirus crisis, we also managed to achieve perfectly respectable financial results in 2020. In that respect, we can be satisfied with last year and also a little bit proud.

You identified a need for action at Brenntag. Why?

CK Brenntag is the global leader in chemical distribution and a very successful company with a history stretching back almost 150 years. What is more, Brenntag has an extremely robust business model, which is something we see again and again, especially in times of crisis. In recent years, however, the company has fallen short of both its own expectations and those of our stakeholders, especially with regard to organic earnings growth. But Brenntag has this enormous potential. I am talking primarily about the unrivalled breadth of our product portfolio, our global site network and the huge pool of talent at Brenntag. That is why we took a very close look at the company and initiated numerous changes with a view to better leveraging our strengths. Our competitors are not asleep. If Brenntag wants to continue to fulfil its role as global market leader and not just maintain, but further expand this position, the company needs to change.

This year's annual report also goes under the banner "change". What does "change" mean at Brenntag?

CK When I started as CEO at the beginning of 2020, we as the team initiated an extensive, holistic analysis of the entire Group and realized that we need to position ourselves better in various areas. We do not need to change everything, of course, as we are already quite successful and can build on strong foundations. But it is our duty and our aim to make the Group fit for the future. We understand change at Brenntag to mean many different things. We are dealing with new issues that have become important during the COVID-19 crisis. In the course of "Project Brenntag", we have also identified further aspects where we want to change. And there are, of course, areas on which we work continuously and over the long term anyway.

Can you give us a few examples?

CK Let me begin with our donation initiatives. While swiftly and almost seamlessly adapting to the new situation in the COVID-19 crisis and safeguarding the health and safety of our employees, we also took immediate action to fulfil our responsibility to society. I am particularly pleased that by donating a number of our products, we were able to provide a little bit of help to people in many countries around the world. Secondly, we are working on the measures that we decided upon on "Project Brenntag". On the financial front, we operated a prudent system of margin management and also achieved a clear improvement in our working capital turnover – which is precisely one of our focal points on "Project Brenntag".

"Project Brenntag" also involves a change of culture. Through the programme, we aim to raise the level of ambition of our managers and open up good development opportunities for our dedicated employees. We have established clear areas of responsibility and accountability. A change of management culture cannot, of course, be implemented over night. But we are already addressing this by clearly aligning the performance-related remuneration for senior management with the objectives of "Project Brenntag".

And what areas do you have your eye on permanently and over the long term?

CK Well, that most certainly includes safety! For us as a chemical distributor, safety always takes top priority. Here too, we were able to record a success in 2020, as we reported an LTIR* of 1.4, our lowest Group accident rate to date. And I would also like to mention digitalization. This broad topic also affects us at Brenntag and will become ever more important over the long term, just as it will for many other companies. We have already taken some important steps here: we have been operating our DigiB unit for several years now and are working on various concepts. In this case too, our customers' requirements are front and centre and it is partly about harmonizing processes worldwide. For example, we have set up a professional platform for customer communications and continuously developed our digital distribution channel "BrenntagConnect".

Why does Brenntag need to evolve?

CK Both our sector, chemical distribution, and the chemical industry generally are continuously changing, in some cases substantially – and in a relatively short period of time. Of course, this means that the requirements of our business partners – customers and suppliers – are also changing and, quite justifiably, becoming ever more demanding. More and more, our customers see us as a contact on the practical application of chemicals and ingredients and value our technological expertise. Chemical distribution is now about much more than transporting standard chemicals from one place to another.

We need to respond to all these changes. Reflecting our self-image, we want to play a part in shaping the future of our sector. And we can do that because we are acting from a position of strength. We are already the world's largest chemical distributor. The task now, though, is to systematically develop Brenntag further. Last year, we developed "Project Brenntag" in detail in cooperation with a broad base of managers and employees. The focus in 2021 is now entirely on developing the concepts and measures in further detail and taking gradual steps to implement them carefully, but above all systematically. The measures will help us to address our partners' requirements in a more targeted manner and deepen our relationships with customers and suppliers.

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

What is the focus on "Project Brenntag"?

CK On "Project Brenntag", we have invariably had the needs of our partners and the requirements of the market in mind. The project addresses our stakeholders very broadly and affects entirely different areas of our company. The biggest change is certainly the shift from a regional management structure to two global divisions: Brenntag Essentials and Brenntag Specialties.

More about Brenntag Essentials and Brenntag Specialties
→ Page 18

Brenntag Essentials combines many of the strengths that Brenntag is already known for today. This division markets a broad portfolio of process chemicals for a wide variety of industries. It will stand out by virtue of its high efficiency and global reach while at the same time maintaining a strong local focus. In Brenntag Specialties, our teams focus not only on selling ingredients and chemicals but also on value-added services so as to be able to provide tailored solutions to better address the needs of our customers in the newly defined focus industries. Both divisions are represented by a specialist, focused sales organization and a first-class customer service team.

For the first time, we have also reviewed our global site network in detail. Here too, there are numerous opportunities to improve our footprint while at the same time maintaining our international profile and our high service levels. We will also make large investments in our network in order to modernize our sites and be able to serve our customers even more efficiently. And not least of all, we are streamlining our administrative processes.

WE WANT TO EXPLOIT THE ENORMOUS POTENTIAL THAT WE HAVE.

These are extensive measures. What timeframe has the Brenntag management set for the transformation programme's implementation?

CK "Project Brenntag" is a multi-year programme to transform and further develop our already-successful Group. We will have achieved the full potential from "Project Brenntag" in 2023. Some measures will take more time, whereas we expect others to yield visible results as soon as 2021. The crucial point is this: it is about strengthening our competitive position and expanding Brenntag's position as global market leader. The primary objective of "Project Brenntag" is to return our company to sustainable organic earnings growth.

BOARD OF MANAGEMENT

EWOUT VAN JARWAARDE

CHIEF TRANSFORMATION OFFICER

Ewout van Jarwaarde has been a member of the Brenntag Board of Management since January 1, 2021. As Chief Transformation Officer, he is responsible in particular for the implementation of the global transformation programme “Project Brenntag”. His remit also includes the IT and indirect procurement functions, digital and data-driven business opportunities, and functional excellence. Ewout van Jarwaarde has extensive management experience driving growth, building businesses, transforming organizations commercially and operationally, and building digital and data-driven capabilities across various industries worldwide.

GEORG MÜLLER

CHIEF FINANCIAL OFFICER

Prior to joining Brenntag, Georg Müller held various positions in banking and in the financial control and treasury departments at chemical and logistics companies. At Brenntag, he was initially in charge of various Group financing rounds. When Brenntag went public in March 2010, he also assumed responsibility for the Group’s investor relations activities. Georg Müller has been Chief Financial Officer of Brenntag SE since 2012.

DR. CHRISTIAN KOHLPAINTNER

CHIEF EXECUTIVE OFFICER

The doctor of chemistry has more than 25 years’ management experience in the chemical industry. This includes international executive roles in both China and the USA, where he lived and worked for several years. Christian Kohlpaintner began his career at Hoechst, where he held various positions in Germany and the USA. After posts at Celanese and Chemische Fabrik Budenheim, he was most recently a member of the Executive Committee at Clariant in Switzerland. Christian Kohlpaintner has been Chief Executive Officer at Brenntag since January 2020.

HENRI NEJADE

CHIEF OPERATING OFFICER BRENNTAG SPECIALTIES

Henri Nejade, a member of the Board of Management since 2015, joined Brenntag in 2008. He has a diverse international background and more than 30 years' industry experience. Between 2008 and 2020, he was in charge of building and expanding our business in Asia Pacific in his capacity as Chief Executive Officer Brenntag Asia Pacific. Since January 2021, he has been Chief Operating Officer for Brenntag Specialties.

STEVEN TERWINDT

CHIEF OPERATING OFFICER BRENNTAG ESSENTIALS

During his long career at Brenntag, Steven Terwindt has held various management positions within the company and in the Latin, Central and North America regions. In 2016, he joined the management team at Brenntag North America as Executive Vice President and Chief Operating Officer. In August 2020, Steven Terwindt was appointed President & Chief Executive Officer North America and a member of the Board of Management of Brenntag SE. Since January 2021, he has been Chief Operating Officer for Brenntag Essentials.

OPERATING MODEL
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PROJECT BRENNTAG

Leaping to new heights

SITE NETWORK OPTIMIZATION
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GO-TO-MARKET APPROACH

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PEOPLE & CHANGE

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Brenntag is the global market leader in chemical distribution. We are the only chemical distributor of truly global scale, and we have the biggest specialty chemical business in the sector. Our business model is robust and demonstrates its resilience above all when macroeconomic conditions are difficult.

But the requirements of our business partners and our sector are changing. Both suppliers and our customers have ever greater and different requirements of chemical distribution. Our suppliers need a strong, efficient partner by their side with the specialist industry expertise and logistics excellence to best market their products. Our customers ask for tailored solutions and a partner that can offer not only high-quality products, but also application advice and technical expertise.

“Project Brenntag” will sharpen our profile among our business partners and thus enable us to better address the different and individual needs of our suppliers and customers.

VOICES ON CHANGE

“Project Brenntag” is focused on the different needs of our stakeholders. In our category “Voices on change”, we show how this transformation programme has been received by the different stakeholder groups.

Brenntag’s business is a people business. The capabilities, dedication and passion of our employees have played a major role in making us the market leader in chemical distribution. Our top priority is to create an environment in which our employees feel safe and enjoy their work, and which offers enough space for personal development.

“Within Service Excellence, it has always been a challenge to consistently provide our customers with the same level of experience, regardless of where they are located. “Project Brenntag” now gives us the perfect opportunity to create one global platform and one harmonized as well as differentiated approach to leverage our expertise and share best practices. All Service Excellence colleagues within both of our divisions are working closely together to achieve our overall goal of offering all customers a best-in-class experience”.

WE ARE WORKING CLOSELY TOGETHER TO OFFER ALL CUSTOMERS A BEST-IN-CLASS EXPERIENCE.

SVENJA ESTERS
SERVICE EXCELLENCE MANAGER EMEA
EMEA BUSINESS DEVELOPMENT

BRENNTAG CARES

BRENNTAG ASSUMES SPECIAL RESPONSIBILITY DURING PANDEMIC TIMES

Right at the beginning of the COVID-19 pandemic, we at Brenntag put in place a global, regional and local crisis management system to focus on the health and safety of our employees and business partners. At the same time, we quickly responded by adapting our processes and workflows in line with the new environment. All of this helped us to maintain our business operations and supply chains overall and thus continue to provide our customers with products.

Especially in these challenging times, we are very aware of our responsibility to society. The COVID- 19 pandemic has presented challenges and often existential obstacles for people around the globe. Worldwide, our employees have therefore been engaged in the fight against the spread of the infectious disease COVID-19.

In 2020, a large part of Brenntag's social commitment was made up of donations of isopropyl alcohol (IPA), which is the main ingredient in the production of disinfectants and was only available in very limited quantities in some countries, especially at the beginning of the pandemic. From single canisters that enabled local doctors to continue to practise, to fully loaded pallets for hospitals, to thousands of tons for authorities and governments, Brenntag provided IPA where it was urgently needed. Brenntag also demonstrated its commitment to the community and its strong will to help fight the virus by donating protective masks to children's hospitals, producing special visors for medical professionals or providing surprises to raise the spirits for hospital staff in regions particularly hard hit by COVID-19.

PROJECT BRENNTAG IN FIGURES

EUR 220 MILLION

ADDITIONAL ANNUAL CONTRIBUTION TO OPERATING EBITDA PLANNED AS OF 2023

EUR 370 MILLION

ONE-TIME NET CASH OUTFLOW

4%–6%

ORGANIC OPERATING EBITDA GROWTH

600

REDUCTION IN THE NUMBER OF SITES FROM AROUND 700 TO ROUGHLY 600 WORLDWIDE

EUR ~250 MILLION

ANNUAL SPEND ON MERGERS AND ACQUISITIONS

Brenntag has been an internationally successful company and global market leader for many years now. Over the past decade, the Group has grown considerably, expanding its presence in places such as the Asia Pacific region, where it now has more than 2,000 employees. However, it has recently become increasingly difficult for us to generate organic growth; that is, growth from within. Our international profile and the acquisitions we have made have led to increased complexity in both our site network and in internal processes. “Project Brenntag” addresses these aspects of our company with the clear aim of achieving sustainable organic growth in future and thus creating added value for our stakeholders.

Georg Müller, the Group’s Chief Financial Officer since 2012, says: “On “Project Brenntag”, we analyzed the diverse areas of our company in detail and planned substantial improvements. We are now in the process of implementing the measures and driving the Group’s repositioning. We know our business, chemical distribution, and have the best specialists on our workforce. But we need to carry out some adjustments in order to make Brenntag more efficient again. “Project Brenntag” will make a sustainable annual contribution to the growth in operating EBITDA of around EUR 220 million. The contribution will increase from year to year and we will reach the full annual potential in 2023. The measures to increase operating EBITDA are spread mainly across the “Operating Model”, “Go-to-Market Approach” and “Site Network Optimization” workstreams. Most of the additional contribution to operating EBITDA comes from cost savings and is therefore fully within our control.”

Some of the initiatives will have a positive impact as soon as 2021. Particularly notable examples include indirect procurement, our price management and working capital management. “In terms of our efficiency in working capital management, we at Brenntag look especially at working capital turnover and placed increased focus on this back in 2020. And with success: we were able to raise our working capital turnover from 7x to 7.3x year-over-year in 2020,” says Georg Müller

Of course, a comprehensive transformation programme like this also entails costs. The net cash outflows for "Project Brenntag" amount to around EUR 370 million. "We expect a third of this total to comprise capital expenditure and two thirds to comprise expenses to achieve our efficiency measures," explains Georg Müller.

4%–6%

ORGANIC OPERATING EBITDA GROWTH

"Project Brenntag" was set up to capture the underlying market growth. So initially, it is not about gaining additional market share. "Our aim is to achieve organic growth in operating EBITDA of 4% to 6%. We will also continue to acquire companies and plan to spend between EUR 200 million and EUR 250 million a year on this," explains Chief Financial Officer Georg Müller. When making future acquisitions, Brenntag will sharpen its focus: we will concentrate on emerging markets in Latin America and Asia Pacific – and in the latter case primarily on China! In addition, we wish to further expand specialty chemicals and ingredients and are seeking relatively large acquisition targets that will make a noticeable contribution to our operating EBITDA.

Georg Müller: "Project Brenntag is a comprehensive, multi-year programme to further develop the company. Brenntag has had strong, stable foundations for many years. We will build on those foundations and are now working in various areas of the Group to increase Brenntag's efficiency over the long term."

PROJECT BRENNTAG IS A COMPREHENSIVE, MULTI-YEAR PROGRAMME TO FURTHER DEVELOP THE COMPANY.

GEORG MÜLLER
CHIEF FINANCIAL OFFICER

BRENNTAG ESSENTIALS

BRENNTAG SPECIALTIES

OPERATING MODEL

RE: ALIGN

Two global divisions under our new operating model

Brenntag has always been a full-line chemical distributor and we will hold to that. We already offer our customers the most extensive portfolio of products and services in the sector and will continue to do so, distributing both industrial and specialty chemicals and ingredients.

The most significant change under “Project Brenntag” is the implementation of two global divisions – Brenntag Essentials and Brenntag Specialties.

Thus far, we have managed our business through four regions, EMEA (Europe, Middle East & Africa), North America, Latin America and Asia Pacific. By implementing the new divisions, we are now creating two global champions with a differentiated management approach to enable us to better address the different market requirements and increased expectations of our partners.

Through “Project Brenntag”, we will develop our company further and actively shape our sector as the preferred partner for customers and suppliers.

BRENNTAG ESSENTIALS BUILDS ON:

- OUR LEADING GLOBAL REACH
- A VERY EXTENSIVE PRODUCT RANGE
- REGIONAL MANAGEMENT
- LOCAL PROXIMITY TO CUSTOMERS
- MARKET-SPECIFIC EXPERTISE

Brenntag Essentials

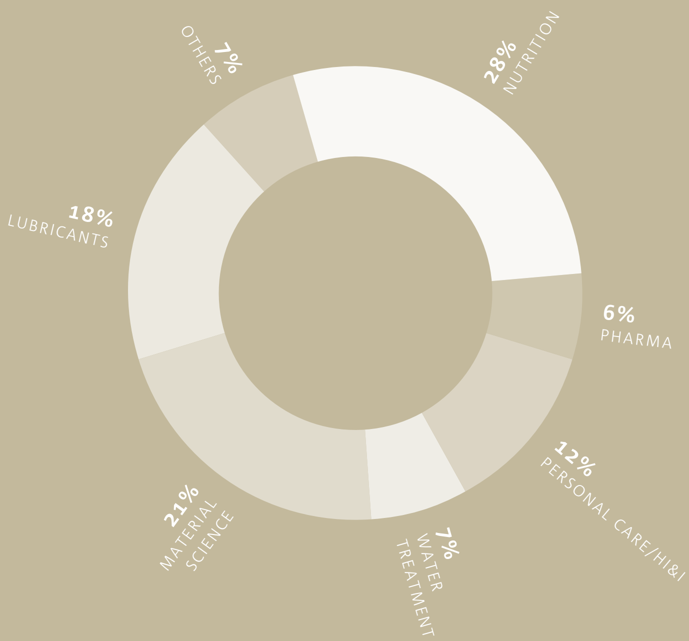
Brenntag Essentials will be the flexible, lean and efficient distribution partner at local level for customers and suppliers in a number of industries. The division markets a broad portfolio of process chemicals across a wide range of sectors and applications. Through its efficient processes and by delivering competitively priced products flexibly and cost-efficiently, this division will leverage its economies of scale. Brenntag Essentials places emphasis on global reach and an extensive product portfolio while continuing to follow a geographic and regional logic. The division stands for outstanding proximity to customers and local market expertise.

Brenntag Specialties

Brenntag Specialties concentrates on ingredients and value-added services that are used directly in the manufacture of the customers' end products. We have defined six focus industries that offer considerable potential for end-to-end solutions and are in some cases subject to high regulatory requirements.

Brenntag Specialties will be more systematic in exploiting our unique technical and application-related expertise and the potential of our product portfolio.

BRENNTAG SPECIALTIES FOCUS INDUSTRIES*



* OPERATING GROSS PROFIT PER FOCUS INDUSTRY IN 2019 IN PERCENT

The needs of our partners in the two divisions are very different and we are therefore following a differentiated go-to-market and management approach. Our customers in Brenntag Essentials tend to buy standardized products in relatively large quantities. Here, Brenntag acts as a strong partner to chemical manufacturers that is known for ensuring a safe and reliable supply chain. In the Brenntag Specialties division, we concentrate on working more closely with our customers, including on technological aspects. We provide dedicated expertise in the various customer industries and advise our customers on regional or global trends and on using the different ingredients.

BOTH DIVISIONS WILL CONTRIBUTE EQUALLY TO STRENGTHENING AND EXPANDING BRENNTAG'S POSITION AS GLOBAL MARKET LEADER IN THE DISTRIBUTION OF SPECIALTY CHEMICALS AND AS A FULL-LINE DISTRIBUTOR.

CHRISTIAN KOHLPAINTNER
CHIEF EXECUTIVE OFFICER

BRENNTAG CARES

MUCH GRATITUDE FROM SOCIETY FOR BRENNTAG'S SMALL AND LARGE DONATION PROJECTS

Despite the difficult circumstances, Brenntag was able to maintain business operations in all regions during the COVID-19 pandemic, while also providing products, working time and a great deal of passion and commitment to support the community. On its own initiative or together with strong business partners, Brenntag has implemented large and small donation projects and, in doing so, received much gratitude from people.

Supporting medical facilities

THE TEAM AT AN ORTHOPAEDIC PRACTICE EXPRESS THEIR THANKS FOR THE SUPPORT AND SEND THE ALL-IMPORTANT MESSAGE: "STAY AT HOME!".

One priority was to support medical facilities. To enable people who use their expertise to protect, care for and cure others to focus on their valuable work, Brenntag has ensured the supply of disinfectants for numerous medical professionals. Physicians from a variety of disciplines - from paediatricians, dentists, orthopaedic surgeons, urologists, neurologists and anaesthetists to general practitioners – were extremely grateful for the help. In a letter of thanks, a paediatrician and youth specialist from Essen (Germany) described the existential importance of the disinfectants that were presented to him by a Brenntag employee: "They will ensure that my practice can continue to operate for weeks."

TWICE AS STRONG IN THE MARKET

Since January 2021, Brenntag has been managed through the two global divisions Brenntag Essentials and Brenntag Specialties, which are headed by our Chief Operating Officers, Steven Terwindt and Henri Nejade. They talk about how these two new divisions will enable us to better serve our partners – customers and suppliers.

STEVEN TERWINDT
CHIEF OPERATING OFFICER
BRENNTAG ESSENTIALS

HENRI NEJADE
CHIEF OPERATING OFFICER
BRENNTAG SPECIALTIES

Why has Brenntag changed its operating model and set up the two new divisions, Brenntag Essentials and Brenntag Specialties?

STEVEN TERWINDT First of all, I would like to stress that Brenntag's business model is not changing at all. We will continue to offer both industrial and specialty chemicals and ingredients, with our customers getting everything from a single source. But our approach is evolving to meet the changing needs of our customers and suppliers. We are making changes to the way in which we will approach our markets going forward.

HENRI NEJADE Both divisions operate in attractive, growing markets and will strengthen Brenntag's position as global market leader. What is important is that we will focus and manage the two divisions precisely in line with market requirements. That goes for our sales organization and our technical advice as well as logistics and services.

Can you describe this in more detail?

ST Brenntag Essentials stands for everything that has long set Brenntag apart. A reliable and efficient global network with deep local market knowledge and proximity to its customers. We offer an extensive portfolio of products and services in a wide variety of industries, while complying with the highest standards of quality and safety.

The typical Brenntag Essentials customer usually buys standardized chemicals in relatively large quantities, but also in smaller packaged formats. For our suppliers in the Brenntag Essentials division, it is therefore extremely important that Brenntag is a strong local distribution partner that ensures smooth and cost-efficient supply chains while at the same time being able to respond to fluctuations in demand with flexibility and agility.

HN At Brenntag Specialties, the emphasis is on value-added services and expertise in the focus industries that we have defined. I would like to stress once again that Brenntag is already the largest specialty chemical distributor worldwide. Last year, this area of our business accounted for almost 40% of our operating gross profit. We are therefore building on a very strong foundation. With our industry experts, application know-how and extensive value-added services, we will strengthen relationships with our customers even further by supplying them with precisely the solutions they are looking for.

What are the new focus industries at Brenntag Specialties and how did you select them?

HN Our focus industries at Brenntag Specialties are Nutrition, Pharma, Personal Care/HI&I, Water Treatment, Lubricants and Material Science. Material Science comprises Coatings & Construction, Polymers and Rubber. All these industries are shaped by regional or global trends. They show strong growth potential and the customers have an increased need for value-added services. We concentrate on sharing application advice and dedicated knowledge of these industries with our customers and offering tailored solutions for high-quality products and complex applications.

And what are the typical features of Brenntag Essentials?

ST Brenntag Essentials is the flexible distribution partner for customers and suppliers at local level. The chemical distribution business is very local. Therefore, it is important to have access to local end customers and be able to offer them a broad product portfolio and flexible delivery service. Our aim is to optimize our costs and offer our products and supply chain services at competitive prices. On top of this, there is our first-class customer service with its rapid response times, strong reliability and highest standard of quality.

How will Brenntag Essentials and Brenntag Specialties work together?

HN The two divisions complement one another and will contribute jointly to Brenntag's future success. Under the Brenntag roof, both will contribute to strengthening and expanding our position as the global leader in chemical distribution with a full-line range.

ST The site network is generally overseen by Brenntag Essentials, and we will make our logistics services available to Brenntag Specialties. We are also working to harmonize and standardize our administrative functions such as IT, finance and human resources. Centralizing these functions will increase our functional excellence and allow the two operating divisions to concentrate fully on working with our customers and suppliers. And additionally, we will of course continue to apply the leading safety and compliance standards in the chemical distribution industry.

BUSINESS SERVICES

"Project Brenntag" envisions the transformation of our operating model into the two global divisions Brenntag Essentials and Brenntag Specialties as well as the introduction of "Business Services". Our aim here is to harmonize our internal processes, intensify global collaboration within the Group and provide the two divisions with the best possible support.

Global Business Services

Our two new divisions are complemented by new business services and functions so as to simplify and harmonize our organizational structure and intensify global collaboration through clear responsibilities and a differentiated management approach. Our centralized global Business Services will combine expertise and carry out transactional support processes for the two divisions. Through this new set-up, we aim to further strengthen global alignment on governance and guidelines and improve our best-practice sharing.

In our Centres of Excellence, we have centralized expert teams who provide support for both divisions and across countries. These teams ensure compliance and provide the divisions with best-practice know-how. They combine expertise and carry out transactional support processes for our divisions.

OUR BUSINESS SERVICES WILL ENCOMPASS:

CENTRES OF EXCELLENCE

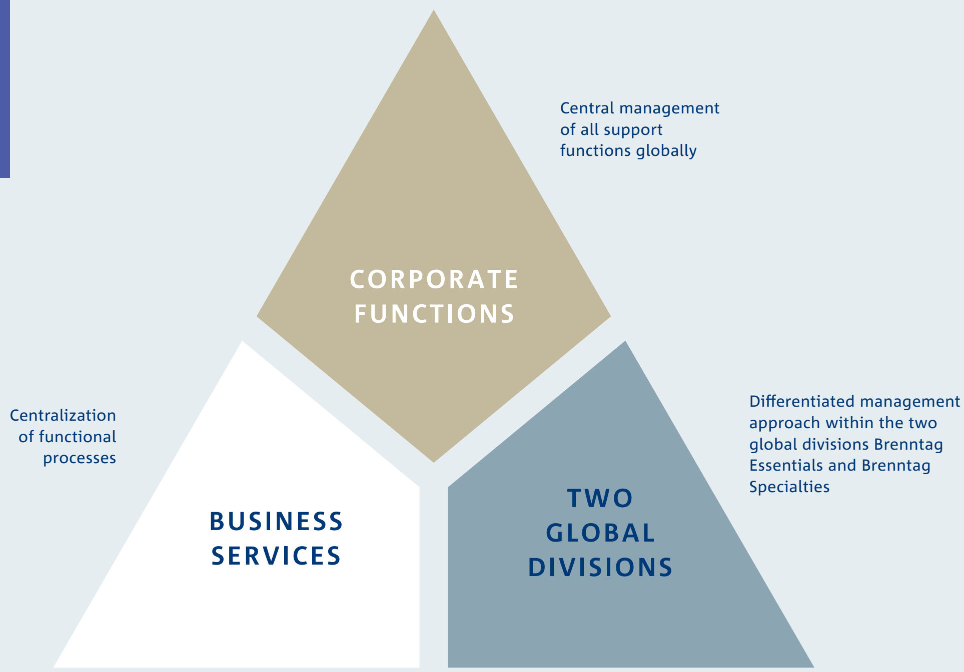
SHARED SERVICE CENTRES

BUSINESS PARTNERS

Over the medium term, we plan to gradually set up three Shared Service Centres in our Asia Pacific, Americas and EMEA regions. These will carry out transactional activities along end-to-end processes to ensure compliance with global standards and simpler global management.

In addition, regional and local representatives, our Business Partners, will be responsible for the adaptation and implementation of global functional guidelines within our divisions.

DIFFERENTIATED MANAGEMENT APPROACH AND CLEAR ACCOUNTABILITIES



GO-TO-MARKET APPROACH

RE: ORIENTATE

The measures in connection with "Project Brenntag" envisage extensive changes to the way in which we will position ourselves and approach the markets going forward. Our new operating model comprises two global champions: Brenntag Essentials and Brenntag Specialties.

3 QUESTIONS TO

TREVOR CHATT

LEAD OF THE GO-TO-MARKET WORKSTREAM ON "PROJECT BRENNTAG"

1 In terms of the go-to-market approach, what is the most exciting development on "Project Brenntag"?

TREVOR CHATT Our overall objective is to get the right people, discussing the right products, with the right customers. The plan is for our sales teams to gain more time to prepare for and communicate with customers. This more intense customer interaction, combined with first-class supporting services in areas such as customer service, operating procedures, compliance and logistics, will set Brenntag apart within our industry.

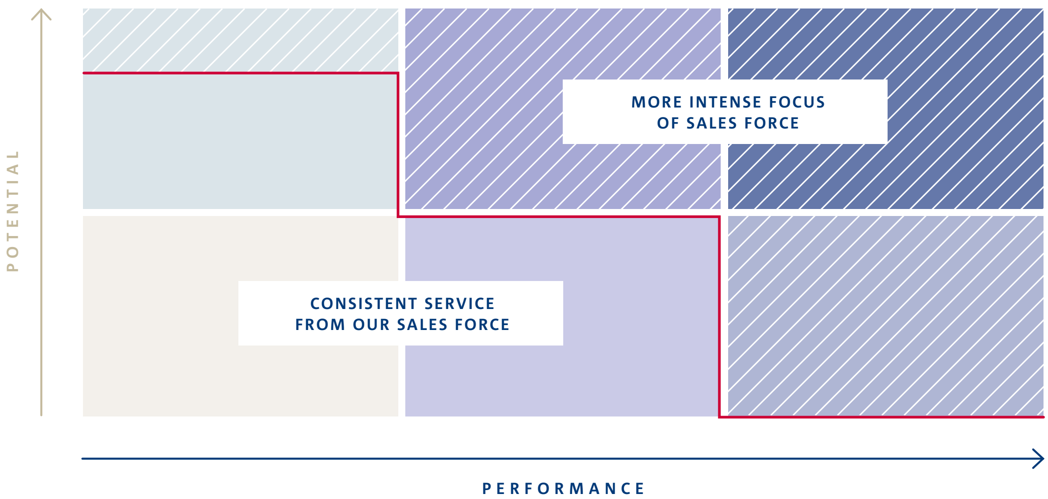
2 Why was it necessary to make changes to the sales approach at Brenntag?

TC Depending on which products and services we are selling, the sales processes can differ enormously. In Brenntag Essentials, it tends to be about speed of response, being agile and lean, understanding market dynamics and having highly efficient operations and logistics. Within Brenntag Specialties, the sales cycle tends to be a little more complex and requires us to leverage our technical knowledge, application expertise and value-added services know-how.

Both divisions purposefully have their own areas of specialization, but through seamless interaction and collaboration will combine together as necessary to ensure that we offer a differentiated service to both our customers and suppliers.

3 How will customers benefit most from the realignment of the sales organization at Brenntag?

TC Our customers will see Brenntag as the full-line distributor that offers precisely the right level of expertise and knowledge required. They will notice that we use their time more effectively and add value by supporting them as a solutions provider.



Targeted and globally harmonized customer segmentation

We are building on our strengths

The initiatives within our go-to-market approach feed directly into this new set-up. Brenntag has had a highly effective sales organization for many years now. Here, we are building on our strengths. The aim of the new go-to-market approach is to make more efficient use of our sales resources so that our customers receive the right expertise at the right time. Simplified, targeted and globally harmonized customer segmentation helps our sales teams to improve customer focus – among both existing customers and new prospects. This new approach enables improved customer support and higher-quality interactions with our customers.

Applying our new go-to-market approach, we will strengthen our position as the sector leader in terms of sales and customer service. And our customers will benefit directly from this: stronger customer relationships and more intense interaction regarding customers' different needs and requirements will enable us to offer the right customer service and individual application support.

BRENNTAG CARES

BRENNTAG PHILIPPINES HELPS OUT WITH RAW MATERIALS FOR 250,000 LITRES OF SPRAY DISINFECTANT

Brenntag Philippines donated four drums of calcium hypochlorite powder to the city of San Pedro, just a few kilometres south of the capital, Manila. The material was used by city government as disinfectant spray for public areas.

Four drums make more than 250,000 litres of spray disinfectant

Before the donation was handed over, members of the city's disaster risk reduction office were given detailed information on the product. "Our donation was enough to make more than 250,000 litres of spray disinfectant when diluted with water. Especially in times like these, the community can count on Brenntag," say the Brenntag employees responsible, describing the enormous significance of the charitable donation.

SITE NETWORK OPTIMIZATION

SITE NETWORK OPTIMIZATION

RE: ADJUST

Brenntag is the only chemical distributor with a truly global footprint. This brings significant advantages because it means we have a global presence as a well-known brand and global market leader and, at the same time, a local presence for our customers in around 77 countries.

Over the past few years, the company has grown significantly through a number of acquisitions. The expansion of our site network has also brought greater complexity, however. “Project Brenntag” aims to streamline our global site network.

6 BILLION

DATA POINTS ANALYZED

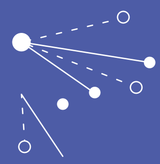
Applying a “big data” approach, we have analyzed more than six billion data points to understand in detail and optimize the millions of transactions we carry out every year.

Among other things, “Project Brenntag” aims to make our site network more efficient, improve customer proximity and leverage our scale to optimize our operations. Our site network combines global reach with a strong regional and local focus. In order to support our customers in a better, simpler and more efficient way while maintaining our global reach, we will be consolidating the network to some extent. This will involve constructing new sites, merging sites in close proximity to one another, closing some sites and setting up mega-sites; that is, very large, fully-equipped, full-line sites which operate across regions and serve both divisions.

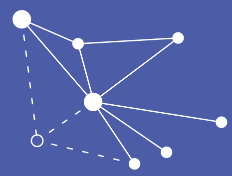
The optimization of our site network is a multi-year project, on which around 100 of our approximately 700 sites will be closed. Our top priority here is to maintain our service levels and safety standards.

The extensive investments in existing and new sites and the creation of regional centres with suitable capacities and services take into account the requirements of Brenntag Essentials and Brenntag Specialties and will help us to better leverage our economies of scale in logistics.

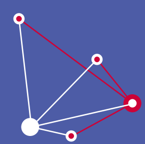
OPTIMIZATION OF OUR SITE NETWORK:



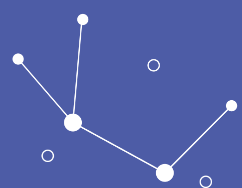
REDUCE UNDER-UTILIZATION IN GEOGRAPHIES



CLOSE WHITE SPOTS IN THE NETWORK AND ACROSS GEOGRAPHIES THAT HAVE NOT SO FAR BEEN ADEQUATELY COVERED



SET UP NEW HUB FACILITIES



REDUCE RECURRING INVESTMENTS IN MAINTENANCE THROUGH A STREAM-LINED SITE NETWORK

VOICES ON CHANGE

Our suppliers look for strong and efficient channel partners with specialist industry expertise and logistics excellence to best serve their markets, commercialize their products and replicate their strategies in local markets.

“Dow relies on efficient distribution partners like Brenntag that serve its markets through logistics excellence and specialized industry expertise. Having strategic, agile and innovative partners such as Brenntag ensures a win-win-win for customers, Dow and Brenntag alike in achieving our individual company ambitions, while meeting the demands of today’s society.”

DOW RELIES ON EFFICIENT DISTRIBUTION PARTNERS LIKE BRENNTAG THAT SERVE ITS MARKETS THROUGH LOGISTICS EXCELLENCE AND SPECIALIZED INDUSTRY EXPERTISE.

KLAUS RUDERT
MANAGING DIRECTOR / GLOBAL SENIOR CUSTOMER EXECUTIVE
DOW DEUTSCHLAND ANLAGENGESELLSCHAFT MBH

3,000
GALLONS OF DISINFECTANT

BRENNTAG CARES

BRENNTAG AND EXXONMOBIL COOPERATE IN DELIVERING HAND SANITIZER FOR MEDICAL FACILITIES IN LOWER SAXONY

In Germany, Brenntag and ExxonMobil joined forces in order to donate 39,000 litres of hand sanitizer. The product was delivered to hospitals and other medical facilities in Lower Saxony to help the battle against the COVID-19 pandemic.

Energy group ExxonMobil manufactured the isopropyl alcohol (IPA), while Brenntag took charge of mixing, packaging and distributing the urgently required product. To meet user requirements, the hand sanitizer was packaged into both canisters and IBCs. The donation benefited over 200 healthcare facilities in Lower Saxony, such as hospitals, care homes, kindergartens and other public facilities.

PEOPLE & CHANGE

RE: THINK

Our employees' skills, dedication and passion have made an important contribution to making us the global market leader in chemical distribution. Through "Project Brenntag", we aim to achieve sustainable organic earnings growth. We intend to further expand our leading position and set the company up for the future. The transformation programme envisages extensive changes for our company.

Global change management team

To support the transformation process internally, we have put in place a change management team headed by Dani Cao.

“Successful transformations are all about people. We therefore accompany leaders and employees on their journey from understanding the need and scope of our transformation, to commitment, and implementing the initiatives of “Project Brenntag” in close collaboration across functions and regions,” says Dani Cao.

DANI CAO
LEAD OF THE PEOPLE & CHANGE WORKSTREAM ON "PROJECT BRENNTAG"

The team ensures that the transformation processes and measures are smoothly integrated into day-to-day business and employees always have a contact available to answer questions and give advice. This is a complex task, as there will be change at all levels of the hierarchy. The team developed detailed information materials and various tools

that the members of Brenntag’s global leadership team, the management level below the Board of Management, can share with their staff.

“The change management team focuses on enabling leaders to guide their teams through the transformation by providing exchange platforms, training tools, and facilitating continuous dialogue. We enable them to communicate consistently to all employees,” explains Dani Cao.

In addition, regular and consistent internal communication takes place across various channels with the two-fold aim of informing employees about the progress in implementing “Project Brenntag” and obtaining feedback and reactions from the workforce. For our employees are the basis of our success. Only if the transformation is broadly supported can we as a team be successful.

In addition to the changes that “Project Brenntag” entails internally, our change management team is also concerned with how our new approach is received by our business partners. To this end, we are in constant dialogue with our stakeholders, including customers and suppliers.

“We ensure close feedback loops with our stakeholders. We are continuously interviewing our leaders and support the customer and supplier communication of our account teams. We are thus able to monitor the feedback of our business partners and ensure smooth operational implementation,” says Dani Cao.

VOICES ON CHANGE

“I strongly believe that ‘Project Brenntag’ is about embracing positive changes, executing with passion and working as ONE TEAM leveraging strengths across business divisions to create value for key stakeholders. It will be exciting for me to be part of a winning team that is able to ‘Leap to New Heights’ by being the preferred partner for customers and suppliers and the employer of choice for colleagues.”

IT WILL BE EXCITING FOR ME TO BE PART OF A WINNING TEAM.

SANJAY KARKHANIS
PRESIDENT MATERIAL SCIENCE
ASIA PACIFIC

BRENNTAG CARES

DONATIONS MADE AROUND THE GLOBE

Peru

Brenntag always has its sights set on people who are not in the middle of society. The poor and socially disadvantaged need a great deal of support in difficult times. The projects that help the most vulnerable included a donation of eleven tons of disinfectant, which were specifically distributed in the poor districts of Peru‘s capital, Lima.

South Africa

In South Africa, a Brenntag subsidiary delivered 500 litres of disinfectant free of charge to an organization that cares for the needs of people with disabilities and their families in rural, remote or disadvantaged regions of the country. In order to help as many people as possible, Brenntag employees packaged the product into handy bottles, making it easier to distribute.

VOICES ON CHANGE

“ExxonMobil has worked with Brenntag for many years, collaborating through extensive distributor relationships across the globe. Brenntag’s increased focus on specific industry sectors has a strong alignment with the ExxonMobil product portfolio. As a branded distributor, notably in the areas of Performance Fluids, Plasticizers, Chemical Intermediates and Lubricants, Brenntag’s offering helps to ensure ExxonMobil products are accessible to all customers in the market.”

EXXONMOBIL HAS WORKED WITH BRENNTAG FOR MANY YEARS, COLLABORATING THROUGH EXTENSIVE DISTRIBUTOR RELATIONSHIPS ACROSS THE GLOBE.

ERIK LETTINK
VICE PRESIDENT, INTERMEDIATES
EXXONMOBIL CHEMICAL COMPANY

INTERVIEW WITH EWOUT VAN JARWAARDE

CHIEF TRANSFORMATION OFFICER

1 What motivated you to join Brenntag?

EWOUT VAN JARWAARDE Brenntag is well positioned as the global market leader with a strong history of continued growth in a still highly fragmented market. Moreover, I am deeply convinced that Brenntag has tremendous potential to grow globally and to lead our industry in all dimensions. I have always been passionate about developing strategy, shaping and transforming organizations and building businesses. At Brenntag, I get to do what I am passionate about. The transformation journey has now started as we embark on the disciplined execution of “Project Brenntag”, which will build our foundation for future growth. In addition, realizing digital and data-driven opportunities is an important basis for serving our customers and suppliers better and driving our growth. I very much look forward to working together with my colleagues on the Board of Management and Brenntag’s passionate management team to lead the company into shaping the future of our industry.

2 How do you think Brenntag will especially benefit from your broad expertise?

EVJ To fuel a transformation and lasting change, a company sometimes needs fresh, outside-in perspectives and a new sound to unlock the potential in the organization and unite the people. Prior to joining Brenntag, I worked as CEO for a tech company that disrupted established markets. Before that, I was partner at McKinsey & Company, working across different industries. I am convinced that I can provide fresh impetus to our transformation, which amongst other things requires disciplined execution, building organizational agility, managing performance and health, building a forward-looking agenda and establishing a digital and data-driven mindset. Being a chemical engineer by training helps me to create the bridge to the chemical distribution reality.

3 What are your priorities as a board member at Brenntag?

EVJ As Chief Transformation Officer, I will initially focus on "Project Brenntag" while building the foundations for the next stage of growth. "Project Brenntag" will merely be an initial milestone in our transformation journey and will return us to sustainable organic earnings growth. However, I believe that Brenntag has significantly more potential. Therefore, another focus will be building the foundations for Brenntag's next steps both in digital and data and beyond.

4 How do you describe your leadership style?

EVJ For me, it starts with creating a collective vision of where we want to go and then finding ways to make our flywheel spin. This is all about winning the hearts and minds of our people, closely involving them in the transformation journey and empowering the organization to drive the change in their domains. We need to streamline the collective energy in our organization and establish a joint "can-do" mindset combined with a culture of trust, transparency and listening. At the same time, we need to build the future capabilities the organization needs.

VOICES ON CHANGE

"I have been in the internal sales department at Brenntag for three years. I always had the feeling that there is so much potential in this department that has not been fully utilized. I am excited that "Project Brenntag" will expand our roles and territories."

I AM EXCITED THAT "PROJECT BRENNTAG" WILL EXPAND OUR ROLES AND TERRITORIES.

AMY TERSINE
PRODUCT LINE MANAGER
FOOD & NUTRITION

FINANCIAL REPORT
2020

CHANGE

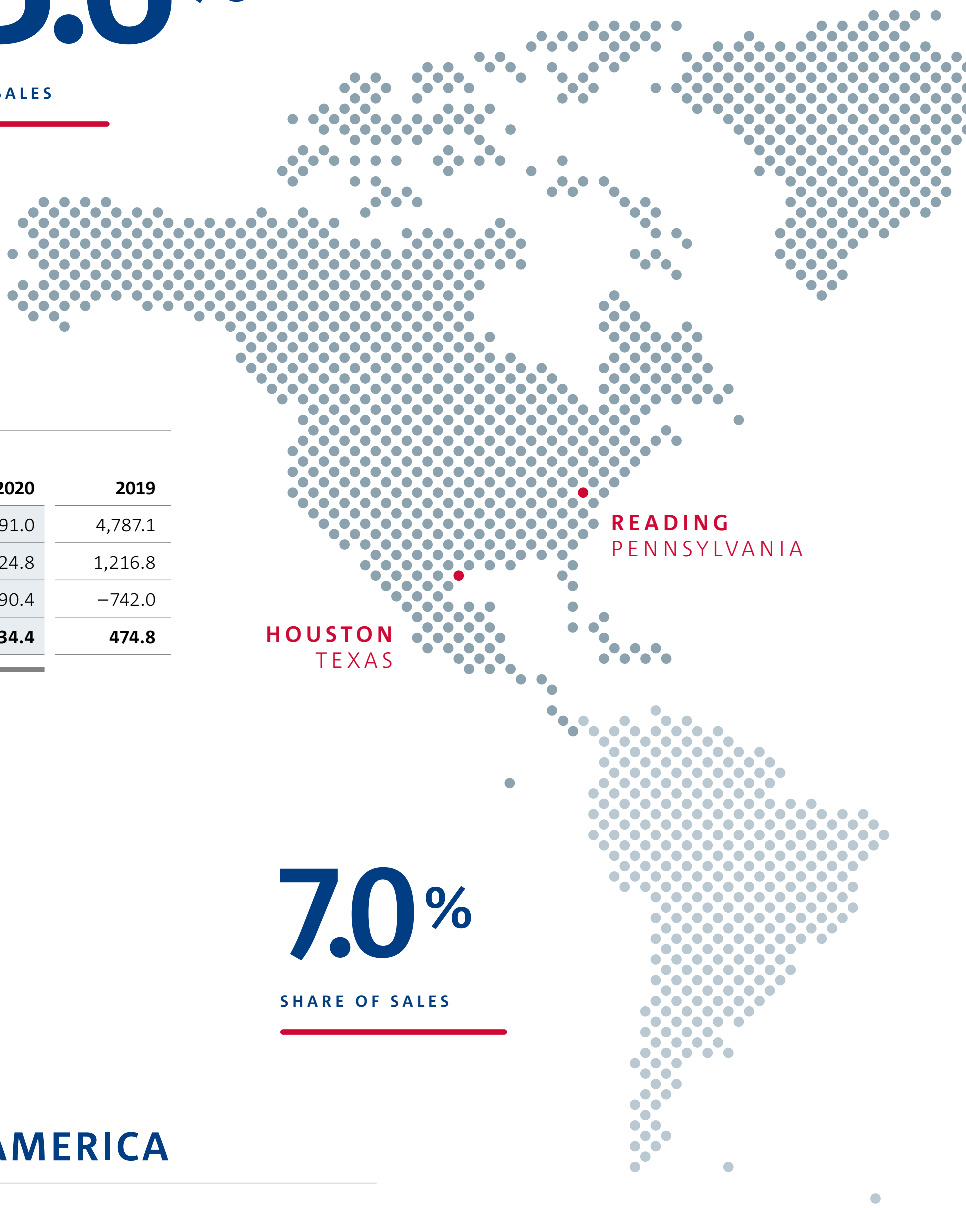
ConnectingChemistry

BRENNTAG

SEGMENTS

35.6%

SHARE OF SALES



NORTH AMERICA

in EUR m	2020	2019
External sales	4,191.0	4,787.1
Operating gross profit	1,124.8	1,216.8
Operating expenses	−690.4	−742.0
Operating EBITDA	**434.4**	**474.8**

7.0%

SHARE OF SALES

LATIN AMERICA

in EUR m	2020	2019
External sales	819.4	854.2
Operating gross profit	186.6	177.0
Operating expenses	−123.1	−121.1
Operating EBITDA	**63.5**	**55.9**

42.7%

SHARE OF SALES

EMEA

in EUR m	2020	2019
External sales	5,027.5	5,237.7
Operating gross profit	1,235.7	1,141.6
Operating expenses	−759.8	−735.3
Operating EBITDA	**475.9**	**406.3**

12.2%

SHARE OF SALES

ASIA PACIFIC

in EUR m	2020	2019
External sales	1,434.0	1,534.4
Operating gross profit	282.5	266.8
Operating expenses	−158.7	−165.7
Operating EBITDA	**123.8**	**101.1**

KEY FINANCIAL FIGURES AT A GLANCE

CONSOLIDATED INCOME STATEMENT

		2020	2019	Change in %	Change in % (fx adj.)
Sales	EUR m	11,775.8	12,821.8	−8.2	−6.0
Operating gross profit	EUR m	2,850.4	2,821.7	1.0	3.3
Operating EBITDA	EUR m	1,057.7	1,001.5	5.6	8.3
Operating EBITDA/operating gross profit	%	37.1	35.5		
Profit after tax	EUR m	473.8	469.2	1.0	
Earnings per share	EUR	3.02	3.02		

CONSOLIDATED BALANCE SHEET

		Dec. 31, 2020	Dec. 31, 2019
Total assets	EUR m	8,143.5	8,564.2
Equity	EUR m	3,611.6	3,579.0
Working capital	EUR m	1,346.6	1,767.7
Net financial liabilities	EUR m	1,339.9	2,060.5

CONSOLIDATED CASH FLOW

		2020	2019
Net cash provided by operating activities	EUR m	1,219.0	879.3
Investments in non-current assets (capex)	EUR m	−201.9	−205.2
Free cash flow	EUR m	1,054.6	837.3

KEY DATA ON THE BRENNTAG SHARES

		Dec. 31, 2020	Dec. 31, 2019
Share price	EUR	63.34	48.48
No. of shares (unweighted)		154,500,000	154,500,000
Market capitalization	EUR m	9,786	7,490
Free float	%	100.00	100.00

PROJECT BRENNTAG *Leaping to new heights*

A YEAR OF CHANGE

For many people and also for us at Brenntag, 2020 was quite an extraordinary year. The global COVID-19 pandemic had a severe adverse effect on all our lives, both personal and professional, and presented us with unprecedented challenges. For Brenntag, 2020 was also a year of change. We associate last year with a number of new developments, but also with the major opportunity to pave the way for an even more successful future. Our aim is to systematically expand Brenntag's position as global market leader, and this aim is embodied in our transformation programme, "Project Brenntag".

But why does the global market leader need to change? Why does the largest chemical distributor need to evolve? Our sector and our business partners are continuously changing. Our customers and suppliers have individual and ever more demanding needs and requirements, which we wish to address in the best way possible. The segments of industry in which we operate are impacted by a wide range of trends, some of them global and fast-moving, and we need to follow those trends and respond to them with flexibility and agility.

"Project Brenntag" addresses numerous aspects of our business model with the aim of sharpening our profile, reducing complexity and making us much more efficient. And our partners, too, will benefit from the company's repositioning: we want to expand the long-standing relationships of trust with our suppliers and deepen our customer relationships. As global market leader, we want to move forward and play a part in shaping the change in our industry. Only in this way can we create added value for our stakeholders on an ongoing basis.

For Brenntag, both 2020 and 2021 are years dominated by transformation and our further development: with a view to future growth and sustained success.

COMPANY PROFILE

Brenntag is the global market leader in chemicals and ingredients distribution. The company holds a central role in connecting customers and suppliers of the chemical industry. With its two global divisions Brenntag Essentials and Brenntag Specialties the company provides a full-line portfolio of industrial and specialty chemicals and ingredients as well as tailor-made application, marketing and supply chain solutions, technical and formulation support, comprehensive regulatory know-how and digital solutions for a wide range of industries.

Brenntag operates a global network of around 670 locations in 77 countries. With its global workforce of more than 17,000 employees Brenntag generated sales of EUR 11.8 billion in 2020.

CONTENTS

LETTER FROM THE CEO

2020 HAS SHOWN THAT BRENNTAG IS ADAPTABLE. OUR AIM IS CLEARLY DEFINED: WE WANT TO LEAD BRENNTAG TO SUSTAINABLE SUCCESS, POSITION THE COMPANY FOR THE FUTURE AND STRENGTHEN AND EXPAND OUR POSITION AS GLOBAL MARKET LEADER.

Dear shareholders,

2020 was a year in which conditions were quite extraordinary for all of us, both in our personal and in our professional life. Last year was shaped predominantly by the COVID-19 pandemic. It was also my first year as Chief Executive Officer at Brenntag. I can look back on twelve interesting months that brought many changes and achievements. For Brenntag, it was a year of change!

Early on, we set up an efficient, global emergency task force to best limit the impact of the COVID-19 pandemic on our company. Our crisis management system focused on protecting the health and safety of our employees and business partners. As regards our business processes, we made every effort to maintain our supply chains to be able to serve our customers at all times, even under these circumstances. We were extremely successful in this regard thanks not least of all to the flexibility shown by our employees and an outstanding team performance.

This commitment was also reflected in our company's financial performance. In financial year 2020, the Brenntag Group achieved very good results in a difficult macroeconomic environment. The company generated operating gross profit of EUR 2,850.4 million, a year-on-year rise of 3.3% on a constant currency basis. Operating EBITDA grew at an even stronger rate to reach EUR 1,057.7 million. On a constant currency basis, this represents an increase of 8.3% compared with 2019.

Almost all our regions contributed to these results. EMEA (Europe, Middle East & Africa) continuously reported excellent results, particularly in the Personal Care, Cleaning, Pharma and Coatings & Construction segments. Throughout the year in North America, we saw weak demand among customers in the oil and gas industry and in the lubricants sector. In the other segments of industry in North America, on the other hand, we posted a positive earnings performance overall. Last year, the Latin America region reported continuously positive results in a wide variety of industries. 2020 was also a successful year for Asia Pacific. The region was the first to be affected by COVID-19 and we then saw a gradual recovery. Many Asian countries and various industries contributed to the region's positive results. Above all, though, it was China that quickly recovered from the pandemic's repercussions.

The measures in connection with "Project Brenntag" also contributed to our full year 2020 operating EBITDA in the amount of approximately EUR 15 million.

In particular, I would also like to highlight the excellent free cash flow performance. In 2020, we exceeded the EUR 1 billion-mark for the first time. At around EUR 1,055 million, free cash flow was up by more than EUR 200 million on the very high prior-year figure.

Profit after tax came to around EUR 474 million last year, a slight rise on 2019. Earnings per share amounted to EUR 3.02. These results underline the strengths and stability of our business model, even amid difficult conditions.

For Brenntag, 2020 was a year of change. Together with a large team, the Board of Management initiated one of the most comprehensive transformations in the company's history. Through our transformation programme, "Project Brenntag", we will return the company to sustainable organic earnings growth and make the Group fit for the future. Reflecting our self-image as global market leader, we are now paving the way to continue leading and shaping our industry, chemical distribution. The launch of our two new global divisions, Brenntag Essentials and Brenntag Specialties, is certainly the biggest operational change. It took effect on January 1, 2021 and is a change we are making in response to the ever-evolving requirements of our customers and suppliers, to whom we want to continue to offer the best possible service in our industry.

The change to our organizational structure is also reflected in a new Group Board of Management line-up. As in 2019, the Board of Management of Brenntag SE consists of five members. Besides myself as CEO and our CFO, Georg Müller, since January 2021, we have had two Chief Operating Officers, Steven Terwindt for Brenntag Essentials and Henri Nejade for Brenntag Specialties. In addition, we have for the first time appointed a Chief Transformation Officer, Ewout van Jarwaarde, who is responsible, among other things, for the smooth implementation of "Project Brenntag".

2021 will be a year of transformation for our company. Our task this year is to take gradual steps to carefully and systematically implement the various measures we have decided upon on "Project Brenntag".

But not everything at Brenntag is changing! Besides organic growth, we will continue to rely on acquisitions. These remain an important pillar of our growth. However, we are sharpening the focus of our acquisition strategy and will in future concentrate to an even greater extent on emerging markets, particularly China. The aim is also to identify acquisition candidates that will make a noticeable contribution to our earnings performance. The acquisition of Zhongbai Xingye Food Technology (Beijing) Co., Ltd. in China in January of this year is an important first step in this direction.

Our dividend policy also remains unchanged: basically, our aim is to distribute 35% to 50% of consolidated profit after tax attributable to our shareholders. Since going public in 2010, we have managed to pay shareholders a higher dividend each year. We will therefore propose a dividend of EUR 1.35 at the General Shareholders' Meeting in June of this year. This represents a rise of 8% on the previous year and a pay-out ratio of around 45%.

Likewise, sustainability and ESG remain important issues for us at Brenntag. Safety is always our top priority, and we are therefore particularly proud to be able to report an accident rate for 2020 that is the lowest the Group has ever achieved. It stood at 1.4 LTIR[1)]. In addition, we have been pursuing various sustainability targets for several years now and will publish our sustainability report in April 2021. This year, we will redefine our long-term objectives in this area.

[1)] LTIR (Lost Time Injury Rate) – number of industrial accidents resulting in at least one day's absence from work per one million working hours.

Allow me to now give you a look forward at our business performance this year. Macroeconomically, we expect 2021 to bring a continuation of the considerable restrictions resulting from the COVID-19 pandemic at least in the first half of this year.

Nevertheless, we would like to provide guidance on our operating EBITDA performance quite early in the year. We expect the Brenntag Group's operating EBITDA for 2021 to be between EUR 1,080 million and EUR 1,180 million. This includes the potential efficiency improvement anticipated while implementing the measures under "Project Brenntag". This forecast takes into account the contribution from acquisitions and assumes that exchange rates will remain stable.

By combining efforts, we achieved a great deal last year. 2020 has shown that Brenntag is adaptable. Our aim is clearly defined: we want to lead Brenntag to sustainable success, position the company for the future and strengthen and expand our position as global market leader.

Dear shareholders, accompany us as we pursue our ambitious goals. We look forward to treading this path together with you!

On behalf of the entire Board of Management, I would like to express sincere thanks to all our employees for their outstanding efforts during this extraordinary year and to our stakeholders for their continuous support and the confidence they place in us.

