Annual Report 2011

simply different

Experts for successful chemical distribution

KEY FINANCIAL FIGURES AT A GLANCE

Consolidated income statement		2011	2010	Change
Sales	EUR m	8,679.3	7,649.1	13.5 %
Gross profit	EUR m	1,768.0	1,636.4	8.0 %
Operating EBITDA	EUR m	660.9	602.6	9.7 %
Operating EBITDA/Gross profit	%	37.4	36.8	1.6 %
EBITDA	EUR m	658.8	597.6	10.2 %
Profit after tax	EUR m	279.3	146.6	90.5 %
Earnings per share	EUR	5.39	2.93	84.0 %

Consolidated balance sheet		Dec. 31, 2011	Dec. 31, 2010
Total assets	EUR m	5,575.6	4,970.2
Equity	EUR m	1,761.3	1,617.9
Working capital	EUR m	961.1	831.7
Net financial liabilities	EUR m	1,493.6	1,420.9

Consolidated cash flow		2011	2010
Cash provided by operating activities	EUR m	349.6	150.3
Investments in non-current assets (Capex)	EUR m	−86.0	−85.1
Free cash flow	EUR m	511.8	376.1

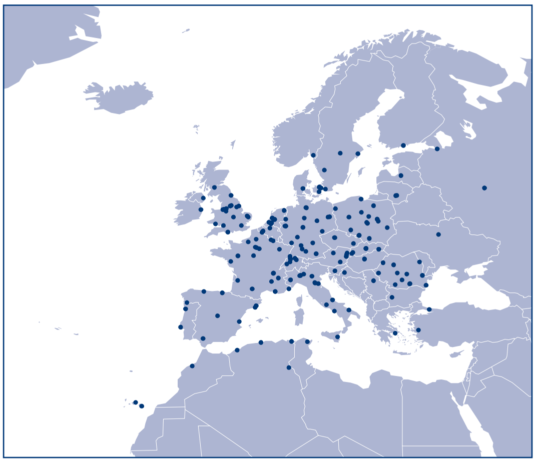
Key figures Brenntag share		Dec. 31, 2011	Dec. 31, 2010
Share price	EUR	71.95	76.30
No. of shares (unweighted)		51,500,000	51,500,000
Market capitalization	EUR m	3,705	3,929
Free float	%	63.98	50.39

OUR GOALS

- To be the **safest** chemical distributor.
- To be the **fastest-growing** chemical distributor.
- To be the **most profitable** chemical distributor.
- To offer our customers industrial and specialty chemicals and services **globally.**
- To be the **preferred chemical distributor** for industrial and specialty chemicals.

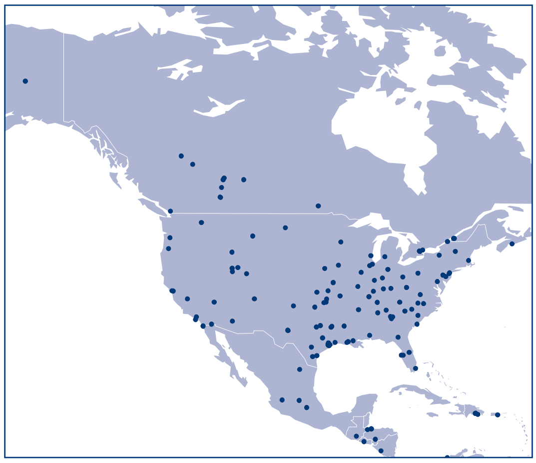
SEGMENTS

EUROPE



Brenntag is the market leader in both western and eastern Europe. Brenntag has a strong network of nearly 200 locations throughout Europe. From these locations, our workforce of over 6,000 supply more than 115,000 customers with the chemicals and services they need and generated operating EBITDA of EUR 303.9 million in 2011.

NORTH AMERICA



Brenntag is the number three chemical distributor in North America. With more than 120 locations, we operate in all important industrial centres. More than 3,700 employees ensure that over 40,000 customers have the products and services they need. The North American companies generated operating EBITDA of EUR 282.1 million in 2011.

OPERATING EBITDA

303.9 EUR m

Europe		2011	2010
External sales	EUR m	4,295.3	3,927.5
Operating gross profit	EUR m	898.0	863.0
Operating expenses	EUR m	–594.1	–576.5
Operating EBITDA	EUR m	303.9	286.5

OPERATING EBITDA

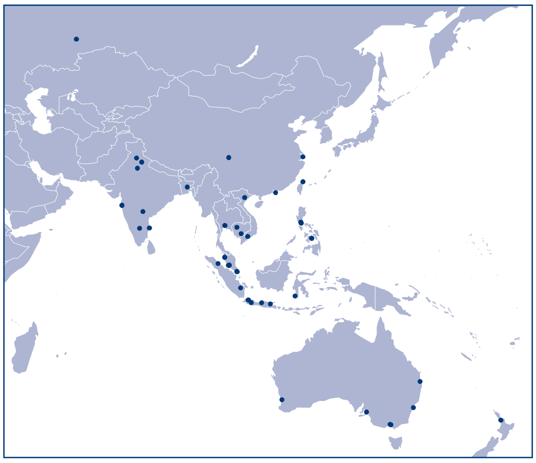
282.1 EUR m

North America		2011	2010
External sales	EUR m	2,725.7	2,442.7
Operating gross profit	EUR m	659.7	613.0
Operating expenses	EUR m	–377.6	–348.6
Operating EBITDA	EUR m	282.1	264.4

LATIN AMERICA

In Latin America, Brenntag is the only large transregional chemical distributor which can provide its customers with products and services throughout Latin America. Our over 18,000 customers are serviced by over 1,300 colleagues from more than 60 locations in 19 Latin American countries. Our Latin American employees generated operating EBITDA of EUR 51.4 million in 2011.

ASIA PACIFIC



Brenntag entered the Asia Pacific markets in 2008 with the acquisition of Rhodia's distribution network in the region. In 2010, we saw a significant expansion of our Asia Pacific activities with the acquisition of EAC Industrial Ingredients Ltd. A/S. In 2011 we entered the Chinese market. Brenntag now has a network of over 40 locations in 12 Asia Pacific countries. 1,300 employees handle the demand for chemical products and services from more than 9,000 customers and generated operating EBITDA of EUR 36.9 million in 2011.

OPERATING EBITDA

51.4 EUR m

Latin America		2011	2010
External sales	EUR m	806.9	725.1
Operating gross profit	EUR m	150.5	137.8
Operating expenses	EUR m	−99.1	−91.9
Operating EBITDA	EUR m	51.4	45.9

OPERATING EBITDA

36.9 EUR m

Asia Pacific		2011	2010
External sales	EUR m	415.4	217.1
Operating gross profit	EUR m	82.1	45.7
Operating expenses	EUR m	−45.2	−28.1
Operating EBITDA	EUR m	36.9	17.6

Figures exclude All Other Segments, which, in addition to various holding companies and our sourcing activities in China, cover the international activities of Brenntag International Chemicals.

PROFILE OF BRENNTAG

Brenntag is the global market leader in full-line chemical distribution. Linking chemical manufacturers and chemical users, Brenntag provides business-to-business distribution solutions for industrial and specialty chemicals globally. With over 10,000 products and a world-class supplier base, Brenntag offers one-stop-shop solutions to more than 160,000 customers. The value-added services include just-in-time delivery, product mixing, formulation, repackaging, inventory management, drum return handling as well as extensive technical support. Headquartered in Mülheim an der Ruhr, Germany, the company operates a global network with more than 400 locations in 68 countries.

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TO OUR SHAREHOLDERS

CEO LETTER

Dear Shareholders,

Our final quarter and year-end results reflect the underlying resilience of Brenntag supported by a highly diversified business model which continued to capture growth from the regions around the world whilst maintaining a robust performance in those areas with more serious macroeconomic challenges.

Our principle of maintaining strong organic growth aligned with a highly focused acquisition strategy further consolidated our position as global market leader and supported us in achieving a record result in 2011.

Let me start with acquisitions in 2011. We continued our track record of completing successful value-accretive acquisitions for the Group with three important additions including G.S. Robins & Company, a leading regional distributor of industrial chemicals headquartered in St. Louis, Missouri, and an important addition to our North American network. Secondly we achieved the long-awaited strategic market entry into China following the acquisition of the first tranche of Zhong Yung International which provides Brenntag with access to the world's fastest growing market for chemicals in key economic regions. Finally, we were delighted to acquire the highly successful Multisol Group which accelerated further expansion of our product range and services in the lubricants sector focusing on highly specialized additives and base oils. We are excited about the additional synergy and growth our new additions bring to the Group and look forward to their full contribution in the year ahead.

Clearly we remain committed to ongoing organic growth and this is demonstrated by a positive development in 2011. Our two main key performance indicators – gross profit and operating EBITDA – grew significantly in 2011. We were able to increase our gross profit by 8.0% to EUR 1,768.0 million and our operating EBITDA by 9.7% to EUR 660.9 million. Adjusted for currency effects these growth rates were 10.0% and 12.2% respectively. As a result of ongoing efficiency measures as well as scale effects, our main efficiency indicator, operating EBITDA/gross profit, improved to 37.4%. These improvements underline our strong commitment to increasing and sustainable profitability.

In July, we successfully refinanced almost all of the Group's debt and replaced it by a new financing structure which included the issue of Brenntag's first bond. The new financing structure provides for a high level of diversification of our financing mix. In addition, we benefit from lower interest charges as well as more financial flexibility in many areas of our business and extended maturities. The full effect on our financial result will become visible in 2012.

Steven Holland, CEO

During the year we saw significant volatility in stock markets worldwide. In relative terms, when comparing our share to the MDAX®, which Brenntag joined in June 2010, Brenntag outperformed the index by 6.5%. Shareholders who bought our shares in the IPO can be pleased with gains of 43.9% on their investment while the MDAX® only gained 9.0% in the same period. In January 2012, the former majority owner (Brachem Acquisition S.C.A., Luxembourg) placed 4.5 million shares of Brenntag AG with institutional investors, in February it placed another 7.05 million shares and thereby increased the free float to more than 86%. The higher liquidity of the Brenntag share is reflected in higher average daily trading volumes and more attention from investors globally.

When I reviewed our initial thoughts at the beginning of 2011 for the year ahead, I suspect there are few who could have predicted some of the unprecedented events and challenges we were about to witness on a worldwide basis.

We remain convinced the overall strategic direction set by the company will continue to capture growth from our global footprint and provide a long-term sustainable and resilient future development for the Group overall. In addition, our high level of diversity allows us to balance our performance versus those geographies more challenged by the current macroeconomic effects.

The Group continues to pursue an active pipeline of value-accretive acquisitions which we expect to further contribute to our overall performance in the year ahead.

This year's Annual Report provides you with a profile of the dedicated workforce Brenntag has and the different fields of operations as well as our regional diversity. On behalf of the Board of Management I would like to thank all our employees for their everyday dedication and all our stakeholders around the world for your continued support and interest in our company.

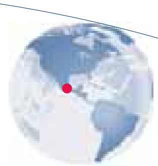
Mülheim an der Ruhr, March 12, 2012

Steven Holland
Chief Executive Officer

simply different

Brenntag, the global leader in chemical distribution, is simply different. Different because the Brenntag network operates in 68 countries and we are therefore the only truly global chemical distributor. It is this remarkable scope and scale which enables Brenntag to service the full value chain from producers of industrial and specialty chemicals, on the one end, and local, regional and global customers, on the other, with a focus on world class value creation. Brenntag's commercial organization of more than 4,700 sales, marketing, technical and customer service professionals is dedicated to providing unparalleled service to our customers in the many markets and industries that we participate in around the world. The diversity of our market presence from a geographic and industry perspective provides a resilient business model that all of Brenntag's stakeholders can count on.

However, this proven business model could not be implemented without our 13,100 dedicated employees worldwide. No matter what geography, country or industry we participate in, our success is predicated on the outstanding commitment, dedication and expertise of our employees. Our customers and suppliers benefit from this passion and know-how in every field. Whether they work in a technical, logistics or commercial function, local Brenntag employees are always there to help our customers. They are the "Brenntag difference" and key to our success. This Annual Report is dedicated to our culturally distinct and diverse employees from around the world and their success in making Brenntag "simply different"!



Resilient Business Model

Developing growth opportunities in many ways

Eduardo Bautista Campos and his colleagues work in Querétaro, our largest site in Mexico. Every day, a large number of shipments are packed in various sizes – from small bags to large IBCs (intermediate bulk containers). The products stored at this site are blended and formulated if required and sold directly in Mexico and Central America to over 900 customers in different industries, such as cleaning agents and detergents, food and personal care.

The many uses of citric acid

One of Brenntag's top products, citric acid, is sold in different package sizes and in different forms for use in a wide variety of industries. Moreover, we distinguish between different grades, for example for the food industry (food grade) and the pharmaceutical and cosmetics industries (pharma grade). Some examples of its many uses are:

- Food (food grade):
  Citric acid and its salts are used in beverages as a preservative and acidulant.
- Personal care (pharma grade):
  Citric acid is used to adjust the pH of cosmetics, such as skin lotions.
- Cleaning agents and detergents:
  Through its acidic effect and the formation of a calcium complex, citric acid acts as a lime-scale remover and is therefore used in many cleaning agents.

The products of Brenntag can be found in various products used daily.

This high degree of diversification is what characterizes Brenntag throughout the world. After all, it is not just in Mexico that we supply a wide variety of industries with a broad range of products; this business model is successful worldwide in 68 countries. Through this diversity, we provide an attractive platform for specialty suppliers seeking to position new products. Our customers also benefit from our broad supplier base of industrial chemicals, providing them with assurance of quality and availability.

In addition to ensuring a highly resilient business model, broad diversification offers excellent opportunities for growth. Personnel and operational assets can be deployed with a high degree of flexibility to those industries and markets which show a high potential for growth. We respond quickly to changing market conditions and developing industry trends as we continue to build a highly stable base of business with strong expansion potential.

"Brenntag is simply different because we offer excellent service and high quality across the board and also comply with stringent environmental standards."

Eduardo Bautista Campos, Warehouseman, Brenntag Mexico
Querétaro, Mexico

"Brenntag is simply different because we can source the highest-quality products for our customers from all over the world thanks to our many years of experience and our excellent knowledge of the market."

Xiaofan Zhang, Vice Director Sourcing, Brenntag China
Beijing, China

Global Reach

Comprehensive range in all markets

Xiaofan Zhang is responsible for procuring chemical products in China for different customer industries in the European market. For nine years she has been part of the 19-strong team in Beijing, which serves a wide range of industries. We have been active in the market for over ten years and in this time have built a portfolio of more than 200 products. Thanks to our many years of experience, we can draw on in-depth knowledge of the market and our product expertise in procurement activities.

Not only in China but also worldwide, we rely on long-standing partnerships with suppliers when purchasing products. We can offer our customers a full line of high-quality specialty and industrial chemicals from all over the world. Our highly effective logistics processes enable us to deliver quickly to the country of destination. We also bundle demand for important products which may not be available everywhere and benefit from material management efficiencies which we then pass on to our customers.

Worldwide we have a highly developed sales and marketing organization which keeps up to date on current and projected market conditions and trends. With this extensive market information, we can quickly respond to changes in capacity, product availability, new applications and a variety of global supply-chain influences to the benefit of both suppliers and customers.

The purchased products are shipped worldwide from various ports.

With a broad and diverse global supplier base, Brenntag continues to expand its specialty and industrial chemicals portfolio and industry expertise in order to provide unparalleled assurance of quality, supply, technical support and logistics capability to our local and global customers.

Our ten largest suppliers accounted for

< 27%

of our purchases in 2011.

Local Strength

Global solutions used locally

Every day Brenntag trucks are sent all over the regions by the local dispatchers.

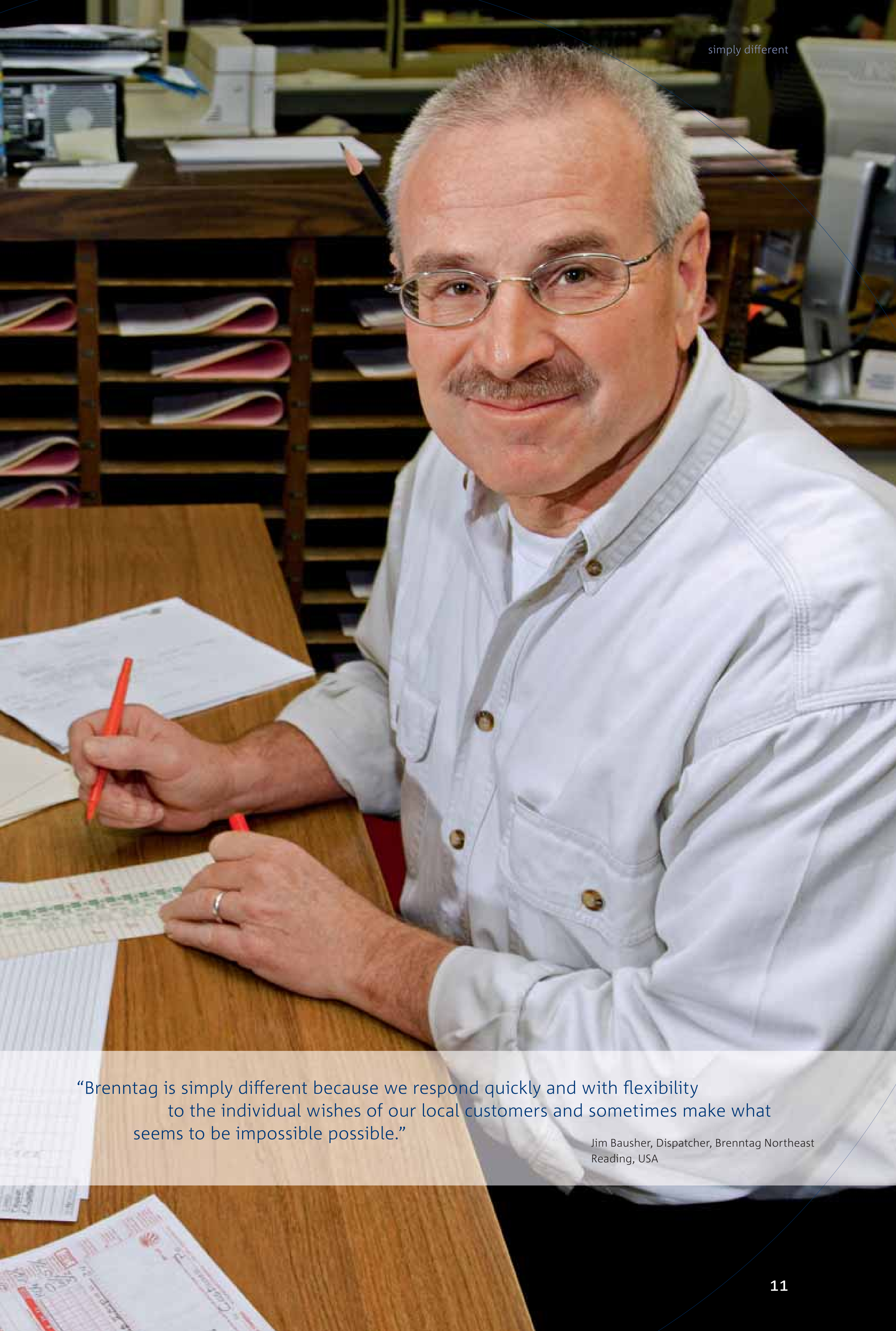
Jim Bausher is one of the many employees worldwide who are Brenntag's face to our customers and suppliers. In the dispatch office at Brenntag Northeast in Reading, Pennsylvania, he handles over 30 trucks a day and optimizes delivery routes so customers receive the right goods at the right time. It is the direct contact between our employees and our customers which enables us to accommodate special requirements quickly and with flexibility. Our sales staff in North America has over 10,000 contacts with customers every week. This direct contact is a major strength of our business model to which we attach great importance in all our global operations.

The starting point and central focus of our activities is always our customers and suppliers. For this reason we have established full service operations at our sites, which enable us to respond directly to the local customers' needs for products and services. We have more than 160,000 customers all over the world, with the top 10 customers accounting for less than 5% of Group sales in 2011. Our offering includes a whole range of real value-added services such as chemicals procurement, inventory management, repackaging into smaller quantities, customized blending, technical service and support, less-than-truckload quantities and just-in-time delivery. This diverse package of products and services allows our customers to concentrate on their core business.

Commercial assessments that require in-depth knowledge of the market and adaption to the customer's specific needs are made at the local level by experts in that particular field. Our entire global corporate culture revolves around our local and regional customers. Our goal is to be the most important distribution partner for customers and suppliers – someone who is local and whom they can count on as a trusted business partner. At the same time, regional customers and suppliers also benefit from our global network and wealth of experience which enable us to offer global solutions tailored to the local situation. Customers and suppliers can rely on our very high safety standards, which is the top priority at all Brenntag sites around the world, and can therefore be confident that we are the right choice for a long-term, local partnership.

35,000

contacts with customers worldwide every week



"Brenntag is simply different because we respond quickly and with flexibility to the individual wishes of our local customers and sometimes make what seems to be impossible possible."

Jim Bausher, Dispatcher, Brenntag Northeast
Reading, USA

"Brenntag is simply different because we can draw from a whole host of possibilities to advise our customers individually and offer them tailored solutions."

Dr Laura Kocsis, Food Technologist, Brenntag CEE (at a customer consulting)
Guntramsdorf, Austria

High Value Added

Greater efficiency for our customers

Dr Laura Kocsis is one of the more than 140 "Blending Solutions" sales experts in Europe. She advises our customers on the mixing, blending and formulation of products as well as their applications. 55 mixing plants and 27 applications laboratories in Europe alone, allow us and our customers the opportunity to respond to requirements and achieve the best possible solution. We generate value added and, at the same time, reduce complexity for our customers as we can offer everything from one source.

A view into one of our mixing tanks in Duisburg. Various custom formulations are mixed in our facilities according to customer specifications.

An example of value-added services provided by Blending Solutions in Europe

In close consultation with its customers, the Blending Solutions team in Europe develops individual mixtures and formulations and advises customers on the use of these products. Because this cooperation requires a high degree of mutual trust, the team relies on long-standing customer relationships and confidentiality of information. In addition to the optimal solution, the team also provides efficient order handling and an advanced logistics solution. This complete package of services from Brenntag greatly reduces the complexity of the process for the customer.

Sales experts	more than 140
Application laboratories	27
Own formulations	more than 2,400
Customized mixtures	more than 10,000
Customer industries	Water treatment, food, animal feed, oil and gas, cleaning agents and detergents, construction chemicals, paint, varnish, coating, paper, rubber, car, de-icing, metal

Direct support and solution-focused mixing, blending and formulation are among many value-added services which we offer customers. Our global services also include repackaging into smaller quantities, inventory management for customers, extensive technical support, drum return handling as well as just-in-time delivery. With this broad spectrum of services, we can meet the special requirements of our many, mostly smaller, customers. Our customers can reduce storage costs, particularly through our just-in-time deliveries and the ability to return drums and containers at the same time.

By allowing access to more than 160,000 customers worldwide, Brenntag provides a unique value-added service for our suppliers. Via bundling supply and demand, we create real value added and efficiency in the supply chain which benefits the entire industry. We are the ideal strategic partner in the chemical distribution sector for both, suppliers and customers, a partner with in-depth application knowledge thanks to technically trained industry specialists and chemists in dozens of applications laboratories.

Active Consolidation

Successful lever for adding value

Brenntag benefits from a wealth of experience when making acquisitions.

Direk Tuansuwan is one of 850 former EAC employees successfully integrated into the existing network of Brenntag Asia Pacific just a few months after the acquisition of EAC Industrial Ingredients. An integration team was created to ensure smooth and rapid integration in nine countries of the Asia Pacific region. One of the key elements to success was bringing existing and new employees together to work under one roof.

The acquisition of EAC Industrial Ingredients in mid-2010 and the subsequent integration process are just one example of many successful acquisitions in the history of Brenntag. In the last 20 years, we have acquired and successfully integrated more than 100 companies. This vast wealth of experience is one of our core competencies and helps us to successfully implement our global acquisition strategy. Some 10,000 chemical distributors operating worldwide form a highly fragmented business environment which offers us many acquisition opportunities. Therefore, acquisitions are one of the cornerstones of our global growth strategy.

In addition to clear selection criteria, our strategy is based on thorough evaluation, planning and meticulous financing. The acquisition candidates must offer significant potential for increasing the company's value, provide access to new products and services or extend our geographic coverage. The chemical distribution market continues to consolidate providing Brenntag with acquisition opportunities in all regions of the world.

The acquisition of Zhong Yung (International) Chemical Ltd. in 2011 is a very good example of regional expansion. The acquisition of this Chinese solvent distributor permitted Brenntag to successfully enter the Chinese market and achieve the strategic expansion of our presence in the high-growth Asia Pacific region.

Our largest acquisitions in 2011

- **G.S. Robins Company, USA**
  Regional distributor of industrial chemicals
- **Zhong Yung (International) Chemical Ltd., China**
  Distributor of solvents in China
- **Multisol Group Limited, United Kingdom**
  Distributor of lubricant additives and base oils in Europe and Africa
- **Amco Internacional S.A. de C.V., Mexico**
  Distributor of specialty chemicals, particularly for the food industry

"Brenntag is simply different because the company has managed to integrate us into the existing structures quickly and also gives us the feeling that we are welcome."

Direk Tuansuwan, Fork-lift Operator, Brenntag Ingredients (Thailand) Public Co., Ltd.
Bangkok, Thailand

"Brenntag is simply different because we are quick to recognize trends and opportunities for growth and can draw on our high technical expertise to exploit them."

Ana Casadevante, Technical Sales Representative, Brenntag Iberia
Zaragoza, Spain

Sustainable Growth

Attractive industries with long-term prospects

Ana Casadevante works at Brenntag Iberia and advises customers in the field of water treatment, in particular the swimming pool segment. The water treatment field has to regularly deal with new laws and regulations. We can profit from these changes because the implementation of new directives and regulations at our customers' means growth opportunities for us in the water conditioning product sector. In Spain some ten employees work closely with customers in the water industry.

Water treatment is one of the most important challenges facing today's society. We are excellently positioned throughout the world to seize this opportunity as we have long since identified water treatment as one of the six industries offering significant potential for sustained growth. The other industries offering us above-average growth potential are the ACES (adhesives, coatings, elastomers, sealants) and pharmaceuticals industries as well as the personal care, food and oil & gas sectors. Through the effective and focused use of our resources, we generate roughly 45 % of our gross profit within these industries alone.

We recognize trends and incorporate them into our working environment. The theme of the future is sustainability. With the launch of our Green Product Line in Europe in four industries – water treatment, cosmetics, cleaning agents and detergents, and ACES – we are setting new standards in chemical distribution and meeting the demand for green, environmentally friendly products. For us, green means chemical products and processes which reduce or completely avoid environmental pollution.

The quality of water is checked regularly.

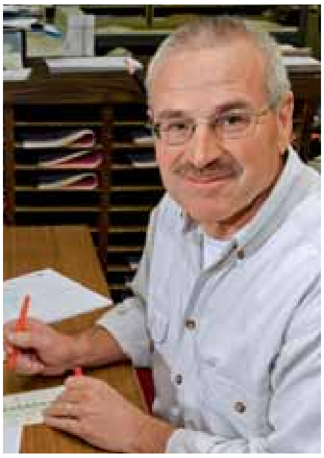
Our customized full-line range of over 10,000 products combined with speed and flexibility of delivery allows us to capitalize on developments in the growth markets we have identified. Thanks to our ability to leverage know-how in different industries and across regions, our experts can offer our customers state-of-the-art technical expertise which is second to none.

We will continue to grow in future in these areas by cross-selling, further optimising our portfolio and improving our contribution to value through the international transfer of know-how. Our experts across the globe bring benefit to customers in the industries we serve, with their expertise, which is always state-of-the-art and unrivalled.

At a glance …

Our diversity gives us stability and also allows us to profit from growth trends.

Our customers profit from our scale efficiencies in the global sourcing of products.



Flexible services and closeness to our customers are our fundamental principles.

By improving efficiencies in the value chain, we create real value added.

Thanks to our experience in company acquisitions, new employees soon feel at home.

With our high technical expertise, we generate sustainable growth.

Resilient business model

Global reach

Local strength

High value added

Active consolidation

Sustainable growth

It is these six important elements which fit precisely like cogs in a wheel, ensuring the global Brenntag network runs like clockwork. The many diverse functions of our resilient business model combined with high technical expertise allow us to achieve sustained growth. Thanks to our comprehensive services which are provided locally, we can offer real value added to the supply chain, which gives us competitive advantages. In addition, we put our many years of experience to excellent use in acquisitions and also in global procurement. Six important well-functioning areas which both complement and depend on each other. This is what makes us so successful and …

… simply different.

BRENNTAG ON THE STOCK MARKET

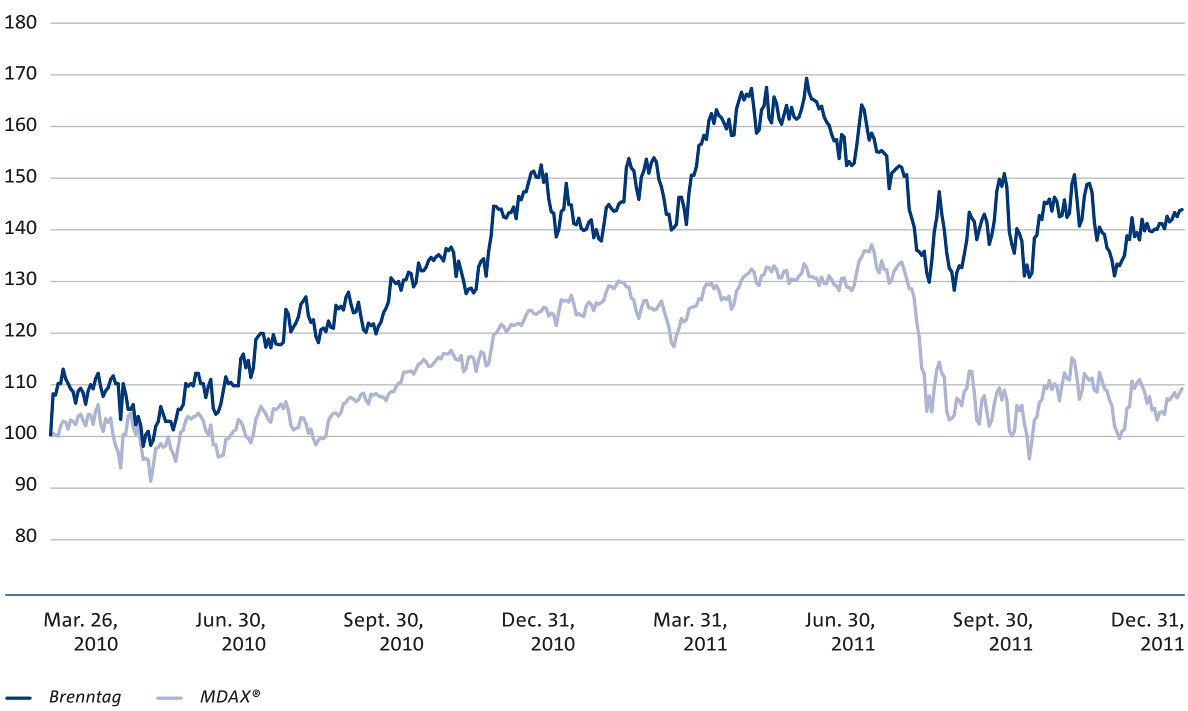
DEVELOPMENT OF THE SHARE PRICE

The year 2011 was marked by high volatility on the German stock exchanges. The VDAX-NEW®, which expresses in percentage terms what degree of volatility is to be expected in the following 30 days for the DAX®, fluctuated between 15.31 in mid-February and 50.74 at the beginning of October. Overwhelming themes in the whole year were the ongoing sovereign debt crisis and the uncertainties within the eurozone.

In this market environment, the DAX® fell by 14.7% and the MDAX® by 12.2% in 2011. The DAX® closed the year at 5,898.35 points and the MDAX® finished at 8,897.81 points. The Brenntag share could not entirely escape the market volatility and ended the year at EUR 71.95. That is a decline in the share price of 5.7% in 2011. Brenntag therefore performed better than the benchmark indices. Shareholders who have held Brenntag shares since the IPO in March 2010 have seen the share price rise by 43.9% whilst the MDAX®, in which the Brenntag share has been included since June 21, 2010, only gained 9.0% in the same period.

The average number of Brenntag shares traded every day in 2011 was approximately 126,000, which corresponds to an average daily trading volume of EUR 9.2 million.

DEVELOPMENT OF THE BRENNTAG SHARE PRICE (INDEXED)



SHAREHOLDER STRUCTURE

The free float of the Brenntag share has increased continuously since the IPO on March 29, 2010. After its debut on the Frankfurt stock market, the free float was initially 29.03% of the shares while 70.97% were held by Brachem Acquisition S.C.A., Luxembourg, which is largely owned by several funds advised by BC Partners, Bain Capital and subsidiaries of Goldman Sachs International.

Brachem Acquisition S.C.A. decided to sell further shares in several stages to institutional investors in accelerated bookbuilding processes: on October 1, 2010, 11 million shares or 21.36% of the outstanding share capital were sold at a price of EUR 60.75 per share. On January 19, 2011, Brachem Acquisition S.C.A. placed another 7 million shares or 13.6% of the outstanding share capital at a price of EUR 71.50 per share. On January 5, 2012, Brachem Acquisition S.C.A. placed another 4.5 million shares or 8.74% of the outstanding share capital at a price of EUR 70.00 per share. On February 24, 2012, Brachem Acquisition S.C.A. placed another 7 million shares or 13.6% of the outstanding share capital at a price of EUR 82.50 per share.

Brachem Acquisition S.C.A., Luxembourg, remains the largest shareholder of Brenntag AG, holding 7,050,000 shares or 13.69% of the total share capital of 51,500,000 shares.

On August 23, 2011, the T. Rowe Price Group, Inc., USA, notified us that it holds 3.003% or 1,546,700 shares in Brenntag AG.

