Brenntag Nordic A/S

Borupvang 5 B, 2750 Ballerup

Company reg. no. 24 99 45 89

Annual report

2018

The annual report was submitted and approved by the general meeting on the 8 May 2019.

Marianne Phillip
Chairman of the meeting

Contents

Notes to users of the English version of this document:
- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of Brenntag Nordic A/S for the financial year 1 January to 31 December 2018.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2018 and of the company's results of its activities in the financial year 1 January to 31 December 2018.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Ballerup, 8 May 2019

Managing Director

René Fleischer

Board of directors

Torsten Walz Chairman	Morten Mark Sørensen	Marianne Philip
Lene Filtenborg	Karin Poulsen	

Independent auditor's report

To the shareholder of Brenntag Nordic A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company operations for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Brenntag Nordic A/S for the financial year 1 January to 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusions thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. 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 financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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 the internal control that we identify during our audit.

Hellerup, 8 May 2019

PricewaterhouseCoopers
State Authorised Public Accountants
Company reg. no. 33 77 12 31

Ulrik Ræbild State Authorised Public Accountant mne33262	Josephine Kilsgaard Holm State Authorised Public Accountant mne44114

Company data

The company	Brenntag Nordic A/S Borupvang 5 B 2750 Ballerup	
	Phone	43292800
	Fax	43292700
	Web site	www.brenntag-nordic.com
	E mail	main@brenntag-nordic.com
	Company reg. no.	24 99 45 89
	Domicile:	Ballerup
	Financial year:	1 January - 31 December
Board of directors	Torsten Walz, Chairman Morten Mark Sørensen Marianne Philip Lene Filtenborg Karin Poulsen	
Managing Director	René Fleischer	
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup	
Bankers	Danske Bank Holmens Kanal Afdeling Holmens Kanal 2 1090 København K	
Lawyer	Kromann Reumert Sundkrogsgade 5 2100 København Ø	
Parent company	Brenntag AG, Essen, Germany.	
Subsidiary	Aktieselskabet af 1. januar 1987, Ballerup	

Financial highlights

DKK in thousands.	2018	2017	2016	2015	2014
Profit and loss account:					
Net turnover	1.013.713	879.757	831.267	798.958	809.991
Results from operating activities	45.677	42.411	38.396	49.185	46.845
Results before financial income and expense	42.643	34.993	39.140	48.704	47.064
Net financials	-956	-2.049	-371	-1.341	-2.189
Results for the year	374.865	38.605	76.749	68.653	63.129
Balance sheet:					
Balance sheet sum	922.036	530.567	503.852	455.133	413.103
Investments in tangible fixed assets represent	46.629	10.107	8.764	8.491	28.216
Equity	724.047	372.121	371.424	294.652	225.442
Employees:					
Average number of full time employees	135	133	131	133	122
Key figures in %:					
Gross margin	20,6	26,2	21,0	24,5	22,2
Profit margin	4,2	4,0	4,6	6,1	5,8
Return on assets	4,8	6,8	7,8	10,5	11,4
Solvency ratio	78,5	70,1	73,7	64,7	54,6
Return on equity	68,4	10,4	23,0	26,4	32,5

The calculation of key figures and ratios does in all material respects follow the Danish Association of Finance Analysts' recommendations and does only in a few respects deviate from the recommendations.

Financial highlights

The key figures appearing from the survey have been calculated as follows:

Gross margin	$\frac{\text{Gross results x 100}}{\text{Net turnover}}$
Profit margin (EBIT margin)	$\frac{\text{Results from primary activities (EBIT) x 100}}{\text{Net turnover}}$
Return on assets	$\frac{\text{Results from primary activities (EBIT) x 100}}{\text{Assets in total}}$
Solvency ratio	$\frac{\text{Equity, closing balance x 100}}{\text{Assets in total, closing balance}}$
Equity share	$\frac{\text{Equity, closing balance x 100}}{\text{Assets in total, closing balance}}$
Return on equity	$\frac{\text{Results for the year x 100}}{\text{Average equity}}$

The principal activities of the company

In the Danish market Brenntag Nordic A / S buys, manufactures and sells chemicals and ingredients, etc. primarily for the B2B market. The product range covers industrial commodities as well as special products and specific customer solutions.