Essen, March 9, 2021

Dr Christian Kohlpaintner
Chief Executive Officer

TO OUR

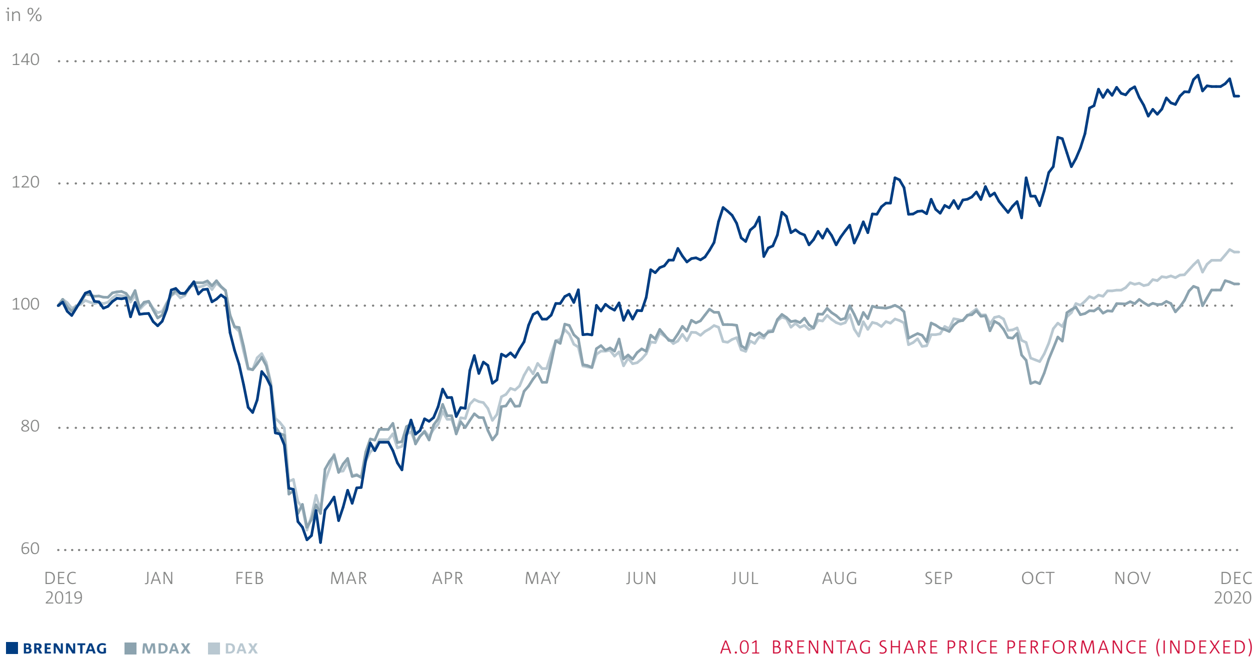
SHAREHOLDERS

6 — 41

BRENNTAG ON THE STOCK MARKET

In 2020, global equity markets were generally shaped by the effects of the COVID-19 pandemic and were very volatile. At the beginning of the year, capital markets worldwide recorded their heaviest losses since the financial crisis of 2008 due to the increasing global spread of coronavirus SARS-CoV-2 and the related uncertainty over the economic consequences. The sharp fall in share prices was followed by an equally dynamic rally on the international capital markets. In the second quarter, the first-quarter losses were largely offset by a strongly positive performance and a sustained recovery set in. This trend continued in the second half of the year. At year-end, the approval of a first vaccine against the virus in various regions of the globe had a positive impact on capital market sentiment, causing share prices to climb again despite rising infection numbers.

Germany's leading index, the DAX, and the MDAX both started 2020 by performing well. The spread of the COVID-19 pandemic and the related uncertainty then prompted a sharp downward movement in the two indices in the first quarter. On March 18, 2020, the DAX fell to an annual low of 8,441 points, its lowest level since 2013. This was shortly followed by a strong recovery in the equity markets, which drove global indices higher through to the end of the year. The DAX reached its high of 13,790 points on December 28, 2020 and closed the year just short of the annual high at 13,718 points, up 3.5% on the previous year. The MDAX also recorded its high at year-end, on December 29, 2020, at 30,912 points. It closed the year at 30,796 points, leading to a gain of 8.8% compared with the previous year.



A.01 BRENNTAG SHARE PRICE PERFORMANCE (INDEXED)

BRENNTAG SHARE PRICE PERFORMANCE

In a difficult and highly volatile market environment, Brenntag shares performed very well overall in 2020. Against the background of the global spread of the COVID-19 pandemic, the shares initially reached their annual low on March 23, 2020 at EUR 29.68. The general uncertainty over the economic consequences of the pandemic prompted the Brenntag Group, like many other companies, to suspend its earnings forecast for 2020 at the beginning of April. Over the course of the year, however, Brenntag was able to demonstrate the resilience of its business model by delivering a positive earnings performance, which led to a strong recovery in the share price. The Board of Management introduced a new earnings forecast for the financial year in September 2020. In addition, the capital market rewarded “Project Brenntag”, the transformation programme initiated by the Board of Management of Brenntag SE in 2020. Among other aspects, the programme includes the implementation of a new operating model and a sustainable increase in operating EBITDA of EUR 220 million per year as of 2023. In November 2020, the Board of Management of Brenntag SE reported in detail on “Project Brenntag” and the programme’s individual measures at a virtual Capital Markets Update. Against this background, Brenntag shares reached their annual high on December 18, 2020 at EUR 64.96 and closed on the last day of trading in 2020 at EUR 63.34. Brenntag shares therefore gained 30.7% year on year. Including the dividend payment, the Brenntag shares’ annual performance of 34.3% was significantly higher than that of the benchmark MDAX and DAX benchmark indices.

REFERENCE DATA ON THE BRENNTAG SHARES

As at December 31, 2020, the subscribed capital of Brenntag SE 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.

Since 2010, Brenntag shares have been listed in the MDAX, the second-largest German share index. In addition to a listing in the Prime Standard and a free float of more than 10%, the criteria for index membership include the market capitalization of the free float and stock market turnover (liquidity).

With a market capitalization of EUR 9.8 billion, Brenntag shares ranked 32nd among all listed companies in Germany. With regard to liquidity, Brenntag SE ranked 52nd among all listed companies in Germany.

Brenntag shares are also listed on major international indices such as selected MSCI indices and the STOXX Europe 600, which tracks the performance of the 600 largest companies from 17 European countries.

	Dec. 31, 2019	Dec. 31, 2020
No. of shares	154,500,000	154,500,000
WKN	A1DAHH	A1DAHH
ISIN	DE000A1DAHH0	DE000A1DAHH0
Trading symbol	BNR	BNR
Market segments	Regulated Market/ Prime Standard	Regulated Market/ Prime Standard
Trading venues	Xetra and all German regional exchanges	Xetra and all German regional exchanges
Selected indices	MDAX, MSCI, STOXX Europe 600, DAX 50 ESG (since 2020)	

A.02 KEY DATA ON THE SHARES

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 continuously, promptly and reliably. This further strengthens investors' trust in Brenntag and enables us to ensure that our shares are adequately valued on the capital market.

In 2020, 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 international road shows or investor conferences and at the General Shareholders' Meeting. Due to the COVID-19 pandemic, most meetings took place virtually. In addition to the above-mentioned activities, the Board of Management and the Investor Relations team regularly provided institutional investors, analysts and retail investors with information on Brenntag SE 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/investor_relations.

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

SHAREHOLDER STRUCTURE

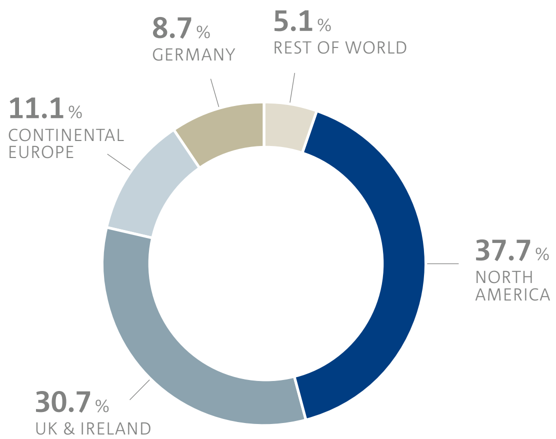
As at March 1, 2021, notification had been received from the following shareholders under Section 33 of the German Securities Trading Act (WpHG) that their share of the voting rights now exceeds the 3% or 5% threshold:

Shareholder	Interest in %	Date of notification
BlackRock	>5	Jan. 21, 2021
Wellington Management Group	>5	Jul. 10, 2020
Burgundy Asset Management	>3	Oct. 16, 2018
Columbia Threadneedle	>3	Nov. 7, 2020
Flossbach von Storch AG	>3	Sep. 18, 2020
Yacktman Asset Management LP	>3	Apr. 27, 2020

A.03 SHAREHOLDER STRUCTURE

All voting rights notifications are published on the company's website at www.brenntag.com/voting_rights_announcements.

At the time of reporting, 100% of Brenntag shares were in free float as defined by Deutsche Börse. Based on the data collected most recently (September 30, 2020), around 93% of the shares are held by institutional investors.



A.04 SHAREHOLDINGS OF INSTITUTIONAL INVESTORS BY REGION [1]

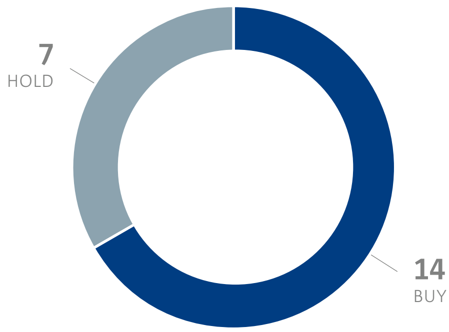
[1] Data collected as at September 30, 2020; Source: IHS Markit.

DIRECTORS' DEALINGS

In financial year 2020, 19 transactions were reported in directors' dealings notifications (managers' transactions). These can be viewed at any time on the Brenntag website at www.brenntag.com/managers_transactions.

ANALYSTS' OPINIONS

Brenntag is continuously monitored and rated by a large number of international financial analysts. Currently (as at: March 1, 2021), 21 banks regularly publish research reports on our company's latest performance and issue recommendations. Fourteen analysts have a buy recommendation and seven have a hold recommendation on Brenntag. There is no sell recommendation at the present time. Many analysts value Brenntag highly as a growth stock with strong cash flow generation. Furthermore, they see additional potential as a result of the measures initiated by the Brenntag Board of Management as part of the transformation programme "Project Brenntag". As at March 1, 2020, the average price target was EUR 69.08.



A.05 ANALYSTS' OPINIONS

ANALYSTS COVERING BRENNTAG SE

- ABN Amro
- Baader Bank
- Bank of America
- Berenberg Bank
- Exane BNP Paribas
- Citibank
- Commerzbank
- Credit Suisse
- Deutsche Bank
- DZ Bank
- Goldman Sachs
- Hauck & Aufhäuser
- HSBC
- Jefferies
- JP Morgan
- Kepler Cheuvreux
- Metzler Equity Research
- Pareto Securities
- Stifel
- UBS
- Warburg Research

Up-to-date information on this can be found on our website at www.brenntag.com/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: positive).

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

A.06 KEY DATA ON THE BONDS OF THE BRENNTAG GROUP

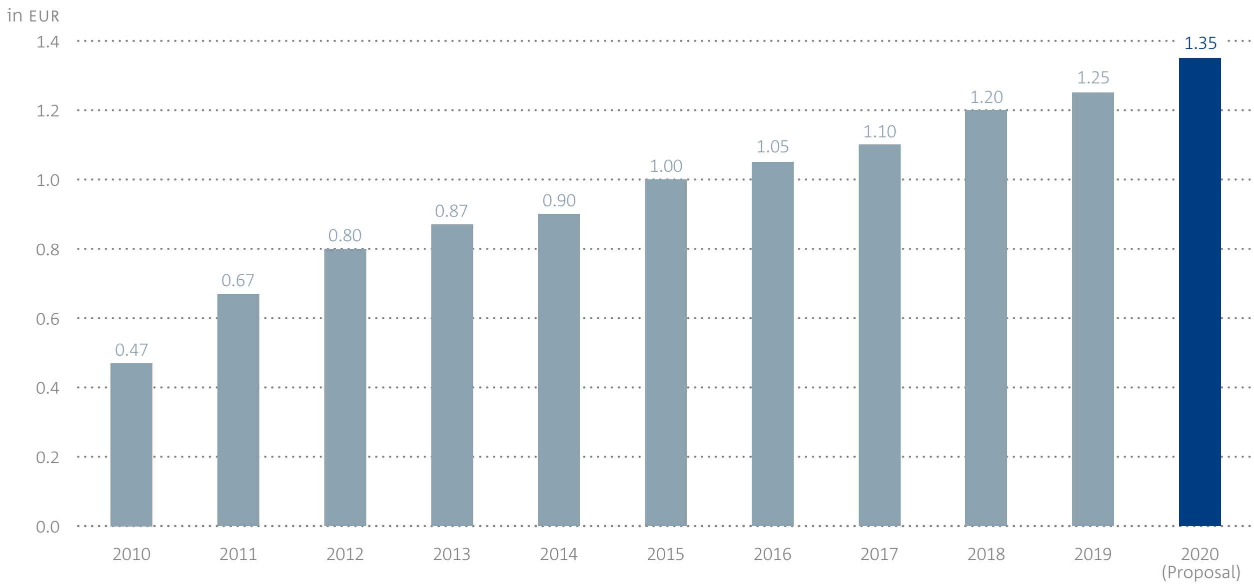
PURELY VIRTUAL GENERAL SHAREHOLDERS' MEETING

The virtual, ordinary General Shareholders' Meeting of the former Brenntag AG was held in Essen on June 10, 2020. With attendance at over 80%, the shareholders were well represented. The General Shareholders' Meeting approved the proposed Management Board and Supervisory Board resolutions with a large majority in each case. In the course of the Supervisory Board elections, Stefanie Berlinger, Dr Andreas Rittstieg and Doreen Nowotne were re-elected and Richard Ridinger was elected to the Supervisory Board for the first time. Following the General Shareholders´ Meeting, Ms Nowotne succeeded Stefan Zuschke, who had chaired the Supervisory Board since March 2010, as the new Chairperson of the Supervisory Board. In addition, at the General Shareholders' Meeting, shareholders resolved to change the former Brenntag AG's legal form to a European company (Societas Europaea, SE). The proposal to pay a dividend of EUR 1.25 per share was approved, representing a 4.2% increase compared with the previous year.

ATTRACTIVE DIVIDEND PROPOSAL FOR 2020

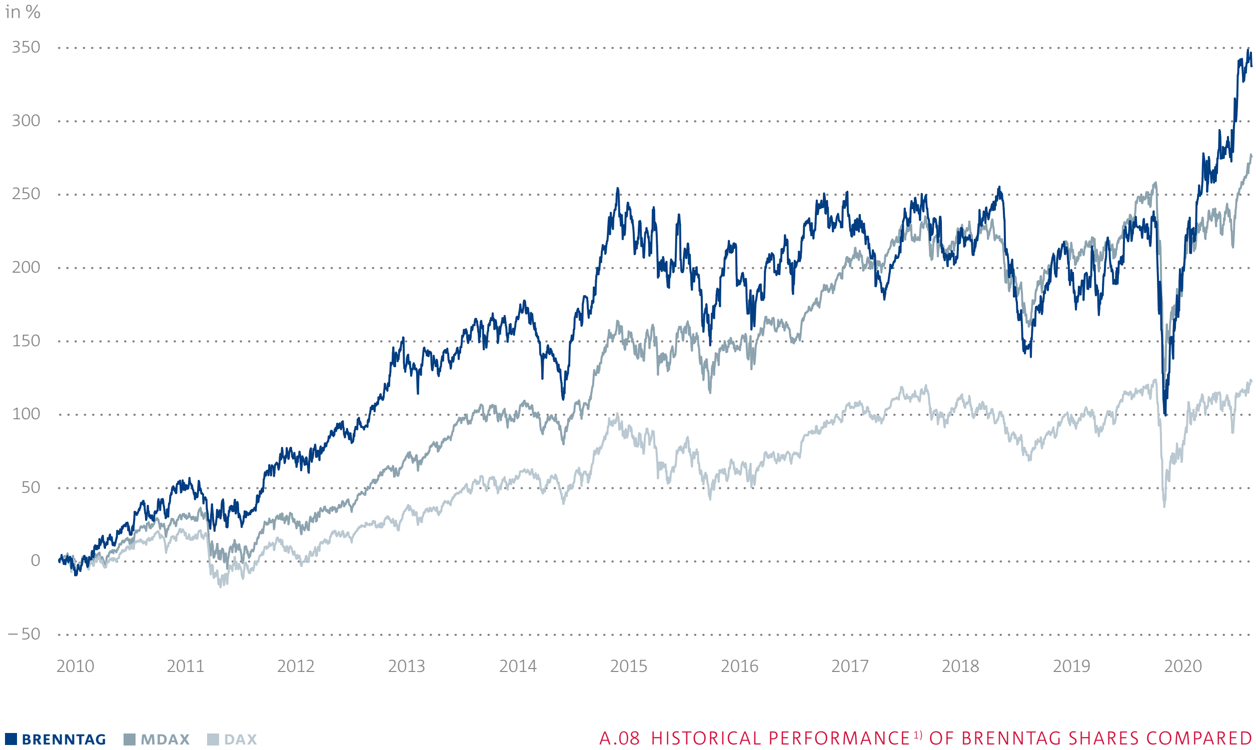
It is Brenntag's declared policy to pay an annual dividend of 35% to 50% of its consolidated profit after tax attributable to shareholders of Brenntag SE. Since going public in 2010, the company has paid its shareholders a higher dividend each year. The average increase in the dividend on Brenntag shares since the stock market flotation in 2010 was 11.1% per annum, meaning that the absolute dividend increased by 187.2% overall.

The Board of Management and the Supervisory Board will recommend to shareholders at the General Shareholders' Meeting in 2021 a dividend payment of EUR 1.35 per share. The payout ratio on the basis of the consolidated profit after tax for the year attributable to shareholders of Brenntag SE is therefore 44.7%. Through this payout ratio, we aim to allow our shareholders to participate directly in the company's positive cash flow performance.



A.07 DIVIDEND PERFORMANCE

HISTORICAL PERFORMANCE



A.08 HISTORICAL PERFORMANCE[1] OF BRENNTAG SHARES COMPARED WITH THE DAX AND MDAX (MAR. 29, 2010 TO DEC. 31, 2020)

[1] Share price performance including dividends

in %	1 year	3 years	5 years	10 years
Brenntag shares[1]	34.3	9.1	8.2	12.0
MDAX	8.8	5.5	8.2	11.8
DAX	3.5	2.0	5.0	7.1

A.09 AVERAGE ANNUAL PERFORMANCE OF BRENNTAG SHARES AND RELEVANT BENCHMARK INDICES IN PERCENT

[1] Received dividends reinvested. Due to rounding, the absolute totals may differ.

	Dec. 31, 2020	Dec. 31, 2019
No. of shares	154,500,000	154,500,000
Dividend (in EUR)	1.35[6]	1.25
Dividend yield (in %)[1]	2.13	2.6
Payout ratio (in %)	44.7	41.4
Earnings per share (in EUR)[2]	3.02	3.02
Book value per share (in EUR)[3]	23.0	22.8
XETRA closing price (in EUR)	63.34	48.48
XETRA high (in EUR)	64.96	49.82
XETRA low (in EUR)	29.68	36.63
XETRA average price (in EUR)	49.92	44.71
Average daily trading volumes XETRA and Frankfurt		
Shares	408,492	358,896
EUR k	19,612.598	16,039.452
Market capitalization (in EUR m)[4]	9,786	7,490
Price-earnings ratio[5]	21.0	16.1

A.10 KEY DATA ON THE BRENNTAG SHARES

1) Dividend / closing price x 100.
2) Profit attributable to shareholders of Brenntag SE / number of shares.
3) Equity attributable to shareholders of Brenntag SE / number of shares.
4) Market capitalization at year-end.
5) Closing price / earnings per share.
6) As per the proposal for the appropriation of profit presented by the Board of Management and the Supervisory Board, subject to approval at the General Shareholders' Meeting on June 10, 2021.

SERVICE FOR SHAREHOLDERS

You can find comprehensive information on Brenntag SE and the Brenntag shares on the Investor Relations website. In addition to financial reports and presentations, it also contains all the key dates on the financial calendar. The conference calls on the quarterly and annual financial statements are recorded and offered in audio format. Shareholders and interested parties can register by e-mail to be placed on the investor mailing list. The Investor Relations team would also be happy to help you in person. www.brenntag.com/investor_relations

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Web: www.brenntag.com/investor_relations

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

2020 was a year of challenges and new beginnings. Worldwide and on many levels, the macroeconomic environment was shaped and durably impacted by the COVID-19 pandemic. For every individual, too, this led to sometimes severe restrictions and stresses on personal and professional life. Against this background, Brenntag employees performed exceptional service. Thanks also to the measures taken at an early stage to protect and keep safe employees and business partners as well as maintain global supply chains, the organization was able to limit the pandemic's negative effects on the company. Brenntag once again demonstrated the resilience of its business model and the operational strength of the global organization and, despite all the challenges, was able to deliver a positive business performance in 2020.

With the introduction of "Project Brenntag", 2020 also marked the start of a multi-year transformation process for Brenntag. The aim of this transformation is to further expand the company's leading market position and pave the way for sustainable organic earnings growth.

In addition, at the ordinary General Shareholders' Meeting in June 2020, a resolution was passed to convert Brenntag AG into a European company, termed a Societas Europaea (SE). Following the completion of the necessary steps, we have therefore been operating as **Brenntag SE** since February 1, 2021.

Due to all these issues and changes, 2020 was a year of particularly intense collaboration between the Board of Management and the Supervisory Board at Brenntag.

COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

In financial year 2020, the Supervisory Board of Brenntag SE performed the duties assigned to it by law, by the company's Articles of Association and by its rules of procedure with the utmost diligence. The members of the Supervisory Board regularly advised the Board of Management in its management of the company and monitored its activities. The Board of Management provided the Supervisory Board with timely and comprehensive information, in both written and verbal form, on the course of business, earnings, the Group's current position and financial resources, especially in the context of the COVID-19 pandemic, and on corporate planning and strategic further development. One focal point of cooperation was the multi-year transformation programme "Project Brenntag". The Supervisory Board was also kept abreast of Brenntag SE's risk position, including risk management, deviations from plan and compliance matters. The Supervisory Board had ample opportunity to address in depth, examine, discuss and consult on the reports from and resolutions proposed by the Board of Management. In doing so, the Supervisory Board always satisfied itself that the senior management was acting in a lawful, effective and proper manner.

The members of the Supervisory Board were also available to advise the Board of Management outside of the meetings. Thus, in 2020, the Supervisory Board and the Board of Management also interacted between the meetings, placing particular focus on "Project Brenntag" and the effects related to the COVID-19 pandemic. Furthermore, there was regular coordination between the Chair of the Supervisory Board and the Chair of the Board of Management. As the general restrictions resulting from the COVID-19 pandemic made it impossible to hold physical meetings during most of the year, we attached particular importance to intense dialogue. The Supervisory Board was therefore able to consult with the Board of Management on the company's strategic direction and to decide on business transactions and measures presented by the Board of Management and requiring the Supervisory Board's approval. Further information on the duties of the Supervisory Board can be found in the section Working Practices of the Supervisory Board of the Corporate Governance Statement. For information on the topics and resolutions, please refer to the section "Topics Addressed in the Supervisory Board Meetings".

The Supervisory Board held five ordinary meetings in the 2020 reporting period, two of which took place virtually due to the restrictions resulting from the COVID-19 pandemic. In addition, four extraordinary meetings took place in the form of video conferences. Despite the large number of meetings, we achieved a high attendance rate of 96.3%. Three of the ordinary meetings and all extraordinary meetings were attended by all members of the Supervisory Board. Dr Andreas Rittstieg was excused for being absent from the meeting on March 3, 2020; Richard Ridinger was excused from attending the meeting on September 8, 2020. The members of the Board of Management participated in Supervisory Board meetings. However, the Supervisory Board also met regularly without the Board of Management.

In the reporting period, the members of the Supervisory Board undertook training and professional development measures appropriate to their duties on the Board to enable them to best carry out their activities on the Supervisory Board. Training and development measures included the attendance of professional events, for example on financial reporting, or conferences on relevant topics.

TOPICS ADDRESSED IN THE SUPERVISORY BOARD MEETINGS

Recurring topics on the agenda at the Supervisory Board meetings in financial year 2020 included the effects of the global COVID-19 pandemic on the status of business and Brenntag's capacity to act as well as the current status of "Project Brenntag". "Project Brenntag" is a transformation programme set up by the company in order to lay the foundations for sustainable organic earnings growth. It started with a holistic analysis of various areas throughout the company. The key elements of the project are the realignment of Brenntag's operating model, a more distinct go-to-market approach and the optimization of the global site network. After several months of planning and validating the different initiatives, the basic measures were decided in the second half of the year. Since January 1, 2021, these have been worked out in greater detail and implemented bearing in mind local regulations and employment law.

In addition, the Supervisory Board received regular reports from the Board of Management on the process of changing Brenntag AG's legal form to a European company (Societas Europaea, SE). We continually consulted with the Board of Management on the course of the negotiations with the special negotiating body and passed the relevant resolutions. Together with the Board of Management, we proposed the conversion into an SE at the ordinary General Shareholders' Meeting on June 10, 2020, where it was approved by a clear majority. Following the ordinary General Shareholders' Meeting, the members of the Supervisory Board came together for the constituting meeting of Brenntag SE (in formation). The conversion into Brenntag SE became effective upon completion of the procedure for employee involvement and upon Brenntag SE's entry in the Commercial Register on February 1, 2021. The SE is a supranational legal form which is representative of our global footprint and identity and which the Supervisory Board views as a consistent step in our company's further development.

The first ordinary meeting took place on March 3, 2020 and focused on the 2019 consolidated financial statements of Brenntag SE, on which both the Board of Management and the appointed auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, reported in detail. After examining the documents and determining that there were no objections to be raised, the Supervisory Board approved the consolidated financial statements of Brenntag SE for financial year 2019 and the annual financial statements of Brenntag SE, which were thus adopted. This was followed by status reports from the Mergers & Acquisitions department and a look at the various digitalization projects within Brenntag such as DigiB or Brenntag Connect, our e-commerce platform. The Supervisory Board also devoted attention to the requirements of the new version of the German Corporate Governance Code published in March and possible effects on the activities of the Board of Management and the Supervisory Board. In an internal meeting on this date at which the Board of Management was not present, the upcoming Supervisory Board elections and various Board of Management matters were also discussed.

On April 17, 2020, the Supervisory Board held a further meeting by video conference in order to deal with the submission of Brenntag's non-financial statement. The Audit Committee and the appointed auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, presented and explained the results of their examination of the separate non-financial Group report for financial year 2019. The Supervisory Board followed the Audit Committee's recommendation and approved the non-financial Group report.

The Supervisory Board held its third ordinary meeting on June 10, 2020 after the ordinary General Shareholders' Meeting. In addition to the internal voting that took place on the Supervisory Board at its meeting, the Board of Management provided information on the current status of business against the background of the COVID-19 pandemic. The Board of Management also explained its decision to temporarily suspend its forecast for the current financial year due to the uncertain situation.

Furthermore, the Board of Management reported on performance in the regions, the status of “Project Brenntag” and on Mergers & Acquisitions and Investor Relations. At the meeting, the Supervisory Board addressed the company law provisions governing contracts with related parties which entered into effect in 2020 and decided on an internal system for complying with the necessary approval requirements. In light of the new German Corporate Governance Code which came into effect in spring 2020, the Supervisory Board also decided on new versions of the rules of procedure for the Supervisory Board and the Board of Management. As the first Supervisory Board of Brenntag SE (in formation), we then came together for its constituting meeting. In connection with Brenntag AG’s conversion into an SE, the members of the Board of Management were confirmed in their posts as a precaution and in order to ensure seamless continuity of office.

On July 2, 2020, the Supervisory Board dealt with various Board of Management matters at an extraordinary internal meeting held virtually.

On August 24, 2020, an extraordinary Supervisory Board meeting took place virtually, where the Supervisory Board looked in detail at “Project Brenntag”. The Board of Management outlined the potential measures and a possible schedule for implementing the first steps in the transformation as of January 2021 and presented a budget for the project’s further development. The Supervisory Board also addressed the current status of Brenntag’s change of legal form to an SE.

On September 8, 2020, the members held their fourth ordinary meeting. The Board of Management provided information on the current status of business against the background of the COVID-19 pandemic and explained the current changes and safety precautions for employees. The Board of Management also reported on the financial position and explained the current effects of the COVID-19 pandemic on business performance in the different regions. With regard to “Project Brenntag”, the Supervisory Board spent time in the course of the meeting dealing extensively with the future new alignment of the divisions planned under the project and discussing the illustrated steps in its implementation. The Supervisory Board supported the illustrated focus of “Project Brenntag”. At the meeting, the Board of Management also provided information on the status of the ERP project in Europe and on current projects in Mergers & Acquisitions.

On October 26, 2020, a virtual extraordinary meeting took place, during which the Board of Management briefed the Supervisory Board at length on current business performance. The current status of “Project Brenntag” was also explained in detail. In this context, the Board of Management presented the financials for the implementation of the transformation process and the capital expenditure on optimizing the global site network in order to improve capacity utilization. The Supervisory Board approved the budget presented. The Board of Management also provided information on Brenntag’s acquisition of Italian activated carbon specialist Comelt S.p.A.

The fifth and final ordinary meeting of the reporting period, held on December 14, 2020, also took place virtually. At the meeting, the Board of Management provided information on the current status of “Project Brenntag” and in particular on the start of the Group’s repositioning and the implementation of the transformation programme. In this context, the Supervisory Board decided to establish a further Supervisory Board committee with effect from January 2021, the Transformation Committee. In particular, this is intended to support the implementation of “Project Brenntag” in a supervisory capacity and prepare the relevant Supervisory Board resolutions. At this meeting, the Board of Management also submitted to the Supervisory Board the new division of responsibilites effective as of January 2021. Furthermore, the Board of Management presented the budget plan for financial year 2021, on which the Supervisory Board took a decision, and provided information on the status of the ERP project in Europe and current developments at DigiB. In addition, the Supervisory Board decided on Ewout van Jarwaarde’s appointment to the Board of Management with effect from January 1, 2021. The Supervisory Board also approved the Board of Management remuneration system developed by the Presiding and Nomination Committee in accordance with the German Corporate Governance Code. Furthermore, the Supervisory Board dealt with the Supervisory Board’s remuneration and with a new remuneration system for the Supervisory Board, which is to be put forward for a vote at the ordinary General Shareholders’ Meeting in 2021. Finally, the Supervisory Board turned its attention to general topics such as corporate governance and decided on the annual declaration of conformity with the German Corporate Governance Code.

On December 23, 2020, another extraordinary Supervisory Board meeting took place, at which the Board of Management primarily presented the agreement on the two-stage acquisition of Chinese company Zhongbai Xingye Food Technology (Peking) Co., Ltd., which the Supervisory Board supported. The Board of Management and the Supervisory Board also discussed the financial targets for Brenntag Essentials and Brenntag Specialties, the divisions newly structured under “Project Brenntag”.

SUPERVISORY BOARD COMMITTEE ACTIVITIES

In financial year 2020, as in previous years, the Supervisory Board had two committees: the Audit Committee and the Presiding and Nomination Committee. Their respective chairmen reported in detail on the current work of the committees in the Supervisory Board meetings. Since January 2021, there has also been a third committee, the Transformation Committee, to support the implementation of the multi-year transformation process and prepare the resolutions to approve the relevant actions.

The Audit Committee, composed of Ulrich M. Harnacke (Chair), Stefanie Berlinger and Doreen Nowotne until June 10, 2020 and of Ulrich M. Harnacke (Chair), Stefanie Berlinger and Richard Ridinger as of that date, held nine meetings in the reporting period. Core topics included the preparations for the audit of the annual financial statements, the consolidated financial statements, the management report and the Group management report as well as the proposal for the appropriation of profit and the review of the quarterly financial statements in the reporting period. The Audit Committee also dealt in detail with the work and findings of Corporate Internal Audit, the effectiveness of the internal control system and the further development of compliance management. Further topics covered at the meetings included the examination of the separate non-financial Group report for financial year 2019. Following the election of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) as statutory auditor at the General Shareholders' Meeting in the reporting period and its statement to the Audit Committee that there are no circumstances that would call into question its impartiality, the Audit Committee rigorously assured itself of the auditors' required independence and issued the audit engagement. As and when required, there was also interaction between the Audit Committee and the auditors outside of the meetings. Furthermore, the Audit Committee dealt with corporate governance issues and reviewed compliance with the relevant provisions of the German Corporate Governance Code.

The Presiding and Nomination Committee was composed of Stefan Zuschke (Chair), Wijnand P. Donkers and Dr Andreas Rittstieg until June 10, 2020 and of Doreen Nowotne (Chair), Wijnand P Donkers and Dr Andreas Rittstieg as of that date. In the reporting period, the Committee met a total of fourteen times in order to discuss HR, contract, appointment and succession matters. Important topics included the succession of former Supervisory Board Chairman Stefan Zuschke, the succession of outgoing Board of Management members Markus Klähn and Karsten Beckmann, the reorganization of the Board of Management, the appointment to the newly created position of Chief Transformation Officer and the changes to the remuneration system. Interviews were conducted with various candidates as part of a structured selection process.

GERMAN CORPORATE GOVERNANCE CODE

The Supervisory Board of Brenntag SE regularly discusses the requirements and principles of good corporate governance and their implementation within the company. On December 14, 2020, the Supervisory Board and the Board of Management jointly submitted a new declaration of conformity, which appears both on Brenntag's website and in the Corporate Governance Statement. Good corporate governance also includes regularly assessing how effectively the Supervisory Board as a whole and its committees perform their duties. A detailed efficiency review of this kind was last conducted at the end of 2019. The next such in-depth self-assessment of the entire Supervisory Board and its committees is scheduled for 2021.

In accordance with 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 and we can once again confirm our belief that all members of the Supervisory Board can be regarded as independent of the company. Details on corporate governance in the company can be found in the Corporate Governance Statement.

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 SE for the year ended December 31, 2020 and the combined Group management report and management report of Brenntag SE were prepared by the Board of Management in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act, and the consolidated financial statements, pursuant to Section 315a of the German Commercial Code, in accordance with the principles of the International Financial Reporting Standards (IFRSs) as adopted in the EU. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, the auditors elected by the General Shareholders' Meeting and appointed by the Supervisory Board, audited and issued an unqualified auditors' report on the annual financial statements of Brenntag SE, the combined Group management report and management report of Brenntag SE and the consolidated financial statements. The annual financial statements of Brenntag SE, the consolidated financial statements and the combined Group management report and management report of Brenntag SE as well as the auditors' audit reports were available to all members of the relevant body in good time ahead of the Audit Committee meeting on February 26, 2021 and the Supervisory Board meeting on March 9, 2021. The financial statement documents were discussed in detail on the Audit Committee and on the Supervisory Board, in both cases in the presence of the auditors, who gave a report. Following the preliminary examination by the Audit Committee and the Supervisory Board's own review during its meeting on March 9, 2021, there were no objections to be raised. The Supervisory Board endorses the findings of the audit and approved the above-mentioned financial statements prepared by the Board of Management. The annual financial statements were thus adopted on March 9, 2021. The Supervisory Board endorsed the Board of Management's proposal to use the distributable profit to pay a dividend of EUR 1.35 per dividend-bearing no-par value share. The Supervisory Board will report separately on the results of the examination of the separate non-financial Group report for financial year 2020 required under Section 315b of the German Commercial Code once it has been provided by the Board of Management and examined by the Supervisory Board.

COMPOSITION OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

There were the following changes in the composition of the Board of Management and the Supervisory Board of Brenntag SE in the 2020 reporting period:

Our former Chairman of the Supervisory Board, Stefan Zuschke, decided not to seek re-election and retire from the Supervisory Board at the end of the regular term of office and after more than ten years in the post at the close of the ordinary General Shareholders' Meeting on June 10, 2020. I succeeded him as Supervisory Board Chair by being re-elected as a member of the Supervisory Board at the General Shareholders' Meeting and through the vote held at the subsequent Supervisory Board meeting on June 10, 2020. As already announced in the notice convening the ordinary General Shareholders' Meeting, I intend to take over the role of Chair for a transition period of up to two years. At the General Shareholders' Meeting, Stefanie Berlinger and Dr Andreas Rittstieg (Deputy Chairman) were also re-elected as members of the Supervisory Board. In addition, Richard Ridinger was elected to the Supervisory Board for the first time. Richard Ridinger intends to run for election as Supervisory Board Chair at the end of my term of office. Together with the other members, Wijnand P. Donkers and Ulrich M. Harnacke, we form the six-member Supervisory Board.

There were also several changes in the composition of the Board of Management in the reporting period. Dr Christian Kohlpaintner has been Chief Executive Officer of Brenntag SE since January 1, 2020. Markus Klähn stepped down from the Board of Management and left the company on July 31, 2020 and Karsten Beckmann did so on August 31, 2020. Steven Terwindt was appointed to the Board of Management with effect from August 1, 2020. The other members of the Board of Management are Georg Müller as Chief Financial Officer and Henri Nejade. Since January 1, 2021, Steven Terwindt has been responsible for the new Brenntag Essentials division and Henri Nejade for the new Brenntag Specialties division. Also since January 1, 2021, Ewout van Jarwaarde has completed the line-up of the five-member Board of Management in the role of Chief Transformation Officer.

On behalf of the Supervisory Board, I would like to sincerely thank the long-standing Chairman of the Supervisory Board, Stefan Zuschke, for his commitment to Brenntag. Our sincere thanks also go to the former Board of Management members, Karsten Beckmann and Markus Klähn.

And finally, the Supervisory Board expresses its thanks to all Brenntag employees and the entire Board of Management for their outstanding work and untiring efforts in financial year 2020, which, in light of the global COVID-19 pandemic and the process initiated to transform the company, was a particularly challenging one for all of us.

On behalf of the Supervisory Board

Doreen Nowotne
Chairwoman
Essen, March 2021

CORPORATE GOVERNANCE STATEMENT

Brenntag has always attached great importance to good corporate governance. As a globally operating publicly listed company, we are particularly aware of our social responsibility in this area. The Board of Management and Supervisory Board jointly issue the corporate governance statement and report on the principles of responsible corporate governance at Brenntag, each being responsible for the parts of the report that relate to them. In accordance with Principle 22 of the German Corporate Governance Code in its current version of December 16, 2019, published on March 20, 2020, the corporate governance statement pursuant to section 289f, para. 1, sentence 2 and section 315d of the German Commercial Code (HGB) is the central instrument of corporate governance reporting.

Corporate Governance

COMMITMENT TO RESPONSIBLE CORPORATE GOVERNANCE

As in previous years, in this reporting year the Board of Management and the Supervisory Board thoroughly examined corporate governance and the requirements of the Code. On the basis of these deliberations and pursuant to Section 161, para. 1 of the German Stock Corporation Act (Aktiengesetz), they issued, on December 14, 2020, the following declaration of conformity with the recommendations of the Code as amended on February 7, 2017 as well as the recommendations of the revised Code as published on March 20, 2020:

DECLARATION OF CONFORMITY WITH THE RECOMMENDATIONS OF THE GOVERNMENT COMMISSION “GERMAN CORPORATE GOVERNANCE CODE”

“The Board of Management and the Supervisory Board of Brenntag SE are obliged to resolve a Declaration of Conformity in accordance with Section 161 of the German Stock Corporate Act (Aktiengesetz). The last Declaration of Conformity has been resolved on December 12, 2019. As of this time, the German Corporate Governance Code in the version as of February 17, 2017 (“GCGC 2017”) was still in place. On December 16, 2019, the Government Commission “German Corporate Governance Code” has resolved a new version of the GCGC, which has entered into force on March 20, 2020 (“GCGC 2020”).

The Board of Management and the Supervisory Board hereby declare that since their last Declaration of Conformity as of December 12, 2019, Brenntag has complied with the recommendations of GCGC 2017, with the exception of the recommendations in number 4.2.3, para. 3 and number 5.4.1, para. 2 GCGC 2017. The exceptions are declared for the following reasons:

With regard to two members of the Board of Management until August 2020, and since September 2020 with regard to one member of the Board of Management, Brenntag follows the recommendation in number 4.2.3, para. 3 GCGC 2017. There have been three members of the Board of Management who receive payments of different forms, which are partially earmarked for their pension scheme, but also, apart from that, are at the free disposal of the specific board member. Therefore, the Supervisory Board has not established target levels of pension benefits for every pension commitment.

In addition, the Supervisory Board does not set a regular limit on length of membership, as recommended in number 5.4.1, para. 2 GCGC 2017. A regular limit on length of membership does not take into account the benefits of individual members’ experience.

Furthermore, the Board of Management and the Supervisory Board hereby declare that Brenntag complies and will continue to comply with the GCGC 2020 with the exception of the recommendation in C.4 GCGC 2020:

With regard to the Supervisory Board’s chairwoman Doreen Nowotne, there is a deviation from the recommendation in C.4 GCGC 2020. Ms Nowotne holds positions at two non-group companies and is chairwoman of the Supervisory Board at a further non-group company. With her position as chairwoman of the Supervisory Board of Brenntag SE which Ms Nowotne has intended to take over for a transition period of two years, her total number of seats would amount to six. Therefore in accordance with the GCGC’s counting method, a deviation from C.4 GCGC is herewith declared for now. In any case, the Supervisory Board has ascertained that Ms Nowotne has sufficient time available to discharge her duties.”

The latest declaration and the declarations made in previous years can be found on the Brenntag SE website. If there are any changes in the handling of the recommendations of the Code, the declaration of conformity will be updated during the year and posted on the website of Brenntag SE.

EXPLANATIONS OF THE DEVIATIONS FROM THE RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

The declared deviations from the German Corporate Governance Code as amended on February 7, 2017 correspond to those deviations that were also declared in the past. In accordance with number 4.2.3, para. 3 of the Code as amended on February 7, 2017, 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. However, some members of the Board of Management receive benefits which are structured differently and which are partly for the specific purpose of retirement provision but may otherwise be used freely. With regard to these pension awards, therefore, the Supervisory Board does not refer to a targeted level of provision. From the company's point of view, this approach is preferable to the approach of a defined benefit plan, as external risks and investment risks are not shifted to the company.

In accordance with number 5.4.1, para. 2 of the Code as amended on February 7, 2017, the Supervisory Board shall specify a regular limit on length of membership of the Supervisory Board. The Supervisory Board has not set such a limit as a regular limit on the length of membership of the Supervisory Board does not take into account the benefits of individual members' experience. Therefore, as was also the case in the previous year, a deviation was declared in the current declaration of conformity.

With regard to the Code published on March 20, 2020, only one deviation from its number C.4 was declared as, in addition to her office at Brenntag, the Chairwoman of the Supervisory Board, Doreen Nowotne, is a member of the Supervisory Board at two other companies and is the Supervisory Board Chair at a further company. Doreen Nowotne had already declared before her election to Chairwoman of the Supervisory Board that she intended to take over the office of Chairwoman for a transition period after the departure of Stefan Zuschke. The Supervisory Board is convinced that, despite her other offices, Ms Nowotne has sufficient time available to discharge her duties at Brenntag and, thanks to her many years of experience both at Brenntag and as a business consultant, is extraordinarily well-suited to the position of Supervisory Board Chair.

DECLARATION ON THE SUGGESTIONS MADE IN THE GERMAN CORPORATE GOVERNANCE CODE

Brenntag complies in principle with all suggestions made in the version of the Code published on March 20, 2020. The members of the Supervisory Board regularly attend meetings physically so that, in line with the provision in D.8 of the Code, participation via telephone and video conferences is only an exception and not the rule. Due to the extraordinary restrictions in the reporting year caused by the COVID-19 pandemic, it was not possible to hold physical meetings over large parts of the reporting year so the majority of meetings during this period had to be held in virtual form. We hope that in 2021 it will again be possible to hold predominantly meetings with physical attendance.

DISCLOSURES ON CORPORATE GOVERNANCE PRACTICE

Responsible, prudent and sustainability-focused corporate governance has always been a high priority at Brenntag. Our paramount goal is to observe legal requirements and voluntary internal codes of conduct (compliance) so we always act honestly, fairly and in good faith. To ensure this, the management makes use of various internal control and risk management systems and has established a compliance organization in the company. Every Brenntag employee is personally responsible for complying with all applicable laws, directives, policies and regulations. The information on corporate governance practice is also published on the website at www.brenntag.com/compliance_at_brenntag.

Compliance management and organization: The compliance organization of Brenntag SE is headed by the Board of Management and, within the Board, by the Chairman. The Governance, Risk & Compliance (GRC) manager in the Compliance & Audit department of Brenntag SE regularly provides the Board of Management and the Supervisory Board with information on compliance matters. Reports on compliance and whistleblowing cases and the development of the Group-wide compliance management system are given in the regular Audit Committee meetings of the Supervisory Board so the GRC manager also has a direct reporting channel to the Supervisory Board. The GRC manager is supported by an internal advisory committee, the Compliance Committee, which is composed of various department heads of Brenntag SE. The regional compliance managers, who are appointed by the regional executive management, ensure close networking with our business activities through the coordination of the compliance management system at regional level. Regional compliance managers examine and report all compliance cases and / or compliance questions which are brought to their attention and they regularly exchange information and experience with the GRC manager of Brenntag SE. In this way, we ensure close networking of compliance management with our business activities at regional level.

Code of conduct and company guidelines: As a global company, Brenntag is subject to a large number of laws, directives, regulations and ordinances. In addition to compliance with rules and regulations, honesty and integrity are our top priorities. A comprehensive Code of Business Conduct and Ethics summarizes all 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 Brenntag and its reputation. The Code of Business Conduct and Ethics contains the standards Brenntag applies in the areas of health, safety and the environment, human rights and working conditions, dealings with business partners and public institutions, combating bribery and corruption, competition and antitrust law, avoidance of conflicts of interest as well as data privacy and information security. The Code is available on the Internet and Intranet in various languages and applies to all employees at all levels of the company. Its aim is to give guidance in the legal and ethical challenges of their daily work and to encourage correct conduct. Every infringement of this code of conduct may lead to disciplinary action and have further consequences under employment law and even criminal law for employees committing an infringement. In addition to the Code of Business Conduct and Ethics, there are further Group guidelines detailing compliance requirements, including an Anti-corruption Guideline, an Insider Compliance Guideline and the Corporate Guideline on Foreign Trade Compliance. The Code, which was revised in January 2021, and all Group-wide guidelines can be accessed by all employees on the Group-wide Intranet. The Code can also be freely accessed on the Brenntag website at www.brenntag.com/compliance_at_brenntag.

Monitoring: Compliance with the requirements of the Group guidelines at our Group companies is regularly reviewed as part of system-based controls, compliance risk assessments (six-monthly risk inventories) and audits by Internal Audit. Details on the six-monthly risk inventories and audits by Internal Audit can be found in the chapter “Description of the Internal Control / Risk Management System” in the combined management report. Compliance risks and counteraction are described in detail in the chapter “Report on Opportunities and Risks” in the management report.

Training: Adherence to our Code of Conduct and antitrust requirements, the prevention of corruption, and the protection of the environment and health are particular focal points of our compliance programme, as Brenntag sees the greatest risks here. Our employees receive regular training on these topics – either at in-person events or through e-learning systems at regional or global level. The aim is to keep all employees’ knowledge up to date, avoid any illegal actions as well as to protect the environment and employees from harm. There is a global online training program for all employees on the Code of Business Conduct and Ethics, which was continued in the reporting year. Participation is mandatory for all new employees when they join the Group. Employees can complete the approximately one-hour training course on the global e-learning platform at any time and from anywhere on the Internet. A total of twelve topics – including anti-corruption and respect for human rights – are explained using practical examples and practice questions. The employees do a final test as a knowledge check. In addition, there are in-depth compliance training courses at global and regional level on the topics of bribery and corruption, anti-trust law, data privacy and fraud prevention.

Whistleblowing: Brenntag has set up time-tested procedures for receiving and handling internal and external complaints and reports of compliance issues throughout the Group. Our employees can either make such reports to their direct supervisor or the regional compliance manager, or alternatively submit them via central or regional whistleblowing channels and whistleblowing systems. It is also possible to make an anonymous report using the whistleblowing system. Persons outside the company can submit complaints and report infringements by contacting the compliance contact mentioned on the website of Brenntag SE. The information received is always treated in strict confidence. The reports received are reviewed and appropriate action is taken if a compliance infringement has occurred.

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

As a result of the conversion of Brenntag AG into a European company, termed a Societas Europaea (SE), the German parent company of the Brenntag Group has been operating under the trading name Brenntag SE since February 1, 2021. In line with the previous structure, Brenntag SE has a two-tier management system consisting of the Board of Management and the Supervisory Board in accordance with the legal requirements of Article 9, para. 1, number (c) (ii) of Regulation (EC) No. 2157/2001 on the Statute for a European company (SE) ("SE Regulation") and the German Stock Corporation Act. The management of business by the Board of Management and supervision by the Supervisory Board are therefore clearly separated. The Board of Management and the Supervisory Board are guided by the applicable legislation, the principles of the Code, the company's Articles of Association as well as their respective rules of procedure. The working practices of both bodies are geared to responsible corporate governance, which is characterized by open discussions and transparency.

BOARD OF MANAGEMENT

STEVEN TERWINDT

CHIEF OPERATING OFFICER
BRENNTAG ESSENTIALS

Brenntag Essentials

Global Key Accounts

HENRI NEJADE

CHIEF OPERATING OFFICER
BRENNTAG SPECIALTIES

Brenntag Specialities

EWOUT VAN JARWAARDE

CHIEF TRANSFORMATION OFFICER

“Project Brenntag”

Digitalization Brenntag Group

IT Brenntag Group

Indirect Procurement &
Procurement Excellence Brenntag Group

Functional Excellence Brenntag Group

DR CHRISTIAN KOHLPAINTNER

CHIEF EXECUTIVE OFFICER

Corporate Board Office
Global HR
Corporate Planning & Strategy
M & A Brenntag Group
Global Communications
Global Marketing
Compliance & Audit Brenntag Group
Sustainability Brenntag Group
Corporate Relations & Government Affairs

GEORG MÜLLER

CHIEF FINANCIAL OFFICER

Corporate Controlling
Accounting Brenntag Group
Legal Brenntag Group
Tax Brenntag Group
Treasury Brenntag Group
Corporate Investor Relations
Corporate Insurance Management
Shared Services Brenntag Group
Brenntag International Chemicals

BOARD OF MANAGEMENT

The Board of Management is responsible for managing the company with the aim of creating sustainable value. The company's management 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 SE's business, each Board member is individually responsible for the areas assigned to him under the business responsibility plan or through other resolutions of the Board of Management.

The Board of Management manages the business of Brenntag SE independently. In doing so, it must act in the company's best interest, and therefore in the interest of the shareholders, employees and other stakeholders. The Board of Management operates in accordance with the applicable laws and the provisions of their individual service agreements as well as the company's Articles of Association, rules of procedure and the business responsibility plan. The Board of Management has set up a sustainable 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.

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, for example by video conference. 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 SE, 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. 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 SE include but are not limited to the following measures:

- Board of Management's reports to the Supervisory Board,
- 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,
- issuance of the declaration of conformity,
- 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 SE 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 current position, risk management and compliance. The Board of Management addresses in particular any departures of business performance from the plans made or targets agreed, stating the reasons for such departures. 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".

COMPOSITION OF THE BOARD OF MANAGEMENT

Dr Christian Kohlpaintner has been a new member and Chairman of the Board of Management of Brenntag SE since January 1, 2020. In the reporting year, the Board of Management had five members until the end of July, and in the period from August to December four members. The Board of Management members Markus Klähn and Karsten Beckmann stepped down from the Board of Management and all other offices at Brenntag on July 31 and August 31, 2020 respectively. Steven Terwindt was appointed as a new member of the Board of Management with effect from August 1, 2020. Ewout van Jarwaarde joined the Board as Chief Transformation Officer on January 1, 2021.

Further information on the members of the Board of Management can be found on the website at www.brenntag.com/board_of_management. Information on the remuneration of the Board of Management is included in the remuneration report as part of the management report.

WORKING PRACTICES OF THE 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. The Supervisory Board bases the composition of the Board of Management on the company's strategy, the requirements of the recommendations of the Government Commission "German Corporate Governance Code" and on the internal diversity policy. 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 business responsibility 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, the conclusion of 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. 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 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. 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 rules of procedure for the Supervisory Board are published on the Brenntag website.

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; this information can also be found on the website as part of the management report. The Supervisory Board performs an assessment of its activities on a regular basis, but at least every two years. The last routine efficiency review took place in December 2019 on the basis of internally created questionnaires. The efficiency review 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. In addition, work in the committees themselves and cooperation with the Supervisory Board as a whole was reviewed. The next efficiency review is expected in 2021.

The Supervisory Board had established two committees from among its members in the reporting year, namely the Presiding and Nomination Committee and the Audit Committee, and a third one was established in January 2021, the Transformation Committee. The members of the committees are appointed for the entire period of office as members of the Supervisory Board. Each chairperson reports regularly to the Supervisory Board on the committee's activities.

PRESIDING AND NOMINATION COMMITTEE

As was the case in the previous year, the Presiding and Nomination Committee set up by the Supervisory Board of Brenntag SE consists of the Supervisory Board chairperson, i.e. until June 10, 2020 Stefan Zuschke, and since the Supervisory Board meeting held directly after the close of the ordinary General Shareholders' Meeting Doreen Nowotne, as well as Dr Andreas Rittstieg and Wijnand P. Donkers. The chairperson of the Supervisory Board always also holds the chair of the Presiding and Nomination Committee.

The members of the Committee are constantly in contact with the Board of Management between the meetings of the Supervisory Board and advise the Board of Management on the strategic development of the company. The Committee coordinates the activities of the Supervisory Board as a whole and monitors compliance by the Board of Management with the rules of procedure. Furthermore, the Committee makes proposals regarding the appointment and removal of members of the Board of Management, the terms of the Board of Management service agreements within the framework of the remuneration system structure adopted by the Supervisory Board as well as any application to reduce the remuneration of a Board of Management member, and regularly provides the Supervisory Board with information for reviewing the remuneration system as a whole. Furthermore, the Committee represents Brenntag SE vis-à-vis former members of the Board of Management in accordance with Section 112 of the German Stock Corporation Act, consents to sideline activities of Board of Management members in accordance with Section 88 of the German Stock Corporation Act and grants loans to the persons named in Sections 89 and 115 of the German Stock Corporation Act. In addition, the Committee approves contracts with Supervisory Board members in accordance with Section 114 of the German Stock Corporation Act and proposes suitable candidates as Supervisory Board members to the General Shareholders' Meeting in case of the election of Supervisory Board members, taking into account the concrete objectives for the composition of the Supervisory Board and the profile of skills and expertise for the Supervisory Board as a whole.

AUDIT COMMITTEE

The Supervisory Board of Brenntag SE 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 were appointed by the Supervisory Board. As in the previous year, they are Ulrich M. Harnacke as its Chairman and Stefanie Berlinger. Doreen Nowotne was also a member of the Audit Committee until her election as Chairwoman of the Supervisory Board on June 10, 2020. As of that date, the newly elected member of the Supervisory Board, Richard Ridinger, has also been a member of the Audit Committee. The Chairman of the Audit Committee, Ulrich M. Harnacke, has special knowledge of and experience in applying accounting principles and internal control procedures. Furthermore, he is not a former member of the company's Board of Management.

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 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 consolidated and annual financial statements, the combined group management report and the 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 Corporate Internal Audit (since January 2021 Compliance & Audit Brenntag Group) and other departments involved in risk management. On behalf of the Supervisory Board, the Committee authorizes the auditors' fee. In addition, the Audit Committee discusses the financial, investment and liquidity plans with the Board of Management, including the plans with respect to the observance of financial covenants and the adequacy of interest hedging for the Group as well as deviations of the actual development from targets previously reported. The Audit Committee is responsible for the receipt and handling of complaints by employees and third parties about the accounting, the internal company control system, risk management, the audit of the financial statements and other accounting-related issues (whistleblowing). The Audit Committee may assume other tasks which the Supervisory Board assigns to it. It obtains regular reports about the work of the Corporate Internal Audit department, in particular about that department's audit focuses and audit findings. The same applies to risk management and the monitoring of compliance.

TRANSFORMATION COMMITTEE

The Supervisory Board has also established a so-called Transformation Committee with effect from January 2021. This committee deals in particular with the planning and implementation of "Project Brenntag" and the transformation process thus initiated in the company, a review of and changes to the corporate strategy and the corporate structure as well as the relevant organizational processes, and prepares the Supervisory Board meetings and resolutions on corresponding resolution items. The members of the Transformation Committee are Doreen Nowotne, who is also its Chairwoman, Wijnand P. Donkers and Richard Ridinger.

COMPOSITION OF THE SUPERVISORY BOARD

As in the previous year, the Supervisory Board of Brenntag SE consists of six members. The former Chairman of the Supervisory Board, Stefan Zuschke, stood down from the Supervisory Board at the end of his term of office at the close of the ordinary General Shareholders' Meeting on June 10, 2020. Richard Ridinger was elected by the shareholders as a new member of the Supervisory Board. Following the ordinary General Shareholders' Meeting, Doreen Nowotne was elected to serve as the Chairwoman of the Supervisory Board. There are no employee representatives on the Supervisory Board of Brenntag SE as the German One-Third Employee Participation Act (Drittelbeteiligungsgesetz) and the German Codetermination Act (Mitbestimmungsgesetz) are not applicable.

In the Supervisory Board's opinion, a suitable number of independent members is at least three. The Supervisory Board believes that all current members are to be regarded as independent as defined by the Code. The current composition of the Supervisory Board is in line with the self-imposed objectives and the profile of skills and expertise. The members of the Supervisory Board of Brenntag SE have been chosen for their professional qualifications, their knowledge and their particular experience. The members of the Supervisory Board as a whole are familiar with the business sector in which Brenntag operates and have the required experience. Independent members with expertise in the fields of accounting and auditing within the meaning of Section 100, para 5. of the German Stock Corporation Act (AktG) are Ulrich M. Harnacke, who is a Wirtschaftsprüfer (German public auditor) and tax consultant, and Doreen Nowotne by virtue of her business training, her work in the field of auditing and accounting as well as her many years as a member of the Audit Committee.

Further information on the members of the Supervisory Board can be found on the website at www.brenntag.com/supervisory_board.