On October 17, 2011, Artisan Partners Limited Partnership, USA, notified us that it holds 3.06% or 1,575,332 shares in Brenntag AG.

On January 10, 2012, Longview Partners, London, UK, notified us that it holds 3.11% or 1,600,207 shares in Brenntag AG.

On January 12, 2012, BlackRock, Inc., New York, USA, notified us that it holds 3.61% or 1,861,676 shares in Brenntag AG.

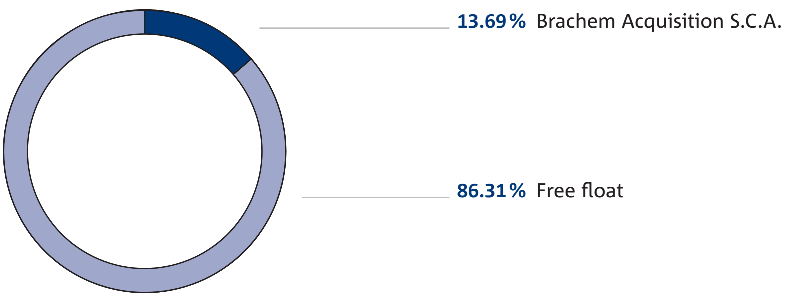
On January 16, 2012, Ameriprise Financial, Inc., Minneapolis, USA, notified us that it holds 3.07% or 1,579,224 shares in Brenntag AG.

On March 9, 2012, Massachusetts Financial Services Company, Boston, USA, notified us that it holds 5.04% or 2,593,518 shares in Brenntag AG.

As of today, we have received no information that any other shareholder has exceeded the statutory notification threshold of 3%.

As of today, Brenntag AG has a free float of 86.31%, representing 44,450,000 shares in the total share capital.

SHAREHOLDER STRUCTURE



Below you will find the most important information on the Brenntag share:

Key figures and master data on the share		IPO	Dec. 31, 2010	Dec. 31, 2011
Share price	EUR	50.00	76.30	71.95
Number of shares (unweighted)		51,500,000	51,500,000	51,500,000
Market capitalization	EUR m	2,575	3,929	3,705
Free float [1]	%	29.03	50.39	63.98
Free float market capitalization [1]	EUR m	748	1,979	2,371

Most important stock exchange	Xetra
Indices	MDAX®, MSCI, Stoxx Europe 600
ISIN	DE000A1DAHH0
WKN	A1DAHH
Trading symbol	BNR

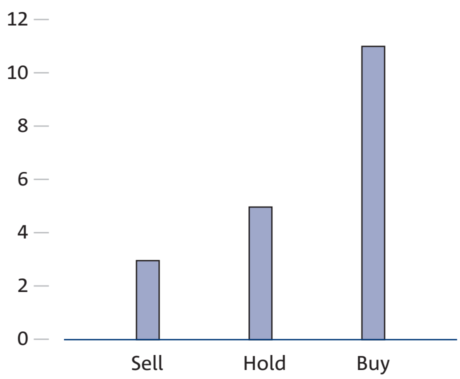
[1] *On January 5, 2012, and February 25, 2012, the free float increased to 86.31 % following the above-mentioned placing by Brachem Acquisition S.C.A., Luxembourg. On the basis of this free float and the share price on December 31, 2011, the free float market capitalization would have been EUR 3,198 million.*

ANALYSTS' OPINIONS

The Brenntag share is currently (mid-March 2012) being covered by 19 analysts of renowned national and international banks. Therefore, interested investors can use 19 independent reports to form an opinion on the Brenntag share.

About 58 % of the analysts (11) give a buy recommendation for the Brenntag share, about 26 % (5) recommend holding the share. 3 analysts are advising to sell.

ANALYSTS' OPINIONS



BOND

On July 19, 2011, Brenntag Finance B.V., Amsterdam, Netherlands, an indirectly held 100% subsidiary of Brenntag AG, issued a corporate bond with a volume of EUR 400 million. The seven-year bond bears a coupon of 5.50%. The issue price was at 99.321% of the nominal value.

DEVELOPMENT OF THE PRICE OF THE BRENNTAG BOND

Below you will find the most important information on the Brenntag bond:

Key figures and master data on the bond		Jul. 19, 2011	Dec. 31, 2011
Bond price	%	99.321	101.324

Issuer	Brenntag Finance B.V.
Guarantors	Brenntag AG, certain subsidiaries of Brenntag AG
Listing	Luxembourg stock exchange
ISIN	XS0645941419

Aggregate principal amount	EUR m	400
Denomination		1,000
Minimum transferrable amount	EUR	50,000
Coupon	%	5.50
Interest payment		July 19
Maturity		July 19, 2018

GENERAL SHAREHOLDERS' MEETING

The first annual General Shareholders' Meeting of Brenntag AG since the successful IPO in March 2010 was held in Düsseldorf on June 22, 2011. Our shareholders took the opportunity to personally get an idea of the business situation, deepen their understanding of Brenntag and place questions to the Board of Management. 36,169,840 shares of the share capital of 51,500,000 shares were represented, which corresponds to 70.23 % of the share capital.

On the day of the annual General Shareholders' Meeting, long-time CEO Stephen Clark handed over responsibility to Steven Holland. Steven Holland has been with Brenntag since 2006 and has worked closely with Stephen Clark since then. Steven Holland became COO of the company in 2009. During this time, he was instrumental in shaping the strategy for Europe, the Americas and Asia. The General Shareholders' Meeting on June 22, 2011 elected Stephen Clark as a new member of the Supervisory Board following a proposal by the shareholder Brachem Acquisition S.C.A., Luxembourg. In this function, Stephen Clark will continue to support Brenntag's future development.

The annual General Shareholders' Meeting approved the distribution of a dividend of EUR 1.40 per share. The dividend was paid to the shareholders on June 24, 2011. The payout ratio was 36% of the adjusted profit after tax for the year 2010.

INVESTOR RELATIONS

Brenntag AG is committed to open and transparent communication with its shareholders and the financial community. We are committed to the equal treatment of all shareholders, investors, analysts, the financial community and the general public, prompt communication of information and continuity in reporting. The company's commitment to a fair communication policy is also evidenced by Brenntag's membership of Deutscher Investor Relations Verband e.V.

We are using amongst others the Internet to inform the interested public equally about developments at Brenntag. In the Investor Relations section on our website www.brenntag.com, shareholders will find information on the share and the development of the share price. The regularly updated financial calendar gives the publication dates of our quarterly and annual reports, the dates of the General Shareholders' Meeting and the conferences at which Brenntag meets investors. The reports and the latest presentations can be downloaded. All annual and interim reports can also be ordered in printed form using the order form. The relevant information on the General Shareholders' Meeting is posted on a dedicated page of the website in good time before the event. Information on the subject of Corporate Governance, to which Brenntag attaches great importance, is also to be found there.

Naturally, anybody interested in Brenntag can also contact us **by phone (+49 (0) 208 7828 7653), e-mail (IR@brenntag.de) or by mail (Brenntag Investor Relations, Stinnes-Platz 1, 45472 Mülheim an der Ruhr).** The Investor Relations team will be pleased to answer your questions on the company, its share and its bond.

ROAD SHOWS/CONFERENCES

Our understanding of Investor Relations is that we maintain close contact with our current investors and actively seek out contact with potential new investors. Therefore, the Brenntag Board of Management and the Investor Relations team regularly went on road shows and attended capital market conferences. Last year, we visited investors at all important financial centres; amongst others we were in the UK, France, the USA, Benelux, Scandinavia, Switzerland, Italy as well as different German financial centres. We talked to nearly 150 institutional investors during a total of about 15 road show days. In addition, we attended numerous capital market conferences. There, we informed over 50 investors about Brenntag in one-to-one and group talks as well as further investors at presentations held before an audience of more than 50 investors. Another roughly 20 investors visited us at our head office in Mülheim an der Ruhr. In November we held an analysts' and investors' conference in London, where another roughly 50 participants met with the Board of Management and operational managers. Countless phone calls with investors, analysts and private shareholders round off the spectrum of our Investor Relations work.

In November, we presented Brenntag at a share forum held by DSW (Deutsche Schutzvereinigung für Wertpapierbesitz e.V.), specially for private investors, at which we informed more than 100 private investors about Brenntag.

In the coming year, we will continue to present the Brenntag share at numerous road shows and capital market conferences. You will find the latest list of dates in our financial calendar on the Brenntag website www.brenntag.com under Investor Relations.

DIVIDEND PROPOSAL

It is Brenntag's declared policy to pay an annual dividend of 30% to 45% of its consolidated profit after tax attributable to shareholders of Brenntag AG. The Board of Management and Supervisory Board will therefore recommend to shareholders at the General Shareholders' Meeting that a dividend of EUR 2.00 per share be paid. The payout ratio on the basis of the consolidated profit after tax attributable to shareholders of Brenntag AG for the year is therefore 37.1%.

REPORT FROM THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

Brenntag AG can look back on a successful year. The first public General Shareholders' Meeting was held under my chairmanship on June 22, 2011 at the Congress Centre in Düsseldorf, where we were pleased to welcome many interested shareholders – a good feeling just under a year after being included in the MDAX®.

COMPOSITION OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

At the Supervisory Board meeting on March 21, 2011, the Supervisory Board accepted the request of the incumbent CEO, Stephen Clark, to step down from the Board of Management following the General Shareholders' Meeting on June 22, 2011. As Thomas Weinmann was vacating his seat on the Supervisory Board at the end of the General Shareholders' Meeting, it was decided to follow the proposal of Brachem Acquisition S.C.A. and recommend Stephen Clark to the shareholders for election as a new member of the Supervisory Board. Since Stephen Clark was leaving the Board of Management, it was decided to appoint Steven Holland, the incumbent COO, as the new CEO with effect from the end of the General Shareholders' Meeting. Furthermore, William Fidler, CEO Brenntag North America, was appointed a member of the Board of Management effective March 21, 2011, so that the Board of Management consisted of four members in the period from March 21 until the end of the General Shareholders' Meeting on June 22, 2011.

At the General Shareholders' Meeting on June 22, 2011, the shareholders elected Stephen Clark with a clear majority to the Supervisory Board, which now consists of the following members: Stefan Zuschke (Chairman), Dr Thomas Ludwig (Deputy Chairman), Stephen Clark, Prof. Dr Edgar Fluri, Doreen Nowotne and Dr Andreas Rittstieg. Since the end of the General Shareholders' Meeting, the Board of Management of Brenntag AG is again made up of three members: Steven Holland (CEO), Jürgen Buchsteiner (CFO) and William Fidler.

COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

In the year under review, the Supervisory Board of Brenntag AG performed diligently the duties assigned to it by law, by the company's Articles of Association and by its Rules of Procedure. Details on the duties of the Supervisory Board can be found in the management report. We have regularly advised the Board of Management in matters relating to the management of the company and have also monitored its activities. Particularly with regard to decisions that were of fundamental importance for the company, we were involved directly and at an early stage. The Board of Management provided us with regular, timely and comprehensive information (in both written and oral form) regarding the course of business, profitability, company planning, strategic further development, the Group's current situation and the risk situation, including risk and compliance management. Any deviations from planned business activities were explained to us in detail. In addition, the Board of Management consulted us on matters relating to the strategic orientation of the company. Business transactions that were of key importance for the company were discussed in detail based on Board of Management reports. We approved proposed Board of Management resolutions after examining and discussing them extensively. Please refer to the section Topics addressed in the Supervisory Board meetings for details.

The Supervisory Board came together for eight meetings during the period under review. Half of these meetings were held in the form of telephone conferences as they were meetings held at short notice in which the Supervisory Board was informed of and decided on acquisitions. All members of the Supervisory Board attended six meetings. Prof. Dr Edgar Fluri and Dr Andreas Rittstieg informed the Chairman of the Supervisory Board in good time that they were unable to take part in the telephone conference on May 23, 2011, and placed with him their votes for this meeting in written form. At the Supervisory Board meeting on December 16, 2011, Prof. Dr Edgar Fluri was absent and excused.

Stefan Zuschke, Chairman

All Board of Management members were present at the four regular meetings on March 21, June 22, August 31 and December 16, 2011. Furthermore, always at least two Board of Management members took part in the extraordinary telephone conferences when topics including the acquisitions of G.S. Robins & Company and Zhong Yung (International) Chemical Co., Ltd. as well as the refinancing performed in the reporting period were discussed.

TOPICS ADDRESSED IN THE SUPERVISORY BOARD MEETINGS

At its first meeting of the year under review on February 28, 2011, the Supervisory Board dealt with the dividend proposal for the financial year 2010. The meeting was held at the request of the Audit Committee to obtain consensus with regard to the distribution of the dividend.

At the meeting on March 21, 2011, the Supervisory Board approved the consolidated financial statements, which had been prepared by the Board of Management and audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf (PwC), who issued an unqualified audit certificate, as well as the management report for the 2010 financial year combined with the Group management report. Furthermore, it adopted the annual financial statements of Brenntag AG. Moreover, the Supervisory Board decided to recommend a dividend of EUR 1.40 for the 2010 financial year to the General Shareholders' Meeting and the election of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, as auditors for the 2011 financial year.

The Board of Management reported on the development of business in the first two months of the year under review, on the current status of acquisition projects and the specialties business in North America. Furthermore, changes in the Supervisory Board were discussed and the aforementioned changes in the composition of the Board of Management decided. The incumbent CEO, Stephen Clark, stepped down following the General Shareholders' Meeting on June 22, 2011. Steven Holland, the previous COO of Brenntag AG, became his successor. In addition, the Supervisory Board appointed William Fidler as a new member of the Board of Management. Thomas Weinmann announced that he would be resigning from the Supervisory Board following the end of the General Shareholders' Meeting. The Supervisory Board then proposed Stephen Clark for election by the shareholders at the General Shareholders' Meeting as a new member of the Supervisory Board. Finally, at this meeting the rules of procedure of the Board of Management and the Supervisory Board were amended to bring them into line with the current version of the German Corporate Governance Code.

At the telephone conference on May 18, 2011, the members approved the acquisition of G.S. Robins & Company after a detailed presentation by the Board of Management. In addition, the Board of Management informed us about the current status of the refinancing project of the Brenntag Group.

In a telephone conference held on May 23, 2011, the Supervisory Board approved the refinancing of the Brenntag Group which had previously been comprehensively presented by the Board of Management. The Supervisory Board members, Prof. Dr Edgar Fluri and Dr Andreas Rittstieg, were absent and excused from the meeting and had handed their votes beforehand to the Chairman in written form.

The Supervisory Board discussed the Zhong Yung (International) Chemical Co., Ltd. acquisition project in China in a telephone conference on June 3, 2011. The Supervisory Board approved the acquisition.

A Supervisory Board meeting was held following the first public General Shareholders' Meeting on June 22, 2011. Stephen Clark took part in this meeting for the first time as a member of the Supervisory Board and was also elected to the Audit Committee. Furthermore, the Supervisory Board approved the changes and redistribution of responsibilities among the Board of Management members, confirming Steven Holland as CEO. In addition, the Board of Management informed the Supervisory Board of the upcoming possibility to acquire the Multisol Group in the UK.

At the Supervisory Board meeting on August 31, 2011, the members of the Supervisory Board approved the acquisition of Multisol Group Ltd. Furthermore, the Supervisory Board was informed about the financial results up to and including July 2011. Further topics were the general executive and senior management succession plan, other potential acquisition projects, the IT strategy of the Group as well as the previous and planned activities of Investor Relations.

At the Supervisory Board meeting on December 16, 2011, a projection for the current financial year was presented and the budget planning for 2012 was discussed as well as the mid-term strategy. In addition, acquisition projects were dealt with. Following the recommendation of the German Corporate Governance Code to perform a regular efficiency test, the members of the Supervisory Board carried out a review of the efficiency of the Supervisory Board's activities. The results of the efficiency test in the year under review as well as individual suggestions for further improving the Supervisory Board work were discussed, coordinated and agreed in detail. Furthermore, the Board of Management and Supervisory Board of Brenntag AG again submitted the Declaration of Conformity regarding the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act (AktG).

SUPERVISORY BOARD COMMITTEE ACTIVITIES

In the reporting period, the Audit Committee convened for five meetings. The composition of the Committee changed during the course of the year. Through his resignation from the Supervisory Board with effect from June 22, 2011, Thomas Weinmann also left the Audit Committee at the same time. On the same day, Stephen Clark was appointed as a new member of the Audit Committee, which is now made up of Prof. Dr Edgar Fluri (Chairman), Doreen Nowotne and Stephen Clark. The Committee concerned itself in particular with the following core topics: the 2010 financial statements for the Group and Brenntag AG, the respective quarterly financial reports for 2011, internal auditing, the effectiveness of the internal control system, and compliance monitoring activities. In addition, the work of the auditors, PwC, was discussed.

In the course of the Supervisory Board meeting on March 21, 2011, the Presiding and Nomination Committee with members Stefan Zuschke, Dr Thomas Ludwig and Dr Andreas Rittstieg convened for a meeting to discuss the step-down of Stephen Clark as well as the appointment of Steven Holland as CEO and the appointment of William Fidler to the Board of Management.

CORPORATE GOVERNANCE CODE

In the Declaration of Conformity of December 16, 2011, the Supervisory Board declares, together with the Board of Management, that Brenntag AG complies with all recommendations issued by the Government Commission on the German Corporate Governance Code in the version dated May 26, 2010, as published by the Federal Ministry of Justice in the official part of the electronic Federal Gazette (elektronischer Bundesanzeiger).

The Board of Management and Supervisory Board also declare that Brenntag AG has complied in the reporting period with all recommendations of the German Corporate Governance Code in the version dated May 26, 2010. 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, 2011, and the combined group management report and management report of Brenntag AG were prepared in accordance with the regulations of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG), and the consolidated financial statements according to section 315a of the German Commercial Code in accordance with the principles of the International Financial Reporting Standards (IFRS) – as adopted in the EU.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, the independent auditors elected by the General Shareholders' Meeting and appointed by the Supervisory Board, audited and issued unqualified opinions on the annual financial statements, the combined group management report and management report and the consolidated financial statements.

The annual financial statements, consolidated financial statements, combined management report as well as the audit reports were given to all members of the Supervisory Board in good time before the Audit Committee meeting on March 12, 2012, and the Supervisory Board meeting on the financial statements on March 19, 2012, respectively. The financial statement documents were discussed in great detail in the Audit Committee and in the Supervisory Board's meeting on the financial statements – the auditors were present at both meetings and gave a report beforehand.

The Supervisory Board endorses the findings of the audit. After the pre-review by the Audit Committee and our own review during the Supervisory Board meeting on March 19, 2012, no objections are to be raised. The Supervisory Board approved the annual financial statements as prepared by the Board of Management; the annual financial statements were thus adopted on March 19, 2012. We concur with the Board of Management's proposal to use some of the unappropriated profit to pay a dividend of EUR 2.00 for each share entitled to dividend.

The Supervisory Board would like to express its gratitude and appreciation to all employees, the senior management and the Board of Management for their hard work in the past financial year.

Mülheim an der Ruhr, March 2012

On behalf of the Supervisory Board
Stefan Zuschke
Chairman

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

In the following chapter, which also includes the remuneration report, the Board of Management and the Supervisory Board of Brenntag AG report, in accordance with section 3.10 of the German Corporate Governance Code, on the implementation of the recommendations of the Government Commission German Corporate Governance Code (hereinafter referred to as “Code”).

IMPLEMENTATION OF THE RECOMMENDATIONS OF THE CODE

As in the previous year, the Board of Management and the Supervisory Board of Brenntag AG discussed the recommendations of the Code thoroughly in this reporting period. On the basis of these deliberations, the Board of Management and Supervisory Board gave, on December 16, 2011, the declaration of compliance with the recommendations of the Code, made in accordance with section 161, para. 1 of the German Stock Corporation Act. The exact wording of the declaration of compliance is given on page 34 of this Annual Report and is also posted on the Brenntag AG website, where last year’s declaration will also remain accessible. If there are any changes in the handling of the recommendations of the Code, the declaration of compliance will be updated during the year and posted on the website of Brenntag AG.

In this reporting year, Brenntag AG again complies with all recommendations of the Code in the version of May 26, 2010.

COMPOSITION OF THE SUPERVISORY BOARD

“The Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation.” (section 5.4.1 of the Code).

In line with these requirements, on December 17, 2010, the Supervisory Board set itself concrete objectives for its future composition. Here the Supervisory Board took up the subject of “diversity” in all its aspects and, in addition to the appropriate degree of female representation, also included industry experience and experience acquired abroad in the evaluation.

The resolution was published in the Corporate Governance Report in the 2010 Annual Report, which is still available on the website at http://annualreport2010.brenntag.com/reports/brenntag/annual/2010/gb/English/0/home.html.

At the same time, the Supervisory Board will always ensure that a sufficient number of its members are independent. A status report on the implementation of these objectives was also published in the 2010 Annual Report.

The size of the Supervisory Board remained unchanged at six members in the reporting period. On the conclusion of the General Shareholders' Meeting on June 22, 2011, Thomas Weinmann gave up his seat on the Supervisory Board. Stephen Clark was elected to the Supervisory Board on the proposal of Brachem Acquisition S.C.A. and thus, in accordance with section 100, para. 2, No. 4 of the German Stock Corporation Act, on the proposal of a shareholder which holds more than 25 % of the voting rights in the company. On the proposal of the Supervisory Board and in line with the recommendation of its Presiding and Nomination Committee, the General Shareholders' Meeting passed a resolution on June 22, 2011, to elect Mr Clark, previous CEO of Brenntag AG, to the Supervisory Board. Given that the previous composition of the Supervisory Board already met the Supervisory Board's own objectives regarding its composition, also with respect to the appropriate degree of female representation, the Supervisory Board now has a member in the person of Mr Clark who, having worked for over 30 years for Brenntag, not only has exceptional industry experience but has largely acquired this experience abroad.

As a result of the proposal by Brachem Acquisition S.C.A., the requirement for a two-year break between serving as a member of the Board of Management and serving on the Supervisory Board does not apply to Mr Clark.

Again no special objectives with regard to employee representatives have been set since the Supervisory Board of Brenntag AG has no employee representatives as members. Finally, in line with the Rules of Procedure of the Supervisory Board, no member of the Supervisory Board will turn 70 during the current term of office.

As announced at this point in last year's report, the Supervisory Board of Brenntag AG thus not only achieved the objectives it had set itself especially regarding diversity but also expanded them.

SHARES HELD BY BOARD OF MANAGEMENT AND SUPERVISORY BOARD MEMBERS

On December 31, 2011, no member of the Board of Management or the Supervisory Board held more than 1% of the shares in 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 in the company.

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

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 in the reporting period. There were no conflicts of interest of Board of Management or Supervisory Board members which are to be reported immediately to the Supervisory Board. Further 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 are listed in detail on pages 41 f. No member of the supervisory board has accepted more than a total of three supervisory board mandates in non-group listed companies or in supervisory bodies of companies with similar requirements.

REPORTABLE SECURITIES TRANSACTIONS OF BOARD OF MANAGEMENT AND SUPERVISORY BOARD MEMBERS

Pursuant to section 15a of the German Securities Trading Act (WpHG), members of the Board of Management and Supervisory Board as well as related parties are obliged to report the purchase or sale of 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 the 2011 financial year, 18 transactions were reported to Brenntag AG, including twelve with a volume of at least EUR 5,000, all of which were duly published and can also be accessed at any time on the website of Brenntag AG under the section Directors' Dealings. They are without exception purchases of shares by members of the Board of Management and Supervisory Board. In the reporting year, the members of the Board of Management alone reported share purchases to the total value of EUR 524,697.17 (Supervisory Board total: EUR 175,540.34). Sales of shares were not reported to Brenntag AG in the period under review.

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 remuneration report.

SHAREHOLDERS AND GENERAL SHAREHOLDERS' MEETING

To the extent provided for in the Articles of Association, the shareholders of Brenntag AG exercise their rights before or during the General Shareholders' Meeting and, in this respect, exercise their voting rights. The chairman of the Supervisory Board presides over the General Shareholders' Meeting. The ordinary General Shareholders' Meeting takes place once a year. Each share carries one vote in the General Shareholders' Meeting. Shareholders who are registered with the share register of the company and whose application for participation is received by the company or any other body designated in the notice of the respective General Shareholders' Meeting in good time before the General Shareholders' Meeting are entitled to participate in the General Shareholders' Meeting and exercise their voting rights. Shareholders may exercise their right to vote in the General Shareholders' Meeting either personally or through a representative of their choice, or by a company-appointed proxy acting on their instructions. Shareholders were, for the first time, offered the option of exercising their right to vote at the 2011 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 2012 General Shareholders' Meeting. 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 in the previous year, notice of the 2012 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 General Shareholders' Meeting are also available in good time for downloading from the website of Brenntag AG. After the General Shareholders' Meeting, Brenntag AG publishes attendance and the results of votes on the Internet.

APPROPRIATE RISK MANAGEMENT AND CONTROL

An effective risk management and control system is a prerequisite for the Board of Management and Supervisory Board of Brenntag AG to ensure that opportunities and risks arising from the business activities of Brenntag AG and its subsidiaries are handled appropriately. One particular focus remains the financial risks, in particular the liquidity and credit default risks. Systematic risk management enables risks 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 on page 36f.

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 are to be found on pages 78f.

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 stakeholders are treated equally. Hereby, it is made sure that all market stakeholders receive information promptly and on an equal basis. The Brenntag AG website offers shareholders and potential investors information on the latest developments in the company at all times. In particular, press releases and ad-hoc news are published on the Brenntag website in both German and English. The Articles of Association and the last annual and interim reports of Brenntag AG are also available for downloading.

Brenntag AG maintains a close dialogue with its shareholders and potential investors. For example, Brenntag AG holds regular analysts conferences and meets with investors. The places and dates of the analysts and investors conferences, conference calls and road shows are also posted on the Brenntag website, as are the relevant presentations of past events. In addition to these dates, the market stakeholders, the media and general public are also informed of other regular dates, such as the date of the General Shareholders' Meeting, in the financial calendar on the website. The financial calendar is also published on the last page of this Annual Report.

ACCOUNTING AND FINANCIAL STATEMENT AUDITING

Both the consolidated financial statements and the interim reports of Brenntag AG are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. The statutory parent-company financial statements of Brenntag AG, on which the dividend payment is based, are drawn up in accordance with German GAAP (HGB). For the 2011 financial year, we again agreed with the financial statement auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, 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 compliance with the Government Commission's recommendation known as the 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.

REMUNERATION REPORT

The remuneration report summarizes the principles applied to the determination of the total remuneration of the Brenntag AG Board of Management members and explains the structure and amount of their remuneration. Furthermore, the principles and the amount of remuneration of the Supervisory Board members are described. The remuneration report is based on the recommendations of the German Corporate Governance Code and fulfils the requirements in the applicable provisions of section 314, para. 1, No. 6a and section 315, para. 2, No. 4 of the German Commercial Code. The remuneration report can be found in the combined group management report and management report of Brenntag AG, which is part of the Annual Report for the 2011 financial year.

DECLARATION OF COMPLIANCE

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

On December 16, 2011, the Board of Management and Supervisory Board made the following declaration on the recommendations of the Government Commission "German Corporate Governance Code" in accordance with section 161, para. 1 of the German Stock Corporation Act:

"The Board of Management and the Supervisory Board hereby declare that Brenntag AG complies with all recommendations of the Government Commission "German Corporate Governance Code" in the version dated May 26, 2010, announced by the Federal Ministry of Justice in the official section of the electronic Bundesanzeiger (Federal Gazette). Furthermore, the Board of Management and the Supervisory Board hereby declare that since the last declaration on December 17, 2010, Brenntag AG has complied with these recommendations of the German Corporate Governance Code in the version dated May 26, 2010."

The current declaration of compliance and last year's declaration can be viewed at any time on the company's website.

COMPLIANCE REPORT AND DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

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. Comprehensive rules of conduct for all our employees (Compliance Rules) summarize the standards Brenntag applies in all its business activities. The Compliance Rules contain fundamental requirements on areas such as health, safety and the environment, dealings with customers, suppliers and public institutions, 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 proper conduct.

The Compliance Rules have been communicated throughout the Brenntag Group and their observance by the management teams of the subsidiaries is monitored.

These compliance requirements have been summarized in the Brenntag Business Principles which are available on the website at http://www.brenntag.com/en/pages/AboutBrenntag/BusinessPrinciples/index.html.

Compliance work focuses particularly on observing antitrust law requirements as well as environmental and health protection. Therefore, employee training courses on these subjects were again held in the reporting year. 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 installed established procedures for receiving and handling complaints and anonymous reports of questionable matters and, among other things, set up a Compliance Committee for this purpose. 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 chairman of the Compliance Committee reports to the Audit Committee on a regular basis.

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

Shareholders and General Shareholders' Meeting

Information on the rights of the shareholders and on the organization and conduct of the General Shareholders' Meeting is to be found in the Corporate Governance Report on page 32.

Supervisory Board

As in the previous year, the Supervisory Board of Brenntag AG has six members. 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) is not applicable. The Supervisory Board members are in principle elected for a period up to the conclusion 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 period. The re-election of members of the Supervisory Board is possible.

With effect from the conclusion of the 2011 General Shareholders' Meeting, Thomas Weinmann vacated his Supervisory Board seat. Stephen Clark, former CEO of Brenntag AG, was then elected a new member of the Supervisory Board by the 2011 General Shareholders' Meeting until the conclusion of the General Shareholders' Meeting which decides on the formal discharge of the Supervisory Board for the 2014 financial year. This shorter period of office ensures consistency with the end of the term of office of the other Supervisory Board members.

The Supervisory Board advises and supervises the Board of Management in the management of the company. It appoints and dismisses the members of the Board of Management and respects diversity when appointing the Board of Management in line with the recommendations of the Government Commission "German Corporate Governance Code". The Supervisory Board 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. Additional meetings are held if necessary.

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 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 important to Brenntag with regard to planning, business development, the risk situation and risk management in compliance with section 90 of the German Stock Corporation Act. The Supervisory Board also decides the Board of Management's business plan assignment if the latter cannot decide 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 land, companies or business operations if the price or value exceeds EUR 15 million, or agreements in connection with the granting or raising of loans or the assumption of guarantees, the amount of which exceeds EUR 50 million in each specific case.

The Supervisory Board has regulated the work of the Board of Management in rules of procedure for the Board of Management, in particular the 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 remuneration report in the combined management report on pages 71 ff.

The Supervisory Board reviews the efficiency of its activities on a regular basis but at least once every two years. The first efficiency review since the company's IPO in 2010 took place on December 16, 2011.

Committees of the Supervisory Board

The Supervisory Board has set up two committees from among its members, 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. The committees may also take decisions in place of the Supervisory Board. They have a quorum if at least three of their members take part in the adoption of the resolution. Each committee chairman reports regularly to the Supervisory Board on the committee activities.

Presiding and Nomination Committee

There were no changes made to the composition of the Presiding and Nomination Committee in 2011. It consists of the chairman of the Supervisory Board, Stefan Zuschke, and two other members, Dr Thomas Ludwig and Dr Andreas Rittstieg. The chairman of the Supervisory Board is also the chairman of the Presiding and Nomination Committee. The Committee prepares the staffing decisions and meetings of the Supervisory Board and, provided that it is not legally required that the tasks are performed by the entire Supervisory Board, has the task of preparing the following resolutions of the Supervisory Board:

- on concluding, altering and terminating the service agreements of members of the Board of Management within the structure of the remuneration system adopted by the Supervisory Board,
- on applying to court to reduce the remuneration of the Board of Management members in accordance with section 87, para. 2 of the German Stock Corporation Act, and
- on the structure of the remuneration system for the Board of Management, including the essential contractual elements and providing the Supervisory Board with information necessary for it to verify the compensation system on a regular basis.

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 occupations of Board of Management members in accordance with section 88 of the German Stock Corporation Act and grants loans to the persons named in section 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 election of Supervisory Board members. Finally, it is the Committee's task to monitor compliance with the Board of Management's rules of procedure.

Audit Committee

The Audit Committee has three members who are appointed by the Supervisory Board. They are first of all Prof. Dr Edgar Fluri (chairman) and Doreen Nowotne. Furthermore, Thomas Weinmann was a member of the Audit Committee until he vacated his seat on the Supervisory Board on the conclusion of the General Shareholders' Meeting on June 22, 2011. The Supervisory Board elected Stephen Clark to this office on June 22, 2011.

In line with the recommendation of the German Corporate Governance Code (section 5.3.2), the chairman of the Audit Committee is to have special knowledge of and experience in applying accounting principles as well as internal control procedures and should not be a former member of the Board of Management whose appointment ended less than two years prior to his appointment as chairman of the Audit Committee. These requirements are met by Prof. Dr Edgar Fluri.

The Audit Committee prepares the resolutions of the Supervisory Board on the auditing and adoption of the annual financial statements as well as the approval of the consolidated financial statements, the Board of Management's proposal for the appropriation of net income and the Supervisory Board's proposal to the General Shareholders' Meeting on the appointment 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 net income. 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 the observance of and compliance with the statutory provisions and the 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 the auditors' independence, 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 gives its prior consent to additional services to be provided by the auditors and discusses the scope and main points of the audit as well as the auditors' cooperation with 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 planning with the Board of Management, including the planning 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, internal company control system, risk management, 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. The Audit Committee meets at least four times in each calendar year. The chairman of the Audit Committee reports regularly to the Supervisory Board.

Board of Management

The Brenntag AG Board of Management regularly has three members. Stephen Clark was the chairman of the Board of Management until his departure with effect from the conclusion of the General Shareholders' Meeting on June 22, 2011. Steven Holland took over as chairman of the Board of Management on the same date. In order to ensure a smooth handover, the Supervisory Board had already additionally appointed William Fidler, the then President and CEO of Brenntag North America, to the Board of Management.