The largest part of revenue is in Denmark. Sales outside Denmark are primarily made up of sister companies in the Nordic region. In addition, there are direct sales to a number of large customers in the Nordic region within some selected product areas.

Development in activities and financial matters

The company's activities have been growing compared to 2017. The company's strategy also resulted in a number of optimizations with a Nordic Focus as well as update of the internal structure within Denmark and have started a number of projects to increase profititablitiy as well as approaches to new businesses and higher focus on substantiality for 2018.

Results before tax increased compared to 2017 and amounted to DKK 384 million for 2018. Especially due to the result from the sale of Brenntag Biosector A/S.
Net profit for the year amounted to DKK 375 million.

Result before financials shows a profit of DKK 43 million (2017: DKK 35 million).
The equity increased to DKK 724 million as per 31 December 2018 (2017: DKK 372 million).

Investment in new production equipment at sites in Vejle, Høsten and Copenhagen amount to net DKK 46 million (2017: DKK 10 million).

Special risks, operational risks and financials risks

Market risks:
The company is constantly influenced by the competitive and market situation - including customers' expectations for the future and hence the demand for the products it offers. The market is characterized by a strong price competition from a number of players.

Currency risks:
The business activities involve a number of risks that may affect the company's financial position. Including currency fluctuations in the purchase and sale of goods, etc. Continuous work is being carried out with the control and matching of currency flows in critical currencies.

Interest risks
The company's interest rate risk is primarily related to the financial loan to the parent company, where the interest rate is agreed on a quarterly basis. Interest rates to other credit institutions are fixed-rate, in addition, there is a limited risk of a few financial leasing agreements.

Credit risks

The company's credit risks relate exclusively to our customers. Internal control systems based on strict credit management and the use of external credit information mean that the company does not have significant risks with regard to individual customers or collaborators. Historically, the company has not recorded significant losses on trade receivables.

Strategy and Objectives

The company's strategy is to grow through organic growth and expand our current logistics and production capacity. By offering our customers value for them and their business, the company also continuously evaluates the possibilities for acquiring activities that may fit into the current set-up.

Objectives and Expectations for the coming year

The result for 2018 is better than 2017 ,but not in line with our expectations, and we therefore started reorganization towards a Nordic set-up and business projects including new service solutions, and the ongoing focus on optimizing the company's logistics and production capacity. We expect these changes will increase the result for 2019 and bring the result in line with level from 2015.

External Environment

Brenntag continuously works to limit the impact of the external environment around our sites and warehouses according to the current rules, which are regularly reviewed by Norsk Veritas as part of our quality system. In addition, Brenntag Nordic A/S has focused on our environmental impacts in Denmark for a number of years and is continuously implementing a series of measures such as water, gas, electricity and wastewater to reduce our environmental impact in cooperation with local authorities. The Brenntag Group also imposes a large number of additional requirements for the company's handling of the external environment.

Social Responsibility

Brenntag works with social responsibility through our quality system based on various ISO standards, etc., which means that we continuously work with deviations and improvements in safety, environment, working conditions, etc., as well as the Brenntag Group's internal guidelines for good business and safety.

Brenntag Nordic A/S wants to comply with the laws and regulations of the countries and communities in which it operates. In this context, Brenntag Nordic A/S has introduced a CSR policy that in addition to the already established ISO standards and Responsible Care, will ensure that this happens.

The CSR declaration can be obtained at the following Internet address:
https://www.brenntag.com/denmark/da/milj%C3%B8-and-kvalitet/qshe/index.jsp

Brenntag will continue to work on CSR policies in 2019 and focus on supplier evaluations to ensure that we live up to our CSR policy. We expect this process to continue in the coming years.

Further reference is made to the consolidated financial statements of Brenntag AG for a description of the Group's CSR policy:
https://www.brenntag.com/corporate/en/sustainability/service-and-contacts/index.jsp

Report on the Gender Composition in Management

In view of the structure of the Board today (2 men, 3 women), we have met one goal for an even split. We try to maintain this equal split.