SHARES HELD BY THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

On December 31, 2020, no member of the Board of Management or the Supervisory Board held share packages of Brenntag SE or financial instruments relating to such shares, which in each case exceed 1% of the shares issued by Brenntag SE 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

In the reporting year, 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. Furthermore, as was also the case in the previous years, in the reporting year there were no advisory or other service agreements and contracts for work between a member of the Supervisory Board and the company or the other consolidated subsidiaries. No member of the Board of Management has accepted more than a total of three offices in non-Group listed companies or on supervisory bodies of non-Group entities that make similar requirements. A detailed list of the offices 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".

REPORTABLE SECURITIES TRANSACTIONS OF BOARD OF MANAGEMENT AND SUPERVISORY BOARD MEMBERS

Pursuant to Section 26, para. 2 of the German Securities Trading Act (WpHG) in conjunction with Article 19 of the Regulation (EU) No. 596/2014, termed the 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 shares of Brenntag SE or related financial instruments if the value of the transactions which they have made in one calendar year reaches or exceeds EUR 20,000. Transactions reported in financial year 2020 were duly published and are available on Brenntag's website at www.brenntag.com/managers_transactions. Transactions in previous reporting periods were also duly published and can also be accessed at any time on the website of Brenntag SE.

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

TRANSPARENCY AND EQUAL TREATMENT THROUGH COMPREHENSIVE INFORMATION

Brenntag SE 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 SE, constant dialogue with its shareholders and potential investors is a matter of course. Communications with the capital market are handled by the Board of Management and the Investor Relations team. An overview of the various activities in this area can be found in the chapter "Brenntag on the Stock Market". In addition, in individual cases the Chairwoman of the Supervisory Board is available to discuss specific topics that fall within the scope of the Supervisory Board. As part of its transparent communications policy, Brenntag SE makes all material new information available to shareholders on its website without delay, 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

The General Shareholders' Meeting is the body in which the shareholders exercise their membership rights and, as shareholders, express the collective will of the company. As provided for by law and in the Articles of Association, the shareholders of Brenntag SE exercise their rights before or during the General Shareholders' Meeting and, in this respect, may also exercise their voting rights. Each share of Brenntag SE carries one vote in the General Shareholders' Meeting. The General Shareholders' Meeting resolves, among other things, on the appropriation of profit, the discharge of the Board of Management and of the Supervisory Board and on the election of the auditors. As a rule, the Chair 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 attendance is received by the company 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 2020 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 2021 ordinary General Shareholders' Meeting. To provide information for the shareholders, Brenntag SE 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 2021 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 SE. After the General Shareholders' Meeting, Brenntag SE also publishes attendance and the results of votes on the Internet.

Due to the special restrictions imposed by the COVID-19 pandemic in the financial year 2020, shareholders were, for the first time, only able to attend the General Shareholder's Meeting virtually. However, in accordance with the provisions of the German Covid-19 Emergency Act, shareholders had the opportunity to submit questions in advance to the Board of Management and Supervisory Board until two days before the meeting. All questions were answered at the General Shareholders' Meeting. Due to the restrictions imposed by the pandemic, it is expected that the next General Shareholders' Meeting in June 2021 will also be held in the same way.

ACCOUNTING AND FINANCIAL STATEMENT AUDITING

The consolidated financial statements of Brenntag SE are prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. The financial statements of Brenntag SE, 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 SE since the IPO in 2010 have been audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC). The audit is managed centrally by the PwC branch at Moskauer Str. 19, 40227 Düsseldorf. The undersigned statutory auditors are Christiane Lawrenz (2020 for the first time, both for the single-entity and consolidated financial statements) and Reza Bigdeli (since 2019 for the single-entity and 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 2020, it was again agreed with the statutory auditors that the Chairman of the Audit Committee would be informed immediately of any possible grounds for exclusion or bias arising during the audit insofar as they are not immediately eliminated, and that the auditors would report immediately on any findings or occurrences during the audit which have a significant bearing on the duties of the Supervisory Board. It was also agreed that the auditors would inform the Supervisory Board or make a note in the audit report of any facts ascertained during their examination that conflict with the declaration of conformity with the recommendations of the Government Commission "German Corporate Governance Code"; this declaration was issued by the Board of Management and Supervisory Board pursuant to Section 161 of the German Stock Corporation Act.

INFORMATION ON TARGETS FOR THE PERCENTAGE OF WOMEN AND DIVERSITY

In accordance with Section 111, para. 5 of the German Stock Corporation Act, Brenntag SE is required to set targets for the share of women on the Supervisory Board, Board of Management and on the first two management levels below the Board of Management. The Board of Management last set the target for the share of women on the only management level in the company below the Board of Management in 2017 at 30%. The deadline for implementing the target is June 30, 2022. As at December 31, 2020, there were three women on the only management level in the company below the Board of Management, making the proportion 25%.

The target for the share of women on the Supervisory Board in the reporting year was 33.3% and the target for the share of women on the Board of Management 0%. The Supervisory Board had also set these targets in 2017. Although the deadline for implementation of these targets was also June 30, 2022, the Supervisory Board passed a new resolution on the targets for the Supervisory Board and Board of Management on February 23, 2021. According to this resolution, the target for the share of women on the Supervisory Board remains 33.3%, and the target for the Board of Management is 20%. The deadline for implementation of these targets is January 31, 2026.

Since the resolution on the targets in 2017 and throughout the reporting year, there have been two women as members of the Supervisory Board, Doreen Nowotne and Stefanie Berlinger, so the share of women on the Supervisory Board was 33.3% over the entire period and still is. The percentage of women on the Board of Management from the date of the resolution on the target of 0% in 2017 until this report was prepared remained unchanged at 0%. Therefore, the targets set were achieved.

As the Supervisory Board believes that a target of 0% for the share of women on the Board of Management is no longer in keeping with the times, the Supervisory Board has now set the target of achieving a proportion of women on the Board of Management of at least 20% by the end of January 2026. The targets were chosen with a view to the relatively recent measures and internal initiatives to advance female managers. Our aim was not to set unrealistic targets. Nevertheless, the advancement of young women is a major priority at Brenntag. The percentage of women in management positions is also to be further improved by their participation in external programmes, such as the Initiative Women into Leadership. We are confident that this will enable us to set the targets higher in the long term and on a sustainable basis.

Naturally, the aforementioned targets do not rule out the possibility that the share of women will increase more than that. Before the above-mentioned deadline for implementation expires, the Supervisory Board and Board of Management will pass a resolution setting new targets. Apart from Brenntag SE, 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/women_in_management.

DIVERSITY POLICY OF THE SUPERVISORY BOARD

The Supervisory Board has stated concrete objectives regarding its composition and prepared a profile of skills and expertise for the entire Board. Accordingly, the composition of the Supervisory Board shall ensure that it can effectively monitor and advise the Board of Management and can perform its duties prescribed by law and by the Articles of Association in the best-possible way. In the situation specific to the company, the composition of the Supervisory Board adequately reflects the international activities of the company, an appropriate number of independent Supervisory Board members, in particular independent from customers, suppliers or other business partners of the company, diversity and an appropriate percentage of women.

The Supervisory Board's self-imposed objectives for its composition have been fully implemented with regard to the current composition of the Supervisory Board. They remain as follows:

- At least 15% of the members of the Supervisory Board shall have particularly great experience gained abroad. This experience may also have been gained in other industries.
- At least 50% of the members of the Supervisory Board shall not hold offices at customers', suppliers' or lenders' of the company.

- At least 50% of the members of the Supervisory Board shall be independent within the meaning of the Code.
- At least 33.3% of the seats on the Supervisory Board shall be filled by women.
- No member of the Supervisory Board shall continue to hold office beyond the close of the General Shareholders' Meeting following his / her 70th birthday.

The profile of skills and expertise for Supervisory Board members resolved in December 2017 remains valid and was applied to the Supervisory Board elections in 2020. It must be ensured that the entire Supervisory Board has the knowledge, skills and expertise required to perform their duties in the best-possible way. As a global chemical distributor, the essential skills and expertise in this sense include in particular practical and professional experience in the chemical industry and the distribution sector as well as knowledge and experience of strategic and organizational development and of the management of a large international company. This includes in particular expertise in mergers & acquisitions. As a listed company, Brenntag SE is subject to capital market regulations. Therefore, it is important that the entire Supervisory Board is familiar with the functioning of the capital market and the relevant laws as well as with the requirements of corporate governance, corporate social responsibility and compliance management. It shall be ensured that the Supervisory Board in its entirety has the necessary knowledge and experience in financial reporting and accounting for a listed company and is familiar with controlling and risk management systems in an international business environment. Finally, the Supervisory Board shall have special professional expertise regarding digitization trends and processes, particularly to the extent that these are relevant for the chemical distribution sector.

The diversity policy that is being pursued with respect to the composition of the Supervisory Board consists of the aforementioned targets for the composition of the Supervisory Board and the profile of skills and expertise for the entire Board. The targets mentioned comprise information on age and gender of the Supervisory Board members, but also on experience gained abroad. The profile of skills and expertise for the entire Board specifies the skills and expertise considered important by the Supervisory Board and sets the specific requirements, in particular with regard to educational and professional background. The diversity policy is being implemented inasmuch as the proposals to the General Shareholders' Meeting for the election of Supervisory Board members take both the fulfilment of the targets and in future also the profile of skills and expertise into consideration. In its current composition, the Supervisory Board fulfils the requirements of the diversity policy.

In the reporting period, the members of the Supervisory Board undertook training and professional development measures appropriate to their duties on the Board to enable them to best carry out their activities on the Supervisory Board. Training and development measures included the attendance of professional events, for example on financial reporting, or conferences on relevant topics.

DIVERSITY POLICY OF THE BOARD OF MANAGEMENT

The diversity policy that is being pursued with respect to the composition of the Board of Management comprises not only the above-mentioned target for the share of women but also an age limit of 65 for members of the Board of Management. When Board of Management member roles are filled, it is also ensured that at least one member worked in the chemical and / or chemical distribution industry, at least one member can prove professional experience gained abroad and at least one member has knowledge of financial reporting and accounting. The Supervisory Board takes these requirements into account when appointing new Board of Management members. Together with the Board of Management, the Supervisory Board ensures long-term succession planning that is geared to the company's interests. When appointing the new members of the Board of Management in financial year 2020, the Presiding and Nomination Committee took the above-mentioned criteria into consideration. The new members of the Board of Management in the reporting year, Dr Christian Kohlpaintner (CEO), Steven Terwindt and the further member joining the Board of Management on January 1, 2021, Ewout van Jarwaarde, were selected as new members in suitably well-structured processes. In its current composition, the Board of Management of Brenntag SE fulfils the requirements of the diversity policy.

MEMBERS OF THE BOARD OF MANAGEMENT

The members of the Board of Management hold the following offices on statutory supervisory boards and comparable supervisory bodies of business enterprises.

		Membership of statutory supervisory boards and comparable German and foreign supervisory bodies of business enterprises (as at December 31, 2020)	
Name	**First appointed**	**External positions**	**Group company positions**
Dr Christian Kohlpaintner Chief Executive Officer	January 1, 2020		
Karsten Beckmann	July 1, 2015 until August 31, 2020		• BRENNTAG GmbH • BRENNTAG SA (Chairman) • Brenntag Nederland B.V.
Markus Klähn	July 1, 2015 until July 31, 2020		
Georg Müller Chief Financial Officer	April 1, 2012		• BRENNTAG GmbH (Chairman)
Henri Nejade	July 1, 2015		• Brenntag (Shanghai) Enterprise Management Co., Ltd. • Brenntag Cangzhou Chemical Co., Ltd. • Brenntag (Zhangjiagang) Chemical Co., Ltd.
Steven Terwindt	August 1, 2020		
Ewout van Jarwaarde	January 1, 2021		

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

MEMBERS OF THE SUPERVISORY BOARD

The members of the Supervisory Board hold the following offices on statutory supervisory boards and comparable supervisory bodies of business enterprises.

Name	Position held	Member from	Membership of statutory supervisory boards and comparable German and foreign supervisory bodies of business enterprises (as at December 31, 2020)
Stefan Zuschke Chairman	Independent Business Consultant	March 3, 2010 until June 10, 2020	
Doreen Nowotne Chairwoman since June 10, 2020	Independent Business Consultant	March 3, 2010	• JENOPTIK AG • Lufthansa Technik AG • Franz Haniel & Cie. GmbH (Chairwoman)
Dr Andreas Rittstieg Deputy Chairman	Member of the Board of Management Hubert Burda Media Holding KG	March 19, 2010	• New Work SE • Hubert Burda Media Holding Geschäftsführung SE • Huesker Holding GmbH • Kühne Holding AG
Stefanie Berlinger	Managing Director Lilja & Co. GmbH	June 9, 2015	
Wijnand P. Donkers	Management Consultant	June 8, 2017	
Ulrich Harnacke	Chartered Accountant and Tax Consultant, Independent Business Consultant	June 8, 2017	• Vossloh AG • Thüga Holding GmbH & Co. KGaA • Zentis GmbH & Co. KG
Richard Ridinger	Independent Business Consultant	June 10, 2020	• Firmenich International SA • Evolva Holding AG • SHL Medical AG

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

COMBINED GROUP

MANAGEMENT REPORT

AND MANAGEMENT REPORT OF BRENNTAG SE

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GROUP OVERVIEW

Group Business Model

BUSINESS ACTIVITIES

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

Connecting chemical manufacturers (our suppliers) and chemical users (our customers), Brenntag provides complete distribution solutions rather than just chemical products. Brenntag purchases large-scale quantities of industrial and specialty chemicals and ingredients from a large number of suppliers, enabling the company to achieve economies of scale and offer a full-line range of 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 and ingredients at the one end and chemical and ingredients 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.

To enable it to best respond to its customers' and suppliers' diverse and changing requirements, the company has since January 1, 2021 been managed through two global segments: Brenntag Essentials and Brenntag Specialties. Brenntag Essentials markets a broad portfolio of process chemicals across a wide range of industries and applications. Brenntag Specialties focuses on selling ingredients and value-added services to the selected industries Nutrition, Pharma, Personal Care/HI&I (Home, Industrial & Institutional), Material Science (Coatings & Constructions, Polymers, Rubber), Water Treatment and Lubricants. Overall, Brenntag offers a broad product range comprising more than 10,000 chemicals and ingredients 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 chemical and ingredients 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 value chain as a whole.

GROUP STRUCTURE AND SEGMENTS

As the ultimate parent company, Brenntag SE is responsible for the strategy of the Group. In financial year 2020, the central functions of Brenntag SE were:

- Corporate Controlling, Corporate Finance, Corporate Accounting and Corporate Tax
- Corporate IT
- Corporate Investor Relations, Corporate Communications
- Corporate HSE (Health, Safety and Environment)
- Corporate Mergers & Acquisitions, Corporate Development, Corporate Risk Management
- Corporate Legal, Corporate Internal Audit and Compliance
- Global Human Resources.

In financial year 2020, the Brenntag Group was managed through geographically structured segments. In addition, all other segments combine the central functions for the entire Group and the activities with regard to the digitalization of our business (DigiB). The international operations of BRENNTAG International Chemicals GmbH, which buys and sells chemicals in bulk on an international scale without regional boundaries, are also included here.

For details of the scope of consolidation, please refer to the notes to the consolidated financial statements for the period ended December 31, 2020.

Objectives and Strategy

ConnectingChemistry

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

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

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

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

VISION, OBJECTIVES AND STRATEGY

Our vision illustrates how we aim 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 aim to be the safest chemical distributor and strive 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 and strive to attain leading positions in all our chosen markets and industries. We aim to offer the most professional sales and marketing organization in the industry and ensure consistently high standards every day, everywhere.
- We strive to provide a working environment where the best people want to work.
- We aim to generate sustainable and high returns for our shareholders and all other stakeholders.

Our goal is to further expand our position as global market leader in an agilely changing global market environment and lead our industry as the preferred partner for customers and suppliers.

We strive to extend our market leadership through sustainable organic growth and by continuously and systematically increasing profitability.

In addition, we continue to seek acquisition opportunities that support our strategy. Our strategic focus here is on expanding our presence in emerging markets in Asia Pacific in particular so as to capture the expected strong growth in demand for chemicals and ingredients in these regions. In the established markets of Western Europe and North America, our acquisition strategy focuses on steadily optimizing our product and service portfolio.

SUSTAINABILITY

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

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

We are committed to the principles of responsible care and responsible distribution as well as the principles of the UN Global Compact. We are also a member of "Together for Sustainability" (TfS), an industry initiative that aims to enhance sustainability across the chemical industry's entire supply chain. Detailed information on our sustainability management is provided in our latest sustainability report and in the "Health, Safety and Environmental Protection, Quality Management" chapter of the 2020 Financial Report.

Transformation Programme "Project Brenntag"

At the beginning of 2020, we launched "Project Brenntag" with a view to laying strong foundations for future organic earnings growth. Through this broad transformation programme, we aim to adopt a more focused approach to our market activities, build stronger partnerships with our customers and suppliers, and reduce complexity. The core elements are the new operating model comprising two global segments with a strong focus on customer and supplier requirements, a distinct go-to-market approach derived from that, (infra-)structural topics as well as supporting people and change management measures.

Building on our strengths as the leading full-line distributor, we have, since the beginning of 2021, been managing Brenntag through two global segments: Brenntag Essentials and Brenntag Specialties. With this new operating model, we are setting the course for Brenntag's successful future development by sharpening our profile in relevant industry segments and better serving our customers' and suppliers' requirements.

As an agile, lean and efficient distribution partner at local level, Brenntag Essentials markets a broad portfolio of process chemicals across a wide range of industries and applications. In this segment, we benefit in particular from our local market knowledge and our reach. This allows us to make targeted use of our economies of scale. Brenntag Specialties is geared to expanding our market position as the leading supplier of specialty chemicals in six selected focus industries worldwide: Nutrition, Pharma, Personal Care/HI&I (Home, Industrial & Institutional), Material Science (Coatings & Constructions, Polymers, Rubber), Water Treatment and Lubricants. These focus industries are large, globally relevant sectors that offer significant potential for end-to-end solutions as well as our excellent technical and application-related expertise and are subject to high regulatory requirements.

Through the new operational set-up, we aim to serve our business partners faster, better and more comprehensively by concentrating even more closely on their changed requirements. Under the Brenntag umbrella, both segments will work equally towards strengthening and expanding our position as global market leader in the distribution of specialty chemicals and as a full-line distributor.

Our new operating model is complemented by a distinct go-to-market approach with globally harmonized and advanced customer segmentation and a focused sales organization geared to customer requirements. To enable us to operate and manage even faster and more efficiently worldwide, we have also combined all business support functions in central, global units.

We see further potential in optimizing our global site network and improving its capacity utilization. While maintaining our global reach as well as a high level of service quality and reliability, we will consolidate our site network, strengthen regional hubs, establish new sites and thus provide better, simpler and more efficient customer support. This network optimization also envisages the closure of approximately 100 sites worldwide over the coming years. Our optimized site network will allow us to improve our efficiency, leverage economies of scale across areas of business and products, and increase proximity to our business partners. By reducing both the distance to the customer and transport requirements, we will also lower CO_2 emissions and improve our environmental footprint.

Our people measures are centred on extensive employee skills enhancement and personal growth in alignment with the company's transformation and on targeted succession planning. Through "Project Brenntag", we will promote global collaboration, establish a new management culture and enable our employees to take on new roles. We will best position the Brenntag brand in the employment market so as to recruit and retain highly qualified employees.

The comprehensive transformation programme is expected to deliver a sustainable additional contribution to operating EBITDA, reaching the full annual potential of EUR 220 million in total in 2023. The total net cash outflow associated with "Project Brenntag" is expected to amount to around EUR 370 million. By the end of 2022, the programme's implementation will lead to a reduction of about 1,300 jobs in total worldwide.

Financial Management System

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

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

The financial management system may be expanded to include additional performance indicators in the course of the Brenntag Group's restructuring.

OPERATING GROSS PROFIT

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

OPERATING EBITDA

The key indicator and measure for the financial performance of the Brenntag Group is operating EBITDA. We use this indicator to manage the segments, as it reflects the performance of our business operations well and is a key component of cash flow. Our aim is to continually grow operating EBITDA throughout the business cycle. It is the operating profit as recorded in the consolidated income statement plus amortization of intangible assets and depreciation of property, plant and equipment, right-of-use assets and investment property, adjusted for certain items.

Brenntag adjusts operating EBITDA for holding charges and for income and expenses arising from special items so as to improve comparability in presenting the performance of its business operations over multiple reporting periods and explain it more appropriately. Holding charges are certain costs charged between holding companies and operating companies. At Group level, these effects net to zero. Special items are income and expenses outside ordinary activities that have a special and material effect on the results of operations.

CASH GENERATION

Free cash flow is defined as follows:

	Operating EBITDA
–	other additions to property, plant and equipment/ intangible assets (capex)
+/–	changes in working capital
–	principal and interest payments on lease liabilities
=	free cash flow

Working capital is defined as trade receivables plus inventories less trade payables. Free cash flow is an important performance indicator for us, as it shows what level of cash is generated from operating activities and will therefore be available for growth through acquisitions as well as for lenders, shareholders and tax payments.

ADDITIONAL PERFORMANCE INDICATORS

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

In the Brenntag Group, we measure return on capital using the indicator return on capital employed (ROCE). ROCE is defined as:

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

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

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

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

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

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

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

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

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

ADJUSTMENT FOR EXCHANGE RATE EFFECTS

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

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

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

REPORT ON ECONOMIC POSITION

Economic Environment

In the first half of 2020, the global economy was in severe recession as a result of the COVID-19 pandemic and, measured by global industrial production, suffered a contraction. In the third quarter, the situation in many individual economies increasingly eased and overall demand rose again as the measures aimed at containing the pandemic were gradually relaxed. In the fourth quarter, however, this global recovery was held in check by another strong rise in infection numbers and the related restrictions and business closures. Overall, the COVID-19 pandemic had a substantial adverse effect on the global economy in financial year 2020. Compared with the previous year, global industrial production contracted by around 4.2%. The Global Manufacturing Purchasing Managers' Index (PMI) increasingly recovered towards the end of the year, however, and in December 2020 stood at 53.8, a reading well above the 50 neutral mark.

In Europe, the slow economic recovery that began in the third quarter was halted by the second corona wave at the end of the year. Overall, industrial production fell by around 7.8% year on year in financial year 2020. It was a similar picture in the USA, where a roughly 6.8% decline in industrial production was recorded in financial year 2020. The Latin American economy was likewise negatively impacted by the pandemic as well as by continuing structural and political uncertainty in financial year 2020. Overall, industrial production in Latin America showed a significant decline of around 8.8% year on year. Industrial production across the Asian economies (excluding China) also failed to grow in financial year 2020 and was down by around 3.1% on the previous year. China, on the other hand, was the only region worldwide to see a positive trend in industrial production after making a rapid recovery from the pandemic; it achieved economic growth of around 2.0% year on year in financial year 2020.

Business Performance

MAJOR EVENTS IMPACTING ON BUSINESS IN 2020

In early January 2020, Brenntag acquired all shares in Hong Kong, Dongguan Zhongrong Investment Co Limited, Hong Kong, and its subsidiary ZhongYung (GuangDong) Chemicals Distribution Service Co. Ltd based in Dongguan, China. The acquired storage capacity and the location in the province of Guangdong, one of China's largest economic regions, will enhance Brenntag's position in the South China market and enable it to provide more value-added services to customers and suppliers.

At the ordinary General Shareholders' Meeting on June 10, 2020, shareholders resolved to change Brenntag AG's legal form to a European company (Societas Europaea, SE). The change became effective upon its entry in the Commercial Register on February 1, 2021. As this change took place before this combined management report was prepared, the company is referred to throughout this report by its current trading name, Brenntag SE.

At its meeting on June 10, 2020, the Supervisory Board of Brenntag SE unanimously elected Doreen Nowotne to serve as its new Chairwoman. Ms Nowotne thus succeeded Stefan Zuschke, who had chaired the Supervisory Board of Brenntag SE since March 2010 and decided not to seek re-election. In addition, Richard Ridinger was elected as a new member of the Supervisory Board of Brenntag SE.

At the end of September 2020, Brenntag announced its future new operating model. Since January 1, 2021, the company has been managed through two global segments: Brenntag Essentials and Brenntag Specialties. The new operating model is a core element of the transformation programme, "Project Brenntag". This is intended to lay the foundations for sustainable organic earnings growth in a rapidly changing global market environment. In line with the new operating model, two roles of Chief Operating Officer (COO) were also introduced. While Steven Terwindt assumes responsibility for Brenntag Essentials as COO, Henri Nejade is COO in charge of Brenntag Specialties. Since January 1, 2021, Ewout van Jarwaarde has completed the Board of Management line-up. He takes up the newly created position of Chief Transformation Officer (CTO) with effect from January 1, 2021 and is responsible for the implementation of the company's global transformation programme, "Project Brenntag". Among other matters, Ewout van Jarwaarde is also responsible for functional excellence, digital and data-driven business opportunities, and the development of the Group-wide IT and indirect procurement functions.

STATEMENT BY THE BOARD OF MANAGEMENT ON BUSINESS PERFORMANCE

The Brenntag Group generated operating EBITDA of EUR 1,057.7 million in financial year 2020, an increase of 5.6% on the prior-year figure. On a constant currency basis, this represents earnings growth of 8.3%.

In financial year 2020, our business activities were impacted by a challenging market environment and practical challenges presented by the effects of the COVID-19 pandemic. The extensive measures taken to protect our employees and business partners and the systematic conversion of our processes at the beginning of the pandemic continue to yield results. Operating activities were almost fully maintained throughout financial year 2020. This is reflected in our financial results and demonstrates the resilience of our business model. In a market environment that remained difficult, we once again generated very good operating EBITDA and strong free cash flow in financial year 2020.

The challenging market environment was reflected primarily in falling volumes in almost all regions. However, we were able to largely offset the drop in volumes through a strong performance in terms of operating gross profit per unit in financial year 2020. In our EMEA segment, the higher operating gross profit per unit fully offset the drop in volumes, enabling us to increase our earnings significantly. Among other factors, higher margins were achieved in some segments of industry against the background of the COVID-19 pandemic. In the North America segment, the continuing weakness in our business with customers in the oil and gas industry and the economic impact of the COVID-19 pandemic on other segments of industry led to a clear downturn in operating gross profit. Through rigorous cost control measures, we were able to limit the effects on earnings in North America. In our Latin America segment, we benefited from strong operating gross profit per unit and were able to achieve significant year-on-year earnings growth in financial year 2020. Following a difficult second quarter of 2020 due to the effects of the COVID-19 pandemic, we achieved a strong increase in earnings in Asia Pacific over the further course of financial year 2020. This was supported in particular by the recovery in China and India, which initially were severely affected by the economic impact of the pandemic, as well as by continued strong earnings in Vietnam.

The expenses of EUR 47.2 million for "Project Brenntag" were reported below operating EBITDA. It was possible to offset these expenses at the profit after tax level.

At the end of financial year 2020, working capital was down significantly on the 2019 year-end figure. Despite supply chain challenges in the course of the COVID-19 pandemic, measures such as those under "Project Brenntag" to improve our working capital management are yielding results. Annualized working capital turnover was higher year on year.

Capital expenditure in financial year 2020 was down on the prior-year figure. The aim of our investing activities was to maintain our existing infrastructure and expand it through targeted growth projects.

The performance in operating EBITDA, working capital and capital expenditure results in an exceptionally strong free cash flow that supports our financial flexibility in a difficult market environment. Overall, the free cash flow achieved in financial year 2020 is up significantly on the prior-year figure.

The financial year was shaped by the work to overcome the challenges presented by the COVID-19 pandemic. The swift conversion of our business processes at the beginning of the pandemic and maintaining our delivery capability paid off. We also coped well with the negative macroeconomic effects of the pandemic. In addition, on "Project Brenntag", we worked rigorously on the Group's repositioning and took key decisions regarding the new operating model which are already in the implementation phase. Despite all the challenges, we increased our earnings again in financial year 2020 and are very satisfied with the 2020 results.

Results of Operations

BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

in EUR m	2020	2019	Change abs.	Change in %	Change in % (fx adj.)[1]
Sales	11,775.8	12,821.8	−1,046.0	−8.2	−6.0
Operating gross profit	2,850.4	2,821.7	28.7	1.0	3.3
Operating expenses	−1,792.7	−1,820.2	27.5	−1.5	0.5
Operating EBITDA	**1,057.7**	**1,001.5**	**56.2**	**5.6**	**8.3**
Net income / expense from special items	−47.2	8.6	−55.8	–	–
Depreciation of property, plant and equipment and right-of-use assets	−252.4	−243.6	−8.8	3.6	5.5
EBITA	758.1	766.5	−8.4	−1.1	1.6
Amortization of intangible assets	−45.1	−49.6	4.5	−9.1	−7.2
Net finance costs	−79.7	−83.5	3.8	−4.6	–
Profit before tax	633.3	633.4	−0.1	0.0	–
Income tax expense	−159.5	−164.2	4.7	−2.9	–
Profit after tax	473.8	469.2	4.6	1.0	–

B.01 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

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

The Brenntag Group generated **sales** of EUR 11,775.8 million in financial year 2020, a decline of 8.2% compared with the previous year. On a constant currency basis, sales were down by 6.0% on the prior-year figure. Against the background of the growing impact of the COVID-19 pandemic on the global economy, this is due primarily to a fall in volumes and slightly lower average sales prices per unit.

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

The Brenntag Group generated **operating gross profit** of EUR 2,850.4 million in financial year 2020, an increase of 1.0% on the prior-year figure. On a constant currency basis, operating gross profit was up by 3.3% year on year. This is attributable mainly to a sound performance in terms of operating gross profit per unit in financial year 2020.

The Brenntag Group's **operating expenses** amounted to EUR 1,792.7 million in financial year 2020, a decrease of 1.5% compared with financial year 2019. On a constant currency basis, operating expenses were roughly in line with the prior-year figure. Among other costs, transport expenses were lower than in the previous year due to targeted cost control and the fall in volumes.

The Brenntag Group achieved **operating EBITDA** of EUR 1,057.7 million overall in financial year 2020, an increase of 5.6% on the prior-year figure. On a constant currency basis, we achieved double-digit growth rates in the EMEA, Latin America and Asia Pacific segments, which resulted in earnings growth of 8.3% at Group level.

Depreciation of property, plant and equipment, depreciation of right-of-use assets and **amortization** of intangible assets amounted to EUR 297.5 million in financial year 2020, with depreciation of property, plant and equipment and right-of-use assets accounting for EUR 252.4 million and amortization of intangible assets for EUR 45.1 million. Compared with financial year 2019, we recorded an increase in total depreciation and amortization of EUR 4.3 million.

Net finance costs amounted to EUR 79.7 million in financial year 2020 (2019: EUR 83.5 million). The positive change in net finance costs is attributable mainly to a clear improvement in net interest expense to EUR 66.4 million (2019:

EUR 90.0 million), which primarily reflects the impact of the various measures taken by central banks in connection with the COVID-19 pandemic on general interest rate levels. This positive change is set against two offsetting effects. Firstly, expenses arising on the translation of foreign currency receivables and liabilities were higher than in financial year 2019. In addition, positive one-time income recognized in the previous year in connection with acquisitions and with refunds of social security charges in Brazil is no longer included, resulting in a further offsetting effect.

Income tax expense fell by EUR 4.7 million year on year to EUR 159.5 million in financial year 2020.

Profit after tax came to EUR 473.8 million in financial year 2020 (2019: EUR 469.2 million).

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

in EUR m	2020	2019
Expenses in connection with "Project Brenntag" / programmes to increase efficiency	−47.2	−0.4
Refund of social security charges paid in previous years in Brazil	–	9.3
Subsequent purchase price adjustment for Biosector	–	−0.3
Net income / expense from special items	**−47.2**	**8.6**

B.02 NET INCOME / EXPENSE FROM SPECIAL ITEMS

Special items include the costs for "Project Brenntag" as well as expenses to increase our efficiency resulting from specific initiatives worldwide. On "Project Brenntag", various areas of the Group were analyzed in detail and a comprehensive plan was developed for implementing the resulting conclusions and specific initiatives.

			Change	
in EUR m	2020	2019	abs.	in %
EBITA	758.1	766.5	−8.4	−1.1
Average carrying amount of equity	3,582.9	3,427.3	155.6	4.5
Average carrying amount of financial and lease liabilities	2,453.0	2,581.3	−128.3	−5.0
Average carrying amount of cash and cash equivalents	−654.1	−430.8	−223.3	51.8
ROCE	**14.1%**	**13.7%**	**–**	**–**
ROCE before special items	**15.0%**	**13.6%**	**–**	**–**

B.03 RETURN ON CAPITAL EMPLOYED (ROCE)

The Brenntag Group posted **ROCE** of 14.1% in financial year 2020, a rise of 0.4 percentage points compared with the previous year. This change is due mainly to the significant increase in cash and cash equivalents and was supported additionally by the decline in the carrying amount of financial and lease liabilities. ROCE before special items was 15.0% in financial year 2020 (2019: 13.6%).

BUSINESS PERFORMANCE IN THE SEGMENTS

2020 in EUR m	**Brenntag Group**	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	11,775.8	5,027.5	4,191.0	819.4	1,434.0	303.9
Operating gross profit	2,850.4	1,235.7	1,124.8	186.6	282.5	20.8
Operating expenses	−1,792.7	−759.8	−690.4	−123.1	−158.7	−60.7
Operating EBITDA	**1,057.7**	**475.9**	**434.4**	**63.5**	**123.8**	**−39.9**

B.04 BUSINESS PERFORMANCE IN THE SEGMENTS

EMEA (Europe, Middle East & Africa)

			Change		
in EUR m	**2020**	**2019**	abs.	in %	in % (fx adj.)
External sales	5,027.5	5,237.7	−210.2	−4.0	−2.7
Operating gross profit	1,235.7	1,141.6	94.1	8.2	9.4
Operating expenses	−759.8	−735.3	−24.5	3.3	4.2
Operating EBITDA	**475.9**	**406.3**	**69.6**	**17.1**	**19.0**

B.05 BUSINESS PERFORMANCE IN THE SEGMENTS / EMEA

The EMEA segment generated **external sales** of EUR 5,027.5 million in financial year 2020, a decline of 4.0% compared with the previous year. On a constant currency basis, external sales were down by 2.7% on the prior-year figure. The decline is due to lower volumes against the background of the impact of the COVID-19 pandemic on the European economy.

The **operating gross profit** generated by the companies in the EMEA segment rose by 8.2% year on year to EUR 1,235.7 million in financial year 2020. On a constant currency basis, this represents a rise of 9.4%. The growth in operating gross profit achieved in our EMEA segment was driven mainly by higher operating gross profit per unit, which more than offset the decline in volumes. Higher margins achieved in some segments of industry in connection with the COVID-19 pandemic were among the positive contributors to this performance.

The EMEA segment posted **operating expenses** of EUR 759.8 million in financial year 2020, a rise of 3.3% compared with financial year 2019. On a constant currency basis, this represents an increase of 4.2% due in part to higher personnel expenses in connection with acquisition-driven growth and higher variable remuneration against the background of the good business performance in financial year 2020. In addition, we awarded special payments to employees in connection with COVID-19 as a special token of appreciation for their service.

The companies in the EMEA segment achieved **operating EBITDA** of EUR 475.9 million in financial year 2020, a significant increase of 17.1% compared with the previous year. On a constant currency basis, this represents strong growth of 19.0%. This extremely positive performance is due mainly to very encouraging organic growth.

North America

in EUR m	2020	2019	Change abs.	Change in %	Change in % (fx adj.)
External sales	4,191.0	4,787.1	−596.1	−12.5	−10.6
Operating gross profit	1,124.8	1,216.8	−92.0	−7.6	−5.6
Operating expenses	−690.4	−742.0	51.6	−7.0	−5.0
Operating EBITDA	**434.4**	**474.8**	**−40.4**	**−8.5**	**−6.6**

B.06 BUSINESS PERFORMANCE IN THE SEGMENTS / NORTH AMERICA

The North America segment generated **external sales** of EUR 4,191.0 million in financial year 2020, a decline of 12.5% compared with financial year 2019, or 10.6% on a constant currency basis. This is attributable to a fall in volumes and slightly lower average sales prices per unit, which is due in particular to declines in our business with customers in the oil and gas and the lubricants industries as well as the impact of the COVID-19 pandemic on the North American economy.

The **operating gross profit** generated by the North American companies fell by 7.6% year on year to EUR 1,124.8 million in financial year 2020. On a constant currency basis, this represents a decrease of 5.6% compared with the strong previous year. This is due mostly to declines in our business with customers in the oil and gas industry and the lubricants industry.

At EUR 690.4 million in financial year 2020, **operating expenses** in the North America segment were down by 7.0% on the prior-year figure. On a constant currency basis, this represents a decrease in operating expenses of 5.0% achieved through systematic cost control on a number of items, particularly personnel, energy and transport expenses.

The North American companies achieved **operating EBITDA** of EUR 434.4 million in financial year 2020, a decrease of 8.5% on the prior-year figure. On a constant currency basis, this represents a decline of 6.6% in financial year 2020. This is due mainly to the aforementioned difficulties in the oil and gas industry and the lubricants industry. However, those declines were partly offset by positive contributions to earnings in the other industries.

Latin America

in EUR m	2020	2019	Change abs.	Change in %	Change in % (fx adj.)
External sales	819.4	854.2	−34.8	−4.1	6.0
Operating gross profit	186.6	177.0	9.6	5.4	16.6
Operating expenses	−123.1	−121.1	−2.0	1.7	11.8
Operating EBITDA	**63.5**	**55.9**	**7.6**	**13.5**	**26.9**

B.07 BUSINESS PERFORMANCE IN THE SEGMENTS / LATIN AMERICA

The Latin America segment generated **external sales** of EUR 819.4 million in financial year 2020, a fall of 4.1% compared with the previous year. On a constant currency basis, however, this represents an increase of 6.0% attributable in particular to higher volumes related to our acquisition, Quimisa S.A. in Brazil.

Despite the economic challenges associated with the COVID-19 pandemic, the **operating gross profit** achieved by the Latin American companies was up by 5.4% on the prior-year figure to EUR 186.6 million in financial year 2020. On a constant currency basis, it showed a significant increase of 16.6%. We benefited here from higher operating gross profit per unit.

Operating expenses in the Latin America segment amounted to EUR 123.1 million in financial year 2020, an increase of 1.7% on the prior-year figure. On a constant currency basis, operating expenses rose by 11.8% due in part to higher personnel and transport costs. This rise in costs was driven mainly by the acquisition closed.

The Latin American companies posted **operating EBITDA** of EUR 63.5 million overall in financial year 2020, an increase of 13.5% on the prior-year figure. On a constant currency basis, operating EBITDA rose by 26.9%. This growth is almost entirely organic. We have therefore once again demonstrated our resilience against the background of the impact of the COVID-19 pandemic on the Latin American economy and the already-high level of volatility in the region.

Asia Pacific

			Change		
in EUR m	**2020**	**2019**	abs.	in %	in % (fx adj.)
External sales	1,434.0	1,534.4	–100.4	–6.5	–3.9
Operating gross profit	282.5	266.8	15.7	5.9	8.9
Operating expenses	–158.7	–165.7	7.0	–4.2	–1.4
Operating EBITDA	**123.8**	**101.1**	**22.7**	**22.5**	**25.9**

B.08 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC

External sales in the Asia Pacific segment fell by 6.5% year on year to EUR 1,434.0 million in financial year 2020. On a constant currency basis, this represents a decline in sales of 3.9% due to lower volumes against the background of the impact of the COVID-19 pandemic on the Asian economies.

The Asia Pacific segment generated **operating gross profit** of EUR 282.5 million in financial year 2020, an increase of 5.9% compared with the previous year. On a constant currency basis, operating gross profit rose by 8.9%. The achieved growth in operating gross profit is due primarily to substantially higher operating gross profit per unit, which more than offset the decline in volumes.

The **operating expenses** of the companies in the Asia Pacific segment fell by 4.2% year on year, or 1.4% on a constant currency basis, to EUR 158.7 million in financial year 2020. The decrease in operating costs is due in particular to lower travel costs.

The companies in the Asia Pacific segment generated **operating EBITDA** of EUR 123.8 million in financial year 2020, an increase of 22.5% on financial year 2019. On a constant currency basis, this represents a rise of 25.9%. This significant increase in operating EBITDA is due mostly to organic growth. China and India, which initially were severely affected by the economic impact of the pandemic, recovered in the course of financial year 2020 and achieved high growth rates. Both of these countries therefore made a positive contribution to the growth in earnings. In addition, Vietnam continued the strong growth seen in recent years and likewise made a positive contribution to earnings in Asia Pacific.

All other segments

in EUR m	2020	2019	Change abs.	Change in %	Change in % (fx adj.)
External sales	303.9	408.4	–104.5	–25.6	–25.6
Operating gross profit	20.8	19.5	1.3	6.7	6.7
Operating expenses	–60.7	–56.1	–4.6	8.2	8.2
Operating EBITDA	**–39.9**	**–36.6**	**–3.3**	**9.0**	**9.0**

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

The operating EBITDA generated by BRENNTAG International Chemicals GmbH, the only operating company within all other segments, was up on the prior-year figure in financial year 2020.

The operating expenses posted by the holding companies in the same period were higher year on year. This is due in part to the further development of our IT systems and our digitalization strategy, DigiB.

Overall, the operating EBITDA of all other segments was down by EUR 3.3 million on the prior-year figure to EUR –39.9 million in financial year 2020.

FORECAST / ACTUAL COMPARISON

In the following, we only comment on performance compared with the forecast published in last year's financial report where it differs from that forecast.

Given the global impact of the COVID-19 pandemic on the economy, we are very satisfied with our operating EBITDA performance. This earnings forecast is inclusive of the contribution from the acquisitions closed and adjusted for foreign currency translation effects. In light of the exceptionally high level of uncertainty over the effects of the COVID-19 pandemic on our business performance over the further course of the year, we took the decision in April 2020 to suspend our forecast for the current financial year. During the first half of 2020, the impact of the COVID-19 pandemic on our financial results was evident mainly on the sales side. In the second half of the year, this continued at a slightly improved level. However, we very swiftly adapted our business processes to the new conditions and were able to offset the impact on our operating gross profit performance through higher operating gross profit per unit in particular. We also implemented rigorous cost control measures and were thus able to increase our earnings in all quarters of the year. In September, we published a new forecast for 2020 in light of this performance, anticipating that we would achieve operating EBITDA of between EUR 1,000.0 million and EUR 1,040.0 million for financial year 2020. At year-end, the Brenntag Group achieved operating EBITDA of EUR 1,057.7 million, putting it slightly above the upper end of the forecast range. Contrary to our initial expectation, the increase in operating EBITDA in our EMEA segment was well above that at Group level, whereas in North America we posted a significantly lower growth rate. In our two smaller segments, Latin America and Asia Pacific, the growth forecast for operating EBITDA was well above that at Group level. Overall, we were able to exceed this forecast for both segments and, ultimately therefore, operating EBITDA in the Latin America and Asia Pacific segments surpassed the growth at Group level by a significant margin.

At the beginning of financial year 2020, we expected the growth in operating gross profit achieved by the Brenntag Group to be in line with the anticipated increase in operating EBITDA. Due to the cost control measures that we implemented, we achieved stronger growth in operating EBITDA than in operating gross profit. We were therefore unable to fully meet the forecast for operating gross profit. Relative to operating EBITDA, operating gross profit was well below forecast. Our expectation for the EMEA segment at that time was for an increase in operating gross profit roughly in line with the Group average. We were able to exceed this forecast by a clear margin. However, the North America segment was unable to contribute to the increase in operating gross profit as originally forecast. Its growth rate was well below the increase in operating gross profit at Group level.

In the prior-year forecast, we expected an increase in working capital and thus predicted that free cash flow would be significantly lower than the very high free cash flow in 2019. Working capital was in fact significantly lower than forecast. Due especially to this change in working capital, the free cash flow forecast was exceeded by a significant margin.

Financial Position

CAPITAL STRUCTURE

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

The most important component in the financing structure of Brenntag SE is the Group-wide syndicated loan agreement. The syndicated loan totalling the equivalent of EUR 1.4 billion has a term ending in January 2024. It is based on variable interest rates with margins depending on leverage, and is divided into different tranches with different currencies. Total liabilities (excluding accrued interest and before offsetting of transaction costs) under the syndicated loan amounted to EUR 479.0 million as at December 31, 2020. The loan agreement also contains two revolving credit facilities. The first revolving credit facility totalling EUR 340.0 million was fully drawn down until the end of the third quarter of 2020 and was then repaid in the final quarter of the year due to the company's good liquidity position. The facility is now fully available again for new drawdowns. The second revolving credit facility totalling EUR 600.0 million was mostly unused as at December 31, 2020. In total, therefore, unused revolving credit facilities amounted to almost EUR 940.0 million as at the reporting date. While some of our subsidiaries are direct borrowers under the loan, others obtain their financing from intra-Group loans. The syndicated loan is guaranteed by Brenntag SE.

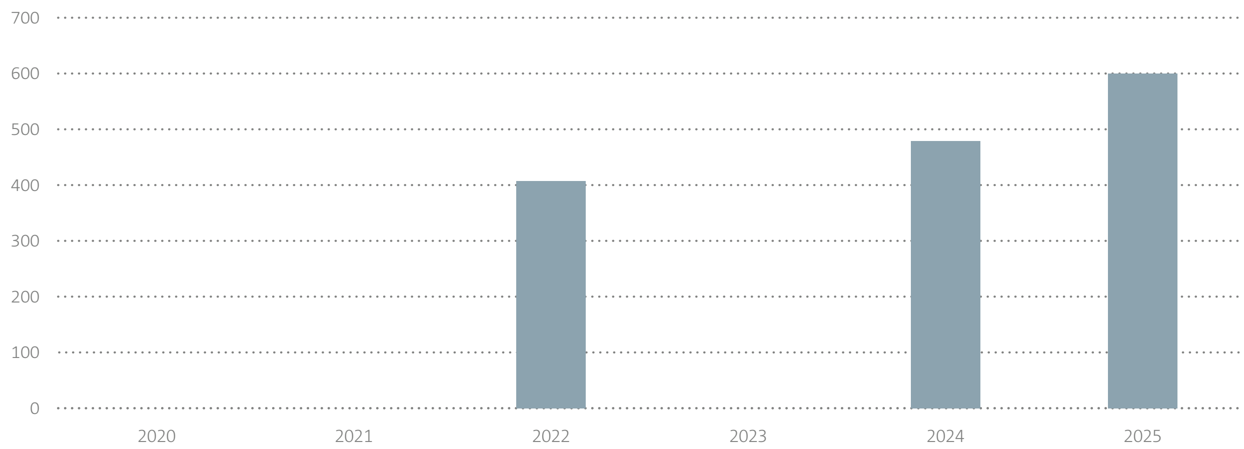
In September 2017, Brenntag Finance B.V. issued a EUR 600 million bond (Bond 2025) maturing in 2025 and bearing a coupon of 1.125% with interest paid annually. Furthermore, in November 2015, Brenntag Finance B.V. issued a bond with warrant units in the amount of USD 500.0 million maturing in December 2022. The bond (Bond (with Warrants) 2022) was issued at 92.7% of par and bears a coupon of 1.875% p.a. with interest payable semi-annually. The interest expense from the Bond (with Warrants) 2022 comprises the aforementioned interest payments and the ongoing amortization of the discount. The discount (7.3% or USD 36.5 million) is the warrant premium on the warrants issued together with the Bond (with Warrants) 2022 to purchase Brenntag SE shares. Each of the bonds issued by Brenntag Finance B.V. is guaranteed by Brenntag SE.

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

Due to the two fixed-rate bonds, approximately 60% of the Brenntag Group's financial liabilities are currently hedged against the risk of interest rate increases.

According to our short- and mid-term financial planning, the capital requirements for operating activities, investments in property, plant and equipment, outflows in connection with "Project Brenntag", and dividends and acquisitions in the size of past practice are expected to be covered by the cash provided by operating activities and the aforementioned existing credit facilities. To cover short-term liquidity requirements and for general corporate purposes, we likewise have the aforementioned credit facilities under the syndicated loan.

Maturity profile of our credit portfolio[1] as at December 31, 2020 in EUR m:



B.10 MATURITY PROFILE OF OUR CREDIT PORTFOLIO

[1] Syndicated loan, Bond (with Warrants) 2022 and Bond 2025 excluding accrued interest and transaction costs.

INVESTMENTS

In financial year 2020, investments in property, plant and equipment and intangible assets (excluding additions from acquisitions) led to a total cash outflow of EUR 199.1 million (2019: EUR 204.0 million).

We regularly invest in the maintenance, replacement and extension of the infrastructure necessary to perform our services, comprising warehouses, offices, trucks and vehicles of our field service as well as IT hardware for various systems. As the market leader and a responsible chemical distributor, we attach importance to ensuring that our property, plant and equipment meet comprehensive health, safety and environmental requirements.

Notable examples among a vast number of investments include two projects in China entailing an investment volume of EUR 20.4 million in 2020: Cangzhou, in Hebei Province, and Zhangjiagang, in Jiangsu Province. The construction of the two sites will support further growth in China and meet the latest safety standards and requirements. In 2020, investments for the Cangzhou site amounted to EUR 12.5 million and investments for Zhangjiagang to EUR 7.9 million.

Investments in intangible assets of EUR 45.8 million relate mainly to digitalization and the expansion of our IT infrastructure in the EMEA and Latin America segments.

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

LIQUIDITY

Cash flow

in EUR m	2020	2019
Net cash provided by operating activities	**1,219.0**	**879.3**
Net cash used in investing activities	**−224.1**	**−372.2**
of which payments to acquire consolidated subsidiaries, other business units and other financial assets	−46.6	−195.4
of which payments to acquire intangible assets and property, plant and equipment	−199.1	−204.0
of which proceeds from divestments	21.6	27.2
Net cash used in financing activities	**−735.6**	**−383.4**
of which dividends paid to Brenntag shareholders	−193.1	−185.4
of which repayments of / proceeds from borrowings	−541.0	−196.5
of which other financing activities	−1.5	−1.5
Change in cash and cash equivalents	**259.3**	**123.7**

B.11 CASH FLOW

Net cash provided by operating activities of EUR 1,219.0 million was influenced by the decline in working capital of EUR 325.0 million, which was much stronger than in the previous year.

Of the net cash of EUR 224.1 million used in investing activities, EUR 199.1 million comprised payments to acquire intangible assets and property, plant and equipment. Payments to acquire consolidated subsidiaries and other business units included, among other items, the purchase price for the shares in Hong Kong, Dongguan Zhongrong Investment Co Limited, Hong Kong, and its subsidiary ZhongYung (GuangDong) Chemicals Distribution Service Co. Ltd based in Dongguan, China.

Net cash used in financing activities amounted to EUR 735.6 million and related primarily to the repayment in full of the revolving tranche of the syndicated loan in the amount of EUR 340.0 million. Besides the EUR 193.1 million dividend payment to Brenntag shareholders, the remainder of the net cash outflow was mainly the result of local bank loans taken out and repaid as well as lease liabilities repaid.

Free cash flow

in EUR m	2020	2019	Change abs.	Change in %
Operating EBITDA	1,057.7	1,001.5	56.2	5.6
Investments in non-current assets (capex)	−201.9	−205.2	3.3	−1.6
Change in working capital	325.0	161.7	163.3	101.0
Principal and interest payments on lease liabilities	−126.2	−120.7	−5.5	4.6
Free cash flow	**1,054.6**	**837.3**	**217.3**	**26.0**

B.12 FREE CASH FLOW

The Brenntag Group's free cash flow amounted to EUR 1,054.6 million in financial year 2020, a significant rise of 26.0% on the previous year. This strong rise in a very difficult market environment demonstrates yet again the resilience of our business model.

The strong growth in free cash flow is attributable mainly to the much higher net inflow of liquidity due to the stronger decrease in working capital compared with the previous year. This was supported in part by an improvement in our working capital turnover. The increase in operating EBITDA in financial year 2020 and the slight year-on-year decrease in capital expenditure also contributed to the rise in free cash flow.

Financial and Assets Position

in EUR m	Dec. 31, 2020 abs.	Dec. 31, 2020 in %	Dec. 31, 2019 abs.	Dec. 31, 2019 in %
Assets				
Current assets	**3,545.9**	**43.5**	**3,790.9**	**44.3**
Cash and cash equivalents	726.3	8.9	520.3	6.1
Trade receivables	1,597.5	19.6	1,820.3	21.3
Other receivables and assets	243.2	3.0	273.8	3.2
Inventories	978.9	12.0	1,176.5	13.7
Non-current assets	**4,597.6**	**56.5**	**4,773.3**	**55.7**
Intangible assets	2,937.9	36.1	3,084.0	35.9
Other non-current assets	1,550.5	19.0	1,580.5	18.5
Receivables and other assets	109.2	1.4	108.8	1.3
Total assets	**8,143.5**	**100.0**	**8,564.2**	**100.0**
Liabilities and equity				
Current liabilities	**2,093.8**	**25.7**	**2,082.2**	**24.3**
Provisions	64.5	0.8	102.3	1.2
Trade payables	1,229.8	15.1	1,229.1	14.3
Financial liabilities	251.7	3.1	324.7	3.8
Miscellaneous liabilities	547.8	6.7	426.1	5.0
Equity and non-current liabilities	**6,049.7**	**74.3**	**6,482.0**	**75.7**
Equity	3,611.6	44.4	3,579.0	41.8
Non-current liabilities	2,438.1	29.9	2,903.0	33.9
Provisions	318.3	3.9	310.2	3.6
Financial liabilities	1,814.5	22.3	2,256.1	26.4
Miscellaneous liabilities	305.3	3.7	336.7	3.9
Total liabilities and equity	**8,143.5**	**100.0**	**8,564.2**	**100.0**

B.13 FINANCIAL AND ASSETS POSITION

As at December 31, 2020, total assets had decreased by EUR 420.7 million compared with the end of the previous year to EUR 8,143.5 million (Dec. 31, 2019: EUR 8,564.2 million).

Cash and cash equivalents rose by 39.6% compared with the 2019 year-end figure to EUR 726.3 million (Dec. 31, 2019: EUR 520.3 million). Despite the repayment of a revolving credit facility held by Brenntag SE in the amount of EUR 340.0 million and the dividend payment by Brenntag SE in the amount of EUR 193.1 million, cash on hand therefore increased compared with the prior year-end due to a high net cash inflow from operating activities.

Working capital changed as follows in the reporting period:

- Trade receivables decreased by 12.2% to EUR 1,597.5 million (Dec. 31, 2019: EUR 1,820.3 million).
- Inventories decreased by 16.8% to EUR 978.9 million (Dec. 31, 2019: EUR 1,176.5 million).
- With the opposite effect on working capital, trade payables remained almost unchanged at EUR 1,229.8 million (Dec. 31, 2019: EUR 1,229.1 million).
- Overall, reported working capital fell to EUR 1,346.6 million (Dec. 31, 2019: EUR 1,767.7 million).

The cash portion of the change in working capital amounted to an outflow of EUR 325.0 million. At 7.3, annualized working capital turnover was higher than at the end of 2019 (7.0).

The Brenntag Group's intangible and other non-current assets decreased by EUR 176.1 million compared with the end of the previous year to EUR 4,488.4 million (Dec. 31, 2019: EUR 4,664.5 million). The decrease is due mainly to depreciation and amortization (EUR 295.7 million) and exchange rate effects (EUR 262.8 million). Set against this were investments in non-current assets (EUR 201.9 million), changes in right-of-use assets (EUR 114.8 million) and acquisitions (EUR 48.2 million).

Current financial liabilities decreased by EUR 73.0 million to EUR 251.7 million in total (Dec. 31, 2019: EUR 324.7 million). Non-current financial liabilities declined by EUR 441.6 million compared with the end of the previous year to EUR 1,814.5 million (Dec. 31, 2019: EUR 2,256.1 million).

Current and non-current provisions amounted to a total of EUR 382.8 million (Dec. 31, 2019: EUR 412.5 million) and included pension provisions in the amount of EUR 200.8 million (Dec. 31, 2019: EUR 189.1 million).

ANNUAL FINANCIAL STATEMENTS OF BRENNTAG SE

Results of Operations and Financial Position of Brenntag SE

in EUR m	2020	2019
Sales	44.1	38.7
Other own work capitalized	2.7	1.8
Other operating income	82.8	52.4
Cost of materials	−15.7	−17.4
Personnel expenses	−47.1	−35.8
Amortization of intangible assets and depreciation of property, plant and equipment	−2.7	−2.3
Other operating expenses	−137.9	−73.3
Net finance income	304.2	260.5
Profit before tax	**230.4**	**224.6**
Taxes on income	−8.4	−10.6
Profit after tax / net income for the financial year	**222.0**	**214.0**
Appropriation to retained earnings	−13.4	−20.9
Distributable profit	**208.6**	**193.1**

B.14 BRENNTAG SE / INCOME STATEMENT IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

Sales result mostly from sales to affiliated companies.

Other own work capitalized relates to own work performed in connection with the introduction and commissioning of software.

Other operating income rose by EUR 30.4 million to EUR 82.8 million. The rise is attributable mainly to an increase in income from foreign currency hedges and higher income from the remeasurement of foreign currency items.

Cost of materials consists solely of the cost of purchased services.

The rise in personnel expenses of EUR 11.3 million compared with the previous year is mainly the result of severance payments, among others for Board of Management members Karsten Beckmann and Markus Klähn.

Other operating expenses rose by EUR 64.6 million to EUR 137.9 million. This rise was driven in particular by higher losses on foreign currency transactions and the year-on-year increase in expenses for expert reports and advisory services. The rise in advisory costs is due mainly to the transformation programme “Project Brenntag”.