Thus, the areas of responsibility of the individual Board of Management members after the 2011 General Shareholders' Meeting are as follows:

Steven Holland

- Asia Pacific Region
- Europe Region
- Corporate Communications
- Corporate Development
- Corporate Human Resources
- Corporate Health, Safety and Environment
- Corporate Internal Audit
- Corporate IT

Jürgen Buchsteiner

- Corporate Group Accounting
- Corporate Controlling
- Corporate Finance & Investor Relations
- Corporate Legal
- Corporate M&A
- Corporate Risk Management
- Corporate Tax

William Fidler

- North America Region
- Latin America Region

The members of the Board of Management bear joint responsibility for the entire management of the company's business. They work together in a spirit of collective responsibility and keep one another informed about all major business transactions and measures adopted in their respective areas of responsibility. Notwithstanding the joint responsibility of all Board of Management members for the conduct of Brenntag AG's business, each Board member is individually responsible for the areas assigned to him under the assignment of business plan or through other resolutions of the Board of Management. The Board of Management is responsible for independently managing the business of Brenntag AG. In doing so, it must act in the company's best interest. The Board of Management operates in accordance with the applicable laws and the provisions of their individual employment contracts as well as the rules of procedure and the assignment of business plan, both of them adopted by the Supervisory Board. The Board of Management ensures general compliance within the company (including the observance of internal rules of conduct), works towards the observance by the subsidiaries of all applicable external and internal rules and ensures appropriate risk management and risk monitoring. It develops the strategy of Brenntag AG in cooperation with the Supervisory Board and discusses the current status of its implementation with the Supervisory Board at regular intervals.

The Board of Management must regularly inform the Supervisory Board, in due time and comprehensively, of all issues important to Brenntag AG and its subsidiaries with regard to planning, business development, the risk situation, risk management and compliance.

The Board of Management requires the prior consent of the Supervisory Board for certain major matters (see section "Supervisory Board").

In addition to transactions for which a resolution adopted by the Board of Management is required by law or by the Articles of Association of Brenntag AG, the following measures in particular require a resolution adopted by the entire Board of Management:

- Board of Management's reports to the Supervisory Board,
- fundamental organizational measures, such as the conclusion of company agreements, transformation measures within the meaning of the German Transformation of Companies Act or acquisitions, carve-out or sale of material parts of the company as well as strategy and business planning issues (section 90, para. 1, No. 1 of the German Stock Corporation Act),
- 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 compliance (section 161, para. 1 of the German Stock Corporation Act),
- 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 or any two members have requested a resolution by the Board of Management.

The Board of Management is to meet every two weeks but at least once a month. The Board of Management has a quorum if all its members have received invitations to the meeting and at least half of its members participate in adopting resolutions. Resolutions may be adopted outside meetings either by circulating the documents or in another form. The Board of Management must do everything in its power to ensure that its resolutions are adopted unanimously. Should unanimity not be achievable, it is to adopt resolutions with the simple majority of the members of the Board participating in the vote, insofar as other majorities are not prescribed by law or by the Articles of Association of Brenntag AG. In the event of a tie, the chairman of the Board of Management has a second vote. The remuneration of the Board of Management members is given in detail in the remuneration report on pages 66ff. of the combined management report.

The Board of Management has not set up any committees.

OFFICES OF BOARD OF MANAGEMENT AND SUPERVISORY BOARD MEMBERS

MEMBERS OF THE BOARD OF MANAGEMENT

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

Steven Holland, North Kilvington, Thirsk/United Kingdom, Chief Operating Officer (until June 22, 2011), Chief Executive Officer (since June 22, 2011)

- Brenntag CEE GmbH (Chairman of the Supervisory Board)
- BRENNTAG GmbH (Chairman of the Supervisory Board)
- Brenntag (Holding) B.V. (Member of the Supervisory Board)
- Brenntag HoldCo B.V. (Member of the Supervisory Board)
- BRENNTAG NEDERLAND B.V. (Member of the Supervisory Board)
- BRENNTAG Polska sp z o.o. (Chairman of the Supervisory Board)
- BRENNTAG QUIMICA S.A.U. (Member of the Administrative Board)
- BRENNTAG S.A. (Chairman of the Supervisory Board)
- HCI Central Europe Holding B.V. (Member of the Supervisory Board)

Stephen Clark, Wyomissing/Pennsylvania, USA, Chief Executive Officer (until June 22, 2011)

- BRENNTAG (Holding) B.V. (Member of the Supervisory Board, until June 22, 2011)
- Brenntag HoldCo B.V. (Member of the Supervisory Board, until June 22, 2011)
- HCI Central Europe Holding B.V. (Member of the Supervisory Board, until June 22, 2011)

Jürgen Buchsteiner, Mettmann/Germany, Chief Financial Officer

- Brenntag CEE GmbH (Member of the Supervisory Board)
- BRENNTAG GmbH (Member of the Supervisory Board)
- BRENNTAG NEDERLAND B.V. (Member of the Supervisory Board)
- BRENNTAG Polska sp. z o.o. (Member of the Supervisory Board)
- BRENNTAG QUIMICA S.A.U. (Member of the Administrative Board)
- BRENNTAG S.A. (Deputy Chairman of the Supervisory Board)
- HCI U.S.A. Holdings B.V. (Member of the Supervisory Board)
- Holland Chemical International B.V. (Member of the Supervisory Board)

William Fidler, Henderson/Kentucky, USA, Member of the Board of Management (since March 21, 2011)

- none

These offices are exclusively offices held in Group company bodies.

MEMBERS OF THE SUPERVISORY BOARD

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

Stefan Zuschke, Hamburg/Germany, Business Consultant
Chairman of the Supervisory Board

- Brachem Acquisition S.C.A. (Member of the Advisory Board)
- Nils Swed AB (non-executive director on the so-called Board of Directors)
- Nils Norway I AS (non-executive director on the so-called Board of Directors)
- Nils Norway II AS (non-executive director on the so-called Board of Directors)
- OME Acquisition S.C.A. (Member of the Advisory Board)
- OME Investment Acquisition S.C.A. (Member of the Advisory Board)
- SL Lux Investment (Member of the Advisory Board)
- SMIT Transformatoren B.V. (Member of the Supervisory Board)

Dr Thomas Ludwig, Düsseldorf/Germany, Managing Director and Managing Partner
Deputy Chairman of the Supervisory Board

- Bandstahl Schulte GmbH (Chairman of the Advisory Board)
- Dalli-Werke GmbH & Co. KG (Member of the Advisory Board)
- Grünenthal GmbH (Deputy Chairman of the Advisory Board)
- Rölfs WP Partner AG (Chairman of the Supervisory Board)
- 7(S)Personal GmbH (Chairman of the Supervisory Board)
- Trimet AG (Chairman of the Supervisory Board)
- Trimet Aluminium AG (Deputy Chairman of the Supervisory Board)

Stephen Clark, Wyomissing/Pennsylvania, USA, Businessman
(since June 22, 2011)

- none

Prof. Dr Edgar Fluri, Binningen/Switzerland, Auditor

- Galerie Beyeler AG (Member of the Administrative Board)
- Nobel Biocare Holding AG (Member of the Administrative Board)
- Orior AG (Member of the Administrative Board)

Doreen Nowotne, Hamburg/Germany, Business Consultant

- Brachem Acquisition S.C.A. (Member of the Advisory Board)
- OME Acquisition S.C.A. (Member of the Advisory Board)
- OME Investment Acquisition S.C.A. (Member of the Advisory Board)
- Pucc Investments S.C.A. (Member of the Advisory Board)
- SMIT Transformatoren B.V. (Member of the Supervisory Board)

Dr Andreas Rittstieg, Hamburg/Germany, Lawyer
- Berenberg Bank (Member of the Administrative Board)
- Hapag-Lloyd AG (Member of the Supervisory Board)
- Hapag-Lloyd Holding AG (Member of the Supervisory Board)
- Huesker Holding GmbH (Member of the Advisory Board)
- Tomorrow Focus AG (Deputy Chairman of the Supervisory Board)
- Turina Holding GmbH & Co. KG (Member of the Advisory Board)

Thomas Weinmann, Hamburg/Germany, Business Consultant
(until June 22, 2011)
- Brachem Acquisition S.C.A. (Member of the Advisory Board)
- OME Acquisition S.C.A. (Member of the Advisory Board)
- OME Investment Acquisition S.C.A. (Member of the Advisory Board)
- Pool Acquisition S.C.A. (Member of the Advisory Board)

COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT OF BRENNTAG AG

for the financial year from January 1 to December 31, 2011

CONTENTS

BUSINESS AND ECONOMIC ENVIRONMENT

BUSINESS ACTIVITIES AND GROUP STRUCTURE

Business Activities

Brenntag's growth opportunities along with its resilient business services model are based on complete geographic coverage, wide product portfolio and high diversity across suppliers, customers and industries.

Linking chemical manufacturers (our suppliers) and chemical users (our customers), Brenntag provides complete distribution solutions rather than just chemical products. Brenntag purchases large-scale quantities of industrial and specialty chemicals from various suppliers, enabling the company to achieve economies of scale and offer its more than 160,000 customers a full-line range of chemical products. Brenntag is the strategic partner and service provider for manufacturers of industrial and specialty chemicals at the one end and chemical users at the other end of the value chain.

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

Brenntag is the global market leader in full-line chemical distribution. We define market leader not just by business volume but also associate it with our philosophy of continually improving the safety standards at our sites. As a responsible service provider, we achieved further improvements in the overall safety performance of Brenntag in 2011.

Group Structure

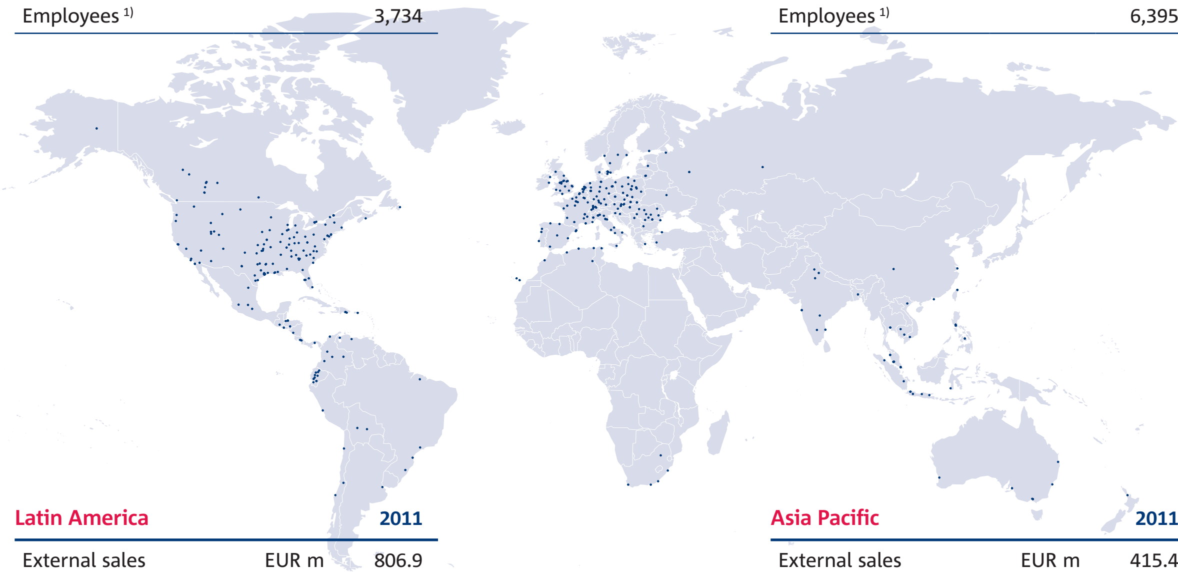
As the Group's ultimate holding company, Brenntag AG is responsible for the strategy of the Brenntag Group, risk management and central financing. Further central functions of Brenntag AG are Controlling, HSE (Health, Safety and Environment), Investor Relations, IT, Group Accounting, Mergers & Acquisitions, International Human Resources Management, Corporate Development, Corporate Communications, Legal, Corporate Internal Audit and Tax.

The consolidated financial statements include as at December 31, 2011 Brenntag AG, 26 domestic (December 31, 2010: 24) and 189 foreign (December 31, 2010: 169) fully consolidated subsidiaries and special purpose entities. Five associates (December 31, 2010: eight) have been accounted for at equity.

The following graph gives an overview of the global network of the Brenntag Group, which is managed by the regionally structured segments Europe, North America, Latin America and Asia Pacific. Furthermore, All Other Segments cover the central functions for the entire Group, the sourcing activities in China and the international business of Brenntag International Chemicals.

North America		2011
External sales	EUR m	2,725.7
Operating gross profit	EUR m	659.7
Operating EBITDA	EUR m	282.1
Employees [1]		3,734

Europe		2011
External sales	EUR m	4,295.3
Operating gross profit	EUR m	898.0
Operating EBITDA	EUR m	303.9
Employees [1]		6,395



Latin America		2011
External sales	EUR m	806.9
Operating gross profit	EUR m	150.5
Operating EBITDA	EUR m	51.4
Employees [1]		1,348

Asia Pacific		2011
External sales	EUR m	415.4
Operating gross profit	EUR m	82.1
Operating EBITDA	EUR m	36.9
Employees [1]		1,332

Figures exclude All Other Segments, which, in addition to various holding companies and our sourcing activities in China, cover the international activities of Brenntag International Chemicals.
[1] Employees are defined as number of employees on the basis of full-time equivalents at the reporting date.

CORPORATE STRATEGY

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

Organic growth and acquisitions

We strive to extend our market leadership by steadily enhancing our product and service offering capabilities in line with the requirements of the regional markets. In doing so, we benefit from leveraging our extensive global activities and key strengths. Our needs-based sales approach focuses on providing customers with total solutions rather than just products.

In addition, we continue to seek acquisition opportunities that assist us in implementing our overall strategy. Our strategic focus is on expanding our presence in emerging markets, particularly in the Asia Pacific region, in Latin America and Eastern Europe, to capture the expected strong growth in demand for chemicals in these regions. In the established markets of Europe and North America, we continue to further develop our product and service portfolio as well as to optimize our nationwide distribution network, also through acquisitions.

Improving profitability

A further element of our strategy is to systematically increase profitability. On the basis of our entrepreneurial culture, our operational excellence and our superior business model, we continuously strive to improve our operating gross profits, EBITDA, cash flows and return on assets. Extending the scope of our operations, both organically and through acquisitions, and achieving the resulting economies of scale are major levers for increasing our profitability and returns.

The systematic implementation of our strategy is backed up with global and regional initiatives. We seek to effectively leverage our capabilities through accelerated and targeted growth in the particularly attractive industries for industrial and specialty chemicals: water treatment, personal care, pharmaceuticals, food & beverages, oil & gas as well as adhesives, coatings, elastomers and sealants. We are also focusing on further expanding business with regional, pan-regional and global key accounts, sectors where our broad product offering and far-reaching geographic network provide unrivalled service capabilities. In addition, we will continue to actively realize the potential offered by the trend for chemical producers to outsource activities. Further initiatives focus on growing the customer-specific mixing and blending business by providing value-added service as well as expanding the business with AdBlue, a highly pure aqueous urea solution which reduces road traffic emissions, in Europe and North America.

Besides our growth initiatives we continue to adopt best practice solutions throughout the Brenntag world and to improve the Group's operational efficiency by optimizing our warehouse and transport logistics and continually refining the procurement and sales processes on a local and global level.

All of our top initiatives are based on our guiding strategic principles:

- intense customer orientation
- full-line product portfolio focused on value-added services
- complete geographic coverage
- accelerated growth in target markets
- commercial and technical competence

We are committed to the principles of responsible care and responsible distribution. Safety and the protection of the environment are paramount in everything we do.

OVERALL ECONOMY

After a strong performance of the global economy in 2010, momentum slowed in 2011. As a result of the effects of the earthquake in Japan and the sharp rise in raw materials prices, global gross domestic product (GDP) only grew modestly in the first half of 2011. Whilst these negative factors eased in the third quarter of 2011, allowing economic growth to pick up somewhat, the tensions on the financial markets and restrictive fiscal and monetary policies in the most important emerging economies caused the global economy to weaken once again. After growth of over 5% in 2010, real global economic growth measured by GDP fell to a good 4% in 2011. This trend was also reflected in the growth of global industrial output which slowed considerably from nearly 10% to roughly 6% over the course of 2011.

After relatively strong growth in the first quarter of 2011, the European economy lost momentum in the following two quarters. The two factors responsible for this development were the slackening of global demand and continued tensions on the government bond markets. While overall economic growth in the eurozone slowed year-on-year to 1.3% in the third quarter of 2011, in the east European states it accelerated to 3.3%. For the year as a whole, GDP in the eurozone ran at roughly 1.6% and slightly over 3% in the east European economies. At some 4%, industrial production in Europe grew less than in the previous year (6.8%), with the east European countries expanding more strongly at over 6% compared with Western Europe (3.5% to 4%).

After a weak start in the first half of the year, the North American economy picked up speed again in the second half of 2011 thanks to a rise in consumption and investment expenditure. However, at 1.5% for the year as a whole, real GDP growth in 2011 remained both below the level of the previous year (3%) and the long-term trend. Industry proved to be more resilient; output for the year as a whole is expected to have grown by just over 4%, which is, however, less than the 5.3% in 2010.

In Latin America, the weaker global economic conditions as well as the restrictive monetary policy led to a slight slackening of overall economic momentum. The pace of growth slowed in the third quarter of 2011, particularly in Argentina, Chile and Brazil. Over 2011 as a whole, GDP growth in the region is expected to have been some 4.5% and therefore lower than in 2010 (6%). Industry in the region was also affected by the deceleration of economic momentum. Compared with the previous year, growth in production output in the region fell from 9% to roughly 3%.

The Asia Pacific region was also impacted by the global economic developments. In China, less demand for exports caused economic growth to slow from the third quarter of 2011 while India saw a sharp fall in investment. Economic expansion was also weaker in the other east Asian economies. In Thailand, the economic and industrial production growth was negatively influenced by the severe flooding, which was the worst in more than 50 years. Compared to the fourth quarter of 2010, the GDP of Thailand fell by 9% in the respective quarter of 2011. Overall, economic growth in the entire Asia Pacific region slowed from 9.8% in 2010 to roughly 8% in 2011. The picture was similar for the growth of industrial output, which slowed from slightly over 15% in the previous year to 11% in 2011. In China, GDP expanded at a rate of some 9% compared with 10.4% in the previous year. Chinese industrial output grew in 2011 by some 10% and thus by much less than in 2010 (16.8%).

BUSINESS PERFORMANCE

MAJOR EVENTS IMPACTING ON BUSINESS IN 2011

At the end of May 2011, the acquisition of G.S. Robins & Company, a leading regional distributor of industrial chemicals headquartered in St. Louis, Missouri, USA, enabled Brenntag to strengthen its presence in many of its focus industries in North America including food and water treatment. In addition to industrial chemicals, the company also offers custom blending and specialty packaging services. The company was merged with Brenntag Mid-South, Inc., Henderson, Kentucky, USA, after its acquisition. It generated sales of USD 96 million and EBITDA of just under USD 7 million in 2010. The income and expenses of G.S. Robins & Company have been included in the Brenntag consolidated financial statements on a pro-rata basis since June 2011.

Due to the continued positive development of the Brenntag business in recent months and the further strengthening of its capital structure in June 2011, Standard & Poor's raised the credit rating of the Brenntag Group in June 2011 from BB+ to BBB– (investment grade) and Moody's from Ba2 to Ba1 (sub-investment grade).

On July 19, 2011, a large part of the Group's financial debt was refinanced and replaced by a new financing structure. In addition to a new syndicated loan, an inaugural bond was issued in July, which further diversified our financing mix. Brenntag was able to take advantage of the positive market environment at the time the loan agreement was signed. For details, we refer to the Financing section of this report.

Furthermore, at the end of August 2011 Brenntag closed the acquisition of the first tranche (51%) of Zhong Yung (International) Chemical Co., Ltd., Hong Kong. The Zhong Yung Group is focused on the distribution of solvents with an infrastructure in the key economic regions in China. Through this acquisition, Brenntag has gained access to China, the world's fastest-growing market for chemicals and related services, and can therefore profit from the growth in the Asia Pacific region. This gives Brenntag the opportunity to use the experience and know-how of Zhong Yung and its management team in the region to establish a solid business platform for Brenntag in China. The remaining stake will be acquired in 2016 as agreed. The Zhong Yung Group generated sales of more than EUR 200 million and posted EBITDA of some EUR 14 million in 2011. The income and expenses of the group of companies have been included in the Brenntag consolidated financial statements on a pro-rata basis since September 2011.

With the acquisition completed at the end of November 2011 of Multisol Group Limited, the holding company of the Multisol Group headquartered in Nantwich, United Kingdom, a distributor of high-quality specialty chemicals, Brenntag has expanded its product portfolio into lubricant additives and high-quality base oils and, at the same time, increased its capabilities in mixing and blending. Multisol operates in Europe and Africa, complementing Brenntag's existing infrastructure and logistics network. Following its acquisition, the business model of the Multisol Group was changed in part. On the basis of the new business model, we are expecting sales of more than GBP 200 million and EBITDA of GBP 19 million in 2012. The income and expenses of the Multisol Group have been included in the Brenntag consolidated financial statements on a pro-rata basis since December 2011.

Finally, Amco Internacional S.A. de C.V., a specialty chemical distributor headquartered in Mexico City, Mexico, was acquired at the end of December. Amco sells aroma chemicals, essential oils and food ingredients not just in Mexico but also to multinational customers. The company generated sales of some USD 20 million and EBITDA of just over USD 2 million in 2011. As at December 31, 2011, the Brenntag consolidated financial statements did not include any income and expenses but solely the assets and liabilities of the company.

STATEMENT BY THE BOARD OF MANAGEMENT ON BUSINESS PERFORMANCE

In the 2011 financial year, the Brenntag Group operated in an overall economic environment which was slightly weaker than in 2010, with notable weaknesses observed in parts of Europe. Nevertheless, we were able to continue on our course of growth in all operating regions.

Both the sales and gross profit of the Brenntag Group rose again significantly compared with 2010, benefitting from the successful execution of our strategy.

Operating expenses increased in line with the larger business volume. Personnel expenses rose as more staff were taken on, and the costs, inter alia for transport, energy and rents, were also higher than in 2010.

Market growth was translated into higher operating EBITDA, which well exceeded the prior-year earnings. This growth is mainly organic. However, the acquisition of the Zhong Yung Group in 2011, which enabled us to gain access to the Chinese market, and the full-year inclusion of the EAC Group acquired in 2010 also contributed to the development of results.

Working capital (inventories plus trade receivables less trade payables) rose compared with the level at the end of 2010. This is mainly due to higher sales and our acquisitions, above all of the Zhong Yung Group and the Multisol Group. The rate of turnover of working capital decreased slightly.

Investment in property, plant and equipment increased slightly compared with the level in 2010. We continued to invest in our existing infrastructure as well as in growth projects.

Given the overall economic environment, our business performance and the development of the results of operations and the company's financial condition were again highly positive in 2011.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

Business Performance of the Brenntag Group

			Change		
in EUR m	**2011**	2010	abs.	in %	in % (fx adj.)[2]
Sales	8,679.3	7,649.1	1,030.2	13.5	15.4
Operating gross profit	1,807.6	1,673.9	133.7	8.0	9.8
Operating expenses	−1,146.7	−1,071.3	−75.4	7.0	8.5
Operating EBITDA	**660.9**	**602.6**	**58.3**	**9.7**	**12.2**
Transaction costs/ holding charges	*−2.1*	*−5.0*	*2.9*	–	–
EBITDA (incl. transaction costs/ holding charges)	**658.8**	**597.6**	**61.2**	**10.2**	**12.8**
Depreciation of property, plant and equipment and investment property	−88.9	−84.0	−4.9	5.8	6.9
EBITA[1]	569.9	513.6	56.3	11.0	13.7
Amortization of intangible assets	−24.1	−104.6	80.5	−77.0	−76.6
Financial result	−126.3	−177.2	50.9	−28.7	–
Profit before tax	419.5	231.8	187.7	81.0	–
Income taxes	−140.2	−85.2	−55.0	64.6	–
Profit after tax	279.3	146.6	132.7	90.5	–

[1] EBITA is defined as EBITDA less depreciation of property, plant and equipment and investment property.
[2] Change in % (fx adj.) is the percentage change on a constant currency basis.

Sales

In 2011, the Group recorded external sales of EUR 8,679.3 million, an increase of 13.5 % compared with 2010 or 15.4 % on a constant currency basis. In the Europe and Latin America segments, this growth in sales was mainly due to an increase in the average selling price whereas, in the North America and Asia Pacific segments, it was also a result of higher volumes. Added factors in Asia Pacific were the contribution made by the acquisition of the Zhong Yung Group and the effect of the full-year inclusion of the EAC Group, which was acquired in July 2010.

Operating gross profit

In 2011, the Brenntag Group recorded an operating gross profit of EUR 1,807.6 million, which was 8.0 % higher than in 2010 or 9.8 % on a constant currency basis. This increase is largely due to higher average operating gross profit per unit.

Operating expenses

In 2011, operating expenses (excluding the financial result, taxes, depreciation, amortization, transaction costs and holding charges) rose by 7.0 % to EUR 1,146.7 million or 8.5 % on a constant currency basis. In addition to higher personnel expenses, the larger business volume also led to an increase in costs, inter alia for transportation, energy and rents.

EBITDA

The key indicator and measure for the financial performance of the Brenntag Group is EBITDA. The segments are primarily controlled on the basis of operating EBITDA, which is the operating profit/loss 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 the following items:

- **Transaction costs:** Costs connected with restructuring under company law and refinancing, particularly the IPO in 2010 and the refinancing in 2011. They are eliminated for purposes of management reporting to permit proper presentation of the operating performance and comparability on segment level.
- **Holding charges:** Certain costs charged between holding companies and operating companies. On Group level they net to zero.

Overall, the Brenntag Group posted EBITDA of EUR 658.8 million in 2011. That is a growth of 10.2% or 12.8% on a constant currency basis compared with the figure for 2010. Adjusted for transaction costs and holding charges, operating EBITDA on this basis was EUR 660.9 million, which is an increase of 9.7% compared with the previous year or 12.2% on a constant currency basis. This was achieved in an overall economic climate which saw momentum slow.

Depreciation, amortization and financial result

Depreciation and amortization amounted to EUR 113.0 million in 2011. Of this figure, EUR 88.9 million relates to depreciation of property, plant and equipment and investment property as well as EUR 24.1 million to amortization of intangible assets. Overall, depreciation and amortization fell by EUR 75.6 million compared with the previous year. The main reason for this decrease is that up to September 30, 2010 amortization of EUR 79.4 million was performed on the customer relationships, which were capitalized as part of the purchase price allocation on the acquisition of the Brenntag Group by funds advised by BC Partners Limited, Bain Capital, Ltd. and subsidiaries of Goldman Sachs International. By contrast, depreciation of property, plant and equipment and investment property increased slightly in 2011.

The financial result amounted to EUR –126.3 million in 2011 and has therefore clearly improved compared with the previous year (EUR –177.2 million) due to several, in some cases opposite, effects.

Finance cost was much lower as a result of reduced debt since the IPO at the end of the first quarter of 2010 (including the contribution of the shareholder's loan to additional paid-in capital) as well as the lower interest since the refinancing of the Group (see the section Financing) concluded in July. Furthermore, in the first quarter of 2010, finance cost was negatively impacted by one-off expenses in connection with amendments to the loan agreements existing at that time. In addition, we also benefited from the fact that several long-term interest swaps expired in 2011 which, for today's point of view, had high fixed interest rates.

By contrast, changes in the liabilities for outstanding purchase price payments from the acquisition of the first tranche (51%) and the second tranche (49%) of Zhong Yung (International) Chemical Co. Ltd., Hong Kong, due to exchange rate and unwinding of discounting effects as well as the change in the liabilities under IAS 32 to minorities totalling EUR –12.1 million had a negative impact. The purchase price obligation for the second tranche of Zhong Yung (49%) is a liability arising from the obligation to acquire the remaining shares in the Zhong Yung Group in 2016. On initial recognition at the end of August, the purchase price expected to be paid for the remaining shares in 2016 was to be recognized as a liability not affecting net income at its present value. Unwinding of discounting and changes in the estimate of the future purchase price are recognized in profit or loss. The purchase price obligation for the second tranche of Zhong Yung has been included in net investment hedge accounting in the amount of the pro-rata net assets of the Chinese Zhong Yung companies. Exchange rate-related changes in the liability are recorded for the portion included in net investment hedge accounting within equity in the net investment hedge reserve and for the portion not included in net investment hedge accounting are recognized in profit or loss.

The result in 2011 from the measurement of foreign currency receivables, liabilities and foreign currency derivatives totalling EUR –10.1 million (2010: EUR –10.3 million) contains hedging costs as well as the result of foreign currency items which we intentionally either did not hedge or did not hedge completely.

Profit before tax

In 2011, the profit before tax amounted to EUR 419.5 million (2010: EUR 231.8 million). The significant increase in the profit before tax is due to the good operating performance as well as the absence of amortization of customer relationships, which had been capitalized as part of the purchase price allocation on the acquisition of the Brenntag Group by funds advised by BC Partners Limited, Bain Capital, Ltd. and subsidiaries of Goldman Sachs International.

Income taxes and profit after tax

At EUR 140.2 million, income tax expense was higher than in the previous year (2010: EUR 85.2 million) and largely reflects the positive development of pre-tax profit.

The profit after tax totalled EUR 279.3 million (2010: EUR 146.6 million).

Business Performance in the Segments

2011 in EUR m	**Brenntag Group**	Europe	North America	Latin America	Asia Pacific	All Other Segments
External sales	8,679.3	4,295.3	2,725.7	806.9	415.4	436.0
Operating gross profit	1,807.6	898.0	659.7	150.5	82.1	17.3
Operating expenses	–1,146.7	–594.1	–377.6	–99.1	–45.2	–30.7
Operating EBITDA	**660.9**	**303.9**	**282.1**	**51.4**	**36.9**	**–13.4**

Europe

in EUR m	2011	2010	Change abs.	Change in %	Change in % (fx adj.)
External sales	4,295.3	3,927.5	367.8	9.4	9.2
Operating gross profit	898.0	863.0	35.0	4.1	3.7
Operating expenses	−594.1	−576.5	−17.6	3.1	2.6
Operating EBITDA	**303.9**	**286.5**	**17.4**	**6.1**	**6.0**

External sales
In the 2011 financial year, the Europe segment generated external sales of EUR 4,295.3 million. That is growth of 9.4% or 9.2% on a constant currency basis and is mainly due to a higher average selling price. The contribution to sales made by the newly acquired Multisol Group was not significant as the company was not included in the consolidated financial statements until December 1, 2011.

Operating gross profit
In 2011, the European companies recorded operating gross profit of EUR 898.0 million, which is an increase of 4.1% or 3.7% on a constant currency basis. This rise was mainly attributable to higher operating gross profit per unit.

Operating expenses
Operating expenses rose in 2011 compared with the previous year by 3.1% to EUR 594.1 million, which is an increase of 2.6% on a constant currency basis. This rise was mainly due to higher energy and transport costs as well as rents. Personnel expenses also rose as staff numbers increased slightly.

Operating EBITDA
In 2011, the operating EBITDA of the Europe segment increased compared with 2010 by 6.1% (by 6.0% on a constant currency basis) to EUR 303.9 million. Due to the weaker macroeconomic environment in Europe, results grew at a slower rate than in the first half of the year.

North America

in EUR m	2011	2010	Change abs.	Change in %	Change in % (fx adj.)
External sales	2,725.7	2,442.7	283.0	11.6	16.6
Operating gross profit	659.7	613.0	46.7	7.6	12.3
Operating expenses	−377.6	−348.6	−29.0	8.3	12.8
Operating EBITDA	**282.1**	**264.4**	**17.7**	**6.7**	**11.7**

External sales

External sales in the North America segment rose in the 2011 financial year by 11.6% to EUR 2,725.7 million, which is a growth rate of 16.6% on a constant currency basis compared with 2010. This development was mainly due to a higher average selling price, but the increase in volumes was also a contributory factor.

Operating gross profit

In the North America segment, we posted operating gross profit of EUR 659.7 million in 2011, an increase of 7.6% or 12.3% on a constant currency basis compared with the previous year. This development was driven by both higher operating gross profit per unit and higher volumes.

Operating expenses

Operating expenses totalled EUR 377.6 million in 2011, an increase of 8.3% over the previous year, or 12.8% on a constant currency basis. One of the reasons for the rise in operating expenses was higher personnel expenses, also as a result of rising staff numbers. Furthermore, the volume-related expenses for transport, energy, repairs and rents rose due to the higher business volume.

Operating EBITDA

In 2011, the North American companies posted operating EBITDA of EUR 282.1 million, exceeding the prior-year figure by 6.7% or 11.7% on a constant currency basis, even though the rate of economic growth slowed compared with 2010.

Latin America

in EUR m	2011	2010	Change abs.	Change in %	Change in % (fx adj.)
External sales	806.9	725.1	81.8	11.3	15.0
Operating gross profit	150.5	137.8	12.7	9.2	13.0
Operating expenses	−99.1	−91.9	−7.2	7.8	11.6
Operating EBITDA	**51.4**	**45.9**	**5.5**	**12.0**	**15.8**

External sales

The Latin American segment posted external sales of EUR 806.9 million in 2011, exceeding the figure for 2010 by 11.3% or 15.0% on a constant currency basis. This increase in external sales was due to a higher average selling price. By contrast, volumes fell slightly.

Operating gross profit

In 2011, operating gross profit rose by 9.2% to EUR 150.5 million. On a constant currency basis, the prior-year result was exceeded by 13.0%. This was above all a result of higher average operating gross profit per unit.

Operating expenses

In 2011, operating expenses totalled EUR 99.1 million, an increase of 7.8% or 11.6% on a constant currency basis. This rise was mainly driven by higher personnel expenses.

Operating EBITDA

The Latin American companies generated operating EBITDA of EUR 51.4 million in 2011, an increase of 12.0% compared with 2010 or 15.8% on a constant currency basis. After seeing the results in 2010 impacted by the unfavourable political situation in Venezuela, we recorded pleasing growth again in 2011.