Management

In Brenntag Nordic we have a leadership group of 23 leaders in 2018 with 74% men and 26% women.

Policy and goal

It is our policy to increase the number of women in other management levels and we will strive for a more positive attitude towards promoting/hiring women.

Actions

Our employee turnover is very low, and thereby also the turnover of leaders. What counts is the qualifications, and we always treat our candidates regardless of gender.

In 2018, we have encouraged potential future female leaders to take on further responsibility in current position and to get further relevant education for which the company holds the expense.

As result of this currently two potential leaders are taken further education and responsibility preparing them for future role.

Accounting policies used

The annual report for Brenntag Nordic A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (large enterprises).

No consolidated annual accounts have been prepared, cf. section 112(1) of the Danish Financial Statements Act. The annual accounts of Brenntag Nordic A/S and its group enterprises are included in the consolidated annual accounts for Brenntag AG, Essen, Germany.

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement for the enterprise has been prepared, as the relevant information is included in the consolidated annual accounts of Brenntag AG, Essen, Germany.

Changes in the accounting policies

The Company has decided to change revenue recognition criteria from postponing revenue until final transfer of risks and rewards has taken place, to revenue when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. As a base for reporting the Company has decided to implement the revenue recognition principles lined out in IFRS 15 Revenue from Contracts with Customer.

Under the new policy, recognition of sales of goods do not include changes in recognition of revenue from sales of standardized products. The effect of the new policy is limited to revenue from consignment stock and customer-specific products. The change will more accurately reflect the operational performance of revenue relating to these revenue streams.

The change in revenue recognition criteria has besides an effect on revenue and trade receivables had a related effect on cost of sales and inventories.

The comparative figures for 2017 and before have in accordance with IFRS 15 and the Danish Financial Statements Act not been changed.

Effect of change in accounting policies

The change in accounting principles has had a positive effect on result before taxes in 2018 amounting to DKK 1.077.994 and a positive effect on revenue and receivables of DKK 5.389.974. Inventory is affected by DKK -4.311.979 due to the change in accounting principles, while cost of sales has increased with the same amount.

Other than the changes in revenue recognition method above, the accounting policies applied remain unchanged from previous years.

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is likely to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is likely to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concern matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

The profit and loss account

Net turnover

The net turnover is recognised in the profit and loss account when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. Recognition of sales of goods do not include changes in recognition of revenue from sales of standardized products.

Production costs

The production costs comprise costs, including salaries, wages and depreciation, which are incurred in order to achieve the net turnover of the year. Trade enterprises recognise cost of sales, and manufacturing enterprises recognise production costs corresponding to the turnover of the year. These costs include direct and indirect costs for raw materials and consumables, salaries and wages, rent and leasing, and depreciation on the production plant.

Distribution costs

The distribution costs comprise costs which have been incurred for distribution of goods sold during the year and for sales campaigns carried out during the year. Additionally, costs for sales staff, costs for advertising and exhibitions, and depreciation are recognised in the profit and loss account.

Administration costs

Administration costs comprise costs which have been incurred during the year for management and administration, including costs for the administrative staff, the executive board, offices, stationery and office supplies, and depreciation.

Cost of sales

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income

Other operating income comprises accounting items of secondary nature in proportion to the principal activities of the enterprise.

Other operating costs

Other operating costs comprise accounting items of secondary nature in proportion to the principal activities of the enterprise.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the individual group enterprises are recognised in the profit and loss account at a proportional share of the group enterprises' results after tax.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises. The company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Intangible fixed assets

Goodwill

Acquired goodwill is measured at cost with deduction of accumulated amortisation. As it is not possible to determine a reliable estimate of the useful life, the amortisation period is set at 5-10 years.

The Company' investment is considered to be of strategic importance for the Company, with regard to the Companies expectations for activities and increase in earnings is the useful life of goodwill down 5-10 years.

Software

Software are measured at cost with deduction of accrued amortisation. Software are amortised on a straight-line basis over an evaluation of the expected useful life, the amortisation period is set at 3-8 years.

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

	Useful life
Buildings	30-40 years
Technical plants and machinery	4-10 years
Other plants, operating assets, fixtures and furniture	4-6 years
Decoration rented premises	6 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or loss is recognised in the profit and loss account under depreciation.