As in the previous year, net finance income consists mainly of income from profits transferred by Brenntag Holding GmbH, Essen, in the amount of EUR 299.3 million (2019: EUR 257.5 million). Net interest income in the amount of EUR 4.9 million (2019: EUR 3.0 million) was driven mainly by intra-Group financing activities.

Taxes on income in the amount of EUR 8.4 million (2019: EUR 10.6 million) relate to 2020 and prior years. In the reporting period, current income tax expenses account for EUR 8.5 million and deferred tax income for EUR 0.1 million. As at December 31, 2020, temporary differences give rise to a future tax receivable, as deferred tax assets exceed deferred tax liabilities.

In line with its function as a holding company, Brenntag SE’s future results mainly depend on the receipt of dividends from companies in the Group and therefore also on the business performance of subsidiaries and decisions on dividend distributions. As a result, we continue to expect Brenntag SE to post positive net income. 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 SE in a financial year, there are sufficient reserves to pay an appropriate dividend to the Brenntag shareholders.

in EUR m	Dec. 31, 2020	Dec. 31, 2019
Fixed assets	2,572.2	2,536.7
Current assets including prepaid expenses	1,092.0	1,151.9
Total assets	**3,664.2**	**3,688.6**
Equity	2,733.1	2,704.2
Provisions	75.2	60.9
Liabilities	855.9	923.4
Deferred tax liabilities	–	0.1
Total equity and liabilities	**3,664.2**	**3,688.6**

B.15 BRENNTAG SE / BALANCE SHEET IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB) – CONDENSED VERSION

The fixed assets of Brenntag SE in the amount of EUR 2,572.2 million (Dec. 31, 2019: EUR 2,536.7 million) almost exclusively comprise shares in affiliated companies.

Current assets including prepaid expenses fell by EUR 59.9 million to EUR 1,092.0 million. The decline relates primarily to finance receivables due from affiliated companies, which amounted to EUR 1,058.8 million as at December 31, 2020.

The equity of Brenntag SE increased by EUR 28.9 million to EUR 2,733.1 million in 2020. This rise resulted from the net income for the financial year of EUR 222.0 million achieved in 2020 minus the dividend of EUR 193.1 million paid for financial year 2019.

Provisions amounted to EUR 75.2 million in total (Dec. 31, 2019: EUR 60.9 million) and consisted mainly of provisions for pensions and similar obligations and provisions for other personnel expenses. Provisions for pensions rose by EUR 5.0 million to EUR 33.8 million. Provisions for personnel expenses increased by EUR 5.2 million to EUR 21.3 million.

Liabilities of EUR 855.9 million (Dec. 31, 2019: EUR 923.4 million) relate mainly to financial liabilities to affiliated companies. Two opposite effects in particular played a role in the year-on-year change. Firstly, the prior-year liabilities to banks fell due to the repayment of a revolving credit facility under the syndicated loan in the amount of EUR 340.0 million. This credit facility is now fully available for new drawdowns. Conversely, liabilities to affiliated companies showed a rise of EUR 274.1 million.

The subscribed capital amounted to EUR 154.5 million in total (Dec. 31, 2019: 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 SE with the unqualified auditors' report of the auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, are published in the Federal Gazette and can be ordered as an offprint from Brenntag SE.

Appropriation of Distributable Profit of Brenntag SE

The net income of Brenntag SE as at December 31, 2020 was EUR 222,021,455.53. After allowing for the transfer of EUR 13,446,455.53 to retained earnings, the distributable profit is EUR 208,575,000.00.

At the General Shareholders' Meeting on June 10, 2021, the Board of Management and the Supervisory Board will propose that the distributable profit of Brenntag SE amounting to EUR 208,575,000.00 be used to pay a dividend of EUR 1.35 per no-par value share entitled to a dividend; that is a total of EUR 208,575,000.00.

REMUNERATION REPORT

Remuneration of the Board of Management

BOARD OF MANAGEMENT REMUNERATION SYSTEMS

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. In its decisions on the setting of the remuneration system, the Supervisory Board takes into account the remuneration and employment conditions of the employees of Brenntag SE, in particular the senior managers. In addition, the Supervisory Board compared the MDAX companies to assess the appropriateness of Board of Management remuneration.

The Board of Management remuneration systems are designed to be clear and comprehensible and support the Group's long-term performance. The aim of the remuneration systems is to create an incentive for successful and sustainable corporate development. The systems are therefore geared to transparent, performance-based remuneration that is strongly focused on the company's success and that depends in particular on long-term, but also operational targets and the performance of the Brenntag share price.

Two different remuneration systems are currently being used. The first remuneration system used dates from 2015 and applies to Board of Management members who were already in office before January 1, 2020 (Board of Management Remuneration System 2015). The second system used is a new remuneration system for Board of Management members who have joined the Board since January 1, 2020 (Board of Management Remuneration System 2020). The Supervisory Board is seeking to standardize the remuneration systems for all members of the Board of Management. The annual base salary and the variable remuneration components are shown separately in the following. There then follows a description of benefits in kind and other contractual provisions that are structured in a comparable manner in both remuneration systems.

Board of Management Remuneration System 2015

The Board of Management Remuneration System 2015 applies to Karsten Beckmann, Markus Klähn, Georg Müller and Henri Nejade.

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

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

The **Preliminary Annual Bonus** agreed as short-term variable remuneration is based on a contractually specified amount (Annual Bonus) and depends on the achievement of certain targets based on specific key performance indicators (KPIs). The KPIs specified are operating EBITDA (70%), working capital turnover (WCT; 15%) and conversion ratio (operating EBITDA / operating gross profit; 15%). In the cases of Karsten Beckmann, Markus Klähn and Henri Nejade, 66.67% of this bonus is based on targets for the particular region they are responsible for and 33.33% on targets for the Group. For Henri Nejade this percentage split for the targets applies to the first half of 2020. After he also assumed responsibility for EMEA, 33.33% of his bonus for the second half of 2020 is based on targets for Asia Pacific, 33.33% on targets for EMEA and 33.34% on targets for the Group.

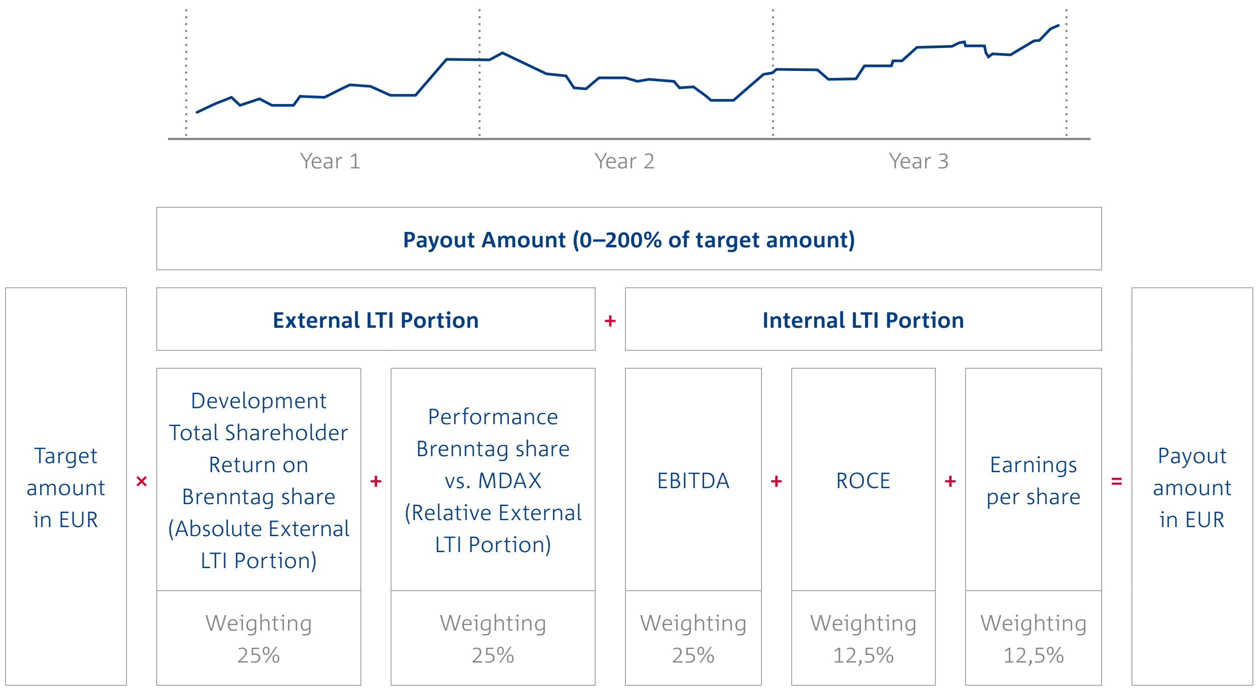
		Preliminary Payout Amount (0–200% of target amount)								
Target amount in EUR	×	Operating EBITDA	+	Working capital turnover	+	Conversion ratio	×	Individual Performance Multiplier (0.7–1.3)	=	**Payout amount in EUR (max. 200% of target amount)**
		Weighting 70%		Weighting 15%		Weighting 15%				

B.16 STRUCTURE OF THE ANNUAL BONUS – REMUNERATION SYSTEM 2015

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

On the basis of a contractually set Annual Target Amount, the **long-term variable 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 SE 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 SE 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 SE shares compared with the development of the MDAX during the vesting period (Relative External LTI Portion). For every percentage point by which the average share price on the last trade day of the vesting period exceeds or falls short of the average share price on the last trade day before the vesting period, the Absolute External LTI Portion is increased or decreased by 2%. For every percentage point by which the MDAX is over- or underperformed in the vesting period, the Relative External LTI Portion is increased or decreased by 3%. The overall External LTI Portion at the end of the relevant vesting period equals the sum of the Absolute External LTI Portion and Relative External LTI Portion. The Absolute and Relative External LTI Portions may not be less than EUR 0. The External LTI Portion is capped overall at 200% of the contractually set Target Amount for the External LTI Portion.



B.17 STRUCTURE OF THE LONG-TERM INCENTIVE BONUS – REMUNERATION SYSTEM 2015

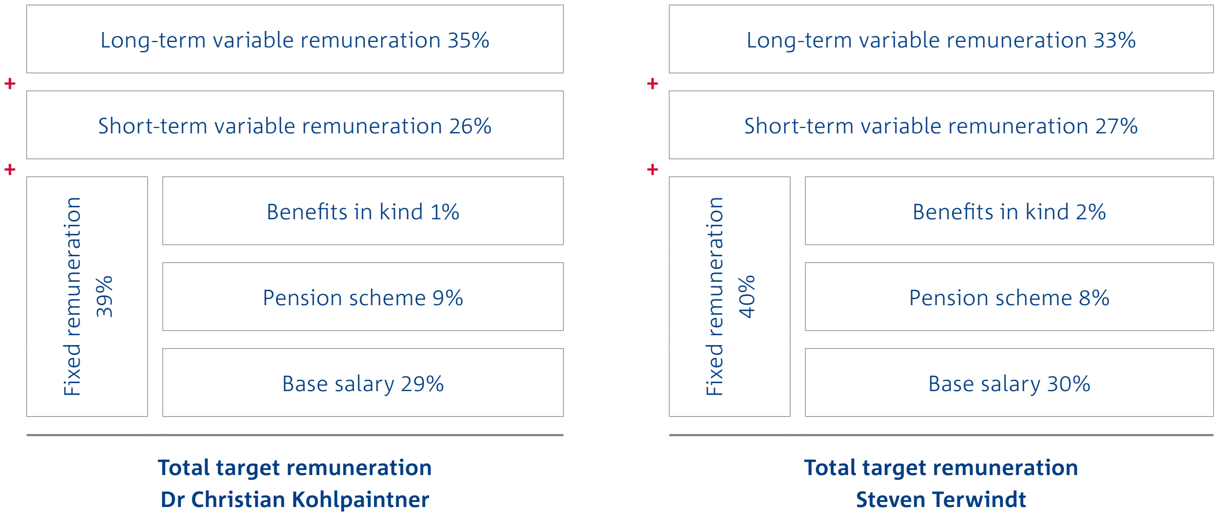
The Internal LTI Portion is measured by the following KPI targets, which are agreed at the end of each financial year for the following three-year vesting period in an LTI Bonus Plan: EBITDA (50%), ROCE (EBITA/(the average carrying amount of equity plus the average carrying amount of financial liabilities less the average carrying amount of cash and cash equivalents)) (25%) and earnings per share (25%). At the end of each financial year during a vesting period, the achievement of the KPI targets in the particular financial year is calculated for a share of 1/3 of the Internal LTI Portion (Annual Internal LTI Portion). For every percentage point by which the targets of a given KPI are over- or underperformed in the particular financial year, the Annual Internal LTI Portion is increased or decreased by 3%. This may also lead to a negative Annual Internal LTI Portion. The overall Internal LTI Portion at the end of the relevant vesting period equals the sum of the Annual Internal LTI Portions. The Internal LTI Portion is also capped at 200% of the contractually set Target Amount for the Internal LTI Portion. The overall Internal LTI Portion for a vesting period may not be less than EUR 0.

The Long-Term Incentive Bonus for each financial year equals the sum of the External and Internal LTI Portions and is capped at 200% of the Target Amount (LTI Cap). Any claims for a Long-Term Incentive Bonus are forfeited in the event that the company terminates a Board of Management member's service agreement prior to the expiry of its term by virtue of a termination for cause or in the case of voluntary resignation by a Board of Management member without the company having set an important cause for such resignation. In all other cases, the contractually set Target Amount for the relevant ongoing financial year is paid out on a pro rata temporis basis, all External and Internal LTI Portions granted for prior years but not yet paid out are paid out prematurely. The relevant parameters at the end of the service period are used for measurement.

Board of Management Remuneration System 2020
The Board of Management Remuneration System 2020 applies to Dr Christian Kohlpaintner and Steven Terwindt in 2020.

The remuneration comprises fixed remuneration and variable remuneration. The fixed remuneration consists of a base salary, pension benefits and benefits in kind. The variable remuneration is composed of short-term and long-term variable remuneration components.

Of the total target remuneration of the CEO, Dr Christian Kohlpaintner, fixed remuneration accounts for 39%, short-term variable remuneration components for 26% and long-term variable remuneration components for 35%. The corresponding percentages for Steven Terwindt are 40%, 27% and 33%.



B.18 REMUNERATION STRUCTURE – REMUNERATION SYSTEM 2020

In addition to the above-mentioned remuneration components, the Board of Management members receive benefits in kind under their service agreements. Furthermore, they are obliged to acquire Brenntag shares during their period of service and to hold them for two years after the end of their period of service.

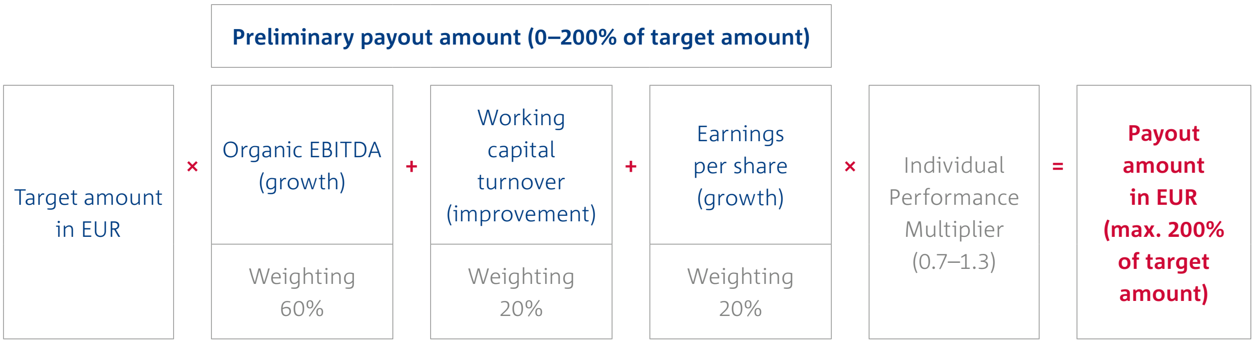
The **Annual Base Salary** is paid in twelve equal monthly instalments at the end of each month. If the service agreement begins or ends during a financial year, the Annual Base Salary for that financial year is payable on a pro rata temporis basis.

The variable remuneration consists of two components: short-term variable remuneration in the form of an annual bonus payment (Annual Bonus) and long-term variable remuneration in the form of virtual shares (Performance Share Plan) of Brenntag SE. The Annual Bonus provides an incentive to achieve the operational business objectives of the financial year, which in turn are derived from the business strategy and the annual budget plans. The Performance Share Plan is designed to provide an incentive for the long-term performance of the company.

The **Annual Bonus** depends on the business success of Brenntag in the past financial year. It is calculated on the basis of achievement of the targets set for the financial year

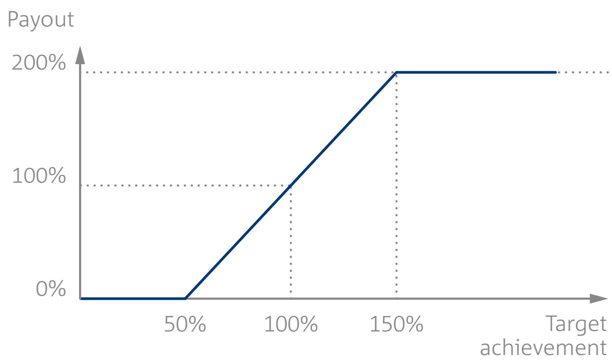
- organic EBITDA growth,
- an improvement in working capital turnover and
- earnings per share growth.

For Dr Christian Kohlpaintner 100% of all three target criteria relate to the Group level. For Steven Terwindt, as far as organic EBITDA growth and improvement in working capital turnover are concerned, 25% relates to Group level and 75% to the North and Latin America regions for which he is responsible, and as regards earnings per share growth, 100% to Group level. An Individual Performance Multiplier is also used to assess the performance of the Board of Management members. The Supervisory Board has set the three key performance indicators, organic EBITDA, working capital turnover and earnings per share, as the financial targets of the Board of Management members. Organic EBITDA reflects the company's profitability from business operations excluding acquisitions; this KPI is weighted at 60% in the bonus calculation. Working capital turnover is a key performance indicator for Brenntag to ensure efficient deployment of capital; the weighting is 20%. Earnings per share as a key profit indicator - particularly for our shareholders - is also weighted at 20%. The targets for the three KPIs are derived from the annual budget plans and are set annually by the Supervisory Board.



B.19 STRUCTURE OF THE ANNUAL BONUS – REMUNERATION SYSTEM 2020

The achievement of each KPI target is calculated by comparing the figure actually achieved in the past financial year with the target set before the beginning of the past financial year. This ratio is expressed as a percentage. Overall target achievement is calculated by multiplying the target achievement figures of the three KPIs by their respective weightings and then adding together these three weighted target achievement figures. If overall target achievement is 100%, the preliminary payout amount is 100% of the Target Annual Bonus. If overall target achievement is 50% or less, the Board of Management members receive no Annual Bonus. For an overall target achievement of 150% or more, the preliminary payout amount is 200% of the Target Annual Bonus. The preliminary payout amount



B.20 ANNUAL BONUS PAYOUT CURVE – REMUNERATION SYSTEM 2020

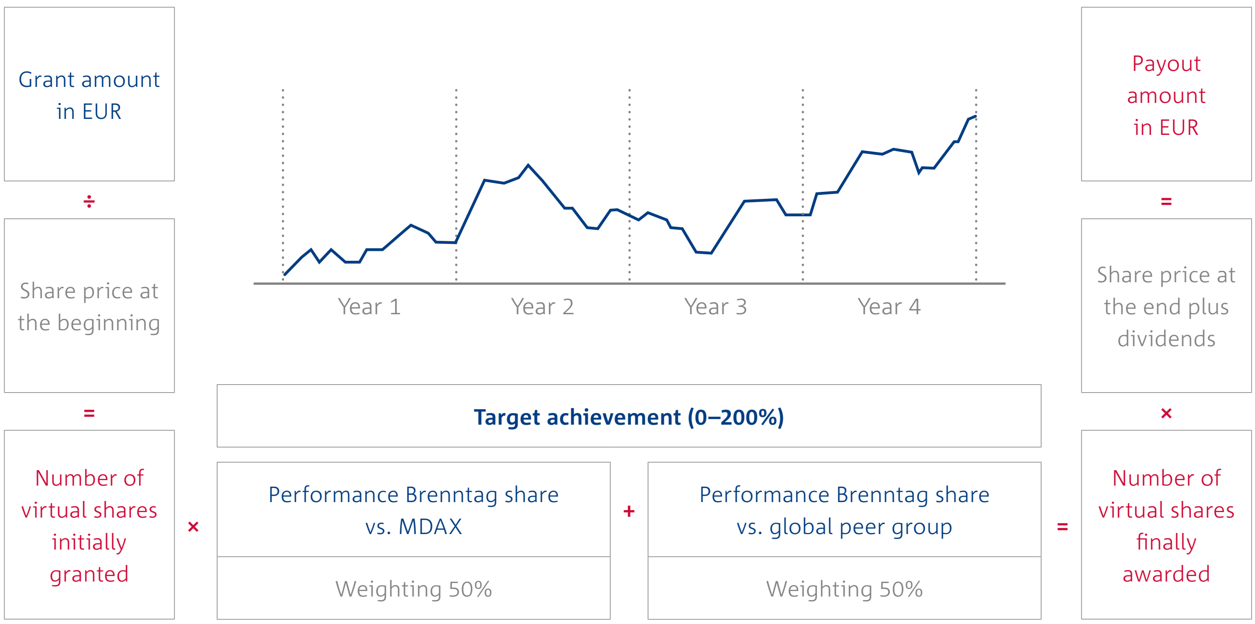
In order to determine the final payout amount, the preliminary payout amount is multiplied by the individual performance multiplier. The Individual Performance Multiplier is set by the Supervisory Board after each financial year in a range between 0.7 and 1.3. In doing so, the Supervisory Board takes into account the individual financial and non-financial performance that cannot be reasonably measured by applying KPIs. This may, for example, be succession planning, development of executive employees of the company, diversity, integration of acquisitions, environmental and social responsibility. The final payout amount is capped at max. 200% of the individual and contractually agreed target amount (Cap). If the service agreement begins or ends during a financial year, the target amount for that financial year is granted on a pro rata basis.

The Annual Bonus is paid out within three months from approval of the consolidated financial statements by the Supervisory Board, but at the latest twelve months after the end of the financial year for which the Annual Bonus has been determined.

The Supervisory Board is entitled to unilaterally adjust or change the Annual Bonus plan conditions or terminate the respective plan at any time.

The **long-term variable remuneration** is in the form of virtual shares (Performance Share Units). The value of the payout depends on the relative performance of the Brenntag share compared with two peer groups and the absolute development of the Brenntag share price over a four-year performance period. The virtual shares are granted in annual tranches. Payout is made following completion of the performance period.

The annual virtual shares are awarded on January 1 of each financial year. The number of shares to be granted initially is calculated by dividing the individual and contractually agreed grant amount by the arithmetic mean of the Brenntag share closing prices in the Xetra trading system during the last three months before the start of the performance period. If the service agreement begins or ends during a financial year, the grant amount for that financial year is calculated on a pro rata basis.



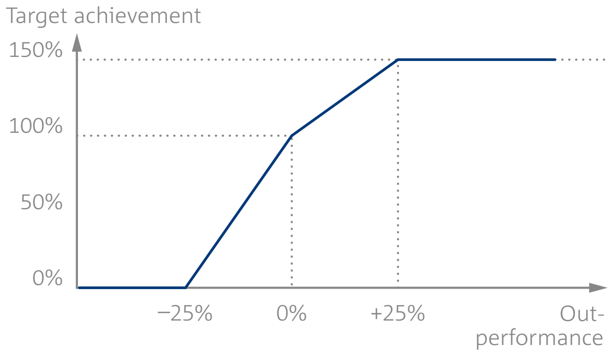
B.21 STRUCTURE OF THE PERFORMANCE SHARE PLAN – REMUNERATION SYSTEM 2020

The number of virtual shares that a Board of Management member is finally granted at the end of the four-year performance period depends on two performance criteria that are each weighted at 50%: the outperformance of the Total Shareholder Return (TSR) of the Brenntag share compared with

- the performance of the MDAX and
- the average TSR of a peer group of global competitors.

The Supervisory Board has set these two performance criteria. The TSR is a key performance indicator for our shareholders. The TSR reflects the development of the value, i.e. the return, of the Brenntag share. Both share price changes and dividends, but also other capital measures, are taken into account. When comparing the TSR of the Brenntag share with the shareholder return of other companies, the advantages of an investment in the Brenntag share is measured compared with alternative investments in shares of other companies. It is of central importance for the long-term stability of the company that shareholders receive an attractive return on their investment in Brenntag shares.

Target achievement of each performance criterion is calculated by subtracting the performance of the MDAX or the average TSR of the global peer group from the TSR of the Brenntag share. If the performance of the MDAX or the average TSR of the global peer group equals the TSR of the Brenntag share, target achievement is 100%. If the TSR of the Brenntag share outperforms the MDAX or the average TSR of the global peer group by 25% or more percentage points, target achievement is 150%. If the TSR of the Brenntag share underperforms the MDAX or the average TSR of the global peer group by 25% or more percentage points, target achievement is 0%. Values in-between are determined by linear interpolation. Overall target achievement is calculated by multiplying the target achievement figures of the two performance criteria by their respective weightings and then adding together these two weighted target achievement figures.



B.22 TARGET ACHIEVEMENT CURVE OF THE PERFORMANCE SHARE PLAN – REMUNERATION SYSTEM 2020

The number of virtual shares that a Board of Management member is finally granted at the end of the four-year performance period is calculated by multiplying the number of virtual shares initially granted by the overall target achievement.

The payout amount is determined by multiplying the number of virtual shares finally granted by the arithmetic mean of the Brenntag share closing prices in the Xetra trading system during the last three months prior to the end of the performance period plus dividend payments during the performance period. The payout amount is capped at max. 200% of the individual and contractually set target grant amount (Cap).

The payout amount is paid out within three months from approval of the consolidated financial statements by the Supervisory Board, but at the latest twelve months after the end of the financial year in which the performance period ends.

The Supervisory Board is entitled to unilaterally adjust or change the Performance Share Plan conditions or terminate the respective plan at any time.

All variable remuneration components of a Board of Management member are only paid out after the end of the regular plan period. The company is contractually entitled to retain variable remuneration in whole or in part if a Board of Management member violates his obligations under Section 93 of the German Stock Corporation Act. In addition, the company is contractually entitled to reclaim parts of the variable remuneration if a Board of Management member violates his obligations under Section 93 of the German Stock Corporation Act, payout of the variable remuneration was made on the basis of incorrect data or the company's EBITDA decreases by at least 25% within two years and during the Board of Management member's service compared with the EBITDA for which the variable remuneration was paid. A reclaim of variable remuneration is possible up to an amount of 25% of the overall remuneration for the respective financial year.

The **maximum payout amount** from the Annual Bonus is based on a target achievement of 150% or more. The maximum payout amount is 200% of the target amount. Even the application of the Individual Performance Multiplier cannot increase the payout amount over this cap of 200% (maximum remuneration).

Under the Performance Share Plan the number of virtual shares finally granted is limited to 150% of the number of virtual shares initially granted. This maximum number of shares is reached when the Brenntag share outperforms the MDAX and the global peer group (each weighted at 50%) by 25 percentage points or more. In addition, the payout amount depends on the performance of the Brenntag share price and on dividend payments. The total payout under the Performance Share Plan is limited to 200% of the initial grant value (maximum remuneration).

The maximum total remuneration, comprising the sum of Annual Base Salary, maximum Annual Bonus remuneration, maximum Performance Share Plan remuneration, the amount made available to build up pension entitlements and benefits in kind has been set at EUR 5,650,000 for Dr Christian Kohlpaintner and at EUR 2,750,000 for Steven Terwindt. If the service agreement begins or ends during a financial year, the remuneration cap for that financial year is adjusted on a pro rata basis.

In order to bring the interests of the Board of Management and shareholders more closely into line and to strengthen Board of Management members' participation in the company, **an obligation** for Board of Management members **to acquire and hold Brenntag shares** (Share Ownership Guideline) was introduced for the first time. The CEO is obliged to acquire and continue to hold shares to the value of 200% of his Annual Base Salary and Steven Terwindt shares to the value of 100% of his base salary, in each case for two years after the end of their service. They must acquire the shares within four years. In each of these four years shares equivalent to 25% of the holding obligation must be acquired. Compliance with the obligation to hold shares is checked once a year.

FURTHER REMUNERATION AND CONTRACTUAL PROVISIONS

The following describes further remuneration and contractual provisions that are largely applicable under both the Board of Management Remuneration System 2015 and the Board of Management Remuneration System 2020.

For the purpose of building up **pension entitlements**, Dr Christian Kohlpaintner receives from the company an annual amount of EUR 300,000 and may decide at his own discretion how to use this money. The annual amount made available is paid in twelve equal monthly instalments, in each case at the end of the month. If the service agreement begins or ends during a financial year, the annual amount will be granted on a pro rata temporis basis for that financial year.

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

In the cases of Karsten Beckmann and Georg Müller, the relevant amount is transferred annually into the Deferred Compensation Contingency Plan of Brenntag SE. 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 SE. Steven Terwindt is paid out the relevant amount for building up pension entitlements every year and may decide at his own discretion how to use this money.

Apart from the amounts explained above, which are made available to build up pension entitlements, no other arrangements for retirement and early retirement have been agreed.

In addition to the above-mentioned remuneration components, the Board of Management members receive **benefits in kind and other benefits**, such as a company car, also for private use, or a car allowance and benefits for health care and long-term care insurance.

The benefits for health care and long-term care insurance are limited to max. 50% of the premium they pay into their health care and long-term care insurance. Steven Terwindt is provided with supplementary health insurance based on the national health insurance system in Canada. Furthermore, a group accident insurance has been taken out. In addition, the company has taken out Directors & Officers Insurance (damage liability insurance) for the Board of Management members. This provides for a deductible of 10% of the damages claimed in each case, but in each year limited to 150% of the Annual Base Salary. For his services as CEO and President of Brenntag Asia Pacific Pte. Ltd., Singapore, Henri Nejade also receives fixed remuneration from this subsidiary in the amount of SGD 600,000 per annum, depending on the exchange rate but no more than EUR 400,000.

In the event of temporary disability due to illness, accident, or any other cause not due to the fault of a member of the Board, said member is entitled to continued payment of the full Annual Base Salary for a period of no more than nine months. For the first three months of such incapacity, the full bonus claims regarding the Annual Bonus and the target or grant amount of the long-term variable remuneration are also retained. In the event of the death of a Board of Management member, the base salary is paid to his surviving dependants for the month of his death and the six months following his death or until the date on which the service agreement would have been terminated without his death, whichever event occurs first.

CONTRACT TERMINATION PROVISIONS

The service agreements of the Board of Management members end automatically on specified dates without any notice of termination being required. The employment of Board of Management members may only be terminated prematurely for good cause or by mutual agreement. If employment is terminated prematurely, the service agreement limits any severance payments to the value of twice the total annual remuneration, but no more than the amount of remuneration that would be paid until the end of the term of the service agreement.

A post-contractual non-compete clause has been agreed with Dr Christian Kohlpaintner and Steven Terwindt. The post-contractual non-compete obligation applies for a period of 24 months after the termination of the service agreement. During this period Dr Christian Kohlpaintner and Steven Terwindt receive a continuous payment amounting to 75% of their Annual Base Salary. Any earnings pursuant to Section 74c of the German Commercial Code (HGB) are deducted from this payment. There is no separate post-contractual non-compete clause for Georg Müller, Karsten Beckmann and Markus Klähn.

There are no separate change-of-control arrangements.

Markus Klähn stepped down from the Board of Management at the end of July 31, 2020. His service agreement was terminated by mutual agreement on the same day. Severance pay was negotiated with him, which will be paid in three parts. The first part in the amount of EUR 626,851 was paid in August 2020 and compensates for lost remuneration from his future base salary, company car allowance, amounts to build up pension entitlements and for health care. The second part of the severance pay will be paid in 2021. This second part compensates for the lost remuneration from future Annual Bonuses. The third part of the severance pay will be paid in 2022 when the performance indicators that make up the Long-Term Incentive Bonus have been determined. This third part compensates for the lost remuneration from future Long-Term Incentive Bonuses. The vested benefits from the Long-Term Incentive Bonuses 2019 and 2020 will also be paid in 2022. Any remuneration from other professional activities until June 30, 2021 will be deducted in full from the amount of severance pay. In addition, a post-contractual non-compete clause was agreed until June 30, 2021. There is no separate compensation for the non-compete clause as it is covered by the severance pay.

Karsten Beckmann stepped down from the Board of Management at the end of August 31, 2020. His service agreement was terminated by mutual agreement on the same day. Severance pay in the amount of EUR 2,585,075 was negotiated with him and paid in September 2020. The vested benefits from the Long-Term Incentive Bonuses 2019 and 2020 will also be paid in 2021. 50% of any remuneration from other professional activities during a period of two years after termination of his service agreement will be deducted from the amount of severance pay. In addition, a post-contractual non-compete clause was agreed for a period of 18 months after the termination of his service agreement. There is no separate compensation for the non-compete clause as it is covered by the severance pay.

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 THE TOTAL REMUNERATION OF THE BOARD OF MANAGEMENT MEMBERS IN ACCORDANCE WITH HGB AND IFRS

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

in EUR k		Dr Christian Kohlpaintner	Steven Holland	Karsten Beckmann
Term of service agreement as a Board of Management member		(until Dec. 31, 2022)	(until Dec. 31, 2019)	(until Aug. 31,.2020)
Annual base salary	**2020**	**1,000**	**–**	**350**
	2019	–	1,000	525
Company pension (defined contribution plan)	**2020**	**300**	**–**	**–**
	2019	–	257	–
Benefits in kind / other benefits	**2020**	**31**	**–**	**11**
	2019	–	65	17
Total non-performance-based remuneration	**2020**	**1,331**	**–**	**361**
	2019	–	1,322	542
Short-term variable remuneration[1]	**2020**	**1,800**	**–**	**428**
	2019	–	607	310
Long-term variable remuneration[2]	**2020**	**2,236**	**–**	**400**
	2019	–	1,127	570
Total performance-based remuneration	**2020**	**4,036**	**–**	**828**
	2019	–	1,734	880
Termination benefits	**2020**	**–**	**–**	**2,585**
	2019	–	–	–
Benefits from third parties	**2020**	**–**	**–**	**10**
	2019	–	329[3]	–
Total remuneration in accordance with the German Commercial Code (HGB)	**2020**	**5,367**	**–**	**3,784**
	2019	–	3,385	1,422

[1] The above amounts are based on preliminary assumptions used for measurement of the respective provisions. These amounts will be adjusted in the subsequent financial year if the amounts finally approved by the Supervisory Board differ.
[2] Fair value of the share-based remuneration granted at the date of grant.
[3] In 2011, the Supervisory Board approved a tax equalization agreement signed between the company's then shareholder, Brachem Acquisition S.C.A., and Steven Holland. According to this agreement, Steven Holland, whose remuneration is partly taxed in the United Kingdom and partly in Germany, is to be reimbursed by Brachem Acquisition S.C.A. for any tax disadvantages arising from the partial taxation in Germany compared with taxation in his home country, the United Kingdom (relates to 2012). Steven Holland's resulting claim became concrete with the 2020 tax assessment.

Markus Klähn	Georg Müller	Henri Nejade	Steven Terwindt	**Total**
(until Jul. 31, 2020)	(until March 31, 2022)	(until Jun. 30, 2023)	(until Jul. 31, 2023)	
306	**650**	**525**	**208**	**3,039**
525	650	525	–	3,225
113	**–**	**–**	**74**	**487**
135	–	–	–	392
23	**18**	**429**	**9**	**521**
35	17	443	–	577
442	**668**	**954**	**291**	**4,047**
695	667	968	–	4,194
253	**607**	**602**	**66**	**3,756**
300	371	476	–	2,064
807	**1,102**	**827**	**427**	**5,799**
570	759	570	–	3,596
1,060	**1,709**	**1,429**	**493**	**9,555**
870	1,130	1,046	–	5,660
1,376	**–**	**–**	**–**	**3,961**
–	–	–	–	–
22	**20**	**–**	**–**	**52**
–	–	–	–	329
2,900	**2,397**	**2,383**	**784**	**17,615**
1,565	1,797	2,014	–	10,183

B.23 TOTAL REMUNERATION OF THE BOARD OF MANAGEMENT IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

in EUR k		Dr Christian Kohlpaintner	Steven Holland	Karsten Beckmann
Cost of pension commitments	**2020**		**–**	**499**
	2019	–	–	519
Present value of pension commitments in accordance with HGB	**2020**		**–**	**3,103** [1]
	2019	–	–	2,604 [1]

[1] Of which EUR 312k self-financed by Georg Müller under a deferred compensation plan (2019: EUR 312k) and EUR 59k self-financed by Karsten Beckmann under a deferred compensation plan (2019: EUR 59k).

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

in EUR k		Dr Christian Kohlpaintner	Steven Holland	Karsten Beckmann
Total non-performance-based remuneration	**2020**	**1,331**	**–**	**361**
	2019	–	1,322	542
Short-term variable remuneration [1]	**2020**	**1,800**	**–**	**428**
	2019	–	607	310
Long-term variable remuneration (share-based remuneration earned in current year)	**2020**	**745**	**–**	**1,088**
	2019	–	2,132	465
Current service cost for pension entitlements earned in the current year (defined benefit plans)	**2020**	**–**	**–**	**336**
	2019	–	–	295
Termination benefits	**2020**	**–**	**–**	**2,585**
	2019	–	–	–
Benefits from third parties	**2020**	**–**	**–**	**10**
	2019	–	329 [2]	–
Board of Management remuneration in accordance with IFRSs	**2020**	**3,876**	**–**	**4,808**
	2019	–	4,390	1,612
Present value of pension commitments in accordance with IFRSs	**2020**	**–**	**–**	**4,320** [3]
	2019	–	–	3,673 [3]

[1] The above amounts are based on preliminary assumptions used for measurement of the respective provisions. These amounts will be adjusted in the subsequent financial year if the amounts finally approved by the Supervisory Board differ.
[2] In 2011, the Supervisory Board approved a tax equalization agreement signed between the company's then shareholder, Brachem Acquisition S.C.A., and Steven Holland. According to this agreement, Steven Holland, whose remuneration is partly taxed in the United Kingdom and partly in Germany, is to be reimbursed by Brachem Acquisition S.C.A. for any tax disadvantages arising from the partial taxation in Germany compared with taxation in his home country, the United Kingdom (relates to 2012). Steven Holland's resulting claim became concrete with the 2020 tax assessment.
[3] Of which EUR 366k self-financed by Georg Müller under a deferred compensation plan (2019: EUR 366k) and EUR 102k self-financed by Karsten Beckmann under a deferred compensation plan (2019: EUR 102k).

Markus Klähn	Georg Müller	Henri Nejade	Steven Terwindt	Total
–	**678**	**326**	**–**	**1,503**
–	767	326	–	1,612
–	**4,555** [1]	**1,365**	**–**	**9,023**
–	3,877 [1]	1,008	–	7,489

B.24 PENSION COMMITMENTS (DEFINED BENEFIT PLANS) IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

Markus Klähn	Georg Müller	Henri Nejade	Steven Terwindt	Total
442	**668**	**954**	**291**	**4,047**
695	667	968	–	4,194
253	**607**	**602**	**66**	**3,756**
300	371	476	–	2,064
1,688	**1,402**	**931**	**151**	**6,005**
509	658	465	–	4,229
–	**455**	**323**	**–**	**1,114**
–	383	271	–	949
1,376	**–**	**–**	**–**	**3,961**
–	–	–	–	–
22	**20**	**–**	**–**	**52**
–	–	–	–	329
3,781	**3,152**	**2,810**	**508**	**18,935**
1,504	2,079	2,180	–	11,765
–	**6,895** [3]	**1,956**	**–**	**13,171**
–	5,751 [3]	1,460	–	10,884

B.25 BOARD OF MANAGEMENT REMUNERATION IN ACCORDANCE WITH IFRSS

INFORMATION ON REMUNERATION IN ACCORDANCE WITH NUMBER 4.2.5, PARA. 3 OF THE GERMAN CORPORATE GOVERNANCE CODE (GCGC) AS AMENDED ON FEBRUARY 7, 2017

The following two tables provide the financial information required by number 4.2.5, para. 3 of the German Corporate Governance Code as amended on February 7, 2017 regarding the benefits granted and the amounts allocated. Brenntag is continuing these tables, at least for the time being, for the sake of transparency and comparability with prior-year data. 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 in the financial year in which the underlying activity for this remuneration was performed. This is subject to the proviso that a commitment to pay remuneration must have been given at the time the remuneration report was prepared. In addition, it must be possible to establish a reliable estimate of the amount of this remuneration. The year in which fixed remuneration and fringe benefits are granted is generally also the year in which they are recognized as an expense. For the one-year variable remuneration, the relevant target amount in the case of 100% target achievement is recognized as the fair value at the date of grant. The multi-year variable remuneration resulting from the long-term incentive plan is in each case subject to a vesting period of three years and that resulting from the Performance Share Plan to a vesting period of four years. However, as a new plan is granted every year, in each case with a vesting period of three years or four years, the total target amount allocated per year in the case of 100% target achievement or the fair value at the date of grant is recognized as having been granted and not the portion (1/3 or 1/4) calculated as attributable to the reporting year.

Fixed remuneration and fringe benefits are recognized as having been allocated in the financial year in which the underlying activity has been performed, if the value of the final payment has already been determined. For fixed remuneration and fringe benefits, the date on which this allocation is recognized is generally the date on which it is recognized as an expense. Allocation of the one-year variable remuneration and the multi-year variable remuneration is recognized in the financial year of the actual payout, which is, as a rule, the financial year following the respective vesting period.

BENEFITS GRANTED

	Dr Christian Kohlpaintner Chief Executive Officer				Steven Holland Chief Executive Officer			
in EUR k	**2019**	**2020**	**2020 (Min)**	**2020 (Max)**	**2019**	**2020**	**2020 (Min)**	**2020 (Max)**
Fixed remuneration	–	1,000	1,000	1,000	1,000	–	–	–
Fringe benefits	–	331	331	331	651 [1]	–	–	–
Total	**–**	**1,331**	**1,331**	**1,331**	**1,651**	**–**	**–**	**–**
One-year variable remuneration								
Annual Bonus 2021	–	–	–	–	–	–	–	–
Annual Bonus 2020	–	900	–	1,800	900	–	–	–
Multi-year variable remuneration	–							
Performance Share Plan 2020–2023	–	1,200	–	2,400	–	–	–	–
LTI-Bonus 2021–2023	–	–	–	–	–	–	–	–
LTI-Bonus 2020–2022	–	–	–	–	–	–	–	–
LTI-Bonus 2019–2021	–	–	–	–	1,200	–	–	–
Total	**–**	**2,100**	**–**	**4,200**	**2,100**	**–**	**–**	**–**
Severance payments	–	–	–	–	–	–	–	–
Service cost	–	–	–	–	–	–	–	–
Total remuneration	**–**	**3,431**	**1,331**	**5,531**	**3,751**	**–**	**–**	**–**

[1] Including benefits from third parties under a tax equalization agreement.

BENEFITS GRANTED

	Karsten Beckmann Member of the Board of Management				Markus Klähn Member of the Board of Management			
in EUR k	**2019**	**2020**	**2020 (Min)**	**2020 (Max)**	**2019**	**2020**	**2020 (Min)**	**2020 (Max)**
Fixed remuneration	525	350	350	350	525	306	306	306
Fringe benefits	17	21[1)]	21	21	170	158[1)]	158	158
Total	**542**	**371**	**371**	**371**	**695**	**464**	**464**	**464**
One-year variable remuneration								
Annual Bonus 2021	–	–	–	–	–	250	–	500
Annual Bonus 2020	500	333	–	667	500	500	–	1,000
Multi-year variable remuneration								
Performance Share Plan 2020–2023	–	–	–	–	–	–	–	–
LTI-Bonus 2021–2023	–	–	–	–		300	83	600
LTI-Bonus 2020–2022	–	400	400	400	–	600	–	1,200
LTI-Bonus 2019–2021	600	–	–	–	600	–	–	–
Total	**1,100**	**733**	**400**	**1,067**	**1,100**	**1,650**	**83**	**3,300**
Severance payments	–	2,585	2,585	2,585	–	627	627	627
Service cost	295	336	336	336	–	–	–	–
Total remuneration	**1,937**	**4,025**	**3,692**	**4,359**	**1,795**	**2,741**	**1,143**	**4,391**

Georg Müller Chief Financial Officer				Henri Nejade Member of the Board of Management				Steven Terwindt Member of the Board of Management			
2019	**2020**	**2020 (Min)**	**2020 (Max)**	**2019**	**2020**	**2020 (Min)**	**2020 (Max)**	**2019**	**2020**	**2020 (Min)**	**2020 (Max)**
650	650	650	650	525	525	525	525	–	208	208	208
17	38[1)]	38	38	443	429	429	429	–	83	83	83
667	**688**	**688**	**688**	**968**	**954**	**954**	**954**	**–**	**291**	**291**	**291**
–	–	–	–	–	–	–	–	–	–	–	–
550	550	–	1,100	500	500	–	1,000	–	188	–	375
–	–	–	–	–	–	–	–	–	229	–	458
–	–	–	–	–	–	–	–	–	–	–	–
–	800	–	1,600	–	600	–	1,200	–	–	–	–
800	–	–	–	600	–	–	–	–	–	–	–
1,350	**1,350**	**–**	**2,700**	**1,100**	**1,100**	**–**	**2,200**	**–**	**417**	**–**	**833**
–	–	–	–	–	–	–	–	–	–	–	–
383	455	455	455	271	323	323	323	–	–	–	–
2,400	**2,493**	**1,143**	**3,843**	**2,339**	**2,377**	**1,277**	**3,477**	**–**	**708**	**291**	**1,124**

B.26 BOARD OF MANAGEMENT BENEFITS GRANTED

ALLOCATION [1]	Dr Christian Kohlpaintner Chief Executive Officer		Steven Holland Chief Executive Officer		Karsten Beckmann Member of the Board of Management	
in EUR k	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Fixed remuneration	1,000	–	–	1,000	350	525
Fringe benefits	331	–	–	651 [2]	21 [2]	17
Total	**1,331**	–	–	**1,651**	**371**	**542**
One-year variable remuneration [3]	–	–	–	883	306	403
Multi-year variable remuneration						
Virtual Share Plan 2014–2018	–	–	–	219	–	–
LTI-Bonus 2016–2018	–	–	–	655	–	328
LTI-Bonus 2017–2019	–	–	–	–	370	–
Total	**–**	**–**	**–**	**1,757**	**676**	**731**
Severance payments	–	–	–	–	2,585	295
Service cost	–	–	–	–	336	295
Total remuneration	**1,331**	**–**	**–**	**3,408**	**3,968**	**1,568**

[1] The current financial year only contains amounts allocated to Board of Management members who were active in that year.
[2] Including benefits from third parties under a tax equalization agreement.
[3] The amount of one-year variable remuneration had yet to be finally decided at the time the remuneration report was prepared; the amounts shown as allocated in 2020 (2019) are the amounts for 2019 (2018) paid out in 2020 (2019).

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

Under the German Commercial Code (HGB), as at December 31, 2020 there was a provision in the amount of EUR 779k (Dec. 31, 2019: EUR 533k) for pension obligations to former members of the Board of Management and their surviving dependants; in accordance with IFRSs, the provision amounted to EUR 3,167k (Dec. 31, 2019: EUR 2,865k). In 2020, the cost of pension commitments (defined benefit plans) under the German Commercial Code (HGB) amounted to EUR 433k (2019: EUR 706k). In accordance with IFRSs and as in 2019, no current service cost for pension entitlements earned in the current year was incurred.

Expense for other remuneration to former members of the Board of Management amounted to EUR 547.2k (2019: EUR 0.0k) in accordance with HGB and EUR 347.2k (2019: EUR 0.0k) in accordance with IFRS.

Markus Klähn Member of the Board of Management		Georg Müller Chief Financial Officer		Henri Nejade Member of the Board of Management		Steven Terwindt Member of the Board of Management	
2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
306	525	650	650	525	525	208	–
158[2)]	170	38[2)]	17	429	443	83	–
464	**695**	**688**	**667**	**954**	**968**	**291**	**–**
329	450	385	539	484	444	–	–
–	–	–	229	–	–	–	–
–	322	–	393	–	328	–	–
356	–	555	–	370	–	–	–
685	**772**	**940**	**1,161**	**854**	**772**	**–**	**–**
627	–	–	–	–	–	–	–
–	–	455	383	323	271	–	–
1,776	**1,467**	**2,083**	**2,211**	**2,131**	**2,011**	**291**	**–**

B.27 BOARD OF MANAGEMENT ALLOCATION

Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board has been approved by resolution of the General Shareholders' Meeting of Brenntag SE; it 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 2020:

in EUR k		Fixed remuneration	Office bonuses	Total
Doreen Nowotne Chairwoman (since June 10, 2020)	**2020**	**170**	**19**	**189**
	2019	120	25	145
Stefan Zuschke Chairman (until June 10, 2020)	**2020**	**93**	**7**	**100**
	2019	210	15	225
Dr Andreas Rittstieg (Deputy Chairman)	**2020**	**150**	**10**	**160**
	2019	150	10	160
Stefanie Berlinger	**2020**	**120**	**25**	**145**
	2019	120	25	145
Wijnand P. Donkers	**2020**	**120**	**10**	**130**
	2019	120	10	130
Ulrich M. Harnacke	**2020**	**120**	**85**	**205**
	2019	120	85	205
Richard Ridinger	**2020**	**66**	**14**	**80**
	2019	–	–	–
Total remuneration	**2020**	**839**	**170**	**1,009**
	2019	840	170	1,010

B.28 TOTAL REMUNERATION OF THE SUPERVISORY BOARD

Furthermore, Directors & Officers insurance (damage liability insurance) has been taken out for the members of the Supervisory Board. This provides for a deductible of at least 10% of the damages claimed, but no more than 150% of the relevant Supervisory Board member's fixed 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, 2020, Brenntag had 17,237 employees worldwide, including the 172 employees of the companies newly acquired in 2020. 90% of the workforce work outside Germany. The total number of employees is determined on the basis of headcount, i.e. part-time employees are fully included. Excluding the new acquisitions, the total number of people employed in the Brenntag Group decreased by 427, or 2.4%, compared with the previous year. Voluntary employee turnover was 6.1% on average across the Group (2019: 7.6%).

	Dec. 31, 2020		Dec. 31, 2019	
Headcount	abs.	in %	abs.	in %
EMEA	7,499	43.5	7,524	43.0
North America	4,952	28.8	5,257	30.0
Latin America	1,832	10.6	1,934	11.1
Asia Pacific	2,708	15.7	2,572	14.7
All other segments	246	1.4	205	1.2
Brenntag Group	**17,237**	**100.0**	**17,492**	**100.0**

B.29 EMPLOYEES PER SEGMENT

Brenntag's aim is to be regarded worldwide as the preferred employer in chemical distribution – both for current and for future employees. We believe that our responsibility is to offer fair terms of employment and an attractive, safe and inspiring working environment and to support our employees' personal and professional development. For this, we use a range of globally uniform programmes and measures covering employee recruitment, employee retention, human resources (HR) development, succession planning and the identification and development of potential. To execute and manage our internationally uniform HR processes optimally and efficiently, we use a global HR management system.

Recruiting and Retaining Suitable Talent

Brenntag makes every effort to find the right talent to fill vacancies within the Group and retain talented employees over the long term. Our aim in establishing our global employer brand, Explore Variety, is to permanently position ourselves as a global employer of choice and create a consistent, attractive and modern employer brand in all markets. Our employees, our strength as market leader as well as safety and variety are the cornerstones of Brenntag's identity as an employer.

Our global recruitment platform creates transparency and facilitates individual career opportunities. Our digital job portal allows applicants to search for all the vacant positions throughout Brenntag worldwide and apply directly online. Brenntag employees seeking new challenges have access to the global vacancies advertised through our internal HR portal.

Employee Development and Talent Management

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

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

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

In our executive development activities, we pursue a global approach with the aim of identifying our future leaders, developing them in a specific manner and offering them attractive career opportunities. Besides our global talent development programme for high-potential employees at the start of their career, we also offer needs-based global development programmes for experienced high-potential employees. In addition, we have set up an executive development programme tailored to the requirements at our most senior level of management and developed in cooperation with a renowned business school.

Diversity, Equality of Opportunity and Inclusion

Our culture of fairness, mutual appreciation and support provides the foundation for our day-to-day activities and is embedded in our core values. For us, diversity means recognizing, valuing and respecting differences. It fosters a dynamic working environment where everyone can learn from each another. Diversity is a fundamental feature of Brenntag. This also includes the diverse cultural backgrounds, qualifications and needs of our employees. At its more than 670 sites in 77 countries, Brenntag employs people from more than 100 different nations and a wide range of backgrounds. By sharing their knowledge, experience, ideas and passion, our employees contribute to our company's success. We work in multinational, interdisciplinary teams around the globe, thereby creating added value for our partners and employees.

Our committee for diversity and inclusion ensures that diversity, equality of opportunity and inclusion are firmly embedded not just in our business strategy and objectives, but also in our culture. The committee is made up of eight high-level representatives of various sectors from all regions and works to raise awareness of diversity and inclusion in everyday life and at all levels within our organization.

Integrity and responsibility are two of our core values and we are fully committed to them, as we are to our ethical principles. Guaranteeing equality of opportunity is a matter of course for Brenntag, as is counteracting and eliminating any form of discrimination or harassment. Employees are recruited, remunerated and developed solely on the basis of their qualifications and skills for the respective roles. Under no circumstances will Brenntag discriminate against employees, business partners or third parties on the grounds of their race, national or ethnic origin, nationality, gender, gender reassignment, marital or civil status, pregnancy or maternity, age, creed, religion or belief, colour, ancestry, disability or sexual orientation. Likewise, Brenntag expects its employees to also embrace this ethical attitude and treat their colleagues equally and with respect. Brenntag does not tolerate any form of discrimination, harassment or bullying in the workplace. This is stipulated in our Code of Business Conduct and Ethics.

Remuneration and Pension Plans

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

The value-based remuneration system for the management level consists of three components: a fixed annual base salary, a short-term variable annual bonus and long-term variable remuneration. The ratio of fixed to variable pay components depends on the specific manager's influence on the company's success. The variable remuneration is closely linked to personal performance and the company's results and depends on the achievement of certain targets based on specific key performance indicators. In addition to the above-mentioned remuneration components, managers receive contractually agreed benefits in kind and other benefits.

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

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION, QUALITY MANAGEMENT

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

HSE Strategy

Below we describe the individual components of our HSE strategy.

- **Safety policy:**
The health of our employees and the safety of our sites are an absolute priority for Brenntag. We work to continuously improve work processes and plant safety. Employees identify risks in the workplace 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 continuously to minimize environmental impacts. Various measures such as investments in infrastructure, optimized work procedures and employee training are implemented with a view to identifying environmental risks early on and avoiding environment-related incidents.

- **Compliance policy:**
As a matter of course, Brenntag complies with all health, safety and environmental legal requirements, including import and export regulations as well as selling and use restrictions for chemicals in all our operations and sales organizations.

- **Quality policy:**
Brenntag ensures the quality of its products and services by implementing ISO 9001 quality management systems at regional level.

HSE Programmes and Initiatives

The Responsible Care / Responsible Distribution (RC/RD) programme of the International Chemical Trade Association (ICTA) is of central importance to Brenntag. Accordingly, Brenntag is 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

Brenntag's general aim is therefore for its operating companies to take part in the Responsible Care / Responsible Distribution programmes of the local associations responsible, if such programmes exist. The implementation of the contents of the RC/RD programme is reviewed by independent experts applying the relevant regional or national assessment systems, which are determined by the associations responsible. In this way, environmental performance and the safe handling of chemicals are reviewed and documented by independent third parties. Where no RC/RD programme is offered locally, we implement the guiding principles of the global programme through internal assessments and suitable measures.

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

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

Since 2015, Brenntag has been implementing the "BEST" (Brenntag Enhanced Safety Thinking) initiative, which aims to continuously improve the safety culture throughout the Brenntag Group. Core elements include a safety behaviour standard and a regular, Group-wide employee survey based on that standard. The next survey is due to take place in 2021. The findings of each survey are incorporated into the relevant action plans for subsequent years. One focus in the reporting period was developing the management skills of supervisors.

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

Accidents at work and similar occurrences are recorded and evaluated centrally according to a standardized system. Key lessons learned are communicated throughout the entire organization and included in the aforementioned HSE manuals. Brenntag's policy of continually improving equipment, processes and the safety culture enabled a steady reduction in the number of reportable industrial accidents over a period of many years. Following a subsequent period in which accident indicators plateaued, and in some cases even increased slightly, the number of reportable accidents fell significantly again in the reporting period. As a result, the Group LTIR (Lost Time Injury Rate – number of industrial accidents resulting in at least one day's absence from work per one million working hours) also improved, from 1.9 in 2019 to 1.4 in 2020. This is the best rate that Brenntag has ever achieved.

In financial year 2020, the COVID-19 pandemic had a major impact on activities at Brenntag in a number of respects. In the area of health protection, this was particularly true of the measures taken to effectively prevent both our own employees and those of our business partners from becoming infected. Very early on at the beginning of the pandemic, emergency task forces were set up at various levels, firstly in Asia and then later around the globe. These task forces have since been exchanging experiences, coordinating measures and in some cases organizing support in the form of personnel and materials such as personal protective equipment. By putting in place procedures that are harmonized yet tailored to local requirements, Brenntag has implemented effective infection prevention systems. One typical measure to prevent infection is to enable mobile working from home wherever this is possible and as soon as authorities recommend it. In addition, each site has implemented appropriate hygiene protocols. These comprise standard measures such as providing sanitizer in suitable places, rules on wearing face coverings, regularly disinfecting surfaces and similar actions. However, protocols may also include working in shifts, for example, or ensuring that employees from different areas of work are strictly separated.