Asia Pacific

in EUR m	2011	2010	Change abs.	Change in %	Change in % (fx adj.)
External sales	415.4	217.1	198.3	91.3	94.8
Operating gross profit	82.1	45.7	36.4	79.6	81.6
Operating expenses	−45.2	−28.1	−17.1	60.9	62.6
Operating EBITDA	**36.9**	**17.6**	**19.3**	**109.7**	**112.1**

The Asia Pacific segment posted a further increase in earnings in 2011. The acquisition of Zhong Yung (International) Chemical Co., Ltd., Hong Kong, at the end of August 2011 gave Brenntag access to the Chinese market, the world's fastest-growing market for chemicals and related services. Overall, the Asia Pacific segment gave a convincing performance with steady growth. However, in the fourth quarter of 2011, the region's economy lost some momentum, particularly as a result of the flooding in Thailand and the consequent production losses at our customers'. Therefore, our business volume declined here in the fourth quarter of 2011.

External sales

Our business in Asia Pacific posted external sales of EUR 415.4 million in 2011. This was an increase of 91.3 % or 94.8 % on a constant currency basis compared with 2010 and attributable to both higher volumes and a higher average selling price. Growth was significantly influenced by the Zhong Yung Group acquired at the end of August 2011 and the full-year inclusion of the EAC Group acquired in July 2010..

Operating gross profit

In 2011, operating gross profit rose by 79.6 % to EUR 82.1 million. On a constant currency basis, that is growth of 81.6 %. This increase was due to the additional contributions to earnings made by the Zhong Yung Group and the EAC Group as well as organic growth of the segment.

Operating expenses

In the Asia Pacific segment, operating expenses rose by 60.9 % (62.6 % on a constant currency basis) to EUR 45.2 million largely due to the higher business volume, which was in turn a result of organic growth of the segment and the acquisition of the Zhong Yung Group as well as the full-year inclusion of the EAC Group acquired in July 2010. Overall, operating expenses increased less than operating gross profit.

Operating EBITDA

The companies in the Asia Pacific segment recorded operating EBITDA of EUR 36.9 million in 2011, an increase of 109.7 % or 112.1 % on a constant currency basis. This growth in earning is largely influenced by the acquisitions of the Zhong Yung Group and the EAC Group but the other companies of the segment also showed a pleasing development.

All Other Segments

in EUR m	2011	2010	Change abs.	Change in %	Change in % (fx adj.)
External sales	436.0	336.7	99.3	29.5	29.5
Operating gross profit	17.3	14.4	2.9	20.1	20.1
Operating expenses	−30.7	−26.2	−4.5	17.2	17.2
Operating EBITDA	**−13.4**	**−11.8**	**−1.6**	**13.6**	**13.6**

In addition to various holding companies and our sourcing activities in China, All Other Segments contains the operations of Brenntag International Chemicals, which buys and sells chemicals in bulk on an international scale without regional boundaries.

In 2011, Brenntag International Chemicals GmbH, Mülheim an der Ruhr, exceeded the operating EBITDA recorded in the previous year as a result of higher operating gross profit.

In the holding companies, operating EBITDA was down on the figure for the previous year as a result of higher staff numbers and above all costs in connection with acquisitions.

Overall, operating EBITDA in the 2011 financial year amounted to EUR −13.4 million and was thus down EUR 1.6 million on the figure for 2010.

DEVELOPMENT OF FREE CASH FLOW AND RETURN ON NET ASSETS (RONA)

Free cash flow in EUR m	2011	2010	Change abs.	 in %
EBITDA (incl. transaction costs/holding charges)	658.8	597.6	61.2	10.2
Capex	−86.0	−85.1	−0.9	1.1
Change in working capital	−61.0	−136.4	75.4	−55.3
Free cash flow	**511.8**	**376.1**	**135.7**	**36.1**

Free cash flow is defined as EBITDA less other additions to property, plant and equipment as well as other additions to acquired software, licenses and similar rights (Capex) plus/less changes in working capital.

The Group's free cash flow amounted to EUR 511.8 million in the reporting period and thus increased significantly by 36.1% compared with the previous year (EUR 376.1 million).

This pleasing development is also due to the significant increase in EBITDA. Furthermore, the change in working capital was smaller than in the previous year while Capex remained virtually constant.

RONA in EUR m	2011	2010	Change abs.	 in %
EBITA	569.9	513.6	56.3	11.0
Average property, plant and equipment	824.0	806.1	17.9	2.2
Average working capital	928.3	752.4	175.9	23.4
RONA	**32.5%**	**33.0%**	**–**	**–**

Return on Net Assets (RONA) is defined as EBITA divided by the sum of average property, plant and equipment and average working capital. Average property, plant and equipment is defined for a particular year as the mean average of values for property, plant and equipment at each of the following five times: the beginning of the year, the end of each of the first, second and third quarters, and the end of the year. Average working capital is defined for a particular year as the mean average of the values for working capital at each of the following five times: the beginning of the year, the end of each of the first, second and third quarters, and the end of the year.

In 2011, the Group generated RONA of 32.5%, a slight decrease of 0.5 percentage points on the figure for 2010. The significant rise in EBITA was more than offset by the increase in average working capital while average property, plant and equipment remained virtually constant.

FINANCIAL CONDITION

Financing

The most important component in Brenntag's financing structure is the Group-wide loan agreement that we concluded with a consortium of international banks on June 27, 2011. It was paid out on July 19, 2011, the funds received being largely used for the full repayment of the existing liabilities under the old loan agreement of January 18, 2006.

The highly favourable market environment at the time the loan agreement was concluded and the steadily improved credit ratings of the Group enabled us to obtain the loan with attractive interest conditions. We now have considerably lower interest expense, particularly in comparison to the repaid loan. Furthermore, the new loan offers us a significantly extended maturity and greater flexibility in many areas.

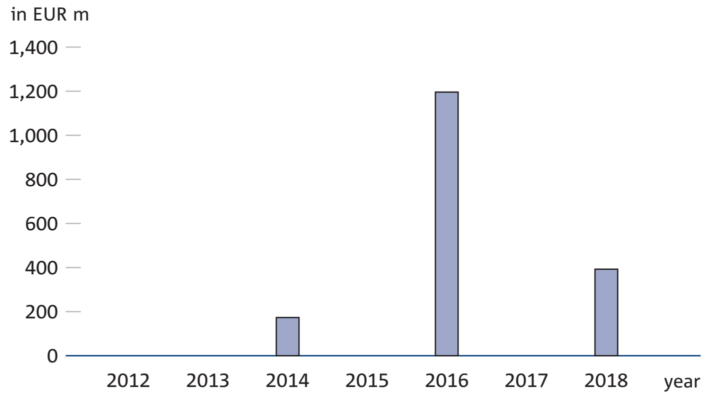
The syndicated bullet loan matures in July 2016 and is divided into different tranches with different currencies. While some of our subsidiaries are direct borrowers under the loan, others obtain their financing from intra-group loans. Major Group companies are liable for the debt under the syndicated loan. Total liabilities (excluding accrued interest and before offsetting of transaction costs) under the syndicated loan amounted to EUR 1,198.9 million as at December 31, 2011. This figure includes EUR 110.1 million under the revolving credit facility of EUR 500 million, which is part of the loan agreement.

Parallel to the payout of the syndicated loan, in July 2011 we also successfully placed a bond with a volume of EUR 400 million, maturing in July 2018, with institutional investors. At an issue price of 99.321%, the bond bears a coupon of 5.50% with interest paid annually. The bond was issued by our Group company Brenntag Finance B.V., Amsterdam, Netherlands, and is guaranteed by Brenntag AG and other Brenntag companies. In view of the identical network of guarantors, the bond has the same ranking as the syndicated loan.

Alongside the syndicated loan and the bond, an international accounts receivable securitization programme is an important component of Group funding. Under this programme, eleven Brenntag companies in five countries regularly transfer trade receivables to the consolidated special-purpose entity Brenntag Funding Limited, Dublin, Ireland. The receivables are still shown in the consolidated balance sheet until payment by the customers. The financial liabilities under this accounts receivable securitization programme total the equivalent of EUR 179.1 million (excluding transaction costs). In June 2011, the programme was extended until June 2014 with slightly improved conditions. Furthermore, some of our companies make use of credit lines with local banks on a minor scale in consultation with the Group Treasury department.

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 are expected to be covered by the cash provided by operating activities so that no further loans are necessary for these purposes. Under the syndicated loan, we also have the previously mentioned revolving credit facility available to cover short-term liquidity requirements.

MATURITY PROFILE OF OUR CREDIT PORTFOLIO [1]
as per December 31, 2011



[1] *Syndicated loan and liabilities under the international accounts receivable securitization programme excluding accrued interest and transaction costs.*

Cash flow

in EUR m	2011	2010
Cash flow provided by operating activities	**349.6**	**150.3**
Cash used for investing activities	**−198.1**	**−218.5**
(thereof purchases of consolidated subsidiaries, other business units and other financial assets)	*−122.4*	*−144.4*
(thereof purchases of other investments)	*−86.3*	*−81.2*
(thereof proceeds from divestments)	*10.6*	*7.1*
Cash used for financing activities	**−57.1**	**−187.1**
Change in cash and cash equivalents	**94.4**	**−255.3**

The cash of the Group provided by operating activities totalled EUR 349.6 million in the reporting period. The increase compared with the previous year was mainly due to the rise in EBITDA, a less strong build-up of working capital compared with the previous year as well as much lower interest payments. Interest payments made in 2010 – including accrued and capitalized amounts – on the Mezzanine Facilities repaid in full as part of the IPO are the major factor for the decrease.

Cash used for investing activities totalled EUR 198.1 million. The funds were used for the purchase of consolidated subsidiaries and other business units (EUR 122.3 million) and financial assets (EUR 0.1 million) as well as for investments in intangible assets and property, plant and equipment (EUR 86.3 million). Of the cash used for the purchase of consolidated subsidiaries and other business units, EUR 74.6 million (EUR 92.9 million purchase price less cash and cash equivalents acquired) relates to the acquisition of the Multisol Group domiciled in the United Kingdom, EUR 30.0 million (EUR 32.0 million purchase price less cash and cash equivalents acquired) was for the acquisition of G.S. Robins & Company in the USA and EUR 13.7 million (EUR 14.2 million purchase price less purchase price components not yet paid) for the acquisition of Amco Internacional S.A. de C.V. in Mexico. So far net payments of EUR 5.6 million (EUR 52.4 million purchase price less cash and cash equivalents acquired and purchase price components not yet paid) have been made for the acquisition of 51% of the shares in the Zhong Yung Group in China. Purchase price refunds of EUR 1.7 million for investments acquired in previous years were offset against cash outflows in the reporting period.

The cash used for financing activities totalled EUR 57.1 million in the reporting period. The main transactions contained in this figure are the dividend payment to the Brenntag shareholders (EUR 72.1 million) and the refinancing. EUR 1,437.3 million was used for early repayment of the old syndicated loan whilst the newly concluded syndicated loan and the bond issue provided cash of EUR 1,532.0 million. The decrease in cash used for financing activities compared with 2010 is also due to special effects in 2010 when there were cash inflows from the IPO (EUR 525.0 million less withheld bank fees of EUR 13.7 million) and cash outflows above all for the repayment of financial liabilities (EUR 694.2 million, including EUR 451.9 million for early repayments in connection with the IPO). In the reporting year, in addition to cash outflows for the repayment of the old syndicated loan, cash used for financing activities includes cash outflows for the repayment of financial liabilities following the acquisition of consolidated subsidiaries and other business units, the largest portion thereof (EUR 45.8 million) being for the acquisition of the Multisol Group.

Investments

In 2011, investments in property, plant and equipment and intangible assets (excluding additions from company acquisitions) led to a total cash outflow of EUR 86.3 million (2010: EUR 81.2 million).

We regularly invest in the maintenance, replacement and extension of the infrastructure necessary to perform our services. Such infrastructure is comprised of warehouses, offices, trucks and vehicles of our field service as well as IT hardware for various systems.

As the market leader and a responsible chemicals distributor, we attach the greatest importance to ensuring that our property, plant and equipment meet or exceed all health, safety and environmental requirements.

Major investment projects in the reporting period were:

- Bradford site, United Kingdom (EUR 0.4 million): The project has considerably increased the storage capacity at the site and will ensure that the latest environmental and safety standards continue to be met. Furthermore, the laboratory facilities were extended to support the food and pharmaceutical sectors.
- Dickinson site, North Dakota, USA (EUR 1.0 million): The site supplies one of the fastest growing regions of the USA in the oil and gas sector. With this project, we are extending the storage capacity of the site to enable us to expand this business.
- Lachine site, Canada (EUR 0.7 million): The project consists of the consolidation of the warehouses in the Montreal region (Quebec). The infrastructure at the Lachine site in the surrounding area of Montreal is to be relocated and concentrated. This will make processes more efficient and permit further growth.
- Guarulhos site, Brazil (EUR 4.3 million): The business volume at this site has increased considerably and so it now needs additional storage capacity in line with the latest environmental and safety requirements.
- Mosquera site, Colombia (EUR 1.8 million): In order to permit further growth, the site is being extended in compliance with the latest environmental and safety regulations.
- Santiago de Chile, Chile (EUR 0.5 million): With this project, the technical plant will be modernized and the logistics processes optimized in line with the latest environmental and safety requirements.
- Warehouse in Shah Alam, Malaysia (EUR 0.3 million): Extension of a warehouse in the Kuala Lumpur metropolitan area. Work on the extension started at the beginning of 2011; the project was completed in less than two months. The extension was opened in April 2011.

FINANCIAL AND ASSETS POSITION

	Dec. 31, 2011		Dec. 31, 2010	
in EUR m	abs.	in %	abs.	in %
ASSETS				
Current assets	**2,536.3**	**45.5**	**2,142.0**	**43.1**
Cash and cash equivalents	458.8	8.2	362.9	7.3
Trade receivables	1,220.9	21.9	1,059.7	21.3
Other receivables and assets	159.8	2.9	113.3	2.3
Inventories	696.8	12.5	606.1	12.2
Non-current assets	**3,039.3**	**54.5**	**2,828.2**	**56.9**
Intangible assets [1)]	2,047.0	36.7	1,863.2	37.5
Other fixed assets	894.1	16.0	860.2	17.3
Receivables and other assets	98.2	1.8	104.8	2.1
Total assets	**5,575.6**	**100.0**	**4,970.2**	**100.0**
LIABILITIES AND EQUITY				
Current liabilities	**1,584.7**	**28.4**	**1,330.9**	**26.7**
Provisions	74.9	1.3	56.2	1.1
Trade payables	956.6	17.2	834.1	16.8
Financial liabilities	140.9	2.5	87.1	1.7
Miscellaneous liabilities	412.3	7.4	353.5	7.1
Equity and non-current liabilities	**3,990.9**	**71.6**	**3,639.3**	**73.3**
Equity	1,761.3	31.6	1,617.9	32.6
Non-current liabilities	2,229.6	40.0	2,021.4	40.7
Provisions	190.5	3.4	196.6	4.0
Financial liabilities	1,811.5	32.5	1,696.7	34.1
Miscellaneous liabilities	227.6	4.1	128.1	2.6
Total liabilities and equity	**5,575.6**	**100.0**	**4,970.2**	**100.0**

[1)] *Of the intangible assets as of December 31, 2011, some EUR 1,189 million relate to goodwill and trademarks that were capitalized as part of the purchase price allocation performed on the acquisition of the Brenntag Group by funds advised by BC Partners Limited, Bain Capital, Ltd. and subsidiaries of Goldman Sachs International at the end of the third quarter of 2006 in addition to the relevant intangible assets already existing in the previous Group structure.*

As of December 31, 2011, total assets had increased by 12.2 % to EUR 5,575.6 million (December 31, 2010: EUR 4,970.2 million).

The increase in cash and cash equivalents by 26.4 % to EUR 458.8 million (December 31, 2010: EUR 362.9 million) is largely a result of high cash inflow from operating activities which more than compensated for the cash outflow from investing and financing activities.

Working capital is defined as trade receivables plus inventories less trade payables. All three components of working capital increased in 2011, above all as a result of the acquisitions of G.S. Robins, the Zhong Yung Group, the Multisol Group and Amco as well as due to the higher business volume. Working capital developed in the reporting period as follows:

- Trade receivables increased in the reporting period by 15.2% to EUR 1,220.9 million (December 31, 2010: EUR 1,059.7 million).
- Inventories rose by 15.0% to EUR 696.8 million in the 2011 reporting period (December 31, 2010: EUR 606.1 million).
- By contrast, trade payables increased by 14.7% to EUR 956.6 million (December 31, 2010: EUR 834.1 million).

Although the working capital – adjusted for exchange rate effects and acquisitions – was again significantly reduced compared with the figure at September 30, 2011, as at December 31, 2011, it had risen by a total of EUR 61 million since December 31, 2010. The annualized working capital turnover rate [1)] fell from 10.2 in 2010 to 9.3 in the reporting period. One of the reasons for this is that the acquired EAC Group's turnover rate is below the Group average due to the higher proportion of specialty chemicals in its business; EAC was acquired in July 2010 and included in the consolidated financial statements in 2011 for the first time for a full financial year.

The intangible assets and other fixed assets of the Brenntag Group rose by 8.0% or EUR 217.7 million to EUR 2,941.1 million (December 31, 2010: EUR 2,723.4 million). The change was mainly a result of investments in non-current assets (EUR 86.0 million), acquisitions (EUR 215.8 million) as well as exchange rate effects (EUR 32.0 million), on the one hand, and depreciation and amortization (EUR –111.8 million), on the other hand.

Current financial liabilities increased by EUR 53.8 million to a total of EUR 140.9 million (December 31, 2010: EUR 87.1 million). These liabilities are mainly credit facilities with local banks as well as accrued interest.

Non-current financial liabilities increased in the reporting period by EUR 114.8 million or 6.8% to EUR 1,811.5 million (December 31, 2010: EUR 1,696.7 million), which was mainly due to the increase in gross debt as part of the refinancing.

The non-current other liabilities rose in the reporting period by EUR 99.5 million to EUR 227.6 million (December 31, 2010: EUR 128.1 million), mainly as a result of a purchase price obligation of EUR 72.8 million in connection with the acquisition of the remaining 49% of the shares in the Zhong Yung Group.

Current and non-current provisions totalled EUR 265.4 million (December 31, 2010: EUR 252.8 million). This figure included pension provisions of EUR 64.9 million (December 31, 2010: EUR 60.7 million).

As of December 31, 2011, the equity of the Brenntag Group totalled EUR 1,761.3 million (December 31, 2010: EUR 1,617.9 million). The increase in equity is mainly due to the profit after tax, which well offset opposite effects, such as the dividend distribution.

[1)] Ratio of annual sales to average working capital; average working capital is defined for a particular year as the mean average of the values for working capital at each of the following five times: the beginning of the year, the end of each of the first, second and third quarters, and the end of the year.

ANNUAL FINANCIAL STATEMENTS OF BRENNTAG AG

RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF BRENNTAG AG

Income Statement of Brenntag AG in accordance with the German Commercial Code (HGB) in EUR m	**2011**	2010
Other operating income	38.4	36.3
Personnel expenses	−20.7	−21.3
Amortization of intangible assets and depreciation of property, plant and equipment	−0.5	−0.4
Other operating expenses	−27.5	−56.8
Financial result	48.9	239.5
Result from ordinary business activities	**38.6**	**197.3**
Extraordinary result	–	−2.9
Income taxes	−4.7	−0.8
Net income for the year	**33.9**	**193.6**
Withdrawal from retained earnings	69.1	–
Appropriation to retained earnings	–	−96.8
Distributable profit	**103.0**	**96.8**

Other operating income mainly relates to inter-company charges.

The decrease in other operating expenses in 2011 is due to one-off expenses incurred in 2010. These one-off expenses were consultancy costs in connection with the IPO (EUR 18.6 million) [1] as well as the pro-rata charging of the remuneration of two members of the Board of Management of Brenntag AG, then managing directors of Brenntag Management GmbH, (EUR 18.4 million) paid in previous years solely by subsidiaries; this item also included pro-rata amounts paid in 2009 in connection with the early termination of a multi-year incentive programme.

Of the financial result, EUR 19.4 million (2010: EUR 227.4 million) is income from profits transferred by Brenntag Holding GmbH, Mülheim an der Ruhr. The high profit transferred in 2010 was mainly due to the write-up (EUR 204.8 million) of the investment carrying amount of Brenntag Beteiligungs GmbH, Mülheim an der Ruhr, written down in prior years, in the financial statements of Brenntag Holding GmbH in 2010. The write-downs were performed in 2006 and 2007. With the reversal of the write-down in 2010, the investment is once again carried at the original cost of acquisition. The interest result of Brenntag AG improved from EUR +12.1 million in 2010 to EUR +29.5 million in 2011. This is above all due to the fact that Brachem Acquisition S.C.A., Luxembourg, the then sole shareholder of Brenntag, contributed the interest-bearing shareholder loan to the additional paid-in capital prior to the IPO; the 2010 interest result still contained interest expense of EUR 17.0 million for the period before the capital increase.

In accordance with section 67, para. 7 of the Act Introducing the German Commercial Code (EGHGB), effects resulting from the first-time application of the provisions amended by the German Accounting Law Modernization Act (BilMoG) and/or the relevant transitional provisions were shown under the extraordinary result in 2010.

[1] *The German Commercial Code (HGB) requires that costs of the IPO are to be shown in full as expense, whereas IFRS requires pro-rata offsetting against equity.*

The income taxes amounting to EUR 4.7 million (2010: EUR 0.8 million) relate to corporate income tax and solidarity surcharge as well as trade tax and are almost exclusively for 2011. As the controlling company, Brenntag AG is the tax debtor for the corporate income and trade tax payable by the integrated fiscal unit.

Balance Sheet of Brenntag AG in accordance with the German Commercial Code (HGB) – abridged version in EUR m	**2011**	2010
Fixed assets	2,262.3	1,372.9
Current assets including prepaid expenses and surplus from offsetting	645.4	1,048.2
Total assets	**2,907.7**	**2,421.1**
Shareholders' equity	2,360.9	2,399.1
Provisions	22.9	17.2
Liabilities	523.9	4.8
Total shareholders' equity and liabilities	**2,907.7**	**2,421.1**

The shareholders' equity of Brenntag AG fell in 2011 by EUR 38.2 million to EUR 2,360.9 million. With net income for 2011 of EUR 33.9 million, this decrease is due to the payment of EUR 72.1 million as a dividend for the 2010 financial year.

The full annual financial statements of Brenntag AG certified by the auditors Pricewaterhouse-Coopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Düsseldorf, are published in the electronic Federal Gazette (elektronischer Bundesanzeiger). They can be ordered as an offprint from Brenntag AG and are also posted on the Brenntag website at www.brenntag.com.

APPROPRIATION OF DISTRIBUTABLE PROFIT OF BRENNTAG AG

The net income of Brenntag AG as at December 31, 2011 was EUR 33,906,603.15. After allowing for the withdrawal of EUR 69,093,396.85 from retained earnings, the distributable profit is EUR 103,000,000.00.

At the General Shareholders' Meeting on June 20, 2012, the Board of Management and the Supervisory Board will propose that the distributable profit of Brenntag AG amounting to EUR 103,000,000.00 be used to distribute a dividend of EUR 2.00 per no-par share entitled to a dividend; that is a total of EUR 103,000,000.00.

REMUNERATION REPORT

This remuneration report outlines the remuneration system and the individual remunerations for the members of the Board of Management and the Supervisory Board of Brenntag AG. It takes into account the ruling provisions of the German Commercial Code (HGB), the German Stock Corporation Act in the version of the Act on the Appropriateness of Board of Management Remuneration (VorstAG) as well as the principles of the German Corporate Governance Code.

REMUNERATION SYSTEM OF THE BOARD OF MANAGEMENT

The Supervisory Board is responsible for determining the remuneration of the Board of Management members. The current remuneration system of the Board of Management members was dealt with in the Supervisory Board meeting of March 18, 2010. The Presiding 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.

Remuneration components

The current total remuneration of the Board of Management consists of three components: a fixed annual base salary, a short-term, capped variable remuneration (annual bonus with cap) which is a target remuneration for one financial year based on the achievement of targets in the two preceding financial years, and a long-term variable remuneration, which is a target remuneration generally referring to five years (virtual share performance bonus). In addition to the above-mentioned remuneration components, the members of the Board of Management receive individually agreed benefits under a company pension scheme as well as contractually agreed non-cash remuneration and other benefits such as a company car for business and private use or a car allowance. There is also a group accident and D&O insurance.

Annual base salary and short-term variable remuneration

The annual base salary is payable in twelve equal monthly instalments.

The short-term variable remuneration (annual bonus) depends on the achievement of certain targets. The targets for the respective following financial year are agreed between the Supervisory Board and the Board of Management.

The maximum annual bonus is calculated as follows: 40% on operating EBITDA, 20% on operating gross profit, 20% on free cash flow and 20% on RONA of the Group (key performance indicators).

The annual bonus is determined on the basis of the achievement of the key performance indicator (KPIs) targets set both for the specific financial year and the two preceding years (in each case on a consolidated basis). If the target for a KPI is not reached, this part of the bonus is reduced by 3% for each 1% shortfall. In case of outperformance, the maximum bonus for that KPI is nonetheless capped at the full achievement amount.

The following exceptions shall apply with regard to the financial years 2010 and 2011:

- The annual bonus for the year 2010 was uniquely calculated on the basis of the achievement of the targets of the annual bonus plan 2010.
- The annual bonus for the year 2011 will be based to 50% on the achievement of the targets of the annual bonus plan 2010 and to 50% on the achievement of the targets of the annual bonus plan 2011.

Non-cash and other benefits

In addition to the above-mentioned remuneration components, the members of the Board of Management receive non-cash remuneration and other benefits such as a company car for business and private use or a car allowance. There is also a group accident insurance. The members of the Board of Management receive no additional payment for offices held in Group companies or minority shareholdings. Furthermore, a D&O insurance (Directors & Officers insurance, liability insurance against financial losses) has been taken out for the members of the Board of Management. In accordance with the Act on the Appropriateness of Board of Management Remuneration (VorstAG), this provides for a deductible of 10% of each claim but it is limited per year to 150% of the annual base salary.

Long-term variable remuneration

The members of the Board of Management also participate in a long-term, share-based remuneration programme on the basis of virtual shares (virtual share plan). The virtual share performance bonus depends on the achievement of quantitative and qualitative targets in the year of grant as well as the performance of Brenntag's share over the following four years in each case.

Under this programme, the members of the Board of Management are awarded a base amount for each financial year, which is determined on the achievement of quantitative criteria (these are the KPIs defined above) and qualitative criteria in the relevant financial year and the two preceding years. These are the targets agreed every year between the Supervisory Board and the Board of Management with respect to the annual bonus. The base amount increases by 1% for each outperformance of the target for a specific KPI by 1%. In total, however, the base amount is capped at 135% of the base amount which would result from 100% achievement of the target.

The following exceptions apply with regard to the financial years 2010 and 2011:

- The base amount for the year 2010 was uniquely calculated on the basis of the achievement of the targets of the annual bonus plan 2010. Any outperformance of any KPI by 1% resulted in 3% being added.
- The base amount for the year 2011 will be based on the achievement of the targets of the annual bonus plan 2010 and of the targets of the annual bonus plan 2011. Any outperformance of any KPI by 1% in one of the two relevant financial years will result in 1.5% being added.

Each year, 50% of the earned base amount is allocated as virtual shares (allocated virtual shares). The share price taken as the basis for determining the number of virtual shares to be allocated is the average Brenntag share price on the Frankfurt stock exchange over the prior three months.

Four years after allocation, the number of allocated virtual shares is multiplied by the sum of

(i) the average share price, whereby the last trading day on the Frankfurt stock exchange of the fourth financial year after the conversion day is relevant, plus
(ii) all dividends paid per share within the four-year period, such sum to be adjusted for all capital measures and share splits (total shareholder return).

26,546 virtual shares were granted for the first time in the 2010 financial year. They contain 4,905 virtual shares which were granted to William Fidler on his appointment to the Board of Management on March 21, 2011, with retroactive effect for the 2010 financial year.

Virtual shares [1]	Steven Holland	Stephen Clark (until June 22, 2011)	Jürgen Buchsteiner	William Fidler (from March 31, 2011)	Total
2011	**7,151**	**–** [2]	**6,129**	**4,438**	**17,718**
2010	6,452	8,737	6,452	4,905	26,546

[1] The numbers of shares mentioned for the 2011 financial year are provisional figures which were taken as a basis for determining a provision and they have not yet been finally allocated by the Supervisory Board. The number of virtual shares for 2010 was adjusted in line with the final parameters approved by the Supervisory Board.
[2] According to their contracts, the members of the Board of Management receive the base amount pro rata temporis for the financial year in which they leave the Board without virtual shares being allocated.

The remaining 50% of the base amount not converted into virtual shares of any financial year (retained base amount) is multiplied by a factor resulting from the relation of the total shareholder return for Brenntag's shares (average share price plus paid dividends, adjusted for all capital measures and share splits) to the development of the MDAX® for a performance period of four years, starting with the last trading day of the relevant financial year and ending on the last trading day of the fourth financial year after the end of such relevant financial year, for which the relevant base amount has been determined (performance period). Every percentage point by which the total shareholder return is over or underperformed by the MDAX® results in the retained base amount being decreased or increased by 2%. The relevant MDAX® value is determined on the basis of the average of the MDAX® (total return index) during the 20 trading days ending on the relevant date.

The maximum annual payout from this virtual share plan must not exceed 250% of the original base amount (cap).

Pension entitlements

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

To build up a retirement pension, since 2010 **Steven Holland** has received an annual amount of 13.5% of his fixed base salary and variable target bonus, rounded up to full thousand euros. The relevant amount is paid every year as deferred compensation into the retirement plan of Brenntag AG. The pension plan also contains an arrangement for the widows and orphans pension which would amount to 60% and 20% respectively of the full pension entitlements.

Until his departure from the Board of Management, **Stephen Clark** participated in the USA in the usual local defined contribution pension plans which were set up for staff and management on an equal basis. In 2011, payments were made into the defined contribution plans: the "Profit Sharing Plan" and the "Pension Plan".

Jürgen Buchsteiner is entitled to a retirement pension, an invalidity pension and a pension for surviving dependants. The monthly retirement pension and the invalidity pension each amount to 50% of the last gross monthly salary. The pension plan also contains an arrangement for the widows and orphans pension which would amount to 60% and 20% respectively of the full pension entitlements. Retirement age is reached on his 60th birthday. At the end of 2008, Jürgen Buchsteiner acquired full entitlement (100%) to a retirement pension and invalidity pension. The reinsurance contract concluded for the benefit of Jürgen Buchsteiner is adjusted to the relevant base salary and pledged to him.

William Fidler participates in the USA in the usual local defined contribution pension plans which were set up for staff and management on an equal basis. In 2011, payments were made into the defined contribution plans: the "Profit Sharing Plan" and the "Pension Plan".

The total remuneration of the Board of Management members in the 2011 financial year amounts to EUR 7,937 k (2010: EUR 6,383 k). The total remuneration of the individual members of the Board of Management is as follows:

Total remuneration of the Board of Management in accordance with the German Commercial Code (HGB) in EUR k		Steven Holland	Stephen Clark (until June 22, 2011)	Jürgen Buchsteiner	William Fidler (from March 21, 2011)	**Total**
Annual base salary	**2011**	**630**	**360**	**540**	**291**	**1,821**
	2010	540	720	540	–	1,800
Company pension (defined contribution plan)	**2011**	**–**	**23**	**–**	**23**	**46**
	2010	20	27	–	–	47
Non-cash and other benefits	**2011**	**55**	**12**	**30**	**16**	**113**
	2010	36	24	29	–	89
One-off payment	**2011**	**–**	**650**	**–**	**–**	**650**
	2010	–	–	–	–	–
Total of non-performance-related remuneration	**2011**	**685**	**1,045**	**570**	**330**	**2,630**
	2010	596	771	569	–	1,936
Short-term variable remuneration	**2011**	**525**	**300**	**450**	**246**	**1,521**
	2010	453	646	450	–	1,549
Long-term variable remuneration [1] [2]	**2011**	**1,008**	**585**	**864**	**1,329** [3]	**3,786**
	2010	864	1,170	864	–	2,898
Total of performance-related remuneration	**2011**	**1,533**	**885**	**1,314**	**1,575**	**5,307**
	2010	1,317	1,816	1,314	–	4,447
Total remuneration (in accordance with the German Commercial Code (HGB))	**2011**	**2,218**	**1,930**	**1,884**	**1,905**	**7,937**
	2010	1,913	2,587	1,883	–	6,383

[1] Fair value of the share-based remuneration granted at the date of grant.
[2] The figures mentioned for the 2011 financial year are based on provisional parameters which were taken as a basis for determining a provision and which have not yet been approved by the Supervisory Board. The 2010 figures were adjusted on the basis of the parameters finally approved by the Supervisory Board.
[3] Figure relates both to the value determined for the 2011 tranche (EUR 626 k) and the amount granted retrospectively for 2010 on appointment to the Board of Management (EUR 703 k).

Pension commitments (defined benefit plan) in accordance with the German Commercial Code (HGB) in EUR k		Steven Holland	Stephen Clark (until June 22, 2011)	Jürgen Buchsteiner	William Fidler (from March 21, 2011)	**Total**
Cost of pension commitments	**2011**	**210**	**–**	**427**	**–**	**637**
	2010	172	–	2,325 [1]	–	2,497
Present value of pension commitments	**2011**	**382**	**–**	**5,081** [2]	**–**	**5,463**
	2010	172	–	4,654	–	4,826

[1] Including one-off expense from the change from measurement at actuarial present value "Teilwert" computed using the entry age normal method in accordance with section 6a of the German Income Tax Act to measurement using the projected unit credit method as part of the adjustment of HGB accounting to the requirements of the German Accounting Law Modernization Act (BilMoG).
[2] Of which EUR 1,389 k (2010: EUR 1,313 k) self-financed by Mr Buchsteiner under a deferred compensation plan.

The remuneration of the Board of Management according to IFRS 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 respective 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 according to IAS 19 must be added.