As regards assets of own production, the cost comprises direct costs for materials, components, deliveries from subsuppliers, payroll costs, and borrowing costs from specific and general borrowing concerning the construction of each individual asset.

Leasing contracts

At the first recognition in the balance sheet, leasing contracts concerning tangible fixed assets by which the company holds all essential risks and advantages attached to the proprietary right (financial leasing) are measured either at fair value or at the present value of the future leasing services, whichever value is lower. When calculating the present value, the internal interest rate of the leasing contract or alternatively the borrowing rate of the enterprise is used as discount rate. Afterwards, financially leased assets are treated in the same way as other similar tangible assets.

The capitalised residual leasing liability is recognised in the balance sheet as a liability, and the interest part of the leasing contract is recognised in the profit and loss account over the term of the contract.

All other leasing contracts are considered operational leasing. Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The company's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

Writedown of fixed assets

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Previously recognised writedown is reversed when the condition for the writedown no longer exist. Writedown relating to goodwill is not reversed.

Decoration of rented premises

Decoration of rented premises are measured at cost with deduction of accrued depreciation. Depreciation takes place on a straight-line basis over the estimated useful life of the asset, which is set at 6 years.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Group enterprises and associated enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserves under the equity for net revaluation as per the equity method. Dividends from group enterprises expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprises.

Inventories

Inventories are measured at cost on basis of measured average prices. In case the net realisable value is lower than the cost, writedown takes place at this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management. Borrowing costs are not recognised in cost.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserves for net revaluation as per the equity method

Reserves for net revaluation as per the equity method comprise net revaluation of equity investments in subsidiaries and associates in proportion to cost.

The reserves may be eliminated in case of losses, realisation of equity investments or changes in the financial estimates.

It is not possible to recognise the reserves with a negative amount.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting (the time of declaration).

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Brenntag Nordic A/S is jointly taxed with the Danish group companies and acts in this respect as the administration company. According to the rules of joint taxation, Brenntag Nordic A/S is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Payable and receivable joint taxation contributions are recognised in the balance sheet as "Receivable corporate tax" or "Payable corporate tax".

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Other provisions

Provisions comprise expected costs for guarantee liabilities, loss on work in progress, restructuring, etc. Provisions are recognised when the company has a legal or actual liability which is due to a previous event and when it is likely that the settlement of the liability will result in expenditure of the financial resources of the company.

If the settlement of the liability is expected to take place in some remote future, provisions are measured at the net realisable value or at fair value.

Guarantee liabilities comprise liabilities for repairs within the guarantee period of 1-5 years. The provisions are measured at the net realisable value and recognised on basis of the obtained experience with guarantee work. If provisions have an expected due date later than 1 year from the balance sheet date, they are discounted at the average bond interest.

On the acquisition of enterprises, provisions for restructuring within the acquired enterprise is included in the acquisition cost, and thereby in the goodwill or the consolidated goodwill, to the extent that they have been approved and announced on the date of acquisition at the latest.

When it is likely that the total costs will exceed the total income of work in progress for the account of others, provisions are made for the total loss expected on the contract. Provisions are recognised as costs under production costs.

Liabilities

Mortgage debt and bank debt are for instance measured at amortised cost. As to cash loans, this corresponds to the outstanding debt of the loan. For bond loans, the amortised cost corresponds to an outstanding debt calculated as the underlying cash value at the date of borrowing adjusted by amortisation of the market value adjustment on the date of the borrowing carried out over the repayment period.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Accounting policies used

Accrued expenses and deferred income

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.

Profit and loss account 1 January - 31 December

DKK in thousands.

Note		2018	2017
2	Net turnover	1.013.713	879.757
	Production costs	-826.335	-699.785
	Gross results	**187.378**	**179.972**
	Distribution costs	-55.754	-52.340
	Administration costs	-86.028	-85.221
	Other operating income	12.394	13.510
	Other operating costs	-15.347	-20.928
	Operating profit	**42.643**	**34.993**
	Income from equity investments in group enterprises	342.343	12.915
	Other financial income from group enterprises	37	167
	Other financial income	375	537
5	Other financial costs	-1.368	-2.753
	Results before tax	**384.030**	**45.859**
6	Tax on ordinary results	-9.165	-7.254
7	**Results for the year**	**374.865**	**38.605**

Balance sheet 31 December

DKK in thousands.

