ConnectingChemistry

BRENNTAG

FASCINATING VARIETY

FINANCIAL REPORT 2019

SEGMENTS

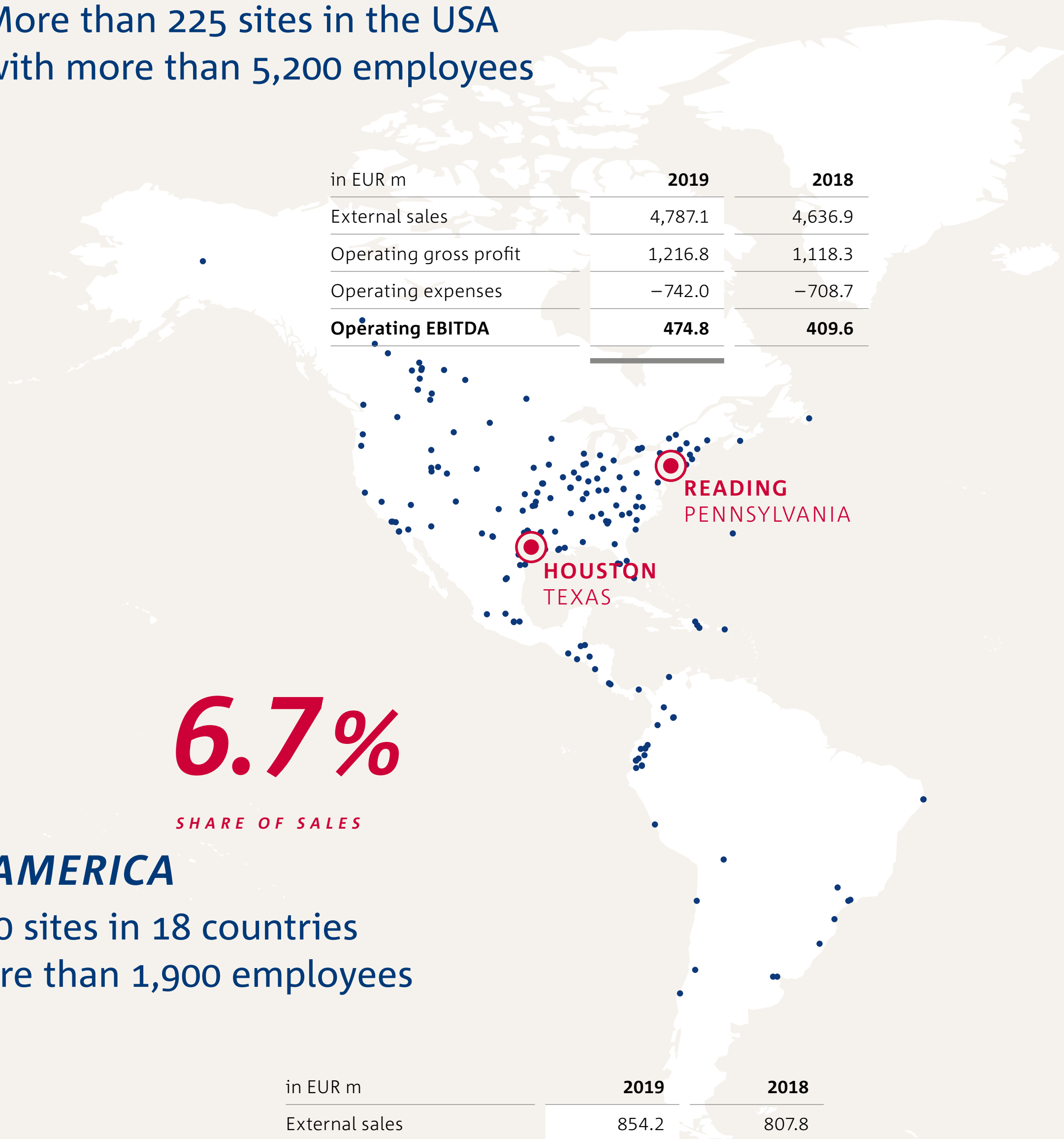
37.3%

SHARE OF SALES

NORTH AMERICA

More than 225 sites in the USA
with more than 5,200 employees

in EUR m	2019	2018
External sales	4,787.1	4,636.9
Operating gross profit	1,216.8	1,118.3
Operating expenses	−742.0	−708.7
Operating EBITDA	**474.8**	**409.6**



6.7%

SHARE OF SALES

LATIN AMERICA

About 70 sites in 18 countries
with more than 1,900 employees

in EUR m	2019	2018
External sales	854.2	807.8
Operating gross profit	177.0	163.1
Operating expenses	−121.1	−123.2
Operating EBITDA	**55.9**	**39.9**

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

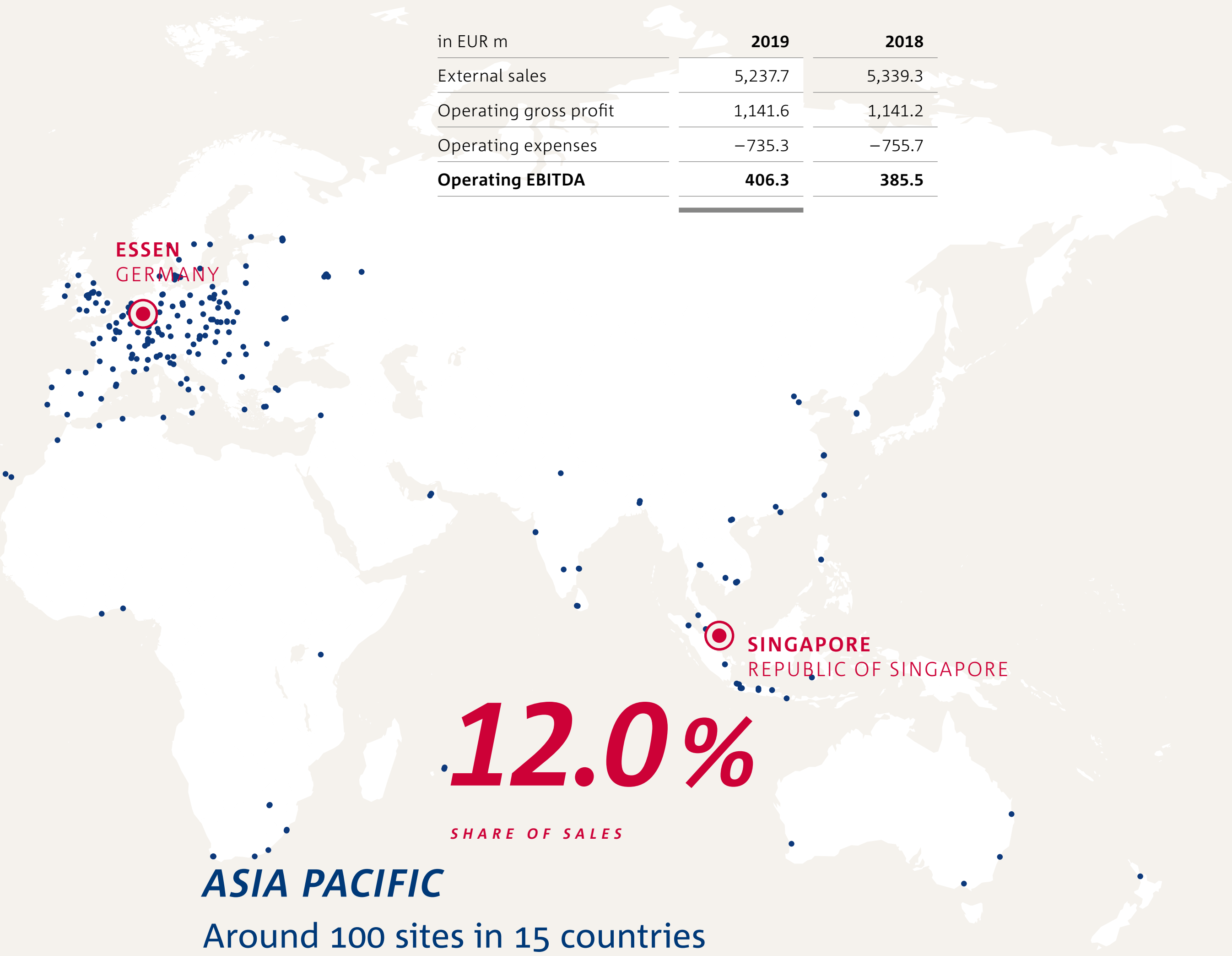
40.8%

SHARE OF SALES

EMEA

Over 245 sites with more than 7,500 employees

in EUR m	2019	2018
External sales	5,237.7	5,339.3
Operating gross profit	1,141.6	1,141.2
Operating expenses	–735.3	–755.7
Operating EBITDA	**406.3**	**385.5**



12.0%

SHARE OF SALES

ASIA PACIFIC

Around 100 sites in 15 countries with more than 2,500 employees

in EUR m	2019	2018
External sales	1,534.4	1,383.5
Operating gross profit	266.8	224.2
Operating expenses	–165.7	–146.3
Operating EBITDA	**101.1**	**77.9**

KEY FINANCIAL FIGURES AT A GLANCE

CONSOLIDATED INCOME STATEMENT

		2019	2018	Change in %	Change in % (fx adj.)
Sales	EUR m	12,821.8	12,550.0	2.2	−0.3
Operating gross profit	EUR m	2,821.7	2,660.9	6.0	3.4
Operating EBITDA	EUR m	1,001.5	875.5	14.4	11.3
Operating EBITDA/operating gross profit	%	35.5	32.9		
Profit after tax	EUR m	469.2	462.3	1.5	
Earnings per share	EUR	3.02	2.98	1.3	

CONSOLIDATED BALANCE SHEET

		Dec. 31, 2019	Dec. 31, 2018
Total assets	EUR m	8,564.2	7,694.5
Equity	EUR m	3,579.0	3,301.2
Working capital	EUR m	1,767.7	1,807.0
Net financial liabilities	EUR m	2,060.5	1,761.9

CONSOLIDATED CASH FLOW

		2019	2018
Net cash provided by operating activities	EUR m	879.3	375.3
Investments in non-current assets (capex)	EUR m	−205.2	−172.2
Free cash flow	EUR m	837.3	525.2

KEY DATA ON THE BRENNTAG SHARES

		Dec. 31, 2019	Dec. 31, 2018
Share price	EUR	48.48	37.70
No. of shares (unweighted)		154,500,000	154,500,000
Market capitalization	EUR m	7,490	5,825
Free float	%	100.00	100.00

FASCINATING VARIETY

What has Brenntag got to do with a family's everyday life? Not very much, you might think. But Brenntag encounters a great many people in day-to-day life. We use a diverse array of products that make our lives more pleasant, more comfortable and safer.

From shampoo and face creams, lipsticks and shower gel to our car tyres, from drinks and delicious, easy-to-prepare foods to household paints, varnishes, paper bags and cleaning products that dissolve into our clean drinking water.

In almost every area of day-to-day life, you will find products and ingredients that are distributed by Brenntag. This broad presence in particular makes Brenntag independent and resilient. Brenntag offers diversity – for us all, every day!

LETTER FROM THE CEO

DR CHRISTIAN KOHLPAINTNER
CHIEF EXECUTIVE OFFICER

Dear shareholders,

For just over two months now, I have been Chief Executive Officer of Brenntag AG and delighted about this demanding role at the global market leader in chemical distribution. I have already had the opportunity to acquaint myself better with numerous colleagues and employees as well as processes and operating procedures around the globe. This confirmed once again that the company is very well positioned. I see numerous opportunities for its continued positive development.

Before I go into this in greater detail, I would like to give an appraisal of last year. In 2019, a financial year marked by a generally difficult market environment, Brenntag achieved results that were not entirely satisfactory. The Group reported operating gross profit of EUR 2,821.7 million, a rise of 3.4% on a constant currency basis. Operating EBITDA came to EUR 1,001.5 million, a slight decrease on the prior-year figure on a like-for-like basis.

In particular, earnings in the two large regions, EMEA (Europe, Middle East & Africa) and North America, were adversely affected by the difficult macroeconomic conditions. Here, there was a lack of momentum in demand throughout 2019 and a further downturn in the environment towards year-end. The Latin America region, on the other hand, posted good results with organic growth in a highly volatile environment. Asia Pacific also reported higher earnings due largely to acquisitions.

As planned, Brenntag was once again very acquisitive during the past year. In all regions of the world, it made nine acquisitions that strengthen the business and improve its competitive position.

Even though it did not quite achieve the growth targets set for 2019, the Group demonstrated its resilience overall.

Free cash flow was on a positive track last year. At EUR 837.3 million and having risen by around 60%, it was well above the prior-year figure. Here, Brenntag demonstrates the strengths of its business model, which enables high cash inflows even in a difficult environment. Overall, profit after tax increased slightly to EUR 469.2 million. Earnings per share rose to EUR 3.02. This, too, underscores the solidity of our company.

The dividend at Brenntag has risen continuously over a number of years and we would like to pay our shareholders a higher dividend again this year. We will therefore propose a dividend of EUR 1.25 at the General Shareholders' Meeting in June. This represents a rise of 4.2% on the previous year and is the ninth consecutive increase since our stock market flotation in 2010.

Above all, though, I would like to take a look forward. My aim is to work together with the entire management team to achieve sustainable and profitable organic growth.

Brenntag is the global market leader in chemical distribution and our focus is on extending this position. To do so, we must make better use of our size and increase internal collaboration across national and regional boundaries. This also means further harmonizing our business processes and making them more efficient.

Brenntag has always placed its customers front and centre. We will maintain this principle unchanged going forward and focus to an even greater extent on creating added value for our customers. We are currently evaluating our business model in detail with a view to leveraging further potential.

My Board of Management colleagues and I are aware that measures and initiatives undertaken by the Group in the past with the aim of improving efficiency ought to have been better executed. I will place particular emphasis on systematically implementing the measures that we decide upon. This will be the benchmark by which we measure ourselves.

Sustainability has played an important role at Brenntag for many years. I see sustainability as a driver of innovation, profitability and growth. As the largest chemical distributor, we aspire to be the leader in this area too.

2020 will be a year of change for Brenntag. Our company offers great potential for profitable growth. We will invest in order to leverage this potential. Macroeconomically, we still see a challenging environment and do not currently expect a turnaround. In addition, the spread of the coronavirus crisis creates greater short-term uncertainty. It is particularly difficult, therefore, to issue a firm forecast. Assuming that the effects of this risk remain very limited, the Group currently expects an increase in operating EBITDA in 2020.

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

DR CHRISTIAN KOHLPAINTNER
CHIEF EXECUTIVE OFFICER

Essen, March 3, 2020

A

TO OUR SHAREHOLDERS

BRENNTAG ON THE STOCK MARKET

SHARE PRICE PERFORMANCE

In 2019, the major equity markets delivered an overall strong performance. During the year, volatility was triggered by the US-China trade discussions and weakening macroeconomic growth in many regions around the world. The uncertainty caused by the negotiations around Brexit had some impact on market sentiment throughout the year, but seemingly faded towards the end of the year. The overall strong performance from the equity markets was also attributable to the supportive monetary policies of major central banks.

In this environment, Germany's leading index, the DAX®, closed 2019 at 13,249 points, up 25.5%, and the MDAX® at 28,313 points, up 31.2% on the end of 2018. Brenntag shares gained 28.6% during 2019 and closed the reporting period at EUR 48.48.

According to Deutsche Börse AG's ranking, Brenntag AG ranked 35th among all listed companies in Germany by market capitalization at the end of 2019. The average number of Brenntag shares traded daily on Xetra® in 2019 was approximately 359,000.

A.01 BRENNTAG SHARE PRICE PERFORMANCE (INDEXED)

BRENNTAG IN DIALOGUE WITH THE CAPITAL MARKET

Our Investor Relations activities aim to deliver an active and open communication policy that affords equal treatment to all stakeholders. By being transparent and communicating openly, we raise awareness of Brenntag as an attractive investment and improve our standing in the capital market. We communicate our business performance and strategy to investors continuously and reliably, further strengthening their trust in Brenntag and ensuring an appropriate capital market valuation.

In 2019, we again attached significant importance to personal interaction with capital market participants. The Board of Management and the Investor Relations team were in constant dialogue with investors and analysts worldwide. We discussed the company's business performance in detail in numerous meetings at road shows or investor conferences and the Annual General Shareholders' Meeting. 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 AG in numerous phone calls.

We provide comprehensive and up-to-date information on the Brenntag shares and the outstanding bonds in the Investor Relations section of the website at www.brenntag.com.

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 events in our financial calendar in the Investor Relations section of the Brenntag website.

SHAREHOLDER STRUCTURE

As at February 28, 2020, 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
MFS Investment Management	>5	Jul. 3, 2012
BlackRock	>5	Feb. 3, 2020
Burgundy Asset Management	>3	Oct. 16, 2018
Flossbach von Storch AG	>3	Dec. 21, 2018
Columbia Threadneedle	>3	Jul. 25, 2019
Wellington Management Group	>3	Oct. 1, 2019

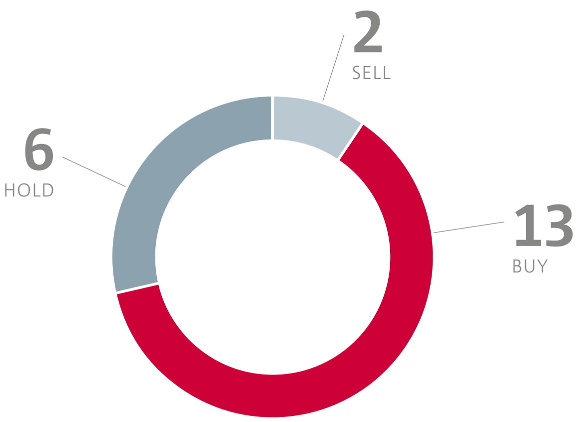
A.02 SHAREHOLDER STRUCTURE

		Dec. 31, 2018	Dec. 31, 2019
No. of shares (unweighted)		154,500,000	154,500,000
Price (Xetra® closing price)	EUR	37.70	48.48
Market capitalization	EUR m	5,825	7,490
Primary stock exchange			Xetra®
Indices		MDAX®, MSCI, STOXX EUROPE 600	
ISIN/WKN/trading symbol		DE000A1DAHH0/A1DAHH/BNR	

A.03 KEY DATA ON THE BRENNTAG SHARES

ANALYSTS' OPINIONS

Brenntag is currently (as at February 28, 2020) covered by 21 financial analysts, who regularly publish research reports on our company including recommendations and target prices for Brenntag shares. Thirteen analysts have a buy recommendation, six a hold recommendation and two a sell recommendation for Brenntag shares. Many analysts rate Brenntag as a growth stock with the ability to generate strong cash flows.



A.04 ANALYSTS' OPINIONS

CREDITOR RELATIONS

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

GENERAL SHAREHOLDERS' MEETING

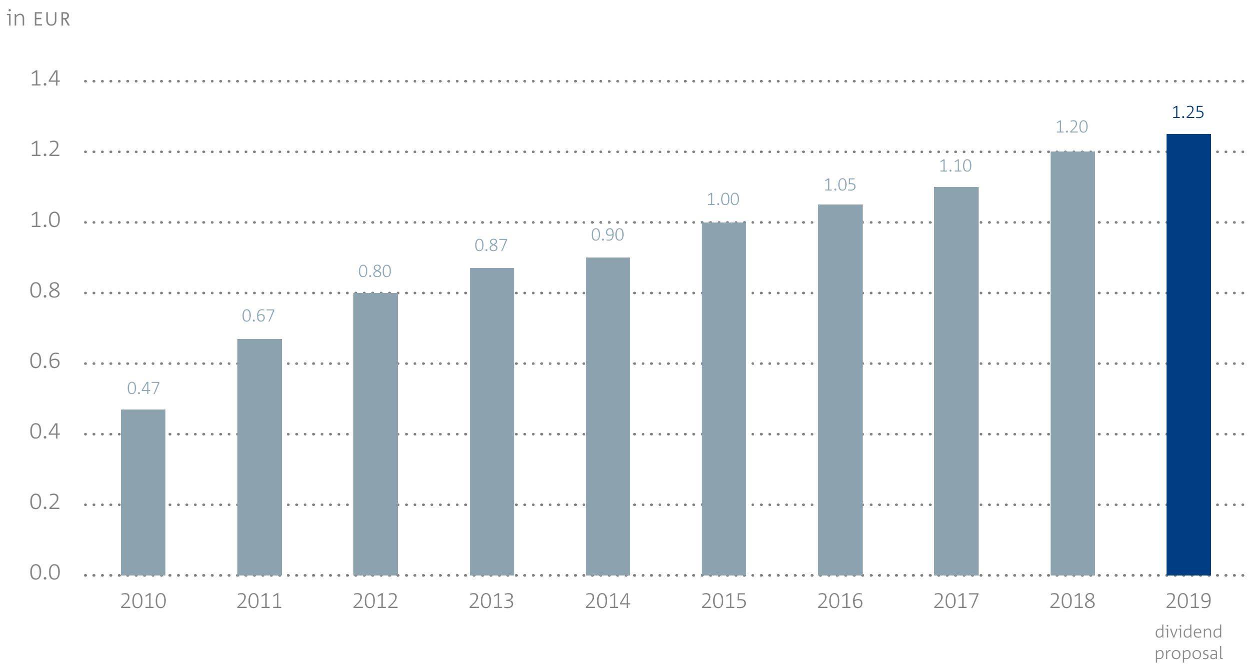
The 2019 General Shareholders' Meeting of Brenntag AG was held in Essen on June 13, 2019. With attendance at over 80% of the voting share capital the General Shareholders' Meeting approved the proposed Management Board and Supervisory Board resolutions with a vast majority in each case. Accordingly, it resolved to pay a dividend of EUR 1.20 per share, an increase of 9.1% compared with the previous year.

		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	semi-annual	Jun. 2/Dec. 2	annual	Sep. 27
Maturity		Dec. 2, 2022		Sep. 27, 2025

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

ATTRACTIVE DIVIDEND PROPOSAL FOR 2019

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 AG. Since going public in 2010, the company has paid its shareholders a higher dividend each year. The Board of Management and Supervisory Board will recommend to shareholders at the General Shareholders' Meeting a dividend payment of EUR 1.25 per share. The payout ratio on the basis of the consolidated profit after tax for the year attributable to shareholders of Brenntag AG is therefore 41.4%. Through this payout ratio, we would like our shareholders to participate directly in the company's positive performance.



A.06 DIVIDEND PERFORMANCE

STEFAN ZUSCHKE
CHAIRMAN OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

In 2019, Brenntag had to deal with a macroeconomic environment that became increasingly difficult as the year progressed. This was particularly the case for Europe, Middle East and Africa and the North America regions, where overall conditions had a negative impact on business operations and made it difficult for Brenntag to meet its growth target. In Latin America and Asia Pacific, on the other hand, we reported sound growth. Once again, this shows the benefits that come from Brenntag's broad presence across regions, markets and industries as well as its diversified portfolio of products and services, and which were systematically expanded in financial year 2019.

COMPOSITION OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

There were no changes in the composition of the Board of Management or the Supervisory Board of Brenntag AG in the reporting period. At the end of financial year 2019, Chief Executive Officer Steven Holland stepped down from the Board of Management of Brenntag AG and from all other positions in the Brenntag Group. Since January 1, 2020, Dr Christian Kohlpaintner has been Chief Executive Officer of Brenntag AG.

COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

In financial year 2019, the Supervisory Board of Brenntag AG performed the duties assigned to it by law, by the company's Articles of Association and by its rules of procedure with great diligence. The members of the Supervisory Board regularly advised the Board of Management in its management of the company and monitored its activities. The Board of Management provided the Supervisory Board with timely and comprehensive information, in both written and verbal form, on the course of business, earnings, the Group's current position, corporate planning and strategic further development. The Supervisory Board was also kept abreast of Brenntag AG's risk position, including risk management, deviations from plan and compliance matters. The Supervisory Board always 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. Furthermore, the Chairman of the Supervisory Board and the Chairman of the Board of Management regularly exchanged information. 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 proposed by the Board of Management and requiring the Supervisory Board's approval after it had examined those transactions and measures and discussed them with the Board of Management. Further information on the duties of the Supervisory Board can be found in the Corporate Governance Report.

Please refer to the following section, "Topics Addressed in the Supervisory Board Meetings", for information on the topics and resolutions.

The Supervisory Board held four ordinary meetings in the reporting period. In addition, three extraordinary meetings were held by teleconference. All members of the Supervisory Board attended each of the ordinary meetings. Supervisory Board members Wijnand P. Donkers, Doreen Nowotne and Dr Andreas Rittstieg sent apologies for being absent from the extraordinary meeting on July 19, 2019.

In the reporting period, the members of the Supervisory Board undertook training and professional development measures appropriate to their duties on the Board.

TOPICS ADDRESSED IN THE SUPERVISORY BOARD MEETINGS

The ordinary meeting on March 5, 2019 focused on the 2018 consolidated financial statements of Brenntag AG, on which both the Board of Management and the appointed auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, reported in detail. The Supervisory Board approved the consolidated financial statements of Brenntag AG for financial year 2018 and the annual financial statements of Brenntag AG. The 2018 annual financial statements were thus adopted. At the meeting, the Board of Management presented the strategic direction set for Brenntag bearing in mind the market environment in the four regions and reported on the current status of the main regional and global strategic initiatives. Following detailed discussion and consultation, the Supervisory Board approved the budget for phase one of the SHAPE programme initiated in 2018, which is aimed primarily at standardizing and improving Brenntag's regional IT landscape in EMEA. This was followed by status reports from the Mergers & Acquisitions and Investor Relations departments.

On April 17, 2019, the Supervisory Board held an extraordinary meeting by teleconference. This was due to the submission of Brenntag's non-financial statement in accordance with Section 315b, para. 3 of the German Commercial Code (HGB) (CSR Directive). The Audit Committee and the appointed auditors, PwC, presented and explained the results of their examination of the separate non-financial Group report for financial year 2018. By circular resolution on April 24, 2019, the Supervisory Board did not raise any objections on the basis of its own examination of the separate non-financial Group report and received and approved by acknowledgment the results of the examination conducted by PwC.

The second ordinary Supervisory Board meeting took place on June 13, 2019 after the General Shareholders' Meeting. Here, the Board of Management reported on the current status of business and performance in the regions. Further items on the agenda included status reports from the Mergers & Acquisitions and Investor Relations departments.

On July 19, 2019, an extraordinary meeting was held by teleconference. This was due to the planned acquisition of the remaining 50% of the shares in Crest Chemicals Proprietary Limited ("Crest"), South Africa. Since 2001, Crest had been a 50/50 joint venture between Brenntag and AECI Limited. After a detailed explanation of the strategic objectives and the terms, and following subsequent discussion, the Supervisory Board approved the transaction.

At the ordinary meeting on September 5, 2019, the Board of Management reported in detail on the plan to change the legal form of Brenntag's ultimate parent from a German stock corporation (Aktiengesellschaft, AG) to a European Company (Societas Europaea, SE) and explained the reasons for the plan and its effects. Following detailed discussion and consultation, the Supervisory Board unanimously resolved to support the conversion into Brenntag SE. It is intended to submit the conversion into an SE to the Brenntag General Shareholders' Meeting for approval at its ordinary meeting in June 2020. The Board of Management then reported in depth on the business results and the status of business in the four Brenntag regions. The competitive environment in North America was one point of focus here. Further items on the agenda included the organization and internal audit process in the HSE (health, safety, environmental protection) arena, developments in relation to digitalization (DigiB) and an update on the status of the SHAPE programme. At this meeting, the Supervisory Board also approved the construction of a new warehouse site in Cangzhou, China, which will replace the existing Brenntag site in Tianjin.

Following detailed discussion at the extraordinary meeting held by teleconference on September 25, 2019, the Supervisory Board resolved to appoint Dr Christian Kohlpaintner as a member of the Board of Management and the new Chief Executive Officer with effect from January 1, 2020 (for information, see also the section "Supervisory Board Committee Activities").

The fourth and final ordinary meeting of the reporting period took place on December 12, 2019. Here, after thorough examination and consultation, the Supervisory Board resolved to submit the declaration of conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG). This was signed jointly by the chairmen of the Board of Management and the Supervisory Board on the same day. The Supervisory Board received detailed information from the Board of Management on the projected results for financial year 2019 as well as the budgets for 2020 and approved them. This was followed by a review of M&A activities during the year and a report on current projects. Further items on the agenda included status reports from the IR department and on the topic of IT security. Following an invitation to tender for the audit services for financial year 2020 conducted under the direction of the Audit Committee and a detailed explanation of the selection criteria and discussion of the various candidates by the Audit Committee, the Supervisory Board resolved to propose to the General Shareholders' Meeting in June 2020 that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) be elected as statutory auditor for financial year 2020. Until the next ordinary General Shareholders' Meeting, PwC is also to review interim financial reports if such a review is commissioned.

SUPERVISORY BOARD COMMITTEE ACTIVITIES

In financial year 2019, as in the previous year, the Supervisory Board of Brenntag AG had two committees: the Audit Committee and the Presiding and Nomination Committee. Their chairmen reported in detail on the current work of the committees in the Supervisory Board meetings.

The Audit Committee, composed of Ulrich Harnacke (Chairman), Doreen Nowotne and Stefanie Berlinger, held four meetings during the reporting period, at which it dealt with the following core topics: the audit of the consolidated financial statements and the annual financial statements of Brenntag AG for 2018 as well as the review of the quarterly financial statements in the reporting period, 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 2018 and the handling of the European directive governing the obligation to report cross-border tax arrangements (DAC 6).

European and national regulations require public-interest entities to put statutory audits out to tender on a regular basis, but every ten years at a minimum. As a company that has been listed on the Frankfurt Stock Exchange since its stock market flotation in 2010, Brenntag AG is a public-interest entity as defined in those regulations. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf audited both the consolidated financial statements and the annual financial statements of Brenntag AG for the years 2010 to 2018. Upon the audit of the financial statements for financial year 2019, it was therefore necessary to put the statutory audit out to tender. In accordance with the requirements of the European and national regulations in this regard, the Audit Committee set up a structured process and conducted the invitation to tender with the assistance of a project team engaged by the Committee. The Audit Committee documented the invitation to tender in a report and, following careful analysis of the tenders received and several rounds of presentations, recommended two candidates to the Supervisory Board to be put forward to the General Shareholders' Meeting for election, at the same time expressing a duly justified preference.

The Presiding and Nomination Committee is composed of Stefan Zuschke (Chairman), Wijnand P. Donkers and Dr Andreas Rittstieg. In the reporting period, the Committee met a total of 19 times in order to discuss HR, contract and succession matters. One important topic was the succession of Chief Executive Officer Steven Holland, who stepped down from the Board of Management of Brenntag AG and from all other positions in the Brenntag Group at the end of financial year 2019. Interviews were conducted with various candidates as part of a structured selection process. On June 28 and August 13, the Presiding and Nomination Committee informed the Supervisory Board about the status of that process.

GERMAN CORPORATE GOVERNANCE CODE

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

On December 12, 2019, the Supervisory Board and the Board of Management jointly submitted a new declaration of conformity, which appears both on the Brenntag AG website and in the Corporate Governance Report. In this new declaration of conformity, the Board of Management and Supervisory Board declare that, since its last declaration of conformity dated December 13, 2018, Brenntag AG has complied in the reporting period with the recommendations of the German Corporate Governance Code, as amended on February 7, 2017, with the exception of the recommendations in number 4.2.3, para. 3 and number 5.4.1, para. 2 of the Code. Details on corporate governance in the company can be found in the Corporate Governance Report.

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

The annual financial statements of Brenntag AG for the year ended December 31, 2019 and the combined Group management report and management report of Brenntag AG were prepared by the Board of Management in accordance with the provisions of the German Commercial Code 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.

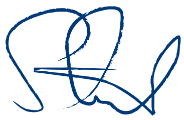
PwC, the auditors elected by the General Shareholders' Meeting and appointed by the Supervisory Board, audited and issued an unqualified auditors' report on the annual financial statements of Brenntag AG, the combined Group management report and management report of Brenntag AG and the consolidated financial statements.

The annual financial statements of Brenntag AG, the consolidated financial statements and the combined Group management report and management report of Brenntag AG as well as the auditors' audit reports were available to all members of the Supervisory Board in good time ahead of the Audit Committee meeting on February 26, 2020 and the Supervisory Board meeting on March 3, 2020. 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 3, 2020, 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 3, 2020. The Supervisory Board endorsed the Board of Management's proposal to use the distributable profit to pay a dividend of EUR 1.25 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 2019 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.

The Supervisory Board expresses its thanks and appreciation to the Brenntag Board of Management and all employees for their dedicated work in financial year 2019. A special word of thanks goes to Steven Holland for his exceptional commitment, his vision, passion and leadership. As a member of the Board of Management and Chief Executive Officer, he was a key driver of Brenntag's evolution into a truly global market leader in chemical distribution.

On behalf of the Supervisory Board



Stefan Zuschke
Chairman
Essen, March 2020

CORPORATE GOVERNANCE

Corporate Governance Report

We understand corporate governance as responsible and prudent corporate management. Brenntag has always attached great importance to good corporate governance. As a globally operating listed company, we are particularly aware of our social responsibility in this area. In this chapter, which also makes reference to the Remuneration Report, the Board of Management and the Supervisory Board of Brenntag AG report in detail, in accordance with number 3.10 of the German Corporate Governance Code (hereinafter referred to as “Code”) as amended on February 7, 2017, on the principles of responsible corporate governance at Brenntag.

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, they issued, on December 12, 2019, the declaration of conformity with the recommendations of the Code as amended on February 7, 2017, made in accordance with Section 161, para. 1 of the German Stock Corporation Act. The exact wording of the declaration of conformity is given in the chapter “Corporate Governance Statement”. The latest declaration and the declarations made in previous years can be found on the Brenntag AG 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 AG.

Since its last declaration of conformity in December 2018, Brenntag AG has continued to comply with the recommendations of the Code as amended on February 7, 2017 with two exceptions, and also plans to comply in future with the recommendations of the Code in its latest version with two exceptions. Further information on the declaration of conformity and the exceptions declared can be found under “Declaration of Exceptions to the German Corporate Governance Code”.

COMPOSITION OF THE GOVERNING BODIES

Brenntag AG is a company established in accordance with the German Stock Corporation Act (AktG) and a listed company. In accordance with the legal requirements of the German Stock Corporation Act, it has a two-tier management system, consisting of the Board of Management and the Supervisory Board. The management of business by the Board of Management and supervision by the Supervisory Board are therefore clearly separated. The shareholders exercise their rights as shareholders at the General Shareholders’ Meeting.