Board of Management remuneration acc. to IFRS in EUR k		Steven Holland	Stephen Clark (until June 22, 2011)	Jürgen Buchsteiner	William Fidler (from March 21, 2011)	**Total**
Total of non-performance-related remuneration	**2011**	**685**	**1,045**	**570**	**330**	**2,630**
	2010	596	771	569	–	1,936
Short-term variable remuneration	**2011**	**525**	**300**	**450**	**246**	**1,521**
	2010	453	646	450	–	1,549
Long-term variable remuneration (share-based remuneration earned in current year)	**2011**	**408**	**1,332**	**375**	**791**[1)]	**2,906**
	2010	196	598	196	–	990
Current service cost for pension entitlements earned in the current year (defined benefit plans)	**2011**	**156**	**–**	**93**	**–**	**249**
	2010	134	–	794	–	928
Board of Management remuneration (according to IFRS)	**2011**	**1,774**	**2,677**	**1,488**	**1,367**	**7,306**
	2010	1,379	2,015	2,009	–	5,403

1) *Figure covers both expense relating to the 2011 tranche (EUR 309 k) and expense for the 2010 tranche granted retrospectively in 2011 on appointment to the Board of Management (EUR 482 k).*

In the reporting year, no member of the Board of Management received benefits or corresponding promises from third parties in connection with their Board of Management positions.

No remuneration was paid to former Board of Management members and their surviving dependants nor did any pension obligations to former Board of Management members exist.

Severance payment cap for premature termination of Board of Management duties

In accordance with the German Corporate Governance Code, the service agreements of all Board of Management members have a severance payment cap. Under the cap, payments to a Board of Management member for a premature termination of Board of Management duties without important 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 rule

Each member of the Board of Management may terminate his service agreement at the end of a month giving six months' notice in writing to the chairman of the Supervisory Board if

(i) a shareholder of the company acquires control within the meaning of sections 29, 30, 35, para. 1 of the German Securities Acquisition and Takeover Act (WpÜG),
(ii) the company is delisted, or
(iii) the form of the company is changed, unless the form of the company is changed into a European Company (SE) or a German partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA)

(all cases (i)–(iii) are hereinafter referred to as change of control).

In the event of the termination of the service agreement after a change of control, the Board of Management member shall, in addition to the benefits he is entitled to until the end of the service agreement, receive a severance payment in the amount of the annual base salary due to him for the duration of the remaining term of the service agreement, but for not more than three years, as well as a severance payment in the amount of the average annual bonus of the previous years multiplied by the number of years between the termination date and the expiry of the regular term of the service agreement, but not more than three average annual bonus amounts, as well as a severance payment in the amount of the average base amount of the previous financial years multiplied by the number of incomplete and complete years between the termination date and the expiry of the regular term of the service agreement, but not more than three average base amounts. The total change-in-control severance amount must not exceed 150% of the severance payment cap. If the employment of a Board of Management member is terminated prematurely without cause, any payments and other benefits to be agreed with the Board of Management member may not exceed the amount of two annual remunerations (severance payment cap) nor the amount of the remuneration that would be paid until the end of the term of the service agreement.

Post-contractual non-competition clause

Post-contractual non-competition clauses have been agreed with the Board of Management members, which provide for compensation to be paid by the company for the duration of the existence of the post-contractual twelve-month ban on competition. The compensation amounts to 100% of the annual base salary plus an amount of 100% of the average amount of the last three annual bonus payments.

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.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board is regulated in the rules of procedure of the Supervisory Board of Brenntag AG by resolution of the General Shareholders' Meeting dated March 19, 2010. It is based on the responsibility and the scope of work of the Supervisory Board members as well as on the economic situation and success of the Group.

Accordingly, the members of the Supervisory Board each receive an annual fixed remuneration in the amount of EUR 40,000 in addition to the reimbursement of their expenses. Once the operating EBITDA of the Group exceeds EUR 650 million in one financial year, the fixed remuneration will increase to EUR 60,000 for the following financial years. For a definition of operating EBITDA, we refer to the Group Key Financial Figures in the Notes.

Chair and membership of the Supervisory Board committees are remunerated separately in accordance with the German Corporate Governance Code. The chairman of the Supervisory Board receives an additional EUR 40,000 per year, the deputy chairman an additional EUR 10,000 per year, the chairman of the Audit Committee an additional EUR 20,000 per year and the chairman of the Presiding Committee and other members of the Audit or Presiding Committee an additional EUR 10,000 per year.

Each member of the Supervisory Board receives an attendance fee in the amount of EUR 1,500 for each meeting of the Supervisory Board or its committees which they attend.

The variable remuneration of the members of the Supervisory Board is measured as follows:

- If the operating EBITDA for a specific financial year is more than EUR 490 million and less than EUR 510 million, the variable remuneration for that financial year is EUR 25,000.
- The variable remuneration is reduced by EUR 2,500 for each amount of EUR 10 million by which the operating EBITDA for a specific financial year falls short of the amount of EUR 500 million; therefore, if the operating EBITDA is EUR 400 million or less, the Supervisory Board members receive no variable remuneration.
- The variable remuneration increases by EUR 1,000 for each amount of EUR 10 million by which the operating EBITDA for a specific financial year exceeds the amount of EUR 500 million.
- The variable remuneration of a member of the Supervisory Board for a specific financial year may not exceed the fixed remuneration to be paid for that specific financial year. Therefore, if the operating EBITDA is EUR 850 million or more, the variable remuneration is EUR 60,000 and is not increased further.

The right of Supervisory Board members to the variable remuneration for a specific financial year expires if the Supervisory Board member does not provide evidence within a prescribed period that,

- during the period of ten trading days following the receipt of the variable remuneration, they have purchased on the stock exchange shares in the company for a purchase price at least in the amount of the variable remuneration,
- the shares so purchased have been deposited in a securities portfolio account in the name of the Supervisory Board member, the account being held solely for depositing the Brenntag shares acquired as part of the Supervisory Board remuneration.

The Supervisory Board members must keep the acquired shares in each case for a period of not less than three years. The retention obligation expires when the respective Supervisory Board member leaves the Supervisory Board.

The following table shows the amounts paid to the individual Supervisory Board members in 2011:

Total remuneration of the Supervisory Board in EUR k		Fixed remuneration	Office bonuses	Attendance fee	Variable remuneration	**Total**
Stefan Zuschke (Chairman)	**2011**	**40**	**50**	**10**	**40**	**140**
	2010	33	42	13	29	117
Dr Thomas Ludwig (Deputy Chairman)	**2011**	**40**	**20**	**10**	**40**	**110**
	2010	30	14	6	26	76
Stephen Clark (from June 22, 2011)	**2011**	**21**	**5**	**8**	**20**	**54**
	2010	–	–	–	–	–
Prof. Dr Edgar Fluri	**2011**	**40**	**20**	**15**	**40**	**115**
	2010	30	13	11	26	80
Doreen Nowotne	**2011**	**40**	**10**	**18**	**40**	**108**
	2010	33	7	19	29	88
Dr Andreas Rittstieg	**2011**	**40**	**10**	**9**	**40**	**99**
	2010	30	7	4	26	67
Thomas Weinmann (until June 22, 2011)	**2011**	**20**	**5**	**12**	**20**	**57**
	2010	33	9	19	29	90
Total remuneration	**2011**	**241**	**120**	**82**	**240**	**683**
	2010	189	92	72	165	518

In the 2011 calendar year, Stephen Clark was appointed to the Supervisory Board with effect from the end of the General Shareholders' Meeting on June 22, 2011; Thomas Weinmann vacated his seat at the same time. The remuneration for 2011 listed in the table above for these two members is therefore the pro-rata amounts. As regards the amounts for 2010, it should be noted that the Chairman and two members of the Supervisory Board were appointed effective March 3, 2010 and the three other Supervisory Board members effective March 29, 2010 and that the remuneration listed is therefore also the pro-rata amounts.

Furthermore, a D&O insurance (Directors & Officers insurance, liability insurance against financial losses) has been taken out for the members of the Supervisory Board. In accordance with the Act on the Appropriateness of Board of Management Remuneration (VorstAG), this provides for a deductible of 10% of each claim but it is limited per year to 150% of the annual fixed remuneration.

Beyond this, Supervisory Board members received no further compensation 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 of December 31, 2011, Brenntag had 12,950 employees worldwide. The number of employees is determined on the basis of full-time equivalents, i.e. part-time jobs are weighted according to the number of hours worked.

The number of people employed in the Brenntag Group rose in all segments by a total of 818 employees or some 6.7% compared with the previous year. This increase is due both to acquisitions made in 2011 and to organic growth. As a result of the acquisitions, the number of employees increased in each case at the time of the respective acquisition as follows: Multisol Group in Europe: 177 employees; G.S. Robins & Company in North America: 83 employees; Amco in Latin America: 69 employees; Zhong Yung Group in Asia Pacific: 275 employees. Nearly 90% of the total workforce of 12,950 works outside Germany.

	Dec. 31, 2011		Dec. 31, 2010	
Full-time equivalents (FTE)	**abs.**	**in %**	abs.	in %
Europe	6,395	49.4	6,147	50.6
North America	3,734	28.8	3,563	29.4
Latin America	1,348	10.4	1,257	10.4
Asia Pacific	1,332	10.3	1,029	8.5
All Other Segments	141	1.1	136	1.1
Brenntag Group	**12,950**	**100.0**	**12,132**	**100.0**

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

Full-time equivalents (FTE)	Europe	North America	Latin America	Asia Pacific	All Other Segments	Dec. 31, 2011 abs.	Dec. 31, 2011 in %
Sales	2,328	1,285	486	607	12	4,718	36.4
Distribution	797	911	59	117	0	1,884	14.6
Warehouses	2,005	1,217	421	242	0	3,885	30.0
Administration	1,265	321	382	366	129	2,463	19.0
Brenntag Group	**6,395**	**3,734**	**1,348**	**1,332**	**141**	**12,950**	**100.0**

Personnel expenses including social insurance contributions totalled EUR 647.4 million (2010: EUR 618.1 million).

The Brenntag staff turnover rate remained low in 2011 at 4.8 % worldwide.

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

Furthermore, there are defined contribution and defined benefit pension plans for the employees of the Brenntag Group. The pension obligations differ due to the legal, tax and economic conditions of the respective country and depend on the number of years of service and the pay grade of the respective employee.

As an attractive employer, Brenntag attaches great importance to staff motivation and providing our staff and managers with opportunities to improve their qualifications and take part in further training programmes. Our staff's high level of competence and dedication are the key to global success.

The aim of our HR development work is to fill vacancies for professionals and managers with people from our own ranks. Therefore, qualified junior management staff and other employees are prepared in good time for increasing and changing demands. Brenntag sees HR development as an investment in the employees and thus in the future of the Brenntag Group.

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. If a process cannot be done safely, we don't do it. This is the basis of our global HSE strategy (HSE: health, safety and environment).

BRENNTAG'S HSE STRATEGY

Safety policy

The health of our employees and the safety of our sites are an absolute priority for Brenntag. We work on continually improving work processes and plant safety.

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 and storage, possible disposal as well as product dossiers and safety instructions.

Environmental policy

Brenntag works continually on minimizing environmental impacts to the soil, water and air.

Compliance policy

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

Quality policy

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

Brenntag takes part in the Responsible Care/Responsible Distribution (RC/RD) Programme of the organization of the International Council of Chemical Trade Associations (ICCTA). Brenntag is therefore committed to the implementation of the eight guidelines laid down in the global programme covering the following areas:

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

The implementation of the contents of the RC/RD programme in the Group is reviewed by independent experts applying the relevant regional assessment systems; in Europe: European Single Assessment Document (ESAD); in North America: Site Class Verification (SCV); 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 programme. At the end of 2011, five Brenntag companies from four countries in this region had so far committed to the Responsible Care Programme.

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

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

Brenntag has developed several programmes which measure performance in the fields of quality, safety, health and the environment. The evaluation criteria of the individual programmes are based on regional requirements and are geared to promoting the overall safety culture, avoiding accidents and improving workplace safety. The following programmes were in place in the different regions:

- Europe “Safety First Award”
- North America “Brenntag Cornerstone Process”
- Latin America “CASA Award”
- Asia Pacific “5-Star Facility Award”

G.S Robins & Company, now a Brenntag company, was awarded the National Association of Chemical Distributors 2011 Responsible Distribution Excellence Award for outstanding performance. Brenntag North America Inc. received this prestigious award for 2010 which focuses on the health, safety and security of employees, communities 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 processes has led to the number of reportable industrial accidents [1)] within the Group falling from 89 in 2010 to 65 in 2011. This led to a reduction in the Lost Time Injury Rate (3 days/1 million) [2] from 3.8 in 2010 to 2.5 in 2011.

In recent years, Brenntag conducted a survey together with independent environmental experts in which the environmental risks including historical data which allow conclusions to be drawn about possible contamination were examined, evaluated at each site and collated in an environmental database. This environmental database serves as a basis for determining environmental provisions and is an instrument for organizing necessary environmental remediation work.

[1)] *Industrial accidents resulting in more than three days absence from work.*
[2)] *LTIR (Lost Time Injury Rate) – number of industrial accidents resulting in at least three days absence from work per one million working hours.*

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. In the USA, the database is the Brenntag Uniform System (BUS) and in Europe the SAP/R3 module, Environment, Health and Safety (EH&S). The data are thus available to most of the Group and ever more national organizations are being connected. Furthermore, with the EH&S module it is possible to implement all amendments to European laws simultaneously in all countries and make them accessible to the staff. SAP EH&S is therefore an important prerequisite for systematic chemicals management.

The basis for quality management within the Brenntag Group is the internationally applicable ISO 9001 standard. By December 31, 2011, 81% of our operating sites had introduced quality management systems certified according to this standard. Furthermore, 97 sites are certified according to the international standard ISO 14001 for environmental management systems.

REACH – the chemicals regulation of the European Union – has formed the legal framework for handling chemicals to protect the environment and human health since it came into force on June 1, 2007. The registration of all chemical substances as a basis for REACH will span a period of eleven years. Furthermore, REACH regulates the safe use of chemical substances and preparations at user level. Brenntag is affected in several respects by REACH as part of its business operations as a distributor, importer and formulator and in certain case producer of chemicals. With its international REACH Team, consisting of a European network of experienced HSE and REACH experts, as well as with the support of the management, Brenntag is well equipped to meet the numerous requirements of the REACH regulation in full.

RISK REPORT

Our business policy is geared to steadily improving the efficiency and underlying profitability of our Group. The Brenntag Group and its companies operating in the field of chemicals distribution and related areas are confronted with a large number of risks which may arise from their business activities. At the same time, these business activities do not only lead to risks but also to many opportunities to safeguard and enhance the company's competitiveness.

DESCRIPTION OF THE INTERNAL CONTROL/RISK MANAGEMENT SYSTEM

The planning, control and reporting processes of the Brenntag Group are integral parts of the risk management systems of all operational and legal units as well as the central functions. To avoid potential risks and identify, monitor and mitigate existing risks at an early stage, 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.

Risk reporting (early detection system)

We continue to identify and analyze risks in the Group companies and are continually improving internal workflows throughout the Group and the IT systems used.

The risk inventories performed every six months are an important instrument for global risk management. In addition, all units have been instructed to immediately report any significant risks suddenly occurring (ad-hoc reporting) to the head office of the Group. Each risk inventory is performed both centrally and decentrally and gathers both quantitative data and qualitative information on existing and possible risks. The risks are recorded at the place where the risks exist or staff with the relevant qualifications to handle the risks work. Any risks which are identified are assessed with regard to their probability of occurrence and the potential damage. If a risk can be reliably counteracted by effective action, only the residual risk after any counter measures initiated is described (net risk). The individual risks reported are then consolidated for the Group and presented to the decision-makers. Special attention is paid to risks which are identified as critical due to the combination of probability of occurrence and amount of loss.

Controlling

Our central and decentralized controlling departments immediately process the information gained from the monthly and quarterly reports and can thus identify and communicate risks and opportunities. In addition, the decentralized departments regularly give a qualitative assessment of the company's situation and the market in quarterly reports. The Group reporting and monitoring system thus ensures that the decision-makers are provided with the latest and appropriate information.

Internal monitoring system

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

The internal control system comprises all central and decentralized policies and regulations which the Board of Management and the regional and local managements lay down 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.

Further elements of the internal control system with regard to the Group accounting process are an IFRS accounting manual applicable throughout the Group and a uniform, standardized reporting and consolidation software containing comprehensive testing and validation routines. Furthermore, the auditors perform quarterly reviews of selected companies to aid in ensuring that the regulations specified in the accounting manual have been observed. The security and proper functioning of the software used is confirmed by the auditors in the annual audits.

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 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 mitigate the weaknesses.

OPPORTUNITIES AND RISKS

Projects, in particular the strategic top initiatives (see section Corporate Strategy), are regularly implemented to maintain and strengthen the Group's profitable growth. In addition to cost optimization, these projects focus on developing sales opportunities.

To limit or entirely eliminate possible financial consequences of any risks which may occur, we have procured appropriate insurances for the size of our businesses to cover damage and liability risks.

In the following we describe risks and opportunities which could influence the operational performance and financial and earnings situation of the Brenntag Group. Additional risks which we do not yet know or risks which we currently estimate to be insignificant may also have an impact on our business.

- **Market risks and opportunities:** Economic downturns, the global financial and economic crises as well as the euro crisis may have a negative impact on the sales and operating gross profit of our company. The latest economic developments, high unemployment in certain countries, the high levels of debt of public-sector finance as well as the potential effects of government measures to consolidate public finance throughout the world may lead to falling demand. In a recession, lower profitability of our customers could lead to higher risks due to reduced credit insurances and higher bad debt losses. The high geographic diversification of our business reduces these risks. Furthermore, since our customers come from many different branches and industries, the risks are spread.

  In all our main sales markets, we face fierce competition from rival companies. Therefore, we are continually working to improve our products and services. Furthermore, we see our global presence as a decisive factor in balancing out local risks.

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

As far as the sales markets are concerned, we see great opportunities for the Brenntag Group in the conclusion of sales partnership agreements for new products or product categories. The high density of our distribution network and the professional organization at all levels of the Brenntag Group is a key element of our business success.

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. Any change in the Euro/US dollar exchange rate may have a considerable impact as a major part of our business is conducted in the US dollar area. Exchange rate risks arising from transactions play a minor role in the Group as procurement and sales in the major regions are performed in the local currency. Where risks occur, we systematically monitor them on the basis of a Group-wide financial policy which lays down basic requirements and objectives, threshold values and hedging instruments to be used. This policy requires Group companies to offset the risks of open net foreign currency exposure or keep them within set limits by suitable instruments such as forward and swap contracts. Any exceptions exceeding the above limits are to be agreed on a case-by-case basis with Group Treasury.

Special negative impacts may arise in this connection, also through unfavourable political developments and financial policy decisions in specific countries.

We limit credit risks for our cash investments by only doing business with banks and business partners with credit ratings we consider to be good. Payments are also handled through such banks. The largely unused revolving credit facility under the syndicated loan is made available by a large number of banks so here again availability is ensured as best possible through high diversity. Risks of uncollectible receivables are reduced by continually monitoring our customers' credit rating and payment behaviour and setting appropriate credit limits. The risk is limited by the large number of customers the company has; even the largest customer accounts for less than 1% of Group sales. In addition, risks are limited by taking out credit insurances.

Brenntag's financing is partly covered by external borrowings. Our loan agreements, credit lines, the bond 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 for the following financial metrics:

- leverage ratio: net debt to EBITDA
- interest coverage ratio: EBITDA to interest expense

The different metrics are determined in accordance with the definitions in the loan agreement and are not the same as the corresponding terms used in the consolidated financial statements. These covenants have, in our opinion, been established so that it would require a very unusual development of business for Brenntag not to be able to meet them. The observance of the covenants is regularly checked and confirmed to the lenders every quarter. If there are any indications of an unfavourable development with respect to the fulfilment of the covenants, 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 the covenants and with a view to the key mid-term planning figures, there is no indication that fulfilment of the covenants may be jeopardized. In the event of the Brenntag Group's sustained breach of the covenants, the facility agent appointed by the lenders may foreclose the loans if he feels this move necessary to safeguard the lenders' interests. As the Group's three main financing instruments (syndicated loan, bond and factoring) 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.

We hedge some of the risks from our financing by using derivative instruments, such as foreign exchange forwards, interest rate and currency swaps or combined instruments. Financial risks are mainly hedged by the Treasury department at the head office of the Group. If individual companies hedge operational risks 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 the financial risks is to be found in the Notes to the Consolidated Financial Statements under note 36. Reporting of financial instruments.

- **Environmental and safety risks:** Distribution of chemicals gives rise to risks which we counter by maintaining a high standard of safety precautions at our warehouses and, where necessary, improving them. Environmental and safety risks are monitored on the basis of a uniform environmental 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.

- **IT risks:** IT risks arise from the increasing networking of our, in some cases, complex systems. This can lead to networks failing and data being falsified or destroyed due to operating and program errors or external influences. We counteract these risks by continually investing in hardware and software as well as by using virus scanners, firewall systems, data backup mechanisms as well as access and authorization checks. These measures are monitored using Group-wide IT security standards.

- **Personnel risks:** Although not a problem to date, personnel risks mainly result from the potential turnover of staff in key positions. Brenntag limits these risks by targeted long-term succession planning as well as performance-based compensation with success-based incentive systems and substitute regulations. Moreover, we offer worldwide career opportunities. The staff turnover was 4.8% worldwide and therefore at a relatively low rate.

- **Acquisition risks:** In the Brenntag Group, every decision to buy is linked to minimum requirements on the ROI of the particular investment. The company valuations which include the findings of due diligence work performed are of central importance in acquisitions. The acquisition of companies always involves risks surrounding the integration of employees and business operations. We strive to limit these risks by conducting opportunity and risk analyses at an early stage in the approval process, if necessary with the support of external consultants. In the past, M&A activities focused on Europe, North America and Asia. For future acquisitions in emerging markets like Asia, Latin America and Central-Eastern Europe, typical characteristics for target companies in these countries are relatively high purchase prices coupled with higher risks (e.g. tax risks, compliance risks, higher working capital funding requirements, integration risks, foreign currency risks). However, there are also considerably greater opportunities in these countries owing to higher growth rates.

- **Legal risks:** Brenntag AG and its 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, including anti-trust authorities. Brenntag is cooperating with the relevant authorities in several jurisdictions and, where appropriate, conducts internal investigations regarding potential wrongdoings with the assistance of in-house and external counsel. In the course of investigations against a French manufacturer of medical devices, accusations have also been made amongst others against Brenntag as one of its suppliers. In this connection, claims are being asserted against Brenntag. The company is convinced there was no misconduct on the part of Brenntag. Given the number of legal actions and other proceedings to which Brenntag is subject, some may result in adverse decisions for Brenntag. 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 business, results of operations and financial condition for a reporting period. However, Brenntag currently does not expect its business, results of operations and financial condition to be materially affected.

FORECAST REPORT

According to a forecast by the International Monetary Fund, the global economy, measured in terms of global GDP and industrial output, will continue to grow in 2012. However, the expectation had to be revised downwards compared with earlier forecasts. Stronger growth is again predicted for Asia and Latin America than for the economies in North America and particularly in Europe.

Assuming this background, we are currently expecting the following development of the Group and the segments in local currency, i.e. excluding exchange rate effects, in 2012 and 2013:

For the Brenntag Group, we expect to see all relevant earnings parameters grow. Operating gross profit should increase both as a result of higher volumes and improved operating gross profit per unit. The increase in operating EBITDA is likely to be higher than the growth of operating gross profit thanks to planned efficiency improvements.

In the Europe segment, we forecast higher operating gross profits both as a result of higher volumes and higher operating gross profit per unit. We are confident that we can keep the rise in operating expenses moderate so operating EBITDA should increase even more than operating gross profit. The growth rates in the Europe segment are expected to be below the Group average owing to the subdued expectations for economic growth. In case of weaker growth, further cost-saving and efficiency-enhancing measures will be undertaken.

As far as North America is concerned, we believe that operating gross profit will continue to grow in the years to come, largely as a result of higher volumes and increased services. Operating gross profit and operating EBITDA are likely to grow at roughly the same rates.

For the Latin America segment, we are expecting operating gross profit to increase both as a result of higher volumes and higher operating gross profit per unit. This should be accompanied by a moderate rise in operating expenses. We plan to harness the forecast momentum in this region to achieve an above-average increase in operating gross profit and operating EBITDA compared with the Group as a whole.

The Asia Pacific segment is dominated by the acquisition of Zhong Yung (International) Chemical Co., Ltd., Hong Kong, at the end of August 2011. For 2012, we are forecasting both growth of operating gross profit and EBITDA as a result of the full-year consolidation of Zhong Yung and organic growth of the other Asian companies. Given the overall economic momentum in this region, we are expecting above-average growth of operating gross profit and operating EBITDA in the coming years compared with the Group as a whole.

Given the likely increase in business volume and higher prices, we are forecasting working capital to rise compared with 2011. We believe that our continual focus on the management of customer and supplier relationships and our efforts to optimize warehouse logistics will lead to an increase in working capital turnover compared with the annual average for 2011.

In order to adjust property, plant and equipment capacities to the increasing business volume, particularly in the Asia Pacific region, we are planning investments in property, plant and equipment in the years to come, which will be slightly above the level of depreciation.

Overall, we are confident that free cash flow – assuming a moderate increase of working capital – will be higher in the next two years than in 2011, so we will be able to continually improve the Group's liquidity position.

We intend to continue our successful strategy of strengthening our business services by benefitting from suppliers outsourcing their distribution activities as well as through acquisitions. We are planning to extend our supplier and product portfolio in the growth markets of Asia and increase our market share in the region. We want to expand our market leadership in attractive Latin American economies. But we also intend to achieve efficiency gains in the North American and European markets through supplementary acquisitions and thus extend our geographical reach. We expect the consolidation process in the chemical distribution market seen in recent years to continue. Large distributors such as Brenntag will profit from their global coverage and their comprehensive portfolio of products and services.

In the years to come, we will continue to adapt our product portfolio to the developments in the local markets. One focus will be on the growth segments of food, water treatment, personal care, pharmaceuticals, oil and gas as well as in the field of adhesives, sealants, coatings, paints and elastomers. We are expecting an above-average increase in the contribution to profit made by specialty chemicals and also want to expand the business with services such as mixing and blending. We are also aiming to expand business with national and international key accounts, for whom we are particularly interesting because of our global geographical presence and our comprehensive product portfolio. In doing so, we want to further improve the organization of our sales channels.

Increasing cost efficiency in the Group by optimizing our warehouse and transport logistics as well as steadily improving procurement and sales processes are also points of constant focus. We remain committed to the principles of responsible care and responsible distribution and strive to further improve the quality of work and the safety precautions at our sites.

Overall, we believe that the market for chemical distribution will grow, also in the long term, both as a result of momentum from the development of the global economy and the sustained trend towards chemical producers outsourcing their distribution activities to distributors. Our broad market presence will enable us to participate to a reasonable extent in this trend in the next few years and, by focusing on attractive growth segments and steadily enhancing our efficiency, we may even be able to reap an above-average benefit from this trend.

The future economic development of the Group's parent company, Brenntag AG, basically depends on the development of its subsidiaries which operate throughout the world. Here, it must be taken into consideration that the economic development of the subsidiaries is not reflected immediately in the financial statements of Brenntag AG but indirectly and possibly with a time lag through income from investments. In addition to the profits or losses of domestic subsidiaries transferred under profit-and-loss transfer agreements, dividends of foreign subsidiaries may also be received. Furthermore, the intra-group financing activities also influence the results of Brenntag AG.

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

Composition of the subscribed capital

As of December 31, 2011, the subscribed capital of Brenntag AG totalled EUR 51,500,000. The share capital is divided into 51,500,000 no-par-value registered shares, each with a notional value of EUR 1.00. According to article 7, para. 3 of the Articles of Association of Brenntag AG, any right of shareholders to certification of their shares is excluded to the extent permitted by law and that certification is not required under the rules of any stock exchange on which the share is admitted for trading. The company is entitled to issue share certificates embodying several shares (consolidated certificates). Pursuant to section 67, para. 2 of the German Stock Corporation Act (AktG) only those persons recorded in the company's share register will be recognized as shareholders of Brenntag AG. For purposes of recording the shares in the company's share register, shareholders are required to submit to Brenntag AG the number of shares held by them, and, in the case of individuals, their name, address and date of birth, or in the case of legal entities, their company name, business address and registered offices. All shares confer the same rights and obligations. At the General Shareholders' Meeting, each share has one vote and accounts for the shareholders' proportionate share in the net income of Brenntag AG. Excepted from this rule are any treasury shares held by Brenntag AG that do not entitle Brenntag AG to any rights. The shareholders' rights and obligations are governed by the provisions of the German Stock Corporation Act, in particular by section 12, 53a ff., 118 ff. and 186 of the German Stock Corporation Act.

Restrictions on voting rights or transfer of shares

The Board of Management of Brenntag AG is not aware of any agreements between the shareholders relating to restrictions on voting rights or on the transfer of shares. Restrictions on voting rights or the transfer of shares by the members of Supervisory Board are to be found in the remuneration report.

Direct or indirect interests in the capital of the company exceeding 10% of the voting rights

Section 21 of the German Securities Trading Act (WpHG) requires that any investor whose percentage of voting rights in Brenntag AG reaches, exceeds or falls below certain thresholds as the result of purchases, disposals or otherwise must notify Brenntag AG and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht). From the voting right notifications received by Brenntag AG, the following interests in the capital of Brenntag AG exceed 10% of the voting rights as of December 31, 2011:

Brachem Acquisition S.C.A., Luxembourg/Luxembourg, notifies that its holdings of voting rights in Brenntag AG on October 5, 2010 have fallen below the 50% threshold and amount to 49.61% (25,550,000 voting rights) at that date.

Brahms Chemical Intermediate S.A., Luxembourg / Luxembourg, notifies that its holdings of voting rights in Brenntag AG on October 5, 2010 have fallen below the 50% threshold and amount to 49.61% (25,550,000 voting rights) at that date. All voting rights are attributed according to section 22, para. 1, sentence 1, No. 1 in conjunction with sentence 3 of the German Securities Trading Act via Brachem Acquisition S.C.A., whose holdings of voting rights amount to 3% or more.

CIE Management II Limited, St. Peter Port/Guernsey, notifies that its holdings of voting rights in Brenntag AG on October 5, 2010 have fallen below the 50% threshold and amount to 49.61% (25,550,000 voting rights) at that date. All voting rights are attributed according to section 22, para. 1, sentence 1, No. 1 in conjunction with sentence 3 of the German Securities Trading Act via Brachem Acquisition S.C.A., whose holdings of voting rights amount to 3% or more.

BC Partners Holdings Limited, St. Peter Port/Guernsey, notifies that its holdings of voting rights in Brenntag AG on October 5, 2010 have fallen below the 50% threshold and amount to 49.61% (25,550,000 voting rights) at that date. All voting rights are attributed according to section 22, para. 1, sentence 1, No. 1 in conjunction with sentence 3 of the German Securities Trading Act. The attribution is via CIE Management II Limited that in turn is attributed the voting rights of Brachem Acquisition S.C.A. The holdings of voting rights of CIE Management II Limited and Brachem Acquisition S.C.A. respectively amount to 3% or more.

Due to the sale of a third tranche on January 19, 2011 of 13.59% of the voting rights in Brenntag AG (7,000,000 voting rights), Brachem Acquisition S.C.A. held, as far as Brenntag AG is aware, 36.02% of the voting rights in the company (18,550,000 voting rights) as at December 31, 2011. As the sale did not involve Brachem Acquisition S.C.A.'s holdings of voting rights falling below a further notification threshold in accordance with Section 21 German Securities Trading Act, the company received no voting right notification.

Brachem Acquisition S.C.A., Luxembourg/Luxembourg, has informed us according to section 21, para. 1 of the German Securities Trading Act that its proportion of voting rights in Brenntag AG has fallen below the 30% threshold of the voting rights on January 9, 2012 and on that day amounted to 27.28% (this corresponds to 14,050,000 voting rights).

Brahms Chemical Intermediate S.A., Luxembourg/Luxembourg, has informed us according to section 21, para. 1 of the German Securities Trading Act that its proportion of voting rights in Brenntag AG has fallen below the 30% threshold of the voting rights on January 9, 2012 and on that day amounted to 27.28% (this corresponds to 14,050,000 voting rights). According to section 22, para. 1, sentence 1, No. 1 in conjunction with sentence 3 of the German Securities Trading Act, 27.28% of the voting rights (this corresponds to 14,050,000 voting rights) is to be attributed to the company from Brachem Acquisition S.C.A., whose voting rights amount to 3% or more.

CIE Management II Limited, St. Peter Port/Guernsey, has informed us according to section 21, para. 1 of the German Securities Trading Act that its proportion of voting rights in Brenntag AG has fallen below the 30% threshold of the voting rights on January 9, 2012 and on that day amounted to 27.28% (this corresponds to 14,050,000 voting rights). According to section 22, para. 1, sentence 1, No. 1 in conjunction with sentence 3 of the German Securities Trading Act, 27.28% of the voting rights (this corresponds to 14,050,000 voting rights) is to be attributed to the company from Brachem Acquisition S.C.A., whose voting rights amount to 3% or more.

BC Partners Holdings Limited, St. Peter Port/Guernsey, has informed us according to section 21, para. 1 of the German Securities Trading Act that its proportion of voting rights in Brenntag AG has fallen below the 30% threshold of the voting rights on January 9, 2012 and on that day amounted to 27.28% (this corresponds to 14,050,000 voting rights). 27.28% of the voting rights (this corresponds to 14,050,000 voting rights) is to be attributed to the company according to section 22, para. 1, sentence 1, No. 1 in conjunction with sentence 3 of the German Securities Trading Act. The attribution is made from CIE Management II Limited, which in turn receives the attribution from Brachem Acquisition S.C.A. The voting rights of CIE Management II Limited and Brachem Acquisition S.C.A. each amount to 3% or more.