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

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

As a chemical distributor, Brenntag generally operates in a complex regulatory environment. In Europe, for example, this includes the REACH regulation and the Biocidal Product Regulation enacted by the European Union. Transnational teams of experts, consisting of a network of experienced HSE and regulatory specialists, are deployed to ensure that operating and business processes are in compliance with the regulations. Working closely with the management on the sourcing and sales side, they make sure that Brenntag meets all of the numerous regulatory requirements professionally and efficiently.

The basis of quality management within the Brenntag Group is the internationally applicable ISO 9001 standard. By December 31, 2020, 91% of our operating sites had introduced quality management systems certified to this standard. Further industry- or product-specific quality management systems are deployed where necessary.

More detailed information on health, safety and environmental protection is published in the annual sustainability report. The sustainability report for financial year 2020 will appear in April 2021.

REPORT ON EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS

Report on Expected Developments

The effects of the COVID-19 pandemic will continue to impact on the various sectors of the economy. Although many industrialized nations have started to administer the first vaccinations against the virus, most experts do not expect a noticeable level of protection in the majority of the population until later in the year. The resulting uncertainty is causing leading forecasters to make changes at short notice to their estimates of growth expectations for the global economy in 2021. Oxford Economics currently predicts that the global economy, measured in terms of industrial production (IP), will deliver a positive performance in 2021. Weighted by the sales generated by Brenntag in the individual countries, this results in a forecast average real IP growth rate of 5.5% in 2021.

At the beginning of 2021, the Brenntag Group's new operating model came into effect. In future, we will publish our results for the Group and for our two new segments, Brenntag Essentials and Brenntag Specialties. We reported on these changes in the fourth quarter of last year and set out to the public the details of the two new segments' basic growth parameters. We also reported on the positive contributions to earnings expected from "Project Brenntag", which will have a substantial effect on Group earnings for the first time in 2021.

At the level of the Brenntag Group, operating EBITDA is still our key performance indicator. In light of the continuing economic uncertainty, we expect the Brenntag Group's operating EBITDA for financial year 2021 to be between EUR 1,080.0 million and EUR 1,180.0 million. This already includes the potential efficiency improvement anticipated in the course of implementing the measures under "Project Brenntag". We will provide regular information on the progress of the individual measures in our quarterly reporting. Our forecast takes into account the contributions to earnings from acquisitions already closed and assumes that exchange rates will remain stable.

2021 will be a year of transformation for our two new segments, Brenntag Essentials and Brenntag Specialties. Generally, we expect both segments to contribute to the growth in operating EBITDA, with the growth rate at Brenntag Specialties above the growth rate in the Brenntag Essentials division.

The forecast increase in operating EBITDA is meaningfully higher than the expected growth in operating gross profit due primarily to efficiency improvements to be achieved through "Project Brenntag". We expect both of the new segments to contribute to the increase in the Group's operating gross profit, with the growth rate at Brenntag Specialties above the growth rate in the Brenntag Essentials division. The necessary expenses for "Project Brenntag" are reported below operating EBITDA.

One of the short-term measures under "Project Brenntag" is to concentrate to a greater extent on initiatives related to customer and supplier relationship management and on improving our warehouse logistics. At the end of the past financial year, we achieved some lasting improvements that are reflected in our working capital turnover; this was much better at year-end than the 2020 annual average. As a result, we anticipate a meaningful improvement in working capital turnover compared with the reported averages for the past financial year. Thanks to the meaningful improvements in the course of the year, we achieved the corresponding inflow from the reduction in working capital in 2020. In 2021, we expect an increase in working capital due to the planned business growth and as a result of a reversal of the price trends in the global chemicals markets.

We are planning capital expenditure of around EUR 320 million in financial year 2021. Among other things on "Project Brenntag" for example, we are optimizing our global site network in order to close gaps in our network, leverage economies of scale and establish new central hubs as growth drivers.

Overall, we anticipate that free cash flow in 2021 will be significantly lower than the very high 2020 figure, assuming that exchange rates remain stable. Free cash flow in financial year 2020 was positively impacted by an extraordinarily strong cash flow attributable to the reduction in working capital. This is not expected to recur. Nevertheless, we once again expect a high free cash flow that will enable us to continue to ensure our acquisition strategy and dividend policy and, at the same time, maintain liquidity at an adequate level.

Description of the Internal Control / Risk Management System

The aim of risk management is to identify, monitor and mitigate emerging risks at an early stage or to prevent them completely. 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. The planning, controlling and reporting processes of the Brenntag Group are integral parts of the risk management systems of all operational and legal units as well as the central functions.

RISK REPORTING (EARLY DETECTION SYSTEM)

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

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

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

The risk inventories gather estimations on existing risks. Standardized risk catalogues giving examples of the typical risks for the Brenntag Group are used as a system for gathering this information. In doing so, thematically related risks are grouped into risk categories. Any risks which are identified are assessed with regard to the possible extent of damage and their probability of occurrence, in each case on a five-level scale.

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

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

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

B.30 RISK ASSESSMENT MATRIX

The individual risks reported are consolidated at segment level and for the Group and then presented to the Board of Management. Risk reporting covers risks only, not opportunities. The estimate of the risks per risk category and the opportunities and risks are explained in detail in the chapter "Report on Opportunities and Risks".

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

CONTROLLING

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

The continuous evaluation of opportunity and risk potential in all segments is also an elementary part of our strategy, which is described in detail in the chapter "Vision, Objectives and Strategy". As part of our regular strategy development, we analyze the market opportunity and risk situation in each Brenntag Segment 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 regularly reviewed in discussions on business performance.

INTERNAL MONITORING SYSTEM

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

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

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

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

INTERNAL CONTROL SYSTEM RELATED TO THE (GROUP) ACCOUNTING PROCESS (REPORT IN ACCORDANCE WITH SECTION 289, PARA. 4 AND SECTION 315, PARA. 4 OF THE GERMAN COMMERCIAL CODE (HGB))

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

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

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

Furthermore, the quarterly financial statements for the second and third quarters of 2020 were reviewed by our statutory auditors.

Report on Opportunities and Risks

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

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

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

In the following, we describe risks and opportunities which could influence the business performance, financial position and results of operations of the Brenntag Group. We have systematically grouped together similar, organizationally or functionally related risks in risk categories. The estimates made per risk category relate to the net risk. Unless stated otherwise or obvious from the context, the following statements on risks and opportunities refer to all our segments.

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

Overview of the corporate risks for financial year 2020:

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

B.31 OVERVIEW OF CORPORATE RISKS

- **Economic environment and political stability:**

Due to the international nature of our business, we are exposed to a number of economic, political and other risks and cannot entirely rule out the possibility that negative developments in individual regions or countries might damage our business or financial position. For example, natural disasters, pandemics or the instability of the economic and political situation in regions or countries in which Brenntag operates may have a negative impact on our business and our operating result. 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. Moreover, we conduct a large percentage of our business in stable economies.

Economic downturns may have a negative impact on the sales and operating gross profit of our company. In addition to sales risks arising from high unemployment in certain countries and high levels of public debt, a pronounced economic downturn in Europe or China in particular, an increase in protectionist tendencies and the possible escalation of geopolitical tensions may lead to falling demand. In a recession, lower profitability on the part of our customers could lead to higher bad debt losses, for which credit insurance cover could hardly be obtained due to the economic environment. However, the high level of diversification of our business by geography, customer industries, suppliers, products and customers provides high resilience.

The COVID-19 pandemic continues to pose risks to regional and global economic performance. As a result, our business performance remains uncertain. The key deciding factors will be how long the pandemic lasts, how fast the affected economies can recover and how swiftly production and supply chains can be restored in the event of disruption. Above all, our business may be negatively impacted by increasing declines in production along our supply chains. This may result in growing shortages of selected chemicals on the one hand and a further weakening in demand on the other. We are continuously analyzing all risks relevant to our business and promptly take all the necessary and possible measures to counter them.

The impact on economic performance of the United Kingdom's withdrawal, or Brexit, from the European Union (EU) cannot yet be determined in detail due in particular to the agreement between the EU and the UK, which was not finalized until the end of 2020 and will initially apply on a provisional basis from January 1, 2021. The free trade agreement decided between the parties provides for zero tariffs and therefore averts significant barriers to trade. However, the UK's departure from the EU customs union could result in delays on goods imports/exports. Regulatory changes could also impact negatively on our business. The specific effects of the agreement on Brenntag are being worked out in detail by a cross-unit Brexit Taskforce and suitable measures are being prepared.

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

- **Market risks and opportunities:**

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

As of the beginning of 2021, we will manage our business through two global segments with an even stronger focus on customer and supplier needs: Brenntag Essentials and Brenntag Specialties. Based on this, we see major sales opportunities of strategic significance for Brenntag in the flexible and efficient marketing of process chemicals and in the large, globally relevant focus industries on which Brenntag Specialties concentrates, namely Nutrition, Pharma, Personal Care / HI&I (Home, Industrial & Institutional), Material Science (Coatings & Constructions, Polymers, Rubber), Water Treatment and Lubricants. In addition, our global network and our comprehensive portfolio of products and services place us in a unique position to meet our customers' increasing requirements for pan-regional and global end-to-end solutions. The growing demand for customer-specific solutions, blending and services and alternative sales channels also open up further growth opportunities.

As an international Group, we see opportunities in all our regional markets to extend our market lead. The continuous expansion of our geographic presence in emerging markets, particularly in the Asia Pacific region, also offers above-average growth opportunities. We will continue to optimally exploit the opportunities presented by company acquisitions and the active consolidation of the fragmented chemical distribution market. In a dedicated unit, opportunities arising from the increasing level of digitalization are being analyzed, assessed and, if appropriate, implemented in practice in the form of digital concepts and solutions.

In terms of product sourcing, our operating model 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 aim to continue to actively realize the potential that arises as a result of chemical producers outsourcing supply chain and sales activities. Our global distribution network and the experienced professional organization at all levels of the Brenntag Group are key elements for tapping this potential.

Additional opportunities arise from the systematic implementation of our strategy and of "Project Brenntag" in particular (for further information, please see the chapter "Vision, Objectives and Strategy"). At local level, we create the right conditions through our operating activities to effectively and efficiently exploit the opportunities which the markets offer.

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

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

As a result of our transformation programme, "Project Brenntag", we are undergoing a process of focused adaptation and change. If we are unable to implement the content and / or meet the schedule as planned, or if our plans are not well received by the market, this could impact negatively on our business relationships with customers and suppliers as well as on the status of our business and our results of operations. In addition, the focus on transformation measures may result in inefficiencies in day-to-day operations and the change process in unplanned employee departures. We are countering these risks arising from the transformation programme through a targeted and comprehensive process of risk and change management, project management and project monitoring.

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

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

As a chemical distributor, Brenntag is exposed to the risk of interruptions to business, quality problems or unexpected technical difficulties, for example as a result of the incorrect handling of chemicals or machinery and equipment on site and during transportation. Disruptions and outages at our warehouse sites or during transportation may lead to delivery delays and falling sales revenues. We counter this risk through extensive safety measures at our sites and regionally standardized quality and safety manuals, by specifically training our employees in how to handle chemicals correctly and through safety campaigns across our sites. In addition, Brenntag has taken out appropriate business interruption insurance for sites where any disruption might pose the threat of interruptions to business due to the local geographical site structure and / or portfolio structure, as well as increased cost of working cover for all sites.

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

- **Financial risks and opportunities:**
Our business is exposed to exchange rate, interest rate, credit and price risks.

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

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

The UK's withdrawal from the EU (Brexit) has not yet shown any significant impact, but future effects cannot be ruled out once further details of the country's withdrawal from the EU become clear. Any appreciation or depreciation of the pound sterling as a result of its withdrawal may have positive or negative translation effects.

We limit risks for our cash investments by only doing business with banks and business partners with credit ratings we consider to be strong. Payments are also handled through such banks. The credit facility under the syndicated loan is made available by a large number of international banks, meaning that availability is ensured through high diversity. Uncollectibility risk is reduced by continually monitoring our customers' credit ratings and payment behaviour and setting appropriate credit limits. The risk is limited by the large number of customers the company has in different countries; even the largest key account customer accounts for less than 2% of Group sales. In some cases, credit insurance is also taken out in order to limit risks.

The Brenntag Group is partly financed with debt capital. We are confident that our loan agreements, credit lines, the bonds issued and liquid funds available are adequate to cover the future liquidity needs of our Group, even if requirements should increase unexpectedly. Like comparable loan agreements, our syndicated loan contains a number of customary affirmative and negative covenants. In particular, we have undertaken to comply with a leverage ceiling (the ratio of net debt to EBITDA). This metric is determined in accordance with the definitions in the loan agreement, which are not the same as the corresponding terms used in the consolidated financial statements. The leverage ceiling has, in our opinion, been established so that it would require a very unusual business development for Brenntag not to be able to meet it. Compliance with the covenant is checked on a regular basis and confirmed to the lenders every quarter. If there are any indications of unfavourable developments with respect to compliance, scenario calculations are made in order to be able to take suitable action at an early stage if necessary. On the basis of the latest calculation of leverage and with a view to the key midterm planning figures, there is no indication that compliance with the ceiling may be jeopardized. In the event that this covenant is breached, 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 terms. The rating may have a positive or a negative impact. Both rating agencies continue to assign an investment grade rating, thereby confirming Brenntag's high credit standing. Moody's currently rates Brenntag at "Baa3" with a positive outlook, while Standard & Poor's has given Brenntag a rating of "BBB" with a stable outlook.

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

The Brenntag Group has obligations to current and former employees as a result of pension commitments. Some of the pension obligations are covered by plan assets. The plan assets are subject to capital market risks, as a portion of them is invested in funds and equities. Any changes in relevant inputs, such as an increase in life expectancy or salaries, may lead to higher cash outflows and higher present values of the defined benefit obligation. To some extent regionally, contributions are also paid into defined benefit pension plans maintained by more than one employer (termed multi-employer plans). If other participating employers do not meet their payment obligations, Brenntag may be liable for the obligations of those employers. For a detailed description of the risks arising from pension obligations, please refer to the notes to the consolidated financial statements (Consolidated income statement disclosures, 26. Provisions for pensions and other post-employment benefits).

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

We counter the risks arising from the distribution of chemicals by maintaining a high standard of safety precautions at our sites 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 (on health, safety and environmental protection). Furthermore, we regularly inform our employees and customers about how to handle chemicals safely and about emergency procedures in the event of accidents.

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

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

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

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gets by which we aim to contribute to environmental protection and fulfil our responsibility.

- **IT risks and opportunities:**

IT risks arise, on the one hand, from the dependence of our business processes and the increasing networking of our systems and, on the other, from external IT security risks, such as the increasing threat posed by cyber-crime (e.g. data manipulation and theft through hacker attacks). This can include networks failing and data being stolen, falsified or destroyed due to operating and program errors or external influences. We counteract these risks by training our employees, continually investing in hardware and software, constantly updating our systems and using virus scanners, firewall systems, data backup mechanisms as well as access and authorization checks. These measures are monitored using Group-wide IT security standards. On the other hand, the increasing use of IT offers efficiency gains in operating workflows and in improved communications with customers and suppliers. The IT-supported handling of our business processes also generally improves the quality and reliability of internal controls.

Brenntag is constantly investing in the further development and adaptation of the software it uses, and in particular in ERP systems and digitalization. This opens up opportunities to better support business processes. On the other hand, the development processes and possible changes in requirements over time give rise to risks, which we counter through constant monitoring and, if necessary, by amending implementation plans.

- **Personnel risks and opportunities:**

Personnel risks result mainly from the potential loss of high performers and staff in key positions or the inability to find a sufficient number of qualified staff to fill vacancies within the Group. Brenntag counters these risks by positioning itself globally as the preferred employer in chemical distribution and fostering long-term employee retention. It also limits these risks through Brenntag's global employer brand, Explore Variety, and through globally uniform programmes and measures that allow the Brenntag companies to take into account country-specific legislation and circumstances. Information on our HR strategies and tools is provided in the chapter "Employees". The transformation programme "Project Brenntag" could increase the risk of unplanned employee departures, especially among high performers. We are countering this risk through systematic change management and by providing regular and transparent information on the course of the transformation project. To ensure that our employees enthusiastically accept the change process, we are implementing targeted measures such as employee surveys on "Project Brenntag". Combining these with other early warning indicators, we are able to promptly identify possible changes in our employees' attachment to the company and initiate appropriate management measures where necessary.

- **Acquisition risks and opportunities:**

In the Brenntag Group, every decision to acquire is linked to minimum requirements on the internal rate of return of the particular investment. The company valuations incorporating the findings of due diligence work performed are of central importance in acquisitions. Therefore, we systematically record all significant risks and opportunities and determine an appropriate purchase price. Company acquisitions always involve risks surrounding the integration of employees and business operations. We strive to limit these risks with adequate transaction structures, by conducting opportunity and risk analyses at an early stage in the approval process, with the support of external consultants and with specific contract structures (e.g. incentive, warranty and retention clauses). In the past, M&A activities focused on Europe, North America and Asia. In the case of acquisitions in emerging markets such as Asia, Latin America and Eastern Europe, relatively high purchase prices coupled with higher risks (e.g. compliance risks, higher working capital funding requirements, integration risks, foreign currency risks) are typical of target companies in these countries. However, there are also considerably greater opportunities in these countries owing to the higher growth rates.

- **Compliance risks:**

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

One focus of compliance activities at Brenntag is monitoring antitrust compliance and preventing bribery and corruption. Employees are made aware of and given extensive training on these topics mainly by rolling out e-learning programmes globally.

As the global market leader in chemical distribution, Brenntag must comply with all foreign trade and customs laws applicable in the countries, such as restrictions on exports or imports of particular goods, services and technologies to or from countries subject to sanctions or embargoes. The same applies to deliveries to or from companies or persons on sanction lists. In addition, Brenntag employees must comply with all applicable trade restrictions resulting from international embargoes, which typically restrict or prohibit payment and capital transactions with particular countries. Brenntag fulfils this obligation in part by using an automated, IT-based screening solution. With the help of a special software application, we regularly check our customers and suppliers against the sanction lists issued by the United Nations, the European Union, the USA and various other countries in which Brenntag operates. If suspicions are raised, a careful check is carried out on the basis of all the information available. Should a suspicion be substantiated, no delivery takes place and, if necessary, further measures are initiated in coordination with the authorities.

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

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

- **Legal risks:**

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

The decision issued by the French Competition Authority in 2013 in relation to the allocation of customers and coordination of prices was set aside by a court of appeal due to procedural errors at Brenntag's request in February 2017. In December 2020, the court imposed a fine of EUR 47 million. Brenntag has lodged an appeal against the decision. Regarding the investigation also ongoing at the French Competition Authority concerning whether BRENNTAG SA has illegally made use of its market position, a decision by the Authority is still pending. Based on current knowledge, Brenntag assumes that claims for civil liability arising from the above-mentioned proceedings are not sufficiently substantiated.

An ERISA (Employment Retirement Income Security Act) class action lawsuit has been filed against Brenntag North America et al. in connection with the management of the company's 401(k) Plan. Brenntag North America believes that it has good defences against the lawsuit, which includes a USD 50 million demand.

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 routine tax audit at the German Brenntag companies for the years 2010 to 2012 and 2013 to 2016 was largely completed without this resulting in any significant findings. In addition, the German Group companies Brenntag GmbH and BCD Chemie GmbH are currently the subject of routine reviews of the tax on spirits and energy being conducted by the German customs authorities for the years 2014 to 2018. Brenntag is cooperating with the customs authorities. It is not yet possible to make a definitive assessment as to potential tax exposures. In specific cases, the assessment is likely to differ; this risk has been reflected in the balance sheet by recognizing provisions.

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

Summary of the Opportunities and Risk Situation

During the past financial year, we once again continuously updated and assessed the risk situation for the Brenntag Group. The Group's risk position did not change significantly during that period. In our opinion, the risks described in the chapter "Report on Opportunities and Risks" do not jeopardize the continued existence of the company, either individually or collectively. Additional risks and opportunities that we are currently unaware of or risks that we currently consider immaterial may also have a negative impact on our business operations. We are convinced that we can continue to successfully master the challenges arising from the risks described above.

EXPLANATORY REPORT ON INFORMATION REQUIRED UNDER SECTIONS 289A AND 315A OF THE GERMAN COMMERCIAL CODE (HGB)

Composition of the Subscribed Capital

As at December 31, 2020, the subscribed capital of Brenntag SE totalled EUR 154,500,000. The share capital is divided into 154,500,000 no-par value registered shares, each with a notional value of EUR 1.00.

According to article 7, para. 3 of the Articles of Association of Brenntag SE, any right of shareholders to certification of their shares is excluded to the extent permitted by law and that certification is not required under the rules of any stock exchange on which the share is admitted to trading. The company is entitled to issue share certificates embodying several shares (consolidated certificates). Pursuant to Section 67, para. 2 of the German Stock Corporation Act (AktG) in conjunction with Article 9, para. 1 (c) (ii) of the SE Regulation, only those persons recorded in the company's share register will be recognized as shareholders of Brenntag SE. For purposes of recording the shares in the company's share register, shareholders are required to submit to Brenntag SE 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 SE. Excepted from this rule are any treasury shares held by Brenntag SE that do not entitle Brenntag SE to any membership rights. Brenntag SE 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 SE is not aware of any agreements relating to restrictions on voting rights or on the transfer of shares.

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

As at December 31, 2020, the company was not aware of any direct or indirect interests in the capital of the company that exceeded 10% of the voting rights. Section 33 of the German Securities Trading Act (WpHG) requires that any investor whose percentage of voting rights in Brenntag SE reaches, exceeds or falls below certain thresholds as a result of purchases, disposals or otherwise must notify Brenntag SE and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht). All voting right notifications in accordance with Section 33 of the German Securities Trading Act received by Brenntag SE in the reporting period concern shares of the voting rights in excess of the 3% and 5% thresholds and can be viewed in the Investor Relations section of the company's website at www.brenntag.com.

Shares with Special Rights Conferring Powers of Control

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

System of Control of Any Employee Participation Scheme Where the Control Rights Are Not Exercised Directly by the Employees

Brenntag SE 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 13, para. 4 of the Articles of Association of Brenntag SE by simple majority of votes. In the event of a tie, the Chairman of the Supervisory Board has the casting vote. According to article 9, para. 1 of the Articles of Association of Brenntag SE, 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 SE consisted of four members as at December 31, 2020 and has comprised five members since January 1, 2021.

Contrary to Sections 133, para. 1 and 179, para. 2, sentence 1 of the German Stock Corporation Act, article 20 of the Articles of Association of Brenntag SE 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 14, para. 2 of the Articles of Association of Brenntag SE. In addition, by resolution of the General Shareholders' Meeting on June 20, 2018, the Supervisory Board was authorized to amend the Articles of Association of Brenntag SE in connection with the creation of new authorized capital after implementation of each capital increase and after expiry of the authorization period without use of the authorized capital.

Powers of the Board of Management to Issue or Repurchase Shares

AUTHORIZATION TO CREATE AUTHORIZED CAPITAL

By resolution of the General Shareholders' Meeting on June 20, 2018, the Board of Management was authorized, subject to the consent of the Supervisory Board, to increase the registered share capital of Brenntag SE in one or more tranches by up to EUR 35,000,000 in aggregate by issuing up to 35,000,000 new no-par value registered shares against cash contributions or non-cash contributions in the period to June 19, 2023. In principle, shareholders are to be granted a subscription right for new shares. However, in certain cases the Board of Management is authorized, subject to the consent of the Supervisory Board, to exclude the statutory subscription right in relation to one or more increases in the registered share capital within the scope of the authorized share capital. This shall apply, for example, if the increase in the registered share capital is effected against contribution in cash and provided that the issue price of the new shares is not substantially lower (within the meaning of Section 203, para. 1 and para. 2 and Section 186, para. 3, sentence 4 of the German Stock Corporation Act) than the market price for shares in the company of the same class and having the same conditions already listed at the time of the final determination of the issue price and provided that the amount of the registered share capital represented by the shares issued pursuant to this paragraph subject to the exclusion of the statutory subscription right in accordance with Section 186, para. 3, sentence 4 of the German Stock Corporation Act does not exceed 10% of the registered share capital in the amount of EUR 154,500,000 (simplified exclusion of subscription rights). Details can be found in the Articles of Association of Brenntag SE, which are available in the Investor Relations section of the website at www.brenntag.com.

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

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

By resolution of the General Shareholders' Meeting on June 20, 2018, the Board of Management was authorized, subject to the consent of the Supervisory Board, to purchase treasury shares up to a total amount equal to no more than 10% of the registered share capital. In this connection, the shares purchased on the basis of this authorization together with other shares of the company which Brenntag SE has already purchased and still holds shall not exceed 10% of the respective registered share capital. The authorization may be exercised to the full extent of repurchases thereby authorized or in partial amounts, on one or several occasions. It took effect at the close of the General Shareholders' Meeting on June 20, 2018 and shall apply until June 19, 2023. If shares are purchased on the stock market, the purchase price (excluding incidental purchase costs) may not be more than 10% higher or lower than the arithmetic mean value of the closing prices (closing auction prices of Brenntag SE shares in XETRA trading or a comparable system replacing the XETRA system) on the Frankfurt am Main stock exchange for the last five trading days preceding the purchase or the assumption of an obligation to purchase. If shares are purchased by way of a public purchase offer, Brenntag SE may either publish a formal offer or issue a public request for offers of sale. In each case, the purchase price offered (excluding incidental purchase costs) or the limits of the purchase price range per share set by Brenntag SE (excluding incidental purchase costs) may not be more than 10% higher or lower than the arithmetic mean value of the closing prices on the Frankfurt am Main stock exchange for the last five trading days preceding the publication of the purchase offer or request for offers of sale. The authorization may be exercised for any purpose permitted by law. The Board of Management was authorized to retire the treasury shares purchased on the basis of the authorization under Section 71, para. 1, no. 8 of the German Stock Corporation Act with the consent of the Supervisory Board and without a further resolution being adopted by the General Shareholders' Meeting. The retirement transaction may be restricted to some of the shares purchased and use may be made of the authorization to retire shares on one or more occasions. Retiring shares generally leads to a reduction in capital. Alternatively, the Board of Management may decide that the registered share capital will remain unchanged and the transaction will instead increase the amount of the registered share capital represented by the other shares in accordance with Section 8, para. 3 of the German Stock Corporation Act. In this case, the Board of Management is authorized to change the relevant number stated in the Articles of Association. Treasury shares may, under certain circumstances, also be used subject to exclusion of the shareholders' subscription rights existing in principle and in particular by way of simplified exclusion of subscription rights as specified above.

AUTHORIZATION TO ISSUE BONDS AND TO CREATE CONDITIONAL CAPITAL

By resolution of the General Shareholders' Meeting on June 20, 2018, the Board of Management was authorized ("Authorization 2018"), subject to the consent of the Supervisory Board, to issue in one or more tranches in the period to June 19, 2023 registered or bearer warrant-linked or convertible bonds as well as profit-sharing certificates conferring option or conversion rights in an aggregate nominal amount of up to EUR 2,000,000,000 of limited or unlimited term ("Bonds") and to grant the holders or creditors of the Bonds option or conversion rights for up to 15,450,000 new Brenntag SE shares representing a notional amount of up to EUR 15,450,000 in the registered share capital further subject to the terms and conditions of the respective warrant-linked or convertible bonds and / or terms and conditions of the profit-sharing certificates to be defined by the Board of Management ("Terms and Conditions"). In order to grant shares to the holders or creditors of Bonds, the registered share capital was conditionally increased at the General Shareholders' Meeting on June 20, 2018 by up to 15,450,000 no-par value registered shares conferring profit-sharing rights from the beginning of the financial year in which they were issued ("Conditional Capital 2018"); this equates to an increase in the registered share capital of up to EUR 15,450,000. The Bonds may also be issued in a foreign legal currency rather than in euros – subject to limitation to the corresponding equivalent value in euros – and by companies which are controlled by Brenntag SE 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 SE, the guarantee for the Bonds and to grant the holders of such Bonds option and / or conversion rights for Brenntag SE shares and to effect any further declarations and acts as are required for a successful issue. The issues of the Bonds may in each case be divided into partial bonds with equal entitlement amongst themselves. Bonds may only be issued against non-cash contributions provided that the value of the non-cash contribution is equal to the issue price and such issue price is not substantially lower than the theoretical market value of the Bonds determined using recognized valuation techniques. The Board of Management is authorized, under certain circumstances and subject to the consent of the Supervisory Board, to exclude the subscription right of the shareholders for the Bonds. However, with regard to the exclusion of subscription rights against cash payment, such authorization shall apply only provided that the shares issued to fulfil the option or conversion rights and/or in the case of fulfilment of the conversion obligation represent no more than 10% of the registered share capital. Decisive for the threshold of 10% is the registered share capital in the amount of EUR 154,500,000 (simplified exclusion of subscription rights). Details can be found in the Articles of Association of Brenntag SE, which are available in the Investor Relations section of the website at www.brenntag.com.

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

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

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

In November 2015, Brenntag Finance B.V., in its capacity as issuer and with Brenntag SE as guarantor, issued a bond with warrant units in the amount of USD 500.0 million maturing on December 2, 2022 ("Bond (with Warrants) 2022"). It did so on the basis of the authorization resolved upon at the General Shareholders' Meeting on June 17, 2014 ("Authorization 2014") to issue Bonds and grant the holders or creditors of the Bonds option or conversion rights for up to 25,750,000 new Brenntag SE shares representing a notional amount of up to EUR 25,750,000 in the registered share capital ("Conditional Capital 2014").

The bond was offered only to institutional investors outside the USA. Shareholders' subscription rights were excluded. The warrants attached to the Bond (with Warrants) 2022 entitle the holder to purchase Brenntag SE ordinary shares by paying the strike price applicable at that time. The Terms and Conditions of the Bond (with Warrants) 2022 allow Brenntag SE to settle exercised options both from the Conditional Capital 2014 and from the authorized capital described above or from the treasury shares it holds or to buy back the warrants. The investor may detach the warrants from the bonds. The bond with warrant units, bonds detached from warrants and detached warrants were admitted to trading on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange. At the reporting date, there were subscription rights to approximately 6.5 million shares resulting from the Bond (with Warrants) 2022; this equates to 4.2% of the registered share capital at the reporting date. Holders have been able to exercise their warrants since January 12, 2016. No warrants have been exercised to date.

The Authorization 2014 was rescinded when the Authorization 2018 became effective. The warrants attached to the Bond (with Warrants) 2022 are unaffected by the rescission of the Authorization 2014, the new Authorization 2018 and the new Conditional Capital 2018. In particular, the subscription rights of the holders of the Bond (with Warrants) 2022 are not adversely affected, as the Conditional Capital 2014 remains in place. Further information on the Conditional Capital 2014 can be found in the Articles of Association of Brenntag SE, which are available in the Investor Relations section of the website at www.brenntag.com.

Significant Agreements Which Take Effect, Alter or Terminate Upon a Change of Control of the Company Following a Takeover Bid

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

Section 5 of the bond terms and conditions and section 7 of the warrant terms and conditions relating to the bond with warrant units in the amount of USD 500.0 million issued by

Brenntag Finance B.V. in November 2015 (Bond (with Warrants) 2022) contain provisions governing a change of control, under which bondholders may request that the bond be repaid early following an agreed period if one or more persons within the meaning of Section 34, para. 2 of the German Securities Trading Act (WpHG) hold(s) 50% or more of the voting rights in Brenntag SE. The terms and conditions of the warrants issued with the bonds state that, in the event of a change of control, the holders of the warrants may receive the right to purchase shares at a lower strike price during a specified period following the change of control. The size of the adjustment to the strike price declines over the term of the warrants and is set out in more detail in the terms and conditions of the warrants. As under the bond terms and conditions, a change of control occurs if one or more persons within the meaning of Section 34, para. 2 of the German Securities Trading Act hold(s) 50% or more of the voting rights in Brenntag SE.

Section 5 of the conditions of issue relating to the Bond 2025 in the amount of EUR 600.0 million issued by Brenntag Finance B.V. in September 2017 also contains provisions governing a change of control, under which bondholders may request that the bond be repaid early if the rating is downgraded within a certain period of a change of control (in each case as defined in the conditions of issue).

Compensation Agreements with Members of the Board of Management or Employees in the Event of a Takeover Bid

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

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement required under Section 289f, 315d of the German Commercial Code (HGB), including the corporate governance report, can be found in the Investor Relations section of the website at www.brenntag.com and in the chapter “To Our Shareholders”.

NON-FINANCIAL STATEMENT

The non-financial statement required under Sections 289b and 315b of the German Commercial Code (HGB) will be available at the following link by April 30, 2021 at the latest in the form of a separate non-financial Group report within the sustainability reporting: www.brenntag.com/sustainabilityreport2020

CONSOLIDATED

FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

in EUR m	Note	**2020**	**2019**
Sales	1.)	11,775.8	12,821.8
Cost of sales	2.)	−9,010.6	−10,079.0
Gross profit		**2,765.2**	**2,742.8**
Selling expenses	3.)	−1,840.5	−1,837.8
Administrative expenses	4.)	−232.7	−211.1
Other operating income	5.)	38.5	41.1
Impairment losses on trade receivables and other receivables		−8.9	−6.2
Other operating expenses	6.)	−8.6	−11.9
Operating profit		**713.0**	**716.9**
Share of profit or loss of equity-accounted investments		–	0.3
Interest income		3.6	4.0
Interest expense	7.)	−70.0	−94.0
Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	8.)	0.4	−0.7
Other net finance income/costs	9.)	−13.7	6.9
Net finance costs		**−79.7**	**−83.5**
Profit before tax		**633.3**	**633.4**
Income tax expense	10.)	−159.5	−164.2
Profit after tax		**473.8**	**469.2**
Attributable to:			
Shareholders of Brenntag SE		466.5	466.7
Non-controlling interests		7.3	2.5
Basic earnings per share in euro	**12.)**	**3.02**	**3.02**
Diluted earnings per share in euro	**12.)**	**3.02**	**3.02**

C.01 CONSOLIDATED INCOME STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR m	2020	2019
Profit after tax	**473.8**	**469.2**
Remeasurements of defined benefit pension plans	−5.5	−27.8
Deferred tax relating to remeasurements of defined benefit pension plans	2.8	8.0
Items that will not be reclassified to profit or loss	**−2.7**	**−19.8**
Change in exchange rate differences on translation of consolidated companies	−249.6	62.5
Reclassification to profit or loss of exchange rate differences on translation of equity-accounted investments	–	8.9
Change in exchange rate differences on translation of equity-accounted investments	−0.1	0.3
Change in net investment hedge reserve	6.4	−0.7
Items that may be reclassified subsequently to profit or loss	**−243.3**	**71.0**
Other comprehensive income, net of tax	**−246.0**	**51.2**
Total comprehensive income	**227.8**	**520.4**
Attributable to:		
Shareholders of Brenntag SE	227.0	516.4
Non-controlling interests	0.8	4.0

C.02 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED BALANCE SHEET

ASSETS

in EUR m	Note	Dec. 31, 2020	Dec. 31, 2019
Current assets			
Cash and cash equivalents	13.)	726.3	520.3
Trade receivables	14.)	1,597.5	1,820.3
Other receivables	15.)	175.2	194.8
Other financial assets	16.)	20.5	21.7
Current tax assets		47.5	57.3
Inventories	17.)	978.9	1,176.5
		3,545.9	**3,790.9**
Non-current assets			
Property, plant and equipment	18.)	1,128.6	1,164.3
Intangible assets	19.)	2,937.9	3,084.0
Right-of-use assets	20.)	418.7	412.2
Equity-accounted investments	21.)	3.2	4.0
Other receivables	15.)	28.9	24.5
Other financial assets	16.)	11.0	21.4
Deferred tax assets	10.)	69.3	62.9
		4,597.6	**4,773.3**
Total assets		**8,143.5**	**8,564.2**

LIABILITIES AND EQUITY

in EUR m	Note	Dec. 31, 2020	Dec. 31, 2019
Current liabilities			
Trade payables	22.)	1,229.8	1,229.1
Financial liabilities	23.)	151.9	224.2
Lease liabilities	20.)	99.8	100.5
Other liabilities	24.)	483.7	382.3
Other provisions	25.)	64.5	102.3
Liabilities relating to acquisition of non-controlling interests	27.)	16.5	–
Current tax liabilities		47.6	43.8
		2,093.8	**2,082.2**
Non-current liabilities			
Financial liabilities	23.)	1,487.5	1,936.4
Lease liabilities	20.)	327.0	319.7
Other liabilities	24.)	8.5	4.5
Other provisions	25.)	117.5	121.1
Provisions for pensions and other post-employment benefits	26.)	200.8	189.1
Liabilities relating to acquisition of non-controlling interests	27.)	111.7	136.6
Deferred tax liabilities	10.)	185.1	195.6
		2,438.1	2,903.0
Equity	28.)		
Subscribed capital		154.5	154.5
Additional paid-in capital		1,491.4	1,491.4
Retained earnings		2,080.6	1,809.9
Accumulated other comprehensive income		−176.8	60.0
Equity attributable to shareholders of Brenntag SE		3,549.7	3,515.8
Equity attributable to non-controlling interests		61.9	63.2
		3,611.6	3,579.0
Total liabilities and equity		**8,143.5**	**8,564.2**

C.03 CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR m	Subscribed capital	Additional paid-in capital	Retained earnings
Dec. 31, 2018	**154.5**	**1,491.4**	**1,640.1**
Dividends	–	–	−185.4
Business combinations	–	–	−91.7
Transactions with owners	–	–	–
Profit after tax	–	–	466.7
Other comprehensive income, net of tax	–	–	−19.8
Total comprehensive income for the period	**–**	**–**	**446.9**
Dec. 31, 2019	**154.5**	**1,491.4**	**1,809.9**
Dividends	–	–	−193.1
Business combinations	–	–	–
Profit after tax	–	–	466.5
Other comprehensive income, net of tax	–	–	−2.7
Total comprehensive income for the period	**–**	**–**	**463.8**
Dec. 31, 2020	**154.5**	**1,491.4**	**2,080.6**

Exchange rate differences	Net investment hedge reserve	Equity attributable to shareholders of Brenntag SE	Equity attributable to non-controlling interests	**Equity**
−9.4	**−0.1**	**3,276.5**	**24.7**	**3,301.2**
–	–	−185.4	–	−185.4
–	–	−91.7	41.1	−50.6
–	–	–	−6.6	−6.6
–	–	466.7	2.5	469.2
70.2	−0.7	49.7	1.5	51.2
70.2	**−0.7**	**516.4**	**4.0**	**520.4**
60.8	**−0.8**	**3,515.8**	**63.2**	**3,579.0**
–	–	−193.1	–	−193.1
–	–	–	−2.1	−2.1
–	–	466.5	7.3	473.8
−243.2	6.4	−239.5	−6.5	−246.0
−243.2	**6.4**	**227.0**	**0.8**	**227.8**
−182.4	**5.6**	**3,549.7**	**61.9**	**3,611.6**

C.04 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED CASH FLOW STATEMENT

in EUR m	Note	2020	2019
	29.)		
Profit after tax		**473.8**	**469.2**
Depreciation and amortization	18.)/19.)/20.)	297.5	293.2
Income tax expense	10.)	159.5	164.2
Income taxes paid		−155.5	−175.3
Net interest expense	7.)	66.4	90.0
Interest paid (netted against interest received)		−57.9	−75.7
Dividends received		0.6	1.0
Changes in provisions		−33.9	0.9
Changes in current assets and liabilities			
Inventories		116.2	103.5
Receivables		115.7	93.9
Liabilities		194.1	−60.9
Non-cash change in liabilities relating to acquisition of non-controlling interests	8.)	−0.4	0.7
Other non-cash items and reclassifications		42.9	−25.4
Net cash provided by operating activities		**1,219.0**	**879.3**
Proceeds from the disposal of consolidated subsidiaries and other business units less costs to sell		1.2	14.7
Proceeds from the disposal of equity-accounted investments		0.1	–
Proceeds from the disposal of intangible assets and property, plant and equipment		20.3	12.5
Payments to acquire consolidated subsidiaries and other business units		−46.4	−194.9
Payments to acquire other financial assets		−0.2	−0.5
Payments to acquire intangible assets and property, plant and equipment		−199.1	−204.0
Net cash used in investing activities		**−224.1**	**−372.2**
Dividends paid to Brenntag shareholders		−193.1	−185.4
Profits distributed to non-controlling interests		−1.5	−1.5
Proceeds from borrowings		45.9	93.7
Repayments of borrowings		−586.9	−290.2
Net cash used in financing activities		**−735.6**	**−383.4**
Change in cash and cash equivalents		**259.3**	**123.7**
Effect of exchange rate changes on cash and cash equivalents		−53.3	2.8
Cash and cash equivalents at beginning of period	13.)	520.3	393.8
Cash and cash equivalents at end of period	**13.)**	**726.3**	**520.3**

C.05 CONSOLIDATED CASH FLOW STATEMENT

NOTES

Key Financial Figures by Segment

for the period from January 1 to December 31

in EUR m		EMEA[5]	North America	Latin America	Asia Pacific	All other segments	Consoli-dation	Group
External sales	**2020**	**5,027.5**	**4,191.0**	**819.4**	**1,434.0**	**303.9**	**–**	**11,775.8**
	2019	5,237.7	4,787.1	854.2	1,534.4	408.4	–	12,821.8
	Change in %	−4.0	−12.5	−4.1	−6.5	−25.6	–	−8.2
	fx adjusted change in %	−2.7	−10.6	6.0	−3.9	−25.6	–	−6.0
Inter-segment sales	**2020**	**8.3**	**4.7**	**0.2**	**1.7**	**0.9**	**−15.8**	**–**
	2019	8.4	5.9	0.2	1.2	0.1	−15.8	–
Operating gross profit[2]	**2020**	**1,235.7**	**1,124.8**	**186.6**	**282.5**	**20.8**	**–**	**2,850.4**
	2019	1,141.6	1,216.8	177.0	266.8	19.5	–	2,821.7
	Change in %	8.2	−7.6	5.4	5.9	6.7	–	1.0
	fx adjusted change in %	9.4	−5.6	16.6	8.9	6.7	–	3.3
Gross profit	**2020**	**–**	**–**	**–**	**–**	**–**	**–**	**2,765.2**
	2019	–	–	–	–	–	–	2,742.8
	Change in %	–	–	–	–	–	–	0.8
	fx adjusted change in %	–	–	–	–	–	–	3.1
Operating EBITDA[3] (segment result)	**2020**	**475.9**	**434.4**	**63.5**	**123.8**	**−39.9**	**–**	**1,057.7**
	2019	406.3	474.8	55.9	101.1	−36.6	–	1,001.5
	Change in %	17.1	−8.5	13.5	22.5	9.0	–	5.6
	fx adjusted change in %	19.0	−6.6	26.9	25.9	9.0	–	8.3
Operating EBITDA[3]/ operating gross profit[2]	**2020 in %**	**38.5**	**38.6**	**34.0**	**43.8**	**−191.8**	**–**	**37.1**
	2019 in %	35.6	39.0	31.6	37.9	−187.7	–	35.5
Investments in non-current assets (capex)[4]	**2020**	**63.6**	**61.1**	**9.8**	**27.6**	**39.8**	**–**	**201.9**
	2019	89.7	70.9	9.7	22.5	12.4	–	205.2

C.06 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8[1]

[1] For further information on segment reporting in accordance with IFRS 8, see Note 31.).
[2] External sales less cost of materials.
[3] Segment operating EBITDA is calculated as EBITDA adjusted for holding charges and special items.
[4] Investments in non-current assets are the other additions to property, plant and equipment and intangible assets.
[5] Europe, Middle East & Africa.

Group Key Financial Figures

in EUR m	2020	2019
Operating EBITDA	**1,057.7**	**1,001.5**
Investments in non-current assets (capex)[1]	−201.9	−205.2
Change in working capital[2][3]	325.0	161.7
Principal and interest payments on lease liabilities	−126.2	−120.7
Free cash flow	**1,054.6**	**837.3**

C.07 FREE CASH FLOW

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

in EUR m	2020	2019
Operating EBITDA (segment result)[1]	**1,057.7**	**1,001.5**
Net income/expense from special items	−47.2	8.6
(of which expenses in connection with “Project Brenntag”/programmes to increase efficiency)	(−47.2)	(−0.4)
(of which refund of social security charges paid in previous years in Brazil)	(–)	(9.3)
(of which subsequent purchase price adjustment for/income from the sale of Brenntag Biosector)	(–)	(−0.3)
EBITDA	**1,010.5**	**1,010.1**
Depreciation of property, plant and equipment and right-of-use assets arising from leases	−252.0	−242.6
Impairment of property, plant and equipment	−0.4	−1.0
EBITA	**758.1**	**766.5**
Amortization of intangible assets[2]	−43.7	−49.0
Impairment of intangible assets	−1.4	−0.6
EBIT	**713.0**	**716.9**
Net finance costs	−79.7	−83.5
Profit before tax	**633.3**	**633.4**

C.08 RECONCILIATION OF OPERATING EBITDA TO PROFIT BEFORE TAX

[1] Operating EBITDA of the reportable segments (EMEA, North America, Latin America and Asia Pacific) amounts to EUR 1,097.6 million (2019: EUR 1,038.1 million) and operating EBITDA of all other segments to EUR −39.9 million (2019: EUR −36.6 million).
[2] For the period from January 1 to December 31, 2020, this figure includes amortization of customer relationships in the amount of EUR 28.7 million (2019: EUR 34.9 million).

in EUR m	2020	2019
EBITA	758.1	766.5
Average carrying amount of equity	3,582.9	3,427.3
Average carrying amount of financial liabilities and lease liabilities	2,453.0	2,581.3
Average carrying amount of cash and cash equivalents	−654.1	−430.8
ROCE[1]	**14.1%**	**13.7%**

C.09 DETERMINATION OF ROCE

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

in EUR m	2020	2019
Operating gross profit	**2,850.4**	**2,821.7**
Production/mixing & blending costs	−85.2	−78.9
Gross profit	**2,765.2**	**2,742.8**

C.10 RECONCILIATION OF OPERATING GROSS PROFIT TO GROSS PROFIT

General Information

As one of the world's leading chemical distributors with more than 670 locations, Brenntag 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.

At the ordinary General Shareholders' Meeting on June 10, 2020, shareholders resolved to change Brenntag AG's legal form to a European company (Societas Europaea, SE). The change became effective upon its entry in the Commercial Register on February 1, 2021.

Brenntag SE has its registered office at Messeallee 11, Essen, Germany and is entered in the Commercial Register at the Essen Local Court under commercial register number HRB 31943.

These consolidated financial statements of Brenntag SE were prepared by the Board of Management of Brenntag SE on March 2, 2021, authorized for publication and submitted to the Supervisory Board for approval at its meeting on March 9, 2021.

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

Consolidation Policies and Methods

STANDARDS APPLIED

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

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

The accounting methods applied comply with all the standards and interpretations existing and adopted by the EU as at December 31, 2020 whose application is mandatory. In addition, the German commercial law provisions to be applied in accordance with Section 315e, para. 1 of the German Commercial Code (HGB) were taken into account.

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

- Amendments to IFRS 3 (Business Combinations) regarding the definition of a business
- Amendments to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) regarding the definition of material
- Amendments to IFRS 9 (Financial Instruments), IAS 39 and IFRS 7 (Financial Instruments: Disclosures) regarding the effect of the reform of LIBOR and other interest rate benchmarks on hedge accounting – not relevant to Brenntag
- Revised Conceptual Framework for Financial Reporting

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

The amendments to IAS 1 and IAS 8 align the definition of material across all IFRSs and the IFRS Conceptual Framework. According to the new definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Whether information is material depends on its nature and / or the magnitude of the effect of the item to which the information relates. An entity assesses whether information is material in the context of its financial statements taken as a whole. Information is obscured if the resulting effects are similar to omitting or misstating that information, for example as a result of using vague language to describe an item, transaction or other event, scattering information throughout the financial statements or inappropriately aggregating information. Primary users of financial statements are existing or future investors, lenders and other creditors who must rely on the information contained in the financial statements.

The IASB has revised its Conceptual Framework for Financial Reporting. The revised Conceptual Framework will be used when developing new standards and interpretations. No technical changes are currently being made to existing IFRSs.

The aforementioned revised standards do not have a material impact on the presentation of the Group's net assets, financial position and results of operations.

Probable first-time adoption in 2021

- Interest Rate Benchmark Reform (IBOR Reform) – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Amendments to IFRS 16 regarding COVID-19-related rent concessions

The Phase 2 amendments from the IASB project on interest rate benchmark reform provide relief in accounting for changes required by IBOR reform to contractual cash flows and hedging relationships. They therefore relate to the actual transition to replacement interest rate benchmarks.

The amendments to IFRS 16 Leases provide a practical expedient that allows lessees to simplify their accounting for concessions such as deferrals of lease payments or rent reductions granted in connection with COVID-19. The lessee may elect not to present the rent concession as a lease modification.

Probable first-time adoption in 2022

- Amendments to IFRS 3 (Business Combinations) regarding a reference to the Conceptual Framework – not yet endorsed by the European Union
- Amendments to IAS 16 (Property, Plant and Equipment) regarding the presentation of proceeds before the intended use of an item of property, plant and equipment – not yet endorsed by the European Union
- Amendments to IAS 37 (Provisions) regarding the definition of unavoidable costs of meeting the obligations under an onerous contract – not yet endorsed by the European Union
- Annual Improvements to IFRSs (2018-2020 Cycle) – not yet endorsed by the European Union

The amendments to IFRS 3 update a reference to the revised IFRS Conceptual Framework (2018) and add to IFRS 3 a requirement that an acquirer apply the requirements of IAS 37 (Provisions) or IFRIC 21 (Levies) in identifying liabilities assumed, with the exception of contingent liabilities acquired, to which the requirements of IFRS 3.23 continue to apply, under which they must be recognized even if it is not probable that there will be an outflow of economic resources. For acquired contingent assets, an explicit prohibition on recognition has been added.

The amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling products produced using that item of property, plant and equipment before its intended use. Proceeds must be shown in profit or loss, as must production expenditures incurred before the intended use of an item of property, plant and equipment, such as during testing for example.

The amendments to IAS 37 regarding the definition of unavoidable costs of meeting the obligations under an onerous contract specify that all costs directly attributable to a contract must be taken into account in determining whether the contract is onerous as defined by IAS 37. Costs that relate directly to a contract may be either incremental costs of fulfilling that contract (e.g. direct labour or materials) or other costs that relate directly to fulfilling the contract (e.g. depreciation charges for items of property, plant and equipment used in fulfilling the contract).

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

Probable first-time adoption in 2023

- Amendments to IAS 1 regarding the classification of liabilities as current or non-current

The narrow-scope amendment to IAS 1 clarifies that liabilities are classified as current or non-current based on the entity's rights in existence at the end of the reporting period. Under the amendment, liabilities are classified as non-current if, at the end of the reporting period, the entity has a substantive right to defer settlement of the liability for at least twelve months after the reporting date. In assessing whether a (substantive) right exists, the entity does not consider whether it will exercise its right. Classification is therefore unaffected by management's intentions in this regard.

Brenntag is currently examining the effects of the amended standards on the presentation of the Group's net assets, financial position and results of operations.

SCOPE OF CONSOLIDATION

As at December 31, 2020, the consolidated financial statements include Brenntag SE and in addition 28 (Dec. 31, 2019: 28) domestic and 188 (Dec. 31, 2019: 193) foreign consolidated subsidiaries including structured entities.

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

	Dec. 31, 2019	Additions	Disposals	Dec. 31, 2020
Domestic consolidated companies	29	–	–	29
Foreign consolidated companies	193	4	9	188
Total consolidated companies	**222**	**4**	**9**	**217**

C.11 CHANGES IN SCOPE OF CONSOLIDATION

The additions relate to entities acquired in business combinations under IFRS 3 and one entity established. The disposals are the result of mergers and the liquidation of companies no longer operating.

Three (Dec. 31, 2019: four) associates are accounted for using the equity method.

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

In the case of two (Dec. 31, 2019: two) 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 and a sales company.

BUSINESS COMBINATIONS IN ACCORDANCE WITH IFRS 3

In early January 2020, Brenntag acquired all shares in Hong Kong Dongguan Zhongrong Investment Co Limited, Hong Kong, and its subsidiary ZhongYung (GuangDong) Chemical Distribution Service Co. Ltd based in Dongguan, China. The acquired storage capacity and the location in the province of Guangdong, one of China's largest economic regions, will enhance Brenntag's position in the South China market and enable it to provide more value-added services to customers and suppliers.

At the end of July 2020, Brenntag acquired the operating assets of Suffolk Solutions, Inc., based in Suffolk, USA, and its caustic soda distribution business. The acquired business and the related terminals of Suffolk Solutions will serve to further link Brenntag's caustic soda network in the Eastern United States.

In early October 2020, Brenntag acquired the business operations of Thai finished lubricants distributor OILs 'R US based in Bangkok. The acquisition of the company in Thailand expands Brenntag's presence in the distribution of lubricants in South East Asia.

In mid-November 2020, Brenntag closed the acquisition of the chemical distribution business of the Desbro Group in Dar es Salaam, Tanzania. The Group offers its customers a broad portfolio of commodities and specialty chemicals.

At the end of November 2020, Brenntag acquired all shares in Taiwanese chemical distributor Neuto Chemical Corp. headquartered in Taipei. The acquisition strengthens Brenntag's position in Taiwan.

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

in EUR m	Provisional fair value
Purchase price	**49.6**
of which consideration contingent on earnings targets	1.0
Assets	
Cash and cash equivalents	2.2
Trade receivables, other financial assets and other receivables	11.6
Other current assets	8.8
Non-current assets	29.1
Liabilities	
Current liabilities	13.8
Non-current liabilities	3.7
Net assets	**34.2**
Goodwill	**15.4**
of which deductible for tax purposes	3.0

C.12 NET ASSETS ACQUIRED IN 2020

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

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

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

Since their acquisition by Brenntag, the business units acquired in financial year 2020 have generated the following sales and the following profit after tax:

in EUR m	2020
Sales	14.2
Profit after tax	1.9

C.13 SALES AND PROFIT AFTER TAX OF THE BUSINESSES ACQUIRED SINCE ACQUISITION

If the above-mentioned business combinations had taken place with effect from January 1, 2020, sales of about EUR 11,820 million would have been reported for the Brenntag Group in the reporting period. Profit after tax would have been about EUR 477 million.

The carrying amounts and annual amortization of the intangible assets held by the business units acquired in 2020 and contained in non-current assets, in each case at the exchange rate at the acquisition date, are as follows:

in EUR m	Provisional fair value
Customer relationships and similar rights	
Carrying amount	8.2
Annual amortization	2.1

C.14 INTANGIBLE ASSETS ACQUIRED

Measurement of the assets and liabilities of the 2019 acquiree TEE HAI CHEM PTE LTD (TEE HAI) based in Singapore has been completed.

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

in EUR m	Provisional fair value	Adjustments	Final fair value
Purchase price	**59.8**	**−1.9**	**57.9**
of which consideration contingent on earnings targets	–	–	–
Assets			
Cash and cash equivalents	8.4	–	8.4
Trade receivables, other financial assets and other receivables	23.8	–	23.8
Other current assets	25.1	–	25.1
Non-current assets	98.4	−2.2	96.2
Liabilities			
Current liabilities	38.4	0.1	38.5
Non-current liabilities	36.7	2.0	38.7
Net assets	**80.6**	**−4.3**	**76.3**
of which Brenntag's share	41.2	−2.2	39.0
of which non-controlling interests	39.4	−2.1	37.3
Goodwill	**18.6**	**0.3**	**18.9**
of which deductible for tax purposes	–	–	–

C.15 NET ASSETS ACQUIRED IN 2019: TEE HAI

Measurement of the assets and liabilities of the 2019 acquiree Crest Chemicals (Proprietary) Limited, South Africa, (Crest) has been completed. Crest is based in Woodmead and had been an associate (50% equity interest) of Brenntag since 2001. Brenntag acquired the remaining 50% of the shares at the end of November 2019.

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

in EUR m	Provisional fair value	Adjustments	**Final fair value**
Purchase price	**48.1**	**5.0**	**53.1**
of which interest in Crest (50%) held since 2001 and remeasured at fair value[1]	24.1	2.5	26.6
of which consideration contingent on earnings targets	–	–	–
Assets			
Cash and cash equivalents	4.6	–	4.6
Trade receivables, other financial assets and other receivables	17.4	–	17.4
Other current assets	14.7	–	14.7
Non-current assets	11.8	0.1	11.9
Liabilities			
Current liabilities	19.9	−0.1	19.8
Non-current liabilities	6.5	–	6.5
Contingent liabilities	0.8	–	0.8
Net assets	**21.3**	**0.2**	**21.5**
of which Brenntag's share	21.5	0.2	21.7
of which non-controlling interests	−0.2	–	−0.2
Goodwill	**26.6**	**4.8**	**31.4**
of which deductible for tax purposes	–	–	–

C.16 NET ASSETS ACQUIRED IN 2019 CREST

[1] The interest in Crest (50%) held since 2001 was remeasured at fair value. The effect of this remeasurement in the amount of EUR 2.5 million (2019: EUR 10.3 million) was presented within other net finance income / costs.

Measurement of the assets acquired and liabilities assumed in the acquisition in financial year 2019 of Quimisa SA and Quimilog Transportes e Logistica Ltda. based in Brusque, Brazil, (Quimisa) has been completed.