COMPOSITION OF THE BOARD OF MANAGEMENT

The Board of Management of Brenntag AG is composed of five members. The size and composition of the Board of Management remained the same in the reporting year. Steven Holland was Chairman of the Board of Management (Chief Executive Officer) until December 31, 2019. At the end of financial year 2019, he stepped down from the Board of Management of Brenntag AG and from all other positions in the Brenntag Group. Since January 1, 2020, Dr Christian Kohlpaintner has been a member of the Board of Management of Brenntag AG and Chairman (Chief Executive Officer).

COMPOSITION OF THE SUPERVISORY BOARD

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

The Supervisory Board has determined 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. 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 number 5.4.2 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 will be applied to the next Supervisory Board elections this year. 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 AG 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.

In the Supervisory Board's opinion, a suitable number of independent members is at least three. The Supervisory Board currently 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 AG 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. The proposals made by the Supervisory Board to the General Shareholders' Meeting for the upcoming election of the Supervisory Board will take these self-imposed objectives and the profile of skills and expertise into account.

SHARES HELD BY THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

On December 31, 2019, no member of the Board of Management or the Supervisory Board held share packages of Brenntag AG or financial instruments relating to such shares, which in each case exceed 1 % of the shares issued by Brenntag AG either directly or indirectly. At that date, the total number of shares held by all members of the Board of Management and Supervisory Board together also did not exceed 1 % of the shares issued by the company.

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

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 mandates in non-Group listed companies or on supervisory bodies of non-Group entities that make similar requirements. A detailed list of the mandates held by the members of the Supervisory Board on supervisory boards to be established by law or on comparable domestic and foreign supervisory bodies of business enterprises is given in the chapter "Members of the Supervisory Board".

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, the so-called Market Abuse Regulation, any persons working in a management capacity for an issuer of securities and any persons closely associated with said persons are obliged to report transactions involving Brenntag shares or related financial instruments if the value of the transactions which they have made in one calendar year reaches or exceeds EUR 5,000. In financial year 2019, no transaction was reported to Brenntag AG. Transactions in previous reporting periods were duly published and can also be accessed at any time on the website of Brenntag AG under the section “Financial News/Directors’ Dealings”.

DECLARATION OF EXCEPTIONS TO THE GERMAN CORPORATE GOVERNANCE CODE

As in previous years, Brenntag AG continues to comply with the recommendations of the German Corporate Governance Code as amended on February 7, 2017 with two exceptions. In accordance with number 4.2.3, para. 3 of the Code, for pension plans the Supervisory Board shall establish the level of provision aimed for in each case – also considering the length of time for which the individual has been a Board of Management member – and take into account the resulting annual and long-term expense for the company. Brenntag AG follows the recommendation in number 4.2.3, para. 3 in the case of two members of the Board of Management. However, three 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, 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, an exception was declared in the current declaration of conformity.

D&O INSURANCE DEDUCTIBLE

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

APPROPRIATE CONTROL AND RISK MANAGEMENT

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

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

TRANSPARENCY AND EQUAL TREATMENT THROUGH COMPREHENSIVE INFORMATION

Brenntag AG aims to ensure that communications with the capital market are as transparent as possible and that all market participants are treated equally. Hereby, it is ensured that all market participants receive information continuously, promptly and comprehensively. For Brenntag AG, constant dialogue with its shareholders and potential investors is a matter of course. 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 Chairman 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 AG 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 AG exercise their rights before or during the General Shareholders' Meeting and, in this respect, may also exercise their voting rights. Each share of Brenntag AG 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 Chairman of the Supervisory Board presides over the General Shareholders' Meeting. The ordinary General Shareholders' Meeting takes place once a year. Shareholders who are registered with the share register of the company and whose application for 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 2019 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 2020 ordinary General Shareholders' Meeting. To provide information for the shareholders, Brenntag AG posts the annual report on the past financial year on its website promptly after the Supervisory Board meeting at which the annual financial statements are adopted. As was also the case in the previous year, notice of the 2020 ordinary General Shareholders' Meeting will be given at least 36 days before the date on which it is to be held. The invitation to attend will include a list of items on the agenda as well as an explanation of conditions for attendance and the rights of the shareholders. All documents and information on the forthcoming ordinary General Shareholders' Meeting are also available in good time for downloading from the website of Brenntag AG. After the General Shareholders' Meeting, Brenntag AG also publishes attendance and the results of votes on the Internet.

ACCOUNTING AND FINANCIAL STATEMENT AUDITING

The consolidated financial statements of Brenntag AG are prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. The financial statements of Brenntag AG, on which the dividend payment is based, are drawn up in accordance with the German Commercial Code and the German Stock Corporation Act. All single-entity and consolidated financial statements of Brenntag AG since the IPO in 2010 have been audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC). The audit is managed centrally by the PwC branch at Moskauer Str. 19, 40227 Düsseldorf. The undersigned statutory auditors are Thomas Tandetzki (since 2013, for the single-entity and consolidated financial statements) and Reza Bigdeli (2019 for the first time, both 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 2019, 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.

Corporate Governance Statement

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

On December 12, 2019, the Board of Management and Supervisory Board submitted the following declaration on the recommendations of the Government Commission "German Corporate Governance Code" in accordance with Section 161, para. 1 of the German Stock Corporation Act:

"The Board of Management and the Supervisory Board hereby declare that Brenntag complies and plans to continue to comply with the recommendations of the Government Commission "German Corporate Governance Code" as amended on February 7, 2017, published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger), with the exception of the recommendations in number 4.2.3, para. 3 and number 5.4.1, para. 2 of the Code. The exceptions are declared for the following reasons:

With regard to two members of the Board of Management, Brenntag follows the recommendation in number 4.2.3, para. 3 of the Code. Three members of the Board of Management 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 of the Code. 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, since its last declaration of conformity dated December 13, 2018, Brenntag has complied with the recommendations of the Government Commission "German Corporate Governance Code" as amended on February 7, 2017 with the exception of the recommendation in number 4.2.3, para. 3 and the recommendation in number 5.4.1, para 2 of the Code as described above."

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

COMPLIANCE REPORT AND DISCLOSURES ON CORPORATE GOVERNANCE PRACTICE

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

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

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

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

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

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

In addition to the Code of Business Conduct and Ethics, there are further Group policies detailing compliance requirements, including an Anti-corruption Guideline and an Insider Compliance Guideline.

The employees are regularly trained with regard to compliance requirements. For example, there is a global e-learning training program on the Brenntag Code of Business Conduct and Ethics for our employees. In addition, our compliance training courses focus particularly on the observance of antitrust law requirements and the avoidance of bribery and corruption. These training courses are also mainly made available to the relevant target groups of employees through our global e-learning system. The aim is to keep the employees' knowledge up to date and avoid any illegal actions as well as to protect the environment and employees.

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

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

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

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

In accordance with the requirements of the German Stock Corporation Act, a German stock corporation has a two-tier management system. This provides for a German stock corporation to be governed by a management body, the Board of Management, and a supervisory body in the form of the Supervisory Board. 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

MARKUS KLÄHN
MEMBER OF THE BOARD OF MANAGEMENT

Region North America
Region Latin America
Global Key Accounts

KARSTEN BECKMANN
MEMBER OF THE BOARD OF MANAGEMENT

Region EMEA (Europe, Middle East & Africa)
Corporate IT
Digitalization

HENRI NEJADE
MEMBER OF THE BOARD OF MANAGEMENT

Region Asia Pacific
Global Food & Nutrition
Global Sourcing

DR CHRISTIAN KOHLPAINTNER
CHIEF EXECUTIVE OFFICER

Global Communications
Corporate Development
Global Human Resources
Corporate HSE
Corporate Internal Audit & Compliance
Global Marketing
Global M & A
Sustainability

GEORG MÜLLER
CHIEF FINANCIAL OFFICER

Corporate Controlling
Corporate Finance & Investor Relations
Corporate Group Accounting
Corporate Legal
Corporate Risk Management
Corporate Tax
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 AG'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 AG 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 AG, the Board of Management is to adopt resolutions with a simple majority of the members of the Board participating in the vote. In the event of a tie, the Chairman of the Board of Management has a second vote. The Board of Management has currently not set up any committees.

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

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

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

The Board of Management must regularly inform the Supervisory Board, in due time and comprehensively, of all issues of Brenntag AG and its subsidiaries with regard to strategy, corporate governance, the business policy it plans and other fundamental questions of corporate planning, the company's profitability, business performance and 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".

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

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

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

PRESIDING AND NOMINATION COMMITTEE

As was the case in the previous year, the Presiding and Nomination Committee set up by the Supervisory Board of Brenntag AG consists of the Chairman of the Supervisory Board, Stefan Zuschke, Dr Andreas Rittstieg and Wijnand P. Donkers. The Chairman of the Supervisory Board is always also the Chairman 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 AG vis-à-vis former members of the Board of Management in accordance with Section 112 of the German Stock Corporation Act, consents to sideline activities of Board of Management members in accordance with Section 88 of the German Stock Corporation Act and grants loans to the persons named in Sections 89 and 115 of the German Stock Corporation Act. In addition, the Committee approves contracts with Supervisory Board members in accordance with Section 114 of the German Stock Corporation Act and proposes suitable candidates as Supervisory Board members to the General Shareholders' Meeting in case of the election of Supervisory Board members, 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 AG has set up an Audit Committee, which meets at least four times in each calendar year and in particular monitors the accounting process and the audit of the annual financial statements. The Audit Committee has three members who were appointed by the Supervisory Board. As in the previous year, they are Ulrich M. Harnacke as its Chairman, Doreen Nowotne and Stefanie Berlinger.

In line with the recommendation of the Code, the Chairman of the Audit Committee, Ulrich M. Harnacke, has special knowledge of and experience in applying accounting principles as well as 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 annual and consolidated financial statements, the management report and the Group management report as well as the proposal for the appropriation of profit. The Audit Committee discusses the audit reports with the auditor.

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

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

In addition, the Audit Committee discusses the 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.

INFORMATION ON TARGETS FOR THE PERCENTAGE OF WOMEN AND DIVERSITY

In accordance with Section 76, para. 4 and Section 111, para. 5 of the German Stock Corporation Act, Brenntag AG is required to set targets for the 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 and the Supervisory Board last set new targets for the share of women in 2017, in each case with the deadline for implementation of June 30, 2022. The Supervisory Board set the target for the share of women on the Supervisory Board at 33.3% and the target for the share of women on the Board of Management at 0%. The Board of Management set a target of 30% for the share of women on the only management level in the company below the Board of Management. 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 AG, Brenntag GmbH is the only Group company pursuant to Section 36 and Section 52 of the German Limited Liability Companies Act (GmbHG) required to set targets for the percentage of women on the Supervisory Board, in the managing director team and on the two management levels below the managing directors. Brenntag GmbH is not required to disclose a management report because it has applied the exemption provisions pursuant to Section 264, para. 3 HGB. In accordance with Section 289a, para. 4, sentence 2 in conjunction with para. 1, sentence 2 HGB, Brenntag GmbH publishes its declaration with the specifications and disclosures in accordance with Section 289a, para. 2, No. 4 HGB on its website at https://www.brenntag.com/de-de/brenntag-deutschland/compliance/frauenanteil-in-fuehrungspositionen/index.jsp

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 the past financial year, there were no changes to the composition of the Supervisory Board. In its current composition, the Supervisory Board fulfils the requirements of the diversity policy.

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. In the past financial year, there were no changes to the composition of the Board of Management. In its current composition, the Board of Management of Brenntag AG fulfils the requirements of the diversity policy.

Offices of the Board of Management and Supervisory Board

MEMBERS OF THE BOARD OF MANAGEMENT

The members of the Board of Management hold the following offices on 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, 2019)	
Name	**First appointed**	**External positions**	**Group company positions**
Dr Christian Kohlpaintner Chief Executive Officer	January 1, 2020		
Steven Holland Chief Executive Officer	March 3, 2010 until December 31, 2019	• V Ships Plc (Non-Executive Director)	• Brenntag Nederland B.V.(Chairman)
Karsten Beckmann	July 1, 2015		• BRENNTAG GmbH • BRENNTAG SA (Chairman) • Brenntag Nederland B.V.
Markus Klähn	July 1, 2015		
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.

• 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, 2019)
Stefan Zuschke Chairman	Independent Business Consultant	March 3, 2010	
Dr Andreas Rittstieg Deputy Chairman	Member of the Board of Management Hubert Burda Media Holding KG	March 19, 2010	• New Work SE (formerly XING 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 (Chairman until Feb. 10, 2020) • Thüga Holding GmbH & Co. KGaA • Zentis GmbH & Co. KG
Doreen Nowotne	Independent Business Consultant	March 3, 2010	• JENOPTIK AG • Lufthansa Technik AG • Franz Haniel & Cie. GmbH

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

B

COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT OF BRENNTAG AG

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 195,000 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. Brenntag's customers worldwide are active in diverse end-market industries such as adhesives, paints, oil and gas, food, water treatment, personal care and pharmaceuticals. In order to be able to react quickly to the market and customers' and suppliers' requirements, Brenntag manages its business through its geographically structured segments EMEA (Europe, Middle East & Africa), North America, Latin America and Asia Pacific. 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 AG is responsible for the strategy of the Group. The central functions of Brenntag AG are Corporate Controlling, Corporate Finance & Investor Relations, Corporate HSE (Health, Safety and Environment), Corporate IT, Corporate Accounting, Corporate Mergers & Acquisitions, Global Human Resources, Corporate Development, Corporate Communications, Corporate Legal, Corporate Internal Audit, Compliance, Corporate Risk Management as well as Corporate Tax.

The Brenntag Group is managed through its 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, 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, 2019.

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

- We 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 here is to be the preferred distributor of industrial and specialty chemicals and ingredients for our customers and suppliers and, at the same time, the industry leader in safety, growth and profitability. We pursue this goal through a clear growth strategy geared to steadily expanding our leading market position while continually improving profitability.

Organic growth and acquisitions

We strive to extend our market leadership by steadily growing our product and service offering organically in line with the requirements of our regional markets. In doing so, we benefit from leveraging our extensive global activities and key strengths. Our proactive sales activities focus on providing customers with tailored full-service solutions along the entire value chain rather than just products. Our close ties with local cultures and markets enable us to serve our customers and suppliers in a way that meets their individual needs.

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 as well as our national and international distribution networks.

Steadily improving profitability

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

Strategic initiatives

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

Our global safety initiative, for example, concentrates in particular on establishing an outstanding safety culture and introducing globally harmonized and consistently high safety standards.

Under our growth strategy, we focus the company on attractive and promising business segments. In order to leverage more of the above-average growth opportunities in the life science segment, we have amalgamated our global capabilities in food within the organizational unit Brenntag Food & Nutrition. This enables us to better meet our business partners' existing and future needs at local and global level on the basis of our broad portfolio of specialty and standard ingredients and our specific expertise. We have other focus industries, such as personal care, pharmaceuticals, water treatment and material science, which we serve by providing technical sales support in particular. In the high-volume chemicals segment and in the oil and gas industry, we offer integrated value chain solutions geared to achieving maximum efficiency and customer-centric business solutions. As a source of future growth, we are also looking to digital concepts and technologies that are customer- and supplier-oriented. We have combined these activities in our subsidiary DigiB. Further regional initiatives focus on growing the customer-specific mixing and blending business by providing value-added services.

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

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

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

SUSTAINABILITY

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

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

We are committed to the principles of responsible care and responsible distribution as well as the principles of the UN Global Compact. We are also a member of "Together for Sustainability", an industry initiative that aims to enhance sustainability across the entire chemical supply chain. Detailed information on our sustainability management is provided in our latest sustainability report and in the "Health, Safety and Environmental Protection, Quality Management" chapter of the 2019 Annual Report.

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.

In connection with the initial application of the new financial reporting standard on leases (IFRS 16), the Brenntag Group's financial management system was examined and, where necessary, adapted. This did not result in any changes to the key performance indicators used to measure the Group's financial performance with the exception of the definition for calculating free cash flow.

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 as well as depreciation of property, plant and equipment 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. On initial application of IFRS 16, cash outflows for principal payments on lease liabilities and interest payments incurred in this context are also deducted. 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. On initial application of IFRS 16, lease liabilities are included in the calculation of ROCE in addition to financial liabilities.

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 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

The global economic slowdown intensified considerably in the course of 2019, with Europe and Latin America being the weakest economic regions. Overall, global industrial production grew by only around 0.8% year on year in financial year 2019. The negative sentiment was also reflected in the Global Manufacturing Purchasing Managers' Index (PMI). In July, this stood at 49.3, the lowest reading for seven years. Towards the end of the year, the index was at 50.1.

In Europe, industrial production fell by 0.9% year on year in financial year 2019. In the USA, it rose by just 0.9% year on year in the same period due to a much weaker second half of the year. Economic conditions in Latin America remained challenging. Compared with the previous year, Latin American industrial production showed a significant contraction of approximately 5% in financial year 2019. The economies of Asia (excluding China) also suffered the effects of a difficult business environment, causing in industrial production to stagnate compared with 2018. In contrast, China once again posted sound year-on-year growth of around 5.7% in financial year 2019.

Business Performance

MAJOR EVENTS IMPACTING ON BUSINESS IN 2019

In January 2019, Brenntag acquired the lubricants division of Reeder Distributors, Inc. based in Fort Worth, Texas, USA. The lubricants division of Reeder Distributors generated sales of EUR 56 million in financial year 2018.

In February 2019, Brenntag closed the acquisition of the business operations of New England Resins & Pigments Corporation, Inc. (NERP) headquartered in Woburn, Massachusetts, USA. The company generated sales of EUR 24 million in financial year 2018.

In early March, Steven Holland, Chief Executive Officer of Brenntag AG, informed the Chairman of the Supervisory Board that he would retire after eight years as CEO and would not be available for an extension of his contract.

In April 2019, Brenntag acquired 51% of the shares in TEE HAI CHEM PTE LTD. The Singapore-based company is a strategic market leader in providing supply chain solutions for chemicals and services for the life sciences, electronics manufacturing and research and diagnostics sectors in Singapore and Southeast Asia. In 2018, it generated sales of around EUR 111 million.

In July 2019, Brenntag closed the acquisition of the business operations of B&M Oil Company, Inc. based in Tulsa, Oklahoma, USA. The acquiree generated sales of EUR 24 million in financial year 2018.

Also in July 2019, Brenntag acquired the chemical distribution business of the Desbro Group in Kenya and the United Arab Emirates. This was followed in September by the acquisition of the Desbro Group's chemical distribution business in Uganda. In addition, we are in the process of acquiring Desbro's business in Tanzania. The transaction is expected to close at the end of the first quarter of 2020. Based in Nairobi, Kenya, the company generated total sales of EUR 86 million in these regions in financial year 2018.

In September 2019, the Board of Management and the Supervisory Board decided that Brenntag AG should be converted into a European Company (Societas Europaea, SE). It is intended to submit the request for its conversion into an SE to the Brenntag General Shareholders' Meeting for approval at its ordinary meeting in June 2020.

In September 2019, the Supervisory Board of Brenntag AG announced the appointment of Dr Christian Kohlpaintner as a member of the Board of Management and the new CEO with effect from January 1, 2020. Christian Kohlpaintner succeeds Steven Holland, who retired from the Board of Management as of December 31, 2019.

At the end of November 2019, Brenntag acquired the remaining 50% of the shares in Crest Chemicals (Proprietary) Limited, South Africa, from AECI Limited. Crest is based in Woodmead and had been 50% owned by Brenntag since 2001. The company generated sales of around EUR 95 million in financial year 2018. The sales were not included in the consolidated financial statements, as Crest's earnings were recognized in net finance costs using the equity method.

Also at the end of November 2019, Brenntag acquired Quimisa SA based in Brusque, Brazil, including its logistics subsidiary Quimilog Transportes e Logística Ltda. The company generated sales of around EUR 61 million in 2018.

In addition, in December 2019, Brenntag closed the acquisition of Glenalmond Holdings Limited including its operating subsidiary Tan International Limited. Headquartered in Glasgow, Scotland, the company generated annual sales of almost EUR 21 million in financial year 2018/2019 ended March 31, 2019.

STATEMENT BY THE BOARD OF MANAGEMENT ON BUSINESS PERFORMANCE

The Brenntag Group generated operating EBITDA of EUR 1,001.5 million in financial year 2019, a year-on-year increase of 14.4% (on a constant currency basis: 11.3%). The growth in operating EBITDA is mainly the result of the initial application of IFRS 16, the new financial reporting standard on lease accounting. Due to the application of this financial reporting standard, lease expenses are now mostly recognized below operating EBITDA as depreciation and interest expense.

After adjustment for the effect of the initial application of IFRS 16, and on a constant currency basis, Group earnings show a marginal decrease on the strong prior-year figure. We faced a very difficult market environment in EMEA, particularly in the first half of 2019. Whilst the market environment in EMEA then showed the first signs of stabilizing in the second half of the year, the economic trend in North America became increasingly worse, impacting negatively on the earnings of our companies in this region. Against this background, we were unable to match prior-year earnings in our two large segments, EMEA and North America. In a volatile market environment in our Latin America segment, however, we achieved a clear increase in earnings, largely attributable to organic growth. In our Asia Pacific segment, we likewise posted sound operational growth in earnings in the past financial year.

In financial year 2019, working capital showed a decrease year on year, which led accordingly to a significant increase in our free cash flow. Working capital turnover was down slightly on the prior-year level.

As expected, capital expenditure in the reporting period was up on the prior-year figure due to projects to expand our business operations. We make these investments to maintain our existing infrastructure and expand it through targeted growth projects, for example in areas such as our warehouse sites, technical equipment and transport logistics. We decided to make some additional investments in light of the recent consolidation of the North American market and the resulting opportunities.

The outlined performance in operating EBITDA, working capital and capital expenditure in financial year 2019 resulted in a free cash flow that was significantly higher year on year and thus demonstrates the resilience of our business model in a difficult market environment.

The weaker-than-expected macroeconomic trend in financial year 2019 had an impact on our results of operations. Overall, we are not satisfied with this earnings performance, as our two large segments, EMEA and North America, were unable to increase their earnings year on year at operating level (excluding the effects of the initial application of IFRS 16 and on a constant currency basis). In contrast, however, we achieved a positive earnings development in our Latin America and Asia Pacific segments. In both segments, we increased operating EBITDA by a significant margin.

Results of Operations

BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

in EUR m	2019	2018	Change abs.	Change in %	Change in % (fx adj.)[1]
Sales	12,821.8	12,550.0	271.8	2.2	−0.3
Operating gross profit	2,821.7	2,660.9	160.8	6.0	3.4
Operating expenses	−1,820.2	−1,785.4	−34.8	1.9	−0.5
Operating EBITDA	**1,001.5**	**875.5**	**126.0**	**14.4**	**11.3**
Net income from special items	8.6	17.4	−8.8	–	–
Depreciation of property, plant and equipment and right-of-use assets	−243.6	−122.0	−121.6	99.7	95.2
EBITA	766.5	770.9	−4.4	−0.6	−3.0
Amortization of intangible assets	−49.6	−49.9	0.3	−0.6	−3.3
Net finance costs	−83.5	−97.5	14.0	−14.4	–
Profit before tax	633.4	623.5	9.9	1.6	–
Income tax expense	−164.2	−161.2	−3.0	1.9	–
Profit after tax	469.2	462.3	6.9	1.5	–

B.01 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

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

Net income from special items breaks down as follows:

in EUR m	2019	2018
Expenses in connection with the programme to increase efficiency in the EMEA segment	−0.4	−10.8
Refund of social security charges paid in previous years in Brazil	9.3	–
Subsequent purchase price adjustment for/income from the sale of Brenntag Biosector	−0.3	28.2
Net income from special items	**8.6**	**17.4**

B.02 NET INCOME FROM SPECIAL ITEMS

The Brenntag Group generated **sales** of EUR 12,821.8 million in financial year 2019, an increase of 2.2% compared with the previous year. This 0.3% decrease in sales on a constant currency basis is attributable to the fact that while volumes were higher, average sales prices per unit were lower.

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 2,821.7 million in financial year 2019, a rise of 6.0% and, on a constant currency basis, 3.4%. All segments contributed to this performance at operating gross profit level. The growth in operating gross profit is due almost entirely to a positive contribution from our acquisitions.

The Brenntag Group's **operating expenses** amounted to EUR 1,820.2 million in financial year 2019, an increase of 1.9% year on year, or a decrease of 0.5% on a constant currency basis. Our acquisitive growth led to additional costs, as did inflationary tendencies, affecting personnel costs in particular. The initial application of IFRS 16, on the other hand, resulted in a reduction in expenses due to the related reclassification of lease expenses into depreciation and interest expense.

The Brenntag Group achieved **operating EBITDA** of EUR 1,001.5 million overall in financial year 2019, an increase of 14.4% on the prior-year figure. On a constant currency basis, this represents earnings growth of 11.3%. The earnings growth shown is the result of the initial application of IFRS 16, the new financial reporting standard on lease accounting. At operating level after eliminating the effect of IFRS 16, the Group's earnings were slightly below the strong prior-year figure on a constant currency basis. In contrast to the generally very positive performance in the Latin America segment and sound growth in the Asia Pacific segment, our two large segments, EMEA and North America, in particular posted a decline in earnings against the background of a difficult market environment.

Depreciation of property, plant and equipment, depreciation of right-of-use assets and **amortization** of intangible assets amounted to EUR 293.2 million in financial year 2019, with depreciation of property, plant and equipment and right-of-use assets accounting for EUR 243.6 million and amortization of intangible assets for EUR 49.6 million. The increase in depreciation of property, plant and equipment and right-of-use assets is mainly attributable to right-of-use assets recognized for the first time in 2019 in accordance with IFRS 16. Compared with financial year 2018, we recorded an increase in total depreciation and amortization of EUR 121.3 million.

Net finance costs came to EUR 83.5 million in financial year 2019 (2018: EUR 97.5 million). This figure includes EUR 90.0 million of net interest expense (2018: EUR 82.3 million), which changed primarily as a result of the initial application of IFRS 16. Had IFRS 16 not been applied, net interest expense would have improved compared with financial year 2018 due to the repayment in July 2018 of a bond at a relatively high rate of interest. Other net finance costs showed a year-on-year improvement in financial year 2019 due mainly to one-time effects in connection with acquisitions and refunds of social security charges in Brazil.

Profit before tax amounted to EUR 633.4 million in financial year 2019 (2018:EUR 623.5 million).

Income tax expense increased by EUR 3.0 million year on year to EUR 164.2 million in financial year 2019.

Profit after tax rose by EUR 6.9 million compared with the previous year to EUR 469.2 million in financial year 2019.

			Change	
in EUR m	**2019**	**2018**	abs.	in %
EBITA	766.5	770.9	−4.4	−0.6
Average carrying amount of equity	3,427.3	3,111.6	315.7	10.1
Average carrying amount of financial and lease liabilities	2,581.3	2,173.1	408.2	18.8
Average carrying amount of cash and cash equivalents	−430.8	−416.2	−14.6	3.5
ROCE	**13.7%**	**15.8%**	**–**	**–**
ROCE before special items	**13.6%**	**15.5%**	**–**	**–**

B.03 RETURN ON CAPITAL EMPLOYED (ROCE)

In financial year 2019, the Brenntag Group posted **ROCE** of 13.7%, a decrease of 2.1 percentage points compared with the previous year. This is due mainly to the significant increase in the carrying amount of financial liabilities. On transition to the new accounting standard for lease expenses (IFRS 16), the average carrying amount of financial liabilities rose by EUR 408.2 million. Adjusted for this increase, ROCE was 14.6%. ROCE before special items and adjusted for the transition to the new accounting standard was 14.5% in financial year 2019 (previous year: 15.5%).

BUSINESS PERFORMANCE IN THE SEGMENTS

2019 in EUR m	Brenntag Group	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	12,821.8	5,237.7	4,787.1	854.2	1,534.4	408.4
Operating gross profit	2,821.7	1,141.6	1,216.8	177.0	266.8	19.5
Operating expenses	−1,820.2	−735.3	−742.0	−121.1	−165.7	−56.1
Operating EBITDA	**1,001.5**	**406.3**	**474.8**	**55.9**	**101.1**	**−36.6**
Effect of IFRS 16	−116.0	−41.6	−53.0	−8.8	−8.7	−3.9
Operating EBITDA excluding IFRS 16	**885.5**	**364.7**	**421.8**	**47.1**	**92.4**	**−40.5**

B.04 BUSINESS PERFORMANCE IN THE SEGMENTS

EMEA (Europe, Middle East & Africa)

in EUR m	2019	2018	Change abs.	Change in %	Change in % (fx adj.)
External sales	5,237.7	5,339.3	−101.6	−1.9	−1.9
Operating gross profit	1,141.6	1,141.2	0.4	0.0	0.1
Operating expenses	−735.3	−755.7	20.4	−2.7	−2.6
Operating EBITDA	**406.3**	**385.5**	**20.8**	**5.4**	**5.6**

B.05 BUSINESS PERFORMANCE IN THE SEGMENTS / EMEA

The EMEA segment generated **external sales** of EUR 5,237.7 million in financial year 2019, a decrease of 1.9% compared with the previous year. On a constant currency basis, external sales were down by 1.9% on the prior-year figure. This decrease is due mainly to lower average sales prices.

At EUR 1,141.6 million in financial year 2019, the **operating gross profit** generated by the companies in the EMEA segment was in line with the prior-year figure on both an as reported and a constant currency basis despite the persistently difficult market environment.

The EMEA segment posted **operating expenses** of EUR 735.3 million in financial year 2019. This decrease of 2.7% compared with financial year 2018, or 2.6% on a constant currency basis, is attributable to the initial application of IFRS 16 and the lower lease expenses associated with this. Conversely, the EMEA segment recorded increases in transport and personnel costs.

The companies in the EMEA segment achieved **operating EBITDA** of EUR 406.3 million in financial year 2019 and thus posted an increase of 5.4% year on year, or 5.6% on a constant currency basis. This increase is attributable to the initial application of IFRS 16.

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North America

in EUR m	2019	2018	Change abs.	Change in %	Change in % (fx adj.)
External sales	4,787.1	4,636.9	150.2	3.2	−1.9
Operating gross profit	1,216.8	1,118.3	98.5	8.8	3.4
Operating expenses	−742.0	−708.7	−33.3	4.7	−0.5
Operating EBITDA	**474.8**	**409.6**	**65.2**	**15.9**	**10.1**

B.06 BUSINESS PERFORMANCE IN THE SEGMENTS / NORTH AMERICA

The North America segment generated **external sales** of EUR 4,787.1 million in financial year 2019, a rise of 3.2% compared with financial year 2018. On a constant currency basis, the North American companies posted a 1.9% decrease in external sales despite higher volumes. This is attributable to a decline in average sales prices.

The **operating gross profit** generated by the North American companies rose by 8.8% year on year to EUR 1,216.8 million in financial year 2019. This rise of 3.4% on a constant currency basis is due primarily to the positive contribution from the acquisitions.

At EUR 742.0 million in financial year 2019, **operating expenses** in the North America segment were up by 4.7% on the prior-year figure. On a constant currency basis, operating expenses decreased by 0.5%. In the North America segment too, the initial application of IFRS 16 had the effect of reducing costs. However, higher expenses were incurred for personnel and maintenance in particular.

The North American companies achieved **operating EBITDA** of EUR 474.8 million in financial year 2019, a clear rise of 15.9% compared with financial year 2018, or 10.1% on a constant currency basis. This growth is due to our cost base being impacted by IFRS 16.

Latin America

in EUR m	2019	2018	Change abs.	Change in %	Change in % (fx adj.)
External sales	854.2	807.8	46.4	5.7	3.7
Operating gross profit	177.0	163.1	13.9	8.5	6.5
Operating expenses	−121.1	−123.2	2.1	−1.7	−3.7
Operating EBITDA	**55.9**	**39.9**	**16.0**	**40.1**	**38.0**

B.07 BUSINESS PERFORMANCE IN THE SEGMENTS / LATIN AMERICA

The Latin America segment generated **external sales** of EUR 854.2 million in financial year 2019, a rise of 5.7%. On a constant currency basis, this represents an increase of 3.7% attributable to much higher volumes, which more than offset the lower average sales prices per unit.

The **operating gross profit** achieved by the Latin American companies in 2019 amounted to EUR 177.0 million. Compared with the previous year, operating gross profit was therefore up by 8.5%. On a constant currency basis, it rose by 6.5%. Thus, despite a difficult market environment throughout the region with industrial production mostly in contraction, we once again demonstrated our resilience.

Operating expenses in the Latin America segment amounted to EUR 121.1 million in financial year 2019, a decrease of 1.7% on the prior-year figure. On a constant currency basis, operating expenses declined by 3.7%. This decline is attributable to lower lease expenses on application of IFRS 16. Conversely, the Latin America segment recorded inflation-driven increases in personnel expenses and a rise in transport costs.

The Latin American companies generated **operating EBITDA** of EUR 55.9 million overall in financial year 2019, an increase of 40.1% on the prior-year figure. On a constant currency basis, operating EBITDA rose by 38.0%. This performance was underpinned by lower operating expenses as a result of the initial application of IFRS 16. In addition, operating EBITDA rose at a faster pace than operating gross profit, due mostly to organic growth.

Asia Pacific

			Change		
in EUR m	**2019**	**2018**	abs.	in %	in % (fx adj.)
External sales	1,534.4	1,383.5	150.9	10.9	7.1
Operating gross profit	266.8	224.2	42.6	19.0	14.7
Operating expenses	–165.7	–146.3	–19.4	13.3	9.4
Operating EBITDA	**101.1**	**77.9**	**23.2**	**29.8**	**24.7**

B.08 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC

External sales in the Asia Pacific segment rose by 10.9% year on year to EUR 1,534.4 million in financial year 2019. On a constant currency basis, this represents sales growth of 7.1% due predominantly to higher average volumes.

The Asia Pacific segment generated **operating gross profit** of EUR 266.8 million in financial year 2019, a year-on-year rise of 19.0%. On a constant currency basis, operating gross profit climbed by 14.7%. In addition to some organic growth, the performance shown at operating gross profit level was supported in particular by the acquisitions we closed.

The **operating expenses** of the companies in the Asia Pacific segment rose by 13.3% year on year, or 9.4% on a constant currency basis, to EUR 165.7 million in financial year 2019. The rise in costs is attributable to the acquisitions we closed and relates in part to higher personnel and transport expenses. As in the other segments, the initial application of IFRS 16 had the effect of reducing costs.