Brachem Acquisition S.C.A., Luxembourg/Luxembourg, has informed us according to section 21, para. 1 of the German Securities Trading Act that its proportion of voting rights in Brenntag AG has fallen below the 25%, 20% and 15% threshold of the voting rights on February 28, 2012 and on that day amounted to 13.69% (this corresponds to 7,050,000 voting rights).

Brahms Chemical Intermediate S.A., Luxembourg/Luxembourg, has informed us according to section 21, para. 1 of the German Securities Trading Act that its proportion of voting rights in Brenntag AG has fallen below the 25%, 20% and 15% threshold of the voting rights on February 28, 2012 and on that day amounted to 13.69% (this corresponds to 7,050,000 voting rights). According to section 22, para. 1, sentence 1, No. 1 in conjunction with sentence 3 of the German Securities Trading Act, all voting rights are to be attributed to the company from Brachem Acquisition S.C.A., whose voting rights amount to 3% or more.

CIE Management II Limited, St. Peter Port/Guernsey, has informed us according to section 21, para. 1 of the German Securities Trading Act that its proportion of voting rights in Brenntag AG has fallen below the 25%, 20% and 15% threshold of the voting rights on February 28, 2012 and on that day amounted to 13.69% (this corresponds to 7,050,000 voting rights). According to section 22, para. 1, sentence 1, No. 1 in conjunction with sentence 3 of the German Securities Trading Act, all voting rights are to be attributed to the company from Brachem Acquisition S.C.A., whose voting rights amount to 3% or more.

BC Partners Holdings Limited, St. Peter Port/Guernsey, has informed us according to section 21, para. 1 of the German Securities Trading Act that its proportion of voting rights in Brenntag AG has fallen below the 25%, 20% and 15% threshold of the voting rights on February 28, 2012 and on that day amounted to 13.69% (this corresponds to 7,050,000 voting rights). All voting rights are to be attributed to the company according to section 22, para. 1, sentence 1, No. 1 in conjunction with sentence 3 of the German Securities Trading Act. The attribution is made from CIE Management II Limited, which in turn receives the attribution from Brachem Acquisition S.C.A. The voting rights of CIE Management II Limited and Brachem Acquisition S.C.A. each amount to 3% or more.

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. According to article 12, para. 4 of the Articles of Association of Brenntag AG, the Supervisory Board appoints the members of the Board of Management 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.

Contrary to section 133, para. 1 and section 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 amendments 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 so that the requirements of section 179, para. 2, sentence 1 of the German Stock Corporation Act remain thus far. Other majorities for amendments to the Articles of Association required by law result, in particular, from section 97, para. 2, sentence 4 and section 98, para. 4, sentence 2 of the German Stock Corporation Act. 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 March 19, 2010, the Supervisory Board is authorized to amend the Articles of Association in connection with the creation of new authorized capital after implementation of the capital increase and after expiry of the authorization period without use of the authorized capital.

Powers of the Board of Management to issue and repurchase shares:

Authorization to create authorized capital

In the period ending on February 28, 2015, the Board of Management is 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 25,750,000 in aggregate by issuing up to 25,750,000 new no-par-value registered shares against cash contributions or non-cash contributions. In principle, shareholders are to be granted a pre-emption right. However, the Board of Management is authorized, subject to the consent of the Supervisory Board, to exclude the statutory pre-emption right in relation to one or more increases in the share capital within the scope of the authorized share capital. Details of the Articles of Association of Brenntag AG are to be found on 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 acquire and sell 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 March 19, 2010, the company was authorized to purchase its own shares up to a total of 10% of the company's share capital at the time of the resolution provided that the shares purchased on the basis of this authorization and other shares of the company which Brenntag AG has already purchased and still owns do not in aggregate at any time amount to more than 10% of the share capital. The authorization may be exercised in one or more tranches, once or several times. It became effective at the close of the General Shareholders' Meeting on March 19, 2010 and remains in effect until February 28, 2015. If the shares are purchased on the stock exchange, the purchase price may not be more than 10% lower or higher than the arithmetic mean of the share price on the stock exchange in Frankfurt am Main on the last five trading days before the shares are purchased or an obligation to purchase the shares is entered into. If the shares are purchased by a public offer to all shareholders or by other means in accordance with section 53a of the German Stock Corporation Act, the purchase price paid to the shareholders may not be more than 10% lower or higher than the arithmetic mean of the share price on the stock exchange in Frankfurt am Main on the last five trading days before announcement of the offer or, in the case of purchase by other means, before such purchase. The authorization may be exercised for any purpose permitted by law.

As far as the purchase is made to the exclusion of the shareholders' pre-emption rights, the right to a report by the Board of Management in accordance with section 71, para. 1, No. 8, and section 186, para. 4, sentence 2 of the German Stock Corporation Act on the reason for the exclusion of the statutory pre-emption right was irrevocably waived.

Authorization to issue convertible bonds or warrant-linked bonds or profit-sharing certificates with conversion or option rights, creation of contingent capital and corresponding amendments to the Articles of Association

By resolution of the General Shareholders' Meeting on March 19, 2010, the Board of Management was authorized, with the consent of the Supervisory Board, until February 28, 2015 to issue once or several times bearer or registered convertible bonds or warrant-linked bonds or profit-sharing certificates with conversion or option rights with limited or unlimited maturities up to an aggregate principal amount of EUR 2,000,000,000 (hereinafter jointly referred to as bonds) and to grant the bond holders or creditors conversion or option rights to up to 20,500,000 new shares of Brenntag AG with a pro-rata amount of the share capital of up to EUR 20,500,000 in accordance with the more detailed terms and conditions of the convertible bonds, warrant-linked bonds and/or profit-sharing certificates (hereinafter referred to as conditions). Said bonds may be denominated in euros or – in the equivalent amount – in another legal currency. The individual issues may be divided into partial bonds, each bearing identical rights. The bonds may also be issued against non-cash contributions. The Board of Management is authorized, under certain circumstances, to exclude, with the consent of the Supervisory Board, shareholders' pre-emption rights to bonds.

If convertible bonds or profit-sharing certificates with conversion rights are issued, the holders shall have the right to convert their bonds to new shares of Brenntag AG in accordance with the bond conditions.

The share capital of Brenntag AG was conditionally increased by up to EUR 20,500,000 through the issuance of up to 20,500,000 new no-par-value registered shares with profit participation rights from the beginning of the financial year in which they are issued. The conditional capital increase serves to issue shares to the holders or creditors of convertible or warrant-linked bonds as well as profit-sharing certificates with option or conversion rights which may be issued until February 28, 2015, based on the aforementioned authorization, by Brenntag AG. The conditional capital increase may only be implemented to the extent that option or conversion rights under warrants or bonds have been exercised or conversion obligations under such warrants or bonds have to be fulfilled and to the extent that neither treasury shares nor new shares from the authorized capital are being used to fulfil such claims. The Board of Management has been authorized to set forth the additional details of the implementation of the conditional capital increase.

The measures described above to which the Board of Management is authorized can be performed both by Brenntag AG and by dependent companies or majority owned subsidiaries of Brenntag AG.

Significant agreements which take effect, alter or terminate upon a change of control of the company following a takeover bid

The most important component in Brenntag's financing concept is the Group-wide loan agreement that it has concluded with a consortium of international banks. The total loan volume is described under the section Financing. The main conditions are laid down in a "Syndicated Facilities Agreement" (SFA). 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.

Alongside the above-mentioned syndicated loan, the international accounts receivable securitization programme has similar provisions to those of the SFA. The extent of the financial liabilities under this programme is also detailed in the section Financing. The main contractual basis is a Receivables Loan Agreement, which, in the event of a change of control, gives the lenders the possibility to immediately recall the loans. A change of control as defined in this agreement is when a new investor or a group of investors acting in concert directly or indirectly holds more than 50% of the voting rights in Brenntag AG.

The bond for EUR 400,000,000 issued by Brenntag Finance B.V. on July 19, 2011 also contains provisions for the event of a change in control under Article 5 of the Conditions of Issue. According to said provisions, the bond creditors may demand early repayment of the bond if the rating (in each case as defined in the Conditions of Issue) has been downgraded within a certain period after the change of control.

Compensation agreements with members of the Board of Management or employees in the event of a takeover bid

Details on compensation agreements in the service agreements of the members of the Board of Management are to be found in the remuneration report.

No such agreements exist with employees.

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance declaration to be made pursuant to section 289a of the German Commercial Code (HGB) is contained in the Corporate Governance Report. It is also available on the website at www.brenntag.com.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

(International Financial Reporting Standards)
at December 31, 2011

CONTENTS

CONSOLIDATED INCOME STATEMENT

in EUR m	Note	2011	2010
Sales	1	8,679.3	7,649.1
Cost of goods sold	2	−6,911.3	−6,012.7
Gross profit		**1,768.0**	**1,636.4**
Selling expenses	3	−1,109.6	−1,131.2
Administrative expenses	4	−133.1	−126.4
Other operating income	5	41.1	58.1
Other operating expenses	6	−20.6	−27.9
Operating profit		**545.8**	**409.0**
Result of investments accounted for at equity		4.2	4.7
Finance income	7	11.1	9.3
Finance costs	8	−118.4	−177.6
Change in purchase price obligations and liabilities under IAS 32 to minorities	9	−12.1	−1.9
Other financial result	10	−11.1	−11.7
Financial result		**−126.3**	**−177.2**
Profit before tax		**419.5**	**231.8**
Income taxes	11	−140.2	−85.2
Profit after tax		**279.3**	**146.6**
Attributable to:			
Shareholders of Brenntag AG		*277.4*	*143.6*
Minority shareholders	12	*1.9*	*3.0*
Undiluted earnings per share (in EUR)	14	**5.39**	**2.93**
Diluted earnings per share (in EUR)	14	**5.39**	**2.93**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR m	2011	2010
Profit after tax	**279.3**	**146.6**
Change in exchange rate differences	2.9	64.7
Change in net investment hedge reserve	−3.1	–
Change in cash flow hedge reserve	9.7	17.0
Deferred tax on components of other comprehensive income	−3.2	−6.0
Other comprehensive income	**6.3**	**75.7**
Total comprehensive income	**285.6**	**222.3**
Attributable to:		
Shareholders of Brenntag AG	*280.8*	*218.8*
Minority shareholders	*4.8*	*3.5*

CONSOLIDATED BALANCE SHEET

ASSETS

in EUR m	Note	Dec. 31, 2011	Dec. 31, 2010
Current assets			
Cash and cash equivalents	15	458.8	362.9
Trade receivables	16	1,220.9	1,059.7
Other receivables	17	103.1	86.6
Other financial assets	18	20.8	7.6
Current tax assets		32.6	18.7
Inventories	19	696.8	606.1
Non-current assets held for sale	20	3.3	0.4
		2,536.3	**2,142.0**
Non-current assets			
Property, plant and equipment	21	865.8	829.6
Investment property	22	0.5	2.0
Intangible assets	23	2,047.0	1,863.2
Investments accounted for at equity	24	27.8	28.6
Other receivables	17	22.4	17.5
Other financial assets	18	11.2	6.4
Deferred tax assets	11	64.6	80.9
		3,039.3	**2,828.2**
Total assets		**5,575.6**	**4,970.2**

LIABILITIES AND EQUITY

in EUR m	Note	Dec. 31, 2011	Dec. 31, 2010
Current liabilities			
Trade payables	25	956.6	834.1
Financial liabilities	26	140.9	87.1
Other liabilities	27	347.7	328.9
Other provisions	28	74.9	56.2
Purchase price obligations and liabilities under IAS 32 to minorities	30	30.1	–
Current tax liabilities		34.5	24.6
		1,584.7	**1,330.9**
Non-current liabilities			
Financial liabilities	26	1,811.5	1,696.7
Other liabilities	27	2.1	2.0
Other provisions	28	125.6	135.9
Provisions for pensions and similar obligations	29	64.9	60.7
Purchase price obligations and liabilities under IAS 32 to minorities	30	74.6	2.0
Deferred tax liabilities	11	150.9	124.1
		2,229.6	**2,021.4**
Equity	31		
Subscribed capital		51.5	51.5
Additional paid-in capital		1,560.1	1,560.1
Retained earnings		118.0	−3.3
Other comprehensive income		4.6	1.2
Equity attributable to Brenntag shareholders		**1,734.2**	**1,609.5**
Equity attributable to minority shareholders		27.1	8.4
		1,761.3	**1,617.9**
Total liabilities and equity		**5,575.6**	**4,970.2**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR m	Subscribed capital	Additional paid-in capital	Retained earnings	Exchange rate differences
Dec. 31, 2009	**– [1]**	**381.6**	**−143.5**	**−56.5**
Capital increase from company funds	41.0	−41.0	–	–
Capital increase through issuance of new shares	10.5	504.6	–	–
Contribution of shareholder loan	–	714.9	–	–
Share increases	–	–	−3.4	–
Business combinations	–	–	–	–
Dividends	–	–	–	–
Profit after tax	–	–	143.6	–
Income and expenses recognized directly in equity after tax	–	–	–	64.2
Total income and expense for the period	**–**	**–**	**143.6**	**64.2**
Dec. 31, 2010	**51.5**	**1,560.1**	**−3.3**	**7.7**
Dividends	–	–	−72.1	–
Share increases	–	–	−20.8	–
Business combinations	–	–	−63.2	–
Profit after tax	–	–	277.4	–
Income and expenses recognized directly in equity after tax	–	–	–	–
Total income and expense for the period	**–**	**–**	**277.4**	**–**
Dec. 31, 2011	**51.5**	**1,560.1**	**118.0**	**7.7**

[1] *EUR 25,000.*
[2] *Deferred tax for cash flow hedge reserve.*
[3] *Exchange rate differences.*

Net investment hedge reserve	Cash flow hedge reserve	Deferred tax	Equity attributable to Brenntag shareholders	Minority interests	Equity
–	**−26.7**	**9.2**	**164.1**	**8.2**	**172.3**
–	–	–	–	–	–
–	–	–	515.1	–	515.1
–	–	–	714.9	–	714.9
–	–	–	−3.4	−0.3	−3.7
–	–	–	–	0.7	0.7
–	–	–	–	−3.7	−3.7
–	–	–	143.6	3.0	146.6
–	17.0	−6.0 [2)]	75.2	0.5 [3)]	75.7
–	**17.0**	**−6.0**	**218.8**	**3.5**	**222.3**
–	**−9.7**	**3.2**	**1,609.5**	**8.4**	**1,617.9**
–	–	–	−72.1	−4.1	−76.2
–	–	–	−20.8	−4.5	−25.3
–	–	–	−63.2	22.5	−40.7
–	–	–	277.4	1.9	279.3
−3.1	9.7	−3.2 [2)]	3.4	2.9 [3)]	6.3
−3.1	**9.7**	**−3.2**	**280.8**	**4.8**	**285.6**
−3.1	**–**	**–**	**1,734.2**	**27.1**	**1,761.3**

CONSOLIDATED CASH FLOW STATEMENT

in EUR m	Note 32	2011	2010
Profit after tax		**279.3**	**146.6**
Depreciation and amortization	21 to 23	113.0	188.6
Income taxes	11	140.2	85.2
Income tax payments		−119.3	−86.1
Interest result	7/8	107.3	168.3
Interest payments (netted against interest received)		−112.0	−195.3
Dividends received		1.2	0.5
Changes in provisions		−4.0	−18.5
Changes in current assets and liabilities			
Inventories		−44.5	−117.5
Receivables		−76.1	−137.5
Liabilities		61.5	137.9
Non-cash change in purchase price obligations and liabilities under IAS 32 to minorities	9	12.1	1.9
Other non-cash items		−9.1	−23.8
Cash provided by operating activities		**349.6**	**150.3**
Proceeds from disposals of investments accounted for at equity		0.4	–
Proceeds from disposals of other financial assets		4.6	2.6
Proceeds from disposals of intangible assets as well as property, plant and equipment		5.6	4.5
Purchases of consolidated subsidiaries and other business units		−122.3	−143.1
Purchases of other financial assets		−0.1	−1.3
Purchases of intangible assets as well as property, plant and equipment		−86.3	−81.2
Cash used for investing activities		**−198.1**	**−218.5**
Capital increase		–	525.0
Payments in connection with the capital increase		–	−13.7
Purchases of shares in companies already consolidated		−25.3	−3.6
Dividends paid to Brenntag shareholders		−72.1	–
Profits distributed to minority shareholders		−5.8	−5.9
Proceeds from borrowings		1,561.6	5.3
Repayments of borrowings		−1,515.5	−694.2
Cash used for financing activities		**−57.1**	**−187.1**
Change in cash and cash equivalents		**94.4**	**−255.3**
Change in cash and cash equivalents due to currency gains/losses		1.5	15.6
Cash and cash equivalents at beginning of period	15	362.9	602.6
Cash and cash equivalents at end of period	15	**458.8**	**362.9**

NOTES

KEY FINANCIAL FIGURES BY SEGMENT

for the period from January 1 to December 31

Segment reporting in accordance with IFRS 8 [1)] in EUR m		Europe	North America	Latin America	Asia Pacific	All Other Segments	Consol-idation	**Group**
External sales	**2011**	**4,295.3**	**2,725.7**	**806.9**	**415.4**	**436.0**	**–**	**8,679.3**
	2010	3,927.5	2,442.7	725.1	217.1	336.7	–	7,649.1
	Change in %	9.4	11.6	11.3	91.3	29.5	–	13.5
	fx adjusted change in %	9.2	16.6	15.0	94.8	29.5	–	15.4
Inter-segment sales	**2011**	**5.8**	**5.4**	**2.8**	**–**	**2.6**	**−16.6**	**–**
	2010	4.3	3.8	10.7	–	2.8	−21.6	–
Operating gross profit [2)]	**2011**	**898.0**	**659.7**	**150.5**	**82.1**	**17.3**	**–**	**1,807.6**
	2010	863.0	613.0	137.8	45.7	14.4	–	1,673.9
	Change in %	4.1	7.6	9.2	79.6	20.1	–	8.0
	fx adjusted change in %	3.7	12.3	13.0	81.6	20.1	–	9.8
Gross profit	**2011**	**–**	**–**	**–**	**–**	**–**	**–**	**1,768.0**
	2010	–	–	–	–	–	–	1,636.4
	Change in %	–	–	–	–	–	–	8.0
	fx adjusted change in %	–	–	–	–	–	–	10.0
Operating EBITDA (segment result)	**2011**	**303.9**	**282.1**	**51.4**	**36.9**	**−13.4**	**–**	**660.9**
	2010	286.5	264.4	45.9	17.6	−11.8	–	602.6
	Change in %	6.1	6.7	12.0	109.7	13.6	–	9.7
	fx adjusted change in %	6.0	11.7	15.8	112.1	13.6	–	12.2
EBITDA	**2011**	**–**	**–**	**–**	**–**	**–**	**–**	**658.8**
	2010	–	–	–	–	–	–	597.6
	Change in %	–	–	–	–	–	–	10.2
	fx adjusted change in %	–	–	–	–	–	–	12.8
Operating EBITDA/ Operating gross profit [2)]	**2011 in %**	**33.8**	**42.8**	**34.2**	**44.9**	**−77.5**	**–**	**36.6**
	2010 in %	33.2	43.1	33.3	38.5	−81.9	–	36.0
Investments in non-current assets (Capex) [3)]	**2011**	**48.2**	**23.2**	**10.5**	**3.8**	**0.3**	**–**	**86.0**
	2010	54.3	18.4	9.1	2.9	0.4	–	85.1

[1)] For further information on segment reporting in accordance with IFRS 8, see Note 33.
[2)] External sales less cost of materials.
[3)] The other additions to property, plant and equipment and intangible assets are shown as Investments in non-current assets.

GROUP KEY FINANCIAL FIGURES

in EUR m	2011	2010
EBITDA	**658.8**	**597.6**
Investments in non-current assets (Capex) 1)	−86.0	−85.1
Changes in working capital 2) 3)	−61.0	−136.4
Free cash flow	**511.8**	**376.1**

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

in EUR m	2011	2010
Operating EBITDA (segment result)	**660.9**	**602.6**
Transaction costs/holding charges 1)	−2.1	−5.0
EBITDA	**658.8**	**597.6**
Scheduled depreciation of property, plant and equipment	−87.7	−84.0
Impairment of property, plant and equipment	−0.5	–
Impairment of investment property	−0.7	–
EBITA	**569.9**	**513.6**
Scheduled amortization of intangible assets 2)	−24.1	−104.4
Impairment of intangible assets	–	−0.2
EBIT	**545.8**	**409.0**
Financial result	−126.3	−177.2
Profit before tax	**419.5**	**231.8**

1) Transaction costs: Costs connected with restructuring and refinancing under company law, particularly the IPO in 2010 and the refinancing in 2011. They are eliminated for purposes of management reporting to permit proper presentation of the operating performance and comparability on segment level.
Holding charges: Certain costs charged between holding companies and operating companies. On Group level they net to zero.
2) This figure includes for the period January to December 2011 scheduled amortization of customer relationships totalling EUR 16.4 million (2010: EUR 96.2 million). Of the amortization of customer relationships, in the prior period EUR 79.4 million resulted from the amortization of customer relationships which were capitalized on the acquisition of the Brenntag Group by funds advised by BC Partners Limited, Bain Capital, Ltd. and subsidiaries of Goldman Sachs International at the end of the third quarter of 2006. These customer relationships were fully amortized over four years until September 30, 2010.

in EUR m	2011	2010
EBITA	569.9	513.6
Average property, plant and equipment	824.0	806.1
Average working capital	928.3	752.4
RONA 1)	**32.5%**	**33.0%**

1) RONA stands for Return on Net Assets and is defined as EBITA divided by the sum of average property, plant and equipment and average working capital. Average property, plant and equipment is defined for a particular year as the mean average of values for property, plant and equipment at each of the following five times: the beginning of the year, the end of each of the first, second and third quarters, and the end of the year. Average working capital is defined for a particular year as the mean average of the values for working capital at each of the following five times: 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	2011	2010
Operating gross profit	**1,807.6**	**1,673.9**
Production/mixing & blending costs	39.6	37.5
Gross profit	**1,768.0**	**1,636.4**

GENERAL INFORMATION

As one of the world's leading chemical distributors with more than 400 locations, Brenntag offers its customers and suppliers an extensive range of services and global supply chain management as well as a highly developed chemical distribution network in Europe, 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 March 12, 2012, authorized for publication and submitted by the Audit Committee to the Supervisory Board for approval at its meeting on March 19, 2012.

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

CONSOLIDATION POLICIES AND METHODS

Standards applied

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

The IFRS 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) (formerly the International Financial Reporting Interpretations Committee (IFRIC)) 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, 2011 whose application is mandatory. In addition, the German commercial law provisions to be applied in accordance with section 315a, para. 1 of the German Commercial Code were taken into account.

The following (in some cases revised) standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) were applied by the Brenntag Group for the first time in the 2011 financial year:

- Revised IAS 24 (Related Party Disclosures)
- Amendments to IAS 32 (Financial Instruments: Presentation) regarding the classification of rights issues
- IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments)
- Amendments to IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) regarding prepayments of a minimum funding requirement
- Improvements to IFRSs (2010)
- Amendments to IFRS 1 (First-time Adoption of International Financial Reporting Standards) regarding the limited exemption of first-time adopters from presenting comparative information in accordance with IFRS 7

In the revised IAS 24 (Related Party Disclosures), in particular the definition of related parties was thoroughly revised. In addition, there were also amendments with regard to the definition of transactions requiring disclosure.

The amendments to IAS 32 (Financial Instruments: Presentation) regarding the classification of rights issues contains a supplement to IAS 32 that rights, options or warrants to acquire a fixed number of the entity's equity for a fixed amount of any currency are to be shown as equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own derivative equity instruments.

IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments) addresses the accounting by the debtor when the terms of a financial liability are renegotiated and result in the entity being allowed to issue equity instruments to a creditor to extinguish all or part of the financial liability and the creditor is an independent third party.

The amendments to IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) are of relevance when a pension plan contains a minimum funding requirement and an entity makes prepayments of contributions thereon. In contrast to the previous regulations, the economic benefit from an entity's prepayments of contributions which reduce the future contributions to the minimum funding requirement are to be capitalized as an asset.

The improvements to IFRSs (2010) contains a large number of minor changes to various standards which are to clarify the content of the regulations and eliminate any inconsistencies.

The amendments to IFRS 1 (First-time Adoption of International Financial Reporting Standards) only relate to first-time adopters of IFRS.

The first-time application of the standards and interpretations had no material effect on the presentation of the net assets, financial position and results of operations of the Brenntag Group in comparison to the previous period.

The following (in some cases revised) standards and interpretations had been published by the end of 2011 but their adoption is not yet mandatory. They will probably only be applied in the Brenntag consolidated financial statements when their adoption is mandatory and if they are endorsed by the European Union.

Probable first-time adoption in 2012:

- Amendments to IFRS 1 (First-time Adoption of International Financial Reporting Standards) regarding severe hyperinflation and removal of fixed dates for first-time adoption
- Amendments to IFRS 7 (Financial Instruments: Disclosures) regarding disclosures on the transfer of financial assets
- Amendments to IAS 12 (Income Taxes) regarding the tax rate to be applied to intangible assets, property, plant and equipment and investment property measured at fair value

The amendments to IFRS 1 (First-time Adoption of International Financial Reporting Standards) only relate to first-time adopters of IFRS.

The subject of amendments to IFRS 7 (Financial Instruments) regarding disclosures on the transfer of financial assets is extended disclosure requirements in connection with the transfer of financial assets.

As a result of the amendment to IAS 12 (Income Taxes) regarding the tax rate to be applied to intangible assets, property, plant and equipment and investment property measured at fair value, deferred taxes for these assets are always to be measured on the basis of the tax consequences of a sale.

Probable first-time adoption in 2013:

- Amendment to IAS 1 (Presentation of Financial Statements) regarding the presentation of items of other comprehensive income
- Amendment to IFRS 7 (Financial Instruments: Disclosures) regarding the offsetting of financial assets and financial liabilities
- IFRS 10 (Consolidated Financial Statements)
- IFRS 11 (Joint Arrangements)
- IFRS 12 (Disclosure of Interests in Other Entities)
- IFRS 13 (Fair Value Measurement)
- IAS 19 (Employee Benefits (revised 2011))
- IAS 27 (Separate Financial Statements (revised 2011))
- IAS 28 (Investments in Associates and Joint Ventures (revised 2011))
- IFRIC 20 (Stripping Costs in the Production Phase of a Surface Mine)

According to the amendment to IAS 1 (Presentation of Financial Statements) regarding the presentation of items of other comprehensive income, items shown in other comprehensive income must be grouped into items that are subsequently to be reclassified to profit or loss and those that are not to be reclassified.

The amendment to IFRS 7 (Financial Instruments: Disclosures) regarding the offsetting of financial assets and financial liabilities mainly relates to additional disclosures on unconditional rights to offset and on collateral received and granted.

IFRS 10 (Consolidated Financial Statements) leads to one single consolidation model based on control of the subsidiary by the parent. This is to be applied to both parent-subsidiary relationships which are based on voting rights and parent-subsidiary relationships which result from other contractual arrangements so that consolidation of special purpose entities is also to be evaluated hereunder.

IFRS 11 (Joint Arrangements) replaces IAS 31 (Interests in Joint Ventures) and eliminates in particular the previous possibility of proportionate consolidation of joint ventures.

IFRS 12 (Disclosure of Interests in Other Entities) brings the disclosure requirements for all interests in subsidiaries, joint ventures and associates as well as unconsolidated special purpose entities together in one standard. Disclosures must be made which enable the users of financial statements to evaluate the nature of and risks associated with interests in other entities as well as the financial effects of those interests.

IFRS 13 (Fair Value Measurement) sets out in a single IFRS a framework for measuring fair value and extends the disclosure requirements in the Notes.

The revised IAS 19 (Employee Benefits (revised 2011)) results in significant effects on the recognition and measurement of defined benefit plans and termination benefits. In future, actuarial gains and losses will be recognized directly in full and exclusively within equity. Furthermore, it extends disclosure requirements in the Notes.

The new rules included in IFRS 10 (Consolidated Financial Statements) replace the consolidation rules previously contained in IAS 27 and SIC 12. IAS 27 (Separate Financial Statements (revised 2011)) is now only to be applied to single financial statements according to IFRS.

In connection with the introduction of IFRS 11 (Joint Arrangements), the scope of application of IAS 28 (Investments in Associates and Joint Ventures (revised 2011)) has been extended to include joint ventures.

IFRIC 20 (Stripping Costs in the Production Phase of a Surface Mine) is not relevant for Brenntag.

Probable first-time adoption in 2014:

- Amendments to IAS 32 (Financial Statements: Presentation) regarding the offsetting of financial assets and liabilities

The offsetting requirements formulated in IAS 32 have been further clarified by additional guidance on application.

Probable first-time adoption in 2015:

- IFRS 9 (Financial Instruments)
- Amendments to IFRS 7 (Financial Instruments: Disclosures) regarding additional disclosure requirements on transition to IFRS 9

IFRS 9 (Financial Instruments) sets out new rules for the classification and measurement of financial assets and liabilities. On initial recognition, financial assets are in future to be classified into the categories “Measurement at fair value” or “Measurement at amortized cost”.

In connection with the introduction of IFRS 9, additional rules on disclosure requirements on transition to IFRS 9 were added to IFRS 7.

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

Scope of consolidation

As at December 31, 2011, the consolidated financial statements include Brenntag AG and 26 domestic (Dec. 31, 2010: 24) and 189 foreign (Dec. 31, 2010: 169) fully consolidated subsidiaries and special purpose entities.

The table below shows the changes in the number of fully consolidated companies and special purpose entities since January 1, 2011:

	Jan. 1, 2011	Additions	Disposals	Dec. 31, 2011
Domestic consolidated companies	25	2	–	27
Foreign consolidated companies	169	26	6	189
Total consolidated companies	**194**	**28**	**6**	**216**

The additions relate to newly established companies and companies acquired as part of business combinations in accordance with IFRS 3.

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

Five associates (Dec. 31, 2010: eight) are accounted for at equity.

A full list of shareholdings for the Brenntag Group in accordance with section 313, para. 2 of the German Commercial Code is to be found in Annex A to the Notes.

Business combinations in accordance with IFRS 3

Assets and liabilities acquired in business combinations are recognized at their fair value on the date of acquisition. The multi-period excess earnings method was used to measure customer relationships. Trademarks acquired have been measured using the relief-from-royalty method.

At the end of August, Brenntag closed the acquisition of the first tranche (51%) of Zhong Yung (International) Chemical Co., Ltd., Hong Kong. According to the purchase contract, Brenntag will acquire the remaining shares (49%) in 2016. Zhong Yung is focused on the distribution of solvents and has an infrastructure in the key economic regions in China. The provisional acquisition costs for the Brenntag share of the net assets of the group acquired amount to EUR 52.4 million.

The net assets acquired break down as follows:

in EUR m	Fair value according to IFRS
ASSETS	
Cash and cash equivalents	10.4
Trade receivables and other receivables	39.5
Other current assets	14.7
Non-current assets	38.2
LIABILITIES	
Current liabilities	52.3
Non-current liabilities	4.6
Net assets [1)]	**45.9**

[1)] Thereof EUR 22.5 million are attributable to minority shareholders.

Measurement of the assets and liabilities taken over has not yet been completed. There are no material differences between the gross amount and the carrying amount of the receivables. On the basis of the fair value of the net assets acquired, the provisional goodwill which cannot be amortized for tax purposes amounts to EUR 29.0 million. The value of the goodwill is largely determined by the growth opportunities arising from the takeover. Through the acquisition of the Zhong Yung Group, Brenntag has gained access to the Chinese market, the world's fastest-growing market for chemical products and related services.

After its acquisition by Brenntag, the Zhong Yung Group generated sales of EUR 80.0 million and a profit after tax of EUR 1.6 million in 2011.

At the end of November 2011, Brenntag acquired 100% of the shares in Multisol Group Limited, the holding company of the Multisol Group, a distributor of high-value specialty chemicals, domiciled in Nantwich, United Kingdom. The provisional acquisition costs for the net assets of the group acquired amount to EUR 92.9 million.

The net assets acquired break down as follows:

in EUR m	Fair value according to IFRS
ASSETS	
Cash and cash equivalents	18.3
Trade receivables, other financial assets and other receivables	39.4
Other current assets	15.0
Non-current assets	43.8
LIABILITIES	
Current liabilities	78.8
Contingent liabilities	0.6
Non-current liabilities	9.2
Net assets	**27.9**

Measurement of the assets and liabilities taken over has not yet been completed. There are no material differences between the gross amount and the carrying amount of the receivables. On the basis of the fair value of the net assets acquired, the provisional goodwill which cannot be amortized for tax purposes amounts to EUR 65.0 million. The factors determining the goodwill are here above all the extension of the product portfolio to include lubricants and high-quality base oils, the enlargement of mixing and blending capabilities as well as the geographic presence of the Multisol Group in Europe and Africa which complements Brenntag’s existing infrastructure and logistics network.

After its acquisition by Brenntag at the end of November, the Multisol Group generated sales of EUR 14.4 million and a loss after tax of EUR 0.3 million in 2011 owing to the seasonally weak business in December.

In addition to the above-mentioned acquisitions, G.S. Robins & Company, domiciled in St. Louis, USA, was acquired at the end of May 2011, Motor Polimer sp.z o.o., domiciled in Suchy Las, Poland, was acquired at the end of November 2011 and Amco Internacional S.A. de C.V., domiciled in Mexico City, Mexico, at the end of December 2011, for a total of EUR 46.5 million. In each case, 100% of the shares was acquired.

The net assets acquired of these companies break down as follows:

in EUR m	Fair value according to IFRS
ASSETS	
Cash and cash equivalents	2.2
Trade receivables and other receivables	16.2
Other current assets	9.4
Non-current assets	14.8
LIABILITIES	
Current liabilities	21.0
Non-current liabilities	1.2
Net assets	**20.4**

There are no material differences between the gross amount and the carrying amount of the receivables. The provisional goodwill from these acquisitions which cannot be amortized for tax purposes totals EUR 26.1 million. The goodwill mainly relates to G.S. Robins; the value of this goodwill is largely determined by the fact that the acquisition in North America enables Brenntag to strengthen its presence in many of its focus industries such as food and water treatment. After its acquisition by Brenntag, these companies generated sales of EUR 42.8 million and a profit after tax of EUR 0.3 million in 2011.