Note	Assets	2018	2017
	Fixed assets		
8	Goodwill	130	8.502
9	Software	1.878	2.600
	Intangible fixed assets in total	2.008	11.102
10	Land and property	63.822	29.378
11	Production plant and machinery	34.708	34.649
12	Other plants, operating assets, and fixtures and furniture	2.045	3.102
13	Tangible assets under construction and prepayments for tangible assets	7.101	6.054
14	Decoration rented premises	815	1.107
	Tangible fixed assets in total	108.491	74.290
15	Equity investments in group enterprises	18.295	177.314
16	Amounts owed by group enterprises	0	27.539
17	Other debtors	1.052	2.482
	Financial fixed assets in total	19.347	207.335
	Fixed assets in total	**129.846**	**292.727**
	Current assets		
	Raw materials and consumables	7.887	6.988
	Work in progress	595	771
	Manufactured goods and trade goods	76.334	58.548
	Inventories in total	84.816	66.307
	Trade debtors	154.595	148.333
	Amounts owed by group enterprises	527.431	2.548
	Receivable corporate tax	2.035	4.363
	Other debtors	2.146	0
18	Prepayments	1.364	2.724
	Debtors in total	687.571	157.968
	Cash	19.803	13.565
	Current assets in total	**792.190**	**237.840**
	Assets in total	**922.036**	**530.567**

Balance sheet 31 December

DKK in thousands.

Note	**Equity and liabilities**	2018	2017
	Equity		
19	Contributed capital	6.206	6.206
	Reserves for net revaluation as per the equity method	16.965	115.775
	Results brought forward	644.876	227.140
	Proposed dividend for the financial year	56.000	23.000
	Equity in total	**724.047**	**372.121**
	Provisions		
20	Provisions for deferred tax	692	1.887
21	Other provisions	44.242	8.003
	Provisions in total	**44.934**	**9.890**
	Liabilities		
	Bank debts	34.747	37.014
	Trade creditors	74.694	62.049
	Debt to group enterprises	3.828	19.752
	Other debts	21.121	22.082
22	Other short term provisions	18.665	7.659
	Short-term liabilities in total	153.055	148.556
	Liabilities in total	**153.055**	**148.556**
	Equity and liabilities in total	**922.036**	**530.567**

1 Subsequent events
3 Staff matters
4 Fee, auditor
23 Contingencies
24 Related parties

Statement of changes in equity

DKK in thousands.

	Contributed capital	Reserves for net revaluation as per the equity method	Results brought forward	Proposed dividend for the financial year	In total
Equity 1 January 2017	6.206	113.188	214.030	38.000	371.424
Dividend for the financial year	0	0	0	-38.000	-38.000
Share of results	0	12.915	2.690	23.000	38.605
Distributed dividend	0	-10.420	10.420	0	0
Interest rate swap in group enterprise	0	92	0	0	92
Equity 1 January 2018	6.206	115.775	227.140	23.000	372.121
Dividend for the financial year	0	0	0	-23.000	-23.000
Share of results	0	-98.871	417.736	56.000	374.865
Interest rate swap in group enterprise	0	61	0	0	61
	6.206	**16.965**	**644.876**	**56.000**	**724.047**

Notes

DKK in thousands.

1. Subsequent events

No events materially affecting the assessment of annual Report have occured after the balance sheet date.

	2018	2017
2. Net turnover		
Denmark	928.156	806.901
Scandinavia	71.518	58.204
Europe	13.567	14.519
Other	472	133
Geographical segments in total	1.013.713	879.757
Agency sales	393	472
Direct sales	244.845	228.941
Warehouse sales	768.475	650.344
Business segments in total	1.013.713	879.757

3. Staff matters		
Salaries and wages	76.219	74.751
Pension costs	7.345	7.284
Other costs for social security	1.233	944
	84.797	**82.979**
Average number of employees	135	133

In accordance with section 98 B(3) of Danish Financial Statements Act, remuneration to the Executive Board i not disclosed.