The companies in the Asia Pacific segment generated **operating EBITDA** of EUR 101.1 million in financial year 2019 and thus exceeded prior-year earnings by 29.8%. This represents a rise of 24.7% on a constant currency basis and is attributable to the acquisitions we closed. The earnings performance was underpinned additionally by the lower operating expenses reported as a result of the initial application of IFRS 16.

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All other segments

in EUR m	2019	2018	Change abs.	Change in %	Change in % (fx adj.)
External sales	408.4	382.5	25.9	6.8	6.8
Operating gross profit	19.5	14.1	5.4	38.3	38.3
Operating expenses	−56.1	−51.5	−4.6	8.9	8.9
Operating EBITDA	**−36.6**	**−37.4**	**0.8**	**−2.1**	**−2.1**

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

In financial year 2019, BRENNTAG International Chemicals GmbH, the only operating company within all other segments, exceeded prior-year operating EBITDA by a clear margin.

The operating expenses posted by the holding companies in the same period were up on financial year 2018. This is due in part to additional personnel expenses and expenses arising from the implementation of strategic projects compared with the previous year. This also includes the expenses for our digitalization activity DigiB, which contributed to the increase. In contrast, the initial application of IFRS 16 had a small reducing effect on expenses.

The operating EBITDA of all other segments amounted to EUR −36.6 million overall in financial year 2019, an improvement of EUR 0.8 million on the previous year.

FORECAST/ACTUAL COMPARISON

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

In a macroeconomic environment that continued to be weaker than expected, the performance of our key indicator, operating EBITDA, remained below our expectations, which we had set at the beginning of financial year 2019. Our original planning for financial year 2019 envisaged growth in operating EBITDA of between 3% and 7%. This earnings forecast is inclusive of the contribution from the acquisitions closed, based on the IFRSs applied in 2018 and adjusted for foreign currency translation effects. Due to the difficult market environment that we faced in the EMEA and North America segments towards the end of the first half of the year in particular, we decided on July 16, 2019 to revise our growth forecast for operating EBITDA at Group level to between 0% and 4% for full-year 2019. In our second-quarter publication 2019, we therefore forecast an increase in operating EBITDA below the Group average for our EMEA segment. In the further course of the year, the macroeconomic environment in our EMEA segment showed the first signs of stabilizing at a low level, while at the same time the state of the economy in North America was constantly deteriorating. When publishing the financial results for the third quarter of 2019, we therefore forecast an increase in operating EBITDA at the lower end of the range. At year-end, the growth in operating EBITDA was slightly below 0%.

At the beginning of financial year 2019, 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 weak performance in our EMEA segment in the first quarter, our expectation for this segment at that time was for an increase in operating gross profit below the Group average. When publishing the second-quarter report, we forecast an increase in operating gross profit for the Brenntag Group above the level of growth in operating EBITDA. At year-end, the increase in operating gross profit was 3.4%.

Financial Position

CAPITAL STRUCTURE

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

The most important component in the financing structure of Brenntag AG is the Group-wide syndicated loan agreement. The syndicated loan totalling the equivalent of almost EUR 1.5 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 862.1 million as at December 31, 2019. In addition to fully drawn tranches, the loan agreement also contains a revolving credit facility totalling EUR 600.0 million, which was mostly unused as at December 31, 2019. 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 AG.

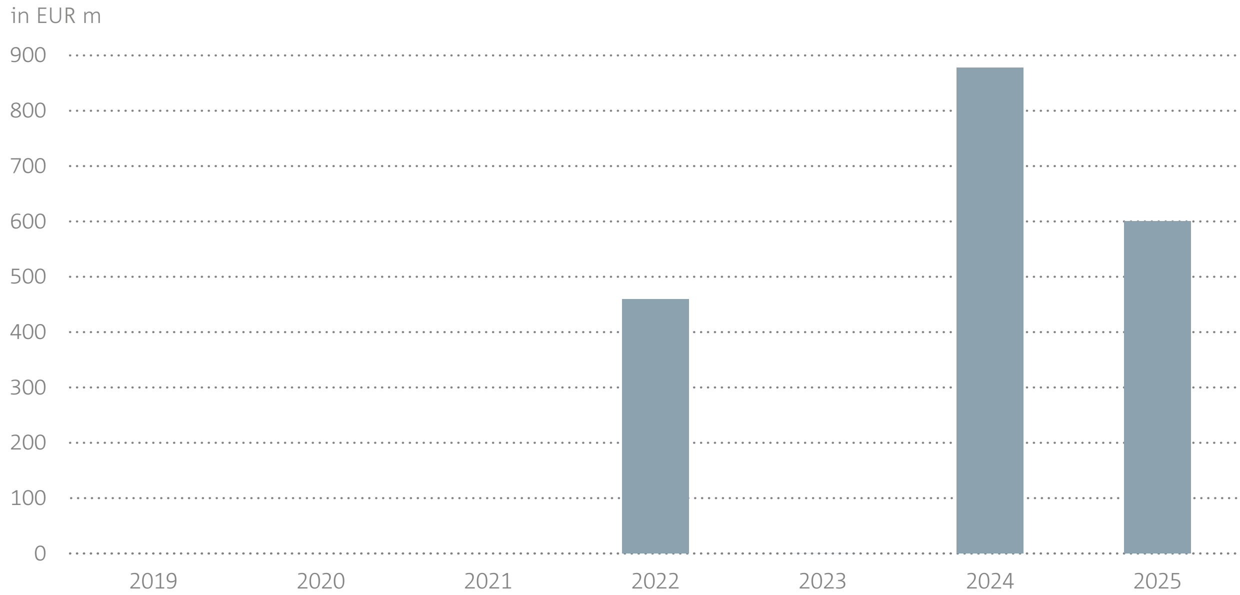
In September 2017, Brenntag Finance B.V. issued a EUR 600 million bond (Bond 2025) maturing in 2025 and bearing a coupon of 1.125% with interest paid annually. Furthermore, in November 2015, Brenntag Finance B.V. issued a bond with warrant units in the amount of USD 500.0 million maturing in December 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 AG shares. Each of the bonds issued by Brenntag Finance B.V. is guaranteed by Brenntag AG.

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, almost 50% 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 as well as dividends and acquisitions in the size of past practice are expected to be covered by the cash provided by operating activities so that no further loans are necessary for these purposes. To cover short-term liquidity requirements and for general corporate purposes, we mainly have the aforementioned revolving credit facility under the syndicated loan.

Maturity profile of our credit portfolio[1] as at December 31, 2019 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 2019, investments in property, plant and equipment and intangible assets (excluding additions from acquisitions) led to a total cash outflow of EUR 204.0 million (2018: EUR 178.4 million).

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

One notable example among a vast number of investments is a project in China entailing an investment volume of EUR 12.7 million in 2019. The project involves the construction of a warehouse in Cangzhou, Hebei, which will enable further growth in China and meet the latest safety standards and requirements. The project was initiated in financial year 2017.

To bolster competitiveness and increase growth, investments were also made to extend our site in Odessa, Texas, USA. The investments in 2019 totalling EUR 5.0 million mainly included the construction of a tank farm and the link to the rail network. The project was initiated in financial year 2018.

Investments in intangible assets of EUR 40.0 million relate mainly to digitalization and the expansion of our IT infrastructure in the segments EMEA and Latin America.

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	2019	2018
Net cash provided by operating activities	**879.3**	**375.3**
Net cash used in investing activities	**−372.2**	**−290.1**
of which payments to acquire consolidated subsidiaries, other business units and other financial assets	−195.4	−199.0
of which payments to acquire intangible assets and property, plant and equipment	−204.0	−178.4
of which proceeds from divestments	27.2	87.3
Net cash used in financing activities	**−383.4**	**−211.5**
of which dividends paid to Brenntag shareholders	−185.4	−170.0
of which repayments of/proceeds from borrowings	−196.5	−39.9
of which other financing activities	−1.5	−1.6
Change in cash and cash equivalents	**123.7**	**−126.3**

B.11 CASH FLOW

Net cash provided by operating activities of EUR 879.3 million was influenced mainly by the strong decline in working capital. In the previous year, working capital showed a clear increase.

Of the net cash of EUR 372.2 million used in investing activities, EUR 204.0 million comprised payments to acquire intangible assets and property, plant and equipment. Payments to acquire consolidated subsidiaries, other business units and other financial assets primarily included the purchase prices for the following acquisitions:

- 51% of the shares in Singapore-based TEE HAI CHEM PTE LTD,
- all shares in Quimisa S.A. based in Brusque, Brazil,
- the business operations of New England Resins & Pigments Corporation (NERP) headquartered in Woburn, Massachusetts, USA,
- the chemical distribution business of the Desbro Group in Kenya, Uganda and the United Arab Emirates,
- the remaining 50% of the shares in Crest Chemicals (Proprietary) Limited, Woodmead, South Africa,
- all shares in Glenalmond Holdings Limited headquartered in Glasgow, Scotland,
- the lubricants division of Reeder Distributors, Inc. in Fort Worth, Texas, USA.

Net cash used in financing activities amounted to EUR 383.4 million and was mainly the result of the EUR 185.4 million dividend payment to Brenntag shareholders. In addition, lease liabilities repaid accounted for an outflow of EUR 109.4 million and bank loans taken out and repaid for a net outflow of EUR 71.9 million.

Free cash flow

in EUR m	2019	2018	Change abs.	Change in %
Operating EBITDA	1,001.5	875.5	126.0	14.4
Investments in non-current assets (capex)	−205.2	−172.2	−33.0	19.2
Change in working capital	161.7	−178.1	339.8	−190.8
Principal and interest payments on lease liabilities [1]	−120.7	–	–	–
Free cash flow	**837.3**	**525.2**	**312.1**	**59.4**

B.12 FREE CASH FLOW

[1] On initial application of IFRS 16 at January 1, 2019, cash outflows for principal payments on lease liabilities and interest payments incurred in this context are deducted. In the prior-year figures, lease payments were still included in operating EBITDA through rental and lease expenses.

The Brenntag Group's free cash flow amounted to EUR 837.3 million in financial year 2019, a significant increase on the previous year (EUR 525.2 million).

The initial application of IFRS 16 was taken into account in determining free cash flow. The strong growth is due mainly to an inflow of working capital as a result of lower chemical prices. In the prior-year period, working capital showed a clear rise.

Financial and Assets Position

	Dec. 31, 2019		Dec. 31, 2018	
in EUR m	abs.	in %	abs.	in %
Assets				
Current assets	**3,790.9**	**44.3**	**3,664.1**	**47.6**
Cash and cash equivalents	520.3	6.1	393.8	5.1
Trade receivables	1,820.3	21.3	1,843.0	24.0
Other receivables and assets	273.8	3.2	231.5	3.0
Inventories	1,176.5	13.7	1,195.8	15.5
Non-current assets	**4,773.3**	**55.7**	**4,030.4**	**52.4**
Intangible assets	3,084.0	35.9	2,902.9	37.7
Other non-current assets	1,580.5	18.5	1,045.3	13.6
Receivables and other assets	108.8	1.3	82.2	1.1
Total assets	**8,564.2**	**100.0**	**7,694.5**	**100.0**
Liabilities and equity				
Current liabilities	**2,082.2**	**24.3**	**1,993.6**	**25.9**
Provisions	102.3	1.2	95.2	1.2
Trade payables	1,229.1	14.3	1,231.8	16.0
Financial liabilities	324.7	3.8	256.1	3.3
Miscellaneous liabilities	426.1	5.0	410.5	5.4
Equity and non-current liabilities	**6,482.0**	**75.7**	**5,700.9**	**74.1**
Equity	3,579.0	41.8	3,301.2	42.9
Non-current liabilities	2,903.0	33.9	2,399.7	31.2
Provisions	310.2	3.6	272.7	3.5
Financial liabilities	2,256.1	26.4	1,899.6	24.7
Miscellaneous liabilities	336.7	3.9	227.4	3.0
Total liabilities and equity	**8,564.2**	**100.0**	**7,694.5**	**100.0**

B.13 FINANCIAL AND ASSETS POSITION

As at December 31, 2019, total assets had increased by EUR 869.7 million compared with the end of the previous year to EUR 8,564.2 million (Dec. 31, 2018: EUR 7,694.5 million).

Cash and cash equivalents rose by 32.1% compared with the 2018 year-end figure to EUR 520.3 million (Dec. 31, 2018: EUR 393.8 million). The main items set against the net cash inflow from operating activities were the dividend payment by Brenntag AG in the amount of EUR 185.4 million and the net cash outflows from investing activities and repayments of borrowings.

The three components of working capital changed as follows in the reporting period:

- Trade receivables decreased by 1.2% in the reporting period to EUR 1,820.3 million (Dec. 31, 2018: EUR 1,843.0 million).
- Inventories decreased by 1.6% in the reporting period to EUR 1,176.5 million (Dec. 31, 2018: EUR 1,195.8 million).
- With the opposite effect on working capital, trade payables decreased by 0.2% to EUR 1,229.1 million (Dec. 31, 2018: EUR 1,231.8 million).

Adjusted for exchange rate effects and acquisitions, working capital fell by a total of EUR 161.7 million compared with December 31, 2018. This fall is attributable to lower chemical prices. At 7.0 in the reporting period, annualized working capital turnover [1] was lower than at the end of 2018 (7.3).

The Brenntag Group's intangible and other non-current assets increased by EUR 716.3 million compared with the end of the previous year to EUR 4,664.5 million (Dec. 31, 2018: EUR 3,948.2 million). The increase is mainly attributable to the fact that, due to the initial application of IFRS 16, leases are generally required to be recognized in the balance sheet in the form of a right-of-use asset. Acquisitions (EUR 253.3 million), investments in non-current assets (EUR 205.2 million) and exchange rate effects (EUR 79.4 million) also contributed to the rise. This was partly offset by depreciation and amortization (EUR 291.6 million).

Current financial liabilities increased by EUR 68.6 million to EUR 324.7 million in total (Dec. 31, 2018: EUR 256.1 million). Non-current financial liabilities rose by 18.8% compared with the end of the previous year to EUR 2,256.1 million (Dec. 31, 2018: EUR 1,899.6 million). The increase in current and non-current financial liabilities is due to the initial application of IFRS 16, under which a corresponding lease liability is required to be recognized in the balance sheet for a right-of-use asset.

Current and non-current provisions amounted to a total of EUR 412.5 million (Dec. 31, 2018: EUR 367.9 million) and included pension provisions in the amount of EUR 189.1 million (Dec. 31, 2018: EUR 153.0 million). This rise is due to the change in the discount rates applied.

[1] 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.

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Results of Operations and Financial Position of Brenntag AG

in EUR m	2019	2018
Sales	38.7	21.3
Other own work capitalized	1.8	–
Other operating income	52.4	64.5
Cost of materials	–17.4	–13.3
Personnel expenses	–35.8	–29.5
Amortization of intangible assets and depreciation of property, plant and equipment	–2.3	–2.4
Other operating expenses	–73.3	–78.1
Net finance income	260.5	242.8
Profit before tax	**224.6**	**205.3**
Taxes on income	–10.6	–15.8
Net income for the financial year	**214.0**	**189.5**
Appropriation to retained earnings	–20.9	–4.1
Distributable profit	**193.1**	**185.4**

B.14 BRENNTAG AG / 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 mainly relates to derivatives, exchange rate gains and intercompany cost allocations.

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

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

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 257.5 million (2018: EUR 235.2 million). Net interest income in the amount of EUR 3.0 million (2018: EUR 7.6 million) was driven mainly by intra-Group financing activities.

Taxes on income in the amount of EUR 10.6 million (2018: EUR 15.8 million) relate to 2019 and prior years. In the reporting period, current income tax expenses account for EUR 13.4 million and deferred tax income for EUR 2.8 million. As at December 31, 2019, temporary differences give rise to a future tax liability of EUR 0.1 million, as deferred tax liabilities exceed deferred tax assets.

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

in EUR m	Dec. 31, 2019	Dec. 31, 2018
Fixed assets	2,536.7	2,519.1
Current assets including prepaid expenses	1,151.9	1,075.9
Total assets	**3,688.6**	**3,595.0**
Equity	2,704.2	2,675.6
Provisions	60.9	47.6
Liabilities	923.4	868.9
Deferred tax liabilities	0.1	2.9
Total equity and liabilities	**3,688.6**	**3,595.0**

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

The fixed assets of Brenntag AG in the amount of EUR 2,536.7 million (Dec. 31, 2018: EUR 2,519.1 million) almost exclusively comprise shares in affiliated companies.

The equity of Brenntag AG increased by EUR 28.6 million to EUR 2,704.2 million in 2019. This rise resulted from the net income for the financial year of EUR 214.0 million achieved in 2019 minus the dividend of EUR 185.4 million paid for financial year 2018.

The subscribed capital amounts to EUR 154.5 million in total (Dec. 31, 2018: EUR 154.5 million) and, as in the previous year, is divided into 154,500,000 no-par value registered shares.

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

Appropriation of Distributable Profit of Brenntag AG

The net income of Brenntag AG as at December 31, 2019 was EUR 214,028,884.55. After allowing for the transfer of EUR 20,903,884.55 to retained earnings, the distributable profit is EUR 193,125,000.00.

At the General Shareholders' Meeting on June 10, 2020, the Board of Management and the Supervisory Board will propose that the distributable profit of Brenntag AG amounting to EUR 193,125,000.00 be used to pay a dividend of EUR 1.25 per no-par value share entitled to a dividend; that is a total of EUR 193,125,000.00.

REMUNERATION REPORT

Board of Management Remuneration System

The Supervisory Board is responsible for setting the remuneration of the Board of Management members. The Presiding and Nomination Committee of the Supervisory Board discusses and reviews the remuneration system for the Board of Management at regular intervals and prepares resolutions on any changes thereto. 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 AG, 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 system is designed to be clear and comprehensible and support the Group's long-term performance. The aim of the remuneration system is to create an incentive for successful and sustainable corporate development. The system is 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.

The remuneration system described applies to the Board of Management members serving in 2019. The remuneration principles for the serving CEO as of January 1, 2020, Dr Christian Kohlpaintner, are outlined separately below.

REMUNERATION COMPONENTS

The total remuneration of the Board of Management 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, the members of the Board of Management receive pension benefits, contractually agreed benefits in kind and other benefits.

Annual Base Salary and short-term variable remuneration
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. 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.

Benefits in kind and other benefits
In addition to the above-mentioned remuneration components, the Board of Management members receive benefits in kind and other benefits such as a company car, also for private use, or a car allowance and benefits for 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. Furthermore, Brenntag AG has taken out group accident insurance. In addition, the company has taken out Directors & Officers Insurance (damage liability insurance) for the Board of Management members. In accordance with the provisions of the German Act on Appropriateness of Management Board Compensation (VorstAG), a deductible of 10% of the damages claimed in each case, but in each year limited to 150% of the

Annual Base Salary, is applied. For his services as CEO and President of Brenntag 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 Amount of the Long Term Incentive Bonus are also retained.

Long-term variable remuneration

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

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

50% of the External LTI Portion is measured by the absolute development of the total shareholder return for the Brenntag AG shares during the vesting period (Absolute External LTI Portion), while the other 50% of the External LTI Portion is linked to the relative development of the total shareholder return for the Brenntag AG shares compared with the development of the MDAX during the vesting period (Relative External LTI Portion). For every percentage point by which the average share price on the last trade day of the vesting period exceeds or falls short of the average share price on the last trade day before the vesting period, the Absolute External LTI Portion is increased or decreased by 2%. For every percentage point by which the MDAX is over- or underperformed in the vesting period, the Relative External LTI Portion is increased or decreased by 3%. The overall External LTI Portion at the end of the relevant vesting period equals the sum of the Absolute External LTI Portion and Relative External LTI Portion. The Absolute and Relative External LTI Portions may not be less than EUR 0. The External LTI Portion is capped overall at 200% of the contractually set Target Amount for the External LTI Portion.

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

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

Pension entitlements

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

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

Steven Holland is paid out the amount to which he is entitled for the purpose of building up retirement benefits at his discretion. In the cases of Karsten Beckmann and Georg Müller, the relevant amount is transferred annually into the Deferred Compensation Contingency Plan of Brenntag AG. This plan also contains an arrangement for a widows and orphans pension which would amount to 60% and 20% respectively of the full pension entitlements. The reinsurance policies taken out with the Board of Management members as beneficiaries are pledged to them. Markus Klähn uses this amount in the USA for payments up to the maximum amounts possible into the local defined contribution plans "Profit Sharing Plan" and "Pension Plan". The remainder is paid out to Markus Klähn for building up further private pension plans. Henri Nejade has the option either to use this amount in whole or in part for contributions to his French social insurance or to also pay it annually into the Deferred Compensation Contingency Plan of Brenntag AG.

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

in EUR k		Steven Holland	Karsten Beckmann
Term of service agreement		(until Dec. 31, 2019)	(until Jun. 30, 2023)
Annual base salary	**2019**	**1,000**	**525**
	2018	1,000	488
Company pension (defined contribution plan)	**2019**	**257**	**–**
	2018	257	–
Benefits in kind / other benefits	**2019**	**65**	**17**
	2018	63	23
Total non-performance-based remuneration	**2019**	**1,322**	**542**
	2018	1,320	511
Short-term variable remuneration [1]	**2019**	**607**	**310**
	2018	906	399
Long-term variable remuneration [2]	**2019**	**1,127**	**570**
	2018	1,064	488
Total performance-based remuneration	**2019**	**1,734**	**880**
	2018	1,970	887
Benefits from third parties	**2019**	**329** [3]	**–**
	2018	–	–
Total remuneration in accordance with the German Commercial Code (HGB)	**2019**	**3,385**	**1,422**
	2018	3,290	1,398

[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 (relating to 2012) 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. Steven Holland's resulting claim became concrete with the 2020 tax assessment.

Markus Klähn	Georg Müller	Henri Nejade	Total
(until Jun. 30, 2021)	(until Mar. 31, 2022)	(until Jun. 30, 2023)	
525	**650**	**525**	**3,225**
488	650	488	3,114
135	**–**	**–**	**392**
113	–	–	370
35	**17**	**443**	**577**
36	17	391	530
695	**667**	**968**	**4,194**
637	667	879	4,014
300	**371**	**476**	**2,064**
479	554	452	2,790
570	**759**	**570**	**3,596**
479	710	488	3,229
870	**1,130**	**1,046**	**5,660**
958	1,264	940	6,019
–	**–**	**–**	**329**
–	–	–	–
1,565	**1,797**	**2,014**	**10,183**
1,595	1,931	1,819	10,033

B.16 TOTAL REMUNERATION OF THE BOARD OF MANAGEMENT IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

in EUR k		Steven Holland	Karsten Beckmann
Cost of pension commitments	**2019**	**–**	**519**
	2018	–	427
Present value of pension commitments in accordance with HGB	**2019**	**–**	**2,604** [1]
	2018	–	2,084 [1]

[1] Of which EUR 312k self-financed by Georg Müller under a deferred compensation plan (2018: EUR 312k) and EUR 59k self-financed by Karsten Beckmann under a deferred compensation plan (2018: EUR 59k).

In addition, in accordance with an agreement with the Supervisory Board of Brenntag AG, Steven Holland, who stepped down from the Board of Management on December 31, 2019, will receive in financial year 2020 the pro rata annual remuneration to which he was entitled until the end of his employment on February 29, 2020 in the amount of EUR 564k.

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

in EUR k		Steven Holland	Karsten Beckmann
Total non-performance-based remuneration	**2019**	**1,322**	**542**
	2018	1,320	511
Short-term variable remuneration [1]	**2019**	**607**	**310**
	2018	906	399
Long-term variable remuneration (share-based remuneration earned in current year)	**2019**	**2,132**	**465**
	2018	950	183
Current service cost for pension entitlements earned in the current year (defined benefit plans)	**2019**	**–**	**295**
	2018	–	284
Benefits from third parties	**2019**	**329** [2]	**–**
	2018	–	–
Board of Management remuneration in accordance with IFRSs	**2019**	**4,390**	**1,612**
	2018	3,176	1,377
Present value of pension commitments in accordance with IFRSs	**2019**	**–**	**3,673** [3]
	2018	–	2,679 [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 (relating to 2012) 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. 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 (2018: EUR 366k) and EUR 102k self-financed by Karsten Beckmann under a deferred compensation plan (2018: EUR 102k).

Markus Klähn	Georg Müller	Henri Nejade	Total
–	**767**	**326**	**1,612**
–	667	260	1,354
–	**3,877 1)**	**1,008**	**7,489**
–	3,110 1)	682	5,876

B.17 PENSION COMMITMENTS (DEFINED BENEFIT PLANS) IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

Markus Klähn	Georg Müller	Henri Nejade	Total
695	**667**	**968**	**4,194**
637	667	879	4,014
300	**371**	**476**	**2,064**
479	554	452	2,790
509	**658**	**465**	**4,229**
204	563	183	2,083
–	**383**	**271**	**949**
–	403	260	947
–	**–**	**–**	**329**
–	–	–	–
1,504	**2,079**	**2,180**	**11,765**
1,320	2,187	1,774	9,834
–	**5,751 3)**	**1,460**	**10,884**
–	4,134 3)	893	7,706

B.18 BOARD OF MANAGEMENT REMUNERATION IN ACCORDANCE WITH IFRSS

COMPENSATION CAP IN THE EVENT OF PREMATURE TERMINATION OF EMPLOYMENT

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

CHANGE-OF-CONTROL ARRANGEMENTS

There are no separate change-of-control arrangements.

POST-CONTRACTUAL NON-COMPETITION CLAUSE

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

LOANS

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

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

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

BENEFITS GRANTED

	Steven Holland Chief Executive Officer				Karsten Beckmann Member of the Board of Management			
in EUR k	**2018**	**2019**	**2019 (Min)**	**2019 (Max)**	**2018**	**2019**	**2019 (Min)**	**2019 (Max)**
Fixed remuneration	1,000	1,000	1,000	1,000	488	525	525	525
Fringe benefits	320	651 [1]	651	651	23	17	17	17
Total	**1,320**	**1,651**	**1,651**	**1,651**	**511**	**542**	**542**	**542**
One-year variable remuneration	900	900	–	1,800	450	500	–	1,000
Multi-year variable remuneration								
LTI Bonus 2019 – 2021	–	1,200	–	2,400	–	600	–	1,200
LTI Bonus 2018 – 2020	1,200	–	–	–	550	–	–	–
Total	**2,100**	**2,100**	**–**	**4,200**	**1,000**	**1,100**	**–**	**2,200**
Service cost	–	–	–	–	284	295	295	295
Total remuneration	**3,420**	**3,751**	**1,651**	**5,851**	**1,795**	**1,937**	**837**	**3,037**

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

Amounts are generally recognized as having been granted – within the meaning of the German Corporate Governance Code – in the financial year in which the underlying activity for this remuneration was performed. This is subject to the proviso that a commitment to pay remuneration must have been given at the time the remuneration report was prepared. In addition, it must be possible to establish a reliable estimate of the amount of this remuneration. The year in which fixed remuneration and fringe benefits are granted is generally also the year in which they are recognized as an expense. 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. However, as a new plan is granted every year, in each case with a vesting period of three years, the total Target Amount allocated per year in the case of 100% target achievement or the fair value at the date of grant is recognized as having been granted and not the portion (1/3) calculated as attributable to the reporting year.

Fixed remuneration and fringe benefits are recognized as having been allocated – within the meaning of the German Corporate Governance Code – in the financial year in which the underlying activity has been performed, if the value of the final payment has already been determined. For fixed remuneration and fringe benefits, the date on which this allocation is recognized is generally the date on which it is recognized as an expense. 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.

Markus Klähn Member of the Board of Management				Georg Müller Chief Financial Officer				Henri Nejade Member of the Board of Management			
2018	**2019**	**2019 (Min)**	**2019 (Max)**	**2018**	**2019**	**2019 (Min)**	**2019 (Max)**	**2018**	**2019**	**2019 (Min)**	**2019 (Max)**
488	525	525	525	650	650	650	650	488	525	525	525
149	170	170	170	17	17	17	17	391	443	443	443
637	**695**	**695**	**695**	**667**	**667**	**667**	**667**	**879**	**968**	**968**	**968**
440	500	–	1,000	550	550	–	1,100	450	500	–	1,000
–	600	–	1,200	–	800	–	1,600	–	600	–	1,200
533	–	–	–	800	–	–	–	550	–	–	–
973	**1,100**	**–**	**2,200**	**1,350**	**1,350**	**–**	**2,700**	**1,000**	**1,100**	**–**	**2,200**
–	–	–	–	403	383	383	383	260	271	271	271
1,610	**1,795**	**695**	**2,895**	**2,420**	**2,400**	**1,050**	**3,750**	**2,139**	**2,339**	**1,239**	**3,439**

B.19 BOARD OF MANAGEMENT BENEFITS GRANTED

ALLOCATION	Steven Holland Chief Executive Officer		Karsten Beckmann Member of the Board of Management	
in EUR k	**2019**	**2018**	**2019**	**2018**
Fixed remuneration	1,000	1,000	525	488
Fringe benefits	651 [1]	320	17	23
Total	**1,651**	**1,320**	**542**	**511**
One-year variable remuneration[1]	883	783	403	347
Multi-year variable remuneration				
Virtual Share Plan 2013 – 2017	–	296	–	–
Virtual Share Plan 2014 – 2018	219	–	–	–
LTI Bonus 2015 – 2017	–	741	–	222
LTI Bonus 2016 – 2018	655	–	328	–
Other	–	–	–	–
Total	**1,757**	**1,820**	**731**	**569**
Service cost	–	–	295	284
Total remuneration	**3,408**	**3,140**	**1,568**	**1,364**

[1] Including benefits from third parties under a tax equalization agreement.
[2] 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 2019 (2018) are the amounts for 2018 (2017) paid out in 2019 (2018).

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, 2019 there was a provision in the amount of EUR 533k (Dec. 31, 2018: EUR 30k) for pension obligations to former members of the Board of Management and their surviving dependants; in accordance with IFRSs, the provision amounted to EUR 2,865k (Dec. 31, 2018: EUR 1,506k). In 2019, the cost of pension commitments (defined benefit plans) under the German Commercial Code (HGB) amounted to EUR 706k (2018: EUR 93k). In accordance with IFRSs and as in 2018, no current service cost for pension entitlements earned in the current year was incurred.

Principles of the Remuneration for the CEO as from January 1, 2020

The Supervisory Board of Brenntag AG appointed Dr Christian Kohlpaintner as the new Chief Executive Officer (CEO) with effect from January 1, 2020. As far as possible, the service agreement and thus the remuneration system for Dr Christian Kohlpaintner were drawn up taking into account the anticipated new statutory regulations of the Act Implementing the Second Shareholders' Rights Directive (ARUG II) and the new version of the German Corporate Governance Code (DCGK). The service agreement with Dr Christian Kohlpaintner was signed before the final regulations of ARUG II and the recommendations of the new DCGK were known.

The remuneration system that applies to Dr Christian Kohlpaintner in 2020 differs from the remuneration system applicable to Georg Müller, Karsten Beckmann, Markus Klähn and Henri Nejade. The Supervisory Board is seeking to standardize the remuneration systems for all members of the Board of Management. The final provisions of ARUG II and the recommendations of the new DCGK are to be taken into account in this context.

The service agreement and remuneration arrangements for Dr Christian Kohlpaintner from January 1, 2020 are presented below.

REMUNERATION STRUCTURE

The remuneration of the CEO, Dr Christian Kohlpaintner, comprises fixed remuneration and variable remuneration. The fixed

Markus Klähn Member of the Board of Management		Georg Müller Chief Financial Officer		Henri Nejade Member of the Board of Management	
2019	**2018**	**2019**	**2018**	**2019**	**2018**
525	488	650	650	525	488
170	149	17	17	443	391
695	**637**	**667**	**667**	**968**	**879**
450	377	539	472	444	372
–	–	–	197	–	–
–	–	229	–	–	–
–	207	–	401	–	222
322	–	393	–	328	–
–	–	–	–	–	–
772	**584**	**1,161**	**1,070**	**772**	**594**
–	–	383	403	271	260
1,467	**1,221**	**2,211**	**2,140**	**2,011**	**1,733**

B.20 BOARD OF MANAGEMENT ALLOCATION

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.

Fixed remuneration accounts for 39%, short-term variable remuneration components for 26% and long-term variable remuneration components for 35% of the total target remuneration.

Long-term variable remuneration 35%

+

Short-term variable remuneration 26%

+

Fixed remuneration 39%	Benefits in kind 1%
	Pension benefits 9%
	Annual Base Salary 29%

=

Total target remuneration

B.21 REMUNERATION STRUCTURE – CEO

In addition to the above-mentioned remuneration components, Dr Christian Kohlpaintner receives benefits in kind under his service agreement. Furthermore, he is obliged to acquire shares during his period of service and to hold them for two years after the end of his period of service.

ANNUAL BASE SALARY

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 shall be payable on a pro rata temporis basis. Dr Christian Kohlpaintner's Annual Base Salary amounts to EUR 1,000,000.

VARIABLE REMUNERATION

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 AG. The Annual Bonus shall provide 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 shall provide an incentive for the long-term performance of the company.

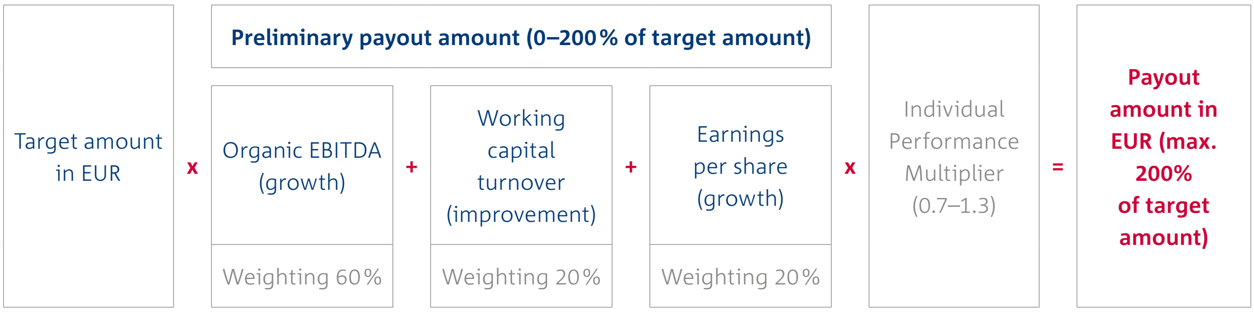
ANNUAL BONUS

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

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

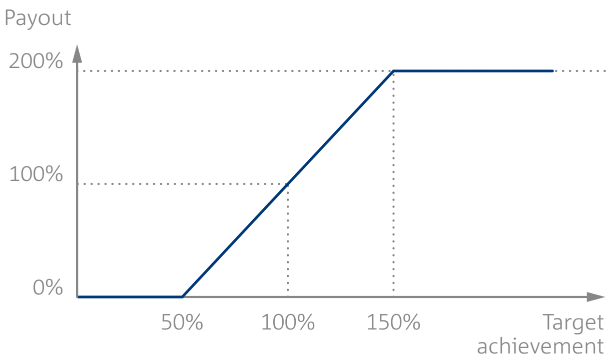
in each case at Group level, as well as an Individual Performance Multiplier to take into account Dr Christian Kohlpaintner's performance.