If all business combinations had taken place with effect from January 1, 2011, sales of about EUR 9,240 million would have been shown for the Brenntag Group in 2011. The profit after tax for the Brenntag Group in 2011 would have been about EUR 285 million.

The following table shows how goodwill from the business combinations in 2011 was determined:

in EUR m

Cost of acquisition	**191.8**
less fair value of the share of net assets	71.7
Goodwill from business combinations in 2011	**120.1**

Purchase price refunds for business combinations which took place before 2010 reduced goodwill by EUR 1.7 million.

The net cash outflow as a result of the business combinations has been determined as follows:

in EUR m

Cost of acquisition	**191.8**
less cash and cash equivalents acquired	30.9
less purchase price components not yet paid	36.9
less purchase price refunds from business combinations before 2010	1.7
Purchases of consolidated subsidiaries and other business units	**122.3**

Costs of EUR 3.3 million in connection with the acquisitions were recognized in other operating expenses in 2011.

Consolidation methods

The consolidated financial statements include the financial statements – prepared according to uniform accounting and measurement methods – of Brenntag AG, the subsidiaries and the special purpose entities whose financial and business policies are controlled by Brenntag. This is normally the case when Brenntag AG holds the majority of voting rights either directly or indirectly or, due to its economic control, may have the major economic benefit or must bear the major risks from the business activities of the respective companies. Inclusion in the consolidated financial statements commences at the date on which the possibility of control exists and ends when the possibility of control no longer exists.

Acquisitions are accounted for using the acquisition method in accordance with IFRS 3. The acquisition costs of an acquired business unit are considered to be the fair value of the assets given. The acquisition-related costs are directly recognized as expense. Contingent considerations are taken into account at their fair value at the acquisition date when determining the acquisition cost. Corresponding liabilities are recognized for them. Changes in fair value after the acquisition date are recognized as profit or loss. If Brenntag does not acquire a 100% interest but if owing to contractual agreements it is virtually certain at the time of the acquisition that further shares will be acquired at a fixed price, they are also already allowed for when determining the acquisition costs and corresponding liabilities are recognized for them. Identifiable assets which can be recognized, liabilities and contingent liabilities of an acquisition are in principle measured at their fair value at the transaction date, irrespective of the share of minority interests. Any remaining differences between the acquisition costs and the acquired proportionate net assets are recognized as goodwill. In the case of an acquisition in stages which leads to the control of a company, or in the case of the sale of shares with the 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 sales of shares which have no effect on existing control are recognized directly in equity (economic entity approach).

Receivables, liabilities, expenses and income and inter-company results within the Brenntag Group are eliminated. Deferred taxes are recognized for temporary differences from consolidation transactions.

Associates and joint ventures of the Brenntag Group in which Brenntag holds significant or joint control are measured using the equity method. Significant control 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 at equity as to fully consolidated companies, whereby recognized goodwill is contained in the carrying amount of investments accounted for at equity. Brenntag's share in the profit/loss after tax of the companies accounted for at equity is recognized directly in the income statement.

The accounting and measurement methods of the companies accounted for at equity were, as far as necessary, adjusted to the accounting and measurement methods of Brenntag.

Currency translation

Foreign currency receivables and liabilities in the single-entity statements are stated on initial recognition at the spot exchange rate at the date of the transaction. At the balance-sheet date or at the settlement date, foreign currency receivables and liabilities are translated at the closing rate. The resulting differences are recognized as income or expense in the income statement.

The items contained in the financial statements of each 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 euro 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 recorded directly within equity. Goodwill and fair value adjustments resulting from the acquisition of foreign companies are also regarded as assets and liabilities of the foreign companies and 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, above all property, plant and equipment, intangible assets, goodwill as well as environmental provisions, are translated from the local currency into US dollars using the exchange rate at the date of the respective transaction. Monetary items are translated at the closing rate. All income and expenses are remeasured at the average exchange rate in the reporting period with the exception of depreciation and amortization, impairment losses and their reversals as well as income and expenses incurred in connection with environmental provisions. These are re-measured at the same exchange rates as the underlying assets and liabilities. The resulting foreign currency differences are recognized directly in the income statement. After remeasurement in the functional currency, US dollars, 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 at equity are translated using the same principles.

The euro exchange rates for major currencies developed as follows:

	Closing rate		Average rate	
EUR 1 = currencies	**Dec. 31, 2011**	Dec. 31, 2010	**2011**	2010
Canadian dollar (CAD)	1.3215	1.3322	1.3761	1.3651
Swiss franc (CHF)	1.2156	1.2504	1.2326	1.3803
Chinese yuan renminbi (CNY)	8.1588	8.8220	8.9960	8.9712
Danish crown (DKK)	7.4342	7.4535	7.4506	7.4473
Pound sterling (GBP)	0.8353	0.8608	0.8679	0.8578
Polish zloty (PLN)	4.4580	3.9750	4.1206	3.9947
Swedish crown (SEK)	8.9120	8.9655	9.0298	9.5373
US dollar (USD)	1.2939	1.3362	1.3920	1.3257

ACCOUNTING AND MEASUREMENT POLICIES

Revenue recognition

Revenue from the sale of goods is only recognized – net of value-added tax, cash discounts, discounts and rebates – when the following conditions have been satisfied:

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

This is generally the case when the goods have been collected by the customer or have been dispatched by Brenntag or by a third party.

Revenue arising from service business is recognized by reference to the stage of completion of the transaction at the balance-sheet date, provided that all the following conditions are satisfied:

- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to Brenntag.
- The stage of completion of the transaction at the balance-sheet date can be measured reliably.
- The costs incurred for the transaction and the cost to complete the transaction can be measured reliably.

If the above-mentioned conditions are not satisfied, revenue from service business is only to be recognized to the extent of the expenses recognized that are recoverable.

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

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

Cash and cash equivalents

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

Trade receivables, other receivables and other financial assets

Financial assets are divided into the following categories in line with the categories stipulated in IAS 39:

- loans and receivables
- available for sale financial assets
- financial assets at fair value through profit and loss.

The financial assets are subsequently measured at amortized cost or at fair value depending on which of the above categories they are allocated to. In determining the fair value, IFRS 7 provides for a three-level hierarchy which reflects the market closeness of the input data used for determining the fair value:

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

Cash and cash equivalents, trade receivables, other receivables and receivables included in other financial assets are classified in the loans and receivables category. They are measured at fair value plus transaction costs on initial recognition and carried at amortized cost in the subsequent periods.

If there are objective indications that financial assets classified as loans and receivables are not collectible in full, they are each written down to affect net income in line with the risk of loss. Furthermore, country-specific individual portfolio-based valuation allowances are recognized for receivables of the same loss risk categories, the basis for estimating the risk of loss being the extent to which the receivables are past due. The impairment losses are always posted to an allowance account in the balance sheet. If a receivable is uncollectible, the gross amount and the impairment loss are both derecognized.

The securities and shares in companies in which the company does not have at least significant influence shown under other financial assets are classified as available-for-sale financial assets. They are measured on initial recognition at fair value plus transaction costs and subsequently at fair value. If these securities or company shares are traded on an active market, the fair value is the published quoted price at the balance-sheet date (level 1). If there is no active market, the fair value is established by using a suitable valuation technique (level 2 or 3). Changes in the fair value are recognized directly within equity in the revaluation reserve.

If impairments are permanent, the income and expenses previously posted to the revaluation reserve are reversed without affecting income or expenses. Any impairment losses up to the value of acquisition costs are recognized directly as expense. If the reasons for the impairment no longer exist, the impairment losses are reversed to income except for impairment losses on equity instruments.

Derivative financial instruments shown under other financial assets which are not included in cash flow hedge accounting are classified as financial assets at fair value through profit or loss. They are measured at fair value on initial recognition and in the subsequent periods. Changes in the fair value are recognized directly in income.

No use is made of the option to designate non-derivative financial assets and liabilities as at fair value through profit and loss on their initial recognition.

The fair values of the foreign exchange forward transactions and foreign exchange swaps are established by comparing forward rates and discounted to the present value (level 2). The fair values of interest rate swaps and interest caps are determined using the discounted cash flow method or option price models on the basis of current interest curves (level 2).

The initial recognition of all non-derivative financial assets is performed at the respective settlement date. Derivative financial instruments are recognized in the balance sheet when Brenntag becomes a party to the contractual provisions of that instrument.

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

Inventories

The inventories are mainly merchandise. These inventories are initially recognized at cost. In addition, production costs for the inventories produced through further processing are also capitalized.

The inventories are subsequently measured in accordance with IAS 2 at the lower of cost (on the basis of the weighted average cost formula) and net realizable value. The 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. The net realizable value also covers effects from obsolescence or reduced marketability. Reversals of earlier write-downs of inventories are performed when the net realizable value of the inventories increases again.

Non-current assets held for sale

In accordance with IAS 5, non-current assets held for sale are recognized separately as such if the relevant carrying amount is mainly realized by a sale transaction and not by continuing use. They are measured at the lower of their amortized carrying amount and fair value less costs to sell. Non-current assets held for sale are no longer depreciated.

Property, plant and equipment

Property, plant and equipment is shown at cost of acquisition or construction, and, except for land, depreciated over its estimated economic useful life on a straight-line basis.

Acquisition costs include all expenditure which can be directly attributed to the acquisition.

The cost of self-constructed property, plant and equipment comprises direct cost of materials and direct construction costs, appropriate allocations of material and construction overheads and an appropriate share of the depreciation of assets used in construction. Expenses for company pension plans and discretionary employee benefits that are attributable to construction are recognized in the construction costs if they can be directly allocated.

In accordance with IAS 23, the cost of borrowings for assets with a production time of at least twelve months up to the date of completion (qualifying assets) is capitalized as part of the cost of acquisition or construction.

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 on acquisition or construction of the property, plant and equipment. The restoration obligation is generally determined on the basis of estimates of the future discounted cash flows. The additional cost of acquisition or construction is depreciated over the useful life of the asset and the discounting of the corresponding provision is unwound over the useful life of the asset.

Leased assets which are to be classified as finance leases in accordance with the categorization of IAS 17 are measured at the lower of their fair value and the present value of the minimum lease payments at the inception of the lease. They are depreciated over their estimated useful lives or – provided the transfer of ownership is not probable – the contract term, whichever is shorter. The present values of future lease payments for assets capitalized as finance leases are recognized as financial liabilities.

In accordance with IAS 20, government grants and assistance for investments are deducted from the carrying amount of the related asset.

Depreciation of property, plant and equipment is allocated to the respective functional area in the income statement.

When 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.

The following useful lives are taken as a basis for depreciation:

	Useful life
Land use rights	40 to 50 years
Buildings	15 to 50 years
Installations and building improvements	8 to 20 years
Technical equipment, plant and machinery	3 to 20 years
Vehicles	5 to 8 years
Other equipment, fixtures, furniture and office equipment	2 to 10 years

Investment property

Investment property is land and buildings held long-term to earn rentals or for capital appreciation or both. In accordance with IAS 40, it is stated at cost of acquisition or production and – apart from land – depreciated on a straight-line basis over its estimated economic useful life.

The following useful lives are currently taken as a basis for depreciation:

	Useful life
Buildings	15 years
Installations and building improvements	15 years

Intangible assets

The 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 fully consolidated subsidiaries and other business units.

Intangible assets acquired through business combinations are measured on initial recognition at their fair value on the date of acquisition.

Separately acquired intangible assets are carried at cost.

Acquired software licenses are capitalized on the basis of the 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 rights 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

Impairment testing of non-current non-financial assets

In accordance with IAS 36, 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, which are not subject to scheduled amortization, are also tested for impairment at least annually.

Impairment exists when the carrying amount of an asset exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the value in use. The fair value is the best-possible estimate of the amount for which the asset would be acquired by a third-party in an arm's length transaction. The 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 immediately written down to this amount.

If the recoverable amount of an individual asset cannot be established, the recoverable amount of the cash-generating unit (CGU) to which the asset belongs is established 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 group of cash-generating units with their recoverable amount. In addition, goodwill is tested for impairment at Group level as certain assets and cash flows can only be attributed to the Group as a whole.

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 loss is recognized for the difference. In this case, the goodwill of the relevant segment would first be written down. Any remaining impairment would be allocated to the assets of the segment in proportion to the net carrying amounts of the assets on the balance-sheet date. The carrying amount of an individual asset must not be less than the highest of fair value less costs to sell, value in use (both in as far as they can be established) and nil.

The “Brenntag” trademark is an asset which has an indefinite useful life and also has to be subjected to an annual impairment test. As the “Brenntag” trademark does not generate any own cash flows which are independent from other assets or groups of assets, and its carrying amount cannot be allocated reasonably and consistently to individual CGUs, it is allocated to the Brenntag Group as a whole.

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 functional area in which the original charge was recognized.

The share-based remuneration programme based on virtual shares is, according to IFRS 2, to be classified as a cash-settled, share-based payment transaction. 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 employees acquire a vested right (unconditional right). The fair value is to be remeasured at every reporting date and at the date of settlement.

Provisions for pensions and similar obligations

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

The contributions to be paid into defined contribution 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. The obligations arising from these defined benefit plans are determined on the basis of the internationally recognized projected unit credit method, taking future salary and pension trends into consideration. For this purpose, an actuarial valuation is obtained every year. Mortality rates are determined using the latest Heubeck mortality tables (2005G) or comparable foreign mortality tables. Differences between the expected pension obligations calculated for the financial statements and the actual pension obligations as well as differences between the fair value of the plan assets expected at the end of the period and the actual figure (actuarial gains and losses) are spread to income in the subsequent periods over the expected remaining working lives of the participating employees where they exceed the corridor of 10% of the maximum of the defined benefit obligation (DBO) and the plan assets at the beginning of the period (corridor method).

Past service cost is recorded directly as expense to the extent that the benefits are already vested and otherwise spread over the average period until the benefits become vested (vesting period).

Trade payables, financial liabilities and other liabilities

Based on the categories under IAS 39, the non-derivative liabilities shown under trade payables, financial liabilities and other liabilities are classified as financial liabilities measured at amortized cost. They are initially recognized at their fair value net of transaction costs incurred. They are subsequently carried at amortized cost using the effective interest method.

The accounting and measurement of the derivative financial instruments with negative fair values shown within financial liabilities is the same as the accounting and measurement of the derivative financial instruments with positive fair values shown within other financial assets.

The liabilities under finance leases are stated at their amortized cost.

Purchase price obligations and liabilities under IAS 32 to minorities

Purchase price obligations to acquire further shares in subsidiaries of Brenntag AG that are currently held by minority shareholders are initially recorded as a liability in equity at their fair value (present value of the purchase price obligation). Unwinding of discounting and changes in the estimate of the future purchase price are recognized in profit or loss. Exchange rate-related changes in the purchase price obligations are recorded within equity in the net investment hedge reserve for the portion included in net investment hedge accounting and recognized in profit or loss for the portion not included.

The liabilities to minorities are initially measured at the fair value of the limited partner's right to repayment of his limited partner's contribution and subsequently measured at amortized cost. Changes are recognized directly in income.

Deferred taxes and current income taxes

Current income taxes for the current and prior periods are recognized at the amount expected to be paid to or recovered from the tax authorities.

Deferred taxes are determined in accordance with IAS 12 (Income Taxes). Deferred taxes arise from temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and the tax balance sheet, from consolidation transactions and from tax loss carryforwards where it is likely that there will be sufficient income in subsequent years for these loss carryforwards 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 fiscal entity for tax purposes of Brenntag AG of currently 32% and in the previous year of 31% for corporate income tax, solidarity surcharge and trade income tax, and for foreign companies, at local tax rates (as in the previous year between 10% and 41%). 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 by the balance-sheet date.

Deferred tax assets and liabilities are netted against each other if they relate to the same tax authority, the company has a legally enforceable right to set them off against each other and they refer to the same periods.

Net investment hedges

When a net investment in a foreign operation is hedged (net investment hedge), exchange rate-related changes in liabilities included in net investment hedge accounting, calculated on the effective portion, are recorded within equity in the net investment hedge reserve. In the case of the sale of part or all of the foreign operation, the amount previously shown in the net investment hedge reserve is recognized in profit or loss.

Cash flow hedges

The hedge-effective portion of changes in the fair value of derivative financial instruments included in cash flow hedge accounting is recognized within equity in the cash flow hedge reserve. Gains or losses from the effective portion of these derivatives are only reclassified to the income statement when the underlying hedged item is recognized in income. If the cash flows from a hedged item are no longer expected, the accumulated gains or losses recognized directly in equity are reclassified immediately to the income statement. Ineffective portions of the hedge accounting are recognized directly in income.

Assumptions and estimates

Assumptions and estimates which may affect the amounts and disclosures of the reported assets and liabilities and revenues and expenses have to be made in the consolidated financial statements. These estimates and assumptions mainly relate to the calculation and discounting of cash flows when impairment tests are performed, the likelihood of occurrence and the discounting of provisions, particularly in the field of environmental risks, as well as estimates regarding the amount of future purchase prices for purchase price obligations to acquire further shares in subsidiaries of Brenntag AG that are currently held by minority shareholders. Furthermore, assumptions are made as to the realization of future tax benefits from loss carry-forwards as well as to the useful lives of intangible assets and property, plant and equipment.

If the WACC (weighted average cost of capital) taken as a basis for impairment testing of the goodwill had been one percentage point higher, as in 2010 no impairment would have arisen either at segment or at Group level.

If the discount rate 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 5.2 million (Dec. 31, 2010: EUR 4.4 million) or increased by EUR 5.8 million (Dec. 31, 2010: EUR 4.9 million), respectively.

The actual amounts can differ from the assumptions and estimates in individual cases. Adjustments are recognized in income 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 purchases of consolidated subsidiaries and other business units as defined by IFRS 3 (Business Combinations) are eliminated from the individual items of the cash flow statements and combined under cash flow from investing activities. The repayment of liabilities under finance leases is shown as cash used for financing activities. The effect of changes in value due to exchange rate fluctuations on cash and cash equivalents is shown separately.

Segment reporting

Segment reporting under IFRS 8 (Operating Segments) is based on the management approach. Reporting is based on the internal control and reporting information used by the top management for assessing segment performance and making resource allocations.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

1. Sales

The total sales of EUR 8,679.3 million (2010: EUR 7,649.1 million) mainly relate to the sale of goods. Sales of EUR 0.4 million (2010: EUR 0.6 million) were generated with related parties.

2. Cost of goods sold

The cost of goods sold includes cost of materials and the other operating expenses which can be allocated directly or proportionately to this line item. The cost of materials amounts to EUR 6,871.7 million (2010: EUR 5,975.2 million). The cost of goods sold also includes write-downs of inventories of EUR 5.1 million (2010: EUR 2.9 million).

3. Selling expenses

The selling expenses include all direct selling and distribution costs as well as respective overheads which are incurred in the reporting period and can be allocated directly or proportionately to this line item.

Rental and lease expenses for operating leases total EUR 74.2 million (2010: EUR 69.0 million), of which EUR 0.8 million (2010: EUR 0.8 million) are for contingent rents. They are mainly shown under selling expenses.

4. Administrative expenses

The administrative expenses contain all costs which are of a general administrative character provided they are not allocated to other functional areas.

5. Other operating income

in EUR m	2011	2010
Income from the disposal of non-current assets	2.4	1.9
Income from the reversal of provisions no longer required	1.6	4.3
Miscellaneous operating income	37.1	51.9
Total	**41.1**	**58.1**

6. Other operating expenses

in EUR m	2011	2010
Impairments of trade receivables	−5.4	−9.9
Impairments of other receivables	−1.7	−0.8
Income from the reversal of impairments of trade receivables	2.0	3.0
Income from the reversal of impairments of other receivables	0.6	–
Losses on the disposal of non-current assets	−0.9	−0.9
Miscellaneous operating expenses	−15.2	−19.3
Total	**−20.6**	**−27.9**

7. Finance income

in EUR m	2011	2010
Interest income from third parties	4.4	3.5
Expected income from plan assets	6.7	5.8
Total	**11.1**	**9.3**

8. Finance costs

in EUR m	2011	2010
Interest expense on liabilities to third parties	−93.1	−116.0
Interest expense on liabilities to related parties	–	−17.0
Expense from the measurement of interest rate swaps and interest caps at fair value	−12.4	−31.0
Interest expense on the unwinding of discounting for provisions for pensions and similar obligations	−9.3	−8.7
Interest expense on other provisions	−2.0	−3.1
Interest expense on finance leases	−1.6	−1.8
Total	**−118.4**	**−177.6**

9. Changes in purchase price obligations and liabilities under IAS 32 to minorities

in EUR m	**2011**	2010
Effect of unwinding of discounting	−1.9	–
Result from measurement of the purchase price obligations at the exchange rate on the reporting date	−8.7	–
Change in liabilities under IAS 32 to minorities	−1.5	−1.9
Total	**−12.1**	**−1.9**

For further information, we refer to Note 30.

10. Other financial result

in EUR m	**2011**	2010
Result from the translation of foreign currency receivables and liabilities at the closing rate	−10.6	−8.9
Result from the measurement of foreign currency derivatives at fair value	0.5	−1.4
Miscellaneous other financial income	–	0.1
Miscellaneous other financial expense	−1.0	−1.5
Total	**−11.1**	**−11.7**

11. Income taxes

in EUR m	**2011**	2010
Current income taxes	−116.1	−106.5
Deferred taxes	−24.1	21.3
(thereof from temporary differences)	(−16.6)	(11.7)
(thereof from tax loss carryforwards)	(−7.5)	(9.6)
Total	**−140.2**	**−85.2**

The effective tax expense of EUR 140.2 million (2010: EUR 85.2 million) differs by EUR 6.0 million (2010: EUR 13.4 million) from the expected tax expense of EUR 134.2 million (2010: EUR 71.8 million). The expected tax expense results from applying the Group tax rate of 32% (2010: 31%) to the pre-tax result.

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

in EUR m	2011	2010
Pre-tax profit	419.5	231.8
Expected income tax (32%, 2010: 31%)	−134.2	−71.8
Difference due to tax base	10.6	−0.5
Difference to expected tax rate	−3.2	−14.3
Changes in valuation adjustments on deferred tax assets/losses without the establishment of deferred taxes	5.5	12.4
Changes in the tax rate and tax laws	−0.4	0.5
Non-tax-deductible expenses	−4.7	−11.1
Tax-free income	1.5	1.1
Result of investments accounted for at equity	1.0	1.3
Taxes of prior periods	−8.1	−1.9
Deferred taxes on temporary differences from shares in subsidiaries	−2.4	1.6
Changes in purchase price obligations and liabilities under IAS 32 to minorities	−2.9	–
Other effects	−2.9	−2.5
Effective tax expense	**−140.2**	**−85.2**

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

	Dec. 31, 2011		Dec. 31, 2010	
in EUR m	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Current assets				
Cash and cash equivalents and financial assets	13.8	6.4	10.5	3.9
Inventories	11.4	0.9	11.0	0.3
Non-current assets				
Property, plant and equipment	15.2	93.4	15.1	89.4
Intangible assets	6.2	121.0	6.5	103.1
Financial assets	3.3	9.3	10.2	7.7
Current liabilities				
Other provisions	8.8	0.2	9.8	0.2
Liabilities	32.1	8.6	26.4	2.2
Non-current liabilities				
Provisions for pensions	7.8	1.0	8.3	0.1
Other provisions	29.2	1.5	26.1	1.4
Liabilities	9.2	4.7	14.2	6.9
Special tax-allowable reserves	5.1	2.8	5.0	2.4
Loss carryforwards	75.8	–	96.0	–
Consolidation items	–	6.8	–	4.5
Deferred tax (gross)	**217.9**	**256.6**	**239.1**	**222.1**
Valuation allowance [1]	−47.6	–	−60.2	–
Offsetting	−105.7	−105.7	−98.0	−98.0
Deferred tax (net)	**64.6**	**150.9**	**80.9**	**124.1**

[1] *Deferred tax assets and corresponding valuation allowances are shown as gross amounts.*

Of the deferred tax assets, EUR 51.9 million (Dec. 31, 2010: EUR 54.2 million) are current and EUR 12.7 million (Dec. 31, 2010: EUR 26.7 million) are non-current. Of the deferred tax liabilities, EUR 3.3 million (Dec. 31, 2010: EUR 0.2 million) are current and EUR 147.6 million (Dec. 31, 2010: EUR 123.9 million) are non-current.

Temporary differences in connection with shares in subsidiaries for which no deferred tax liabilities were recognized amount to EUR 381.4 million (Dec. 31, 2010: EUR 243.8 million).

The existing tax loss carryforwards can be utilized as follows:

	Dec. 31, 2011		Dec. 31, 2010	
in EUR m	Loss carryforwards	Thereof loss carryforwards without deferred taxes	Loss carryforwards	Thereof loss carryforwards without deferred taxes
Within one year	0.2	(0.1)	24.5	(24.2)
2 to 5 years	4.5	(3.6)	5.1	(3.1)
6 to 9 years	0.1	(–)	5.5	(–)
More than 9 years	101.2	(101.2)	58.6	(56.5)
Unlimited	320.7	(188.0)	417.4	(249.1)
Total	**426.7**	**(292.9)**	**511.1**	**(332.9)**

Restrictions on loss carryforwards and their utilization (minimum taxation) are taken into consideration when measuring the deferred taxes on loss carryforwards.

Of the total loss carryforwards, deferred taxes of EUR 28.2 million (Dec. 31, 2010: EUR 35.6 million) were provided for loss carryforwards of EUR 133.8 million (Dec. 31, 2010: EUR 178.2 million) which are likely to be utilized. The loss carryforwards of EUR 133.8 million which are likely to be utilized include domestic corporate tax and trade income tax loss carryforwards totalling EUR 87.8 million (Dec. 31, 2010: EUR 123.3 million). No deferred taxes were provided for loss carryforwards of EUR 292.9 million (Dec. 31, 2010: EUR 332.9 million) which are not likely to be utilized.

12. Minority interests in profit/loss after tax

Of the shares of other shareholders in the profit/loss after tax, EUR 2.1 million (2010: EUR 4.1 million) relates to the net income for the period and EUR 0.2 million (2010: EUR 1.1 million) to the net loss for the period of fully consolidated companies.

13. Personnel expenses/Employees

Personnel expenses amount to EUR 647.4 million (2010: EUR 618.1 million). This line item includes wages and salaries totalling EUR 517.2 million (2010: EUR 491.5 million) as well as social insurance contributions of EUR 130.2 million (2010: EUR 126.6 million), of which pension expenses (including employer contributions to the statutory pension insurance fund) account for EUR 42.3 million (2010: EUR 40.2 million). The interest portion of the addition to provisions for pensions is not included in personnel expenses but is shown within the financial result under finance costs.

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

	2011	2010
Europe	6,418	6,283
North America	3,706	3,463
Latin America	1,288	1,237
Asia Pacific	1,196	614
All Other Segments	145	137
Total	**12,753**	**11,734**

As at December 31, 2011, the employee numbers of the Brenntag Group totalled 13,154 (Dec. 31, 2010: 12,344). Of this figure, 1,480 (Dec. 31, 2010: 1,485) were employed in Germany.

14. Earnings per share

The earnings per share of EUR 5.39 (2010: EUR 2.93) are determined by dividing the share in income after tax of EUR 277.4 million (2010: EUR 143.6 million) due to the shareholders of Brenntag AG by the average weighted number of shares in circulation. The 41 million shares resulting from the conversion of the company into a stock corporation on March 11, 2010 have already been included from January 1, 2010 in the calculation of the earnings per share. The 10.5 million shares issued as part of the capital increase on March 29, 2010 have been taken into consideration on a pro-rata basis for the period January 1 to December 31, 2010.

Thus the number of shares in circulation developed as follows:

	Date	No. of shares (unweighted)	Weighting in days	No. of shares (weighted)
	Jan. 1, 2010	**41,000,000**	**365**	**41,000,000**
Capital increase through the issuance of new shares	Mar. 29,2010	10,500,000	278	7,997,260
	Dec. 31, 2010	**51,500,000**		**48,997,260**
	Dec. 31, 2011	**51,500,000**	**365**	**51,500,000**

The diluted earnings per share correspond to the undiluted earnings per share.

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

15. Cash and cash equivalents

in EUR m	Dec. 31, 2011	Dec. 31, 2010
Bank deposits	449.7	354.5
Cheques and cash on hand	9.1	8.4
Total	**458.8**	**362.9**

16. Trade receivables

in EUR m	Dec. 31, 2011	Dec. 31, 2010
Trade receivables from third parties	1,220.8	1,059.6
Trade receivables from related parties	0.1	0.1
Total	**1,220.9**	**1,059.7**

The trade receivables which were past due but for which no impairment loss had been recorded as at the reporting date were past due by the following number of days:

in EUR m	Dec. 31, 2011	Dec. 31, 2010
1 to 30 days	161.2	142.1
31 to 60 days	28.4	21.8
61 to 90 days	6.5	4.5
91 to 180 days	4.2	3.6
more than 180 days	4.0	5.2
Receivables past due for which no impairment loss has been recorded	**204.3**	**177.2**
Receivables not past due and for which no impairment loss has been recorded	1,006.4	872.4
Gross value of receivables for which an impairment loss has been recorded	52.8	55.0
Gross value of trade receivables	**1,263.5**	**1,104.6**

In the Europe segment, most of the trade receivables are secured by trade credit insurances; in the Latin America and Asia Pacific segments, there are trade credit insurances for most of the receivables in certain countries. In the North America segment as well as in some countries in the Latin America and Asia Pacific segments, there are no trade credit insurances.

The impairments on trade receivables developed as follows:

in EUR m	
Dec. 31, 2009	**44.9**
Exchange rate differences	1.5
Additions	9.9
Reversals	−3.0
Utilizations	−8.4
Dec. 31, 2010	**44.9**
Exchange rate differences	0.5
Additions	5.4
Reversals	−2.0
Utilizations	−6.2
Dec. 31, 2011	**42.6**

17. Other receivables

in EUR m	Dec. 31, 2011 Total	Dec. 31, 2011 (Thereof current)	Dec. 31, 2010 Total	Dec. 31, 2010 (Thereof current)
Value added tax receivables	27.4	(27.4)	19.7	(19.7)
Receivables from packaging	16.8	(16.8)	19.4	(19.4)
Reimbursement claims – environment	5.9	(0.1)	9.7	(1.3)
Suppliers with debit balances	5.5	(5.5)	5.4	(5.4)
Receivables from insurance claims	2.0	(2.0)	4.9	(4.9)
Receivables from plan assets – pensions	8.3	(–)	4.8	(–)
Deposits	2.8	(2.8)	3.0	(3.0)
Receivables from commissions and rebates	11.5	(11.5)	2.8	(2.8)
Advance payments	4.7	(4.7)	2.1	(2.1)
Receivables from other taxes	2.6	(2.6)	2.0	(2.0)
Receivables from employees	0.8	(0.8)	1.6	(1.6)
Miscellaneous other receivables	19.4	(11.7)	17.7	(14.0)
Prepaid expenses	17.8	(17.2)	11.0	(10.4)
Total	**125.5**	**(103.1)**	**104.1**	**(86.6)**

18. Other financial assets

in EUR m	Remaining term: less than 1 year	Remaining term: 1 to 5 years	Remaining term: more than 5 years	Dec. 31, 2011
Financial receivables from third parties	18.1	10.8	0.4	29.3
Derivative financial instruments	1.0	–	–	1.0
Available-for-sale financial assets	1.6	–	–	1.6
Financial receivables from related parties	0.1	–	–	0.1
Total	**20.8**	**10.8**	**0.4**	**32.0**

in EUR m	Remaining term: less than 1 year	Remaining term: 1 to 5 years	Remaining term: more than 5 years	Dec. 31, 2010
Financial receivables from third parties	4.6	5.7	–	10.3
Derivative financial instruments	1.5	–	–	1.5
Available-for-sale financial assets	1.5	–	–	1.5
Financial receivables from related parties	–	0.6	0.1	0.7
Total	**7.6**	**6.3**	**0.1**	**14.0**

19. Inventories

The inventories break down as follows:

in EUR m	Dec. 31, 2011	Dec. 31, 2010
Merchandise	675.2	584.0
Finished goods	16.8	17.2
Raw materials and supplies	4.8	4.9
Total	**696.8**	**606.1**

20. Non-current assets held for sale

Non-current assets held for sale of EUR 3.3 million (Dec. 31, 2010: EUR 0.4 million) are recognized under current assets; of this figure, the North America segment accounts for EUR 0.4 million (Dec. 31, 2010: EUR 0.4 million), Europe for EUR 0.6 million (Dec. 31, 2010: EUR 0.0 million) and Asia Pacific for EUR 2.3 million (Dec. 31, 2010: EUR 0.0 million). These assets are land and buildings as well as investments which are to be sold within the next twelve months as they are no longer required for business operations.

Non-current assets held for sale are carried at the lower of carrying amount and fair value less costs to sell. As the fair value of the assets less costs to sell exceeds their remaining carrying amount, no impairments had to be recorded in the reporting period.