4. Fee, auditor

Please refer to the note the consolidated financial statement for the parent company, Brenntag AG.

DKK in thousands.

		2018	2017
5.	**Other financial costs**		
	Financial costs, group enterprises	0	272
	Other financial costs	1.368	2.481
		1.368	**2.753**
6.	**Tax on ordinary results**		
	Tax of the results for the year, parent company	9.797	7.825
	Adjustment for the year of deferred tax	-632	-459
	Adjustment of tax for previous years	563	-1.127
	Adjustment of deferred tax previous years	-563	1.015
		9.165	**7.254**
7.	**Proposed distribution of the results**		
	Reserves for net revaluation as per the equity method	-98.871	12.915
	Dividend for the financial year	56.000	23.000
	Allocated to results brought forward	417.736	2.690
	Distribution in total	**374.865**	**38.605**

DKK in thousands.

		31/12 2018	31/12 2017
8.	**Goodwill**		
	Cost 1 January	46.861	46.861
	Additions during the year	0	0
	Disposals during the year	0	0
	Cost 31 December	**46.861**	**46.861**
	Amortisation and writedown 1 January	-38.359	-29.987
	Amortisation for the year	-8.372	-8.372
	Amortisation and writedown 31 December	**-46.731**	**-38.359**
	Book value 31 December	**130**	**8.502**
	Amortised over	5-10 years	

		31/12 2018	31/12 2017
9.	**Software**		
	Cost 1 January	30.785	35.990
	Additions during the year	649	1.170
	Disposals during the year	0	-6.375
	Cost 31 December	**31.434**	**30.785**
	Amortisation and writedown 1 January	-28.185	-33.432
	Amortisation for the year	-1.371	-1.128
	Reversal of depreciation, amortisation and writedown, assets disposed of	0	6.375
	Amortisation and writedown 31 December	**-29.556**	**-28.185**
	Book value 31 December	**1.878**	**2.600**
	Amortised over	3 - 8 years	

DKK in thousands.

		31/12 2018	31/12 2017
10.	**Land and property**		
	Cost 1 January	75.017	74.082
	Additions during the year	38.333	989
	Disposals during the year	0	-54
	Cost 31 December	**113.350**	**75.017**
	Depreciation and writedown 1 January	-45.629	-43.468
	Depreciation for the year	-3.899	-2.214
	Writedown for the year	0	-11
	Reversal of depreciation, amortisation and writedown, assets disposed of	0	54
	Depreciation and writedown 31 December	**-49.528**	**-45.639**
	Book value 31 December	**63.822**	**29.378**
	Amotised over	30-40 years	
11.	**Production plant and machinery**		
	Cost 1 January	121.872	119.257
	Additions during the year	5.502	1.324
	Disposals during the year	0	-1.171
	Transfers	878	2.462
	Cost 31 December	**128.252**	**121.872**
	Depreciation and writedown 1 January	-87.223	-81.753
	Depreciation for the year	-6.321	-6.641
	Reversal of depreciation, amortisation and writedown, assets disposed of	0	1.171
	Depreciation and writedown 31 December	**-93.544**	**-87.223**
	Book value 31 December	**34.708**	**34.649**
	Amotised over	4-10 years	

DKK in thousands.

		31/12 2018	31/12 2017
12.	**Other plants, operating assets, and fixtures and furniture**		
	Cost 1 January	46.337	51.026
	Additions during the year	0	1.235
	Disposals during the year	-1.056	-5.989
	Transfers	710	65
	Cost 31 December	**45.991**	**46.337**
	Amortisation and writedown 1 January	-43.235	-47.425
	Depreciation for the year	-1.397	-1.799
	Reversal of depreciation, amortisation and writedown, assets disposed of	686	5.989
	Amortisation and writedown 31 December	**-43.946**	**-43.235**
	Book value 31 December	**2.045**	**3.102**
	Amotised over	4-6 years	

		31/12 2018	31/12 2017
13.	**Tangible assets under construction and prepayments for tangible assets**		
	Cost 1 January	6.054	2.737
	Additions during the year	2.727	5.844
	Disposals during the year	-92	0
	Transfers	-1.588	-2.527
	Cost 31 December	**7.101**	**6.054**
	Book value 31 December	**7.101**	**6.054**

DKK in thousands.