The Supervisory Board has set three key performance indicators, organic EBITDA, working capital turnover and earnings per share, as the financial targets of the CEO. 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.22 STRUCTURE OF THE ANNUAL BONUS – CEO

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 the overall target achievement is 100%, the preliminary payout amount is 100% of the Target Annual Bonus. If the overall target achievement is 50% or less, Dr Christian Kohlpaintner receives 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 increases linearly for overall target achievement percentages between 50% and 150%.



B.23 ANNUAL BONUS PAYOUT CURVE – CEO

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 shall take 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.

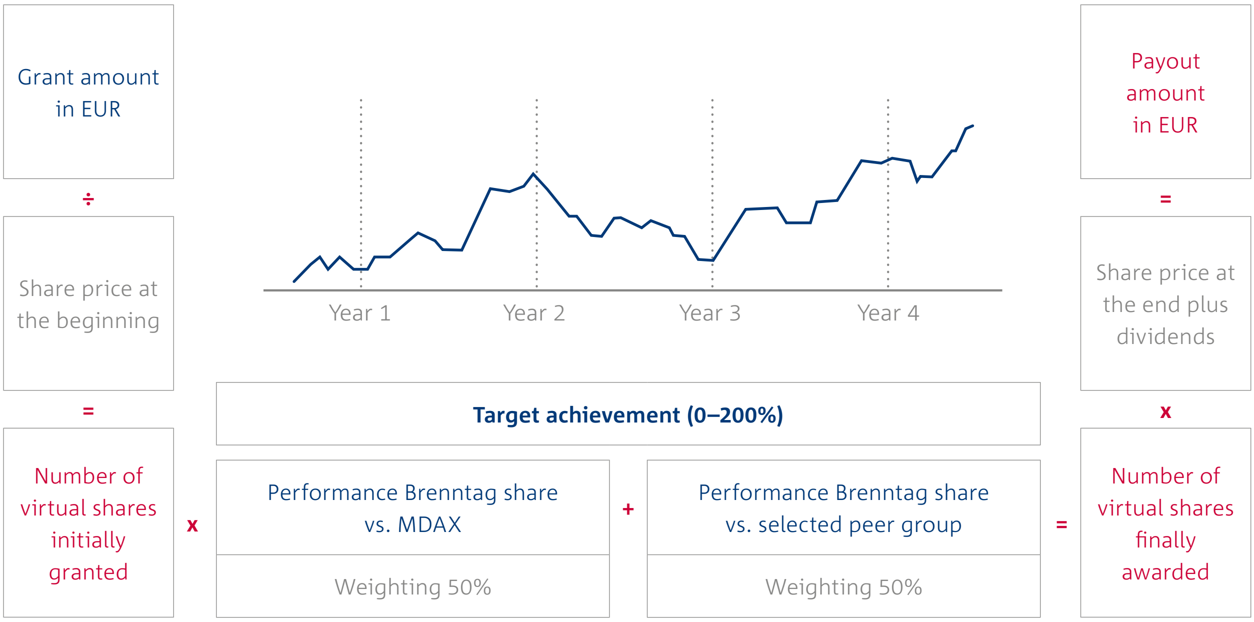
The Annual Bonus shall be paid out within three months from approval of the consolidated annual financial statements by the Supervisory Board, but at the latest twelve months after the end of the financial year for which the Annual Bonus has been determined.

The target amount of Dr Christian Kohlpaintner’s Annual Bonus is EUR 900,000. Therefore, the maximum payout possible is EUR 1,800,000.

PERFORMANCE SHARE PLAN

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 shall be calculated on a pro rata basis.



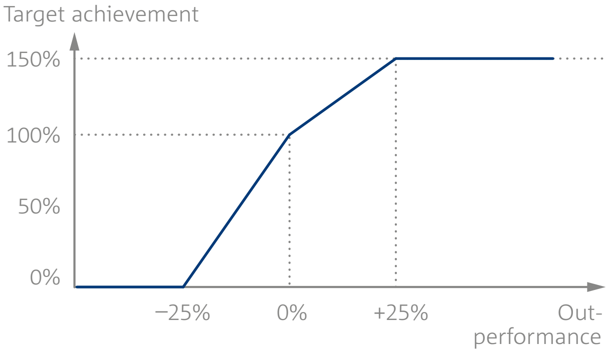
B.24 STRUCTURE OF THE PERFORMANCE SHARE PLAN – CEO

The number of virtual shares that Dr Christian Kohlpaintner 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 selectively compiled 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 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.



B.25 TARGET ACHIEVEMENT CURVE OF THE PERFORMANCE SHARE PLAN – CEO

The number of virtual shares that Dr Christian Kohlpaintner 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 shall be paid out within three months from approval of the consolidated annual 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 annual target grant amount for Dr Christian Kohlpaintner amounts to EUR 1,200,000. Therefore, the maximum payout possible is EUR 2,400,000.

RIGHT TO RETAIN AND RECLAIM VARIABLE REMUNERATION

All variable remuneration components of the CEO 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 the CEO 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 he 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 Dr Christian Kohlpaintner's service compared with the EBITDA for which the variable remuneration was paid. A reclaim of variable remuneration shall be possible up to an amount of 25% of the overall remuneration for the respective financial year.

CONTRIBUTION TO PENSION

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.

BENEFITS IN KIND AND OTHER BENEFITS

Benefits in kind granted to Dr Christian Kohlpaintner comprise a car allowance, an accident insurance as well as 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 he pays into his health care and long-term care insurance.

Instead of a company car Dr Christian Kohlpaintner receives a car allowance in the amount of EUR 2,500 per month for the use of his private car for work purposes. This car allowance shall cover all costs for the use of the private vehicle (except fuel used for company business). The car allowance is payable at the end of each month.

In addition, the company has taken out Directors & Officers Insurance (damage liability insurance) for Dr Christian Kohlpaintner. 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.

In the event of Dr Christian Kohlpaintner's temporary disability due to illness, accident, or any other cause not due to his fault, he shall be entitled to continued payment of his Annual Base Salary for an uninterrupted period of max. nine months or until the end of his service agreement, whichever event occurs first. For the first three months of such incapacity, he shall also retain his full claims to the Annual Bonus and the target grant amount of the long-term variable remuneration.

In the event of Dr Christian Kohlpaintner's death, the Base Salary will be 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.

OVERALL REMUNERATION CAP

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 selected 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 resulting remuneration, comprising the sum of Annual Base Salary, maximum Annual Bonus remuneration, maximum Performance Share Plan remuneration and the amount made available to build up pension entitlements, is limited to EUR 5,500,000. The maximum total remuneration, i.e. the remuneration described above plus benefits in kind, has been set at EUR 5,650,000 for Dr Christian Kohlpaintner. 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.

OBLIGATION TO ACQUIRE AND HOLD SHARES

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 to acquire and hold Brenntag shares (Share Ownership Guideline) was introduced for the first time for Dr Christian Kohlpaintner. The CEO is obliged to acquire and continue to hold shares to the value of 200% of his Annual Base Salary for two years after the end of his service. He 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.

CONTRACT TERMINATION PROVISIONS

The service agreement with Dr Christian Kohlpaintner ends automatically on December 31, 2022 without any notice of termination being required. If his employment is terminated prematurely, his service agreement limits any severance pay to the value of twice the sum of the Annual Base Salary, Annual Bonus, long-term variable remuneration and the annual amount made available for building up pension entitlements, 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. 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 receives a continuous payment amounting to 75% of the Annual Base Salary. Any earnings pursuant to Section 74c of the German Commercial Code (HGB) are deducted from this payment.

There are no separate change-of-control arrangements.

FURTHER CONTRACTUAL PROVISIONS RELATING TO REMUNERATION

The Supervisory Board is entitled to unilaterally adjust or change the plan terms and conditions of the Annual Bonus and the Performance Share Plan at any time or to terminate the relevant plan.

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.

Remuneration of the Supervisory Board

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

The members of the Supervisory Board each receive annual fixed remuneration in the amount of EUR 120k in addition to reimbursement of their expenses. The Chairman of the Supervisory Board receives a base remuneration of EUR 210k and the deputy chairman EUR 150k. The Chairman of the Audit Committee receives an additional EUR 85k per year and every other member of the Audit Committee an additional EUR 25k per year. The Chairman of the Presiding and Nomination Committee receives an additional EUR 15k and every other member of the Presiding and Nomination Committee an additional EUR 10k per year.

The following table shows the amounts due to the individual Supervisory Board members in 2019:

in EUR k		Fixed remuneration	Office bonuses	Total
Stefan Zuschke (Chairman)	**2019**	**210**	**15**	**225**
	2018	210	15	225
Dr Andreas Rittstieg (Deputy Chairman)	**2019**	**150**	**10**	**160**
	2018	150	10	160
Stefanie Berlinger	**2019**	**120**	**25**	**145**
	2018	120	25	145
Wijnand P. Donkers	**2019**	**120**	**10**	**130**
	2018	120	10	130
Ulrich M. Harnacke	**2019**	**120**	**85**	**205**
	2018	120	85	205
Doreen Nowotne	**2019**	**120**	**25**	**145**
	2018	120	25	145
Total remuneration	**2019**	**840**	**170**	**1,010**
	2018	840	170	1,010

B.26 TOTAL REMUNERATION OF THE SUPERVISORY BOARD

Furthermore, Directors & Officers insurance (damage liability insurance) has been taken out for the members of the Supervisory Board with a deductible of 150% of the relevant Supervisory Board member's remuneration. Beyond this, Supervisory Board members received no further remuneration or benefits for personal services rendered, in particular advisory and mediatory services, in the reporting year. In the reporting year, no loans or advance payments were granted to members of the Supervisory Board, nor were any guarantees or other commitments entered into in their favour.

EMPLOYEES

As at December 31, 2019, Brenntag had 17,492 employees worldwide, 90% of whom work outside Germany. The total number of employees is determined on the basis of headcount, i.e. part-time employees are fully included. The increase in the total number of people employed in the Brenntag Group by 876, or 5.3%, compared with the previous year is due primarily to the acquisitions made in 2019. Employee turnover in 2019 was 7.6% worldwide (2018: 8.5%).

	Dec. 31, 2019		Dec. 31, 2018	
Headcount	abs.	in %	abs.	in %
EMEA	7,524	43.0	7,162	43.1
North America	5,257	30.0	5,174	31.1
Latin America	1,934	11.1	1,610	9.7
Asia Pacific	2,572	14.7	2,486	15.0
All other segments	205	1.2	184	1.1
Brenntag Group	**17,492**	**100.0**	**16,616**	**100.0**

B.27 EMPLOYEES PER SEGMENT

Recruiting and Retaining Suitable Talent

Brenntag's aim is to be regarded worldwide as the preferred employer in chemical distribution – both for current and for potential 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.

Brenntag makes every effort to find the right talent to fill vacancies within the Group and retain those who have already been at Brenntag for some time. In the reporting period, we therefore launched Explore Variety, our new global employer brand. Explore Variety is another way for us to position ourselves as a global employer of choice over the long term and establish a consistent, attractive and modern employer brand in all markets. Our employees, our strength as market leader, safety and variety are the cornerstones of Brenntag's identity as an employer.

Together with the new global employer brand, we also established a worldwide recruitment platform and internal job board, where vacancies at Brenntag – in all countries and all areas of business – can for the first time be found in one place. In addition, we have a range of globally uniform programmes and measures covering feedback dialogues, human resources (HR) development, succession planning and the identification and development of potential. We use a global HR management system in order to execute and manage our internationally uniform HR processes optimally and efficiently.

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 number of different training courses and programmes at global, regional and local level, we focus on promoting 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 officers proactively develop strategic succession scenarios, apply a structured approach to identifying employees for vertical and horizontal career moves, and derive appropriate development options and requirements. Our global standard process is continuously being extended to key positions at other levels.

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. In addition to the global talent development programme recently introduced in all regions within our organization for high-potential employees at the start of their career, we also implemented further global development programmes for other management levels.

For example, our global programme for experienced high-potential employees was launched successfully in the reporting period and will take place annually going forward. We also set up another executive development programme tailored to the requirements on our most senior level of management and developed in cooperation with a renowned business school. The modular programme will start for the first time in spring 2020.

Diversity, Equality of Opportunity and Inclusion

The breadth of heterogeneous skills and experience is a key building block in our company's success. Brenntag operates a global network spanning more than 640 locations in 77 countries. With a headcount nearing 17,500 employees, we work with colleagues of almost 100 different nationalities from a diverse range of backgrounds. This creates social and cultural diversity, which we use constructively. Worldwide, we have the opportunity to work in heterogeneous teams composed in line with various criteria, while considering the experience and needs of different generations.

Integrity and responsibility are two of our core values and we are fully committed to our ethical principles and values. 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. For Brenntag, it is of the utmost importance that neither employees nor business partners and third parties suffer any discrimination on the grounds of origin, gender, marital or civil status, age, religion or belief, skin colour, physical and mental abilities or sexual orientation. This is stipulated in our Code of Business Conduct and Ethics.

In addition to our compliance organization, we established a committee for diversity and inclusion at the beginning of the reporting period, the aim being to firmly ingrain diversity, equality of opportunity and inclusion not only 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.

Remuneration and Pension Plans

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

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

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

Training courses for our employees are of central importance for safety at work. This begins with an introduction course for new employees and continues with instructions in special work procedures and the use of equipment. The training prescribed by law and all 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.

In 2015, Brenntag launched the "BEST" (Brenntag Enhanced Safety Thinking) initiative with the aim of constantly improving the safety culture throughout the Brenntag Group. Core elements included developing a standard on safe conduct as well as a Group-wide employee survey based on that standard. This survey was conducted for the second time at the end of 2018. The findings of the survey are incorporated into the relevant action plans for subsequent years.

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. The total number of reported accidents involving injuries remained almost unchanged in 2019, but compared with previous years, an unusually large proportion of those injuries led to employees taking days off work. As a result, the LTIR (1 day / 1 million) [2)] also rose, from 1.5 in 2018 to 1.9 in 2019.

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. 115 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, 2019, 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 2019 will appear in April 2020.

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

REPORT ON EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS

Report on Expected Developments

Oxford Economics forecasts that the global economy, measured in terms of industrial production (IP), will develop only at a moderate pace in 2020. The outlook has continued to soften in recent months due to the greater uncertainty over the future course of international trade relations and might be corrected further downwards based on the economic impact of the coronavirus. Weighted by the sales generated by Brenntag in the individual countries, this results in a forecast average real IP growth rate of 1.0% in 2020.

Due to projects initiated with the aim of analyzing the current strategy and in light of the new Board of Management line-up, there may be changes to the business planning over the coming months. At the present time, we generally expect a meaningfully positive performance from our key indicator, operating EBITDA, in financial year 2020, assuming that exchange rates remain stable and including contributions to earnings from acquisitions. The forecast reflects the current market environment and highly uncertain macroeconomic growth outlook, particularly in our two large regions, EMEA and North America.

All regions will contribute to the planned growth in operating EBITDA. The forecast increase in operating EBITDA in our EMEA segment is similar to that at Group level, whilst in North America we are planning a slightly higher rate of growth in operating EBITDA. In our two smaller segments, Latin America and Asia Pacific, the growth forecast for operating EBITDA is meaningfully higher than that at Group level.

The expected growth in operating gross profit for the Brenntag Group is roughly in line with the expected increase in operating EBITDA. The two large segments, EMEA and North America, will make a substantial contribution to the increase in the Group's operating gross profit in absolute terms. While the growth rate in EMEA is roughly in line with the Group average, we are planning a slightly lower rate of growth in North America. In the Latin America and Asia Pacific segments, the planned growth in operating gross profit is above the Group average. In addition to the organic business performance in all regions, the acquisitions closed will also contribute to the planned increase in earnings.

In the second half of 2019, we concentrated to a greater extent on initiatives related to customer and supplier relationship management and on improving our warehouse logistics. We will continue to expand this and expect it to improve working capital turnover. Overall, we anticipate an increase in working capital due to the planned business growth.

Investments in our existing infrastructure are currently in line with previous years. Led by the new CEO, the Board of Management is analyzing the investments planned over the medium to long term so as to support the strategic initiatives over the coming years.

Overall, we anticipate that free cash flow in 2020 will be significantly lower than the very high 2019 figure, assuming that exchange rates remain stable. Free cash flow in financial year 2019 was positively impacted by a extraordinarily strong cash flow from working capital reductions. This is not expected to recur. Nevertheless, we 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 avoid potential risks and to identify, monitor and mitigate emerging risks at an early stage. Therefore, our risk management system consists of risk reporting (an early detection system), controlling and an internal monitoring system as well as individual measures to identify risks at an early stage and limit any known risks. We monitor the risks as part of our risk management. The planning, controlling and reporting processes of the Brenntag Group are integral parts of the risk management systems of all operational and legal units as well as the central functions.

RISK REPORTING (EARLY DETECTION SYSTEM)

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

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:

		Probability of occurrence				
Possible extent of damage		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.28 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 annual strategy planning process, we analyze the market opportunity and risk situation in each Brenntag region and, on this basis, establish goals and value-enhancing measures designed to mitigate risks and exploit opportunities. Finally, the situation analysis and business operation plans are reviewed regularly in quarterly discussions on business performance.

INTERNAL MONITORING SYSTEM

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

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

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

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

INTERNAL CONTROL SYSTEM RELATED TO THE (GROUP) ACCOUNTING PROCESS (REPORT IN ACCORDANCE WITH SECTION 289, PARA. 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 were reviewed.

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	Possible	**Medium**
Market risks	High	Possible	**Medium**
Operational risks	Medium	Improbable	**Low**
Financial risks	Medium	Possible	**Medium**
Health, safety, environmental protection and quality management	High	Improbable	**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.29 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 or the instability of the economic and political situation in some regions or countries in which Brenntag operates may have a negative impact on our business and our operating result. 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, the possible escalation of geopolitical tensions and global epidemics 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.

Due in particular to the ongoing negotiations on a potential free trade agreement, it is not yet possible to exactly predict the impact on economic performance of the UK's withdrawal from the EU (Brexit). Forecasts for real GDP growth in the UK over the coming years have been revised down. The UK's departure from the EU customs union could result in a significant increase in customs duties and delays on goods imports from EU countries. Regulatory changes could also impact negatively on our business. A cross-unit Brexit Taskforce was set up at Brenntag to prepare the Group for and enable it to respond to various scenarios.

Possible disruption to global supply chains and a reduction in regional and global economic growth due to the coronavirus COVID–19 and the related impact on our business cannot yet be determined. The deciding factors will be how swiftly the spread of the virus can be successfully contained, how fast China's economy can recover and how quickly alternative supply chains can be built in the event of disruption. In particular, our business may be negatively impacted by falling production not only in China but also globally along the supply chain. Besides resulting in lower demand for chemicals, this may also weigh on global trade flows. We are continuously analyzing all risks relevant to our business so that any necessary measures can be taken at short notice.

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.

We see major sales opportunities, which are of strategic significance for Brenntag, in the life science industries on which we focus, such as food, cosmetics, pharmaceuticals and feed, as well as in high-volume customer industries, such as water treatment, cleaning, oil and gas, lubricants, coatings and polymers. In addition, our global network and our comprehensive portfolio of products and services place us in a unique position to meet 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. Particularly in the North America region, business with customers in the oil and gas industry continued to stabilize in 2019 after sometimes being very difficult in previous years. Our trust in the sector's long-term potential in combination with our excellent capabilities and our supplier and customer network has proven to be resilient.

As an international Group, we see opportunities in all our regions to extend our market lead. The continuous expansion of our geographic presence in emerging markets, particularly in the Asia Pacific region, also offers above-average growth opportunities. We will continue to optimally exploit the opportunities presented by company acquisitions and the active consolidation of the fragmented chemical distribution market. In 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 global presence enables us to achieve economies of scale. The optimization of our local product portfolios through sales partnership agreements with chemical producers for new products or product categories offers further potential. In addition, we will continue to actively realize the potential that arises as a result of chemical producers outsourcing supply chain and sales activities. The high density of our distribution network and the experienced professional organization at all levels of the Brenntag Group are key elements for tapping this potential.

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

In some local markets we serve, we face growing competition from other chemical distributors. This 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 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.

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 Corporate Finance department.

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

The UK's referendum on its withdrawal from the EU (Brexit) has not yet had a 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 only for around 3% 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 of the Brenntag Group's sustained breach of this covenant, the facility agent appointed by the lenders may call in the loans if he deems this move necessary to safeguard the lenders' interests. As the Group's main financing instruments (syndicated loan and two bonds) all contain so-called cross-default clauses, any breach of contract or calling due of outstanding amounts in respect to one financing instrument could also have a negative impact on the others.

The terms and conditions of the financing instruments are also influenced by the Group's credit rating. A change in the rating that the international rating agencies Standard & Poor's and Moody's assign to Brenntag may impact on the Group's financing 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 Corporate Finance department at Group headquarters. If individual companies hedge financial risks from operating activities themselves, this is done in consultation with and under the supervision of Group headquarters. This permits a balancing of risks throughout the Group. Further information on financial risks can be found in the chapter "Reporting of Financial Instruments" in the notes to the consolidated financial statements.

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

Brenntag has for many years taken part in the Responsible Care/Responsible Distribution 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 targets 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 cybercrime (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.

- **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 employees' long-term loyalty. 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 staff development programmes is provided in the chapter "Employees".

- **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 also takes care to ensure human rights compliance along its value chain. Human rights compliance is reviewed in the course of supplier assessments, 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 AG 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. Brenntag has received repayment of the fine in the amount of EUR 47.8 million, but the court of appeal has not yet made any decisions on the merits of the case. The reimbursement was therefore added to provisions. In the proceedings ongoing before the court of appeal, it will be decided to what extent a fine will be imposed. 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 German Brenntag companies are currently the subject of a routine tax audit for the years 2010 to 2012 and the years 2013 to 2016. At the reporting date, there were no significant findings by the tax authorities. 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.

INFORMATION REQUIRED PURSUANT TO SECTION 289A, PARA. 1 AND SECTION 315A, PARA. 1 OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT

Composition of the Subscribed Capital

As at December 31, 2019, the subscribed capital of Brenntag AG totalled EUR 154,500,000. The share capital is divided into 154,500,000 no-par value registered shares, each with a notional value of EUR 1.00.

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

Restrictions on Voting Rights or Transfer of Shares

The Board of Management of Brenntag AG is not aware of any agreements 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

Section 33 of the German Securities Trading Act (WpHG) requires that any investor whose percentage of voting rights in Brenntag AG reaches, exceeds or falls below certain thresholds as a result of purchases, disposals or otherwise must notify Brenntag AG and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht). As at December 31, 2019, the company was not aware of any direct or indirect interests in the capital of Brenntag AG that exceeded 10% of the voting rights. All voting right notifications in accordance with Section 33 of the German Securities Trading Act received by Brenntag AG in the reporting period can be viewed in the Investor Relations section of the company's website at www.brenntag.com.

Shares with Special Rights Conferring Powers of Control

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

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

Brenntag AG does not have a general employee participation scheme.

Legislation and Provisions of the Articles of Association Applicable to the Appointment and Removal of the Members of the Board of Management and Governing Amendments to the Articles of Association

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

Contrary to Sections 133, para. 1 and 179, para. 2, sentence 1 of the German Stock Corporation Act, article 19 of the Articles of Association of Brenntag AG stipulates that in cases where the majority of the share capital represented is required, the simple majority of the capital represented is sufficient. This, on the other hand, does not apply to changes to the object of the company, as Section 179, para. 2, sentence 2 of the German Stock Corporation Act only permits amendments to a company's Articles of Association regarding the object of the company to be adopted with larger majorities than three-quarters of the capital represented when the resolution is passed. The authority to adopt purely formal amendments to the Articles of Association is transferred to the Supervisory Board under article 13, para. 2 of the Articles of Association of Brenntag AG. In addition, by resolution of the General Shareholders' Meeting on June 20, 2018, the Supervisory Board was authorized to amend the Articles of Association of Brenntag AG 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 AG 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 AG, 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 AG has already purchased and still holds shall not exceed 10% of the respective registered share capital. The authorization may be exercised to the full extent of repurchases thereby authorized or in partial amounts, on one or several occasions. It took effect 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 AG 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 AG 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 AG (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 AG 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 AG or in which it holds a majority interest; in such case, the Board of Management was authorized, subject to the consent of the Supervisory Board, to assume on behalf of Brenntag AG, the guarantee for the Bonds and to grant the holders of such Bonds option and / or conversion rights for Brenntag AG 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 AG, 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 AG 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 AG 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.

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 AG shares representing a notional amount of up to EUR 25,750,000 in the registered share capital was rescinded when the Authorization 2018 became effective.

In November 2015, on the basis of the now-rescinded Authorization 2014, Brenntag Finance B.V., in its capacity as issuer and with Brenntag AG 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"). 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 AG ordinary shares by paying the strike price applicable at that time. 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.

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 resolved upon at the General Shareholders' Meeting on June 17, 2014 ("Conditional Capital 2014") remains in place. Further information on the Conditional Capital 2014 can be found in the Articles of Association of Brenntag AG, which are available in the Investor Relations section of the website at www.brenntag.com.

The Terms and Conditions of the Bond (with Warrants) 2022 allow Brenntag AG 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. Holders have been able to exercise their warrants since January 12, 2016. No warrants have been exercised to date.

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

As at the reporting date, the most important component in Brenntag's financing 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 AG. The right to terminate in the event of a change of control is preceded by a 30-day negotiating period on the continuation of the loan agreements. If the parties involved cannot reach agreement on the continuation of the loan agreements in this period, each lender can within ten days terminate his involvement as a lender in the agreement by giving notice of at least another 30 days and request payment of the outstanding loan amounts.

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 AG. The terms and conditions of the warrants issued with the bonds state that, in the event of a change of control, the holders of the warrants may receive the right to purchase shares at a lower strike price during a specified period following the change of control. The size of the adjustment to the strike price declines over the term of the warrants and is set out in more detail in the terms and conditions of the warrants. 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 AG.

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. on September 27, 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) can be found in the chapter "To Our Shareholders" in connection with the Corporate Governance Report. It is also available in the Investor Relations section of the website at www.brenntag.com.

NON-FINANCIAL STATEMENT

The non-financial statement required under Section 315b of the German Commercial Code (HGB) will be available at the following link by April 30, 2020 at the latest in the form of a separate non-financial Group report within the sustainability reporting: www.brenntag.com/sustainabilityreport2019

C

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

in EUR m	Note	2019	2018
Sales	1.)	12,821.8	12,550.0
Cost of sales	2.)	−10,079.0	−9,958.3
Gross profit		**2,742.8**	**2,591.7**
Selling expenses	3.)	−1,837.8	−1,726.9
Administrative expenses	4.)	−211.1	−192.6
Other operating income	5.)	41.1	64.5
Impairment losses on trade receivables and other receivables		−6.2	−5.9
Other operating expenses	6.)	−11.9	−9.8
Operating profit		**716.9**	**721.0**
Share of profit or loss of equity-accounted investments		0.3	−0.9
Interest income		4.0	3.3
Interest expense	7.)	−94.0	−85.6
Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	8.)	−0.7	−9.0
Other net finance income/costs	9.)	6.9	−5.3
Net finance costs		**−83.5**	**−97.5**
Profit before tax		**633.4**	**623.5**
Income tax expense	10.)	−164.2	−161.2
Profit after tax		**469.2**	**462.3**
Attributable to:			
Shareholders of Brenntag AG		466.7	460.9
Non-controlling interests		2.5	1.4
Basic earnings per share in euro	**12.)**	**3.02**	**2.98**
Diluted earnings per share in euro	**12.)**	**3.02**	**2.98**

C.01 CONSOLIDATED INCOME STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR m	2019	2018
Profit after tax	**469.2**	**462.3**
Remeasurements of defined benefit pension plans	−27.8	6.5
Deferred tax relating to remeasurements of defined benefit pension plans	8.0	−2.2
Items that will not be reclassified to profit or loss	**−19.8**	**4.3**
Change in exchange rate differences on translation of consolidated companies	62.5	28.5
Reclassification to profit or loss of exchange rate differences on translation of equity-accounted investments	8.9	−0.1
Change in exchange rate differences on translation of equity-accounted investments	0.3	−1.4
Change in net investment hedge reserve	−0.7	−0.1
Items that may be reclassified subsequently to profit or loss	**71.0**	**26.9**
Other comprehensive income, net of tax	**51.2**	**31.2**
Total comprehensive income	**520.4**	**493.5**
Attributable to:		
Shareholders of Brenntag AG	516.4	491.8
Non-controlling interests	4.0	1.7

C.02 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED BALANCE SHEET

ASSETS

in EUR m	Note	Dec. 31, 2019	Dec. 31, 2018
Current assets			
Cash and cash equivalents	13.)	520.3	393.8
Trade receivables	14.)	1,820.3	1,843.0
Other receivables	15.)	194.8	176.3
Other financial assets	16.)	21.7	7.9
Current tax assets		57.3	41.5
Inventories	17.)	1,176.5	1,195.8
		3,790.9	**3,658.3**
Assets held for sale	18.)	–	5.8
		3,790.9	**3,664.1**
Non-current assets			
Property, plant and equipment	19.)	1,164.3	1,027.1
Intangible assets	20.)	3,084.0	2,902.9
Right-of-use assets	21.)	412.2	–
Equity-accounted investments	22.)	4.0	18.2
Other receivables	15.)	24.5	22.3
Other financial assets	16.)	21.4	9.6
Deferred tax assets	10.)	62.9	50.3
		4,773.3	**4,030.4**
Total assets		**8,564.2**	**7,694.5**

LIABILITIES AND EQUITY

in EUR m	Note	Dec. 31, 2019	Dec. 31, 2018
Current liabilities			
Trade payables	23.)	1,229.1	1,231.8
Financial liabilities	24.)	224.2	256.1
Lease liabilities	21.)	100.5	–
Other liabilities	25.)	382.3	375.1
Other provisions	26.)	102.3	95.2
Liabilities relating to acquisition of non-controlling interests	28.)	–	1.6
Current tax liabilities		43.8	33.5
		2,082.2	**1,993.3**
Liabilities associated with assets held for sale	18.)	–	0.3
		2,082.2	**1,993.6**
Non-current liabilities			
Financial liabilities	24.)	1,936.4	1,899.6
Lease liabilities	21.)	319.7	–
Other liabilities	25.)	4.5	0.6
Other provisions	26.)	121.1	119.7
Provisions for pensions and other post-employment benefits	27.)	189.1	153.0
Liabilities relating to acquisition of non-controlling interests	28.)	136.6	44.9
Deferred tax liabilities	10.)	195.6	181.9
		2,903.0	2,399.7
Equity	29.)		
Subscribed capital		154.5	154.5
Additional paid-in capital		1,491.4	1,491.4
Retained earnings		1,809.9	1,640.1
Accumulated other comprehensive income		60.0	−9.5
Equity attributable to shareholders of Brenntag AG		**3,515.8**	**3,276.5**
Equity attributable to non-controlling interests		63.2	24.7
		3,579.0	3,301.2
Total liabilities and equity		**8,564.2**	**7,694.5**

C.03 CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR m	Subscribed capital	Additional paid-in capital	Retained earnings
Dec. 31, 2017	**154.5**	**1,491.4**	**1,363.4**
Initial application of IFRS 15 at Jan. 1, 2018	–	–	6.0
Initial application of IFRS 9 at Jan. 1, 2018	–	–	−0.6
Jan. 1, 2018 after initial application of IFRS 15 and IFRS 9	**154.5**	**1,491.4**	**1,368.8**
Dividends	–	–	−170.0
Business combinations	–	–	−23.9
Profit after tax	–	–	460.9
Other comprehensive income, net of tax	–	–	4.3
Total comprehensive income for the period	**–**	**–**	**465.2**
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**

Exchange rate differences	Net investment hedge reserve	Equity attributable to shareholders of Brenntag AG	Equity attributable to non-controlling interests	**Equity**
−36.1	**–**	**2,973.2**	**12.5**	**2,985.7**
–	–	6.0	–	6.0
–	–	−0.6	–	−0.6
−36.1	**–**	**2,978.6**	**12.5**	**2,991.1**
–	–	−170.0	–	−170.0
–	–	−23.9	10.5	−13.4
–	–	460.9	1.4	462.3
26.7	−0.1	30.9	0.3	31.2
26.7	**−0.1**	**491.8**	**1.7**	**493.5**
−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**

C.04 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED CASH FLOW STATEMENT

in EUR m	Note	2019	2018
	31.)		
Profit after tax		**469.2**	**462.3**
Depreciation and amortization	19.)/20.)/21.)	293.2	171.9
Income tax expense	10.)	164.2	161.2
Income taxes paid		−175.3	−150.6
Net interest expense	7.)	90.0	82.3
Interest paid (netted against interest received)		−75.7	−80.0
Dividends received		1.0	1.1
Changes in provisions		0.9	−25.7
Changes in current assets and liabilities			
Inventories		103.5	−88.0
Receivables		93.9	−80.0
Liabilities		−60.9	−62.7
Non-cash change in liabilities relating to acquisition of non-controlling interests	8.)	0.7	9.0
Other non-cash items and reclassifications		−25.4	−25.5
Net cash provided by operating activities		**879.3**	**375.3**
Proceeds from the disposal of consolidated subsidiaries and other business units less costs to sell		14.7	68.2
Proceeds from the disposal of other financial assets		–	0.2
Proceeds from the disposal of intangible assets and property, plant and equipment		12.5	18.9
Payments to acquire consolidated subsidiaries and other business units		−194.9	−199.0
Payments to acquire other financial assets		−0.5	–
Payments to acquire intangible assets and property, plant and equipment		−204.0	−178.4
Net cash used in investing activities		**−372.2**	**−290.1**
Dividends paid to Brenntag shareholders		−185.4	−170.0
Profits distributed to non-controlling interests		−1.5	−1.6
Proceeds from borrowings		93.7	518.2
Repayments of borrowings		−290.2	−558.1
Net cash used in financing activities		**−383.4**	**−211.5**
Change in cash and cash equivalents		**123.7**	**−126.3**
Effect of exchange rate changes on cash and cash equivalents		2.8	1.5
Reclassification into assets held for sale		–	0.6
Cash and cash equivalents at beginning of period	12.)	393.8	518.0
Cash and cash equivalents at end of period	**12.)**	**520.3**	**393.8**

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	**2019**	**5,237.7**	**4,787.1**	**854.2**	**1,534.4**	**408.4**	**–**	**12,821.8**
	2018	5,339.3	4,636.9	807.8	1,383.5	382.5	–	12,550.0
	Change in %	−1.9	3.2	5.7	10.9	6.8	–	2.2
	fx adjusted change in %	−1.9	−1.9	3.7	7.1	6.8	–	−0.3
Inter-segment sales	**2019**	**8.4**	**5.9**	**0.2**	**1.2**	**0.1**	**−15.8**	**–**
	2018	12.6	9.7	0.1	0.1	0.3	−22.8	–
Operating gross profit [2]	**2019**	**1,141.6**	**1,216.8**	**177.0**	**266.8**	**19.5**	**–**	**2,821.7**
	2018	1,141.2	1,118.3	163.1	224.2	14.1	–	2,660.9
	Change in %	0.0	8.8	8.5	19.0	38.3	–	6.0
	fx adjusted change in %	0.1	3.4	6.5	14.7	38.3	–	3.4
Gross profit	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**2,742.8**
	2018	–	–	–	–	–	–	2,591.7
	Change in %	–	–	–	–	–	–	5.8
	fx adjusted change in %	–	–	–	–	–	–	3.2
Operating EBITDA [3] (segment result)	**2019**	**406.3**	**474.8**	**55.9**	**101.1**	**−36.6**	**–**	**1,001.5**
	2018	385.5	409.6	39.9	77.9	−37.4	–	875.5
	Change in %	5.4	15.9	40.1	29.8	−2.1	–	14.4
	fx adjusted change in %	5.6	10.1	38.0	24.7	−2.1	–	11.3
Operating EBITDA [3]/ operating gross profit [2]	**2019 in %**	**35.6**	**39.0**	**31.6**	**37.9**	**−187.7**	**–**	**35.5**
	2018 in %	33.8	36.6	24.5	34.7	−265.2	–	32.9
Investments in non-current assets (capex) [4]	**2019**	**89.7**	**70,9**	**9.7**	**22.5**	**12.4**	**–**	**205.2**
	2018	78.7	61.1	8.4	10.7	13.3	–	172.2

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	2019	2018
Operating EBITDA	**1,001.5**	**875.5**
Investments in non-current assets (capex) [1]	−205.2	−172.2
Change in working capital [2] [3]	161.7	−178.1
Principal and interest payments on lease liabilities [4]	−120.7	–
Free cash flow	**837.3**	**525.2**

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.
[4] On initial application of IFRS 16 at January 1, 2019, cash outflows for principal payments on lease liabilities and interest payments incurred in this context are deducted. In the prior-year figures, lease payments were still included in operating EBITDA through rental and lease expenses.

in EUR m	2019	2018
Operating EBITDA (segment result) [1]	**1,001.5**	**875.5**
Net income from special items	8.6	17.4
(of which expenses in connection with the programme to increase efficiency in the EMEA segment)	(−0.4)	(−10.8)
(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)	(28.2)
EBITDA	**1,010.1**	**892.9**
Depreciation of property, plant and equipment and right-of-use assets arising from leases	−242.6	−119.7
Impairment of property, plant and equipment	−1.0	−2.3
EBITA	**766.5**	**770.9**
Amortization of intangible assets [2]	−49.0	−49.9
Impairment of intangible assets	−0.6	–
EBIT	**716.9**	**721.0**
Net finance costs	−83.5	−97.5
Profit before tax	**633.4**	**623.5**

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 1,038.1 million (2018: EUR 912.9 million) and operating EBITDA of all other segments to EUR −36.6 million (2018: EUR −37.4 million).
[2] For the period from January 1 to December 31, 2019, this figure includes amortization of customer relationships in the amount of EUR 34.9 million (2018: EUR 40.7 million).

in EUR m	2019	2018
EBITA	766.5	770.9
Average carrying amount of equity	3,427.3	3,111.6
Average carrying amount of financial liabilities and lease liabilities	2,581.3	2,173.1
Average carrying amount of cash and cash equivalents	−430.8	−416.2
ROCE [1]	**13.7%**	**15.8%**

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	2019	2018
Operating gross profit	**2,821.7**	**2,660.9**
Production/mixing & blending costs	−78.9	−69.2
Gross profit	**2,742.8**	**2,591.7**

C.10 RECONCILIATION OF OPERATING GROSS PROFIT TO GROSS PROFIT

General Information

As one of the world's leading chemical distributors with more than 640 locations, Brenntag [1] offers its customers and suppliers an extensive range of services, global supply chain management and a highly developed chemical distribution network in EMEA, North and Latin America as well as in the Asia Pacific region.