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

in EUR m	Provisional fair value	Adjustments	Final fair value
Purchase price	**48.8**	**−4.8**	**44.0**
of which consideration contingent on earnings targets	–	–	–
Assets			
Cash and cash equivalents	8.0	–	8.0
Trade receivables, other financial assets and other receivables	12.7	−0.1	12.6
Other current assets	11.7	−1.3	10.4
Non-current assets	19.8	–	19.8
Liabilities			
Current liabilities	14.2	4.2	18.4
Non-current liabilities	9.3	0.2	9.5
Contingent liabilities	–	–	–
Net assets	**28.7**	**−5.8**	**22.9**
Goodwill	**20.1**	**1.0**	**21.1**
of which deductible for tax purposes	–	–	–

C.17 NET ASSETS ACQUIRED IN 2019 QUIMISA

Measurement of the assets and liabilities of the other entities and businesses acquired in financial year 2019 (Reeder Distributors, Inc. based in Fort Worth, Texas, USA, New England Resins & Pigments Corporation Inc. (NERP) headquartered in Woburn, Massachusetts, USA, Marlin Company, Inc. based in Lenoir, North Carolina, USA, the chemical distribution business of the Desbro Group in Kenya, the United Arab Emirates and Uganda, Glenalmond Holdings Limited headquartered in Glasgow, Scotland) has been completed.

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

in EUR m	Provisional fair value	Adjustments	**Final fair value**
Purchase price	**87.8**	**−0.7**	**87.1**
of which consideration contingent on earnings targets	0.5	–	0.5
Assets			
Cash and cash equivalents	0.2	−0.2	–
Trade receivables, other financial assets and other receivables	11.0	−0.1	10.9
Other current assets	19.5	−0.1	19.4
Non-current assets	40.7	−2.1	38.6
Liabilities			
Current liabilities	6.0	−0.4	5.6
Non-current liabilities	8.0	0.5	8.5
Contingent liabilities	–	–	–
Net assets	**57.4**	**−2.6**	**54.8**
Goodwill	**30.4**	**1.9**	**32.3**
of which deductible for tax purposes	17.2	0.1	17.3

C.18 NET ASSETS ACQUIRED IN 2019 OTHER BUSINESS COMBINATIONS

Goodwill from the business combinations carried out in financial years 2019 and 2020 changed as follows:

in EUR m	Tee Hai	Crest	Quimisa	Other	**Goodwill**
Dec. 31, 2019	**18.8**	**27.4**	**20.7**	**30.5**	**97.4**
Exchange rate differences	−1.3	−3.9	−6.3	−3.2	−14.7
Business combinations in 2020	–	–	–	15.4	15.4
Adjustments in the measurement period	0.3	4.8	1.0	1.9	8.0
Dec. 31, 2020	**17.8**	**28.3**	**15.4**	**44.6**	**106.1**

C.19 CHANGE IN GOODWILL

The net cash outflow in 2020 resulting from business combinations has been determined as follows:

in EUR m	
Purchase price	**47.2**
Less purchase price components not paid	2.5
Less cash and cash equivalents acquired	2.0
Plus purchase price payments reclaimed	6.0
Less purchase prices payable	2.3
Payments to acquire consolidated subsidiaries and other business units	**46.4**

C.20 RECONCILIATION OF ACQUISITION COSTS TO PAYMENTS TO ACQUIRE CONSOLIDATED SUBSIDIARIES AND OTHER BUSINESS UNITS

CONSOLIDATION METHODS

The consolidated financial statements include the financial statements – prepared according to uniform accounting policies – of Brenntag SE 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 SE 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. 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 SE holds between 20% and 50% of the voting rights either directly or indirectly. The same consolidation policies apply to companies accounted for using the equity method as to consolidated companies, whereby recognized goodwill is contained in the carrying amount of investments accounted for using the equity method. Brenntag's share of the profit/loss after tax of the companies accounted for using the equity method is recognized in the income statement. The accounting policies of the companies accounted for using the equity method were, as far as necessary, adjusted in line with the accounting policies of Brenntag.

CURRENCY TRANSLATION

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

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

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

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

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

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

The euro exchange rates of major currencies changed as follows:

	Closing rate		Average rate	
EUR 1 = currencies	**Dec. 31, 2020**	Dec. 31, 2019	**2020**	2019
Canadian dollar (CAD)	1.5633	1.4598	1.5300	1.4855
Swiss franc (CHF)	1.0802	1.0854	1.0705	1.1124
Chinese yuan renminbi (CNY)	8.0225	7.8205	7.8747	7.7355
Danish krone (DKK)	7.4409	7.4715	7.4542	7.4661
Pound sterling (GBP)	0.8990	0.8508	0.8897	0.8778
Polish zloty (PLN)	4.5597	4.2568	4.4431	4.2976
Swedish krona (SEK)	10.0343	10.4468	10.4848	10.5891
US dollar (USD)	1.2271	1.1234	1.1422	1.1195

C.21 EXCHANGE RATES OF MAJOR CURRENCIES

Accounting and Measurement Policies

REVENUE RECOGNITION

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

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

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

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

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

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

Interest income is recognized as the interest accrues using the effective interest method.

Dividend income is recognized when the right to receive payment is established.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cheques and deposits held with banks with an original term of three months or less.

TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER FINANCIAL ASSETS

Trade receivables that do not contain a significant financing component are initially recognized at the transaction price in accordance with IFRS 15. All other financial assets are measured on initial recognition at fair value (if applicable, including transaction costs). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

For fair value measurement, IFRS 13 provides a three-level hierarchy that reflects the extent to which the inputs used to determine fair value are market-based:

- Level 1: Fair value determined using quoted or market prices in an active market
- Level 2: Fair value determined using quoted or market prices in an active market for similar financial assets or liabilities, or other measurement methods for which significant inputs used are based on observable market data
- Level 3: Fair value determined using measurement methods for which significant inputs used are not based on observable market data.

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

A regular way purchase or sale of non-derivative financial assets is recognized at the settlement date. Derivative financial instruments are recognized in the balance sheet when Brenntag becomes a party to the contractual provisions of that instrument.

Financial assets are derecognized if the contractual rights to the cash flows from the financial asset have expired or have been transferred and Brenntag has transferred substantially all the risks and rewards of ownership.

INVENTORIES

Inventories mainly comprise merchandise. They are initially recognized at cost. Production costs for the inventories produced through further processing are also capitalized.

Inventories are subsequently measured in accordance with IAS 2 at the lower of cost (on the basis of the average cost formula) and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value also reflects effects of obsolescence or reduced marketability. Earlier valuation allowances on inventories are reversed if the net realizable value of the inventories increases again.

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.

In accordance with IAS 20, government grants and assistance for investments are deducted from the related asset.

Depreciation charges on property, plant and equipment are allocated to the relevant function in the income statement.

When items of property, plant and equipment are sold, the difference between the net proceeds and the carrying amount of the respective asset is recognized as a gain or loss in other operating income or expenses.

Assets are depreciated over the following useful lives:

	Useful life
Land rights	40 to 50 years
Buildings	15 to 50 years
Installations and building improvements	8 to 20 years
Technical equipment and machinery	3 to 20 years
Vehicles	5 to 8 years
Other equipment, operating and office equipment	2 to 10 years

C.22 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS

Intangible assets include customer relationships and similar rights purchased, the “Brenntag” trademark, other trademarks, software, concessions and similar rights as well as goodwill from the acquisition of consolidated subsidiaries and other business units.

Intangible assets acquired through business combinations are measured on initial recognition at their acquisition-date fair value.

Separately acquired intangible assets are carried at cost.

Acquired software licences are recognized at cost plus directly attributable costs incurred to acquire and bring to use the specific software.

In addition to goodwill, the “Brenntag” trademark has an indefinite useful life as no assumption can be made about its durability or the sustainability of its economic use. The other intangible assets are amortized on a straight-line basis over their estimated useful lives. The following useful lives are assumed:

	Useful life
Concessions, industrial and similar rights as well as software and trademarks with definite useful lives	3 to 10 years
Customer relationships and similar rights	3 to 15 years

C.23 USEFUL LIVES OF INTANGIBLE ASSETS

Amortization charges on intangible assets are allocated to the relevant function in the income statement.

LEASES

Under the rules in IFRS 16 (Leases), lessees are generally required to recognize leases in the balance sheet in the form of a right-of-use asset and a corresponding lease liability. In doing so, all contractual lease payments to the lessor are included in the measurement. Lease payments are not separated into payments for lease components and payments for non-lease components (e.g. payments for maintenance or servicing costs). When recognizing extension and purchase options, judgements need to be made. Lease payments from extension periods and exercise prices of purchase options are included in the measurement if the option is reasonably certain to be exercised.

In the income statement, leases are in these cases presented as a financing transaction, i.e. the right-of-use asset usually has to be depreciated on a straight-line basis and the lease liability adjusted using the effective interest method. For short-term leases with a term of twelve months or less and leases for which the underlying asset is of low value, there is an option to continue to recognize the lease as an expense in EBITDA. Brenntag exercises this option accordingly.

The leases at Brenntag relate mainly to land and buildings (warehouse and office space), vehicles and other plant and equipment. Leases are entered into for fixed terms of more than one year to 70 years in limited cases, but may also contain extension options.

The incremental borrowing rates were determined on the basis of a base rate plus a risk premium. The base rates in major currencies and countries were derived from interest rate swaps (if available) or government bond yields for a period of up to twenty years. For countries or currencies for which there were no reliable data available on which to base the determination, the euro base rate was adjusted to reflect a country risk premium.

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 Long-Term Incentive Programme and the expiring long-term, virtual share-based remuneration programme for the members of the Board of Management and the Long-Term Incentive Plan for Executives and Senior Managers are classified as cash-settled share-based payments. Provisions are established for the resulting obligations. The obligations are measured at fair value. They are recognized as personnel expenses over the vesting period during which the beneficiaries acquire a vested right (unconditional right). The fair value is remeasured at each reporting date and at the settlement date.

PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The Group's pension obligations comprise both defined contribution and defined benefit pension plans.

The contributions to be paid into defined contribution pension plans are recognized directly as expense. Provisions for pension obligations are not established as, in these cases, Brenntag has no additional obligation apart from the obligation to pay the premiums.

In accordance with IAS 19, provisions are established for defined benefit plans, unless the plans are multi-employer pension funds for which insufficient information is available. The obligations arising from these defined benefit plans are determined using the projected unit credit method, under which the expected benefits to be paid after retirement are determined taking dynamic measurement inputs into account and spread over the entire length of service of the employees participating in the plan. For this purpose, an actuarial valuation is obtained every year. The actuarial assumptions for the discount rate, salary increase rate, pension trend, life expectancy and cost increases for medical care used to calculate the defined benefit obligation are established on the basis of the respective economic circumstances. The plan assets measured at fair value are deducted from the present value of the defined benefit obligation (gross pension obligation). Plan assets are assets where the claim to said assets has, in principle, been assigned to the beneficiaries. This results in the net liability required to be recognized or the net asset required to be recognized.

The discount rate is determined by reference to market yields at the end of the reporting period on fixed-rate senior corporate bonds. The currency and term of the corporate bonds taken as a basis are consistent with the currency and estimated term of the post-employment benefit obligations.

Life expectancy is determined using the latest mortality tables.

Pension costs are made up of three components:

Component	Constituents	Recognized in
Service cost	– Current service cost – Past service cost incl. gains and losses from plan curtailments – Gains and losses from plan settlements	Personnel expenses
Net interest expense	– Unwinding of discounting of defined pension obligation (DBO) – Interest income from plan assets	Interest expense
Remeasurements	– Actuarial gains and losses on DBO (from experience adjustments and from changes in measurement inputs) – Changes in value of plan assets not already contained in net interest expense	Other comprehensive income, net of tax

C.24 PENSION COST COMPONENTS

As a result of the inclusion of the remeasurement components in other comprehensive income, net of tax, the balance sheet shows the full extent of the net obligation avoiding volatility in profit or loss that may result in particular from changes in the measurement inputs.

Multi-employer defined benefit plans are treated as defined contribution plans when insufficient information is available.

TRADE PAYABLES, FINANCIAL LIABILITIES AND OTHER LIABILITIES

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

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

LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS

Liabilities relating to the acquisition of non-controlling interests include unconditional and contingent purchase price obligations relating to the acquisition of non-controlling interests as well as liabilities arising from limited partners' rights to repayment of contributions.

On initial recognition, they are recognized as a liability at their fair value (present value of the purchase price obligation) by reducing retained earnings. They are subsequently measured at amortized cost. Unwinding of discounting and changes in estimates of unconditional purchase price obligations and liabilities arising from limited partners' rights to repayment of contributions are recognized in profit or loss. Exchange rate effects are recognized in profit or loss or, in the case of net investment hedges, directly in equity.

DEFERRED TAXES AND CURRENT INCOME TAXES

Current income taxes for current and prior periods are recognized at the amount expected to be paid to or recovered from the taxation authorities.

Deferred taxes are determined in accordance with IAS 12 (Income Taxes). They arise from temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and their tax base, from consolidation adjustments and from tax loss carryforwards that are expected to be utilized.

Deferred tax assets are recognized to the extent that it is likely that future taxable profit will be available against which the temporary differences and unutilized loss carryforwards can be utilized.

No deferred taxes are recognized for the difference between the net assets and the tax base of subsidiaries (outside basis differences) provided Brenntag is able to control the timing of the reversal of the temporary difference and it is unlikely that the temporary difference will reverse in the foreseeable future.

Deferred taxes for domestic companies are calculated on the basis of the combined income tax rate of the German consolidated tax group of Brenntag SE of 32% (2019: 32%) for corporate income tax, solidarity surcharge and trade income tax, and for foreign companies, at local tax rates. These are tax rates which can be expected to apply on the basis of laws in the different countries that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are netted against each other if they relate to the same taxation authority, the company has a legally enforceable right to set them off against each other and they mature in the same period.

BOND WITH WARRANT UNITS

The bond with warrant units consists of the bond (Bond (with Warrants) 2022) and the warrant components. Upon issue, these components were recognized separately at fair value, including transaction costs. The bond with warrant units is subsequently measured at amortized cost using the effective interest method.

The warrants constitute equity as they entitle the holder to acquire a fixed number of Brenntag shares at a specified strike price. Upon issue, they were therefore taken directly to additional paid-in capital and recognized at fair value (warrant premium), including transaction costs. There will be no subsequent measurement.

ASSUMPTIONS AND ESTIMATES

Preparation of the consolidated financial statements requires the use of assumptions and estimates which may affect the amount and presentation of assets and liabilities and income and expenses. These assumptions and estimates mainly relate to the following:

- the calculation and discounting of cash flows when impairment tests are performed;
- the probability of occurrence, interest rates and other measurement inputs used to measure provisions, particularly for environmental risks and defined benefit pension obligations;
- the amount of liabilities relating to the acquisition of non-controlling interests as well as the determination of interest rates (see the section "Standards applied");
- the assessment of whether purchase and extension options will be exercised when accounting for right-of-use assets in accordance with IFRS 16 (Leases).

The impact on economic performance of the United Kingdom's withdrawal from the European Union (EU) cannot yet be determined in detail. The COVID-19 pandemic continues to pose risks to regional and global economic performance. As a result, Brenntag's business performance and the assumptions about its future free cash flow performance remain subject to uncertainties which may affect the recognition and amount of assets and liabilities stated in the balance sheet, particularly goodwill. However, the sensitivity analyses performed during goodwill impairment testing show sufficient scope. As in the previous year, no goodwill impairment would have arisen if the free cash flow taken as a basis for goodwill impairment testing had been 10% lower, with all other conditions remaining the same. As in 2019, a 20% lower growth rate over the entire planning period, with all other conditions remaining the same, and an increase of one percentage point in the WACC (weighted average cost of capital after taxes) taken as a basis for goodwill impairment testing would likewise 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 4.5 million (Dec. 31, 2019: EUR 5.1 million) or increased by EUR 3.0 million (Dec. 31, 2019: 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".

In the case of right-of-use assets under IFRS 16 (Leases), purchase and extension options are recognized if they are reasonably certain to be exercised. In this respect, the assessment is subject to a high degree of judgement. If circumstances change, the assessment of whether an option is reasonably certain to be exercised must be made anew.

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.

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

Sales of EUR 11,775.8 million (2019: EUR 12,821.8 million) are almost entirely attributable to contracts with customers as defined by IFRS 15. Sales of EUR 1.1 million (2019: EUR 3.0 million) were generated with related parties.

Sales of EUR 11,717.4 million (2019: EUR 12,757.6 million) relate mainly to the sale of goods and sales of EUR 58.4 million (2019: EUR 64.2 million) to the provision of services. For the majority of the sales, therefore, control transfers at a point in time, which depends specifically on the terms of delivery agreed with the customer. Control usually transfers when the goods are collected by the customer or dispatched by Brenntag or a third party.

Of the sales revenues from the sale of goods, EUR 11,602.4 million (2019: EUR 12,641.6 million) are attributable to warehousing or direct business. Of the other revenues from the sale of goods in the amount of EUR 114.9 million (2019: EUR 116.1 million), EUR 89.3 million (2019: EUR 106.0 million) relate to consignment business. Revenue from consignment agreements is recognized when control of the goods transfers to either a distributor or the end customer.

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

Trade receivables reported in the amount of EUR 1,597.5 million (Dec. 31, 2019: EUR 1,820.3 million) are entirely attributable to contracts with customers. No contract assets are currently recognized in the Brenntag Group.

Liabilities from contracts with customers break down as follows:

in EUR m	**Dec. 31, 2020**	**Dec. 31, 2019**
Contract liabilities under credit notes	16.0	11.7
Refund liabilities	15.2	16.7
Prepayments received	4.7	3.7
Total	**35.9**	**32.1**

C.25 CURRENT CONTRACT LIABILITIES FROM CONTRACTS WITH CUSTOMERS

2.) COST OF SALES

Cost of sales includes cost of materials and other operating expenses attributable to this line item. Cost of materials amounts to EUR 8,925.4 million (2019: EUR 10,000.1 million). Cost of sales also includes expenses in the amount of EUR 14.5 million (2019: EUR 5.8 million) from valuation allowances on inventories.

3.) SELLING EXPENSES

Selling expenses include all direct selling and distribution costs as well as respective overheads incurred in the reporting period and attributable directly or proportionately to this line item.

4.) ADMINISTRATIVE EXPENSES

Administrative expenses contain all costs of a general administrative nature provided they are not attributable to other functions.

5.) OTHER OPERATING INCOME

in EUR m	2020	2019
Income from the disposal of non-current assets	3.7	6.4
Income from the reversal of liabilities and provisions no longer required	8.9	10.0
Miscellaneous operating income	25.9	24.7
Total	**38.5**	**41.1**

C.26 OTHER OPERATING INCOME

6.) OTHER OPERATING EXPENSES

in EUR m	2020	2019
Losses on the disposal of non-current assets	−0.9	−1.7
Miscellaneous operating expenses	−7.7	−10.2
Total	**−8.6**	**−11.9**

C.27 OTHER OPERATING EXPENSES

7.) INTEREST EXPENSE

in EUR m	2020	2019
Interest expense on liabilities to third parties	−54.7	−75.5
Expense from the fair value measurement of interest rate swaps	–	−0.3
Net interest expense on defined benefit pension plans	−1.8	−3.0
Interest expense on other provisions	−1.3	−2.5
Interest expense on leases	−12.2	−12.7
Total	**−70.0**	**−94.0**

C.28 INTEREST EXPENSE

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

in EUR m	2020	2019
Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	2.1	0.7
Change in liabilities recognized in profit or loss arising from limited partners' rights to repayment of contributions	−1.7	−1.4
Total	**0.4**	**−0.7**

C.29 CHANGE IN LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS RECOGNIZED IN PROFIT OR LOSS

For further information, please refer to Note 27.).

9.) OTHER NET FINANCE INCOME / COSTS

in EUR m	2020	2019
Exchange rate loss / gain on foreign currency receivables and liabilities	−32.5	5.0
Exchange rate gain / loss on foreign currency derivatives	17.3	−13.2
Measurement of Crest at fair value through profit or loss	2.5	10.3
Cumulative exchange rate differences on Crest reclassified to profit or loss	–	−8.9
Miscellaneous other net finance income / costs	−1.0	13.7
Total	**−13.7**	**6.9**

C.30 OTHER NET FINANCE INCOME / COSTS

10.) INCOME TAX EXPENSE

in EUR m	2020	2019
Current income taxes	–167.9	–167.3
Deferred taxes	8.4	3.1
(of which for temporary differences)	(7.4)	(5.2)
(of which for tax loss carryforwards)	(1.0)	(–2.1)
Total	**–159.5**	**–164.2**

C.31 INCOME TAX EXPENSE

The effective tax expense of EUR 159.5 million (2019: EUR 164.2 million) differs by EUR –43.2 million (2019: EUR –38.5 million) from the expected tax expense of EUR 202.7 million (2019: EUR 202.7 million). The expected tax expense results from applying the Group tax rate of 32% (2019: 32%) to profit before tax.

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

in EUR m	2020	2019
Profit before tax	633.3	633.4
Expected income tax expense (32%, 2019: 32%)	–202.7	–202.7
Difference due to tax base	–0.7	–0.7
Effect of different tax rates arising on the inclusion of foreign and domestic subsidiaries	56.2	50.4
Changes in valuation allowances on deferred tax assets/losses for which deferred taxes are not recognized/ utilization of loss carryforwards	1.4	–1.5
Changes in the tax rate and tax laws	0.4	2.4
Expenses not deductible for tax purposes	–16.2	–14.7
Tax-free income	0.8	2.4
Share of profit or loss of equity-accounted investments	–0.2	0.3
Prior-period tax expense	1.5	0.4
Deferred taxes for temporary differences from investments in subsidiaries	0.0	0.6
Changes in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	–0.3	–0.1
Other effects	0.3	–1.0
Effective tax expense	**–159.5**	**–164.2**

C.32 TAX EXPENSE RECONCILIATION

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

	Dec. 31, 2020		Dec. 31, 2019	
in EUR m	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Current assets				
Cash and cash equivalents and financial assets	9.4	9.9	8.6	5.4
Inventories	13.7	0.2	11.6	0.1
Non-current assets				
Property, plant and equipment and right-of-use assets	4.7	134.5	5.9	133.8
Intangible assets	12.3	168.3	13.5	172.0
Financial assets	11.0	2.8	10.5	3.4
Current liabilities				
Other provisions	7.7	0.1	6.6	–
Liabilities	41.4	5.6	32.7	2.8
Non-current liabilities				
Provisions for pensions	40.2	7.1	37.7	7.6
Other provisions	15.7	2.3	16.1	1.6
Liabilities	53.7	1.4	47.9	3.4
Special tax-allowable reserves		3.8	–	3.5
Loss carryforwards	59.1	–	60.7	–
Valuation allowances on loss carryforwards	−41.5	–	−43.5	–
Valuation allowances on balance sheet items	–	–	−0.9	–
Consolidation items	–	7.2	–	6.5
Offsetting	−158.1	−158.1	−144.5	−144.5
Deferred taxes	**69.3**	**185.1**	**62.9**	**195.6**
Deferred tax liabilities (net)		**115.8**		**132.7**

C.33 DEFERRED TAX ASSETS AND LIABILITIES

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

in EUR m	Dec. 31, 2020	Dec. 31, 2019
Deferred tax assets to be recovered after more than 12 months	11.6	9.3
Deferred tax assets to be recovered within 12 months	57.7	53.6
Deferred tax assets	**69.3**	**62.9**
Deferred tax liabilities to be recovered after more than 12 months	184.6	193.8
Deferred tax liabilities to be recovered within 12 months	0.5	1.8
Deferred tax liabilities	**185.1**	**195.6**
Deferred tax liabilities (net)	**115.8**	**132.7**

C.34 DEFERRED TAX BY MATURITY

Deferred tax liabilities (net) changed as follows:

in EUR m	2020	2019
Deferred tax liabilities (net) at Jan. 1	**132.7**	**131.6**
Exchange rate differences	−6.1	1.0
Income/expense in profit and loss	−8.4	−3.1
Income taxes recognized in other comprehensive income	−2.8	−8.0
Business combinations	0.4	11.2
Deferred tax liabilities (net) at Dec. 31	**115.8**	**132.7**

C.35 CHANGE IN DEFERRED TAX LIABILITIES (NET)

The existing tax loss carryforwards can be utilized as follows:

	Dec. 31, 2020		Dec. 31, 2019	
in EUR m	**Loss carryforwards**	**of which loss carryforwards for which deferred taxes are not recognized**	Loss carryforwards	of which loss carryforwards for which deferred taxes are not recognized
Within one year	1.3	(1.3)	1.0	(0.7)
2 to 5 years	9.5	(9.2)	7.1	(4.8)
6 to 9 years	0.9	(0.9)	2.3	(0.5)
More than 9 years	236.4	(212.3)	263.9	(235.1)
Unlimited	186.1	(119.2)	170.6	(119.3)
Total	**434.2**	**(342.9)**	**444.9**	**(360.4)**

C.36 TAX LOSS CARRYFORWARDS

Deferred tax on loss carryforwards is measured based on the expected taxable income derived from the current mid-term planning, allowing for restrictions on loss carryforwards and their utilization (minimum taxation).

Deferred taxes of EUR 17.5 million (Dec. 31, 2019: EUR 17.2 million) were recognized for loss carryforwards of EUR 91.3 million (Dec. 31, 2019: EUR 84.5 million) which are likely to be utilized. They include deferred taxes of EUR 4.8 million from tax losses in the current period (effect of "Project Brenntag"). Loss carryforwards which are likely to be utilized also include loss carryforwards of US subsidiaries for state taxes totalling EUR 24.1 million (tax rate between 7% and 8%) (Dec. 31, 2019: EUR 29.1 million).

No deferred taxes were recognized for loss carryforwards of EUR 342.9 million (Dec. 31, 2019: EUR 360.4 million) which are not likely to be utilized. This figure includes domestic corporation tax and trade tax loss carryforwards totalling EUR 93.9 million (Dec. 31, 2019: EUR 93.9 million) as well as loss carryforwards of US subsidiaries for state taxes totalling EUR 212.3 million (tax rate between 7% and 8%) (Dec. 31, 2019: EUR 234.2 million).

No deferred taxes were recognized for interest carryforwards of EUR 1.4 million (Dec. 31, 2019: EUR 6.2 million) which are not likely to be utilized.

Temporary differences in connection with investments in subsidiaries for which no deferred tax liabilities were recognized amount to EUR 323.8 million (Dec. 31, 2019: EUR 524.2 million).

11.) PERSONNEL EXPENSES / EMPLOYEES

Personnel expenses amount to EUR 1,107.0 million in total (2019: EUR 1,072.6 million). This line item includes wages and salaries totalling EUR 884.9 million (2019: EUR 863.5 million) as well as social insurance contributions of EUR 222.1 million (2019: EUR 209.1 million), of which pension expenses (including employer contributions to the statutory pension insurance fund) account for EUR 110.9 million (2019: EUR 68.1 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 9.3 million (2019: EUR 5.4 million).

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

	2020	2019
EMEA	7,509	7,268
North America	5,024	5,311
Latin America	1,869	1,716
Asia Pacific	2,615	2,553
All other segments	228	196
Total	**17,244**	**17,045**

C.37 EMPLOYEES BY SEGMENT

As at December 31, 2020, the Brenntag Group had a workforce of 17,237 (Dec. 31, 2019: 17,492). Of this figure, 1,690 (Dec. 31, 2019: 1,682) were employed in Germany.

12.) EARNINGS PER SHARE

Earnings per share in the amount of EUR 3.02 (2019: EUR 3.02) are determined by dividing the share of profit after tax of EUR 466.5 million (2019: EUR 466.7 million) attributable to the shareholders of Brenntag SE by the number of shares outstanding (154.5 million).

In November 2015, Brenntag issued a bond with warrant units, the warrants of which entitle holders to purchase Brenntag SE shares. The warrants had no diluting effect as the average Brenntag share price is lower than the strike price of the warrants of EUR 75.5322. The diluted earnings per share are therefore the basic earnings per share.

Consolidated Balance Sheet Disclosures

13.) CASH AND CASH EQUIVALENTS

in EUR m	Dec. 31, 2020	Dec. 31, 2019
Bank deposits	699.9	511.5
Cheques and cash on hand	26.4	8.8
Total	**726.3**	**520.3**

C.38 CASH AND CASH EQUIVALENTS

14.) TRADE RECEIVABLES

in EUR m	Dec. 31, 2020	Dec. 31, 2019
Trade receivables from third parties	1,597.4	1,820.3
Trade receivables from related parties	0.1	–
Total	**1,597.5**	**1,820.3**

C.39 TRADE RECEIVABLES

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

in EUR m	not past due	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	more than 180 days	Dec. 31, 2020
Loss given default (%)	0.3	2.2	10.5	6.2	20.2	86.0	
Gross amount of trade receivables	1,405.2	158.5	24.8	9.7	8.4	28.5	**1,635.1**
Valuation allowance	4.8	3.4	2.6	0.6	1.7	24.5	**37.6**

C.40 LOSS GIVEN DEFAULT ON TRADE RECEIVABLES / DEC. 31, 2020

in EUR m	not past due	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	more than 180 days	Dec. 31, 2019
Loss given default (%)	0.2	1.2	4.6	5.9	28.3	78.3	
Gross amount of trade receivables	1,517.3	228.7	45.8	16.9	18.4	31.4	**1,858.5**
Valuation allowance	2.5	2.8	2.1	1.0	5.2	24.6	**38.2**

C.41 LOSS GIVEN DEFAULT ON TRADE RECEIVABLES / DEC. 31, 2019

Of the trade receivables, EUR 554.3 million (Dec. 31, 2019: EUR 630.6 million) are secured by trade credit insurance.

In the EMEA and Latin America segments, most of the trade receivables are secured by trade credit insurance. In the Asia Pacific segment, 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, either there is no trade credit insurance or only a relatively small proportion of the trade receivables are secured by trade credit insurance.

Impairment losses on trade receivables changed as follows:

	Accumulated impairment losses on trade receivables	
in EUR m	**2020**	**2019**
Jan. 1	**38.2**	**36.1**
Exchange rate differences	−2.1	0.4
Added	12.2	10.4
Reversed	−3.3	−4.3
Utilized	−7.4	−4.4
Dec. 31	**37.6**	**38.2**

C.42 CHANGE IN IMPAIRMENT LOSSES ON TRADE RECEIVABLES

15.) OTHER RECEIVABLES

	Dec. 31, 2020		Dec. 31, 2019	
in EUR m		of which current		of which current
Value-added tax receivables	54.1	(46.4)	62.8	(58.6)
Receivables from packaging	10.0	(10.0)	10.9	(10.9)
Receivables from the disposal of non-current assets	0.6	(0.6)	11.2	(11.2)
Reimbursement claims – environment	3.6	(–)	4.1	(–)
Suppliers with debit balances	6.3	(6.3)	8.6	(8.6)
Receivables from insurance claims	1.2	(1.2)	2.1	(2.1)
Deposits	5.5	(5.5)	7.6	(7.6)
Receivables from commissions and rebates	22.1	(22.1)	23.2	(23.2)
Prepayments	19.6	(19.2)	12.7	(12.4)
Receivables from other taxes	4.9	(4.7)	6.8	(6.7)
Plan assets not netted with provisions for pensions	6.4	(–)	4.7	(–)
Receivables from employees	0.7	(0.7)	1.2	(1.2)
Miscellaneous other receivables	44.3	(35.1)	39.1	(29.1)
Prepaid expenses	24.8	(23.4)	24.3	(23.2)
Total	**204.1**	**(175.2)**	**219.3**	**(194.8)**

C.43 OTHER RECEIVABLES

16.) OTHER FINANCIAL ASSETS

	Remaining term		
in EUR m	1 year or less	more than 1 year	**Dec. 31, 2020**
Financial receivables from third parties	16.8	9.2	26.0
Derivative financial instruments	3.7	–	3.7
Debt instruments at fair value through profit or loss	–	1.8	1.8
Total	**20.5**	**11.0**	**31.5**

C.44 OTHER FINANCIAL ASSETS / DEC. 31, 2020

	Remaining term		
in EUR m	1 year or less	more than 1 year	**Dec. 31, 2019**
Financial receivables from third parties	19.3	19.6	38.9
Derivative financial instruments	2.4	–	2.4
Debt instruments at fair value through profit or loss	–	1.8	1.8
Total	**21.7**	**21.4**	**43.1**

C.45 OTHER FINANCIAL ASSETS / DEC. 31, 2019

17.) INVENTORIES

The inventories break down as follows:

in EUR m	**Dec. 31, 2020**	**Dec. 31, 2019**
Merchandise	943.2	1,132.3
Finished goods	17.4	20.8
Work in progress	0.7	1.0
Raw materials and supplies	17.6	22.4
Total	**978.9**	**1,176.5**

C.46 INVENTORIES

18.) PROPERTY, PLANT AND EQUIPMENT

in EUR m	Land, land rights and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Prepayments and assets under construction	**Total**
Cost					
Dec. 31, 2018	**880.8**	**655.1**	**336.1**	**51.0**	**1,923.0**
Reclassifications into right-of-use assets arising from leases	−7.5	−1.4	−7.9	–	−16.8
Exchange rate differences	15.2	11.6	5.4	0.3	32.5
Business combinations	94.1	6.4	4.9	2.5	107.9
Other additions	18.0	36.0	34.5	76.7	165.2
Reclassification into non-current assets held for sale	6.2	–	–	–	6.2
Disposals	−11.1	−18.6	−41.8	−0.3	−71.8
Transfers	22.0	26.7	10.9	−56.3	3.3
Dec. 31, 2019	**1,017.7**	**715.8**	**342.1**	**73.9**	**2,149.5**
Exchange rate differences	−47.6	−40.1	−14.8	−4.8	−107.3
Business combinations	4.3	1.5	0.3	1.2	7.3
Other additions	10.7	29.0	39.2	77.2	156.1
Disposals	−5.2	−11.9	−27.7	−0.6	−45.4
Transfers	25.3	21.9	17.2	−55.4	9.0
Dec. 31, 2020	**1,005.2**	**716.2**	**356.3**	**91.5**	**2,169.2**
Accumulated depreciation and impairment					
Dec. 31, 2018	**280.2**	**399.1**	**216.6**	**–**	**895.9**
Reclassifications into right-of-use assets arising from leases	−3.4	−1.0	−4.6	–	−9.0
Exchange rate differences	5.0	6.6	3.5	–	15.1
Depreciation	30.9	56.0	45.1	–	132.0
Impairment	1.0	–	–	–	1.0
Reclassification into non-current assets held for sale	2.5	–	–	–	2.5
Disposals	−8.9	−16.1	−27.9	–	−52.9
Transfers	–	0.1	0.5	–	0.6
Dec. 31, 2019	**307.3**	**444.7**	**233.2**	**–**	**985.2**
Exchange rate differences	−13.0	−25.1	−9.8	–	−47.9
Depreciation	33.7	57.1	47.0	–	137.8
Impairment	0.4	–	–	–	0.4
Disposals	−3.3	−11.3	−23.6	–	−38.2
Transfers	1.5	−2.5	4.3	–	3.3
Dec. 31, 2020	**326.6**	**462.9**	**251.1**	**–**	**1,040.6**
Carrying amounts at Dec. 31, 2019	710.4	271.1	108.9	73.9	1,164.3
Carrying amounts at Dec. 31, 2020	**678.6**	**253.3**	**105.2**	**91.5**	**1,128.6**

C.47 PROPERTY, PLANT AND EQUIPMENT

The net carrying amounts of the property, plant and equipment subject to impairment total EUR 1.9 million. Government grants total EUR 1.7 million (Dec. 31, 2019: EUR 1.0 million).

19.) INTANGIBLE ASSETS

in EUR m	Goodwill	Trademarks	Customer relationships and similar rights	Software, licences and similar rights	**Total**
Cost					
Dec. 31, 2018	**2,572.1**	**220.6**	**154.4**	**111.0**	**3,058.1**
Exchange rate differences	53.0	0.4	4.6	1.2	59.2
Business combinations	88.6	7.7	41.6	0.1	138.0
Other additions	–	–	0.2	39.8	40.0
Disposals	−3.5	−1.2	−51.0	−0.2	−55.9
Transfers	–	–	–	0.2	0.2
Dec. 31, 2019	**2,710.2**	**227.5**	**149.8**	**152.1**	**3,239.6**
Exchange rate differences	−168.9	−1.6	−10.7	−5.1	−186.3
Business combinations	23.4	–	7.6	0.6	31.6
Other additions	–	–	–	45.8	45.8
Disposals	–	−8.3	−16.2	−2.7	−27.2
Transfers	–	–	–	−0.4	−0.4
Dec. 31, 2020	**2,564.7**	**217.6**	**130.5**	**190.3**	**3,103.1**
Accumulated amortization and impairment					
Dec. 31, 2018	**–**	**20.2**	**71.4**	**63.6**	**155.2**
Exchange rate differences	–	0.4	1.7	0.9	3.0
Amortization	–	3.9	34.9	10.2	49.0
Impairment	–	–	–	0.6	0.6
Disposals	–	−1.0	−51.0	−0.2	−52.2
Dec. 31, 2019	**–**	**23.5**	**57.0**	**75.1**	**155.6**
Exchange rate differences	–	−1.1	−3.9	−3.3	−8.3
Amortization	–	3.2	28.7	11.8	43.7
Impairment	–	–	1.2	0.2	1.4
Disposals	–	−8.3	−16.2	−2.7	−27.2
Dec. 31, 2020	**–**	**17.3**	**66.8**	**81.1**	**165.2**
Carrying amounts at Dec. 31, 2019	2,710.2	204.0	92.8	77.0	3,084.0
Carrying amounts at Dec. 31, 2020	**2,564.7**	**200.3**	**63.7**	**109.2**	**2,937.9**

C.48 INTANGIBLE ASSETS

The goodwill and the “Brenntag” trademark are assets with an indefinite useful life. They are tested regularly, at least annually, for impairment after completion of the annual budget process. The carrying amount of the “Brenntag” trademark is EUR 196.9 million as in the previous year.

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

in EUR m	Dec. 31, 2020	Dec. 31, 2019
EMEA	956.2	972.2
North America	1,216.2	1,322.7
Latin America	82.2	99.3
Asia Pacific	284.3	290.2
All other segments	25.8	25.8
Group	**2,564.7**	**2,710.2**

C.49 REGIONAL ALLOCATION OF GOODWILL

The carrying amounts of the cash-generating units include right-of-use assets recognized under IFRS 16 (Leases). 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, taking into account IFRS 16 (Leases). The five-year plan consists of a mid-term plan for the first three years prepared by management in collaboration with the subsidiaries and an extrapolation for the two following years performed by management. 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, 2020 were derived from the budget for 2021 and the plan years 2022 to 2025. The growth rates are based on management’s past experience, expectations as to future trends in markets and costs as well as quantities and prices on the basis of external macroeconomic data, and the contribution to earnings expected from “Project Brenntag”. After the, in some cases, much higher growth rates in the years 2021 to 2025 (detailed planning period), the planned growth rates for the period from 2026 onwards are 0.5% in EMEA (2019: 0.5%), 0.75% in North America (2019: 0.75%) and 1.0% in Latin America and Asia Pacific (2019: 1.0%).

The region-specific WACC used to discount the cash flows thus determined is based on a risk-free interest rate of 0.20% (2019: 0.20%) and a market risk premium of 7.75% (2019: 7.50%). The estimates of daily yield curves published by the German central bank, the Bundesbank, are taken as a basis for determining the risk-free interest rate. The beta factor used and the capital structure are derived from a peer group. When unlevering, IFRS 16 (Leases) was reflected by making a retrospective adjustment to the leverage of the peer group companies. Furthermore, region-specific tax rates and country risk premiums (according to Damodaran) are used.

WACC in %	2020	2019
EMEA	6.1	6.1
North America	5.8	5.7
Latin America	7.3	6.9
Asia Pacific	6.5	6.4
Group	**6.1**	**5.9**

C.50 WACC BY SEGMENT

Amortization of customer relationships and similar rights as well as local trademarks is recognized under selling expenses.

20.) LEASES

Right-of-use assets arising from leases changed as follows:

in EUR m	Rights to use land and buildings	Rights to use vehicles	Other right-of-use assets	**Total**
Cost				
Dec. 31, 2018	**–**	**–**	**–**	**–**
Initial application of IFRS 16 at Jan. 1, 2019	214.0	113.4	24.5	351.9
Reclassifications out of property, plant and equipment	7.5	7.9	1.4	16.8
Exchange rate differences	3.4	2.2	0.2	5.8
Business combinations	20.4	0.9	–	21.3
Other additions	65.2	67.2	19.0	151.4
Disposals	−13.8	−8.8	−5.0	−27.6
Transfers	–	−2.6	−0.2	−2.8
Dec. 31, 2019	**296.7**	**180.2**	**39.9**	**516.8**
Exchange rate differences	−20.4	−12.6	−2.0	−35.0
Business combinations	9.1	0.2	–	9.3
Other additions	89.5	53.9	7.2	150.6
Disposals	−15.0	−17.5	−3.3	−35.8
Transfers	−3.9	−5.5	0.1	−9.3
Dec. 31, 2020	**356.0**	**198.7**	**41.9**	**596.6**
Accumulated depreciation and impairment				
Dec. 31, 2018	**–**	**–**	**–**	**–**
Reclassifications out of property, plant and equipment	3.4	4.6	1.0	9.0
Exchange rate differences	0.1	0.2	–	0.3
Depreciation	49.1	51.4	10.1	110.6
Disposals	−5.8	−6.9	−2.0	−14.7
Transfers	–	−0.5	−0.1	−0.6
Dec. 31, 2019	**46.8**	**48.8**	**9.0**	**104.6**
Exchange rate differences	−4.7	−4.3	−0.7	−9.7
Depreciation	52.3	50.3	11.6	114.2
Disposals	−10.7	−15.0	−2.2	−27.9
Transfers	−1.5	−3.1	1.3	−3.3
Dec. 31, 2020	**82.2**	**76.7**	**19.0**	**177.9**
Carrying amounts at Dec. 31, 2019	249.9	131.4	30.9	412.2
Carrying amounts at Dec. 31, 2020	**273.8**	**122.0**	**22.9**	**418.7**

C.51 RIGHT-OF-USE ASSETS

Extension options in the amount of EUR 60.5 million (Dec. 31, 2019: EUR 51.0 million) and purchase options in the amount of EUR 8.5 million (Dec. 31, 2019: EUR 6.8 million) were not included in the measurement of the right-of-use assets and lease liabilities, as it is not reasonably certain at the present time that they will be exercised.

The following lease expenses were recognized in profit or loss:

in EUR m	2020	2019
Lease expense relating to short-term leases	−24.3	−22.8
Lease expense relating to variable lease payments	−7.1	−9.4
Lease expense relating to leases of low-value assets	−1.6	−1.0
Total	**−33.0**	**−33.2**

C.52 LEASE EXPENSES

As at December 31, 2020, future lease commitments for short-term leases amounted to EUR 7.0 million (Dec. 31, 2019: EUR 10.5 million), for variable lease payments to EUR 10.6 million (Dec. 31, 2019: EUR 9.1 million) and for leases entered into but not yet commenced to EUR 3.0 million (Dec. 31, 2019: EUR 12.1 million).

Interest expense on lease liabilities amounts to EUR 12.2 million (Dec. 31, 2019: EUR 12.7 million). Total payments for leases amounted to EUR 158.5 million in 2020 (Dec. 31, 2019: EUR 153.9 million). Further information on lease liabilities is provided in the sections “Financial liabilities” and “Reporting of financial instruments”.

21.) EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted investments changed as follows:

in EUR m	Investments in associates
Dec. 31, 2018	**18.2**
Exchange rate differences	0.3
Net income from equity-accounted investments	0.3
Total comprehensive income	**0.6**
Dividends received	−1.0
Transfer of Crest	−13.8
Dec. 31, 2019	**4.0**
Exchange rate differences	−0.1
Net income from equity-accounted investments	–
Total comprehensive income	**−0.1**
Dividends received	−0.5
Disposals	−0.2
Dec. 31, 2020	**3.2**

C.53 CHANGE IN EQUITY-ACCOUNTED INVESTMENTS

In the prior year, the previously held 50% of the shares in Crest Chemicals (Proprietary) Limited, South Africa (Crest) was measured at fair value through profit or loss on acquisition of the outstanding 50% of the shares. This resulted in income of EUR 10.3 million. At the same time, the foreign exchange losses of EUR 8.9 million previously recognized within cumulative exchange rate differences were reclassified to profit or loss and recognized as an expense. The financial year of the investments accounted for using the equity method is the calendar year.

22.) TRADE PAYABLES

Trade payables of EUR 1,229.8 million (Dec. 31, 2019: EUR 1,229.1 million) include accruals of EUR 207.1 million (Dec. 31, 2019: EUR 191.1 million).

C — FINANCIAL STATEMENTS
D — FURTHER INFORMATION

23.) FINANCIAL LIABILITIES

in EUR m	Remaining term 1 year or less	 more than 1 year	Dec. 31, 2020
Liabilities under syndicated loan	1.2	476.6	477.8
Other liabilities to banks	122.8	1.6	124.4
Bond 2025	1.8	595.5	597.3
Bond (with Warrants) 2022	0.6	397.7	398.3
Derivative financial instruments	11.4	0.0	11.4
Other financial liabilities	14.1	16.1	30.2
Total	**151.9**	**1,487.5**	**1,639.4**
Lease liabilities	99.8	327.0	426.8
Cash and cash equivalents			726.3
Net financial liabilities			**1,339.9**

C.54 FINANCIAL LIABILITIES / DEC. 31, 2020

in EUR m	Remaining term 1 year or less	 more than 1 year	Dec. 31, 2019
Liabilities under syndicated loan	3.3	858.8	862.1
Other liabilities to banks	195.6	24.5	220.1
Bond 2025	2.0	594.4	596.4
Bond (with Warrants) 2022	0.7	429.1	429.8
Derivative financial instruments	6.2	–	6.2
Other financial liabilities	16.4	29.6	46.0
Total	**224.2**	**1,936.4**	**2,160.6**
Lease liabilities	100.5	319.7	420.2
Cash and cash equivalents			520.3
Net financial liabilities			**2,060.5**

C.55 FINANCIAL LIABILITIES / DEC. 31, 2019

The syndicated bullet loan is a loan agreement with a consortium of international banks. The syndicated loan is divided into different tranches with different currencies. As at December 31, 2020, it had a term ending in January 2024.

The liabilities under the syndicated loan break down as follows:

in EUR m	Remaining term	Interest rate above EURIBOR/CDOR/LIBOR	Dec. 31, 2020
Currency			
CAD	Jan. 31, 2024	1.15%	51.2
USD	Jan. 31, 2024	1.15%	427.8
Total			**479.0**
Accrued interest			1.2
Transaction costs			−2.4
Liabilities under syndicated loan			**477.8**

C.56 LIABILITIES UNDER SYNDICATED LOAN / DEC. 31, 2020

in EUR m	Remaining term	Interest rate above EURIBOR/CDOR/LIBOR	Dec. 31, 2019
Currency			
EUR	Jan. 31, 2024	0.85%	340.0
CAD	Jan. 31, 2024	1.25%	54.8
USD	Jan. 31, 2024	1.25%	467.3
Total			**862.1**
Accrued interest			3.3
Transaction costs			−3.3
Liabilities under syndicated loan			**862.1**

C.57 LIABILITIES UNDER SYNDICATED LOAN / DEC. 31, 2019

In addition to the above-mentioned tranches, the syndicated loan also includes a revolving credit facility totalling EUR 940.0 million (Dec. 31, 2019: EUR 600.0 million), which was mostly unused as at December 31, 2020.

The Bond 2025 issued in September 2017 in the amount of EUR 600.0 million matures in 2025 and bears a coupon of 1.125% with interest paid annually. The bond with warrant units in the amount of USD 500.0 million issued in November 2015 matures in December 2022. The Bond (with Warrants) 2022 was issued at 92.7% of par and bears a coupon of 1.875% p.a. with interest payable semi-annually. The discount (7.3% or USD 36.5 million) is the warrant premium on the warrants to purchase Brenntag SE shares issued together with the Bond (with Warrants) 2022. The warrant premium was recognized in the additional paid-in capital of Brenntag SE. The Bonds 2018 and 2025 and the Bond (with Warrants) 2022 were issued by our Group company, Brenntag Finance B.V., Amsterdam, Netherlands.

Detailed disclosures concerning the terms of the syndicated loan, the Bond 2025 and the bond with warrant units are included in the chapters “Capital structure” and “Financial risks and opportunities” in the Group management report.

24.) OTHER LIABILITIES

in EUR m	Dec. 31, 2020	of which current	Dec. 31, 2019	of which current
Liabilities to employees	140.1	(140.1)	118.7	(118.7)
Liabilities from packaging	57.8	(57.8)	57.5	(57.5)
Liabilities from value-added tax	57.0	(57.0)	48.3	(48.3)
Customers with credit balances	25.3	(25.3)	20.2	(20.2)
Liabilities from other taxes	26.6	(26.6)	23.0	(23.0)
Liabilities to insurance companies	12.6	(12.6)	14.1	(14.1)
Liabilities from sales deductions, rebates	15.2	(15.2)	16.7	(16.7)
Deferred income	2.3	(2.2)	0.7	(0.5)
Liabilities from social insurance contributions	17.9	(17.9)	11.1	(11.1)
Liabilities from the acquisition of assets	10.4	(10.4)	8.5	(8.5)
Miscellaneous other liabilities	127.0	(118.6)	68.0	(63.7)
Total	**492.2**	**(483.7)**	**386.8**	**(382.3)**

C.58 OTHER LIABILITIES

Other liabilities include accruals of EUR 50.1 million (Dec. 31, 2019: EUR 43.8 million). As at December 31, 2020, miscellaneous other current liabilities included a liability of EUR 47.0 million for proceedings at the French Competition Authority in relation to the allocation of customers and coordination of prices.

25.) OTHER PROVISIONS

Other provisions changed as follows in financial year 2020:

in EUR m	Environmental provisions	Provisions for personnel expenses	Miscellaneous provisions	Total
Jan. 1, 2020	**97.8**	**27.3**	**98.3**	**223.4**
Exchange rate differences	−6.3	−1.0	−3.1	−10.4
Additions from business combinations	2.4	0.2	0.9	3.5
Unwinding of discounting	0.9	0.1	0.3	1.3
Utilized	−6.5	−12.2	−21.2	−39.9
Reversed	−1.6	−0.6	−2.1	−4.3
Added	5.7	18.8	25.7	50.2
Transferred	–	–	−41.8	−41.8
Dec. 31, 2020	**92.4**	**32.6**	**57.0**	**182.0**

C.59 CHANGE IN OTHER PROVISIONS

Provisions of EUR 47.0 million reported in the previous year for proceedings at the French Competition Authority in relation to the allocation of customers and coordination of prices were presented as other liabilities as at December 31, 2020.

Other provisions have the following maturities:

in EUR m	Environmental provisions	Provisions for personnel expenses	Miscellaneous provisions	Dec. 31, 2020	Environmental provisions	Provisions for personnel expenses	Miscellaneous provisions	Dec. 31, 2019
1 year or less	12.3	14.7	37.5	64.5	11.0	12.6	78.7	102.3
1 to 5 years	32.4	13.7	10.6	56.7	36.5	9.7	8.8	55.0
more than 5 years	47.7	4.2	8.9	60.8	50.3	5.0	10.8	66.1
Total	**92.4**	**32.6**	**57.0**	**182.0**	**97.8**	**27.3**	**98.3**	**223.4**

C.60 MATURITY OF OTHER PROVISIONS

Environmental provisions

The recognition and measurement of environmental provisions are coordinated centrally by external independent experts. The provision amounts are determined on the basis of individual cost estimates for each case. Allowance is made not only for the nature and severity of pollution but also for the conditions at the respective sites and the sovereign territories in which these sites are located.

Environmental provisions are stated at their present values. They are discounted at maturity-dependent, risk-free interest rates for the respective functional currencies. Increases in the future expenditure due to inflation are allowed for. The discount rates for environmental provisions range from 0.0% to 7.27%, depending on the currency (Dec. 31, 2019: from −0.6% to 12.6%).

As at December 31, 2020, environmental provisions total EUR 92.4 million (Dec. 31, 2019: EUR 97.8 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 19.8 million (Dec. 31, 2019: EUR 22.1 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 preparation of the 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, 2020 amount to EUR 3.6 million (Dec. 31, 2019: EUR 4.1 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 virtual share-based remuneration programmes are also presented under this item. These programmes are long-term bonus systems for members of the Board of Management of Brenntag SE, on the one hand, and for executives and senior managers of the Brenntag Group, on the other.

Long-term virtual share-based remuneration programme for the members of the Board of Management and Long-Term Incentive Plan for Executives and Senior Managers (LTI Plan)

The remuneration system for Dr Christian Kohlpaintner (CEO) and Steven Terwindt includes, among other components, long-term variable remuneration in the form of virtual shares (Performance Share Units). The value of the payout depends on the relative performance of the Brenntag share compared with two peer groups and the absolute development of the Brenntag share price over a four-year performance period. The virtual shares are granted in annual tranches. Payout is made following completion of the performance period.

The annual virtual shares are awarded on January 1 of each financial year. The number of shares to be granted initially is calculated by dividing the individual and contractually agreed grant amount by the arithmetic mean of the Brenntag share closing prices in the Xetra trading system during the last three months before the start of the performance period. If the service agreement begins or ends during a financial year, the grant amount for that financial year shall be calculated on a pro rata basis.

The number of virtual shares finally granted at the end of the four-year performance period depends on two performance criteria that are each weighted at 50%: the outperformance of the Total Shareholder Return (TSR) of the Brenntag share compared with the performance of the MDAX and the average TSR of a selectively compiled peer group of global competitors.

Target achievement of each performance criterion is calculated by subtracting the performance of the MDAX or the average TSR of the selected peer group from the TSR of the Brenntag share. If the performance of the MDAX or the average TSR of the selected peer group equals the TSR of the Brenntag share, target achievement is 100%. If the TSR of the Brenntag share outperforms the MDAX or the average TSR of the selected peer group by 25% or more percentage points, target achievement is 150%. If the TSR of the Brenntag share underperforms the MDAX or the average TSR of the selected peer group by 25% or more percentage points, target achievement is 0%. Values in-between are determined by linear interpolation. Overall target achievement is calculated by multiplying the target achievement figures of the two performance criteria by their respective weightings and then adding together these two weighted target achievement figures.

The number of virtual shares finally granted at the end of the four-year performance period is calculated by multiplying the number of virtual shares initially granted by the overall target achievement.

The payout amount is determined by multiplying the number of virtual shares finally granted by the arithmetic mean of the Brenntag share closing prices in the Xetra trading system during the last three months prior to the end of the performance period plus dividend payments during the performance period. The payout amount is capped at max. 200% of the individual and contractually set target grant amount (Cap).

The remuneration system used for Dr Christian Kohlpaintner and Steven Terwindt in 2020 differs from the remuneration system for Georg Müller, Karsten Beckmann, Markus Klähn and Henri Nejade.

For the members of the Board of Management of Brenntag SE who were appointed to the Board prior to 2020, there is a different remuneration system, which likewise includes a long-term share-based remuneration programme (Long-Term Incentive Plan). In this case, the long-term variable remuneration is awarded every year and is partly based on the performance of the Brenntag share. On the basis of a contractually set Annual Target Amount, this remuneration component is subject to a vesting period of in each case three years. 50% of the Target Amount is contingent on the development of the value of the company's shares during these three years (External LTI Portion) and 50% is contingent on the long-term development of specific Group-wide KPIs (Internal LTI Portion).

50% of the External LTI Portion is measured by the absolute development of the total shareholder return for the company's shares during the vesting period (Absolute External LTI Portion), while the other 50% of the External LTI Portion is measured by the relative development of the total shareholder return for the company's shares in comparison to the development of the MDAX during the vesting period (Relative External LTI Portion). For every percentage point by which the average share price on the last trade day of the vesting period exceeds or falls short of the average share price on the last trade day before the vesting period, the Absolute External LTI Portion is increased or decreased by 2%. For every percentage point by which the MDAX is over- or underperformed in the vesting period, the Relative External LTI Portion is increased or decreased by 3%. The overall External LTI Portion at the end of the relevant vesting period equals the sum of the Absolute External LTI Portion and Relative External LTI Portion. The Absolute External LTI Portion and Relative External LTI Portion may not be less than EUR 0. The External LTI Portion is capped overall at 200% of the contractually set Target Amount for the External LTI Portion.

The Internal LTI Portion is measured by the following KPI targets, which are agreed at the end of each financial year for the following vesting period in an LTI Bonus Plan: EBITDA, ROCE and earnings per share. At the end of each financial year during a vesting period, the achievement of the KPI targets in the particular financial year is calculated for a share of 1/3 of the Internal LTI Portion. For every percentage point by which the targets of a given KPI are over- or underperformed in the particular financial year, the Annual Internal LTI Portion is increased or decreased by 3%. This may also lead to a negative Annual Internal LTI Portion. The overall Internal LTI Portion at the end of the relevant vesting period equals the sum of the Annual Internal LTI Portions. The Internal LTI Portion is also capped at 200% of the contractually set Target Amount for the Internal LTI Portion. The overall Internal LTI portion for a vesting period may not be less than EUR 0. The Long-Term Incentive Bonus for each financial year equals the sum of the External and Internal LTI Portions.

The Long-Term Incentive Bonus for each financial year is also capped at 200% of the Target Amount (LTI Cap).

The 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 SE. The term of the programme is divided into a one-year performance period and a general vesting period of three years. The total bonus pool amount available for one annual tranche of the LTI Plan basically depends on the change in operating EBITDA in the performance period; further amounts can be assigned to the bonus pool at the discretion of the Board of Management. Restrictions exist to the extent that the bonus pool may not exceed 0.675% of the actual operating EBITDA. On the basis of this bonus pool, the number of virtual shares is determined for each plan participant pro rata based on the average price of the Brenntag shares and the annual salary of the participant in relation to the total annual salaries of all participants. After expiry of the vesting period, the plan participants receive remuneration resulting from the virtual shares allocated multiplied by the average Brenntag share price, adjusted for dividends, capital transactions and stock splits. Payment per virtual share must not exceed 250% of the average share price, on the basis of which the number of virtual shares was determined.