		31/12 2018	31/12 2017
14.	**Decoration rented premises**		
	Cost 1 January	4.142	3.427
	Additions during the year	67	715
	Cost 31 December	**4.209**	**4.142**
	Depreciation and writedown 1 January	-3.035	-2.623
	Depreciation for the year	-359	-412
	Depreciation and writedown 31 December	**-3.394**	**-3.035**
	Book value 31 December	**815**	**1.107**
	Amotised over	6 years	
15.	**Equity investments in group enterprises**		
	Acquisition sum, opening balance 1 January	61.539	61.539
	Additions during the year	0	0
	Disposals during the year	-60.209	0
	Cost 31 December	**1.330**	**61.539**
	Revaluations, opening balance 1 January	115.775	113.188
	Results for the year before goodwill amortisation	-666	12.915
	Reversals for the year concerning disposals	-98.205	0
	Dividend	0	-10.420
	Interest rate swap	61	92
	Revaluation 31 December	**16.965**	**115.775**
	Book value 31 December	**18.295**	**177.314**

Group enterprises:

	Domicile	**Share of ownership**
Aktieselskabet af 1. januar 1987	Ballerup	100 %

DKK in thousands.

		31/12 2018	31/12 2017
16.	**Amounts owed by group enterprises**		
	Amounts owed by group enterprise	0	27.539
		0	**27.539**
17.	**Other debtors**		
	Cost 1 January	2.482	2.413
	Additions during the year	0	69
	Disposals during the year	-1.430	0
	Cost 31 December	**1.052**	**2.482**
	Book value 31 December	**1.052**	**2.482**
18.	**Prepayments**		
	Prepaid insurance	0	811
	Prepaid lease	73	184
	Other prepayments	990	1.137
	Prepaid rent	301	592
		1.364	**2.724**

19. Contributed capital

The Share capital consists of 62,060 shares, each with a nominal value of DDK 100. No shares hold particular rights.

DKK in thousands.

		31/12 2018	31/12 2017
20.	**Provisions for deferred tax**		
	Provisions for deferred tax 1 January	1.887	1.331
	Deferred tax of the results for the year	-632	-459
	Adjustment of deferred tax previous years	-563	1.015
		692	**1.887**
	The following items are subject to deferred tax:		
	Intangible fixed assets	-3.033	-2.348
	Tangible fixed assets	5.925	5.998
	Financial fixed assets	-2.200	-1.763
		692	**1.887**
21.	**Other provisions**		
	Reestablishment provision	36.000	0
	Environmental provision	8.242	8.003
		44.242	**8.003**
22.	**Other short term provisions**		
	Prepayments/deferred income	18.665	7.659
		18.665	**7.659**

DKK in thousands.

23. Contingencies

Contingent liabilities

Leasing liabilities

The company has entered into operating leases with an average annual lease payment of DKK 1 million. The leases have remaining terms to maturity of between 6-48 months with a total remaining lease payment of DKK 2.2 million.

The Company has entered into rent obligation with a total obligation of DKK 9,4 million. The main lease, for which the annual rent amounts to DKK 6 million. The lease may be terminated at 6-12 months' notice.

Recourse guarantee commitments

The company has provided guarantees for the bank debts of the group enterprises. The guarantee is limited to EUR 10 million.

Joint taxation

The company is the administration company of the group of companies subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

24. Related parties

Controlling interest

Brenntag Holding B.V Amsterdam, the Netherlands	Majority shareholder

Other related parties

Aktieselskabet af 1. januar 1987	Subsidiary
Borup Kemi I/S	Associate

Transactions

During the year, there have been no transactions with Board of Directors, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany tranactions and normal management remuneration.

Notes

DKK in thousands.

Consolidated annual accounts

The company is included in the consolidated Financial Statements of Brenntag AG, Essen, Germany

The Consolidated Financial Statement may be obtained at:
https://www.brenntag.com/corporate/en/investor-relations/publications/financial-reports/index.jsp

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