These consolidated financial statements of Brenntag AG were prepared by the Board of Management of Brenntag AG on February 27, 2020, authorized for publication and submitted to the Supervisory Board for approval at its meeting on March 3, 2020.

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

[1] Brenntag AG, Messeallee 11, 45131 Essen

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, 2019 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:

- IFRS 16 (Leases)
- Amendments to IFRS 9 (Financial Instruments) regarding the measurement of financial instruments that may contain prepayment features with negative compensation
- Amendments to IAS 28 regarding long-term interests in associates and joint ventures
- IFRIC 23 (Uncertainty over Income Tax Treatments)
- Amendments to IAS 19 (Employee Benefits) regarding plan amendment, curtailment or settlement
- Annual Improvements (2015–2017 Cycle)

Under the new rules in IFRS 16 (Leases), which are effective from January 1, 2019, 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 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.

Brenntag has introduced a Group-wide software solution into which it has entered the leases required to be recognized so that, in a next step, they can be consistently measured and quantified. 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.

The modified retrospective method was applied to transition to IFRS 16. Under this method, prior-year figures are not adjusted. Right-of-use assets and lease liabilities were also recognized for originally long-term leases which, at January 1, 2019, had a remaining term of twelve months or less. Initial direct costs were not included upon initial application of IFRS 16. No impairment losses were recognized. The present value of the future lease payments discounted using the incremental borrowing rates at January 1, 2019 was stated as the carrying amount of the lease liabilities. The weighted average of the incremental borrowing rates at January 1, 2019 is 3.16%. 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.

The carrying amount of the right-of-use assets is the carrying amount of the lease liability adjusted for any prepayments and accrued lease payments recognized as at December 31, 2018.

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 effects on the balance sheet of the initial application of IFRS 16 (Leases) at January 1, 2019 are shown in the table below:

in EUR m	**Jan. 1, 2019**
Current lease liabilities	86.0
Non-current lease liabilities	270.5
Lease liabilities	**356.5**
Prepayments and accruals	−4.6
Right-of-use assets	**351.9**
(of which right-of-use assets – land and buildings)	(214.0)
(of which right-of-use assets – vehicles)	(113.4)
(of which other right-of-use assets)	(24.5)

C.11 EFFECTS OF IFRS 16 ON THE BALANCE SHEET AT JAN. 1, 2019

In addition, rights of use created by finance leases under IAS 17 and until December 31, 2018 presented as property, plant and equipment were reclassified into the right-of-use assets now presented separately (Jan. 1, 2019: EUR 7.8 million). The balance sheet as at January 1, 2019 is subsequently as follows:

ASSETS

in EUR m	Note	Dec. 31, 2018	IFRS 16	Jan. 1, 2019
Current assets				
Cash and cash equivalents		393.8		393.8
Trade receivables		1,843.0		1,843.0
Other receivables		176.3		176.3
Other financial assets		7.9		7.9
Current tax assets		41.5		41.5
Inventories		1,195.8		1,195.8
		3,658.3		**3,658.3**
Assets held for sale	5.)	5.8		5.8
		3,664.1		**3,664.1**
Non-current assets				
Property, plant and equipment		1,027.1	−7.8	1,019.3
Intangible assets		2,902.9		2,902.9
Right-of-use assets		–	359.7	359.7
Equity-accounted investments		18.2		18.2
Other receivables		22.3	−1.3	21.0
Other financial assets		9.6		9.6
Deferred tax assets		50.3		50.3
		4,030.4	**350.6**	**4,381.0**
Total assets		**7,694.5**	**350.6**	**8,045.1**

C.12 OPENING BALANCE SHEET AS AT JAN. 1, 2019 WITH IFRS 16 APPLIED

LIABILITIES AND EQUITY

in EUR m	Note	Dec. 31, 2018	IFRS 16	Jan. 1, 2019
Current liabilities				
Trade payables		1,231.8		1,231.8
Financial liabilities	6.)	256.1	−1.7	254.4
Lease liabilities		–	87.7	87.7
Other liabilities		375.1	−5.9	369.2
Other provisions	7.)	95.2		95.2
Liabilities relating to acquisition of non-controlling interests		1.6		1.6
Current tax liabilities		33.5		33.5
		1,993.3	**80.1**	**2,073.4**
Liabilities associated with assets held for sale	5.)	0.3		0.3
		1,993.6	**80.1**	**2,073.7**
Non-current liabilities				
Financial liabilities	6.)	1,899.6	−5.2	1,894.4
Lease liabilities		–	275.7	275.7
Other liabilities		0.6		0.6
Other provisions	7.)	119.7		119.7
Provisions for pensions and other post-employment benefits	8.)	153.0		153.0
Liabilities relating to acquisition of non-controlling interests	9.)	44.9		44.9
Deferred tax liabilities		181.9		181.9
		2,399.7	**270.5**	**2,670.2**
Equity				
Subscribed capital		154.5		154.5
Additional paid-in capital		1,491.4		1,491.4
Retained earnings		1,640.1		1,640.1
Accumulated other comprehensive income		−9.5		−9.5
Equity attributable to shareholders of Brenntag AG		**3,276.5**		**3,276.5**
Equity attributable to non-controlling interests	10.)	24.7		24.7
		3,301.2		**3,301.2**
Total liabilities and equity		**7,694.5**	**350.6**	**8,045.1**

C.12 OPENING BALANCE SHEET AS AT JAN. 1, 2019 WITH IFRS 16 APPLIED

Obligations from future minimum lease payments for operating leases were reported in the consolidated financial statements for the period ended December 31, 2018 in the amount of EUR 389.7 million. They differ by EUR 14.4 million from the undiscounted lease liabilities of EUR 404.1 million recognized on initial application of IFRS 16 at January 1, 2019, as they include minimum lease payments for short-term leases with a term of twelve months or less and leases for which the underlying asset is of low value. Conversely, they do not include payments for non-lease components and lease payments for extension periods.

in EUR m	Lease liabilities
Undiscounted liabilities at Dec. 31, 2018	**389.7**
less short-term leases and leases of low-value assets	−33.7
plus extension options	39.6
plus other effects (e.g. payments for non-lease components)	8.5
Undiscounted liabilities due to initial application of IFRS 16 at Jan. 1, 2019	**404.1**
Discounting	−47.6
Finance lease liabilities previously accounted for under IAS 17	6.9
Lease liabilities at Jan. 1, 2019	**363.4**

C.13 RECONCILIATION OF LEASE LIABILITIES AT JAN. 1, 2019

The effects on the income statement of the initial application of IFRS 16 are shown in the table below:

in EUR m	2019 before IFRS 16	IFRS 16	2019
Operating EBITDA (segment result)	**885.5**	**116.0**	**1,001.5**
Net income from special items	8.6	–	8.6
EBITDA	**894.1**	**116.0**	**1,010.1**
Depreciation of property, plant and equipment and right-of-use assets	−133.7	−108.9	−242.6
Impairment of property, plant and equipment and right-of-use assets	−1.0	–	−1.0
EBITA	**759.4**	**7.1**	**766.5**
Amortization of intangible assets	−49.0	–	−49.0
Impairment of intangible assets	−0.6	–	−0.6
EBIT	**709.8**	**7.1**	**716.9**
Net finance costs	−71.3	−12.2	−83.5
Profit before tax	**638.5**	**−5.1**	**633.4**

C.14 RECONCILIATION OF OPERATING EBITDA TO PROFIT BEFORE TAX

The change in EBITDA is due to the fact that lease expense is no longer included for leases required to be recognized under IFRS 16. Conversely, depreciation of right-of-use assets and interest expense on leases are recognized below EBITDA. In addition to interest expense, net finance costs also reflect income and expenses arising on the translation of lease liabilities.

C — FINANCIAL STATEMENTS
D — FURTHER INFORMATION

The table below shows the effect of the initial application of IFRS 16 on operating EBITDA broken down by segment:

	2019						
in EUR m	EMEA	North America	Latin America	Asia Pacific	All other segments	Consolida-tion	**Group**
Operating EBITDA before IFRS 16	364.7	421.8	47.1	92.4	−40.5	–	885.5
IFRS 16	41.6	53.0	8.8	8.7	3.9	–	116.0
Operating EBITDA after IFRS 16	**406.3**	**474.8**	**55.9**	**101.1**	**−36.6**	**–**	**1,001.5**

C.15 IFRS 16: EFFECT ON EBITDA BY SEGMENT IN 2019

Earnings per share for the period from January 1 to December 1, 2019 were 2.4 cents per share lower as a result of the initial application of IFRS 16.

In the cash flow statement following the transition to IFRS 16, 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, as was the case previously. Overall in the period from January 1 to December 31, 2019, this results in a shift in cash outflows of EUR 105.8 million from operating activities and EUR 1.6 million from investing activities to cash outflows from financing activities.

The amendments to IFRS 9 (Financial Instruments) regarding the measurement of financial instruments that may contain prepayment features with negative compensation (reasonable negative compensation) specify that such instruments may also be measured at amortized cost or at fair value through other comprehensive income.

The amendments to IAS 28 regarding long-term interests in associates and joint ventures clarify that the impairment requirements in IFRS 9 should be applied to long-term interests that, in substance, form part of the net investment in an equity-accounted entity but which are not themselves accounted for using the equity method (such as long-term loans).

Under IFRIC 23 (Uncertainty over Income Tax Treatments), an entity is required to reflect tax risks (e.g. the uncertainty arising when an item or circumstance is in dispute under tax law) if it is probable that the taxation authority will not accept the treatment applied by the entity to a particular tax-related item or circumstance in its tax calculation. In doing so, the entity always assumes that the taxation authority has full knowledge of all related information, i.e. a potential risk of discovery has no bearing on recognition or measurement. Measurement is based on the most likely amount or the expected value, depending on which method best depicts the existing risk.

The amendments to IAS 19 (Employee Benefits) regarding plan amendment, curtailment or settlement specify that, in the event of a plan amendment, curtailment or settlement, the net defined benefit liability should be remeasured using current actuarial assumptions. In accordance with the amendments, current service cost and net interest cost for the period after the amendment, curtailment or settlement are also determined on the basis of the updated actuarial assumptions. In addition, the remeasured net liability (taking into account the amended benefits as a result of the amendment, curtailment or settlement) is used to determine net interest cost after the amendment, curtailment or settlement.

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.

Apart from the effects of the initial application of IFRS 16 (Leases) described above, the aforementioned revised standards and annual improvements to IFRSs 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 2020

- Amendments to IFRS 3 (Business Combinations) regarding the definition of a business – not yet endorsed by the European Union
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7: 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 (Business Combinations) regarding the definition of a business specify that, for a business to exist, there will have to be present, at a minimum, economic resources (inputs) and a substantive process that together enable output to be created. The existing 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 will in future be 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.

Probable first-time adoption in 2021

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current – not yet endorsed by the European Union

The amendments to IAS 1 regarding the classification of liabilities as current or non-current specify that a liability is classified as non-current if, at the end of the reporting period, an entity has a substantive right to defer settlement of the liability for at least twelve months after the reporting period. When assessing whether a substantive right exists, the entity need not consider whether it will also exercise its right. In the case of a conditional right to defer settlement, the entity must base its assessment on whether the conditions are met at the end of the reporting period.

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, 2019, the consolidated financial statements include Brenntag AG and in addition 28 (Dec. 31, 2018: 28) domestic and 193 (Dec. 31, 2018: 186) foreign consolidated subsidiaries including structured entities.

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

	Dec. 31, 2018	Additions	Disposals	Dec. 31, 2019
Domestic consolidated companies	29	–	–	29
Foreign consolidated companies	186	13	6	193
Total consolidated companies	**215**	**13**	**6**	**222**

C.16 CHANGES IN SCOPE OF CONSOLIDATION

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

Four (Dec. 31, 2018: five) associates are accounted for using the equity method.

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

In the case of two (Dec. 31, 2018: three) subsidiaries where Brenntag does not hold the majority of the voting rights, it nevertheless exercises its power to direct the relevant activities. The structured entities individually listed in the List of Shareholdings in accordance with Section 313, para. 2 of the German Commercial Code (HGB) are a leasing company and a sales company.

BUSINESS COMBINATIONS IN ACCORDANCE WITH IFRS 3

In January 2019, Brenntag acquired the lubricants division of Reeder Distributors, Inc. based in Fort Worth, Texas, USA. The acquisition of Reeder Distributors' lubricants division complements Brenntag's lubricants business platform and expands it into an adjacent market.

In February 2019, Brenntag closed the acquisition of the business operations of New England Resins & Pigments Corporation Inc. (NERP) headquartered in Woburn, Massachusetts, USA. NERP allows Brenntag to expand its regional specialty chemical portfolio and bolsters its existing material science business and technical sales presence in New England and the adjacent states.

At the end of April 2019, Brenntag acquired 51% of the shares in TEE HAI CHEM PTE LTD (TEE HAI). The Singapore-based company is a strategic market leader in providing supply chain solutions for materials, chemicals and services for the life sciences, electronics manufacturing and research and diagnostics sectors in Singapore and Southeast Asia. The product portfolio consists of raw materials, consumables and high-purity specialty chemicals. This is a great opportunity for Brenntag to foster growth into key markets, particularly pharmaceuticals and semiconductors. Other products include research and diagnostics chemicals, chemical delivery systems and maintenance, repair and operations supplies. TEE HAI also offers customizable supply chain solutions including external warehousing.

In addition, in early May 2019, Brenntag closed the acquisition of 100% of the shares in Marlin Company, Inc. based in Lenoir, North Carolina, USA.

At the end of July 2019, Brenntag acquired the chemical distribution business of the Desbro Group in Kenya and the United Arab Emirates. This was followed in early September by the acquisition of the Desbro Group's chemical distribution business in Uganda. The Group offers an extensive portfolio of raw materials and specialty chemicals to a diverse range of strategic customer industries in East Africa and the Middle East, such as plastics, construction and coatings, textiles, water treatment and, increasingly, life sciences.

At the end of November 2019, Brenntag acquired the remaining 50% of the shares in Crest Chemicals (Proprietary) Limited, South Africa (Crest) from AECI Limited. Crest is based in Woodmead and had been an associate (50% equity interest) of Brenntag since 2001. Crest is a distributor of chemicals to a variety of South African industries including paints and coatings, food, mining and water.

Also at the end of November 2019, Brenntag acquired 100% of Quimisa SA based in Brusque, Brazil, including its logistics subsidiary Quimilog Transportes e Logistica Ltda. (Quimisa). The company has a strong market position in providing industrial and specialty chemicals to regional and international customers in southern Brazil.

In addition, in December 2019, Brenntag closed the acquisition of all shares in Glenalmond Holdings Limited headquartered in Glasgow, Scotland. The company is a distributor and blender of specialty and industrial chemicals and ingredients.

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

in EUR m	Tee Hai	Crest	Quimisa	Other entities	**Provisional fair value**
Purchase price	**59.8**	**48.1** [1]	**48.8**	**87.8**	**244.5**
of which consideration contingent on earnings targets	–	–	–	0.5	0.5
Assets					
Cash and cash equivalents	8.4	4.6	8.0	0.2	21.2
Trade receivables, other financial assets and other receivables	23.8	17.4	12.7	11.0	64.9
Other current assets	25.1	14.7	11.7	19.5	71.0
Non-current assets	98.4	11.8	19.8	40.7	170.7
Liabilities					
Current liabilities	38.4	19.9	14.2	6.0	78.5
Non-current liabilities	36.7	6.5	9.3	8.0	60.5
Contingent liabilities	–	0.8	–	–	0.8
Net assets	**80.6**	**21.3**	**28.7**	**57.4**	**188.0**
of which Brenntag's share	41.2	21.5	28.7	57.4	148.8
of which non-controlling interests	39.4	−0.2	–	–	39.2
Goodwill	**18.6**	**26.6**	**20.1**	**30.4**	**95.7**
of which deductible for tax purposes	–	–	–	17.2	17.2

C.17 NET ASSETS ACQUIRED IN 2019

[1] Including the interest held in Crest (50%) since 2001 in the amount of EUR 24.1 million (interest remeasured at fair value). The effect of this remeasurement was presented within other net finance income/costs.

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) is still mostly uncompleted. 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). No share of the goodwill was recognized for non-controlling interests (partial goodwill method).

Acquisition-related costs in the amount of EUR 2.1 million were recognized under other operating expenses.

Since their acquisition by Brenntag, the business units acquired in 2019 have generated the following sales and the following profit/loss after tax:

in EUR m	Tee Hai	Crest	Quimisa	Other entities	**Total**
Sales	90.9	4.4	3.4	115.3	214.0
Profit/loss after tax	3.8	−0.1	0.2	0.7	4.6

C.18 SALES AND PROFIT/LOSS AFTER TAX OF THE BUSINESSES ACQUIRED SINCE ACQUISITION

If the above-mentioned business combinations had taken place with effect from January 1, 2019, sales of about EUR 13,099 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 2019 and contained in non-current assets, in each case at the exchange rate at the acquisition date, are as follows:

in EUR m	Tee Hai	Crest	Quimisa	Other entities	**Provisional fair value**
Customer relationships and similar rights					
Carrying amount	13.4	5.3	5.4	24.9	49.0
Annual amortization	4.3	1.5	1.6	5.8	13.2

C.19 INTANGIBLE ASSETS ACQUIRED

Measurement of the assets and liabilities of the 2018 acquiree RAJ PETRO SPECIALTIES PRIVATE LIMITED (Raj Petro) based in Mumbai, India, has been completed.

The purchase price, net assets acquired and goodwill were adjusted as follows:

in EUR m	Provisional fair value	Adjustments	**Final fair value**
Purchase price	**54.7**	**–5.1**	**49.6**
of which consideration contingent on earnings targets	–	–	–
Assets			
Cash and cash equivalents	9.9	–	9.9
Trade receivables, other financial assets and other receivables	81.1	–	81.1
Other current assets	32.4	–	32.4
Non-current assets	19.5	9.0	28.5
Liabilities			
Current liabilities	107.9	–0.3	107.6
Non-current liabilities	5.0	3.9	8.9
Net assets	**30.0**	**5.4**	**35.4**
of which Brenntag's share	19.5	3.5	23.0
of which non-controlling interests (35% of Raj Petro)	10.5	1.9	12.4
Goodwill	**35.2**	**–8.6**	**26.6**
of which deductible for tax purposes	–	–	–

C.20 NET ASSETS ACQUIRED IN 2018: RAJ PETRO

Measurement of the assets and liabilities of the 2018 acquiree CCC Chemical Distribution Inc. based in Toronto, Canada, has been completed.

The purchase price, net assets acquired and goodwill were adjusted as follows:

in EUR m	Provisional fair value	Adjustments	**Final fair value**
Purchase price	**88.8**	**–**	**88.8**
of which consideration contingent on earnings targets	–	–	–
Assets			
Trade receivables, other financial assets and other receivables	17.9	–	17.9
Other current assets	14.4	–1.0	13.4
Non-current assets	39.4	2.4	41.8
Liabilities			
Current liabilities	12.4	1.8	14.2
Non-current liabilities	4.4	–0.5	3.9
Contingent liabilities	1.3	–	1.3
Net assets	**53.6**	**0.1**	**53.7**
Goodwill	**35.2**	**–0.1**	**35.1**
of which deductible for tax purposes	–	–	–

C.21 NET ASSETS ACQUIRED IN 2018: CCC

Measurement of the assets and liabilities of the other entities acquired in 2018 (the Quimitecnica Group based in Lordelo (Guimarães), Portugal, Nemo Oil Company Inc., USA, Alphamin S.A. based in Wavre, Belgium, CONQUIMICA S.A. based in Itagui, Colombia, and Pachem Distribution Inc. based in Laval, Canada) has been completed.

The purchase price, net assets acquired and goodwill were adjusted as follows:

in EUR m	Provisional fair value	Adjustments	**Final fair value**
Purchase price	**75.1**	**−0.1**	**75.0**
of which consideration contingent on earnings targets	2.0	–	2.0
Assets			
Cash and cash equivalents	6.5	–	6.5
Trade receivables, other financial assets and other receivables	27.5	–	27.5
Other current assets	14.1	−0.1	14.0
Non-current assets	30.2	−2.1	28.1
Liabilities			
Current liabilities	30.4	0.5	30.9
Non-current liabilities	13.3	−1.0	12.3
Net assets	**34.6**	**−1.7**	**32.9**
Goodwill	**40.5**	**1.6**	**42.1**
of which deductible for tax purposes	0.8	–	0.8

C.22 NET ASSETS ACQUIRED IN 2018: OTHER ENTITIES

Goodwill from the business combinations carried out in 2018 and 2019 changed as follows:

in EUR m	Raj Petro	CCC	Tee Hai	Crest	Quimisa	Other	**Goodwill**
Dec. 31, 2018	**35.3**	**34.3**	**–**	**–**	**–**	**8.9**	**78.5**
Exchange rate differences	−0.2	2.4	0.2	0.8	0.6	0.7	4.5
Business combinations in 2019	–	–	18.6	26.6	20.1	30.4	95.7
Adjustments in the measurement period	−8.6	−0.1	–	–	–	1.6	−7.1
Dec. 31, 2019	**26.5**	**36.6**	**18.8**	**27.4**	**20.7**	**41.6**	**171.6**

C.23 CHANGE IN GOODWILL

The net cash outflow in 2019 resulting from business combinations has been determined as follows:

in EUR m	
Purchase price	**239.3**
Less purchase price components not paid	23.9
Less cash and cash equivalents acquired	21.2
Plus other acquisitions (not business combinations in accordance with IFRS 3)	0.7
Payments to acquire consolidated subsidiaries and other business units	**194.9**

C.24 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 AG and all entities controlled by Brenntag. This is the case when the following conditions are met:

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

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

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

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

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

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

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

Associates and joint ventures of the Brenntag Group where Brenntag has significant influence or joint control are accounted for using the equity method. Significant influence is generally considered to exist when Brenntag AG holds between 20% and 50% of the voting rights either directly or indirectly. The same consolidation policies apply to companies accounted for using the equity method as to consolidated companies, whereby recognized goodwill is contained in the carrying amount of investments accounted for using the equity method. Brenntag's share of the profit/loss after tax of the companies accounted for using the equity method is recognized in the income statement. The accounting policies of the companies accounted for using the equity method were, as far as necessary, adjusted in line with the accounting policies of Brenntag.

CURRENCY TRANSLATION

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

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

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

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

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

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

The euro exchange rates of major currencies changed as follows:

	Closing rate		Average rate	
1 EUR = currencies	**Dec. 31, 2019**	Dec. 31, 2018	**2019**	2018
Canadian dollar (CAD)	1.4598	1.5605	1.4855	1.5294
Swiss franc (CHF)	1.0854	1.1269	1.1124	1.1550
Chinese yuan renminbi (CNY)	7.8205	7.8751	7.7355	7.8081
Danish krone (DKK)	7.4715	7.4673	7.4661	7.4532
Pound sterling (GBP)	0.8508	0.8945	0.8778	0.8847
Polish zloty (PLN)	4.2568	4.3014	4.2976	4.2615
Swedish krona (SEK)	10.4468	10.2548	10.5891	10.2583
US dollar (USD)	1.1234	1.1450	1.1195	1.1810

C.25 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 [2] (if applicable, including transaction costs).

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.

[2] 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.

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.

ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

In accordance with IFRS 5, assets held for sale and associated liabilities are presented separately as such if the related carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their adjusted carrying amount and fair value less costs to sell. Assets held for sale cease to be depreciated.

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.26 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.27 USEFUL LIVES OF INTANGIBLE ASSETS

Amortization charges on intangible assets are allocated to the relevant function in the income statement.

LEASES

Under the new rules in IFRS 16 (Leases), which are effective from January 1, 2019, 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. The recognition and measurement requirements of IFRS 16 (Leases) are outlined in the section “Standards applied”.

IMPAIRMENT TESTING OF NON-CURRENT NON-FINANCIAL ASSETS

In accordance with IAS 36, non-current non-financial assets are tested for impairment whenever there is an objective indication that the carrying amount may not be recoverable.

Assets that have an indefinite useful life and are, therefore, not subject to amortization are also tested for impairment at least annually.

Impairment exists when the carrying amount of an asset exceeds the estimated recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. If the carrying amount is higher than the recoverable amount, the asset is written down to the recoverable amount.

If the recoverable amount of an individual asset cannot be determined, the recoverable amount of the cash-generating unit (CGU) to which this asset belongs is determined and compared with the carrying amount of the CGU.

Impairments, except for impairments of goodwill, are reversed as soon as the reasons for the impairment no longer exist.

Goodwill is tested for impairment regularly, at least annually, after completion of the annual budget process by comparing the carrying amount of the relevant cash-generating unit with its recoverable amount.

For the goodwill impairment test, the operating segments of the segment reporting were identified as relevant CGUs.

If the carrying amount of a segment exceeds the recoverable amount, an impairment exists in the amount of the difference. In this case, the goodwill of the relevant segment would first be written down. Any remaining impairment would be allocated to the segment assets in proportion to the net carrying amounts of the assets at the reporting date. The carrying amount of an individual asset must not be less than the highest of fair value less costs of disposal, value in use (in each case in as far as they can be determined) and zero.

OTHER PROVISIONS

In accordance with IAS 37, other provisions are recognized when the Group has a present legal or constructive obligation towards third parties as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Non-current provisions are recognized at the present value of the expected outflow and their discounting is unwound over the period until their expected utilization.

If the projected obligation declines as a result of a change in an estimate, the provision is reversed by the corresponding amount and the resulting income is usually recognized in the function in which the original charge was recognized.

Provisions are recognized for cash-settled share-based payments in accordance with IFRS 2. The new Long-Term Incentive Programme introduced in 2015 and the expiring long-term, virtual share-based remuneration programme for the members of the Board of Management and the Long-Term Incentive Plan for Executives and Senior Managers are classified as cash-settled share-based payments. Provisions are established for the resulting obligations. The obligations are measured at fair value. They are recognized as personnel expenses over the vesting period during which the beneficiaries acquire a vested right (unconditional right). The fair value is remeasured at each reporting date and at the settlement date.

PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The Group's pension obligations comprise both defined contribution and defined benefit pension plans.

The contributions to be paid into defined contribution pension plans are recognized directly as expense. Provisions for pension obligations are not established as, in these cases, Brenntag has no additional obligation apart from the obligation to pay the premiums.

In accordance with IAS 19, provisions are established for defined benefit plans, unless the plans are multi-employer pension funds for which insufficient information is available. The obligations arising from these defined benefit plans are determined using the projected unit credit method, under which the expected benefits to be paid after retirement are determined taking dynamic measurement 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.28 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, LEASE 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.

Under the new rules in IFRS 16 (Leases), which are effective from January 1, 2019, 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. The recognition and measurement requirements of IFRS 16 (Leases) are outlined in the section "Standards applied".

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 AG of 32% (2018: 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 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") and the assessment of whether purchase and extension options will be exercised when accounting for right-of-use assets in accordance with IFRS 16. 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.

As in the previous year, no impairment would have arisen if the WACC (weighted average cost of capital after taxes) taken as a basis for goodwill impairment testing had been one percentage point higher. As in 2018, a 10% lower free cash flow, with all other conditions remaining the same, and a 20% lower growth rate over the entire planning period, with all other conditions remaining the same, would likewise not have led to any impairment. However, in all scenarios, the fair value of the Latin America region approximates the carrying amount.

If the discount rates used to determine the environmental provisions had been one percentage point higher or lower and all other conditions had remained the same, the provision would have decreased by EUR 5.1 million (Dec. 31, 2018: EUR 4.5 million) or increased by EUR 5.9 million (Dec. 31, 2018: EUR 5.1 million), respectively.

Sensitivity analyses of defined benefit pension obligations are described in the section "Provisions for pensions and other post-employment benefits".

The actual amounts may differ from the assumptions and estimates in individual cases. Adjustments are recognized when estimates are revised.

CASH FLOW STATEMENT

The cash flow statement classifies cash flows by operating, investing and financing activities. The cash provided by operating activities is determined using the indirect method on the basis of the profit/loss after tax. Interest payments made and received, tax payments and dividends received are presented as components of cash provided by operating activities. The effects of acquisitions of consolidated subsidiaries and other business units as defined by IFRS 3 (Business Combinations) are eliminated from the individual items of the cash flow statement and combined under cash flow from investing activities. Repayments of finance lease liabilities are presented as cash used in financing activities. Cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents in the balance sheet. The effect of exchange rate changes on cash and cash equivalents is shown separately.

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, as was the case previously. Overall, this results in a shift of cash outflows from cash provided by operating activities to cash used in financing activities.

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 12,821.8 million (2018: EUR 12,550.0 million) are almost entirely attributable to contracts with customers as defined by IFRS 15. Sales of EUR 3.0 million (2018: EUR 0.9 million) were generated with related parties.

Sales of EUR 12,757.6 million (2018: EUR 12,515.0 million) relate mainly to the sale of goods and sales of EUR 64.2 million (2018: EUR 35.0 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 12,641.6 million (2018: EUR 12,426.4 million) are attributable to warehousing or direct business. Of the other revenues from the sale of goods in the amount of EUR 116.1 million (2018: EUR 88.6 million), EUR 106.0 million (2018: EUR 78.2 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 1,820.3 million (Dec. 31, 2018: EUR 1,843.0 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, 2019	Dec. 31, 2018
Contract liabilities under credit notes	11.7	8.6
Refund liabilities	16.7	15.1
Prepayments received	3.7	2.7
Total	**32.1**	**26.4**

C.29 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 10,000.1 million (2018: EUR 9,889.1 million). Cost of sales also includes expenses in the amount of EUR 5.8 million (2018: EUR 8.6 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	2019	2018
Income from the disposal of non-current assets	6.4	7.4
Income from the reversal of liabilities and provisions no longer required	10.0	9.4
Miscellaneous operating income	24.7	47.7
Total	**41.1**	**64.5**

C.30 OTHER OPERATING INCOME

Prior-year miscellaneous operating income includes income from the sale of the non-core business unit Brenntag Biosector A/S, Denmark, in the amount of EUR 28.2 million.