At December 31, 2020, provisions for share-based remuneration totalled EUR 14.2 million (December 31, 2019: EUR 10.0 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 2020, pension expenses in the Brenntag Group for employer contributions to the statutory pension insurance fund and for non-statutory defined contribution plans amounted to a total of EUR 78.9 million (2019: EUR 86.7 million).

In the USA, subsidiaries of the Brenntag Group pay into defined benefit plans maintained by more than one employer (termed multi-employer plans). These multi-employer defined benefit plans are accounted for in the consolidated financial statements as defined contribution plans because the information required to use defined benefit accounting is not available in a timely manner and in sufficient detail. Furthermore, there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual participating employers, which is necessary for accounting for defined benefit plans in accordance with IAS 19.

If other participating employers do not meet their payment obligations, Brenntag may be liable for the obligations of those employers. Any potential withdrawal from the plans by an entity may lead to that entity having to offset the potential shortfall relating to its share of the plan. The funding level of the individual plans ranged from about 21% to 92% as at December 31, 2020 (about 25% to 93% as at December 31, 2019). Brenntag Group subsidiaries account for approximately 0.06% to 1.3% of the total contributions (2019: approximately 0.07% to 1.2%), depending on the plan. Withdrawal from all plans at the present time would lead to an estimated one-time expense of approximately EUR 52 million or approximately USD 59 million (2019: approximately EUR 44 million or approximately USD 50 million). It is not intended to withdraw from any of these plans at this time.

In financial year 2020, contributions of EUR 2.4 million or USD 2.7 million (2019: EUR 2.5 million or USD 2.8 million) were paid. The contributions are included in the above-mentioned contributions for non-statutory defined contribution plans. In 2021, the contributions are expected to amount to approximately EUR 2.4 million.

Defined benefit plans

The defined benefit plans of the Brenntag Group are funded by provisions and largely covered by assets. The principal obligations (over 90% of the total volume) are in Switzerland, Germany, Canada and the Netherlands. The remaining obligations are spread over another eleven countries in the EMEA, Latin America and Asia Pacific segments.

Switzerland

In Switzerland, every employer is obliged by national law to set up a company retirement pension scheme. When determining the pension benefits, the minimum requirements of the Federal Law on Occupational Retirement, Surviving Dependants’ and Disability Pensions (Bundesgesetz über die beruflichen Alters-, Hinterlassenen- und Invalidenvorsorge (BVG)) and the corresponding regulations are required to be observed.

The Swiss group company maintains a funded pension plan for its employees. The assets of this plan are held in two autonomous foundations. The foundation board is made up of equal numbers of employer and employee representatives. It is responsible for setting the investment strategy, for changes in the plan rules and in particular also for determining the financing of the pension benefits.

The pension benefits are based on the retirement assets accrued. The annual retirement credits and interest are credited to these retirement assets. On retirement, the insured person is obliged to take 30% of the accrued retirement assets in the form of a lump-sum payment and may choose whether to take the remaining 70% of the accrued retirement assets in the form of a life-long pension or another lump-sum payment. In addition to the retirement benefits, the pension benefits also include disability and surviving dependants’ pensions. The insured person may also dispose of parts of his accrued retirement assets prematurely if this serves to improve his pension situation (for owner-occupied residential property). If there is a change of employer, the retirement assets are transferred to the pension scheme of the new employer.

The employee and employer contributions are set by the foundation board. According to the BVG, the employer pays at least 50% of the necessary contributions. In the case of Brenntag Schweizerhall AG, the employer pays some 70% of the contributions in accordance with the rules of the plan.

As the contributions to the pension plan that the employees in Switzerland pay are based on formal rules, the risk distribution between employee and employer is taken into account when measuring the obligation. In the case of Brenntag Schweizerhall AG, this leads to an only minor reduction in the present value of the benefit obligation.

Germany

The German group companies have retirement pension plans which are based on contractual provisions or works agreements:

The Employee Pension Plan 2000/2012 (Mitarbeiter Vorsorgeplan 2000/2012) is a pension plan funded by the employer. The employer awards an annual pension contribution of between EUR 250 and EUR 500 depending on length of service, which is converted into pension modules. The amount of the benefits depends on the pension modules accrued before retirement.

The Pension Scheme 2000/2012 for Executives (Leistungsordnung 2000/2012 für Führungskräfte) of the German Brenntag companies is a pension plan for executives funded by the employer in the form of individual commitments. The annual pension contribution depends on the pensionable remuneration (basis of assessment). The annual basis of assessment is the sum total of the fixed remuneration, Christmas and vacation allowances and bonuses but no more than three times the contribution assessment limit for the statutory pension system. The pension contribution is a maximum of 4% of the basis of assessment up to the contribution assessment limit plus a maximum of 10% for parts exceeding the contribution assessment limit. The annual pension contributions are converted into pension modules. The amount of the benefits depends on the pension modules accrued before retirement.

All employees have the option to convert pay components into an entitlement to pension benefits within the meaning of the German Company Pension Act (Betriebsrentengesetz (BetrAVG)) by participating in the Pension Plan Through Employee-funded Pension Commitments (Vorsorgeplan über mitarbeiterfinanzierte Versorgungszusagen). The annual pension contribution for participating employees is between at least EUR 250 and a maximum of 4% of the contribution assessment limit for the statutory pension system (Section 1a BetrAVG). The company also pays an additional pension allowance of 15% to the converted amount provided that the pension contribution comes from remuneration subject to statutory pension insurance contributions. Furthermore, through the Deferred Compensation Plan (DCP), employees have the option to convert pay components into an entitlement to pension benefits. The converted employee contributions are protected by a reinsurance policy pledged to the employee who is entitled to the pension. With both employee-funded plans, the employees must decide every year on the pension contribution they wish to make.

In addition to the retirement benefits, the pension benefits also include surviving dependants' pensions and – except in the case of the Deferred Compensation Plan (DCP) – disability benefits.

The Pension Scheme 2000/2012 for Executives (Leistungsordnung 2000/2012 für Führungskräfte) is a pure retirement pension plan with a monthly life-long pension. With the other pension plans, the pension benefit is paid out as a lump sum or as an annual capital instalment spread over a maximum of five years or as a life-long pension.

The retirement pension entitlements of the members of the Board of Management are described in the chapter "Remuneration Report" in the Group management report.

Furthermore, in Germany, Brenntag still has isolated retirement and disability pension commitments under pension plans set up in the past. These commitments depend on the years of service and the pay grades of the respective employees. They are mainly commitments involving monthly pension payments.

Canada

In Canada, Brenntag maintains an employer-funded pension plan with a life-long monthly pension for employees who joined the company before December 31, 2011. The basis of assessment for calculating the annual pension is 1% of the average salary of the three highest annual salaries of the beneficiary multiplied by the number of years of service. In addition to the retirement benefits, the pension benefits include disability and surviving dependants' pensions.

The plan participants in the employer-funded pension plan who are under 50 or who have less than 15 years of service or less than 55 points (sum of age and years of service) must pay into a defined contribution plan newly set up in 2014 in order to continue to build up their retirement pension. Employer and employee pay equal portions of the contributions. The entitlements accrued up to the date of transition remain in place.

For employees in Canada who joined the company up to and including May 31, 2013, there is an employer-funded supplementary medical cost plan in retirement as well as a life insurance payout of CAD 5,000 on retirement. As this plan has the characteristics of a pension, it is classified under pensions and other post-employment benefits.

Netherlands

Company pension systems play a prominent role in the Netherlands as the pay-as-you-go statutory pension scheme only provides a basic pension.

The companies maintain a funded retirement plan for their employees. When there is a change of employer, the credit balance from the plan assets can be transferred to the pension scheme of the new employer or remains in the previous company's pension scheme. About 20% of the retirement pension plan is funded by the employee and about 80% by the employer. Depending on the employer's commitment, the basis of assessment for calculating the annual pension is the last salary before the employee reaches retirement age or the average salary over the employee's active career before reaching retirement age. The amount calculated from the basis of assessment is multiplied by the years of service. The retirement pension plan is a pure pension plan with a life-long monthly pension. In addition to the retirement benefits, the pension benefits include disability and surviving dependants' pensions.

Risks arising from defined benefit pension plans

Brenntag is exposed to risks arising from the plans. An increase in life expectancy, an increase in salaries and the adjustment of pensions in line with inflation as required by law in Germany, or an increase in medical costs in Canada, would lead to higher cash outflows and, in combination with falling discount rates, in each case to higher present values of the defined benefit obligation. There is investment risk in Switzerland primarily with regard to the proportion of the plan assets invested in shares. There is no investment risk in Germany or the Netherlands as the plan assets consist solely of insurance policies. In Canada, the plan assets consisting of external fund shares are in principle exposed to investment risk. In order to minimize this risk, the plan assets in Canada are subject by law to an audit every three years to establish whether the assets invested are sufficient to fund the pension obligations.

Actuarial parameters applied

The plan assets are measured at fair value. The calculation of the present value of the benefit obligations is based on the following main actuarial parameters. When several countries are grouped together, the values are average values weighted by the present value of the respective benefit obligation:

in %		Switzerland	Germany	Canada	Netherlands	Other countries	**Weighted**
Discount rate	**2020**	**0.10**	**0.50**	**2.60**	**0.50**	**1.57**	**0.78**
	2019	0.20	0.90	3.10	0.90	1.76	1.11
Expected salary trend	**2020**	**1.00**	**2.50**	**3.25**	**2.00**	**3.32**	**2.19**
	2019	1.00	2.70	3.25	2.00	3.23	2.24
Expected pension trend	**2020**	**0.00**	**1.60**	**2.00**	**1.60**	**1.71**	**1.26**
	2019	0.00	1.75	2.00	1.75	2.20	1.35
Medical cost trend	**2020**	**n.a.**	**n.a.**	**5.50**	**n.a.**	**n.a.**	**5.50**
	2019	n.a.	n.a.	5.73	n.a.	n.a.	5.73

C.61 ACTUARIAL PARAMETERS APPLIED

With respect to life expectancy, in Germany the Heubeck 2018 G mortality tables (generational tables) are taken as a basis. In Switzerland, the BVG-2015 generational mortality tables are used. In the Netherlands, we use the "Prognose Tafel AG2020" table (2019: "Prognose Tafel 2018") and, in Canada, the "CPM-2014Priv generational mortality table".

Provisions for pensions and other post-employment benefits by country

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	**Dec. 31, 2020**
Present value of the defined benefit obligation	122.1	169.2	72.2	83.0	29.5	476.0
Fair value of plan assets	−116.5	−21.5	−64.2	−74.0	−5.3	−281.5
Provisions for pensions and other post-employment benefits – net	**5.6**	**147.7**	**8.0**	**9.0**	**24.2**	**194.5**
of which assets recognized	–	–	6.3	–	–	6.3
Provisions for pensions and other post-employment benefits recognized in the balance sheet	**5.6**	**147.7**	**14.3**	**9.0**	**24.2**	**200.8**

C.62 PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS BY COUNTRY / DEC. 31, 2020

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	**Dec. 31, 2019**
Present value of the defined benefit obligation	121.9	151.7	70.8	77.0	29.8	451.2
Fair value of plan assets	−111.5	−20.2	−61.4	−68.5	−5.2	−266.8
Provisions for pensions and other post-employment benefits – net	**10.4**	**131.5**	**9.4**	**8.5**	**24.6**	**184.4**
of which assets recognized	–	–	4.7	–	–	4.7
Provisions for pensions and other post-employment benefits recognized in the balance sheet	**10.4**	**131.5**	**14.1**	**8.5**	**24.6**	**189.1**

C.63 PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS BY COUNTRY / DEC. 31, 2019

Pension obligations, plan assets and provisions for pensions and other post-employment benefits recognized in the balance sheet changed as follows:

Change in the present value of the defined benefit obligations

in EUR m	2020	2019
Present value of pension obligations at the beginning of the period	451.2	383.4
Exchange rate differences	−4.9	9.2
Transferred	0.4	–
Utilized	−14.2	−15.9
Service cost		
Current service cost	14.6	12.9
Past service cost	−0.3	–
Employee contributions	1.3	1.3
Interest expense on the present value of the obligation	4.8	7.4
Settlements	−0.5	–
Remeasurement components		
Change in economic assumptions	25.8	56.3
Change in demographic assumptions	−1.6	−3.6
Experience adjustments	−0.6	0.2
Present value of pension obligations at the end of the period	**476.0**	**451.2**

C.64 CHANGE IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS

The present value of pension obligations totalling EUR 476.0 million (Dec. 31, 2019: EUR 451.2 million) includes pension obligations for members of the Board of Management amounting to EUR 8.8 million (Dec. 31, 2019: EUR 11.4 million) and for former members of the Board of Management amounting to EUR 14.6 million (Dec. 31, 2019: EUR 9.5 million).

The increase in pension obligations attributable to the change in economic assumptions of EUR 25.8 million is due to the discount rates being broadly lower than at December 31, 2019. The rates can be found in the table “Actuarial Parameters Applied”.

The decrease in the present value of pension obligations attributable to changes in demographic assumptions of EUR 1.6 million is the result of the first-time application of the “Prognose Tafel AG2020” mortality table published in the Netherlands.

Change in the fair value of plan assets

in EUR m	2020	2019
Fair value of plan assets at the beginning of the period	266.8	233.4
Exchange rate differences	−3.9	7.8
Transferred	0.4	–
Utilized	−10.0	−11.7
Employer contributions	6.4	6.7
Administrative costs for plan assets	−0.3	−0.3
Employee contributions	1.3	1.3
Interest income on plan assets	3.0	4.5
Settlements	−0.3	–
Remeasurement components		
Income / (expense) from plan assets (excl. amounts in net interest expense)	18.1	25.1
Fair value of plan assets at the end of the period	**281.5**	**266.8**

C.65 CHANGE IN THE FAIR VALUE OF PLAN ASSETS

Change in provisions for pensions and other post-employment benefits recognized in the balance sheet

in EUR m	2020	2019
Provisions for pensions and other post-employment benefits at the beginning of the period	184.4	150.0
Exchange rate differences	−1.0	1.4
Utilized	−4.2	−4.2
Employer contributions	−6.4	−6.7
Current service cost	14.6	12.9
Past service cost	−0.3	–
Administrative costs for plan assets	0.3	0.3
Net interest expense	1.8	2.9
Settlements	−0.2	–
Remeasurement components	5.5	27.8
Provisions for pensions and other post-employment benefits – net	**194.5**	**184.4**
of which assets recognized	6.3	4.7
Provisions for pensions and other post-employment benefits recognized in the balance sheet at the end of the period	**200.8**	**189.1**

C.66 CHANGE IN PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS RECOGNIZED IN THE BALANCE SHEET

Recognized provisions for pensions include EUR 14.4 million (Dec. 31, 2019: EUR 14.2 million) for the supplemental medical cost plan in Canada. Pension costs recognized in the income statement for obligations under defined benefit plans total EUR 16.2 million (2019: EUR 16.1 million). Net interest expense is presented within net finance costs. Current service cost and administrative costs for plan assets are allocated to the functions within operating profit, where the amounts of past service cost and the amounts from settlements are also recognized.

The present values of the defined benefit obligations break down as follows into active members, former employees with vested rights and pensioners, split according to the payout method, resulting in the following weighted average duration of the defined benefit obligations:

in EUR m	2020	2019
Present value of the pension obligations funded by plan assets, of which:	**335.9**	**319.8**
Active members with lump-sum payout	17.7	16.9
Active members with monthly pension	132.4	133.0
Active members with option to choose	35.0	30.8
Former employees with vested rights to lump-sum payment	0.3	0.2
Former employees with vested rights to monthly pension	17.1	15.0
Former employees with vested rights with option to choose	10.6	9.2
Pensioners with monthly pension	122.8	114.7
Present value of the pension obligations not funded by plan assets, of which:	**125.7**	**117.2**
Active members with lump-sum payout	28.7	30.3
Active members with monthly pension	41.8	33.7
Active members with option to choose	–	–
Former employees with vested rights to lump-sum payment	8.5	7.4
Former employees with vested rights to monthly pension	12.0	10.6
Former employees with vested rights with option to choose	–	–
Pensioners with monthly pension	34.8	35.2
Medical cost plan	**14.4**	**14.2**
Present value of the pension obligations at the end of the period	**476.0**	**451.2**
Weighted average duration of the pension obligations in years	**18**	**17**

C.67 BREAKDOWN OF THE PRESENT VALUES OF DEFINED BENEFIT OBLIGATIONS BY MEMBERS

The pension payments to be made by the company directly amount to EUR 4.2 million in 2020 (2019: EUR 4.2 million). From a present perspective, the cash outflow resulting from pension payments made by the company directly will remain at a level of EUR 4 to 5 million over the long term. The pension payments expected to be made by the company directly in 2021 total EUR 5.6 million.

The fair value of the plan assets disaggregates into the following asset classes:

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	**Dec. 31, 2020**
Shares	20.4	–	16.6	–	1.5	38.5
Fixed-interest securities	12.9	–	47.0	–	1.0	60.9
Insurance policies	83.2	21.5	–	73.9	2.9	181.5
Cash and cash equivalents	–	–	0.6	–	–	0.6
Fair value of plan assets	**116.5**	**21.5**	**64.2**	**73.9**	**5.4**	**281.5**

C.68 FAIR VALUE OF THE PLAN ASSETS BY ASSET CLASS / DEC. 31, 2020

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	**Dec. 31, 2019**
Shares	21.2	–	17.6	–	1.5	40.3
Fixed-interest securities	10.0	–	43.7	–	0.9	54.6
Insurance policies	79.2	20.2	–	68.5	2.5	170.4
Cash and cash equivalents	1.1	–	0.1	–	0.3	1.5
Fair value of plan assets	**111.5**	**20.2**	**61.4**	**68.5**	**5.2**	**266.8**

C.69 FAIR VALUE OF THE PLAN ASSETS BY ASSET CLASS / DEC. 31, 2019

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 (2020: 35.3% of plan assets; 2019: 35.6% of plan assets) is subject to market fluctuations. All other assets are not traded in an active market.

The annual payments made into the plan assets, which, according to the plan rules, consist almost exclusively of obligatory payments, amount to EUR 6.4 million (2019: EUR 6.7 million). From a present perspective, the cash outflow resulting from contributions made by the company will remain at a level of EUR 6 to 7 million over the long term. Payments into plan assets for financial year 2021 are expected to total EUR 6.2 million.

Sensitivity analysis of the present value of the defined benefit obligation

The sensitivity analysis takes into account in each case the change in an assumption and the resulting effects on the defined benefit obligations, the other assumptions remaining the same as in the original calculation.

in EUR m	2020	2019
Discount rate		
Increase by 0.5 percentage points	−37.3	−34.2
Decrease by 0.5 percentage points	43.1	40.9
Expected salary trend		
Increase by 0.5 percentage points	3.4	3.5
Decrease by 0.5 percentage points	−2.8	−3.1
Expected pension trend		
Increase by 0.5 percentage points	10.2	9.8
Decrease by 0.5 percentage points	−9.4	−8.8
Medical cost trend		
Increase by 0.5 percentage points	1.0	1.2
Decrease by 0.5 percentage points	−0.9	−1.0

C.70 SENSITIVITY ANALYSIS OF THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

A 10% decrease in the mortality rates leads to an increase in life expectancy, depending on the individual age of each beneficiary. That means, for example, that the life expectancy of a 63-year-old employee as at December 31, 2020 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 12.4 million (2019: EUR 21.2 million).

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

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

in EUR m	Dec. 31, 2020	Dec. 31, 2019
Liabilities relating to acquisition of non-controlling interests	126.4	134.9
Liabilities arising from limited partners' rights to repayment of contributions	1.8	1.7
Total	**128.2**	**136.6**

C.71 LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS

EUR 79.1 million of liabilities relating to the acquisition of non-controlling interests have been included in net investment hedge accounting (Dec. 31, 2019: EUR 84.5 million). Exchange rate-related changes in the liabilities included in net investment hedge accounting are recognized within equity in the net investment hedge reserve. Liabilities relating to the acquisition of non-controlling interests include current liabilities of EUR 16.5 million (Dec. 31, 2019: EUR 0.0 million).

The effects of the change in liabilities relating to the acquisition of non-controlling interests recognized in profit or loss are presented in Note 8.).

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 2020, the Group generated ROCE of 14.1% (2019: 13.7%).

in EUR m	2020	2019
EBITA	758.1	766.5
Average carrying amount of equity	3,582.9	3,427.3
Average carrying amount of financial liabilities and lease liabilities	2,453.0	2,581.3
Average carrying amount of cash and cash equivalents	−654.1	−430.8
ROCE[1]	**14.1%**	**13.7%**

C.72 DETERMINATION OF ROCE

[1] For the definition of ROCE, see the "Group Key Financial Figures" section.

Brenntag monitors the appropriateness of borrowings inter alia through the ratio of net financial liabilities to operating EBITDA (leverage). Brenntag generally considers leverage of approximately 2x to be appropriate. Due to the exceptionally good cash flow performance in 2020, the current ratio is below this level at 1.3x. We will monitor cash flow performance going forward and examine how we can maintain an optimum capital structure at all times. In addition to current business performance and the trend in chemical prices, our analysis also takes into account relatively large cash payments, such as those for acquisitions.

The ratio of net financial liabilities to operating EBITDA declined from 2.1 to 1.3.

in EUR m	2020	2019
Non-current financial liabilities and lease liabilities	1,814.5	2,256.1
Current financial liabilities and lease liabilities	251.7	324.7
Cash and cash equivalents	−726.3	−520.3
Net financial liabilities	1,339.9	2,060.5
Operating EBITDA	1,057.7	1,001.5
Net financial liabilities / operating EBITDA	**1.3x**	**2.1x**

C.73 NET FINANCIAL LIABILITIES / OPERATING EBITDA

Subscribed capital

As at December 31, 2020, the subscribed capital of Brenntag SE totalled EUR 154,500,000. The share capital is divided into 154,500,000 no-par value registered shares, each with a notional value of EUR 1.00.

According to article 7, para. 3 of the Articles of Association of Brenntag SE, any right of shareholders to certification of their shares is excluded to the extent permitted by law and that certification is not required under the rules of any stock exchange on which the share is admitted to trading. The company is entitled to issue share certificates embodying several shares (consolidated certificates). Pursuant to Section 67, para. 2 of the German Stock Corporation Act (AktG) in conjunction with Article 9, para. 1 (c) (ii) of the SE Regulation, only those persons recorded in the company's share register will be recognized as shareholders of Brenntag SE. For purposes of recording the shares in the company's share register, shareholders are required to submit to Brenntag SE 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 SE. Excepted from this rule are any treasury shares held by Brenntag SE that do not entitle Brenntag SE to any membership rights. Brenntag SE 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 (December 31, 2019: EUR 1,491.4 million).

Retained earnings

Retained earnings include cumulative profit after tax and the remeasurement component of the defined benefit pension plans including deferred taxes. Transactions with owners are also recognized here. The latter are effects of share purchases and sales which have no influence on existing control and are recognized in retained earnings.

As proposed by the Board of Management and the Supervisory Board, the ordinary General Shareholders' Meeting of Brenntag SE on June 10, 2020 passed a resolution to pay a dividend of EUR 193,125,000.00 (2019: EUR 185,400,000.00). Based on 154.5 million shares, that is a dividend of EUR 1.25 (2019: EUR 1.20) per no-par value share entitled to a dividend.

At the General Shareholders' Meeting on June 10, 2021, the Board of Management and the Supervisory Board will propose that a dividend of EUR 208,575,000 be paid. Based on 154.5 million shares, that is a dividend of EUR 1.35 per no-par value share entitled to a dividend.

Other components of equity / Non-controlling interests

Other components of equity comprise the cumulative gain / loss from exchange rate differences and the net investment hedge reserve.

The cumulative gain / loss from exchange rate differences contains the differences from the translation of the financial statements of foreign companies into the Group currency (euro), which are recognized in other comprehensive income. The foreign exchange losses of EUR 243.2 million recognized here in financial year 2020 (2019: foreign exchange gains of EUR 70.2 million) resulted primarily from the depreciation of the US dollar, the Brazilian real, the South African rand and the Canadian dollar against the euro.

Exchange rate differences from liabilities included in net investment hedge accounting are recognized within equity in the net investment hedge reserve.

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

in EUR m	Subscribed capital, retained earnings and additional paid-in capital	Exchange rate differences	Non-controlling interests
Dec. 31, 2018	**25.6**	**−0.9**	**24.7**
Business combinations	41.1	–	41.1
Disposals	−6.6	0.8	−5.8
Profit after tax	2.5	–	2.5
Other comprehensive income, net of tax	–	0.7	0.7
Total comprehensive income for the period	**2.5**	**1.5**	**4.0**
Dec. 31, 2019	**62.6**	**0.6**	**63.2**
Business combinations	−2.1	–	−2.1
Profit after tax	7.3	–	7.3
Other comprehensive income, net of tax	−0.1	−6.4	−6.5
Total comprehensive income for the period	**7.2**	**−6.4**	**0.8**
Dec. 31, 2020	**67.7**	**−5.8**	**61.9**

C.74 CHANGE IN NON-CONTROLLING INTERESTS

In the previous year, non-controlling interests increased by EUR 39.4 million (49%) due to the acquisition of 51% of the shares in TEE HAI.

Powers of the Board of Management to issue or repurchase shares

Authorization to create authorized capital

By resolution of the General Shareholders' Meeting on June 20, 2018, the Board of Management was authorized, subject to the consent of the Supervisory Board, to increase the registered share capital of Brenntag SE in one or more tranches by up to EUR 35,000,000 in aggregate by issuing up to 35,000,000 new no-par value registered shares against cash contributions or non-cash contributions in the period to June 19, 2023. In principle, shareholders are to be granted a subscription right for new shares. However, in certain cases the Board of Management is authorized, subject to the consent of the Supervisory Board, to exclude the statutory subscription right in relation to one or more increases in the registered share capital within the scope of the authorized share capital. This shall apply, for example, if the increase in the registered share capital is effected against contribution in cash and provided that the issue price of the new shares is not substantially lower (within the meaning of Section 203, para. 1 and para. 2 and Section 186, para. 3, sentence 4 of the German Stock Corporation Act) than the market price for shares in the company of the same class and having the same conditions already listed at the time of the final determination of the issue price and provided that the amount of the registered share capital represented by the shares issued pursuant to this paragraph subject to the exclusion of the statutory subscription right in accordance with Section 186, para. 3, sentence 4 of the German Stock Corporation Act does not exceed 10% of the registered share capital in the amount of EUR 154,500,000 (simplified exclusion of subscription rights). Details can be found in the Articles of Association of Brenntag SE, which are available in the Investor Relations section of the website at www.brenntag.com.

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

Authorization to purchase and use treasury shares in accordance with Section 71, para. 1, No. 8 of the German Stock Corporation Act

By resolution of the General Shareholders' Meeting on June 20, 2018, the Board of Management was authorized, subject to the consent of the Supervisory Board, to purchase treasury shares up to a total amount equal to no more than 10% of the registered share capital. In this connection, the shares purchased on the basis of this authorization together with other shares of the company which Brenntag SE has already purchased and still holds shall not exceed 10% of the respective registered share capital. The authorization may be exercised to the full extent of repurchases thereby authorized or in partial amounts, on one or several occasions. It took effect at the close of the General Shareholders' Meeting on June 20, 2018 and shall apply until June 19, 2023. If shares are purchased on the stock market, the purchase price (excluding incidental purchase costs) may not be more than 10% higher or lower than the arithmetic mean value of the closing prices (closing auction prices of Brenntag SE shares in XETRA trading or a comparable system replacing the XETRA system) on the Frankfurt am Main stock exchange for the last five trading days preceding the purchase or the assumption of an obligation to purchase. If shares are purchased by way of a public purchase offer, Brenntag SE may either publish a formal offer or issue a public request for offers of sale. In each case, the purchase price offered (excluding incidental purchase costs) or the limits of the purchase price range per share set by Brenntag SE (excluding incidental purchase costs) may not be more than 10% higher or lower than the arithmetic mean value of the closing prices on the Frankfurt am Main stock exchange for the last five trading days preceding the publication of the purchase offer or request for offers of sale. The authorization may be exercised for any purpose permitted by law. The Board of Management was authorized to retire the treasury shares purchased on the basis of the authorization under Section 71, para. 1, no. 8 of the German Stock Corporation Act with the consent of the Supervisory Board and without a further resolution being adopted by the General Shareholders' Meeting. The retirement transaction may be restricted to some of the shares purchased and use may be made of the authorization to retire shares on one or more occasions. Retiring shares generally leads to a reduction in capital. Alternatively, the Board of Management may decide that the registered share capital will remain unchanged and the transaction will instead increase the amount of the registered share capital represented by the other shares in accordance with Section 8, para. 3 of the German Stock Corporation Act. In this case, the Board of Management is authorized to change the relevant number stated in the Articles of Association.

Treasury shares may, under certain circumstances, also be used subject to exclusion of the shareholders' subscription rights existing in principle and in particular by way of simplified exclusion of subscription rights as specified above.

Authorization to issue bonds and to create conditional capital

By resolution of the General Shareholders' Meeting on June 20, 2018, the Board of Management was authorized ("Authorization 2018"), subject to the consent of the Supervisory Board, to issue in one or more tranches in the period to June 19, 2023 registered or bearer warrant-linked or convertible bonds as well as profit-sharing certificates conferring option or conversion rights in an aggregate nominal amount of up to EUR 2,000,000,000 of limited or unlimited term ("Bonds") and to grant the holders or creditors of the Bonds option or conversion rights for up to 15,450,000 new Brenntag SE shares representing a notional amount of up to EUR 15,450,000 in the registered share capital further subject to the terms and conditions of the respective warrant-linked or convertible bonds and/or terms and conditions of the profit-sharing certificates to be defined by the Board of Management ("Terms and Conditions"). In order to grant shares to the holders or creditors of Bonds, the registered share capital was conditionally increased at the General Shareholders' Meeting on June 20, 2018 by up to 15,450,000 no-par value registered shares conferring profit-sharing rights from the beginning of the financial year in which they were issued ("Conditional Capital 2018"); this equates to an increase in the registered share capital of up to EUR 15,450,000. The Bonds may also be issued in a foreign legal currency rather than in euros – subject to limitation to the corresponding equivalent value in euros – and by companies which are controlled by Brenntag SE 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 SE, the guarantee for the Bonds and to grant the holders of such Bonds option and/or conversion rights for Brenntag SE shares and to effect any further declarations and acts as are required for a successful issue. The issues of the Bonds may in each case be divided into partial bonds with equal entitlement amongst themselves. Bonds may only be issued against non-cash contributions provided that the value of the non-cash contribution is equal to the issue price and such issue price is not substantially lower than the theoretical market value of the Bonds determined using recognized valuation techniques. The Board of Management is authorized, under certain circumstances and subject to the consent of the Supervisory Board, to exclude the subscription right of the shareholders for the Bonds. However, with regard to the exclusion of subscription rights against cash payment, such authorization shall apply only provided that the shares issued to fulfil the option or conversion rights and/or in the case of fulfilment of the conversion obligation represent no more than 10% of the registered share capital. Decisive for the threshold of 10% is the registered share capital in the amount of EUR 154,500,000 (simplified exclusion of subscription rights). Details can be found in the Articles of Association of Brenntag SE, which are available in the Investor Relations section of the website at www.brenntag.com.

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

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

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

In November 2015, Brenntag Finance B.V., in its capacity as issuer and with Brenntag SE as guarantor, issued a bond with warrant units in the amount of USD 500.0 million maturing on December 2, 2022 ("Bond (with Warrants) 2022"). It did so on the basis of the authorization resolved upon at the General Shareholders' Meeting on June 17, 2014 ("Authorization 2014") to issue Bonds and grant the holders or creditors of the Bonds option or conversion rights for up to 25,750,000 new Brenntag SE shares representing a notional amount of up to EUR 25,750,000 in the registered share capital ("Conditional Capital 2014").

The bond was offered only to institutional investors outside the USA. Shareholders' subscription rights were excluded. The warrants attached to the Bond (with Warrants) 2022 entitle the holder to purchase Brenntag SE ordinary shares by paying the strike price applicable at that time. The Terms and Conditions of the Bond (with Warrants) 2022 allow Brenntag SE to settle exercised options both from the Conditional Capital 2014 and from the authorized capital described above or from the treasury shares it holds or to buy back the warrants. The investor may detach the warrants from the bonds. The bond with warrant units, bonds detached from warrants and detached warrants were admitted to trading on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange. At the reporting date, there were subscription rights to approximately 6.5 million shares resulting from the Bond (with Warrants) 2022; this equates to 4.2% of the registered share capital at the reporting date. Holders have been able to exercise their warrants since January 12, 2016. No warrants have been exercised to date.

The Authorization 2014 was rescinded when the Authorization 2018 became effective. The warrants attached to the Bond (with Warrants) 2022 are unaffected by the rescission of the Authorization 2014, the new Authorization 2018 and the new Conditional Capital 2018. In particular, the subscription rights of the holders of the Bond (with Warrants) 2022 are not adversely affected, as the Conditional Capital 2014 remains in place. Further information on the Conditional Capital 2014 can be found in the Articles of Association of Brenntag SE, which are available in the Investor Relations section of the website at www.brenntag.com.

29.) Consolidated cash flow statement disclosures

Net cash provided by operating activities of EUR 1,219.0 million was influenced by cash inflows attributable to the decrease in working capital of EUR 325.0 million.

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

in EUR m	2020	2019
Decrease in inventories	116.2	103.5
Decrease in gross trade receivables	124.3	111.0
Increase/decrease in trade payables	71.8	-58.8
Valuation allowances on trade receivables and on inventories[1]	12.7	6.0
Change in working capital[2]	**325.0**	**161.7**

C.75 CHANGE IN WORKING CAPITAL

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

At 7.3 in the reporting period, annualized working capital turnover[3] was higher than at the end of 2019 (7.0).

Of the interest payments, EUR 3.6 million (2019: EUR 3.9 million) relate to interest received and EUR 61.5 million (2019: EUR 79.6 million) to interest paid.

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

Financial liabilities changed as follows:

in EUR m	**Dec. 31, 2019**	Net cash used in financing activities	Non-cash changes in lease liabilities	Business combina-tions in accordance with IFRS 3	Exchange rate differences	Other	**Dec. 31, 2020**
Liabilities under syndicated loan	862.1	−340.0	–	–	−43.3	−1.0	477.8
Other liabilities to banks	220.1	−83.1	–	4.2	−16.8	–	124.4
Bond 2025	596.4	–	–	–	–	0.9	597.3
Bond (with Warrants) 2022	429.8	–	–	–	−36.9	5.4	398.3
Finance lease liabilities							
Derivative financial instruments	6.2	–	–	–	−0.4	5.6	11.4
Other financial liabilities	46.0	−3.9	–	−0.1	−3.3	−8.5	30.2
Financial liabilities	**2,160.6**	**−427.0**	**–**	**4.1**	**−100.7**	**2.4**	**1,639.4**
Lease liabilities	420.2	−114.0	142.6	3.3	−25.4	–	426.7
Total	**2,580.8**	**−541.0**	**142.6**	**7.4**	**−126.1**	**2.4**	**2,066.1**
Dividends paid to Brenntag shareholders		−193.1					
Profits distributed to non-controlling interests		−1.5					
Net cash used in financing activities		**−735.6**					

C.76 CHANGE IN FINANCIAL LIABILITIES IN 2020

in EUR m	Dec. 31, 2018	Net cash used in financing activities	Initial application of IFRS 16	Non-cash changes in lease liabilities	Business combina-tions in accordance with IFRS 3	Exchange rate differences	Other	Dec. 31, 2019
Liabilities under syndicated loan	849.4	–	–	–	–	12.4	0.3	862.1
Other liabilities to banks	238.0	−71.9	–	–	51.1	3.0	−0.1	220.1
Bond 2025	595.4	–	–	–	–	–	1.0	596.4
Bond (with Warrants) 2022	416.7	–	–	–	–	8.2	4.9	429.8
Finance lease liabilities	6.9	–	−6.9	–	–	–	–	–
Derivative financial instruments	5.5	–	–	–	–	–	0.7	6.2
Other financial liabilities	43.8	−13.5	–	–	0.7	0.7	14.3	46.0
Financial liabilities	**2,155.7**	**−85.4**	**−6.9**	**–**	**51.8**	**24.3**	**21.1**	**2,160.6**
Lease liabilities	–	−109.4	363.5	137.8	21.1	5.6	–	420.2
Total	**2,155.7**	**−194.8**	**363.5**	**137.8**	**72.9**	**29.9**	**22.7**	**2,580.8**
Dividends paid to Brenntag shareholders		−185.4						
Profits distributed to non-controlling interests		−1.5						
Settlement of liabilities relating to acquisition of non-controlling interests		−1.7						
Net cash used in financing activities		**−383.4**						

C.77 CHANGE IN FINANCIAL LIABILITIES IN 2019

30.) Segment reporting

The Brenntag Group operates solely in the chemical distribution business and in financial year 2020 was managed through the segments EMEA, North America, Latin America and Asia Pacific. The activities are allocated to these segments on the basis of the location of the registered office of the respective subsidiary. Allocation of the activities on the basis of the location of the registered offices of the customers would not lead to a different segmentation. The geographical segmentation reflects control and supervision by the management and permits a reliable estimate of risks and rewards.

In addition to various holding companies, all other segments present the activities with regard to the digitalization of our business (DigiB). The operations of Brenntag International Chemicals GmbH, which buys and sells chemicals in bulk on an international scale without regional boundaries, are also included here.

All consolidation adjustments between the segments are presented separately. Differences between the figures from the segment reporting and the corresponding figures in the consolidated financial statements are presented as a reconciliation. All transactions between companies within a segment have been eliminated. The Group accounts for inter-segment sales transactions as if the transactions were made with third parties at current prices (arm's length principle).

The key indicator and measure for the financial performance of the Brenntag Group is operating EBITDA. Brenntag uses this indicator to manage the segments, as it reflects the performance of our business operations well and is a key component of cash flow. Our aim is to continually grow operating EBITDA throughout the business cycle. It is the operating profit as recorded in the consolidated income statement plus amortization of intangible assets as well as depreciation of property, plant and equipment, right-of-use assets and investment property, adjusted for certain items.

Brenntag adjusts operating EBITDA for holding charges and for income and expenses arising from special items so as to improve comparability in presenting the performance of its business operations over multiple reporting periods and explain it more appropriately. Holding charges are certain costs charged between holding companies and operating companies. At Group level, these effects net to zero. Special items are income and expenses outside ordinary activities that have a special and material effect on the results of operations.

There are no significant non-cash items in the reporting period.

Impairment losses on property, plant and equipment in the amount of EUR 0.4 million (2019: EUR 1.0 million) and on intangible assets in the amount of EUR 1.4 million relate to the EMEA segment. They were presented in selling expenses.

Non-current assets comprise property, plant and equipment, right-of-use assets and intangible assets. Non-current assets are allocated to the different countries as follows:

	Property, plant and equipment		Right-of-use assets		Intangible assets[1]	
in EUR m	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Germany	85.8	88.7	53.8	57.4	49.2	25.2
USA	296.8	312.7	161.9	153.2	31.6	34.3
Singapore	64.3	81.2	23.1	19.2	5.6	9.1
Canada	78.4	85.0	10.7	11.2	6.2	9.4
United Kingdom	39.9	42.4	35.4	35.8	18.0	27.2
France	91.9	88.5	9.5	14.0	0.7	1.0
Switzerland	40.7	44.7	1.0	0.7	0.3	0.4
Italy	53.2	54.0	28.2	22.3	0.2	0.3
Spain	47.8	49.8	9.8	10.3	0.5	1.0
China	71.4	35.3	1.4	2.4	0.5	0.4
Others	258.4	282.0	83.9	85.7	60.2	61.6
Total	**1,128.6**	**1,164.3**	**418.7**	**412.2**	**173.0**	**169.9**

C.78 NON-CURRENT ASSETS BY COUNTRY

[1] Intangible assets excluding goodwill and "Brenntag" trademark.

The allocation of external sales to the different countries is shown in the following table:

	External sales	
in EUR m	**2020**	**2019**
Germany	1,091.3	1,248.6
USA	3,744.4	4,288.4
Canada	480.8	530.7
France	421.9	456.6
Italy	453.0	512.4
United Kingdom	532.2	564.9
Poland	430.6	455.0
Others	4,621.6	4,765.2
Total	**11,775.8**	**12,821.8**

C.79 EXTERNAL SALES BY COUNTRY

31.) Other financial obligations and contingent liabilities

As at December 31, 2020, purchase commitments in respect of property, plant and equipment amounted to EUR 2.1 million (Dec. 31, 2019: EUR 1.8 million) and, as in the previous year, had a remaining term of one year or less. Information on lease obligations as at December 31, 2020 can be found in the sections entitled Leases and Reporting of financial instruments.

In connection with the elimination of environmental damage, as at December 31, 2020, there were contingent liabilities with a fair value of EUR 2.4 million (Dec. 31, 2019: EUR 2.4 million).

32.) Legal proceedings and disputes

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

The decision issued by the French Competition Authority in 2013 in relation to the allocation of customers and coordination of prices was set aside by a court of appeal due to procedural errors at Brenntag's request in February 2017. In December 2020, the court imposed a fine of EUR 47 million. Brenntag has lodged an appeal against the decision. Regarding the investigation also ongoing at the French Competition Authority concerning whether BRENNTAG SA has illegally made use of its market position, a decision by the Authority is still pending. Based on current knowledge, Brenntag assumes that claims for civil liability arising from the above-mentioned proceedings are not sufficiently substantiated.

An ERISA (Employment Retirement Income Security Act) class action lawsuit has been filed against Brenntag North America et al. in connection with the management of the company's 401(k) Plan. Brenntag North America believes that it has good defenses against the lawsuit, which includes a USD 50 million demand.

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 routine tax audit at the German Brenntag companies for the years 2010 to 2012 and 2013 to 2016 was largely completed without this resulting in any significant findings. In addition, the German Group companies Brenntag GmbH and BCD Chemie GmbH are currently the subject of routine reviews of the tax on spirits and energy being conducted by the German customs authorities for the years 2014 to 2018. Brenntag is cooperating with the customs authorities. It is not yet possible to make a definitive assessment as to potential tax exposures. In specific cases, the assessment is likely to differ; this risk has been reflected in the balance sheet by recognizing provisions.

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 financial assets recognized in the balance sheet were allocated to the IFRS 9 measurement categories as follows:

in EUR m	Dec. 31, 2020			
Classification of financial assets:	At amortized cost	FVTPL[1]	Total carrying amount	Fair value
Cash and cash equivalents	726.3	–	726.3	726.3
Trade receivables	1,597.5	–	1,597.5	1,597.5
Other receivables	108.5	–	108.5	108.5
Other financial assets	26.0	5.5	31.5	31.5
Total	**2,458.3**	**5.5**	**2,463.8**	**2,463.8**

C.80 CLASSIFICATION OF FINANCIAL ASSETS BY MEASUREMENT CATEGORY / DEC. 31, 2020

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

in EUR m	Dec. 31, 2019			
Classification of financial assets:	At amortized cost	FVTPL[1]	Total carrying amount	Fair value
Cash and cash equivalents	520.3	–	520.3	520.3
Trade receivables	1,820.3	–	1,820.3	1,820.3
Other receivables	117.1	–	117.1	117.1
Other financial assets	38.9	4.2	43.1	43.1
Total	**2,496.6**	**4.2**	**2,500.8**	**2,500.8**

C.81 CLASSIFICATION OF FINANCIAL ASSETS BY MEASUREMENT CATEGORY / DEC. 31, 2019

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

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 95.6 million (Dec. 31, 2019: EUR 102.2 million) are not financial assets as defined by IFRS 7. They are mainly receivables from value-added tax and other taxes, prepaid expenses and prepayments.

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

in EUR m	Dec. 31, 2020			
Classification of financial liabilities:	At amortized cost	FVTPL [1]	Total carrying amount	Fair value
Trade payables	1,229.8	–	1,229.8	1,229.8
Other liabilities	247.3	–	247.3	247.3
Liabilities relating to acquisition of non-controlling interests	128.2	–	128.2	132.5
Financial liabilities	1,626.6	12.8	1,639.4	1,723.9
Total	**3,231.9**	**12.8**	**3,244.7**	**3,333.5**

C.82 CLASSIFICATION OF FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY / DEC. 31, 2020

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

in EUR m	Dec. 31, 2019			
Classification of financial liabilities:	At amortized cost	FVTPL [1]	Total carrying amount	Fair value
Trade payables	1,229.1	–	1,229.1	1,229.1
Other liabilities	182.3	–	182.3	182.3
Liabilities relating to acquisition of non-controlling interests	136.6	–	136.6	138.3
Financial liabilities	2,153.9	6.7	2,160.6	2,187.7
Total	**3,701.9**	**6.7**	**3,708.6**	**3,737.4**

C.83 CLASSIFICATION OF FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY / DEC. 31, 2019

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

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

Of the other liabilities recognized in the balance sheet, EUR 244.9 million (Dec. 31, 2019: EUR 204.5 million) are not financial liabilities as defined by IFRS 7. They are mainly liabilities to employees, liabilities from value-added tax and other taxes, as well as deferred income.

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

in EUR m

Hierarchy level	Level 1	Level 2	Level 3	**Dec. 31, 2020**
Financial assets at fair value through profit or loss	1.8	3.7	–	5.5
Financial liabilities at fair value through profit or loss	–	11.3	1.5	12.8

C.84 FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY / DEC. 31, 2020

in EUR m

Hierarchy level	Level 1	Level 2	Level 3	**Dec. 31, 2019**
Financial assets at fair value through profit or loss	1.8	2.4	–	4.2
Financial liabilities at fair value through profit or loss	–	6.2	0.5	6.7

C.85 FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY / DEC. 31, 2019

Liabilities resulting from contingent consideration arrangements of EUR 1.5 million (Dec. 31, 2019: EUR 0.5 million) relate to liabilities for contingent purchase prices payable in business combinations. The amount of the contingent purchase price component required to be recognized at fair value is contingent on the earnings achieved by the acquired business and is limited in both the lower (EUR 0 million) and the upper (EUR 2.6 million) range.

Liabilities resulting from contingent consideration arrangements changed as follows:

in EUR m	2020	2019
Jan. 1	**0.5**	**19.5**
Exchange rate differences	–	0.6
Reversed	–	−9.4
Interest	–	0.2
Business combinations	1.0	0.5
Purchase price payments	–	−10.9
Dec. 31	**1.5**	**0.5**

C.86 CHANGE IN LIABILITIES RESULTING FROM CONTINGENT CONSIDERATION ARRANGEMENTS

The net gains / losses from financial assets and liabilities broken down into measurement categories are as follows:

in EUR m	2020								
	Interest		Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	At fair value		Currency translation		Impairments, net	**Net gain / loss**
Measurement category:	Income	Expense		Gains	Losses	Gains	Losses		
Financial assets measured at amortized cost	3.6	–	–	–	–	108.1	−120.5	−8.9	−17.7
Financial liabilities measured at amortized cost	–	−53.7	0.4	–	–	46.0	−66.1	–	−73.4
FVTPL[1]	–	–	–	62.6	−45.3			–	17.3
Total	**3.6**	**−53.7**	**0.4**	**62.6**	**−45.3**	**154.1**	**−186.6**	**−8.9**	**−73.8**

C.87 NET GAINS / LOSSES FROM FINANCIAL ASSETS AND LIABILITIES / 2020

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

in EUR m	2019									
	Interest		Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	At fair value		Currency translation		Gains from the reversal of liabilities resulting from contingent consideration arrangements and interest	Impairments, net	**Net gain/ loss**
Measurement category:	Income	Expense		Gains	Losses	Gains	Losses			
Financial assets measured at amortized cost	3.9	–	–	–	–	49.1	−36.2	–	−6.2	10.6
Financial liabilities measured at amortized cost	–	−74.2	−0.7	–	–	29.0	−36.8	–	–	−82.7
FVTPL [1]	–	−0.3	–	24.5	−37.7	–	–	9.2	–	−4.3
Total	**3.9**	**−74.5**	**−0.7**	**24.5**	**−37.7**	**78.1**	**−73.0**	**9.2**	**−6.2**	**−76.4**

C.88 NET GAINS / LOSSES FROM FINANCIAL ASSETS AND LIABILITIES / 2019

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

Of the interest expense on liabilities to third parties contained in interest expense, EUR 1.0 million (2019: EUR 1.3 million) is interest expense which is not part of the effective interest on financial liabilities measured at amortized cost.

With the exception of valuation allowances on trade receivables and other receivables, net gains and losses on subsequent measurement are presented within net finance costs. Valuation allowances on trade receivables and other receivables are presented under other operating expenses and the income from the receipt of trade receivables derecognized in prior periods is presented within other operating income.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The gross amounts of financial assets and liabilities are offset on the basis of netting arrangements in the balance sheet as follows or they are subject to enforceable master netting arrangements or similar agreements that do not meet the requirements for offsetting in the balance sheet:

in EUR m	Gross amounts of financial assets and liabilities	Offsetting	Carrying amounts in the balance sheet	Enforceable master netting arrangements and similar arrangements	**Dec. 31, 2020 Net amount**
Trade receivables	1,611.8	−14.3	1,597.5	−2.2	1,595.3
Other financial assets	31.5	–	31.5	−0.6	30.9
Trade payables	1,236.5	−6.7	1,229.8	−2.2	1,227.6
Other liabilities	499.8	−7.6	492.2	–	492.2
Financial liabilities	1,639.4	–	1,639.4	−0.6	1,638.8

C.89 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES / DEC. 31, 2020

in EUR m	Gross amounts of financial assets and liabilities	Offsetting	Carrying amounts in the balance sheet	Enforceable master netting arrangements and similar arrangements	**Dec. 31, 2019 Net amount**
Trade receivables	1,848.6	−28.3	1,820.3	−3.4	1,816.9
Other financial assets	43.1	–	43.1	−1.0	42.1
Trade payables	1,234.6	−5.5	1,229.1	−2.7	1,226.4
Other liabilities	409.6	−22.8	386.8	–	386.8
Financial liabilities	2,160.6	–	2,160.6	−1.0	2,159.6

C.90 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES / DEC. 31, 2019

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

The sources of as well as the processes and policies used to manage these risks are described in detail in the chapter “Financial risks and opportunities” in the Group management report.

Currency risk

Currency risks arise particularly when monetary items or contracted future transactions are in a currency other than the functional currency of a company. Foreign exchange forwards and foreign exchange swaps are used as hedging instruments. The derivative financial instruments used have maturities of less than one year and are not included in hedge accounting.

If the euro had been worth 10% more or less against all currencies as at December 31, 2020, translation of monetary items in foreign currency into the Group currency, the euro, allowing for the foreign exchange forward transactions and foreign exchange swaps still open on December 31, 2020, would have resulted in the following changes in net finance costs:

	2020		2019	
in EUR m	**+10%**	**−10%**	+10%	−10%
USD	−2.8	3.4	−2,6	3,2
GBP	0.4	−0.4	–	–
PLN	0.2	−0.2	0,5	−0,6
Other currencies	1.1	−1.4	0,4	−0,5
Total	**−1.1**	**1.4**	**−1,7**	**2,1**

C.91 SENSITIVITY ANALYSIS CURRENCY RISK

Liabilities relating to the acquisition of non-controlling interests in Raj Petro and TEE HAI are in each case included in a net investment hedge in accordance with IFRS 9.5.2 (c). The hedged items are the share of the net assets of Raj Petro and TEE HAI attributable to Brenntag. Exchange rate-related changes in the liabilities are recognized within equity in the net investment hedge reserve. An economic relationship exists in each case, as the hedging instrument and the hedged item have values that move in the opposite direction because of a change in the hedged currency risk. Any increase (decrease) in the Indian rupee (INR) or the Singapore dollar (SGD) against the euro leads to an increase (decrease) in the net assets and an increase (decrease) in the INR- or SGD-denominated liabilities. The effectiveness of the hedging relationships was determined at inception of the hedging relationships and is regularly determined on a retrospective basis to ensure that there is an economic relationship between the hedged item and the hedging instrument. There was no hedge ineffectiveness as at December 31, 2020. If the euro had been worth 10% more or less against the Indian rupee (INR) as at December 31, 2020, the net investment hedge reserve would have increased by EUR 3.1 million (Dec. 31, 2019: EUR 1.9 million) or decreased by EUR 3.1 million (Dec. 31, 2019: EUR 1.9 million). If the euro had been worth 10% more or less against the Singapore dollar (SGD) as at December 31, 2020, the net investment hedge reserve would have increased by EUR 4.8 million (Dec. 31, 2019: EUR 6.5 million) or decreased by EUR 4.8 million (Dec. 31, 2019: EUR 6.5 million).

Net investment hedges at Dec. 31, 2020	**TEE HAI**	**Raj Petro**
Carrying amount of the portion of the liability relating to the acquisition of non-controlling interests included in the net investment hedge in EUR m	48.0	31.1
Carrying amount of the portion of the liability relating to the acquisition of non-controlling interests included in the net investment hedge in local currency (SGD or INR m)	77.8	2,791.2
Hedge ratio	1:1	1:1
Hedge rate EUR/SGD or EUR/INR	1.5111	80.187
Change in carrying amount (in net investment hedge reserve)	4.3	2.1
Change in value of hedged item used to determine hedge effectiveness	−4.3	−2.1

C.92 NET INVESTMENT HEDGES DEC. 31, 2020

Net investment hedges at Dec. 31, 2019	TEE HAI	Raj Petro
Carrying amount of the portion of the liability relating to the acquisition of non-controlling interests included in the net investment hedge in EUR m	65.1	19.4
Carrying amount of the portion of the liability relating to the acquisition of non-controlling interests included in the net investment hedge in local currency (SGD or INR m)	98.4	1,552.0
Hedge ratio	1:1	1:1
Hedge rate EUR/SGD or EUR/INR	1.5263	79.7298
Change in carrying amount (in net investment hedge reserve)	−0.9	0.2
Change in value of hedged item used to determine hedge effectiveness	0.9	−0.2

C.93 NET INVESTMENT HEDGES DEC. 31, 2019

Interest rate risk

Interest rate risks can occur due to changes in market interest rates. The risks result from changes in the fair values of fixed-rate financial instruments or from changes in the cash flows of variable-rate financial instruments.

If the market interest rate at December 31, 2020 had been 25 basis points (2019: 25 basis points) higher or lower (relative to the total amount of variable-rate financial liabilities as at December 31, 2020), the negative impact on net finance costs would have been EUR 1.5 million or the positive impact EUR 1.4 million (2019: negative impact of EUR 2.7 million or positive impact of EUR 2.7 million).

Credit risk

Non-derivative financial instruments entail credit risk when contractually agreed payments are not made by the contracting parties. The maximum credit risk on non-derivative financial instruments corresponds to their carrying amounts. The expected credit risk from individual receivables is allowed for by recognizing write-downs of the assets. See also Note 14.).

With the derivative financial instruments used, the maximum credit risk is the total of all positive fair values of these instruments as, in the event of non-performance by the contracting parties, losses on assets would be restricted to this amount.

Liquidity risk

Liquidity risk is the risk that the Brenntag Group may in future not be able to meet its contractual payment obligations. Due to the fact that the Brenntag Group's business is not subject to any pronounced seasonal fluctuations, there is relatively little fluctuation in liquidity during the financial year.

To ensure that the Brenntag Group can pay at all times, it not only has appropriate liquidity reserves in the form of cash and cash equivalents but also credit lines under the syndicated loan which can be utilized as needed. In order to identify the liquidity risks, the Group has a multi-annual liquidity plan which is regularly reviewed and adjusted if necessary.

In certain countries (e.g. South Africa, China and Brazil), Brenntag has local cash and cash equivalents at its disposal for cross-border transfers only subject to the applicable restrictions on foreign exchange transactions.

The undiscounted cash flows resulting from financial liabilities are shown in the following table:

in EUR m	Carrying amount Dec. 31, 2020	Cash flows 2021–2026 ff. 2021	2022	2023	2024	2025	2026 ff.
Trade payables	1,229.8	1,229.8	–	–	–	–	–
Other liabilities	492.2	483.7	5.7	2.7	–	–	0.1
Liabilities relating to acquisition of non-controlling interests	128.2	18.6	80.0	37.8	2.1	–	–
Liabilities under syndicated loan	477.8	6.8	6.8	6.8	479	–	–
Other liabilities to banks	124.4	122.8	1.4	0.2	–	–	–
Bond 2025	597.3	6.8	6.8	6.8	6.8	606.8	–
Bond (with Warrants) 2022	398.3	7.6	411.3	–	–	–	–
Lease liabilities	426.8	108.4	84.1	63.4	49.1	35.7	138.6
Derivative financial instruments	11.4						
of which cash inflows	–	663.5	–	–	–	–	–
of which cash outflows	–	675.7	–	–	–	–	–
Other financial liabilities	30.2	14.1	4.4	7.9	1.4	1.3	1.1
Total	**3,916.4**	**2,010.8**	**600.5**	**125.6**	**538.4**	**643.8**	**139.8**

C.94 FUTURE CASH FLOWS FROM FINANCIAL LIABILITIES / DEC. 31, 2020

in EUR m	Carrying amount Dec. 31, 2019	Cash flows 2020–2025 ff. 2020	2021	2022	2023	2024	2025 ff.
Trade payables	1,229.1	1,229.1	–	–	–	–	–
Other liabilities	386.8	382.3	0.9	3.1	–	–	0.5
Liabilities relating to acquisition of non-controlling interests	136.6	–	14.5	107.1	25.6	–	2.2
Liabilities under syndicated loan	862.1	19.8	19.8	19.8	19.8	863.7	–
Other liabilities to banks	220.1	195.6	7.7	2.3	1.9	2.1	10.4
Bond 2025	596.4	6.8	6.8	6.8	6.8	6.8	606.8
Bond (with Warrants) 2022	429.8	8.3	8.3	453.4	–	–	–
Lease liabilities	420.2	132.0	103.5	79.0	58.8	39.0	147.3
Derivative financial instruments	6.2						
of which cash inflows	–	523.0	–	–	–	–	–
of which cash outflows	–	537.0	–	–	–	–	–
Other financial liabilities	46.0	16.4	16.6	6.0	–	0.4	6.6
Total	**4,333.3**	**2,004.3**	**178.1**	**677.5**	**112.9**	**912.0**	**773.8**

C.95 FUTURE CASH FLOWS FROM FINANCIAL LIABILITIES / DEC. 31, 2019

Derivative financial instruments

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

	Dec. 31, 2020			Dec. 31, 2019		
in EUR m	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Foreign exchange forward transactions and foreign exchange swaps	848.4	3.7	11.3	773.5	2.4	6.2

C.96 DERIVATIVE FINANCIAL INSTRUMENTS

34.) Related parties

In the course of its normal business activities, Brenntag SE also obtains services from and provides services for related entities. These related entities are the subsidiaries included in the consolidated financial statements as well as associates accounted for using the equity method and their subsidiaries.