6.) OTHER OPERATING EXPENSES

in EUR m	2019	2018
Losses on the disposal of non-current assets	−1.7	−0.8
Miscellaneous operating expenses	−10.2	−9.0
Total	**−11.9**	**−9.8**

C.31 OTHER OPERATING EXPENSES

7.) INTEREST EXPENSE

in EUR m	2019	2018
Interest expense on liabilities to third parties	−75.5	−81.9
Expense/income from the fair value measurement of interest rate swaps	−0.3	1.2
Net interest expense on defined benefit pension plans	−3.0	−2.7
Interest expense on other provisions	−2.5	−1.8
Interest expense on leases	−12.7	−0.4
Total	**−94.0**	**−85.6**

C.32 INTEREST EXPENSE

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

in EUR m	2019	2018
Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	0.7	−7.5
Change in liabilities recognized in profit or loss arising from limited partners' rights to repayment of contributions	−1.4	−1.5
Total	**−0.7**	**−9.0**

C.33 CHANGE IN LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS RECOGNIZED IN PROFIT OR LOSS

For further information, please refer to Note 28.).

9.) OTHER NET FINANCE INCOME/COSTS

in EUR m	2019	2018
Exchange rate gain/loss on foreign currency receivables and liabilities	5.0	−15.2
Exchange rate loss/gain on foreign currency derivatives	−13.2	6.5
Measurement of Crest at fair value through profit or loss	10.3	–
Cumulative exchange rate differences on Crest reclassified to profit or loss	−8.9	–
Miscellaneous other net finance income	13.7	3.4
Total	**6.9**	**−5.3**

C.34 OTHER NET FINANCE INCOME/COSTS

10.) INCOME TAX EXPENSES

in EUR m	2019	2018
Current income taxes	−167.3	−151.8
Deferred taxes	3.1	−9.4
(of which for temporary differences)	(5.2)	(−13.6)
(of which for tax loss carryforwards)	(−2.1)	(4.2)
Total	**−164.2**	**−161.2**

C.35 INCOME TAX EXPENSE

The effective tax expense of EUR 164.2 million (2018: EUR 161.2 million) differs by EUR −38.5 million (2018: EUR −38.3 million) from the expected tax expense of EUR 202.7 million (2018: EUR 199.5 million). The expected tax expense results from applying the Group tax rate of 32% (2018: 32%) to profit before tax.

The reasons for the difference between the expected and the effective tax expense are as follows:

in EUR m	2019	2018
Profit before tax	633.4	623.5
Expected income tax expense (32%, 2018: 32%)	−202.7	−199.5
Difference due to tax base	−0.7	−0.5
Effect of different tax rates arising on the inclusion of foreign and domestic subsidiaries	50.4	48.8
Changes in valuation allowances on deferred tax assets/losses for which deferred taxes are not recognized/utilization of loss carryforwards	−1.5	6.1
Changes in the tax rate and tax laws	2.4	0.2
Expenses not deductible for tax purposes	−14.7	−14.6
Tax-free income	2.4	7.9
Share of profit or loss of equity-accounted investments	0.3	−1.9
Prior-period tax expense	0.4	−4.6
Deferred taxes for temporary differences from investments in subsidiaries	0.6	−0.4
Changes in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	−0.1	−2.1
Other effects	−1.0	−0.6
Effective tax expense	**−164.2**	**−161.2**

C.36 TAX EXPENSE RECONCILIATION

Deferred taxes result from the individual balance sheet items and other items as follows:

in EUR m	Dec. 31, 2019 Deferred tax assets	Dec. 31, 2019 Deferred tax liabilities	Dec. 31, 2018 Deferred tax assets	Dec. 31, 2018 Deferred tax liabilities
Current assets				
Cash and cash equivalents and financial assets	8.6	5.4	8.1	4.8
Inventories	11.6	0.1	11.1	2.0
Non-current assets				
Property, plant and equipment and right-of-use assets	5.9	133.8	9.3	77.7
Intangible assets	13.5	172.0	13.8	164.7
Financial assets	10.5	3.4	10.5	2.8
Current liabilities				
Other provisions	6.6	–	5.1	0.1
Liabilities	32.7	2.8	19.9	2.7
Non-current liabilities				
Provisions for pensions	37.7	7.6	28.9	7.7
Other provisions	16.1	1.6	15.0	2.9
Liabilities	47.9	3.4	6.5	1.6
Special tax-allowable reserves	–	3.5	–	3.4
Loss carryforwards	60.7	–	59.3	–
Valuation allowances on loss carryforwards	−43.5	–	−40.1	–
Valuation allowances on balance sheet items	−0.9	–	−0.9	–
Consolidation items	–	6.5	–	7.7
Offsetting	−144.5	−144.5	−96.2	−96.2
Deferred taxes	**62.9**	**195.6**	**50.3**	**181.9**
Deferred tax liabilities (net)		**132.7**		**131.6**

C.37 DEFERRED TAX ASSETS AND LIABILITIES

The increase in deferred tax liabilities in the line item Property, plant and equipment and right-of-use assets and the increase in deferred tax assets in the line items Current liabilities and Non-current liabilities are due mainly to the application of IFRS 16 as of 2019.

Deferred tax assets and liabilities break down by maturity as follows:

in EUR m	Dec. 31, 2019	Dec. 31, 2018
Deferred tax assets to be recovered after more than 12 months	9.3	11.4
Deferred tax assets to be recovered within 12 months	53.6	38.9
Deferred tax assets	**62.9**	**50.3**
Deferred tax liabilities to be recovered after more than 12 months	193.8	177.7
Deferred tax liabilities to be recovered within 12 months	1.8	4.2
Deferred tax liabilities	**195.6**	**181.9**
Deferred tax liabilities (net)	**132.7**	**131.6**

C.38 DEFERRED TAX BY MATURITY

Deferred tax liabilities (net) changed as follows:

in EUR m	2019	2018
Deferred tax liabilities (net) at Jan. 1	**131.6**	**112.1**
Exchange rate differences	1.0	0.8
Income/expense in profit and loss	−3.1	9.4
Income taxes recognized in other comprehensive income	−8.0	3.4
Business combinations	11.2	5.9
Deferred tax liabilities (net) at Dec. 31	**132.7**	**131.6**

C.39 CHANGE IN DEFERRED TAX LIABILITIES (NET)

The existing tax loss carryforwards can be utilized as follows:

	Dec. 31, 2019		Dec. 31, 2018	
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	1.0	(0.7)	1.6	(0.8)
2 to 5 years	7.1	(4.8)	9.0	(6.8)
6 to 9 years	2.3	(0.5)	1.8	(1.6)
More than 9 years	263.9	(235.1)	262.3	(244.4)
Unlimited	170.6	(119.3)	166.1	(106.5)
Total	**444.9**	**(360.4)**	**440.8**	**(360.1)**

C.40 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 17.2 million (Dec. 31, 2018: EUR 19.2 million) were recognized for loss carryforwards of EUR 84.5 million (Dec. 31, 2018: EUR 80.7 million) which are likely to be utilized. These include loss carryforwards of US subsidiaries for state taxes totalling EUR 29.1 million (tax rate between 7% and 8%) (Dec. 31, 2018: EUR 17.9 million).

No deferred taxes were recognized for loss carryforwards of EUR 360.4 million (Dec. 31, 2018: EUR 360.1 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, 2018: EUR 93.8 million) as well as loss carryforwards of US subsidiaries for state taxes totalling EUR 234.2 million (tax rate between 7% and 8%) (Dec. 31, 2018: EUR 244.2 million).

No deferred taxes were recognized for interest carryforwards of EUR 6.2 million (Dec. 31, 2018: EUR 0.0 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 517.9 million (Dec. 31, 2018: EUR 445.2 million).

11.) PERSONNEL EXPENSES/EMPLOYEES

Personnel expenses amount to EUR 1,072.6 million in total (2018: EUR 1,004.7 million). This line item includes wages and salaries totalling EUR 863.5 million (2018: EUR 799.2 million) as well as social insurance contributions of EUR 209.1 million (2018: EUR 205.5 million), of which pension expenses (including employer contributions to the statutory pension insurance fund) account for EUR 68.1 million (2018: EUR 63.0 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 5.4 million (2018: EUR 3.4 million).

The average number of employees breaks down by segment as follows:

	2019	2018
EMEA	7,268	7,128
North America	5,311	5,003
Latin America	1,716	1,490
Asia Pacific	2,553	2,396
All other segments	196	172
Total	**17,045**	**16,189**

C.41 EMPLOYEES BY SEGMENT

As at December 31, 2019, the Brenntag Group had a workforce of 17,492 (Dec. 31, 2018: 16,616). Of this figure, 1,682 (Dec. 31, 2018: 1,644) were employed in Germany.

12.) EARNINGS PER SHARE

Earnings per share in the amount of EUR 3.02 (2018: EUR 2.98) are determined by dividing the share of profit after tax of EUR 466.7 million (2018: EUR 460.9 million) attributable to the shareholders of Brenntag AG 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 shares. The warrants had no diluting effect as the average Brenntag share price is lower than the strike price of the warrants of EUR 72.5322. 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, 2019	Dec. 31, 2018
Bank deposits	511.5	382.6
Cheques and cash on hand	8.8	11.2
Total	**520.3**	**393.8**

C.42 CASH AND CASH EQUIVALENTS

14.) TRADE RECEIVABLES

in EUR m	Dec. 31, 2019	Dec. 31, 2018
Trade receivables from third parties	1,820.3	1,842.6
Trade receivables from related parties	–	0.4
Total	**1,820.3**	**1,843.0**

C.43 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, 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.44 LOSS GIVEN DEFAULT ON TRADE RECEIVABLES/DEC. 31, 2019

At the prior-year reporting date, receivables past due but not impaired were past due 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, 2018
Loss given default (%)	0.1	0.9	4.5	8.1	16.2	89.8	
Gross amount of trade receivables	1,508.6	253.5	50.7	16.0	22.8	27.5	**1,879.1**
Valuation allowance	1.8	2.3	2.3	1.3	3.7	24.7	**36.1**

C.45 LOSS GIVEN DEFAULT ON TRADE RECEIVABLES/DEC. 31, 2018

Of the trade receivables, EUR 630.6 million (Dec. 31, 2018: EUR 593.2 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 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	**2019**	**2018**
Jan. 1	**36.1**	**33.2**
Initial application of IFRS 9 at Jan. 1, 2018	–	0.8
Jan. 1 after IFRS 9	**36.1**	**34.0**
Exchange rate differences	0.4	0.8
Added	10.4	8.8
Reversed	−4.3	−3.0
Utilized	−4.4	−4.5
Dec. 31	**38.2**	**36.1**

C.46 CHANGE IN IMPAIRMENT LOSSES ON TRADE RECEIVABLES

15.) OTHER RECEIVABLES

	Dec. 31, 2019		Dec. 31, 2018	
in EUR m		of which current		of which current
Value-added tax receivables	62.8	(58.6)	41.3	(41.3)
Receivables from packaging	10.9	(10.9)	12.0	(12.0)
Receivables from the disposal of non-current assets	11.2	(11.2)	12.6	(12.6)
Reimbursement claims – environment	4.1	(–)	3.2	(–)
Suppliers with debit balances	8.6	(8.6)	6.9	(6.9)
Receivables from insurance claims	2.1	(2.1)	2.0	(2.0)
Deposits	7.6	(7.6)	6.4	(6.4)
Receivables from commissions and rebates	23.2	(23.2)	24.8	(24.8)
Prepayments	12.7	(12.4)	19.2	(18.9)
Receivables from other taxes	6.8	(6.7)	7.7	(7.3)
Plan assets not netted with provisions for pensions	4.7	(–)	3.0	(–)
Receivables from employees	1.2	(1.2)	0.8	(0.8)
Miscellaneous other receivables	39.1	(29.1)	37.3	(22.9)
Prepaid expenses	24.3	(23.2)	21.4	(20.4)
Total	**219.3**	**(194.8)**	**198.6**	**(176.3)**

C.47 OTHER RECEIVABLES

16.) OTHER FINANCIAL ASSETS

	Remaining term			
in EUR m	1 year or less	1 to 5 years	more than 5 years	**Dec. 31, 2019**
Financial receivables from third parties	19.3	18.2	1.4	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**	**18.2**	**3.2**	**43.1**

C.48 OTHER FINANCIAL ASSETS/DEC. 31, 2019

	Remaining term			
in EUR m	1 year or less	1 to 5 years	more than 5 years	**Dec. 31, 2018**
Financial receivables from third parties	3.2	8.1	–	11.3
Derivative financial instruments	4.7	–	–	4.7
Available-for-sale financial assets	–	–	1.5	1.5
Total	**7.9**	**8.1**	**1.5**	**17.5**

C.49 OTHER FINANCIAL ASSETS/DEC. 31, 2018

17.) INVENTORIES

The inventories break down as follows:

in EUR m	**Dec. 31, 2019**	**Dec. 31, 2018**
Merchandise	1,132.3	1,122.5
Finished goods	20.8	35.4
Work in progress	1.0	2.2
Raw materials and supplies	22.4	35.7
Total	**1,176.5**	**1,195.8**

C.50 INVENTORIES

18.) ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

The assets held for sale in the previous year and the associated liabilities consisted mainly of land and buildings in the EMEA segment, of which a portion was sold at fair value. The remainder are no longer required to be classified as held for sale, as Brenntag does not currently intend to dispose of them.

The assets and liabilities break down as follows:

in EUR m	Dec. 31, 2019	Dec. 31, 2018
Property, plant and equipment and intangible assets	–	5.8
Assets held for sale	**–**	**5.8**
Trade payables, other liabilities and provisions	–	0.3
Current tax liabilities and deferred tax liabilities	–	–
Liabilities associated with assets held for sale	**–**	**0.3**

C.51 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

The disposal of a non-core business of J.A.M. Distributing Company, USA, resulted in a gain of EUR 2.0 million, which is presented as other operating income.

in EUR m	
Cash and cash equivalents received	**17.5**
Assets	
Inventories	3.8
Property, plant and equipment	13.8
Goodwill and other intangible assets	3.7
Net assets	**21.3**
of which Brenntag's share	15.5
of which non-controlling interests	5.8

C.52 NET ASSETS DISPOSED OF

19.) 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, 2017	**744.2**	**666.9**	**294.1**	**70.3**	**1,775.5**
Exchange rate differences	8.7	10.9	3.9	0.8	24.3
Business combinations	34.0	13.8	3.0	0.4	51.2
Other additions	22.0	32.6	36.0	60.5	151.1
Reclassification into non-current assets held for sale	−8.3	–	–	–	−8.3
Disposals	−15.6	−20.0	−42.5	−0.9	−79.0
Transfers	95.8	−49.1	41.6	−80.1	8.2
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 out of 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**
Accumulated depreciation and impairment					
Dec. 31, 2017	**237.1**	**395.5**	**196.5**	**–**	**829.1**
Exchange rate differences	3.2	7.2	2.5	–	12.9
Depreciation	26.9	49.1	43.7	–	119.7
Impairment	0.8	1.2	0.3	–	2.3
Reclassification into non-current assets held for sale	−2.5	–	–	–	−2.5
Disposals	−7.4	−18.7	−40.5	–	−66.6
Transfers	22.1	−35.2	14.1	–	1.0
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**
Carrying amounts at Dec. 31, 2018	600.6	256.0	119.5	51.0	1,027.1
Carrying amounts at Dec. 31, 2019	710.4	271.1	108.9	73.9	1,164.3

C.53 PROPERTY, PLANT AND EQUIPMENT

The net carrying amounts of the property, plant and equipment subject to impairment total EUR 1.0 million. Government grants total EUR 1.0 million (Dec. 31, 2018: EUR 1.3 million).

20.) INTANGIBLE ASSETS

in EUR m	Goodwill	Trademarks	Customer relationships and similar rights	Software, licences and similar rights	**Total**
Cost					
Dec. 31, 2017	**2,421.6**	**220.1**	**169.5**	**88.2**	**2,899.4**
Exchange rate differences	40.4	0.5	1.0	1.4	43.3
Business combinations	114.4	–	32.2	1.1	147.7
Other additions	–	–	–	21.1	21.1
Reclassification into non-current assets held for sale	−4.3	–	–	–	−4.3
Disposals	–	–	−48.3	−1.2	−49.5
Transfers	–	–	–	0.4	0.4
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**
Accumulated amortization and impairment					
Dec. 31, 2017	**–**	**18.0**	**78.4**	**56.3**	**152.7**
Exchange rate differences	–	0.4	0.6	0.9	1.9
Amortization	–	1.8	40.7	7.4	49.9
Disposals	–	–	−48.3	−1.0	−49.3
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
Reclassification into non-current assets held for sale	–	–	–	–	–
Disposals	–	−1.0	−51.0	−0.2	−52.2
Dec. 31, 2019	**–**	**23.5**	**57.0**	**75.1**	**155.6**
Carrying amounts at Dec. 31, 2018	2,572.1	200.4	83.0	47.4	2,902.9
Carrying amounts at Dec. 31, 2019	2,710.2	204.0	92.8	77.0	3,084.0

C.54 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, 2019	Dec. 31, 2018
EMEA	972.2	922.0
North America	1,322.7	1,273.9
Latin America	99.3	77.7
Asia Pacific	290.2	272.7
All other segments	25.8	25.8
Group	**2,710.2**	**2,572.1**

C.55 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 the new IFRS 16 (Leases). The five-year plan consists of the mid-term planning for the first three years submitted by the Group companies and aggregated at segment level (bottom up) and an extrapolation for the two following years performed by management (top down). The fair value thus determined is required to be classified into Level 3 of the IFRS 13 measurement hierarchy.

The cash flow forecasts for the impairment test of the financial year ended December 31, 2019 were derived from the budget for 2020 and the plan years 2021 to 2024. The growth rates are based on management’s past experience and expectations as to future trends in markets and costs as well as quantities and prices on the basis of external macroeconomic data. After the, in some cases, much higher growth rates in the years 2020 to 2024 (detailed planning period), the planned growth rates for the period from 2025 onwards are 0.5% in EMEA (2018: 1.0%), 0.75% in North America (2018: 1.25%) and 1.0% in Latin America and Asia Pacific (2018: 2.0%).

The region-specific WACC used to discount the cash flows thus determined is based on a risk-free interest rate of 0.20% (2018: 1.00%) and a market risk premium of 7.50% (2018: 6.50%). 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, the new 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 %	2019	2018
EMEA	6.1	6.0
North America	5.7	5.5
Latin America	6.9	6.9
Asia Pacific	6.4	6.6
Group	**5.9**	**6.0**

C.56 WACC BY SEGMENT

Amortization of customer relationships and similar rights as well as local trademarks is recognized under selling expenses.

21.) 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**
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**
Carrying amounts at Dec. 31, 2018	–	–	–	–
Carrying amounts at Dec. 31, 2019	249.9	131.4	30.9	412.2

C.57 RIGHT-OF-USE ASSETS

Extension options in the amount of EUR 51.0 million and purchase options in the amount of 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	2019
Lease expense relating to short-term leases	−22.8
Lease expense relating to variable lease payments	−9.4
Lease expense relating to leases of low-value assets	−1.0
Total	**−33.2**

C.58 LEASE EXPENSES

In the financial year, a sale and leaseback transaction resulted in a gain of EUR 2.0 million. As at December 31, 2019, future lease commitments for short-term leases amounted to EUR 10.5 million and for leases entered into but not yet commenced to EUR 12.1 million.

Interest expense on lease liabilities amounts to EUR 12.7 million. Total payments for leases amounted to EUR 153.9 million in 2019. Further information on lease liabilities is provided in the sections "Financial liabilities" and "Reporting of financial instruments".

22.) EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted investments changed as follows:

in EUR m	Investments in associates
Dec. 31, 2017	**21.6**
Exchange rate differences	−1.4
Net income from equity-accounted investments	−0.9
Total comprehensive income	**−2.3**
Dividends received	−1.1
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**

C.59 CHANGE IN EQUITY-ACCOUNTED INVESTMENTS

On acquisition of the outstanding 50% of the shares in Crest Chemicals (Proprietary) Limited, South Africa (Crest), the previously held 50% of the shares was measured at fair value through profit or loss. 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.

23.) TRADE PAYABLES

Trade payables of EUR 1,229.1 million (Dec. 31, 2018: EUR 1,231.8 million) include accruals of EUR 191.1 million (Dec. 31, 2018: EUR 224.4 million) and liabilities to related parties of EUR 0.0 million (Dec. 31, 2018: EUR 0.1 million).

24.) FINANCIAL LIABILITIES

in EUR m	Remaining term 1 year or less	1 to 5 years	more than 5 years	Dec. 31, 2019
Liabilities under syndicated loan	3.3	858.8	–	862.1
Other liabilities to banks	195.6	14.0	10.5	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	22.9	6.7	46.0
Total	**224.2**	**1,324.8**	**611.6**	**2,160.6**
Lease liabilities [1]	100.5	218.9	100.8	420.2
Cash and cash equivalents				520.3
Net financial liabilities				**2,060.5**

C.60 FINANCIAL LIABILITIES/DEC. 31, 2019

[1] Including lease liabilities that had been classified as finance leases in 2018.

in EUR m	Remaining term 1 year or less	1 to 5 years	more than 5 years	Dec. 31, 2018
Liabilities under syndicated loan	3.7	–	845.7	849.4
Other liabilities to banks	228.8	3.6	5.6	238.0
Bond 2025	1.8	–	593.6	595.4
Bond (with Warrants) 2022	0.7	416.0	–	416.7
Finance lease liabilities	1.8	3.1	2.0	6.9
Derivative financial instruments	5.5	–	–	5.5
Other financial liabilities	13.8	29.7	0.3	43.8
Total	**256.1**	**452.4**	**1,447.2**	**2,155.7**
Cash and cash equivalents				393.8
Net financial liabilities				**1,761.9**

C.61 FINANCIAL LIABILITIES/DEC. 31, 2018

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, 2019, 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, 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.62 LIABILITIES UNDER SYNDICATED LOAN/DEC. 31, 2019

in EUR m	Remaining term	Interest rate above EURIBOR/CDOR/LIBOR	**Dec. 31, 2018**
Currency			
EUR	Jan. 31, 2024	0.85%	340.0
CAD	Jan. 31, 2024	1.25%	51.3
USD	Jan. 31, 2024	1.25%	458.5
Total			**849.8**
Accrued interest			3.7
Transaction costs			−4.1
Liabilities under syndicated loan			**849.4**

C.63 LIABILITIES UNDER SYNDICATED LOAN/DEC. 31, 2018

In addition to the above-mentioned tranches, the syndicated loan also includes a revolving credit facility totalling EUR 600.0 million (Dec. 31, 2018: EUR 600.0 million), which was mostly unused as at December 31, 2019.

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 shares issued together with the Bond (with Warrants) 2022. The warrant premium was recognized in the additional paid-in capital of Brenntag AG. 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.

The following table shows the reconciliation of future minimum lease payments to liabilities under finance leases as at December 31, 2018:

in EUR m	Minimum lease payments	Interest component	Finance lease liabilities
1 year or less	2.1	0.4	1.7
1 to 2 years	1.5	0.3	1.2
2 to 3 years	1.3	0.3	1.0
3 to 4 years	0.9	0.2	0.7
4 to 5 years	0.4	0.2	0.2
more than 5 years	3.5	1.4	2.1
Dec. 31, 2018	**9.7**	**2.8**	**6.9**

C.64 MINIMUM LEASE PAYMENTS/2018

25.) OTHER LIABILITIES

	Dec. 31, 2019		Dec. 31, 2018	
in EUR m		of which current		of which current
Liabilities to employees	118.7	(118.7)	123.5	(123.5)
Liabilities from packaging	57.5	(57.5)	55.7	(55.7)
Liabilities from value-added tax	48.3	(48.3)	48.8	(48.8)
Customers with credit balances	20.2	(20.2)	16.2	(16.2)
Liabilities from other taxes	23.0	(23.0)	20.3	(20.3)
Liabilities to insurance companies	14.1	(14.1)	16.4	(16.4)
Liabilities from sales deductions, rebates	16.7	(16.7)	15.1	(15.1)
Deferred income	0.7	(0.5)	5.9	(5.8)
Liabilities from social insurance contributions	11.1	(11.1)	10.6	(10.6)
Liabilities from the acquisition of assets	8.5	(8.5)	8.0	(8.0)
Miscellaneous other liabilities	68.0	(63.7)	55.2	(54.7)
Total	**386.8**	**(382.3)**	**375.7**	**(375.1)**

C.65 OTHER LIABILITIES

Other liabilities include accruals of EUR 43.8 million (Dec. 31, 2018: EUR 41.7 million).

26.) OTHER PROVISIONS

Other provisions changed as follows in financial year 2019:

in EUR m	Environmental provisions	Provisions for personnel expenses	Miscellaneous provisions	Total
Jan. 1, 2019	**92.7**	**27.4**	**94.8**	**214.9**
Exchange rate differences	1.8	0.1	0.6	2.5
Additions from business combinations	1.9	0.4	3.5	5.8
Unwinding of discounting	1.6	0.4	0.4	2.4
Utilized	−5.6	−14.8	−19.7	− 40.1
Reversed	−2.7	−1.8	−2.5	−7.0
Added	7.6	14.2	20.6	42.4
Transferred	0.5	1.4	0.6	2.5
Dec. 31, 2019	**97.8**	**27.3**	**98.3**	**223.4**

C.66 CHANGE IN OTHER PROVISIONS

Other provisions have the following maturities:

in EUR m	Environmental provisions	Provisions for personnel expenses	Miscellaneous provisions	Dec. 31, 2019	Environmental provisions	Provisions for personnel expenses	Miscellaneous provisions	Dec. 31, 2018
1 year or less	11.0	12.6	78.7	102.3	9.7	13.7	71.8	95.2
1 to 5 years	36.5	9.7	8.8	55.0	31.3	9.9	13.1	54.3
more than 5 years	50.3	5.0	10.8	66.1	51.7	3.8	9.9	65.4
Total	**97.8**	**27.3**	**98.3**	**223.4**	**92.7**	**27.4**	**94.8**	**214.9**

C.67 MATURITY OF OTHER PROVISIONS

Miscellaneous current provisions include a provision of EUR 47.8 million for proceedings at the French Competition Authority in relation to the allocation of customers and coordination of prices.

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 −0.6% to 12.6%, depending on the currency (Dec. 31, 2018: from 0.0% to 25.2%).

As at December 31, 2019, environmental provisions total EUR 97.8 million (Dec. 31, 2018: EUR 92.7 million). They mainly relate to the rehabilitation of soil and ground water for current and former, owned and leased sites but also cover costs for further and accompanying measures such as necessary environmental inspections and observations. The provisions include EUR 22.1 million (Dec. 31, 2018: EUR 19.5 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, 2019 amount to EUR 4.1 million (Dec. 31, 2018: EUR 3.2 million).

Provisions for personnel expenses

Provisions for personnel expenses primarily contain obligations arising from future variable and individual one-time payments, payments in connection with employee long-service anniversary bonuses, early retirement regulations and pre-retirement part-time work compensation. Provisions for 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 AG, 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)

Since 2015, there has generally been a single uniform remuneration system for all members of the Board of Management of Brenntag AG, which also includes a long-term share-based remuneration programme (Long-Term Incentive Plan). The long-term variable remuneration is awarded every year and is partly based on the 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). In connection with the termination of Steven Holland's employment, it was alternatively agreed that the vesting period would end on December 31, 2019 and target attainment at the end of financial year 2019 would be taken as the basis of measurement for both the External and the 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

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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 long-term share-based remuneration programme introduced in 2010 for the members of the Board of Management of Brenntag AG expired in financial year 2019. In principle, according to this programme, the amount of the bonus depended on the outperformance of quantitative targets and the achievement of qualitative targets as well as Brenntag's share price performance. Half of the base amounts awarded each year to those eligible was converted into virtual shares. At the end of the vesting period, they are multiplied by total shareholder return (the average share price adjusted for dividends, capital transactions and stock splits). These tranches of virtual shares allocated under the previous service agreements will be continued in accordance with the provisions of the previous service agreements and paid out at the times specified therein. The further change in the other half of the base amounts until pay-out after completion of the individual vesting periods depends on the outperformance or underperformance of the total shareholder return compared with the average MDAX performance. This portion of the base amount not converted into virtual shares has already been paid out to Steven Holland as agreed. The total amount to be paid out must not exceed 250% of the base amount.

The LTI Plan was offered for the first time in 2013 to a group of managers which is to be redefined every year by the Board of Management of Brenntag AG. The term of the programme is divided into a one-year performance period and a general vesting period of three years. The total bonus pool amount available for one annual tranche of the LTI Plan basically depends on the change in operating EBITDA in the performance period; further amounts can be assigned to the bonus pool at the discretion of the Board of Management. Restrictions exist to the extent that the bonus pool may not exceed 0.675% of the actual operating EBITDA. On the basis of this bonus pool, the number of virtual shares is determined for each plan participant pro rata based on the 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, 2019, provisions for share-based remuneration totalled EUR 10.0 million (December 31, 2018: EUR 7.2 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.

27.) 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 2019, pension expenses in the Brenntag Group totalled EUR 28.9 million (2018: EUR 26.7 million) for employer contributions to the statutory pension insurance fund and EUR 26.2 million (2018: EUR 23.4 million) for non-statutory defined contribution plans.

In the USA, subsidiaries of the Brenntag Group pay into defined benefit plans maintained by more than one employer (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 25% to 93% as at December 31, 2019 (about 27% to 92% as at December 31, 2018). Brenntag Group subsidiaries account for approximately 0.07% to 1.2% of the total contributions (2018: 0.07% to 1.7%), depending on the plan. Withdrawal from all plans at the present time would lead to an estimated one-time expense of approximately EUR 44 million or approximately USD 50 million (2018: approximately EUR 39 million or approximately USD 46 million). It is not intended to withdraw from any of these plans at this time.

In financial year 2019, contributions of EUR 2.5 million or USD 2.8 million (2018: EUR 2.2 million or USD 2.6 million) were paid. The contributions are included in the above-mentioned contributions for non-statutory defined contribution plans. In 2020, the contributions are expected to amount to approximately EUR 2.5 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. 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	**2019**	**0.20**	**0.90**	**3.10**	**0.90**	**1.76**	**1.11**
	2018	0.80	1.90	3.80	1.90	2.71	1.94
Expected salary trend	**2019**	**1.00**	**2.70**	**3.25**	**2.00**	**3.23**	**2.24**
	2018	1.00	2.70	3.25	2.70	3.41	2.35
Expected pension trend	**2019**	**0.00**	**1.75**	**2.00**	**1.75**	**2.20**	**1.35**
	2018	0.00	1.75	2.25	1.75	2.15	1.35
Medical cost trend	**2019**	**n.a.**	**n.a.**	**5.73**	**n.a.**	**n.a.**	**5.73**
	2018	n.a.	n.a.	5.90	n.a.	n.a.	5.90

C.68 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 2018" table and, in Canada, the "CPM2014Priv generational mortality table".

Provisions for pensions and other post-employment benefits by country

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.69 PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS BY COUNTRY/DEC. 31, 2019

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	**Dec. 31, 2018**
Present value of the defined benefit obligation	111.6	120.5	60.9	61.7	28.7	383.4
Fair value of plan assets	−104.5	−18.8	−50.1	−55.1	−4.9	−233.4
Provisions for pensions and other post-employment benefits – net	**7.1**	**101.7**	**10.8**	**6.6**	**23.8**	**150.0**
of which assets recognized	–	–	3.0	–	–	3.0
Provisions for pensions and other post-employment benefits recognized in the balance sheet	**7.1**	**101.7**	**13.8**	**6.6**	**23.8**	**153.0**

C.70 PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS BY COUNTRY/DEC. 31, 2018

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	2019	2018
Present value of pension obligations at the beginning of the period	383.4	385.5
Exchange rate differences	9.2	2.1
Transferred	–	–
Utilized	−15.9	−11.2
Service cost		
Current service cost	12.9	12.4
Past service cost	–	–
Employee contributions	1.3	1.3
Interest expense on the present value of the obligation	7.4	6.6
Settlements	–	–
Remeasurement components		
Change in economic assumptions	56.3	−12.1
Change in demographic assumptions	−3.6	0.6
Experience adjustments	0.2	−1.8
Present value of pension obligations at the end of the period	**451.2**	**383.4**

C.71 CHANGE IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS

The present value of pension obligations totalling EUR 451.2 million (Dec. 31, 2018: EUR 383.4 million) includes pension obligations for members of the Board of Management amounting to EUR 11.4 million (Dec. 31, 2018: EUR 8.1 million) and for former members of the Board of Management amounting to EUR 9.5 million (Dec. 31, 2018: EUR 8.2 million).

The increase in pension obligations attributable to the change in economic assumptions of EUR 56.3 million is due to the discount rates being broadly lower than at December 31, 2018. 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 3.6 million is the result of a re-estimate of the cost of medical entitlements in Canada (EUR 2.6 million) as well as changes to mortality tables and the retirement age (EUR 1.0 million).

Change in the fair value of plan assets

in EUR m	2019	2018
Fair value of plan assets at the beginning of the period	233.4	234.6
Exchange rate differences	7.8	2.0
Transferred	–	–
Utilized	−11.7	−7.8
Employer contributions	6.7	6.7
Administrative costs for plan assets	−0.3	−0.5
Employee contributions	1.3	1.3
Interest income on plan assets	4.5	3.9
Settlements	–	–
Remeasurement components	–	–
Income/(expense) from plan assets (excl. amounts in net interest expense)	25.1	−6.8
Fair value of plan assets at the end of the period	**266.8**	**233.4**

C.72 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	2019	2018
Provisions for pensions and other post-employment benefits at the beginning of the period	150.0	150.9
Exchange rate differences	1.4	0.1
Transferred	–	–
Utilized	−4.2	−3.4
Employer contributions	−6.7	−6.7
Current service cost	12.9	12.4
Past service cost	–	–
Administrative costs for plan assets	0.3	0.5
Net interest expense	2.9	2.7
Settlements	–	–
Remeasurement components	27.8	−6.5
Provisions for pensions and other post-employment benefits – net	**184.4**	**150.0**
of which assets recognized	4.7	3.0
Provisions for pensions and other post-employment benefits recognized in the balance sheet	**189.1**	**153.0**

C.73 CHANGE IN PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS RECOGNIZED IN THE BALANCE SHEET

Recognized provisions for pensions include EUR 14.2 million (Dec. 31, 2018: EUR 13.8 million) for the supplemental medical cost plan in Canada. Pension costs recognized in the income statement for obligations under defined benefit plans total EUR 16.1 million (2018: EUR 15.6 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	2019	2018
Present value of the pension obligations funded by plan assets, of which:	**319.8**	**272.3**
Active members with lump-sum payout	16.9	15.4
Active members with monthly pension	133.0	107.1
Active members with option to choose	30.8	24.1
Former employees with vested rights to lump-sum payment	0.2	0.2
Former employees with vested rights to monthly pension	15.0	9.5
Former employees with vested rights with option to choose	9.2	6.3
Pensioners with monthly pension	114.7	109.7
Present value of the pension obligations not funded by plan assets, of which:	**117.2**	**97.3**
Active members with lump-sum payout	30.3	26.7
Active members with monthly pension	33.7	27.9
Active members with option to choose	–	–
Former employees with vested rights to lump-sum payment	7.4	5.8
Former employees with vested rights to monthly pension	10.6	7.8
Former employees with vested rights with option to choose	–	–
Pensioners with monthly pension	35.2	29.1
Medical cost plan	**14.2**	**13.8**
Present value of the pension obligations at the end of the period	**451.2**	**383.4**
Weighted average duration of the pension obligations in years	**17**	**17**

C.74 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 2019 (2018: EUR 3.4 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 2020 total EUR 4.5 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, 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.75 FAIR VALUE OF THE PLAN ASSETS BY ASSET CLASS/DEC. 31, 2019

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	**Dec. 31, 2018**
Shares	17.4	–	13.9	–	1.2	32.5
Fixed-interest securities	10.5	–	35.7	–	0.9	47.1
Insurance policies	75.9	18.8	–	55.1	2.3	152.1
Cash and cash equivalents	0.7	–	0.5	–	0.5	1.7
Fair value of plan assets	**104.5**	**18.8**	**50.1**	**55.1**	**4.9**	233.4

C.76 FAIR VALUE OF THE PLAN ASSETS BY ASSET CLASS/DEC. 31, 2018

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 (2019: 35.6% of plan assets; 2018: 34.1% 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 6.7 million (2018: 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 2020 are expected to total EUR 6.1 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	2019	2018
Discount rate		
Increase by 0.5 percentage points	−34.2	−27.3
Decrease by 0.5 percentage points	40.9	31.2
Expected salary trend		
Increase by 0.5 percentage points	3.5	3.4
Decrease by 0.5 percentage points	−3.1	−3.1
Expected pension trend		
Increase by 0.5 percentage points	9.8	8.4
Decrease by 0.5 percentage points	−8.8	−7.7
Medical cost trend		
Increase by 0.5 percentage points	1.2	1.3
Decrease by 0.5 percentage points	−1.0	−1.1

C.77 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, 2019 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 21.2 million (2018: EUR 10.4 million).

28.) 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, 2019	Dec. 31, 2018
Liabilities relating to acquisition of non-controlling interests	134,9	44,9
Liabilities arising from limited partners' rights to repayment of contributions	1,7	1,6
Total	**136,6**	**46,5**

C.78 LIABILITIES RELATING TO ACQUISITION OF NON-CONTROLLING INTERESTS

Liabilities relating to the acquisition of non-controlling interests increased by EUR 100.0 million due to the recognition of the liability relating to the acquisition of the remaining 49% of the shares in TEE HAI.

EUR 84.5 million of liabilities relating to the acquisition of non-controlling interests have been included in net investment hedge accounting. Exchange rate-related changes in the liabilities included in net investment hedge accounting are recognized within equity in the net investment hedge reserve.

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.).

29.) 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 2019, the Group generated ROCE of 13.7% (2018: 15.8%).

in EUR m	**2019**	2018
EBITA	766.5	770.9
Average carrying amount of equity	3,427.3	3,111.6
Average carrying amount of financial liabilities and lease liabilities	2,581.3	2,173.1
Average carrying amount of cash and cash equivalents	−430.8	−416.2
ROCE [1]	13.7%	15.8%

C.79 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). In principle, Brenntag considers leverage at the current level of approximately 2x to be acceptable. Brenntag would only accept significantly higher leverage if it were only temporary, for example in connection with acquisitions. The current level may fall in line with the continued positive business performance without, in the company's opinion, any immediate counteraction being necessary.

The ratio of net financial liabilities to operating EBITDA increased slightly from 2.0 to 2.1.

in EUR m	**2019**	2018
Non-current financial liabilities and lease liabilities	2,256.1	1,899.6
Current financial liabilities and lease liabilities	324.7	256.1
Cash and cash equivalents	−520.3	−393.8
Net financial liabilities	2,060.5	1,761.9
Operating EBITDA	1,001.5	875.5
Net financial liabilities/operating EBITDA	**2.1x**	**2.0x**

C.80 NET FINANCIAL LIABILITIES/OPERATING EBITDA

Subscribed capital

As at December 31, 2019, the subscribed capital of Brenntag AG totalled EUR 154.5 million. The share capital is divided into 154,500,000 no-par value registered shares, each with a notional value of EUR 1.00.

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

Additional paid-in capital

The additional paid-in capital amounts to EUR 1,491.4 million (December 31, 2018: 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 AG on June 13, 2019 passed a resolution to pay a dividend of EUR 185,400,000.00 (2018: EUR 169,950,000.00). Based on 154.5 million shares, that is a dividend of EUR 1.20 (2018: EUR 1.10) per no-par value share entitled to a dividend.

At the General Shareholders' Meeting on June 10, 2020, the Board of Management and the Supervisory Board will propose that a dividend of EUR 193,125,000 be paid. Based on 154.5 million shares, that is a dividend of EUR 1.25 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 gains of EUR 70.2 million recognized here in financial year 2019 (2018: foreign exchange gains of EUR 26.7 million) resulted primarily from the appreciation of the US dollar, the Canadian dollar and the Thai baht 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, 2017	**13.7**	**–1.2**	**12.5**
Business combinations	10.5	–	10.5
Profit after tax	1.4	–	1.4
Other comprehensive income, net of tax	–	0.3	0.3
Total comprehensive income for the period	**1.4**	**0.3**	**1.7**
Dec. 31, 2018	**25.6**	**–0.9**	**24.7**
Business combinations	41.1	–	41.1
Disposal	–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**

C.81 CHANGE IN NON-CONTROLLING INTERESTS

Non-controlling interests increased by EUR 39.4 million (49%) due to the acquisition of 51% of the shares in TEE HAI. They decreased by EUR 5.8 million due to the disposal of the non-controlling interests in JMS Marine Services, LLC in the USA as a result of the sale of a non-core business of J.A.M. Distributing Company, USA.

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 AG 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 AG, 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 AG has already purchased and still holds shall not exceed 10% of the respective registered share capital. The authorization may be exercised to the full extent of repurchases thereby authorized or in partial amounts, on one or several occasions. It took effect 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 AG 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 AG 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 AG (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 AG 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 AG or in which it holds a majority interest; in such case, the Board of Management was authorized, subject to the consent of the Supervisory Board, to assume on behalf of Brenntag AG, the guarantee for the Bonds and to grant the holders of such Bonds option and/or conversion rights for Brenntag AG 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 AG, 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 AG 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 AG 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.

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 AG shares representing a notional amount of up to EUR 25,750,000 in the registered share capital was rescinded when the Authorization 2018 became effective.

In November 2015, on the basis of the now-rescinded Authorization 2014, Brenntag Finance B.V., in its capacity as issuer and with Brenntag AG 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"). 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 AG ordinary shares by paying the strike price applicable at that time. 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.

The warrants attached to the Bond (with Warrants) 2022 are unaffected by the rescission of the Authorization 2014, the new Authorization 2018 and the 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 resolved upon at the General Shareholders' Meeting on June 17, 2014 ("Conditional Capital 2014") remains in place.

The Terms and Conditions of the Bond (with Warrants) 2022 allow Brenntag AG 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. Holders have been able to exercise their warrants since January 12, 2016. No warrants have been exercised to date.

30.) Consolidated Cash Flow Statement Disclosures

Net cash provided by operating activities of EUR 879.3 million was influenced by cash inflows attributable to the decrease in working capital of EUR 161.7 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	**2019**	2018
Decrease/increase in inventories	103.5	−88.0
Decrease/increase in gross trade receiva-bles	111.0	−59.4
Decrease in trade payables	−58.8	−37.4
Valuation allowances on trade receivables and on inventories [1]	6.0	6.7
Change in working capital [2]	**161.7**	**−178.1**

C.82 CHANGE IN WORKING CAPITAL

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

At 7.0 in the reporting period, annualized working capital turnover [3] was lower than at the end of 2018 (7.3).

Of the interest payments, EUR 3.9 million (2018: EUR 3.4 million) relate to interest received and EUR 79.6 million (2018: EUR 83.4 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, 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.83 CHANGE IN FINANCIAL LIABILITIES IN 2019

in EUR m	Dec. 31, 2017	Net cash used in financing activities	Business combinations in accordance with IFRS 3	Exchange rate differences	Other	Dec. 31, 2018
Liabilities under syndicated loan	488.3	340.0	–	18.9	2.2	849.4
Other liabilities to banks	130.4	34.9	73.6	−1.2	0.3	238.0
Bond 2018	409.2	−397.3	–	–	−11.9	–
Bond 2025	594.5	–	–	–	0.9	595.4
Bond (with Warrants) 2022	393.2	–	–	19.1	4.4	416.7
Finance lease liabilities	8.2	−2.3	–	–	1.0	6.9
Derivative financial instruments	4.1	–	–	–	1.4	5.5
Other financial liabilities	62.0	−15.2	7.4	−0.7	−9.7	43.8
Financial liabilities	**2,089.9**	**−39.9**	**81.0**	**36.1**	**−11.4**	**2,155.7**
Dividends paid to Brenntag shareholders		−170.0				
Profits distributed to non-controlling interests		−1.6				
Net cash used in financing activities		**−211.5**				

C.84 CHANGE IN FINANCIAL LIABILITIES IN 2018

31.) Segment Reporting

The Brenntag Group operates solely in the chemical distribution business and is 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 1.0 million (2018: EUR 2.3 million) and on intangible assets in the amount of EUR 0.6 million related 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, 2019**	**Dec. 31, 2018**	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2019**	**Dec. 31, 2018**
Germany	88.7	91.0	57.4	–	25.2	7.7
USA	312.7	291.9	153.2	–	34.3	31.5
Singapore	81.2	9.6	19.2	–	9.1	1.8
Canada	85.0	80.9	11.2	–	9.4	14.7
United Kingdom	42.4	35.8	35.8	–	27.2	26.0
France	88.5	89.8	14.0	–	1.0	1.2
Switzerland	44.7	46.6	0.7	–	0.4	0.4
Italy	54.0	48.4	22.3	–	0.3	0.6
Spain	49.8	50.8	10.3	–	1.0	0.3
Others	317.3	282.3	88.1	–	61.8	49.7
Total	**1,164.3**	**1,027.1**	**412.2**	**–**	**169.9**	**133.9**

C.85 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	**2019**	2018
Germany	1,248.6	1,271.5
USA	4,288.4	4,234.7
Canada	530.7	436.8
France	456.6	508.2
Italy	512.4	533.7
United Kingdom	564.9	546.5
Poland	455.0	483.7
Others	4,765.2	4,534.9
Total	**12,821.8**	**12,550.0**

C.86 EXTERNAL SALES BY COUNTRY

32.) Other Financial Obligations and Contingent Liabilities

As at December 31, 2019, purchase commitments in respect of property, plant and equipment amounted to EUR 1.8 million and had a remaining term of one year or less. Information on lease obligations as at December 31, 2019 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, 2019, there were contingent liabilities with a fair value of EUR 2.4 million (Dec. 31, 2018: EUR 2.3 million).

As at December 31, 2018, the following financial obligations existed:

	Remaining term			
in EUR m	1 year or less	1 to 5 years	more than 5 years	**Dec. 31, 2018**
Purchase commitments in respect of property, plant and equipment	1.6	–	–	1.6
Obligations from future minimum lease payments for operating leases	92.1	204.7	92.9	389.7
Total	**93.7**	**204.7**	**92.9**	**391.3**

C.87 OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES/DEC. 31, 2018

33.) Legal Proceedings and Disputes

Brenntag AG and individual subsidiaries have been named as defendants in various legal actions and proceedings arising in connection with its activities as a global group. Sometimes, Brenntag is also the subject of investigations by the authorities. Brenntag cooperates with the relevant authorities and, where appropriate, conducts internal investigations regarding 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. Brenntag has received repayment of the fine in the amount of EUR 47.8 million, but the court of appeal has not yet made any decisions on the merits of the case. The reimbursement was therefore added to provisions. In the proceedings ongoing before the court of appeal, it will be decided to what extent a fine will be imposed. 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 German Brenntag companies are currently the subject of a routine tax audit for the years 2010 to 2012 and the years 2013 to 2016. At the reporting date, there were no significant findings by the tax authorities. 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.

Further details regarding the aforementioned issues have not been disclosed in particular as this could affect the further course of proceedings. In this respect, Brenntag is making use of IAS 37.92.

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.

34.) 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, 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.88 CLASSIFICATION OF FINANCIAL ASSETS BY MEASUREMENT CATEGORY/DEC. 31, 2019

[1] Financial assets at fair value through profit or loss.

in EUR m	Dec. 31, 2018			
Classification of financial assets:	At amortized cost	FVTPL [1]	Total carrying amount	Fair value
Cash and cash equivalents	393.8	–	393.8	393.8
Trade receivables	1,843.0	–	1,843.0	1,843.0
Other receivables	109.4	–	109.4	109.4
Other financial assets	11.3	6.2	17.5	17.5
Total	**2,357.5**	**6.2**	**2,363.7**	**2,363.7**

C.89 CLASSIFICATION OF FINANCIAL ASSETS BY MEASUREMENT CATEGORY/DEC. 31, 2018

[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 102.2 million (Dec. 31, 2018: EUR 89.2 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, 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.90 CLASSIFICATION OF FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY/DEC. 31, 2019

[1] Financial liabilities at fair value through profit or loss.

in EUR m	Dec. 31, 2018				
Classification of financial liabilities:	At amortized cost	FVTPL[1]	Carrying amount under IAS 17	Total carrying amount	Fair value
Trade payables	1,231.8	–	–	1,231.8	1,231.8
Other liabilities	165.7	–	–	165.7	165.7
Liabilities relating to acquisition of non-controlling interests	46.5	–	–	46.5	46.3
Financial liabilities	2,123.8	25.0	6.9	2,155.7	2,133.6
Total	**3,567.8**	**25.0**	**6.9**	**3,599.7**	**3,577.4**

C.91 CLASSIFICATION OF FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY/DEC. 31, 2018

[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). In the previous year, the fair values of interest rate swaps were determined by applying the discounted cash flow method on the basis of current interest curves, taking into account the non-performance risk (Level 2 of the fair value hierarchy).

Of the other liabilities recognized in the balance sheet, EUR 204.5 million (Dec. 31, 2018: EUR 210.0 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, 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.92 FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY/DEC. 31, 2019

in EUR m				
Hierarchy level	Level 1	Level 2	Level 3	**Dec. 31, 2018**
Financial assets at fair value through profit or loss	1.5	4.7	–	6.2
Financial liabilities at fair value through profit or loss	–	5.5	19.5	25.0

C.93 FINANCIAL INSTRUMENTS ACCORDING TO FAIR VALUE HIERARCHY/DEC. 31, 2018

Liabilities resulting from contingent consideration arrangements of EUR 0.5 million (Dec. 31, 2018: EUR 19.5 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.

Liabilities resulting from contingent consideration arrangements changed as follows:

in EUR m	**2019**	2018
Jan. 1	**19.5**	**23.6**
Exchange rate differences	0.6	−0.1
Reversed	−9.4	−3.0
Interest	0.2	–
Business combinations	0.5	2.0
Purchase price payments	−10.9	−3.0
Dec. 31	**0.5**	**19.5**

C.94 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	2019									
	Interest			At fair value		Currency translation				
Measurement category:	Income	Expense	Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	Gains	Losses	Gains	Losses	Gains from the reversal of liabilities resulting from contingent consideration arrangements and interest	Impair-ments, net	**Net gain/ loss**
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.95 NET GAINS/LOSSES FROM FINANCIAL ASSETS AND LIABILITIES/2019

[1] Financial assets and liabilities at fair value through profit or loss.

in EUR m	2018									
	Interest			At fair value		Currency translation				
Measurement category:	Income	Expense	Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	Gains	Losses	Gains	Losses	Gains from the reversal of liabilities resulting from contingent consideration arrangements	Impair-ments, net	**Net gain/ loss**
Financial assets measured at amortized cost	3.3	–	–	–	–	52.1	−38.3	–	−5.9	11.2
Financial liabilities measured at amortized cost	–	−80.6	−9.0	–	–	26.3	−55.3	–	–	−118.6
FVTPL[1]	–	1.2	–	48.6	−42.1	–	–	3.0	–	10.7
Total	**3.3**	**−79.4**	**−9.0**	**48.6**	**−42.1**	**78.4**	**−93.6**	**3.0**	**−5.9**	**−96.7**

C.96 NET GAINS/LOSSES FROM FINANCIAL ASSETS AND LIABILITIES/2018

[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 1.3 million (2018: 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, 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.97 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES/DEC. 31, 2019

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, 2018 Net amount**
Trade receivables	1,890.2	−47.2	1,843.0	−4.5	1,838.5
Other receivables	198.6	–	198.6	−1.1	197.5
Other financial assets	17.5	–	17.5	−1.3	16.2
Trade payables	1,247.0	−15.2	1,231.8	−4.9	1,226.9
Other liabilities	407.7	−32.0	375.7	−0.7	375.0
Financial liabilities	2,155.7	–	2,155.7	−1.3	2,154.4

C.98 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES/DEC. 31, 2018

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, 2019, 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, 2019, would have resulted in the following changes in net finance costs:

	2019		2018	
in EUR m	**+10%**	**−10%**	+10%	−10%
USD	−2.6	3.2	−3.0	3.6
GBP	–	–	0.9	−1.0
PLN	0.5	−0.6	0.4	−0.5
Other currencies	0.4	−0.5	0.3	−0.4
Total	**−1.7**	**2.1**	**−1.4**	**1.7**

C.99 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, 2019. If the euro had been worth 10% more or less against the Indian rupee (INR) as at December 31, 2019, the net investment hedge reserve would have increased by EUR 1.9 million (Dec. 31, 2018: EUR 2.7 million) or decreased by EUR 1.9 million (Dec. 31, 2018: EUR 2.7 million). If the euro had been worth 10% more or less against the Singapore dollar (SGD) as at December 31, 2019, the net investment hedge reserve would have increased by EUR 6.5 million or decreased by EUR 6.5 million.

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.100 NET INVESTMENT HEDGES DEC. 31, 2019

Net Investment hedges at Dec. 31, 2018	Raj Petro
Carrying amount of the liability relating to the acquisition of non-controlling interests in Raj Petro (EUR m)	26.8
Carrying amount of the liability relating to the acquisition of non-controlling interests in Raj Petro (INR m)	3,065
Hedge ratio	1:1
Hedge rate EUR/INR	79.8965
Change in carrying amount (in net investment hedge reserve)	−0.1
Change in value of hedged item used to determine hedge effectiveness	0.1

C.101 NET INVESTMENT HEDGES DEC. 31, 2018

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. The interest rate swaps entered into in April 2013 matured in 2019.

If the market interest rate at December 31, 2019 had been 25 basis points (2018: 25 basis points) higher or lower (relative to the total amount of variable-rate financial liabilities as at December 31, 2019), the negative impact on net finance costs would have been EUR 2.7 million or the positive impact EUR 2.7 million (2018: negative impact of EUR 1.1 million or positive impact of EUR 1.4 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:

		Cash flows 2020–2025 ff.					
in EUR m	**Carrying amount Dec. 31, 2019**	**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.102 FUTURE CASH FLOWS FROM FINANCIAL LIABILITIES/DEC. 31, 2019

		Cash flows 2019–2024 ff.					
in EUR m	**Carrying amount Dec. 31, 2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024 ff.**
Trade payables	1,231.8	1,231.8	–	–	–	–	–
Other liabilities	375.7	375.1	0.4	–	–	0.2	–
Liabilities relating to acquisition of non-controlling interests	46.5	3.2	–	12.8	–	26.8	3.7
Liabilities under syndicated loan	849.4	21.9	21.9	21.9	21.9	21.9	851.6
Other liabilities to banks	238.0	228.8	1.3	1.2	1.2	–	5.5
Bond 2025	595.4	6.8	6.8	6.8	6.8	6.8	613.6
Bond (with Warrants) 2022	416.7	8.2	8.2	8.2	444.9	–	–
Finance lease liabilities	6.9	2.1	1.5	1.3	0.9	0.4	3.5
Derivative financial instruments	5.5						
of which cash inflows	–	481.1	–	–	–	–	–
of which cash outflows	–	488.2	–	–	–	–	–
Other financial liabilities	43.8	13.8	20.7	7.9	1.4	–	–
Total	**3,809.7**	**1,884.6**	**60.8**	**60.1**	**477.1**	**56.1**	**1,477.9**

C.103 FUTURE CASH FLOWS FROM FINANCIAL LIABILITIES/DEC. 31, 2018

Derivative financial instruments

The notional amount and fair values of derivative financial instruments are shown in the table below:

	Dec. 31, 2019			Dec. 31, 2018		
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	773.5	2.4	6.2	818.0	3.2	5.5
Interest rate swaps	–	–	–	262.0	1.5	–
Total		**2.4**	**6.2**		**4.7**	**5.5**

C.104 DERIVATIVE FINANCIAL INSTRUMENTS

35.) Related Parties

In the course of its normal business activities, Brenntag AG also obtains services from and provides services for related entities. These related entities are the subsidiaries included in the consolidated financial statements as well as associates accounted for using the equity method and their subsidiaries.

Related persons are the members of the Board of Management and the Supervisory Board of Brenntag AG 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 6.3 million for financial year 2019 (2018: EUR 6.8 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 4.2 million for 2019 (2018: EUR 2.1 million). Provisions for share-based remuneration amount to EUR 7.1 million at the end of 2019 (Dec. 31, 2018: EUR 5.4 million). The cost (excluding interest expense) of the pension entitlements earned in the reporting period (defined benefit plans) amounts to EUR 1.0 million (2018: EUR 0.9 million). The total remuneration of the Board of Management in accordance with IFRSs – including benefits from third parties in the amount of EUR 0.3 million – is therefore EUR 11.8 million (2018: EUR 9.8 million). In financial year 2019, as in the previous year, no expense for remuneration to former members of the Board of Management was incurred.

In accordance with the German Commercial Code (HGB), the total remuneration of the Board of Management members serving in financial year 2019 amounts to EUR 10.2 million (2018: EUR 10.0 million).

Of the total remuneration, an amount of EUR 3.6 million (2018: EUR 3.2 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.

The total remuneration of the members of the Supervisory Board due in the short term amounts to EUR 1.0 million for financial year 2019 (2018: 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	2019	2018
Sales from transactions with associates	3.0	0.9
Goods delivered and services rendered by associates	1.1	0.9

C.105 TRANSACTIONS WITH RELATED PARTIES

in EUR m	Dec. 31, 2019	Dec. 31, 2018
Trade receivables from associates	0.2	0.4
Trade payables to associates	0.1	0.1

C.106 RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES

The transactions of Brenntag AG with subsidiaries included in the consolidated financial statements as well as between included subsidiaries have been eliminated.

36.) 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	2019	2018
Financial statement audit services	0.9	1.0
Other assurance services	0.1	0.1
Tax advisory services	0.1	0.1
Other services rendered	0.0	0.0
Total	**1.1**	**1.2**

C.107 FEES FOR THE AUDITORS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Financial statement audit services comprise the statutory annual audits of the single-entity financial statements, the statutory audit of the consolidated financial statements and the review of the quarterly financial statements. In addition, other assurance services (in particular, the engagement to provide assurance on the Brenntag Group's separate combined non-financial report), tax advisory services (ongoing tax consultancy services in relation to tax audits) and other services (in particular, an IT project implementation review) were also provided.

37.) Exemptions Pursuant to Section 264, para. 3/Section 264b of the German Commercial Code

For financial year 2019, the following subsidiaries of Brenntag AG are making use of the exemptions pursuant to Section 264, para. 3 and Section 264b of the German Commercial Code:

- Brenntag Holding GmbH, 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

38.) Declaration of Conformity with the German Corporate Governance Code

On December 12, 2019, 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 2019 as required by Section 161 of the German Stock Corporation Act. The declaration of conformity can be viewed at any time on the website of Brenntag AG (www.brenntag.com/media/documents/investor_relations/2019/declaration_of_conformity2019.pdf).

39.) Events after the Reporting Period

Possible disruption to global supply chains and a reduction in regional and global economic growth due to the coronavirus COVID-19 and the related impact on our business cannot yet be determined. The deciding factors will be how swiftly the spread of the virus can be successfully contained, how fast China’s economy can recover and how quickly alternative supply chains can be built in the event of disruption. In particular, our business may be negatively impacted by falling production not only in China but also globally along the supply chain. Besides resulting in lower demand for chemicals, this may also weigh on global trade flows. We are continuously analyzing all risks relevant to our business so that any necessary measures can be taken at short notice.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Group management report 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, February 27, 2020

Brenntag AG
BOARD OF MANAGEMENT

Dr Christian Kohlpaintner   Karsten Beckmann   Markus Klähn

Georg Müller   Henri Nejade

ANNEX

Annex: List of Shareholdings in Accordance with Section 313, Para. 2 of the German Commercial Code as at December 31, 2019

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
1	Brenntag AG	Essen				
CONSOLIDATED SUBSIDIARIES						
Algeria						
2	Alliance Chimie Algerie SPA	Algiers	0.00	100.00	99.94	67
Argentina						
3	Brenntag Argentina S.A.	Buenos Aires	0.00	90.00 10.00	100.00	123 114
Australia						
4	Brenntag Australia Pty. Ltd.	Mulgrave	0.00	100.00	100.00	152
Bangladesh						
5	BRENNTAG BANGLADESH SERVICES LTD.	Dhaka	0.00	100.00	100.00	6
6	BRENNTAG BANGLADESH LTD.	Dhaka	0.00	100.00	100.00	123
7	BRENNTAG BANGLADESH FORMULATION LTD.	Dhaka	0.00	100.00	100.00	123
Belgium						
8	European Polymers and Chemicals Distribution BVBA	Deerlijk	0.00	100.00	100.00	128
9	BRENNTAG NV	Deerlijk	0.00	99.99 0.01	100.00	68 54
Bolivia						
10	Brenntag Bolivia S.R.L.	Santa Cruz	0.00	90.00 10.00	100.00	123 115
Brazil						
11	Brenntag Quimica Brasil Ltda.	Guarulhos, State of São Paulo	0.00	100.00 0.00	100.00	123 115
12	Quimilog Transportes e Logística Ltda.	Brusque	0.00	100.00	100.00[2]	11
13	Quimisa S.A.	Brusque	0.00	100.00	100.00[2]	11
Bulgaria						
14	BRENNTAG BULGARIA EOOD	Sofia	0.00	100.00	100.00	123
Chile						
15	Brenntag Chile Comercial e Industrial Limitada	Santiago	0.00	95.00 5.00	100.00	123 115
China						
16	Shanghai Yi Rong International Trading Co., Ltd.	Shanghai	0.00	75.00 25.00	100.00	21 80
17	Shenzhen Wellstar Trading Co., Ltd.	Shenzhen	0.00	100.00	51.00	79
18	Tianjin Tai Rong Chemical Trading Co., Ltd.	Tianjin	0.00	100.00	100.00	21

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
19	Tianjin Zhong Yung Chemical Warehousing Co., Ltd.	Tianjin	0.00	100.00	100.00	80
20	Shanghai Wellstar Trading Co., Ltd.	Shanghai	0.00	100.00	51.00	79
21	Shanghai Jia Rong Trading Co., Ltd.	Shanghai	0.00	100.00	100.00	19
22	Shanghai Anyijie Chemical Logistic Co., Ltd.	Shanghai	0.00	100.00	100.00	19
23	Guangzhou Wellstar Trading Co., Ltd.	Guangzhou	0.00	100.00	51.00	79
24	Guangzhou Fan Ya Jia Rong Trading Co., Ltd.	Guangzhou	0.00	60.00 40.00	100.00	21 18
25	Brenntag Cangzhou Chemical Co., Ltd	Cangzhou	0.00	79.40 20.60	100.00	19 80
26	Brenntag (Zhangjiagang) Chemical Co., Ltd	Zhangjiagang	0.00	100.00	100.00	80
27	Brenntag (Shanghai) Enterprise Management Co., Ltd.	Shanghai	0.00	100.00	100.00	123
Costa Rica						
28	Quimicos Holanda Costa Rica S.A.	San José	0.00	100.00	100.00	123
Curaçao						
29	H.C.I. (Curaçao) N.V.	Curaçao	0.00	100.00	100.00	123
30	HCI Shipping N.V.	Curaçao	0.00	100.00	100.00	29
Denmark						
31	Aktieselskabet af 1. Januar 1987	Ballerup	0.00	100.00	100.00	32
32	Brenntag Nordic A/S	Ballerup	0.00	100.00	100.00	123
Germany						
33	BRENNTAG International Chemicals GmbH	Essen	0.00	100.00	100.00	57
34	Brenntag Real Estate GmbH	Essen	0.00	100.00	100.00	54
35	Brenntag Vermögensmanagement GmbH	Zossen	0.00	100.00	100.00	54
36	CLG Lagerhaus GmbH	Duisburg	0.00	100.00	100.00	57
37	CLG Lagerhaus GmbH & Co. KG	Essen	0.00	100.0 0.00	100.00	57 36
38	CM Komplementär 03-018 GmbH & Co. KG	Essen	0.00	100.00 0.00	100.00	51 56
39	CM Komplementär 03-019 GmbH & Co. KG	Essen	0.00	100.00 0.00	100.00	52 38
40	CM Komplementär 03-020 GmbH & Co. KG	Essen	0.00	100.00 0.00	100.00	53 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	57 43
43	CVH Chemie-Vertrieb Verwaltungsgesellschaft mbH	Hanover	0.00	51.00	51.00	57
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	ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Hüttenheim KG	Düsseldorf	0.00	94.00	94.00[3]	57
47	Fred Holmberg & Co Gmb H i. L.	Hamburg	0.00	100.00	100.00	148
48	ACU PHARMA und CHEMIE GmbH	Apolda	0.00	100.00	100.00	57

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
49	BBG – Berlin-Brandenburger Lager- und Distributionsgesellschaft Biesterfeld Brenntag mbH	Hoppegarten	0.00	50.00 50.00	100.00	57 50
50	BCD Chemie GmbH	Hamburg	0.00	100.00	100.00	57
51	Blitz 03-1161 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	56
52	Blitz 03-1162 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	38
53	Blitz 03-1163 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	39
54	Brenntag Beteiligungs GmbH	Essen	0.00	100.00	100.00	60
55	Brenntag European Services GmbH & Co. KG	Zossen	0.00	100.00 0.00	100.00	54 35
56	Brenntag Foreign Holding GmbH	Essen	0.00	100.00	100.00	54
57	Brenntag Germany Holding GmbH	Essen	0.00	100.00	100.00	54
58	Brenntag Global Services GmbH	Zossen	0.00	100.00	100.00	55
59	BRENNTAG GmbH	Duisburg	0.00	100.00	100.00	57
60	Brenntag Holding GmbH	Essen	100.00	0.00	100.00	1
Dominican Republic						
61	BRENNTAG CARIBE S.R.L.	Santo Domingo	0.00	100.00 0.00	100.00	123 114
Ecuador						
62	BRENNTAG ECUADOR S.A.	Guayaquil	0.00	100.00 0.00	100.00	123 114
El Salvador						
63	BRENNTAG EL SALVADOR, S.A. DE C.V.	Soyapango	0.00	100.00 0.00	100.00	123 115
Finland						
64	Brenntag Nordic Oy	Vantaa	0.00	100.00	100.00	123
France						
65	METAUSEL SAS	Chassieu	0.00	100.00	99.94	66
66	BRENNTAG SA	Chassieu	0.00	99.94	99.94	68
67	BRENNTAG MAGHREB SAS	Vitrolles	0.00	100.00	99.94	69
68	BRENNTAG FRANCE HOLDING SAS	Chassieu	0.00	100.00	100.00	70
69	BRENNTAG EXPORT SARL	Vitrolles	0.00	100.00	99.94	66
70	BRACHEM FRANCE HOLDING SAS	Chassieu	0.00	100.00	100.00	60
71	Multisol International Services SAS	Sotteville Les Rouen	0.00	80.00 20.00	100.00	68 73
72	SOCIETE COMMERCIALE TARDY ET CIE. SARL	Vitrolles	0.00	51.00	50.97	69
73	Multisol France SAS	Villebon sur Yvette	0.00	100.00	100.00	68
Ghana						
74	Brenntag Ghana Limited	Accra	0.00	100.00	100.00	123
Greece						
75	Brenntag Hellas Chimika Monoprosopi EPE	Penteli	0.00	100.00	100.00	126
Guatemala						
76	BRENNTAG GUATEMALA S.A.	Guatemala City	0.00	99.97 0.03	100.00	123 114