Related persons are the members of the Board of Management and the Supervisory Board of Brenntag SE and members of their families.

Short-term employee benefits for the Board of Management, including the remuneration for performing their tasks at subsidiaries, amounts to EUR 7.8 million for financial year 2020 (2019: EUR 6.3 million). In addition, there are long-term, share-based remuneration programmes for members of the Board of Management. The resulting bonus earned in the current year plus changes in the amount of entitlements not yet paid out totals EUR 6.0 million for 2020 (2019: EUR 4.2 million). Provisions for share-based remuneration amount to EUR 8.4 million at the end of 2020 (Dec. 31, 2019: EUR 7.1 million). The cost (excluding interest expense) of the pension entitlements earned in the reporting period (defined benefit plans) amounts to EUR 1.1 million (2019: EUR 1.0 million). The cost of termination benefits amounts to EUR 4.0 million. The cost of benefits from third parties amounts to EUR 0.1 million (2019: EUR 0.3 million). The total remuneration of the Board of Management in accordance with IFRSs is therefore EUR 18.9 million (2019: EUR 11.8 million). The cost of other remuneration awarded to former members of the Board of Management amounts to EUR 0.3 million (2019: EUR 0.0 million).

In accordance with the German Commercial Code (HGB), the total remuneration of the Board of Management members serving in financial year 2020 amounts to EUR 17.6 million (2019: EUR 10.2 million).

Of the total remuneration, an amount of EUR 5.8 million (2019: EUR 3.6 million, in each case the fair value at the grant date) is attributable to share-based remuneration programmes.

The Board of Management remuneration system and the remuneration of each member of the Board of Management are detailed in the remuneration report, which is an integral part of the combined management report.

In financial year 2020, the cost of pension commitments (defined benefit plans) under the German Commercial Code (HGB) to former members of the Board of Management amounted to EUR 0.4 million (2019: EUR 0.7 million). The cost of other remuneration awarded to former members of the Board of Management amounted to EUR 0.5 million (2019: EUR 0.0 million) in accordance with the German Commercial Code (HGB).

The total remuneration of the members of the Supervisory Board due in the short term amounts to EUR 1.0 million for financial year 2020 (2019: 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 significant transactions with related persons.

The following business transactions were performed on terms equivalent to those that prevail in arm's length transactions:

in EUR m	2020	2019
Sales from transactions with associates	1.1	3.0
Goods delivered and services rendered by associates	1.0	1.1

C.97 TRANSACTIONS WITH RELATED PARTIES

in EUR m	Dec. 31, 2020	Dec. 31, 2019
Trade receivables from associates	0.1	0.2
Trade payables to associates	0.1	0.1

C.98 RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES

The transactions of Brenntag SE with subsidiaries included in the consolidated financial statements as well as between included 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 GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, were recognized as expenses:

in EUR m	2020	2019
Financial statement audit services	0.8	0.9
Other assurance services	0.1	0.1
Tax advisory services	0.0	0.1
Other services rendered	0.0	0.0
Total	**0.9**	**1.1**

C.99 FEES FOR THE AUDITORS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Fees for financial statement audit services for financial year 2020 consist mainly of payments for the statutory audit of the consolidated financial statements, the review of the quarterly reporting on the second and third quarters and the statutory audit of the annual financial statements of Brenntag SE and its domestic subsidiaries.

Fees for other assurance services for financial year 2020 primarily include the engagement to provide assurance on the Brenntag Group's separate combined non-financial report and, in the context of Brenntag AG's change of legal form to an SE, certification that it has net assets at least equivalent to its capital plus those reserves which, pursuant to statutory provisions or the company's Articles of Association, must not be distributed.

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

For financial year 2020, the following subsidiaries of Brenntag SE are making use of the exemptions pursuant to Section 264, para. 3 and Section 264b of the German Commercial Code:

- Brenntag Holding GmbH, Essen
- Brenntag Germany Holding GmbH, Essen
- Brenntag Foreign Holding GmbH, Essen
- Brenntag Beteiligungs GmbH, Essen
- BRENNTAG GmbH, Duisburg
- BRENNTAG International Chemicals GmbH, Essen
- Brenntag Real Estate GmbH, Essen
- BCD Chemie GmbH, Hamburg
- CLG Lagerhaus GmbH & Co. KG, Essen
- Brenntag European Services GmbH & Co. KG, Zossen
- CM Komplementär 03-018 GmbH & Co. KG, Essen
- CM Komplementär 03-019 GmbH & Co. KG, Essen
- CM Komplementär 03-020 GmbH & Co. KG, Essen
- ACU PHARMA und CHEMIE GmbH, Apolda

37.) Declaration of conformity with the German Corporate Governance Code

On December 14, 2020, 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 2020 as required by Section 161 of the German Stock Corporation Act. The declaration of conformity can be found in the chapter "To Our Shareholders" in Brenntag SE's 2020 annual report and can also be viewed at any time on the Brenntag SE website (www.brenntag.com/corporate/documents/investor-relations/2020/brenntag-declaration-of-conformity-2020.pdf).

Essen, March 2, 2021

Brenntag SE
BOARD OF MANAGEMENT

Dr Christian Kohlpaintner Georg Müller Henri Nejade

Steven Terwindt Ewout van Jarwaarde

RESPONSIBILITY STATEMENT 2020

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

Essen, March 2, 2021

Brenntag SE
BOARD OF MANAGEMENT

Dr Christian Kohlpaintner Georg Müller Henri Nejade

Steven Terwindt Ewout van Jarwaarde

ANNEX

Annex: List of Shareholdings in Accordance with Section 313, Para. 2 of the German Commercial Code as at December 31, 2020

No.	Company	Domicile	Held directly % [1]	Held indirectly % [1]	Effective net holding % [1]	Via no.
1	Brenntag SE	Essen				
CONSOLIDATED SUBSIDIARIES						
Algeria						
2	Alliance Chimie Algerie SPA	Algiers	0.00	100.00	99.94	69
Argentina						
3	Brenntag Argentina S.A.	Buenos Aires	0.00	90.00 10.00	100.00	122 113
Australia						
4	Brenntag Australia Pty. Ltd.	Mulgrave	0.00	100.00	100.00	150
Bangladesh						
5	BRENNTAG BANGLADESH SERVICES LTD.	Dhaka	0.00	100.00	100.00	7
6	BRENNTAG BANGLADESH FORMULATION LTD.	Dhaka	0.00	100.00	100.00	122
7	BRENNTAG BANGLADESH LTD.	Dhaka	0.00	100.00	100.00	122
Belgium						
8	European Polymers and Chemicals Distribution BVBA	Deerlijk	0.00	100.00	100.00	126
9	BRENNTAG NV	Deerlijk	0.00	99.99 0.01	100.00	70 55
Bolivia						
10	Brenntag Bolivia S.R.L.	Santa Cruz	0.00	90.00 10.00	100.00	122 114
Brazil						
11	Brenntag Quimica Brasil Ltda.	Guarulhos, Estado de São Paulo	0.00	100.00 0.00	100.00	122 114
12	Quimilog Transportes e Logística Ltda.	Brusque	0.00	100.00	100.00	13
13	Quimisa S.A.	Brusque	0.00	100.00	100.00	11
Bulgaria						
14	BRENNTAG BULGARIA EOOD	Sofia	0.00	100.00	100.00	122
Chile						
15	Brenntag Chile Comercial e Industrial Limitada	Santiago	0.00	95.00 5.00	100.00	122 114
China						
16	Tianjin Tai Rong Chemical Trading Co., Ltd.	Tianjin	0.00	100.00	100.00	22
17	Tianjin Zhong Yung Chemical Warehousing Co., Ltd.	Tianjin	0.00	100.00	100.00	82
18	ZhongYung (GuangDong) Chemical Distribution Service Co., Ltd	Dongguan	0.00	100.00	100.00[2]	80
19	Shenzhen Wellstar Trading Co., Ltd.	Shenzhen	0.00	100.00	51.00	81

No.	Company	Domicile	Held directly % [1]	Held indirectly % [1]	Effective net holding % [1]	Via no.
20	Shanghai Yi Rong International Trading Co., Ltd.	Shanghai	0.00	75.00 25.00	100.00	22 82
21	Shanghai Wellstar Trading Co., Ltd.	Shanghai	0.00	100.00	51.00	81
22	Shanghai Jia Rong Trading Co., Ltd.	Shanghai	0.00	100.00	100.00	17
23	Shanghai Anyijie Chemical Logistic Co., Ltd.	Shanghai	0.00	100.00	100.00	17
24	Guangzhou Wellstar Trading Co., Ltd.	Guangzhou	0.00	100.00	51.00	81
25	Guangzhou Fan Ya Jia Rong Trading Co., Ltd.	Guangzhou	0.00	60.00 40.00	100.00	22 16
26	Brenntag Cangzhou Chemical Co., Ltd	Cangzhou	0.00	79.40 20.60	100.00	17 82
27	Brenntag (Zhangjiagang) Chemical Co., Ltd	Zhangjiagang	0.00	100.00	100.00	82
28	Brenntag (Shanghai) Enterprise Management Co., Ltd.	Shanghai	0.00	100.00	100.00	122
Costa Rica						
29	Quimicos Holanda Costa Rica S.A.	San José	0.00	100.00	100.00	122
Curaçao						
30	H.C.I. (Curaçao) N.V.	Curaçao	0.00	100.00	100.00	122
31	HCI Shipping N.V.	Curaçao	0.00	100.00	100.00	30
Denmark						
32	Aktieselskabet af 1. Januar 1987	Ballerup	0.00	100.00	100.00	33
33	Brenntag Nordic A/S	Ballerup	0.00	100.00	100.00	122
Germany						
34	Brenntag Real Estate GmbH	Essen	0.00	100.00	100.00	55
35	Brenntag Vermögensmanagement GmbH	Zossen	0.00	100.00	100.00	55
36	CLG Lagerhaus GmbH	Duisburg	0.00	100.00	100.00	58
37	CLG Lagerhaus GmbH & Co. KG	Essen	0.00	100.0 0.00	100.00	58 36
38	CM Komplementär 03-018 GmbH & Co. KG	Essen	0.00	100.00 0.00	100.00	52 57
39	CM Komplementär 03-019 GmbH & Co. KG	Essen	0.00	100.00 0.00	100.00	53 38
40	CM Komplementär 03-020 GmbH & Co. KG	Essen	0.00	100.00 0.00	100.00	54 39
41	CVB Albert Carl GmbH & Co. KG Berlin	Berlin	0.00	100.00 0.00	51.00	42 45
42	CVH Chemie-Vertrieb GmbH & Co. Hannover KG	Hanover	0.00	51.00 0.00	51.00	58 43
43	CVH Chemie-Vertrieb Verwaltungsgesellschaft mbH	Hanover	0.00	51.00	51.00	58
44	CVM Chemie-Vertrieb Magdeburg GmbH & Co. KG	Magdeburg	0.00	100.00 0.00	51.00	42 45
45	CVP Chemie-Vertrieb Berlin GmbH	Berlin	0.00	100.00	51.00	42
46	Fred Holmberg & Co GmbH i. L.	Hamburg	0.00	100.00	100.00	147
47	ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Hüttenheim KG	Düsseldorf	0.00	94.00	94.00[3]	58
48	BRENNTAG International Chemicals GmbH	Essen	0.00	100.00	100.00	58
49	ACU PHARMA und CHEMIE GmbH	Apolda	0.00	100.00	100.00	58

No.	Company	Domicile	Held directly % [1]	Held indirectly % [1]	Effective net holding % [1]	Via no.
50	BBG – Berlin-Brandenburger Lager- und Distributionsgesellschaft Biesterfeld Brenntag mbH	Hoppegarten	0.00	50.00 50.00	100.00	58 51
51	BCD Chemie GmbH	Hamburg	0.00	100.00	100.00	58
52	Blitz 03-1161 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	57
53	Blitz 03-1162 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	38
54	Blitz 03-1163 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	39
55	Brenntag Beteiligungs GmbH	Essen	0.00	100.00	100.00	61
56	Brenntag European Services GmbH & Co. KG	Zossen	0.00	100.00 0.00	100.00	55 35
57	Brenntag Foreign Holding GmbH	Essen	0.00	100.00	100.00	55
58	Brenntag Germany Holding GmbH	Essen	0.00	100.00	100.00	55
59	Brenntag Global Services GmbH	Zossen	0.00	100.00	100.00	56
60	BRENNTAG GmbH	Duisburg	0.00	100.00	100.00	58
61	Brenntag Holding GmbH	Essen	100.00	0.00	100.00	1
Dominican Republic						
62	BRENNTAG CARIBE S.R.L.	Santo Domingo	0.00	100.00	100.00 0.00	122 113
Ecuador						
63	BRENNTAG ECUADOR S.A.	Guayaquil	0.00	100.00 0.00	100.00	122 113
El Salvador						
64	BRENNTAG EL SALVADOR, S.A. DE C.V.	Soyapango	0.00	100.00 0.00	100.00	122 114
Finland						
65	Brenntag Nordic Oy	Vantaa	0.00	100.00	100.00	122
France						
66	Multisol France SAS	Villebon sur Yvette	0.00	100.00	100.00	70
67	METAUSEL SAS	Chassieu	0.00	100.00	99.94	68
68	BRENNTAG SA	Chassieu	0.00	99.94	99.94	70
69	BRENNTAG MAGHREB SAS	Vitrolles	0.00	100.00	99.94	71
70	BRENNTAG FRANCE HOLDING SAS	Chassieu	0.00	100.00	100.00	72
71	BRENNTAG EXPORT SARL	Vitrolles	0.00	100.00	99.94	68
72	BRACHEM FRANCE HOLDING SAS	Chassieu	0.00	100.00	100.00	61
73	SOCIETE COMMERCIALE TARDY ET CIE. SARL	Vitrolles	0.00	51.00	50.97	71
74	Multisol International Services SAS	Sotteville Les Rouen	0.00	80.00 20.00	100.00	70 66
Ghana						
75	Brenntag Ghana Limited	Accra	0.00	100.00	100.00	122
Greece						
76	Brenntag Hellas Chimika Monoprosopi EPE	Penteli	0.00	100.00	100.00	128

No.	Company	Domicile	Held directly % [1]	Held indirectly % [1]	Effective net holding % [1]	Via no.
Guatemala						
77	BRENNTAG GUATEMALA S.A.	Guatemala City	0.00	99.97 0.03	100.00	122 113
Honduras						
78	BRENNTAG HONDURAS, S.A.	San Pedro Sula	0.00	98.51 1.49	100.00	122 113
Hong Kong						
79	Brenntag Chemicals (HK) Pte Limited	Hong Kong	0.00	100.00	100.00	150
80	Hong Kong Dongguan Zhongrong Investment Co Limited	Hong Kong	0.00	100.00	100.00[2]	82
81	WELLSTAR ENTERPRISES (HONG KONG) COMPANY LIMITED	Hong Kong	0.00	51.00	51.00	122
82	Zhong Yung (International) Chemical Co., Limited	Hong Kong	0.00	100.00	100.00	122
India						
83	Brenntag Ingredients (India) Private Limited	Mumbai	0.00	100.00	100.00	150
84	RAJ PETRO SPECIALITIES PRIVATE LIMITED	Mumbai	0.00	65.00	65.00	122
Indonesia						
85	PT. Brenntag	Jakarta Selatan	0.00	100.00	100.00	150
86	PT. Dharmala HCI i.L.	Jakarta	0.00	91.14	91.14	122
Ireland						
87	Brenntag Chemicals Distribution (Ireland) Limited	Dublin	0.00	100.00	100.00	211
Italy						
88	BRENNTAG S.P.A.	Assago	0.00	100.00	100.00	122
Canada						
89	Pachem Distribution Inc.	Laval	0.00	100.00	100.00	91
90	CCC Chemical Distribution Inc.	Toronto	0.00	100.00	100.00	91
91	BRENNTAG CANADA INC.	Toronto	0.00	100.00	100.00	111
Kenya						
92	Brenntag Kenya Limited	Nairobi	0.00	100.00	100.00	122
Colombia						
93	BRENNTAG COLOMBIA S.A.	Bogotá D.C.	0.00	94.87 4.15 0.41 0.38 0.19	100.00	122 114 111 113 117
94	BRENNTAG COLOMBIA ZONA FRANCA S.A.S.	Barranquilla	0.00	100.00	100.00	93
95	CONQUIMICA SAS	Itagüí	0.00	100.00	100.00	93
Croatia						
96	BRENNTAG HRVATSKA d.o.o.	Zagreb	0.00	100.00	100.00	128
Latvia						
97	SIA BRENNTAG LATVIA	Riga	0.00	100.00	100.00	134
98	SIA DIPOL BALTIJA	Riga	0.00	100.00	100.00	184
Lithuania						
99	UAB BRENNTAG LIETUVA	Kaunas	0.00	100.00	100.00	134

No.	Company	Domicile	Held directly % [1]	Held indirectly % [1]	Effective net holding % [1]	Via no.
Malaysia						
100	BRENNTAG MALAYSIA SDN. BHD.	Kuala Lumpur	0.00	100.00	100.00	122
101	BRENNTAG SDN. BHD.	Kuala Lumpur	0.00	100.00	100.00	150
Morocco						
102	ALCOCHIM MAROC S.A.R.L.	Casablanca	0.00	100.00	99.94	69
103	BRENNTAG MAROC S.A.R.L associé unique	Casablanca	0.00	100.00	99.94	69
Mauritius						
104	Brenntag Chemicals Mauritius Limited	Port Louis	0.00	100.00	100.00	122
105	Multisol Mauritius Limited	Port Louis	0.00	100.00	100.00	207
Mexico						
106	BRENNTAG MÉXICO, S.A. DE C.V.	Cuautitlan Izcalli	0.00	100.00 0.00	100.00	122 114
107	BRENNTAG PACIFIC, S. DE R.L. DE C.V.	Tijuana	0.00	99.00 1.00	100.00	198 196
108	AMCO INTERNACIONAL S.A. DE C.V.	Mexico City	0.00	100.00 0.00	100.00	106 107
New Zealand						
109	BRENNTAG NEW ZEALAND LIMITED	Wellington	0.00	100.00	100.00	150
Nicaragua						
110	BRENNTAG NICARAGUA, S.A.	Managua	0.00	100.00 0.00	100.00	122 113
Netherlands						
111	Holland Chemical International B.V.	Dordrecht	0.00	100.00	100.00	122
112	HCI U.S.A. Holdings B.V.	Amsterdam	0.00	100.00	100.00	121
113	HCI Central Europe Holding B.V.	Amsterdam	0.00	100.00	100.00	122
114	H.C.I. Chemicals Nederland B.V.	Amsterdam	0.00	100.00	100.00	122
115	DigiB B.V.	Amsterdam	0.00	100.00	100.00	122
116	Brenntag Vastgoed B.V.	Dordrecht	0.00	100.00	100.00	117
117	Brenntag Nederland B.V.	Dordrecht	0.00	100.00	100.00	122
118	Brenntag HoldCo B.V.	Amsterdam	0.00	100.00	100.00	61
119	Brenntag Finance B.V.	Amsterdam	0.00	100.00	100.00	122
120	BRENNTAG Dutch C.V.	Amsterdam	0.00	99.90 0.10	100.00	122 114
121	BRENNTAG Coöperatief U.A.	Amsterdam	0.00	99.00 1.00	100.00	196 195
122	BRENNTAG (Holding) B.V.	Amsterdam	0.00	74.00 26.00	100.00	118 57
Nigeria						
123	Brenntag Chemicals Nigeria Limited	Matori-Lagos	0.00	90.00 10.00	100.00	122 113
Norway						
124	BRENNTAG NORDIC AS	Borgenhaugen	0.00	100.00	100.00	147

No.	Company	Domicile	Held directly % 1)	Held indirectly % 1)	Effective net holding % 1)	Via no.
Austria						
125	Brenntag Austria Holding GmbH	Vienna	0.00	100.00	100.00	9
126	JLC-Chemie Handels GmbH	Wiener Neustadt	0.00	100.00	100.00	128
127	Provida GmbH	Vienna	0.00	100.00	100.00	128
128	Brenntag Austria GmbH	Vienna	0.00	99.90 0.10	100.00	125 55
Panama						
129	BRENNTAG PANAMA S.A.	Panama City	0.00	100.00	100.00	122
Peru						
130	BRENNTAG PERU S.A.C.	Lima	0.00	100.00 0.00	100.00	122 113
Philippines						
131	BRENNTAG INGREDIENTS INC.	Muntinlupa City	0.00	100.00	100.00	122
Poland						
132	BCD Polska Sp. z o.o	Warsaw	0.00	100.00	100.00	8
133	BCD POLYMERS Sp. z o.o.	Suchy Las	0.00	100.00	100.00	8
134	BRENNTAG Polska sp. z o.o.	Kedzierzyn-Kozle	0.00	61.00 39.00	100.00	9 128
135	Eurochem Service Polska sp. z o.o.	Warsaw	0.00	100.00	100.00	134
136	Fred Holmberg & Co Polska Sp.z o.o.	Warsaw	0.00	100.00	100.00	134
137	Obsidian Company sp. z o.o.	Warsaw	0.00	100.00	100.00	134
138	PHU ELMAR sp. z o.o.	Bydgoszcz	0.00	100.00	100.00	134
Portugal						
139	Quimitécnica.com – Comércio e Industria Química, S.A.	Lordelo	0.00	73.95 26.05	100.00	57 122
140	Brenntag Portugal – Produtos Quimicos, Lda.	Sintra	0.00	73.95 26.05	100.00	57 177
Puerto Rico						
141	Brenntag Puerto Rico, Inc.	Caguas	0.00	100.00	100.00	122
Romania						
142	BRENNTAG S.R.L.	Chiajna	0.00	100.00	100.00	113
Republic of Serbia						
143	Brenntag d.o.o. Beograd-Savski Venac	Belgrade	0.00	100.00	100.00	122
Russia						
144	OOO BRENNTAG	Moscow	0.00	100.00	100.00	128
145	OOO MULTISOL	Moscow	0.00	100.00	100.00	208
Saudi Arabia						
146	Brenntag Saudi Arabia Limited	Riyadh	0.00	75.00	38.25	202
Sweden						
147	Brenntag Nordic AB	Malmö	0.00	100.00	100.00	122

No.	Company	Domicile	Held directly % [1]	Held indirectly % [1]	Effective net holding % [1]	Via no.
Switzerland						
148	Brenntag Schweizerhall AG	Basel	0.00	100.00	100.00	70
Singapore						
149	BRENNTAG ASIA PACIFIC PTE. LTD.	Singapore	0.00	100.00	100.00	122
150	BRENNTAG PTE. LTD.	Singapore	0.00	100.00	100.00	149
151	DigiB Asia Pacific Pte. Ltd.	Singapore	0.00	100.00	100.00	115
152	TEE HAI CHEM PTE LTD	Singapore	0.00	51.00	51.00	122
Slovakia						
153	BRENNTAG SLOVAKIA s.r.o.	Pezinok	0.00	100.00	100.00	128
Slovenia						
154	BRENNTAG LJUBLJANA d.o.o.	Ljubljana	0.00	100.00	100.00	128
Spain						
155	BRENNTAG QUIMICA, S.A.U.	Dos Hermanas	0.00	100.00	100.00	70
156	Devon Chemicals S.A.	Barcelona	0.00	100.00	100.00	122
Sri Lanka						
157	BRENNTAG LANKA (PRIVATE) LIMITED	Athurugiriya	0.00	100.00	100.00	122
South Africa						
158	BRENNTAG SOUTH AFRICA (PTY) LTD	Midrand	0.00	100.00	100.00	122
159	FORMERBSA (PTY) LTD	Cape Town	0.00	100.00	100.00	122
160	LIONHEART CHEMICAL ENTERPRISES (PROPRIETARY) LIMITED	Cape Town	0.00	100.00	100.00	122
161	Multisol South Africa (Proprietary) Limited	Cape Town	0.00	100.00	100.00	207
162	PROTANK (Proprietary) Limited	Durban	0.00	71.10	71.10	158
South Korea						
163	Brenntag Korea Co., Ltd.	Gwacheon-si	0.00	100.00	100.00	57
Taiwan						
164	Brenntag Taiwan Co., Ltd.	Taipei	0.00	100.00	100.00	122
165	NEUTO CHEMICAL CORP.	Taipei	0.00	100.00	100.00[2]	122
Tanzania						
166	Brenntag Tanzania Limited	Dar es Salaam	0.00	99.99 0.01	100.00	122 113
Thailand						
167	Brenntag Enterprises (Thailand) Co., Ltd.	Bangkok	0.00	51.00 49.00	100.00	170 122
168	Brenntag Ingredients (Thailand) Public Company Limited	Bangkok	0.00	51.00 49.00	100.00	167 122
169	Brenntag Lubricants (Thailand) Co., Ltd.	Bangkok		98.00 1.00 1.00	100.00	122 150 149
170	Brenntag Service (Thailand) Co., Ltd.	Bangkok	0.00	51.01 48.99	100.00	167 122
171	Thai-Dan Corporation Limited	Bangkok	0.00	99.90 0.05 0.05	100.00	168 167 170

No.	Company	Domicile	Held directly % 1)	Held indirectly % 1)	Effective net holding % 1)	Via no.
Czech Republic						
172	Brenntag CR s.r.o.	Prague	0.00	100.00	100.00	128
Tunisia						
173	Brenntag Tunisie SARL	Fouchana	0.00	100.00	99.94	69
Turkey						
174	BRENNTAG KIMYA TICARET LIMITED SIRKETI	Istanbul	0.00	100.00	100.00	128
Uganda						
175	Brenntag Uganda Limited	Kampala	0.00	99.00 1.00	100.00	122 113
Ukraine						
176	TOB TRIDE	Kiev	0.00	100.00	100.00	128
177	TOB BRENNTAG UKRAINE	Kiev	0.00	100.00	100.00	184
Hungary						
178	BRENNTAG Hungaria Kft.	Budapest	0.00	97.93 2.07	100.00	128 113
179	BCB Union Kft.	Budapest	0.00	96.67 3.33	100.00	122 114
Uruguay						
180	BRENNTAG SOURCING URUGUAY S.A.	Colonia del Sacramento	0.00	100.00	100.00	122
USA						
181	New Jersey Lube Oil, LLC	East Hartford/Connecticut	0.00	100.00	100.00	187
182	KB Page, LLC	Springfield/Massachusetts	0.00	100.00	100.00	187
183	J.A.M. Distributing Company	Houston/Texas	0.00	100.00	100.00	196
184	Dipol Chemical International, Inc.	New York/New York	0.00	100.00	100.00	128
185	Coastal Chemical Co., L.L.C.	Abbeville/Louisiana	0.00	100.00	100.00	112
186	BWEV, LLC	Wilmington/Delaware	0.00	100.00	100.00	187
187	BWE, LLC	East Hartford/Connecticut	0.00	100.00	100.00	196
188	Alphamin Inc.	Dallas/Texas	0.00	100.00	100.00	9
189	Altivia Louisiana, L.L.C.	St. Gabriel/Louisiana	0.00	100.00	100.00	199
190	BNA JAM Real Property Holdings, LLC	Houston/Texas	0.00	100.00	100.00	183
191	Brenntag Global Marketing, LLC	Wilmington/Delaware	0.00	100.00	100.00	196
192	Brenntag Great Lakes, LLC	Chicago/Illinois	0.00	100.00	100.00	112
193	Brenntag Latin America, Inc.	Wilmington/Delaware	0.00	100.00	100.00	196
194	Brenntag Mid-South, Inc.	Henderson/Kentucky	0.00	100.00	100.00	196
195	Brenntag North America Foreign Holding, LLC	Wilmington/Delaware	0.00	100.00	100.00	196

No.	Company	Domicile	Held directly % 1)	Held indirectly % 1)	Effective net holding % 1)	Via no.
196	Brenntag North America, Inc.	Wilmington/ Delaware	0.00	100.00	100.00	122
197	Brenntag Northeast, LLC	Wilmington/ Delaware	0.00	100.00	100.00	196
198	Brenntag Pacific, Inc.	Wilmington/ Delaware	0.00	100.00	100.00	196
199	Brenntag Southwest, Inc.	Longview/Texas	0.00	100.00	100.00	196
200	Brenntag Specialties, LLC	Wilmington/ Delaware	0.00	100.00	100.00	196
United Arab Emirates						
201	Raj Petro Specialties DMCC	Dubai	0.00	100.00	65.00	84
202	Trychem FZCO	Jebel Ali, Dubai	0.00	51.00	51.00	122
203	Trychem Trading L.L.C.	Port Saeed, Dubai	0.00	100.00	51.00	202
United Kingdom						
204	Tan International Limited	Leeds	0.00	100.00	100.00	211
205	Murgatroyd's Salt & Chemical Company Limited	Leeds	0.00	100.00	100.00	212
206	Multisol Limited	Leeds	0.00	100.00	100.00	211
207	Multisol Group Limited	Leeds	0.00	100.00	100.00	206
208	Multisol Europe Limited	Leeds	0.00	100.00	100.00	207
209	Kluman and Balter Limited	Leeds	0.00	100.00	100.00	211
210	Brenntag UK Limited	Leeds	0.00	100.00	100.00	211
211	Brenntag UK Holding Limited	Leeds	0.00	100.00	100.00	70
212	Brenntag Inorganic Chemicals Limited	Leeds	0.00	100.00	100.00	211
213	Brenntag Inorganic Chemicals (Thetford) Limited	Leeds	0.00	100.00	100.00	211
214	Brenntag Colours Limited	Leeds	0.00	100.00	100.00	211
215	A1 Cake Mixes Limited	Glasgow	0.00	50.00 50.00	100.00	211 209
Vietnam						
216	BRENNTAG VIETNAM COMPANY LIMITED	Ho Chi Minh City	0.00	100.00	100.00	150
217	Nam Giang Trading and Service Co., Ltd	Ho Chi Minh City	0.00	0.00	0.00 3)	1

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

No.	Company	Domicile	Held directly % 1)	Held indirectly % 1)	Effective net holding % 1)	Via no.
Denmark						
218	Borup Kemi I/S	Borup	0.00	33.33	33.33	32
Germany						
219	SOFT CHEM GmbH	Laatzen	0.00	33.40	17.03	43
Thailand						
220	Berli Asiatic Soda Co., Ltd.	Bangkok	0.00	50.00	50.00	168

1) Share in the capital of the company
2) Business combination in accordance with IFRS 3
3) Structured entity

FURTHER INFORMATION

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

INDEPENDENT AUDITOR'S REPORT

TO BRENNTAG SE, ESSEN

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of Brenntag SE, Essen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Brenntag SE, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as „EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the „Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1) Recoverability of goodwill
2) Accounting treatment of the acquisition of shares in various companies
3) Measurement of environmental provisions

Our presentation of these key audit matters has been structured in each case as follows:

1) Matter and issue
2) Audit approach and findings
3) Reference to further information

Hereinafter we present the key audit matters:

1) Recoverability of goodwill

1) In the consolidated financial statements of Brenntag SE, goodwill amounting to € 2.6 billion (31% of consolidated total assets) is reported under the „Intangible assets" balance sheet item. The Company allocates goodwill to the respective groups of cash-generating units. The Company conducts impairment tests on goodwill annually as of the balance sheet date or if there are indications that goodwill may be impaired. The Company engaged an external expert for conducting the impairment tests. The basis for the measurement is generally the present value of the future cash flows of the respective group of cash-generating units, which is calculated as fair value less costs of disposal and compared against the carrying amount of the respective group of cash-generating units, including goodwill. Present values are calculated using discounted cash flow models. The business valuation model is based on cash flow projections, which in turn are based on the five-year plan approved by the executive directors and applicable at the time the impairment test is carried out. The five-year plan consists of the medium-term plans for the first three years generated by the Group management in collaboration with its affiliated companies and the executive directors' extrapolations for the two subsequent years. The discount rate used is the weighted cost of capital for the relevant group of cash-generating units. The result of this measurement depends to a large extent on the executive directors' assessment of future cash inflows and the discount rate used, and is therefore subject to uncertainty. Therefore, assessing the recoverability of goodwill was of particular significance for our audit.

2) As part of our audit, we, among other things, assessed the method used for performing impairment tests and evaluated the calculation of the weighted cost of capital. We assessed the appropriateness of the future cash inflows used in the calculation, amongst other procedures, by comparing this information against the five-year plan adopted by the executive directors, as well as by reconciling it against general and sector-specific market expectations. In this context, we also assessed whether the costs of Group functions were appropriately included in the impairment tests of the respective cash-generating units. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we also assessed the parameters used to determine the discount rate applied, and evaluated the measurement model. We also assessed the usability of the external opinion and the appropriateness of the raw data underlying the expert opinion, the assumptions made, the methods used and how consistent these were in comparison to prior periods. Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and also lie within a range that we consider reasonable.

3) The Company's goodwill disclosures are contained in note „19.) Intangible assets" of the notes to the consolidated financial statements.

2) Accounting treatment of the acquisition of shares in various companies

1) In the financial year, the Brenntag Group acquired all of the shares in Hong Kong Dongguan Zhongrong Investment Co Limited, Hong Kong, and its subsidiary, ZhongYung (Guang-Dong) Chemical Distribution Service Co. Ltd, with registered office in Dongguan, China. Furthermore, the Company acquired the business of Suffolk Solutions, Inc., with registered office in Suffolk, USA, of OILs 'R US, Bangkok, Thailand, as well as the distribution business of the Desbro Group in

Tanzania, Dar es Salaam. The Group also acquired 100% of the shares in Neuto Chemical Corp., Taipeh, Taiwan. Taking acquired net assets of € 34.2 million (related to 100%) attributable to Brenntag into account, these transactions result in goodwill acquired in the amount of € 15.4 million. In addition, the Group completed the recognition of the assets and liabilities of prior-year company acquisitions in due time in the reporting year, having made valuation adjustments on the net assets (–€ 12.5 million) and goodwill (+€ 8.0 million) acquired. In view of the material impact of the overall amounts involved in the acquisitions on the assets, liabilities, financial position and financial performance of the Brenntag Group, and given the complexity of measuring the acquisitions, they were of particular significance in the context of our audit.

2) As part of our audit of the accounting treatment of the company acquisitions we initially inspected and assessed the respective contractual agreements underlying the company acquisitions and reconciled the purchase prices paid as consideration for the acquired business operations with the supporting payment documentation provided to us. We assessed the opening balance sheets underlying the aforementioned company acquisitions. We assessed fair values that were measured centrally (e.g., fair values of customer relationships) by reconciling quantity data with the original financial accounting records and the parameters used. We also used checklists to establish the completeness of the disclosures in the notes to the financial statements as required by IFRS 3. In addition, we assessed the valuation adjustments of assets and liabilities that belong to prior year business acquisitions. Based on the procedures described and further procedures, we were able to satisfy ourselves that, under consideration of the information available, the acquisition of the respective shares is properly presented.

3) The Company's disclosures pertaining to the company acquisitions are contained in the section entitled „Business combinations in accordance with IFRS 3“ of the notes to the consolidated financial statements.

3) Measurement of environmental provisions

1) As of December 31, 2020, the environmental provisions recognized in the consolidated financial statements of Brenntag SE, primarily for the decontamination of soil and groundwater at current and former Company-owned or leased locations, amount to € 92.4 million. The provisions also include contingent liabilities of € 19.8 million for which cash outflows are not likely but nonetheless possible. Due to purchase price allocations, these were reported in the consolidated balance sheet in connection with company acquisitions in accordance with IFRS 3. The recognition of environmental provisions at the subsidiaries was coordinated centrally by an external expert. In addition, another auditing firm assisted the Company in measuring the provisions and summarized the results in an expert opinion. The environmental provisions were recognized at the present value of the expected expenditures, taking into account future inflation-related increases. The provisions were discounted using interest rates for risk-free assets with matching terms for each functional currency. Due to the nature and large number of influencing factors that need to be taken into account when calculating environmental provisions, the measurement of such provisions is subject to considerable uncertainties. Overall the measurement was therefore of particular significance for our audit.

2) As part of our audit, we, among other things, assessed the appropriateness of the measurement models and assumptions used. Accordingly, we assessed the underlying future cash outflows calculated by the Group companies. We also assessed the measurement parameters (in particular inflation rates, discount rates and currency translation from the functional to the reporting currency) used by the Company. Furthermore, we assessed the mathematical accuracy of the calculations and the appropriateness of the calculations performed by the other auditing firm in its sensitivity analyses. In our view, taking into consideration the information available, the valuation parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of appropriately measuring environmental provisions.

3) The Company's disclosures pertaining to the measurement of environmental provisions are contained in the sections entitled „Environmental provisions“ and „Assumptions and estimates“ of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f HGB and § 315d HGB, which we obtained prior to the date of our auditor's report.

The other information comprises further the remaining parts of the annual report, which we obtained prior to the date of our auditor's report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

The separate non-financial group report pursuant to § 315b Abs. 3 HGB is expected to be made available to us after the date of the auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file "Brenntag_SE_KA_LB_ESEF-2020-12-31.zip" and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables an XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 10, 2020. We were engaged by the supervisory board on July 14, 2020. We have been the group auditor of the Company without interruption since the Company first met the requirements of a public-interest entity within the meaning of § 319a Abs. 1 Satz 1 HGB in financial year 2010.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christiane Lawrenz.

Düsseldorf, March 2, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christiane Lawrenz
Wirtschaftsprüferin
(German Public Auditor)

Reza Bigdeli
Wirtschaftsprüfer
(German Public Auditor)

SEGMENT REPORTING

BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

			Change		
in EUR m	**2020**	**2019**	abs.	in %	in % (fx adj.)
Sales	11,775.8	12,821.8	−1,046.0	−8.2	−6.0
Operating gross profit	2,850.4	2,821.7	28.7	1.0	3.3
Operating expenses	−1,792.7	−1,820.2	27.5	−1.5	0.5
Operating EBITDA	**1,057.7**	**1,001.5**	**56.2**	**5.6**	**8.3**
Net income/expense from special items	−47.2	8.6	−55.8	–	–
Depreciation of property, plant and equipment	−252.4	−243.6	−8.8	3.6	5.5
EBITA	758.1	766.5	−8.4	−1.1	1.6
Amortization of intangible assets	−45.1	−49.6	4.5	−9.1	−7.2
Net finance costs	−79.7	83.5	3.8	−4.6	–
Profit before tax	633.3	633.4	−0.1	0.0	–
Income tax expense	−159.5	−164.2	4.7	−2.9	–
Profit after tax	473.8	469.2	4.6	1.0	–

D.01 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP/2020

			Change		
in EUR m	**Q4 2020**	**Q4 2019**	abs.	in %	in % (fx adj.)
Sales	2,876.2	3,130.9	−254.7	−8.1	−2.8
Operating gross profit	698.7	688.4	10.3	1.5	7.3
Operating expenses	−444.6	−454.8	10.2	−2.2	3.0
Operating EBITDA	**254.1**	**233.6**	**20.5**	**8.8**	**15.9**
Net income/expense from special items	−13.8	0.0	−13.8	–	–
Depreciation of property, plant and equipment	−62.8	−63.8	1.0	−1.6	3.4
EBITA	177.5	169.8	7.7	4.5	11.3
Amortization of intangible assets	−11.6	−11.6	0.0	0.0	2.2
Net finance costs	−17.8	−10.5	−7.3	69.5	–
Profit before tax	148.1	147.7	0.4	0.3	–
Income tax expense	−32.9	−37.5	4.6	−12.3	–
Profit after tax	115.2	110.2	5.0	4.5	–

D.02 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP/Q4 2020

BUSINESS PERFORMANCE IN THE SEGMENTS

in EUR m	**Brenntag Group**	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	11,775.8	5,027.5	4,191.0	819.4	1,434.0	303.9
Operating gross profit	2,850.4	1,235.7	1,124.8	186.6	282.5	20.8
Operating expenses	−1,792.7	−759.8	−690.4	−123.1	−158.7	−60.7
Operating EBITDA	**1,057.7**	**475.9**	**434.4**	**63.5**	**123.8**	**−39.9**

D.03 BUSINESS PERFORMANCE IN THE SEGMENTS / 2020

in EUR m	**Brenntag Group**	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	2,876.2	1,221.1	980.7	209.5	381.9	83.0
Operating gross profit	698.7	301.1	261.9	49.5	80.9	5.3
Operating expenses	−444.6	−191.3	−164.7	−30.2	−40.7	−17.7
Operating EBITDA	**254.1**	**109.8**	**97.2**	**19.3**	**40.2**	**−12.4**

D.04 BUSINESS PERFORMANCE IN THE SEGMENTS / Q4 2020

EMEA

			Change		
in EUR m	**2020**	**2019**	abs.	in %	in % (fx adj.)
External sales	5,027.5	5,237.7	−210.2	−4.0	−2.7
Operating gross profit	1,235.7	1,141.6	94.1	8.2	9.4
Operating expenses	−759.8	−735.3	−24.5	3.3	4.2
Operating EBITDA	**475.9**	**406.3**	**69.6**	**17.1**	**19.0**

D.05 BUSINESS PERFORMANCE IN THE SEGMENTS / EMEA 2020

			Change		
in EUR m	**Q4 2020**	**Q4 2019**	abs.	in %	in % (fx adj.)
External sales	1,221.1	1,261.1	−40.0	−3.2	−0.4
Operating gross profit	301.1	275.6	25.5	9.3	11.7
Operating expenses	−191.3	−183.0	−8.3	4.5	6.2
Operating EBITDA	**109.8**	**92.6**	**17.2**	**18.6**	**22.7**

D.06 BUSINESS PERFORMANCE IN THE SEGMENTS / EMEA Q4 2020

NORTH AMERICA

in EUR m	2020	2019	Change abs.	Change in %	Change in % (fx adj.)
External sales	4,191.0	4,787.1	−596.1	−12.5	−10.6
Operating gross profit	1,124.8	1,216.8	−92.0	−7.6	−5.6
Operating expenses	−690.4	−742.0	51.6	−7.0	−5.0
Operating EBITDA	**434.4**	**474.8**	**−40.4**	**−8.5**	**−6.6**

D.07 BUSINESS PERFORMANCE IN THE SEGMENTS / NORTH AMERICA 2020

in EUR m	Q4 2020	Q4 2019	Change abs.	Change in %	Change in % (fx adj.)
External sales	980.7	1,152.9	−172.2	−14.9	−8.0
Operating gross profit	261.9	292.3	−30.4	−10.4	−3.0
Operating expenses	−164.7	−188.4	23.7	−12.6	−5.4
Operating EBITDA	**97.2**	**103.9**	**−6.7**	**−6.4**	**1.3**

D.08 BUSINESS PERFORMANCE IN THE SEGMENTS / NORTH AMERICA Q4 2020

LATIN AMERICA

in EUR m	2020	2019	Change abs.	Change in %	Change in % (fx adj.)
External sales	819.4	854.2	−34.8	−4.1	6.0
Operating gross profit	186.6	177.0	9.6	5.4	16.6
Operating expenses	−123.1	−121.1	−2.0	1.7	11.8
Operating EBITDA	**63.5**	**55.9**	**7.6**	**13.6**	**26.9**

D.09 BUSINESS PERFORMANCE IN THE SEGMENTS / LATIN AMERICA 2020

in EUR m	Q4 2020	Q4 2019	Change abs.	Change in %	Change in % (fx adj.)
External sales	209.5	215.3	−5.8	−2.7	12.4
Operating gross profit	49.5	45.1	4.4	9.8	25.9
Operating expenses	−30.2	−26.7	−3.5	13.1	31.4
Operating EBITDA	**19.3**	**18.4**	**0.9**	**4.9**	**18.1**

D.10 BUSINESS PERFORMANCE IN THE SEGMENTS / LATIN AMERICA Q4 2020

ASIA PACIFIC

in EUR m	2020	2019	Change abs.	Change in %	Change in % (fx adj.)
External sales	1,434.0	1,534.4	−100.4	−6.5	−3.9
Operating gross profit	282.5	266.8	15.7	5.9	8.9
Operating expenses	−158.7	−165.7	7.0	−4.2	−1.4
Operating EBITDA	**123.8**	**101.1**	**22.7**	**22.5**	**25.9**

D.11 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC 2020

in EUR m	Q4 2020	Q4 2019	Change abs.	Change in %	Change in % (fx adj.)
External sales	381.9	400.3	−18.4	−4.6	0.8
Operating gross profit	80.9	70.7	10.2	14.4	21.1
Operating expenses	−40.7	−41.9	1.2	−2.9	3.0
Operating EBITDA	**40.2**	**28.8**	**11.4**	**39.6**	**47.7**

D.12 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC Q4 2020

ALL OTHER SEGMENTS

in EUR m	2020	2019	Change abs.	Change in %	Change in % (fx adj.)
External sales	303.9	408.4	−104.5	−25.6	−25.6
Operating gross profit	20.8	19.5	1.3	6.7	6.7
Operating expenses	−60.7	−56.1	−4.6	8.2	8.2
Operating EBITDA	**−39.9**	**−36.6**	**−3.3**	**9.0**	**9.0**

D.13 BUSINESS PERFORMANCE IN THE SEGMENTS / ALL OTHER SEGMENTS 2020

in EUR m	Q4 2020	Q4 2019	Change abs.	Change in %	Change in % (fx adj.)
External sales	83.0	101.3	−18.3	−18.1	18.1
Operating gross profit	5.3	4.7	0.6	12.8	12.8
Operating expenses	−17.7	−14.8	−2.9	19.6	19.6
Operating EBITDA	**−12.4**	**−10.1**	**−2.3**	**22.8**	**22.8**

D.14 BUSINESS PERFORMANCE IN THE SEGMENTS / ALL OTHER SEGMENTS Q4 2020

KEY FINANCIAL FIGURES BY SEGMENT

for the period from January 1 to December 31

in EUR m		EMEA[5]	North America	Latin America	Asia Pacific	All other segments	Consoli-dation	Group
External sales	**2020**	**5,027.5**	**4,191.0**	**819.4**	**1,434.0**	**303.9**	**–**	**11,775.8**
	2019	5,237.7	4,787.1	854.2	1,534.4	408.4	–	12,821.8
	Change in %	−4.0	−12.5	−4.1	−6.5	−25.6	–	−8.2
	fx adjusted change in %	−2.7	−10.6	6.0	−3.9	−25.6	–	−6.0
Inter-segment sales	**2020**	**8.3**	**4.7**	**0.2**	**1.7**	**0.9**	**−15.8**	**–**
	2019	8.4	5.9	0.2	1.2	0.1	−15.8	–
Operating gross profit[2]	**2020**	**1,235.7**	**1,124.8**	**186.6**	**282.5**	**20.8**	**–**	**2,850.4**
	2019	1,141.6	1,216.8	177.0	266.8	19.5	–	2,821.7
	Change in %	8.2	−7.6	5.4	5.9	6.7	–	1.0
	fx adjusted change in %	9.4	−5.6	16.6	8.9	6.7	–	3.3
Gross profit	**2020**	**–**	**–**	**–**	**–**	**–**	**–**	**2,765.2**
	2019	–	–	–	–	–	–	2,742.8
	Change in %	–	–	–	–	–	–	0.8
	fx adjusted change in %	–	–	–	–	–	–	3.1
Operating EBITDA[3]	**2020**	**475.9**	**434.4**	**63.5**	**123.8**	**−39.9**	**–**	**1,057.7**
	2019	406.3	474.8	55.9	101.1	−36.6	–	1,001.5
	Change in %	17.1	−8.5	13.5	22.5	9.0	–	5.6
	fx adjusted change in %	19.0	−6.6	26.9	25.9	9.0	–	8.3
Operating EBITDA[3] / operating gross profit[2]	**2020 in %**	**38.5**	**38.6**	**34.0**	**43.8**	**−191.8**	**–**	**37.1**
	2019 in %	35.6	39.0	31.6	37.9	−187.7	–	35.5
Investments in non-current assets (capex)[4]	**2020**	**63.6**	**61.1**	**9.8**	**27.6**	**39.8**	**–**	**201.9**
	2019	89.7	70.9	9.7	22.5	12.4	–	205.2

D.15 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8[1] / 2020

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

KEY FINANCIAL FIGURES BY SEGMENT

for the period from October 1 to December 31

in EUR m		EMEA[5]	North America	Latin America	Asia Pacific	All other segments	Consolidation	Group
External sales	**2020**	**1,221.1**	**980.7**	**209.5**	**381.9**	**83.0**		**2,876.2**
	2019	1,261.1	1,152.9	215.3	400.3	101.3	–	3,130.9
	Change in %	−3.2	−14.9	−2.7	−4.6	−18.1		−8.1
	fx adjusted change in %	−0.4	−8.0	12.4	0.8	−18.1	–	−2.8
Inter-segment sales	**2020**	**1.7**	**1.2**	**0.0**	**0.5**	**0.2**	**−3.6**	**–**
	2019	1.8	1.1	0.1	1.1	–	−4.1	–
Operating gross profit[2]	**2020**	**301.1**	**261.9**	**49.5**	**80.9**	**5.3**		**698.7**
	2019	275.6	292.3	45.1	70.7	4.7	–	688.4
	Change in %	9.3	−10.4	9.8	14.4	12.8	–	1.5
	fx adjusted change in %	11.7	−3.0	25.9	21.1	12.8	–	7.3
Gross profit	**2020**	**–**	**–**	**–**	**–**	**–**	**–**	**677.0**
	2019	–	–	–	–	–	–	664.8
	Change in %	–	–	–	–	–	–	1.8
	fx adjusted change in %	–	–	–	–	–	–	7.7
Operating EBITDA[3] (segment result)	**2020**	**109.8**	**97.2**	**19.3**	**40.2**	**−12.4**		**254.1**
	2019	92.6	103.9	18.4	28.8	−10.1	–	233.6
	Change in %	18.6	−6.4	4.8	39.6	22.8	–	8.8
	fx adjusted change in %	22.7	1.3	18.1	47.7	22.8	–	15.9
Operating EBITDA[3] / operating gross profit[2]	**2020 in %**	**36.5**	**37.1**	**39.0**	**49.7**	**−234.0**	**–**	**36.4**
	2019 in %	33.6	35.5	40.8	40.7	−214.9	–	33.9
Investments in non-current assets (capex)[4]	**2020**	**29.8**	**24.4**	**2.8**	**10.3**	**7.5**	**–**	**74.8**
	2019	37.6	28.4	5.5	10.0	2.7	–	84.2

D.16 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8[1] / Q4 2020

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

GLOSSARY

B

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

C

CONVERSION RATIO | The conversion ratio at Brenntag is calculated as the quotient of operating EBITDA and operating gross profit. It represents one of the most important efficiency ratios.

D

DIVERSIFICATION | Diversification at Brenntag means a broad range as regards geography, end markets, customers, products and suppliers. This high degree of diversification makes Brenntag largely independent of individual market segments or regions.

E

EMEA | Europe, Middle East & Africa

G

GLOBAL KEY ACCOUNTS | At Brenntag, we take care of our key accounts at local, national, pan-regional and global level and develop and implement tailor-made concepts for their optimum supply with industrial and specialty chemicals. For our customers, this means they can concentrate on their core business, secure in the knowledge that they have a partner they can rely on.

H

HUB-AND-SPOKE SYSTEM | Brenntag sites are generally operated using an efficient 'hub-and-spoke' model. Large bulk quantities are received at Brenntag's 'hub' locations which have large tank farms, warehouses and mixing and blending facilities, plus sometimes white room facilities. From our hubs we supply our 'spoke' facilities which accommodate smaller tank farms and warehouses and are located in close proximity to our customers to ensure prompt and smooth delivery.

I

IBC | IBC stands for intermediate bulk container. IBCs are used mostly for storing and transporting liquids. A capacity of 1,000 litres is typical.

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

INDUSTRIAL CHEMICALS | Industrial chemicals is the term used at Brenntag to distinguish standard chemical products that have specific properties and effects from → speciality chemicals. The manufacturer of the product is generally irrelevant for the user.

J

JUST-IN-TIME DELIVERY | With just-in-time deliveries, the customer does not store supplies but orders the products as required ("just in time") from the supplier.

L

LEVERAGE | This term has various meanings in the world of finance. In this document, it refers to the ratio of net debt to operating EBITDA.

M

MIXING & BLENDING | The term “mixing & blending” describes the mixing and formulation of solid and liquid chemicals in the correct mixing ratio with consistent quality as well as the filling of products in the desired packaging unit. Brenntag offers its customers not just distribution services but the complete mixing & blending of end products as a value-added service.

O

ONE-STOP SHOP | One-stop shop means that our customers can obtain a comprehensive range of specialty and industrial chemicals and services from a single source.

OUTSOURCING | Outsourcing at Brenntag is understood to mean that chemical manufacturers pass on their small and medium-sized customers to Brenntag who then obtain their chemicals from Brenntag.

P

PACKAGING | Packaging refers to packing or packing material.

PACKING DRUM | A packing drum is a packing unit in which a product is sold and delivered. Typical packing drum sizes are e.g. cans, barrels or → IBCs.

R

REACH | REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) is a regulation of the European Union adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals.

RESPONSIBLE CARE/RESPONSIBLE DISTRIBUTION | Responsible Care/Responsible Distribution (RC/RD) is a global initiative of the chemicals industry and chemicals traders. It is a voluntary commitment to act responsibly and do more than is required by law: to promote sustainability, demonstrate product stewardship, make plants and the surrounding areas safer as well as improve occupational health and safety and environmental protection.

S

SEGMENT | Component of an entity which is reported separately. In general, the definition is based on the internal reporting (management approach). The Brenntag Group is managed by geographically structured segments.

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

SPECIALTY CHEMICAL | Specialty chemicals, which are often developed for customized applications, are distinguished from → industrial chemicals by their individual formulations. Which manufacturer produces the specialty chemical is of prime importance for the user.

SUPPLY CHAIN MANAGEMENT | Brenntag provides large chemical producers and the processing industry with efficient logistics networks. We provide transport, warehousing and distribution and assist production and marketing processes. We warrant highest efficiency and best safety standards. We optimize supply chains, synchronize distribution, take on monitoring tasks, assume responsibility for VMI (Vendor Managed Inventory) and control and schedule follow-up orders for goods.

T

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

FIVE-YEAR OVERVIEW

		2020	2019	2018	2017	2016
Sales	EUR m	11,775.8	12,821.8	12,550.0	11,743.3	10,498.4
Operating gross profit	EUR m	2,850.4	2,821.7	2,660.9	2,554.1	2,428.7
Operating EBITDA	EUR m	1,057.7	1,001.5	875.5	836.0	810.0
Operating EBITDA/operating gross profit	%	37.1	35.5	32.9	32.7	33.4
Profit after tax	EUR m	473.8	469.2	462.3	362.0	361.0
Earnings per share	EUR	3.02	3.02	2.98	2.34	2.33

D.19 CONSOLIDATED INCOME STATEMENT

		Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Total assets	EUR m	8,143.5	8,564.2	7,694.5	7,284.8	7,287.0
Equity	EUR m	3,611.6	3,579.0	3,301.2	2,985.7	2,959.2
Working capital	EUR m	1,346.6	1,767.7	1,807.0	1,510.5	1,354.6
Net financial liabilities	EUR m	1,339.9	2,060.5	1,761.9	1,571.9	1,681.9

D.20 CONSOLIDATED BALANCE SHEET

		2020	2019	2018	2017	2016
Net cash provided by operating activities	EUR m	1,219.0	879.3	375.3	404.5	539.9
Investments in non-current assets (capex)	EUR m	−201.9	−205.2	−172.2	−148.1	−141.1
Free cash flow[1]	EUR m	1,054.6	837.3	542.6	386.5	641.4

D.21 CONSOLIDATED CASH FLOW

		Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Share price	EUR	63.34	48.48	37.70	52.77	52.80
No. of shares (unweighted)		154,500,000	154,500,000	154,500,000	154,500,000	154,500,000
Market capitalization	EUR m	9,786	7,490	5,825	8,153	8,158
Free float	%	100.00	100.00	100.00	100.00	100.00

D.22 KEY DATA ON BRENNTAG SHARES

[1] Calculation based on operating EBITDA.

FINANCIAL CALENDAR
2021

MAY

MAY 11

2021

Interim Report Q1

JUNE

JUN 10

2021

General Shareholders' Meeting

AUGUST

AUG 10

2021

Interim Report Q2

NOVEMBER

NOV 4

2021

Interim Report Q3

The financial calendar is updated regularly. The latest dates can be found on our website at www.brenntag.com/financial_calendar

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PRINT

Woeste Druck + Verlag GmbH & Co. KG, Essen

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 SE 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 SE 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.

SUSTAINABILITY

Brenntag reports on sustainability and corporate citizenship in its Sustainability Reports. These can be found at: www.brenntag.com/sustainability_management

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