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
Honduras						
77	BRENNTAG HONDURAS, S.A.	San Pedro Sula	0.00	98.51 1.49	100.00	123 114
Hong Kong						
78	Brenntag Chemicals (HK) Pte Limited	Hong Kong	0.00	100.00	100.00	152
79	WELLSTAR ENTERPRISES (HONG KONG) COMPANY LIMITED	Hong Kong	0.00	51.00	51.00	123
80	Zhong Yung (International) Chemical Co., Limited	Hong Kong	0.00	100.00	100.00	123
India						
81	Brenntag Ingredients (India) Private Limited	Mumbai	0.00	100.00	100.00	152
82	RAJ PETRO SPECIALITIES PRIVATE LIMITED	Mumbai	0.00	65.00	65.00	123
Indonesia						
83	PT. Brenntag	Jakarta Selatan	0.00	100.00	100.00	152
84	PT. Dharmala HCI i.L.	Jakarta	0.00	91.14	91.14	123
85	PT. TAT PETROLEUM INDONESIA i. L.	South Jakarta	0.00	100.00 0.00	100.00	152 83
Ireland						
86	Brenntag Chemicals Distribution (Ireland) Limited	Dublin	0.00	100.00	100.00	216
Italy						
87	NATURAL WORLD S.R.L.	Lugo	0.00	100.00	100.00	89
88	CHIMAB S.p.A.	Campodarsego (Padua)	0.00	100.00	100.00	89
89	BRENNTAG S.P.A.	Assago	0.00	100.00	100.00	123
Canada						
90	BRENNTAG CANADA INC.	Toronto	0.00	100.00	100.00	112
91	CCC Chemical Distribution Inc.	Toronto	0.00	100.00	100.00	90
92	Pachem Distribution Inc.	Laval	0.00	100.00	100.00	90
Kenya						
93	Brenntag Kenya Limited	Nairobi	0.00	100.00	100.00	123
Colombia						
94	CONQUIMICA SAS	Itagüí	0.00	100.00	100.00	96
95	BRENNTAG COLOMBIA ZONA FRANCA S.A.S.	Barranquilla	0.00	100.00	100.00	96
95	BRENNTAG COLOMBIA S.A.	Bogotá D.C.	0.00	94.87 4.15 0.41 0.38 0.19	100.00	123 115 112 114 118
Croatia						
97	BRENNTAG HRVATSKA d.o.o.	Zagreb	0.00	100.00	100.00	126
Latvia						
98	SIA BRENNTAG LATVIA	Riga	0.00	100.00	100.00	135
99	SIA DIPOL BALTIJA	Riga	0.00	100.00	100.00	190
Lithuania						
100	UAB BRENNTAG LIETUVA	Kaunas	0.00	100.00	100.00	135

No.	Company	Domicile	Held directly %[1)]	Held indirectly %[1)]	Effective net holding %[1)]	Via no.
Malaysia						
101	BRENNTAG MALAYSIA SDN. BHD.	Kuala Lumpur	0.00	100.00	100.00	123
102	BRENNTAG SDN. BHD.	Kuala Lumpur	0.00	100.00	100.00	152
Morocco						
103	ALCOCHIM MAROC S.A.R.L.	Casablanca	0.00	100.00	99.94	67
104	BRENNTAG MAROC S.A.R.L associé unique	Casablanca	0.00	100.00	99.94	67
Mauritius						
105	Brenntag Chemicals Mauritius Limited	Port Louis	0.00	100.00	100.00	123
106	Multisol Mauritius Limited	Port Louis	0.00	100.00	100.00	211
Mexico						
107	BRENNTAG PACIFIC, S. DE R.L. DE C.V.	Tijuana	0.00	99.00 1.00	100.00	196 198
108	BRENNTAG MÉXICO, S.A. DE C.V.	Cuautitlan Izcalli	0.00	100.00 0.00	100.00	123 115
109	AMCO INTERNACIONAL S.A. DE C.V.	Mexico City	0.00	100.00 0.00	100.00	108 107
New Zealand						
110	BRENNTAG NEW ZEALAND LIMITED	Wellington	0.00	100.00	100.00	152
Nicaragua						
111	BRENNTAG NICARAGUA, S.A.	Managua	0.00	100.00 0.00	100.00	123 114
Netherlands						
112	Holland Chemical International B.V.	Dordrecht	0.00	100.00	100.00	123
113	HCI U.S.A. Holdings B.V.	Amsterdam	0.00	100.00	100.00	122
114	HCI Central Europe Holding B.V.	Amsterdam	0.00	100.00	100.00	123
115	H.C.I. Chemicals Nederland B.V.	Amsterdam	0.00	100.00	100.00	123
116	DigiB B.V.	Amsterdam	0.00	100.00	100.00	123
117	Brenntag Vastgoed B.V.	Dordrecht	0.00	100.00	100.00	118
118	Brenntag Nederland B.V.	Dordrecht	0.00	100.00	100.00	123
119	Brenntag HoldCo B.V.	Amsterdam	0.00	100.00	100.00	60
120	Brenntag Finance B.V.	Amsterdam	0.00	100.00	100.00	123
121	BRENNTAG Dutch C.V.	Amsterdam	0.00	99.90 0.10	100.00	123 115
122	BRENNTAG Coöperatief U.A.	Amsterdam	0.00	99.00 1.00	100.00	198 199
123	BRENNTAG (Holding) B.V.	Amsterdam	0.00	74.00 26.00	100.00	119 56
Nigeria						
124	Brenntag Chemicals Nigeria Limited	Matori-Lagos	0.00	90.00 10.00	100.00	123 114
Norway						
125	BRENNTAG NORDIC AS	Borgenhaugen	0.00	100.00	100.00	148

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
Austria						
126	Brenntag Austria GmbH	Vienna	0.00	99.90 0.10	100.00	127 54
127	Brenntag Austria Holding GmbH	Vienna	0.00	100.00	100.00	9
128	JLC-Chemie Handels GmbH	Wiener Neustadt	0.00	100.00	100.00	126
129	Provida GmbH	Vienna	0.00	100.00	100.00	126
Panama						
130	BRENNTAG PANAMA S.A.	Panama City	0.00	100.00	100.00	123
Peru						
131	BRENNTAG PERU S.A.C.	Lima	0.00	100.00 0.00	100.00	123 114
Philippines						
132	BRENNTAG INGREDIENTS INC.	Muntinlupa City	0.00	100.00	100.00	123
Poland						
133	BCD Polska Sp. z o.o	Warsaw	0.00	100.00	100.00	8
134	BCD POLYMERS Sp. z o.o.	Suchy Las	0.00	100.00	100.00	8
135	BRENNTAG Polska sp. z o.o.	Kedzierzyn-Kozle	0.00	61.00 39.00	100.00	9 126
136	Eurochem Service Polska sp. z o.o.	Warsaw	0.00	100.00	100.00	135
137	Fred Holmberg & Co Polska Sp.z o.o.	Warsaw	0.00	100.00	100.00	135
138	Obsidian Company sp. z o.o.	Warsaw	0.00	100.00	100.00	135
139	PHU ELMAR sp. z o.o.	Bydgoszcz	0.00	100.00	100.00	135
Portugal						
140	Quimitécnica.com – Comércio e Industria Química, S.A.	Lordelo	0.00	73.95 26.05	100.00	56 123
141	Brenntag Portugal – Produtos Quimicos, Lda.	Sintra	0.00	73.67 26.05 0.28	100.00	56 123 57
Puerto Rico						
142	Brenntag Puerto Rico, Inc.	Caguas	0.00	100.00	100.00	123
Romania						
143	BRENNTAG S.R.L.	Chiajna	0.00	100.00	100.00	114
Republic of Serbia						
144	Brenntag d.o.o. Beograd-Savski Venac	Belgrade	0.00	100.00	100.00	123
Russia						
145	OOO BRENNTAG	Moscow	0.00	100.00	100.00	126
146	OOO MULTISOL	Moscow	0.00	100.00	100.00	212
Saudi Arabia						
147	Brenntag Saudi Arabia Limited	Riyadh	0.00	75.00	38.25	206
Sweden						
148	Brenntag Nordic AB	Malmö	0.00	100.00	100.00	123
149	Kalmar Depa AB	Kalmar	0.00	100.00	100.00[2]	148
Switzerland						
150	Brenntag Schweizerhall AG	Basel	0.00	100.00	100.00	68

No.	Company	Domicile	Held directly %[1)]	Held indirectly %[1)]	Effective net holding %[1)]	Via no.
Singapore						
151	BRENNTAG ASIA PACIFIC PTE. LTD.	Singapore	0.00	100.00	100.00	123
152	BRENNTAG PTE. LTD.	Singapore	0.00	100.00	100.00	151
153	DigiB Asia Pacific Pte. Ltd.	Singapore	0.00	100.00	100.00	116
154	TEE HAI CHEM PTE LTD	Singapore	0.00	51.00	51.00[2)]	123
Slovakia						
155	BRENNTAG SLOVAKIA s.r.o.	Pezinok	0.00	100.00	100.00	126
Slovenia						
156	BRENNTAG LJUBLJANA d.o.o.	Ljubljana	0.00	100.00	100.00	126
Spain						
157	BRENNTAG QUIMICA, S.A.U.	Dos Hermanas	0.00	100.00	100.00	68
158	Cofarcas Productos Químicos y Servicios, S.A.	Burgos	0.00	100.00	100.00	160
159	Devon Chemicals S.A.	Barcelona	0.00	100.00	100.00	123
160	Quimitécnica Comércio e Indústria Química, S.L.U.	Burgos	0.00	100.00	100.00	157
Sri Lanka						
161	BRENNTAG LANKA (PRIVATE) LIMITED	Athurugiriya	0.00	100.00	100.00	123
South Africa						
162	BRENNTAG SOUTH AFRICA (PTY) LTD	Cape Town	0.00	100.00	100.00	123
163	Crest Chemicals (Proprietary) Limited	Woodmead	0.00	100.00	100.00[2)]	123
164	LIONHEART CHEMICAL ENTERPRISES (PROPRIETARY) LIMITED	Cape Town	0.00	100.00	100.00	123
165	Multisol South Africa (Proprietary) Limited	Cape Town	0.00	100.00	100.00	211
166	PLASTICHEM (PTY) LTD	Kempton Park	0.00	100.00	100.00	123
167	PROTANK (Proprietary) Limited	Durban	0.00	71.10	71.10[2)]	163
168	Tradefirm 100 (Proprietary) Limited	Cape Town	0.00	100.00	100.00	123
South Korea						
169	Brenntag Korea Co., Ltd.	Gwacheon-si	0.00	100.00	100.00	56
Taiwan						
170	Brenntag Taiwan Co., Ltd.	Taipei	0.00	100.00	100.00	123
Tanzania						
171	Brenntag Tanzania Limited	Dar es Salaam	0.00	99.99 0.01	100.00	123 114
Thailand						
172	Brenntag Enterprises (Thailand) Co., Ltd.	Bangkok	0.00	51.00 49.00	100.00	174 123
173	Brenntag Ingredients (Thailand) Public Company Limited	Bangkok	0.00	51.00 49.00	100.00	172 123
174	Brenntag Service (Thailand) Co., Ltd.	Bangkok	0.00	51.01 48.99	100.00	172 123
175	Thai-Dan Corporation Limited	Bangkok	0.00	99.90 0.05 0.05	100.00	173 172 174
Czech Republic						
176	Brenntag CR s.r.o.	Prague	0.00	100.00	100.00	126

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
Tunisia						
177	ALLIANCE – TUNISIE S.A.R.L.	Tunis	0.00	100.00	99.94	67
Turkey						
178	BRENNTAG KIMYA TICARET LIMITED SIRKETI	Istanbul	0.00	100.00	100.00	126
Uganda						
179	Brenntag Uganda Limited	Kampala	0.00	99.00 1.00	100.00	123 114
Ukraine						
180	TOB TRIDE	Kiev	0.00	100.00	100.00	126
181	TOB BRENNTAG UKRAINE	Kiev	0.00	100.00	100.00	190
Hungary						
182	BRENNTAG Hungaria Kft.	Budapest	0.00	97.93 2.07	100.00	126 114
183	BCB Union Kft.	Budapest	0.00	96.67 3.33	100.00	123 115
Uruguay						
184	BRENNTAG SOURCING URUGUAY S.A.	Colonia del Sacramento	0.00	100.00	100.00	123
USA						
185	Alphamin Inc.	Dallas/Texas	0.00	100.00	100.00	9
186	Altivia Louisiana, L.L.C.	St. Gabriel/Louisiana	0.00	100.00	100.00	195
187	New Jersey Lube Oil, LLC	East Hartford/ Connecticut	0.00	100.00	100.00	193
188	KB Page, LLC	Springfield/ Massachusetts	0.00	100.00	100.00	193
189	J.A.M. Distributing Company	Houston/Texas	0.00	100.00	100.00	198
190	Dipol Chemical International, Inc.	New York/New York	0.00	100.00	100.00	126
191	Coastal Chemical Co., L.L.C.	Abbeville/Louisiana	0.00	100.00	100.00	113
192	BWEV, LLC	Wilmington/Delaware	0.00	100.00	100.00	193
193	BWE, LLC	East Hartford/ Connecticut	0.00	100.00	100.00	198
194	Brenntag Specialties, Inc.	Wilmington/Delaware	0.00	100.00	100.00	198
195	Brenntag Southwest, Inc.	Longview/Texas	0.00	100.00	100.00	198
196	Brenntag Pacific, Inc.	Wilmington/Delaware	0.00	100.00	100.00	198
197	Brenntag Northeast, LLC	Wilmington/Delaware	0.00	100.00	100.00	198
198	Brenntag North America, Inc.	Wilmington/Delaware	0.00	100.00	100.00	123
199	Brenntag North America Foreign Holding, LLC	Wilmington/Delaware	0.00	100.00	100.00	198
200	Brenntag Mid-South, Inc.	Henderson/Kentucky	0.00	100.00	100.00	198
201	Brenntag Latin America, Inc.	Wilmington/Delaware	0.00	100.00	100.00	198
202	Brenntag Great Lakes, LLC	Chicago/Illinois	0.00	100.00	100.00	113
203	Brenntag Global Marketing, LLC	Wilmington/Delaware	0.00	100.00	100.00	198
204	BNA JAM Real Property Holdings, LLC	Houston/Texas	0.00	100.00	100.00	189

No.	Company	Domicile	Held directly %[1]	Held indirectly %[1]	Effective net holding %[1]	Via no.
United Arab Emirates						
205	Raj Petro Specialties DMCC	Dubai	0.00	100.00	65.00	82
206	Trychem FZCO	Jebel Ali, Dubai	0.00	51.00	51.00	123
207	Trychem Trading L.L.C.	Port Saeed, Dubai	0.00	100.00	51.00	206
United Kingdom						
208	Tan International Limited	Newcastle upon Tyne	0.00	100.00	100.00[2]	214
209	Murgatroyd's Salt & Chemical Company Limited	Leeds	0.00	100.00	100.00	217
210	Multisol Limited	Leeds	0.00	100.00	100.00	216
211	Multisol Group Limited	Leeds	0.00	100.00	100.00	210
212	Multisol Europe Limited	Leeds	0.00	100.00	100.00	211
213	Kluman and Balter Limited	Leeds	0.00	100.00	100.00	216
214	Glenalmond Holdings Limited	Glasgow	0.00	100.00	100.00[2]	216
215	Brenntag UK Limited	Leeds	0.00	100.00	100.00	216
216	Brenntag UK Holding Limited	Leeds	0.00	100.00	100.00	68
217	Brenntag Inorganic Chemicals Limited	Leeds	0.00	100.00	100.00	216
218	Brenntag Inorganic Chemicals (Thetford) Limited	Leeds	0.00	100.00	100.00	216
219	Brenntag Colours Limited	Leeds	0.00	100.00	100.00	216
220	A1 Cake Mixes Limited	Glasgow	0.00	50.00 50.00	100.00	216 213
Vietnam						
221	BRENNTAG VIETNAM COMPANY LIMITED	Ho Chi Minh City	0.00	100.00	100.00	152
222	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						
223	Borup Kemi I/S	Borup	0.00	33.33	33.33	31
Germany						
224	SOFT CHEM GmbH	Laatzen	0.00	33.40	17.03	43
Thailand						
225	Berli Asiatic Soda Co., Ltd.	Bangkok	0.00	50.00	50.00	173
226	Siri Asiatic Co., Ltd.	Bangkok	0.00	50.00	50.00	173

[1] Share in the capital of the company
[2] Business combination in accordance with IFRS 3
[3] Structured entity

D

FURTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

TO BRENNTAG AG, 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 AG, Essen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, 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, 2019, 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 AG, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2019. 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, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, 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, 2019. 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 AG, goodwill amounting to € 2.7 billion (32% 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. An external expert assisted the Company in conducting the impairment tests. The basis for the measurement is generally the present value of the future cash flows of the respective 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 submitted by the Group companies and consolidated on segment level (combination of bottom up and top down) and the executive directors' extrapolations for the two subsequent years (top down). 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 "20.) Intangible assets" of the notes to the consolidated financial statements.

2) Accounting treatment of the acquisition of shares in various companies

1) During the financial year, the Company acquired all of the shares in Quimisa S.A., with registered office in Brusque, Brazil, Marlin Company, Inc., Lenoir, North Carolina, USA as well as Glenalmond Holdings Limited, Glasgow, Scotland, United Kingdom. It also acquired the business of New England Resins & Pigments Corporation (NERP), Woburn, Massachusetts, USA, the chemical distribution business of the Desbro Group in Kenya, Uganda and the United Arab Emirates, the lubricants division of Reeder Distributors, Inc., Forth Worth, Texas, USA, 51.0% of the shares in TEE HAI CHEM PTE LTD, Singapore (TEE HAI), as well as 50.0% of the remaining shares in Crest Chemicals (Proprietary) Limited, Woodmead, South Africa. The assets acquired and liabilities assumed are generally recognized at their fair value at the date of the acquisition. For the acquisition of the remaining 49.0% of the shares in TEE HAI, a purchase price liability was recognized at the time of acquisition, the valuation of which was updated as of the balance sheet date. After taking into account the share of the net assets acquired attributable to Brenntag AG of € 188.0 million (relative to

100%), the resulting purchased goodwill amounts to € 95.7 million. 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. With regard to the purchase price liability of € 100.0 million recognized for the acquisition of the remaining shares in TEE HAI, we reconciled the calculation model used to calculate the purchase price liability with both the purchase agreement and the corporate planning of TEE HAI, both at the time of acquisition and as of the balance sheet date. 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, 2019, the environmental provisions recognized in the consolidated financial statements of Brenntag AG, primarily for the decontamination of soil and groundwater at current and former Company-owned or leased locations, amount to € 97.8 million. The provisions also include contingent liabilities of € 22.1 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 of 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

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 13, 2019. We were engaged by the supervisory board on November 4, 2019. We have been the group auditor of Brenntag AG, Essen, without interruption since the Company first met the requirements as a public-interest entity within the meaning of § 319a Abs. 1 Satz 1 HGB in the 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 Thomas Tandetzki.

Düsseldorf, February 27, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Thomas Tandetzki
Wirtschaftsprüfer
(German Public Auditor)

ppa. Reza Bigdeli
Wirtschaftsprüfer
(German Public Auditor)

SEGMENT REPORTING

BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

			Change		
in EUR m	**2019**	**2018**	abs.	in %	in % (fx adj.)
Sales	12,821.8	12,550.0	271.8	2.2	−0.3
Operating gross profit	2,821.7	2,660.9	160.8	6.0	3.4
Operating expenses	−1,820.2	−1,785.4	−34.8	1.9	−0.5
Operating EBITDA	**1,001.5**	**875.5**	**126.0**	**14.4**	**11.3**
Net income / expense from special items	8.6	17.4			–
Depreciation of property, plant and equipment	−243.6	−122.0	−121.6	99.7	95.2
EBITA	766.5	770.9	−4.4	−0.6	−3.0
Amortization of intangible assets	−49.6	−49.9	0.3	−0.6	−3.3
Net finance costs	83.5	−97.5	14.0	−14.4	–
Profit before tax	633.4	623.5	9.9	1.6	–
Income tax expense	−164.2	−161.2	−3.0	1.9	–
Profit after tax	469.2	462.3	6.9	1.5	–

D.01 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP / 2019

			Change		
in EUR m	**Q4 2019**	**Q4 2018**	abs.	in %	in % (fx adj.)
Sales	3,130.9	3,138.0	−7.1	−0.2	−1.4
Operating gross profit	688.4	668.3	20.1	3.0	1.7
Operating expenses	−454.8	−455.2	0.4	−0.1	−1.2
Operating EBITDA	**233.6**	**213.1**	**20.5**	**9.6**	**7.9**
Net income / expense from special items	0.0	19.1			–
Depreciation of property, plant and equipment	−63.8	−33.8	−30.0	88.8	86.3
EBITA	169.8	198.4	−28.6	−14.4	−15.0
Amortization of intangible assets	−11.6	−12.6	1.0	−7.9	−8.6
Net finance costs	−10.5	−26.9	16.4	−61.0	–
Profit before tax	147.7	158.9	−11.2	−7.0	–
Income tax expense	−37.5	−31.4	−6.1	19.4	–
Profit after tax	110.2	127.5	−17.3	−13.6	–

D.02 BUSINESS PERFORMANCE OF THE BRENNTAG GROUP / Q4 2019

BUSINESS PERFORMANCE IN THE SEGMENTS

in EUR m	**Brenntag Group**	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	12,821.8	5,237.7	4,787.1	854.2	1,534.4	408.4
Operating gross profit	2,821.7	1,141.6	1,216.8	177.0	266.8	19.5
Operating expenses	−1,820.2	−735.3	−742.0	−121.1	−165.7	−56.1
Operating EBITDA	**1,001.5**	**406.3**	**474.8**	**55.9**	**101.1**	**−36.6**

D.03 BUSINESS PERFORMANCE IN THE SEGMENTS / 2019

in EUR m	**Brenntag Group**	EMEA	North America	Latin America	Asia Pacific	All other segments
External sales	3,130.9	1,261.1	1,152.9	215.3	400.3	101.3
Operating gross profit	688.4	275.6	292.3	45.1	70.7	4.7
Operating expenses	−454.8	−183.0	−188.4	−26.7	−41.9	−14.8
Operating EBITDA	**233.6**	**92.6**	**103.9**	**18.4**	**28.8**	**−10.1**

D.04 BUSINESS PERFORMANCE IN THE SEGMENTS / Q4 2019

EMEA

			Change		
in EUR m	**2019**	**2018**	abs.	in %	in % (fx adj.)
External sales	5,237.7	5,339.3	−101.6	−1.9	−1.9
Operating gross profit	1,141.6	1,141.2	0.4	0.0	0.1
Operating expenses	−735.3	−755.7	20.4	−2.7	−2.6
Operating EBITDA	**406.3**	**385.5**	**20.8**	**5.4**	**5.6**

D.05 BUSINESS PERFORMANCE IN THE SEGMENTS / EMEA 2019

			Change		
in EUR m	**Q4 2019**	**Q4 2018**	abs.	in %	in % (fx adj.)
External sales	1,261.1	1,295.0	−33.9	−2.6	−2.9
Operating gross profit	275.6	273.2	2.4	0.9	0.6
Operating expenses	−183.0	−188.0	5.0	−2.7	−2.6
Operating EBITDA	**92.6**	**85.2**	**7.4**	**8.7**	**7.7**

D.06 BUSINESS PERFORMANCE IN THE SEGMENTS / EMEA Q4 2019

NORTH AMERICA

in EUR m	2019	2018	Change abs.	Change in %	Change in % (fx adj.)
External sales	4,787.1	4,636.9	150.2	3.2	−1.9
Operating gross profit	1,216.8	1,118.3	98.5	8.8	3.4
Operating expenses	−742.0	−708.7	−33.3	4.7	−0.5
Operating EBITDA	**474.8**	**409.6**	**65.2**	**15.9**	**10.1**

D.07 BUSINESS PERFORMANCE IN THE SEGMENTS / NORTH AMERICA 2019

in EUR m	Q4 2019	Q4 2018	Change abs.	Change in %	Change in % (fx adj.)
External sales	1,152.9	1,177.7	−24.8	−2.1	−3.9
Operating gross profit	292.3	289.1	3.2	1.1	−0.9
Operating expenses	−188.4	−187.5	−0.9	0.5	−1.7
Operating EBITDA	**103.9**	**101.6**	**2.3**	**2.3**	**0.5**

D.08 BUSINESS PERFORMANCE IN THE SEGMENTS / NORTH AMERICA Q4 2019

LATIN AMERICA

in EUR m	2019	2018	Change abs.	Change in %	Change in % (fx adj.)
External sales	854.2	807.8	46.4	5.7	3.7
Operating gross profit	177.0	163.1	13.9	8.5	6.5
Operating expenses	−121.1	−123.2	2.1	−1.7	−3.7
Operating EBITDA	**55.9**	**39.9**	**16.0**	**40.1**	**38.0**

D.09 BUSINESS PERFORMANCE IN THE SEGMENTS / LATIN AMERICA 2019

in EUR m	Q4 2019	Q4 2018	Change abs.	Change in %	Change in % (fx adj.)
External sales	215.3	213.1	2.2	1.0	0.5
Operating gross profit	45.1	42.4	2.7	6.4	5.9
Operating expenses	−26.7	−30.5	3.8	−12.5	−12.2
Operating EBITDA	**18.4**	**11.9**	**6.5**	**54.8**	**51.0**

D.10 BUSINESS PERFORMANCE IN THE SEGMENTS / LATIN AMERICA Q4 2019

ASIA PACIFIC

in EUR m	2019	2018	Change abs.	Change in %	Change in % (fx adj.)
External sales	1,534.4	1,383.5	150.9	10.9	7.1
Operating gross profit	266.8	224.2	42.6	19.0	14.7
Operating expenses	−165.7	−146.3	−19.4	13.3	9.4
Operating EBITDA	**101.1**	**77.9**	**23.2**	**29.8**	**24.7**

D.11 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC 2019

in EUR m	Q4 2019	Q4 2018	Change abs.	Change in %	Change in % (fx adj.)
External sales	400.3	374.1	26.2	7.0	4.0
Operating gross profit	70.7	60.6	10.1	16.7	13.5
Operating expenses	−41.9	−37.7	−4.2	11.1	8.2
Operating EBITDA	**28.8**	**22.9**	**5.9**	**25.8**	**22.1**

D.12 BUSINESS PERFORMANCE IN THE SEGMENTS / ASIA PACIFIC Q4 2019

ALL OTHER SEGMENTS

in EUR m	2019	2018	Change abs.	Change in %	Change in % (fx adj.)
External sales	408.4	382.5	25.9	6.8	6.8
Operating gross profit	19.5	14.1	5.4	38.3	38.3
Operating expenses	−56.1	−51.5	−4.6	8.9	8.9
Operating EBITDA	**−36.6**	**−37.4**	**0.8**	**−2.1**	**−2.1**

D.13 BUSINESS PERFORMANCE IN THE SEGMENTS / ALL OTHER SEGMENTS 2019

in EUR m	Q4 2019	Q4 2018	Change abs.	Change in %	Change in % (fx adj.)
External sales	101.3	78.1	23.2	29.7	29.7
Operating gross profit	4.7	3.0	1.7	56.7	56.7
Operating expenses	−14.8	−11.5	−3.3	28.7	27.6
Operating EBITDA	**−10.1**	**−8.5**	**−1.6**	**18.8**	**17.4**

D.14 BUSINESS PERFORMANCE IN THE SEGMENTS / ALL OTHER SEGMENTS Q4 2019

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	**2019**	**5,237.7**	**4,787.1**	**854.2**	**1,534.4**	**408.4**	**–**	**12,821.8**
	2018	5,339.3	4,636.9	807.8	1,383.5	382.5	–	12,550.0
	Change in %	−1.9	3.2	5.7	10.9	6.8	–	2.2
	fx adjusted change in %	−1.9	−1.9	3.7	7.1	6.8	–	−0.3
Inter-segment sales	**2019**	**8.4**	**5.9**	**0.2**	**1.2**	**0.1**	**−15.8**	**–**
	2018	12.6	9.7	0.1	0.1	0.3	−22.8	–
Operating gross profit[2]	**2019**	**1,141.6**	**1,216.8**	**177.0**	**266.8**	**19.5**	**–**	**2,821.7**
	2018	1,141.2	1,118.3	163.1	224.2	14.1	–	2,660.9
	Change in %	0.0	8.8	8.5	19.0	38.3	–	6.0
	fx adjusted change in %	0.1	3.4	6.5	14.7	38.3	–	3.4
Gross profit	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**2,742.8**
	2018	–	–	–	–	–	–	2,591.7
	Change in %	–	–	–	–	–	–	5.8
	fx adjusted change in %	–	–	–	–	–	–	3.2
Operating EBITDA[3]	**2019**	**406.3**	**474.8**	**55.9**	**101.1**	**−36.6**	**–**	**1,001.5**
	2018	385.5	409.6	39.9	77.9	−37.4	–	875.5
	Change in %	5.4	15.9	40.1	29.8	−2.1	–	14.4
	fx adjusted change in %	5.6	10.1	38.0	24.7	−2.1	–	11.3
Operating EBITDA[3] / operating gross profit[2]	**2019 in %**	**35.6**	**39.0**	**31.6**	**37.9**	**−187.7**	**–**	**35.5**
	2018 in %	33.8	36.6	24.5	34.7	−265.2	–	32.9
Investments in non-current assets (capex)[4]	**2019**	**89.7**	**70.9**	**9.7**	**22.5**	**12.4**	**–**	**205.2**
	2018	78.7	61.1	8.4	10.7	13.3	–	172.2

D.15 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8[1] / 2019

[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	Consoli-dation	Group
External sales	**2019**	**1,261.1**	**1,152.9**	**215.3**	**400.3**	**101.3**	**–**	**3,130.9**
	2018	1,295.0	1,177.7	213.1	374.1	78.1	–	3,138.0
	Change in %	−2.6	−2.1	1.0	7.0	29.7	–	−0.2
	fx adjusted change in %	−2.9	−3.9	0.5	4.0	29.7	–	−1.4
Inter-segment sales	**2019**	**1.8**	**1.1**	**0.1**	**1.1**	**–**	**−4.1**	**–**
	2018	2.4	2.5	–	0.1	0.1	−5.1	–
Operating gross profit[2]	**2019**	**275.6**	**292.3**	**45.1**	**70.7**	**4.7**	**–**	**688.4**
	2018	273.2	289.1	42.4	60.6	3.0	–	668.3
	Change in %	0.9	1.1	6.4	16.7	56.7	–	3.0
	fx adjusted change in %	0.6	−0.9	5.9	13.5	56.7	–	1.7
Gross profit	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**664.8**
	2018	–	–	–	–	–	–	648.5
	Change in %	–	–	–	–	–	–	2.5
	fx adjusted change in %	–	–	–	–	–	–	1.2
Operating EBITDA[3]	**2019**	**92.6**	**103.9**	**18.4**	**28.8**	**−10.1**	**–**	**233.6**
	2018	85.2	101.6	11.9	22.9	−8.5	–	213.1
	Change in %	8.7	2.3	54.8	25.8	18.8	–	9.6
	fx adjusted change in %	7.7	0.5	51.0	22.1	17.4	–	7.9
Operating EBITDA[3] / operating gross profit[2]	**2019 in %**	**33.6**	**35.5**	**40.8**	**40.7**	**−214.9**	**–**	**33.9**
	2018 in %	31.2	35.1	28.1	37.8	−283.3	–	31.9
Investments in non-current assets (capex)[4]	**2019**	**37.6**	**28.4**	**5.5**	**10.0**	**2.7**	**–**	**84.2**
	2018	31.6	23.4	4.3	3.4	4.8	–	67.5

D.16 SEGMENT REPORTING IN ACCORDANCE WITH IFRS 8[1] / Q4 2019

[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.

IFRS 16: EBITDA EFFECTS ON SEGMENTS

in EUR m	01.01.–31.12.2019 EMEA	North America	Latin America	Asia Pacific	All other Segments	Consolidation	Group
Operating EBITDA before IFRS 16	364.7	421.8	47.1	92.4	−40.5	–	885.5
IFRS 16	41.6	53.0	8.8	8.7	3.9	–	116.0
Operating EBITDA after IFRS 16	**406.3**	**474.8**	**55.9**	**101.1**	**−36.6**	**–**	**1,001.5**

D.17 IFRS 16: EBITDA EFFECTS ON SEGMENTS / 2019

in EUR m	01.10.–31.12.2019 EMEA	North America	Latin America	Asia Pacific	All other Segments	Consolidation	Group
Operating EBITDA before IFRS 16	81.2	90.4	16.9	26.4	−11.2	–	203.7
IFRS 16	11.4	13.5	1.5	2.4	1.1	–	29.9
Operating EBITDA after IFRS 16	**92.6**	**103.9**	**18.4**	**28.8**	**−10.1**	**–**	**233.6**

D.18 EBITDA EFFECTS ON SEGMENTS / Q4 2019

GLOSSARY

B

BEST | BEST (Brenntag Enhanced Safety Thinking) is a global Brenntag initiative to improve the safety behavior / 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 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

		2019	2018	2017	2016	2015
Sales	EUR m	12,821.8	12,550.0	11,743.3	10,498.4	10,346.1
Operating gross profit	EUR m	2,821.7	2,660.9	2,554.1	2,428.7	2,321.7
Operating EBITDA	EUR m	1,001.5	875.5	836.0	810.0	807.4
Operating EBITDA / operating gross profit	%	35.5	32.9	32.7	33.4	34.8
Profit after tax	EUR m	469.2	462.3	362.0	361.0	368.1
Earnings per share	EUR	3.02	2.98	2.34	2.33	2.36

D.19 CONSOLIDATED INCOME STATEMENT

		Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Total assets	EUR m	8,564.2	7,694.5	7,284.8	7,287.0	6,976.2
Equity	EUR m	3,579.0	3,301.2	2,985.7	2,959.2	2,690.5
Working capital	EUR m	1,767.7	1,807.0	1,510.5	1,354.6	1,268.1
Net financial liabilities	EUR m	2,060.5	1,761.9	1,571.9	1,681.9	1,676.1

D.20 CONSOLIDATED BALANCE SHEET

		2019	2018	2017	2016	2015
Net cash provided by operating activities	EUR m	879.3	375.3	404.5	539.9	593.7
Investments in non-current assets (capex)	EUR m	−205.2	−172.2	−148.1	−141.1	−130.1
Free cash flow [1]	EUR m	837.3	525.2	440.3	641.4	764.3

D.21 CONSOLIDATED CASH FLOW

		Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Share price	EUR	48.48	37.70	52.77	52.80	48.28
No. of shares (unweighted)		154,500,000	154,500,000	154,500,000	154,500,000	154,500,000
Market capitalization	EUR m	7,490	5,825	8,153	8,158	7,459
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.

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Information on the Annual Report

This translation is only a convenience translation. In the event of any differences, only the German version is binding.

Information on rounding

Due to commercial rounding, minor differences may occur when using rounded amounts or rounded percentages.

Disclaimer

This report may contain forward-looking statements based on current assumptions and forecasts made by Brenntag AG and other information currently available to the company. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. Brenntag AG does not intend, and does not assume any liability whatsoever, to update these forward-looking statements or to adapt them in line with future events or developments.

FINANCIAL CALENDAR 2020

MAY 7

2020
Interim Report Q1 2020,
Essen

JUN 3

2020
dbAccess Berlin Conference,
Berlin

JUN 10

2020
General Shareholders' Meeting,
Essen

AUG 6

2020
Interim Report Q2 2020,
Essen

NOV 4

2020
Interim Report Q3 2020,
Essen