21. Property, plant and equipment

in EUR m	Real estate and leasehold rights	Technical equipment, plant and machinery	Other equipment, fixtures, furniture and office equipment	Advance payments and construction in progress	Total
ACQUISITION AND PRODUCTION COSTS					
Dec. 31, 2009	**540.4**	**301.8**	**149.4**	**22.0**	**1,013.6**
Exchange rate differences	22.7	13.6	6.2	0.9	43.4
Additions from business combinations	11.7	0.9	3.4	0.4	16.4
Other additions	6.0	23.2	30.5	23.1	82.8
Disposals	−0.7	−3.1	−13.4	–	−17.2
Transfers	12.4	11.3	4.0	−28.9	−1.2
Dec. 31, 2010	**592.5**	**347.7**	**180.1**	**17.5**	**1,137.8**
Exchange rate differences	4.2	7.0	1.0	0.3	12.5
Additions from business combinations	24.3	10.3	1.3	1.0	36.9
Other additions	7.0	19.8	28.4	27.5	82.7
Disposals	−2.8	−2.5	−14.2	−0.1	−19.6
Transfers	10.3	11.4	2.7	−24.2	0.2
Dec. 31, 2011	**635.5**	**393.7**	**199.3**	**22.0**	**1,250.5**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Dec. 31, 2009	**62.0**	**97.2**	**70.3**	**–**	**229.5**
Exchange rate differences	3.3	4.4	2.5	–	10.2
Scheduled depreciation	20.7	32.9	30.4	–	84.0
Disposals	−0.2	−2.5	−12.2	–	−14.9
Transfers	–	−0.5	−0.1	–	−0.6
Dec. 31, 2010	**85.8**	**131.5**	**90.9**	**–**	**308.2**
Exchange rate differences	0.9	3.0	0.3	–	4.2
Scheduled depreciation	21.9	34.1	31.7	–	87.7
Impairment	0.2	0.3	–	–	0.5
Disposals	−1.1	−2.1	−12.7	–	−15.9
Transfers	–	0.3	−0.3	–	–
Dec. 31, 2011	**107.7**	**167.1**	**109.9**	**–**	**384.7**
Carrying amounts at Dec. 31, 2011	527.8	226.6	89.4	22.0	865.8
Carrying amounts at Dec. 31, 2010	506.7	216.2	89.2	17.5	829.6

The carrying amounts for assets recognized on the basis of finance leases total EUR 9.6 million (Dec. 31, 2010: EUR 10.0 million) for real estate, EUR 0.8 million (Dec. 31, 2010: EUR 0.8 million) for technical equipment, plant and machinery, and EUR 6.4 million (Dec. 31, 2010: EUR 6.7 million) for other equipment as well as fixtures, furniture and office equipment.

The volume of government grants totals EUR 1.0 million (Dec. 31, 2010: EUR 1.0 million).

22. Investment property

in EUR m	
ACQUISITION AND PRODUCTION COSTS	
Dec. 31, 2009	**–**
Transfers	3.5
Dec. 31, 2010	**3.5**
Exchange rate differences	−0.2
Additions from business combinations	0.5
Disposals	−3.3
Dec. 31, 2011	**0.5**
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
Dec. 31, 2009	**–**
Transfers	1.5
Dec. 31, 2010	**1.5**
Exchange rate differences	−0.1
Impairment	0.7
Disposals	−2.1
Dec. 31, 2011	**–**
Carrying amounts at Dec. 31, 2011	0.5
Carrying amounts at Dec. 31, 2010	2.0

The investment property was valued by external valuers. As at December 31, 2011, the fair value of the investment property amounted to EUR 0.5 million (Dec. 31, 2010: EUR 2.1 million).

23. Intangible assets

in EUR m	Goodwill	Trademarks	Customer relationships and similar rights	Software, licenses and similar rights	Total
ACQUISITION AND PRODUCTION COSTS					
Dec. 31, 2009	**1,453.4**	**209.4**	**462.0**	**44.4**	**2,169.2**
Exchange rate differences	75.7	0.7	22.6	1.8	100.8
Additions from business combinations	70.8	–	25.5	0.5	96.8
Other additions	–	–	–	2.3	2.3
Disposals	–	–	−428.3	−2.1	−430.4
Transfers	–	–	0.7	−0.7	–
Dec. 31, 2010	**1,599.9**	**210.1**	**82.5**	**46.2**	**1,938.7**
Exchange rate differences	25.5	0.8	1.5	0.5	28.3
Additions from business combinations	120.1	8.5	49.4	0.4	178.4
Other additions	–	–	–	3.3	3.3
Purchase price refunds from prior years	−1.7	–	–	–	−1.7
Disposals	–	−2.1	−13.4	−5.7	−21.2
Transfers	–	–	0.2	–	0.2
Dec. 31, 2011	**1,743.8**	**217.3**	**120.2**	**44.7**	**2,126.0**
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2009	**–**	**8.4**	**353.9**	**21.0**	**383.3**
Exchange rate differences	–	0.5	17.0	0.5	18.0
Scheduled amortization	–	1.3	96.2	6.9	104.4
Impairment	–	–	–	0.2	0.2
Disposals	–	–	−428.3	−2.1	−430.4
Dec. 31, 2010	**–**	**10.2**	**38.8**	**26.5**	**75.5**
Exchange rate differences	–	0.2	0.1	0.3	0.6
Scheduled amortization	–	1.4	16.4	6.3	24.1
Disposals	–	−2.2	−13.4	−5.6	−21.2
Dec. 31, 2011	**–**	**9.6**	**41.9**	**27.5**	**79.0**
Carrying amounts at Dec. 31, 2011	1,743.8	207.7	78.3	17.2	2,047.0
Carrying amounts at Dec. 31, 2010	1,599.9	199.9	43.7	19.7	1,863.2

The goodwill and the “Brenntag” trademark are assets with an indefinite useful life. They are tested regularly, at least annually, for impairment after completion of the annual budget process. The carrying amount of the “Brenntag” trademark is EUR 196.9 million as in the previous year.

Of the intangible assets as of December 31, 2011, some EUR 1,189 million relate to goodwill and trademarks that were capitalized as part of the purchase price allocation performed on the acquisition of the Brenntag Group by funds advised by BC Partners Limited, Bain Capital, Ltd. and subsidiaries of Goldman Sachs International at the end of the third quarter of 2006 in addition to the relevant intangible assets already existing in the previous Group structure.

The regional allocation of goodwill over the groups of cash-generating units relevant for impairment testing is as follows:

in EUR m	**Dec. 31, 2011**	Dec. 31, 2010
Europe	786.5	722.0
North America	763.2	726.2
Latin America	43.2	31.9
Asia Pacific	122.7	91.6
All Other Segments	28.2	28.2
Group	**1,743.8**	**1,599.9**

The fair value less costs to sell is taken as the recoverable amount. This amount is determined on the basis of a recognized company valuation model. The company valuation model is based on cash flow plans which are in turn based on the five-year plan approved by the Board of Management and applicable at the date of the performance of the impairment test.

The cash flow forecasts for the impairment test of the financial year ended December 31, 2011 were derived from the budget for 2012 and the plan years 2013 to 2016. The assumed growth rate for the period from 2017 onwards is 1.25% in Europe and North America (2010: 1.25%) and 2.5% in Latin America and Asia Pacific (2010: 2.5%). The planned cash flows are based on the management's past experience and expectations about the future market developments. They were discounted at the weighted average cost of capital after tax (WACC).

The discount rates for the segments reflect the special risks of the respective region:

WACC in %	**2011**	2010
Europe	7.4	7.8
North America	6.7	7.4
Latin America	8.7	9.6
Asia Pacific	7.7	8.9
Group	**7.3**	**7.8**

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

The disposals of gross values and cumulative amortization of customer relationships of EUR 428.3 million in each case in the previous year each related to customer relationships recognized as part of 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. These customer relationships were amortized over four years until September 30, 2010.

24. Investments accounted for at equity

The investments accounted for at equity developed as follows:

in EUR m	Interests in associates
Dec. 31, 2009	**18.6**
Exchange rate differences	3.2
Share of profit for the period	4.7
Dividends received	−0.4
Additions from business combinations	2,5
Dec. 31, 2010	**28.6**
Exchange rate differences	−3.5
Share of profit for the period	4.2
Dividends received	−1.1
Disposals	−0.4
Dec. 31, 2011	**27.8**

The financial year of the companies accounted for at equity is the calendar year.

The assets, liabilities, sales and profits for the period of the associated companies accounted for at equity are as follows (presentation in each case on the basis of 100 % of the shares):

in EUR m	Dec. 31, 2011	Dec. 31, 2010
Current assets	73.3	59.5
Non-current assets	27.6	22.9
Current liabilities	43.9	20.4
Non-current liabilities	5.4	13.2

in EUR m	2011	2010
Sales	156.6	129.1
Profit after tax	8.5	9.8

Former associates in which Brenntag no longer has a significant investment at the balance-sheet date are not included in the year of disposal in the financial information shown above.

Sales and profits of companies acquired are shown in the year of acquisition only for the period in which the company belongs to the Group.

25. Trade payables

in EUR m	Dec. 31, 2011	Dec. 31, 2010
Trade payables to third parties	956.6	834.0
Trade payables to related parties	–	0.1
Total	**956.6**	**834.1**

Trade payables include accruals of EUR 127.4 million (Dec. 31, 2010: EUR 120.0 million).

26. Financial liabilities

	Remaining term			
in EUR m	less than 1 year	1 to 5 years	more than 5 years	Dec. 31, 2011
Liabilities under syndicated loan	13.0	1,184.6	–	1,197.6
Other liabilities to banks	78.2	184.0	8.6	270.8
Bond	9.9	391.5	–	401.4
Liabilities under finance leases	2.9	10.7	5.3	18.9
Derivative financial instruments	5.6	8.2	–	13.8
Other financial liabilities	31.3	18.2	0.4	49.9
Total	**140.9**	**1,797.2**	**14.3**	**1,952.4**
Cash and cash equivalents				458.8
Net financial liabilities				**1,493.6**

	Remaining term			
in EUR m	less than 1 year	1 to 5 years	more than 5 years	Dec. 31, 2010
Liabilities under syndicated loan	20.4	1,461.6	–	1,482.0
Other liabilities to banks	39.8	186.4	9.5	235.7
Liabilities under finance leases	3.5	10.4	5.9	19.8
Derivative financial instruments	18.8	9.7	–	28.5
Other financial liabilities	4.6	13.2	–	17.8
Total	**87.1**	**1,681.3**	**15.4**	**1,783.8**
Cash and cash equivalents				362.9
Net financial liabilities				**1,420.9**

On June 27, 2011, Brenntag signed a new loan agreement with a consortium of international banks which completely replaced the existing syndicated loan. It was paid out on July 19, 2011. The syndicated bullet loan matures in July 2016 and is divided into different tranches with different currencies. While some of our subsidiaries are direct borrowers under the loan, others obtain their financing from intra-Group loans. Major Group companies are liable for the debt under the syndicated loan.

In the event of the Brenntag Group's sustained breach of the terms and obligations laid down in the syndicated loan agreement, the facility agent appointed by the lenders may foreclose the loans if he feels this move necessary to safeguard the lenders' interests or if he is called upon to do so by a qualified majority of the lenders. Should the relevant Brenntag Group companies which appear as the borrowers not be able to meet their payment obligations, the lenders are entitled to levy execution against the guarantees of other Group companies provided as security.

The liabilities under the syndicated loan break down as follows:

in EUR m	Maturity	Interest rate above EURIBOR/ LIBOR	Remaining term: less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than 5 years	**Dec. 31, 2011**
Senior Facility Agreements									
Tranche A	Jul. 19, 2016	1.85%	–	–	–	–	385.5	–	385.5
Tranche B	Jul. 19, 2016	1.95%	–	–	–	–	703.3	–	703.3
Revolver	Jul. 19, 2016	1.55%	–	–	–	–	110.1	–	110.1
Accrued interest			13.0	–	–	–	–	–	13.0
Total			**13.0**	**–**	**–**	**–**	**1,198.9**	**–**	**1,211.9**
Transaction costs			−3.1	−3.1	−3.1	−3.2	−1.8	–	−14.3
Liabilities under syndicated loan			**9.9**	**−3.1**	**−3.1**	**−3.2**	**1,197.1**	**–**	**1,197.6**

in EUR m	Maturity	Interest rate above EURIBOR/ LIBOR	Remaining term: less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than 5 years	Dec. 31, 2010
Senior Facility Agreements									
Tranche A	Jan. 18, 2013	3.25%	7.8	13.3	10.6	–	–	–	31.7
Tranche B	Jan. 18, 2014	3.50%/3.75%	–	–	–	1,023.0	–	–	1,023.0
Tranche C	Jan. 18, 2015	4.00%	–	–	–	–	112.1	–	112.1
Accrued interest			8.4	–	–	–	–	–	8.4
Total			**16.2**	**13.3**	**10.6**	**1,023.0**	**112.1**	**–**	**1,175.2**
Second-Lien Facility Agreement									
	Jul. 18, 2015	6.0%	–	–	–	–	306.4	–	306.4
Accrued interest			5.9	–	–	–	–	–	5.9
Total			**5.9**	**–**	**–**	**–**	**306.4**	**–**	**312.3**
Transaction costs			−1.7	−1.6	−1.6	−0.4	−0.2		−5.5
Liabilities under syndicated loan			**20.4**	**11.7**	**9.0**	**1,022.6**	**418.3**	**–**	**1,482.0**

Parallel to the payout of the syndicated loan, in July 2011 we also successfully placed a bond with a volume of EUR 400 million, maturing in mid-2018 with institutional investors. At an issue price of 99.321%, the bond bears a coupon of 5.5% with interest paid annually. The bond was issued by our Group company, Brenntag Finance B.V., Amsterdam, Netherlands, and is guaranteed by Brenntag AG and other Brenntag companies. In view of the identical network of guarantors, the bond has the same ranking as the syndicated loan.

If any of the events of default defined in the Conditions of Issue occurs, each bond holder may declare his note due and demand immediate redemption thereof. Should the issuer not be able to meet its repayment obligations, the bond holders are entitled to levy execution against the guarantees of other Group companies provided as security.

Of the other liabilities to banks, EUR 178.1 million (2010: EUR 176.7 million) are amounts owed to banks by the consolidated Irish special purpose entity, Brenntag Funding Ltd., Dublin. These amounts are secured at the balance-sheet date by receivables of EUR 367.5 million (Dec. 31, 2010: EUR 365.5 million) under the international accounts receivable securitization programme.

The following table shows the reconciliation of the future minimum lease payments to liabilities under finance leases:

in EUR m	Minimum lease payments	Interest portion	**Liabilities from finance leases**
less than 1 year	4.5	1.6	2.9
1 to 2 years	7.3	0.9	6.4
2 to 3 years	2.6	0.8	1.8
3 to 4 years	2.1	0.6	1.5
4 to 5 years	1.5	0.5	1.0
more than 5 years	9.0	3.7	5.3
Dec. 31, 2011	**27.0**	**8.1**	**18.9**

in EUR m	Minimum lease payments	Interest portion	Liabilities from finance leases
less than 1 year	5.1	1.6	3.5
1 to 2 years	3.7	1.3	2.4
2 to 3 years	6.6	0.8	5.8
3 to 4 years	1.9	0.7	1.2
4 to 5 years	1.6	0.6	1.0
more than 5 years	10.0	4.1	5.9
Dec. 31, 2010	**28.9**	**9.1**	**19.8**

27. Other liabilities

in EUR m	Dec. 31, 2011	(Thereof current)	Dec. 31, 2010	(Thereof current)
Liabilities to employees	92.6	(92.4)	89.9	(89.9)
Liabilities from packaging	68.9	(68.9)	70.1	(70.1)
Liabilities from value added tax	49.3	(49.3)	35.7	(35.7)
Liabilities to insurance companies	13.5	(13.5)	15.2	(15.2)
Liabilities from other taxes	15.9	(15.9)	14.3	(14.3)
Deferred income	9.5	(9.5)	10.5	(10.5)
Liabilities from social insurance contributions	8.2	(8.2)	7.9	(7.9)
Miscellaneous other liabilities	91.9	(90.0)	87.3	(85.3)
Total	**349.8**	**(347.7)**	**330.9**	**(328.9)**

Other liabilities include accruals of EUR 35.2 million (Dec. 31, 2010: EUR 35.8 million).

28. Other provisions

The other provisions developed as follows:

in EUR m	Environmental provisions	Provisions for personnel expenses	Miscellaneous provisions	Total
Jan. 1, 2011	**124.0**	**17.7**	**50.4**	**192.1**
Exchange rate differences	2.0	0.0	0.2	2.2
Additions from business combinations	3.5	2.7	1.3	7.5
Unwinding of discounting	1.9	0.0	0.1	2.0
Utilizations	−4.4	−8.9	−7.5	−20.8
Reversals	−7.2	−0.4	−5.3	−12.9
Additions	3.6	7.5	17.9	29.0
Transfers	0.0	1.8	−0.4	1.4
Dec. 31, 2011	**123.4**	**20.4**	**56.7**	**200.5**

The other provisions have the following maturities:

in EUR m	Dec. 31, 2011	Dec. 31, 2010
less than 1 year	74.9	56.2
1 to 5 years	70.7	89.9
more than 5 years	54.9	46.0
Total	**200.5**	**192.1**

Environmental provisions

In its business operations throughout the world, the Brenntag Group is subject to the laws of different countries which govern the handling of chemicals. These laws may mean that action has to be taken to dispose of hazardous materials or remedy damage to the environment. The polluter-must-pay principle generally applies, i.e. anybody who causes damage to the environment is liable for the resultant costs regardless of whether the polluter is the owner or the operator of a plant.

The recognition and measurement of environmental provisions are coordinated centrally by external independent experts. If the performance of restoration work or the imposing of environmental requirements by the authorities is probable and if these lead to an outflow of economic resources, a provision is established if the resultant costs can be reliably estimated. The provision amounts are determined on the basis of individual cost estimates for each case. Allowance is made not only for the kind 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 derived from the swap rates on the interbank market for the respective functional currencies. Increases in the future expenditure due to inflation are allowed for.

At December 31, 2011, the environmental provisions totalled EUR 123.4 million (Dec. 31, 2010: EUR 124.0 million). The environmental restoration provisions established 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 24.6 million (Dec. 31, 2010: EUR 23.8 million) for contingencies which, in line with the requirements of IFRS 3 (Business Combinations), entered the balance sheet largely through the purchase price allocation in connection with the acquisition of the Brenntag Group by funds advised by BC Partners Limited, Bain Capital, Ltd. and subsidiaries of Goldman Sachs International at the end of the third quarter of 2006.

Due to the nature and the large number of parameters which have to be considered when determining environmental provisions, there are uncertainties in their measurement. This applies both to the amount and the timing of future expenditure. However, based on the information available at the time of the preparation of these financial statements, it can be assumed that the environmental provisions are reasonable and any additional amounts incurred would not have any material effect on the net assets, financial position and results of operations of the Group.

In some cases, special agreements have been reached which ensure that the cost of any future environmental work necessary will be borne by third parties. If receipt of payment from the third party is virtually certain provided Brenntag meets its obligations, these reimbursement claims are capitalized. They are measured in the same way as the corresponding provisions. The amount recognized does not exceed the amount of the provision. The reimbursement claims capitalized at December 31, 2011 amount to EUR 5.9 million (Dec. 31, 2010: EUR 9.7 million).

Provisions for personnel expenses

The share-based remuneration programme on the basis of virtual shares is a long-term bonus system for the members of the Board of Management of Brenntag AG awarded every year. The amount of the bonus depends on the achievement of quantitative and qualitative targets as well as on the development of the Brenntag share price. The quantitative targets comprise the financial key performance indicators operating gross profit, operating EBITDA, free cash flow and RONA. Depending on the degree of achievement of the quantitative and qualitative targets, the members of the Board of Management are awarded a base amount every year, half of which is converted into virtual shares. At the end of the vesting period, they are to be multiplied by the average share price adjusted for dividends, capital measures and share splits (total shareholder return). The further development of the other half of the base amount until pay-out after completion of the individual vesting periods depends on the out- or underperformance of the total shareholder return compared with the average share price development of the MDAX®. The total amount to be paid out must not exceed 250% of the base amount.

The provisions for share-based remuneration amount to EUR 3.9 million (2010: EUR 1.0 million). The total cost of the virtual share programme contained in personnel expenses amounts to EUR 2.9 million (2010: EUR 1.0 million).

Furthermore, the provisions for personnel expenses include pre-retirement part-time work compensation amounting to EUR 1.9 million (Dec. 31, 2010: EUR 2.4 million) and anniversary bonuses amounting to EUR 3.7 million (Dec. 31, 2010: EUR 3.5 million).

Miscellaneous provisions

Miscellaneous provisions include provisions for compensation payable of EUR 8.0 million (Dec. 31, 2010: EUR 5.3 million) as well as for risks from unsettled litigation amounting to EUR 11.7 million (Dec. 31, 2010: EUR 7.0 million) and provisions for restoration obligations amounting to EUR 3.0 million (Dec. 31, 2010: EUR 3.0 million).

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.

29. Provisions for pensions and similar obligations

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 countries and the employee‘s years of service with the company and pay grade. The defined benefit plans are funded with provisions and largely covered by assets of external funds.

Defined contribution plans

A large number of the employees of the Brenntag Group 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 were recognized as expense for the relevant period. In the 2011 financial year, pension expenses in the Brenntag Group totalled EUR 20.1 million (2010: EUR 19.0 million) for employer contributions to the statutory pension insurance fund and EUR 13.5 million (2010: EUR 12.3 million) for non-statutory defined contribution plans.

Defined benefit plans

Pension expenses for obligations from defined benefit plans total EUR 11.3 million (2010: EUR 11.8 million). Apart from the interest expense and the expected return on external assets recorded within the financial result, the pension expenses are allocated to the functional areas within the operating result.

Pension expenses for defined benefit plans and similar obligations

in EUR m	2011	2010
Current service cost	−8.4	−7.3
Interest expense	−9.3	−8.7
Expected return on plan assets	6.7	5.8
Past service cost (changes in the pension plan)	–	−1.2
Amortization of actuarial gains/(losses)	−0.3	−2.6
Effect of the limiting of plan assets in acc. with IAS 19.58b	–	2.2
Total	**−11.3**	**−11.8**

The pensions expected to be paid directly by the company in 2012 total EUR 3.2 million. The expected payments into the plan assets for 2012 amount to EUR 7.7 million.

While the value of assets was determined on the basis of the fair value of the funds invested at December 31, 2011, the pension obligations were calculated using actuarial reports. The assumptions used in the actuarial measurement of the obligations and the costs as well as the expected rates of return on plan assets are shown in the following table:

Actuarial parameters applied

	Europe		North America		Latin America		Asia Pacific	
in %	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Discount rate	3.40[1)]	3.70[1)]	5.25	5.75	6.50	6.50	4.30	4.80
Projected salary increases	2.10	2.10	3.75	4.00	2.40	2.40	5.30	5.50
Projected pension payment increases	1.30	1.30	2.50	3.00	6.50	6.50	3.40	4.00
Inflation	1.50	1.50	2.50	3.00	5.00	5.00	3.40	4.00
Medical cost trend	n. a.	n. a.	6.50	6.60	n. a.	n. a.	n. a.	n. a.
Expected rate of return on plan assets	3.90	4.00	6.00	7.00	n. a.	n. a.	3.70	3.60

[1)] *Dec. 31, 2011: EURO countries 4.50% discount rate; Switzerland 2.25% discount rate;*
Dec. 31, 2010: EURO countries 4.75% discount rate; Switzerland 2.75% discount rate.

Breakdown of the fair value of the plan assets

in EUR m	Dec. 31, 2011	Dec. 31, 2010
Shares	25.9	24.8
Fixed-interest securities	23.8	25.0
Others	117.6	111.3
Total	**167.3**	**161.1**

The other plan assets of EUR 117.6 million (Dec. 31, 2010: EUR 111.3 million) consist of EUR 109.1 million (Dec. 31, 2010: EUR 102.8 million) from insurance contracts which European Brenntag companies have concluded and EUR 8.5 million (Dec. 31, 2010: EUR 8.5 million) from other assets in Asia (EUR 1.5 million), in Canada (EUR 0.2 million) and in Switzerland (EUR 6.8 million). The insurance contracts have an average discount rate of 3.0%. Together with the income generated in prior periods and the expected future rates of return thereon, an average expected long-term rate of return of 4.0% has been taken.

Of the shares and fixed-interest securities shown as assets, EUR 29.0 million are from Canada, EUR 19.9 million from Switzerland and EUR 0.8 million from France.

The Canadian assets are invested in external investment fund shares. 59.0% of the portfolio of this investment fund consists of international shares. 40.2% is invested in fixed-interest securities and the remaining 0.8% consists of cash and other assets. Due to the investment structure of the fund, an expected long-term rate of return of 6.0% has been taken. 9.2% of the assets in Switzerland have been invested in international shares and 12.0% in fixed-interest securities. The majority (71.6%) consists of insurance contracts. The remaining 7.2% is cash. An expected long-term rate of return of 3.75% has been taken. The assets in France consist exclusively of fixed-interest securities with an expected long-term rate of return of 3.5%.

Effect from the increase/decrease in the medical cost inflation rate

in EUR m	Dec. 31, 2011	Dec. 31, 2010
Influence of +1 percentage point on the service cost and interest expense	0.3	0.2
Influence of +1 percentage point on the pension obligations at the end of the period	2.3	1.7
Influence of −1 percentage point on the service cost and interest expense	−0.2	−0.2
Influence of −1 percentage point on the pension obligations at the end of the period	−1.8	−1.4

Reconciliation of the present value of pensions and similar obligations to the provisions shown in the balance sheet

in EUR m	2011	2010
PENSION OBLIGATIONS FROM DEFINED BENEFIT PENSION PLANS		
Present value of pension entitlements at the beginning of the period	225.7	182.2
Exchange rate differences	3.2	18.7
Addition from business combinations	–	2.7
Utilizations	−9.9	−8.7
Service cost	8.4	7.3
Employee contributions	1.4	1.3
Interest expense	9.3	8.7
Changes in pension plans	–	1.2
Actuarial loss	17.8	12.3
Present value of pension entitlements at the end of the period	**255.9**	**225.7**
(thereof funded)	(191.1)	(168.5)
(thereof unfunded)	(64.8)	(57.2)

in EUR m	2011	2010
FAIR VALUE OF PLAN ASSETS		
Fair value at the beginning of the period	161.1	134.5
Exchange rate differences	2.9	17.9
Addition from business combinations	–	0.2
Utilizations	−8.0	−6.6
Employee contributions	1.4	1.3
Employer contributions	8.6	6.2
Expected return on plan assets	6.7	5.8
Actuarial gain/(loss)	−5.4	1.8
Fair value of plan assets at the end of the period	**167.3**	**161.1**

The reconciliation of the obligation less plan assets to the provision actually recognized in the balance sheet is as follows:

in EUR m	Dec. 31, 2011	Dec. 31, 2010
Present value of the funded pension entitlements	191.1	168.5
less fair value of plan assets	−167.3	−161.1
Underfunding by plan assets	23.8	7.4
Present value of unfunded pension entitlements	64.8	57.2
Funded status of pension entitlements	88.6	64.6
Unrecognized actuarial loss	−32.0	−8.7
Provisions for pensions and similar obligations – net	56.6	55.9
thereof assets capitalized	8.3	4.8
Provisions for pensions and similar obligations shown in the balance sheet	**64.9**	**60.7**

The present value of pension entitlements amounting to EUR 255.9 million (Dec. 31, 2010: EUR 225.7 million) contains pension entitlements for members of the Board of Management in the amount of EUR 6.1 million (Dec. 31, 2010: EUR 5.2 million).

The provisions for pensions shown include EUR 11.3 million (Dec. 31, 2010: EUR 10.3 million) for health care plans in Canada.

The amounts not yet recognized in the income statement are the difference between the pension obligation – after deduction of the fair value of the plan assets – and the liability reported in the balance sheet.

Of the actuarial loss of EUR 17.8 million (2010: EUR 12.3 million) in the obligations, EUR 17.6 million (2010: EUR 12.5 million) is attributable to actuarial losses due to changes in actuarial parameters to be applied at the measurement date and EUR 0.2 million (2010: EUR 0.2 million gain) to an actuarial loss due to experience adjustments to the obligations.

The actual gain from plan assets is EUR 1.3 million (2010: EUR 7.6 million). The actuarial losses in the plan assets of EUR 5.4 million (2010: EUR 1.8 million gains) which are also new and as yet unrecognized in the income statement are due to differences between the effective and expected rates of returns of the plan assets. Overall, this led to total unrecognized losses of EUR 32.0 million (2010: EUR 8.7 million).

In accordance with IAS 19, the actuarial net gain or net loss portion shown in the income statement is determined using the corridor method. The gain or loss outside the 10% corridor (the higher of pension obligation and plan assets) is amortized in the income statement over the expected average remaining working lives of the employees.

Historical development of provisions for pensions and similar obligations

in EUR m	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Pension obligation from defined benefit plans	255.9	225.7	182.2	161.0	162.6
Fair value of plan assets	167.3	161.1	134.5	125.1	129.6
Funded status of pension entitlements	88.6	64.6	47.7	35.9	33.0
Gains/(losses) from experience adjustments – pension obligation	−0.2	0.2	1.1	1.5	−2.6
Gains/(losses) from experience adjustments – plan assets	−5.4	1.8	2.0	−15.8	−3.5

30. Purchase price obligations and liabilities under IAS 32 to minorities

The purchase price obligations and liabilities under IAS 32 to minorities break down as follows:

in EUR m	Dec. 31, 2011	Dec. 31, 2010
Purchase price obligation for final purchase price payment of first tranche of Zhong Yung (51%)	30.1	–
Purchase price obligation for second tranche of Zhong Yung (49%)	72.8	–
Liabilities under IAS 32 to minorities	1.8	2.0
Total	**104.7**	**2.0**

On initial recognition at the end of August, the purchase price expected to be paid for the remaining shares in Zhong Yung (second tranche) in 2016 was to be recorded as a liability in equity at its present value. Any difference resulting from unwinding of discounting and changes in the estimate of the future purchase price are recognized in profit or loss.

The purchase price obligation for the second tranche of Zhong Yung has been included in net investment hedge accounting in the amount of the pro-rata net assets of the Chinese Zhong Yung companies. Exchange rate-related changes in the liability are recorded for the portion included in net investment hedge accounting within equity in the net investment hedge reserve and for the portion not included in net investment hedge accounting are recognized in profit or loss.

31. 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 investment for the shareholders in line with market conditions.

Therefore, on Group level, Brenntag is striving for a reasonable return on capital employed measured by return on net assets (RONA).

In 2011, the Group generated RONA of 32.5 % (2010: 33.0 %).

in EUR m		2011	2010
EBITA		569.9	513.6
Average property, plant and equipment		824.0	806.1
Average working capital		928.3	752.4
RONA [1]	**%**	**32.5**	**33.0**

[1] *For the definition of RONA, see the chapter Group Key Financial Figures.*

Brenntag monitors the appropriateness of borrowings inter alia through the ratio of net financial liabilities to operating EBITDA (leverage). In principle, Brenntag considers a leverage of between 2.0 x and 2.7 x to be acceptable. Brenntag would only accept higher leverages if they were temporary, for example in connection with acquisitions. A positive development of business may lead to an undershooting of this leverage corridor without, in the company's opinion, any counteraction being necessary.

The ratio of net financial liabilities to operating EBITDA improved from 2.4 in 2010 to 2.3 in 2011.

in EUR m	2011	2010
Non-current financial liabilities	1,811.5	1,696.7
Current financial liabilities	140.9	87.1
Less cash and cash equivalents	−458.8	−362.9
Net financial liabilities excluding shareholder loan	1,493.6	1,420.9
Operating EBITDA	660.9	602.6
Net financial liabilities/operating EBITDA	**2.3 x**	**2.4 x**

Subscribed capital

As of December 31, 2011, the subscribed capital of Brenntag AG totalled EUR 51.5 million. The share capital is divided into 51,500,000 no-par-value registered shares, each with a notional value of EUR 1.00. According to article 7, para. 3 of the Articles of Association of Brenntag AG, any right of shareholders to certification of their shares is excluded to the extent permitted by law and that certification is not required under the rules of any stock exchange on which the share is admitted for trading. The company is entitled to issue share certificates embodying several shares (consolidated certificates). Pursuant to section 67, para. 2 of the German Stock Corporation Act (AktG) only those persons recorded in the company's share register will be recognized as shareholders of Brenntag AG. For purposes of recording the shares in the company's share register, shareholders are required to submit to Brenntag AG the number of shares held by them, and, in the case of individuals, their name, address and date of birth, or in the case of legal entities, their company name, business address and registered offices. All shares confer the same rights and obligations. At the General Shareholders' Meeting, each share has one vote and accounts for the shareholders' proportionate share in the net income of Brenntag AG. Excepted from this rule are any treasury shares held by Brenntag AG that do not entitle Brenntag AG to any rights. 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 was unchanged compared with the previous year at EUR 1,560.1 million. In 2010, the additional paid-in capital increased by EUR 504.6 million through the issuance of new shares. The costs connected with the issuance of the new shares amounting to EUR 13.7 million were directly offset against the additional paid-in capital, taking the relevant tax effects of EUR 3.7 million into account.

Retained earnings

The retained earnings include the cumulated result after tax. Furthermore, effects of share purchases and sales which have no influence on existing control are recognized in the retained earnings (economic entity approach).

As proposed by the Board of Management and the Supervisory Board, the ordinary General Shareholders' Meeting of Brenntag AG on June 22, 2011 passed a resolution to pay a dividend of EUR 72,100,000.00. That is a dividend of EUR 1.40 per no-par share entitled to a dividend.

The initial recognition of the obligation to purchase the remaining shares (second tranche) in Zhong Yung (International) Chemical Co., Ltd., Hong Kong in the amount of EUR 63.2 million has correspondingly reduced the retained earnings.

At the end of July 2011, Brenntag acquired the remaining shares in Brenntag Polska sp. z o.o., Kedzierzyn-Koźle, Poland, and European Polymers and Chemical Distribution BVBA, Deerlijk, Belgium. The purchase price payment to the previous minority shareholders of EUR 25.3 million has correspondingly reduced the equity of the Group.

At the General Shareholders' Meeting on June 20, 2012, the Board of Management and the Supervisory Board will propose that a dividend of EUR 103,000,000.00 be paid. That is a dividend of EUR 2.00 per no-par share entitled to a dividend.

Other equity components

The total comprehensive income for the period comprises the profit after tax as well as the other comprehensive income. The other comprehensive income contains gains and losses which are recognized directly in equity.

The result 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 directly in equity.

Exchange-rate differences from liabilities included in net investment hedge accounting are recorded within equity in the net investment hedge reserve.

In 2010, the cash flow hedge reserve included those portions of the fair values of the interest rate swaps, basis swaps and interest caps included in cash flow hedge accounting that are recognized directly within equity. Deferred taxes on these effects were also recognized directly in equity.

Minority interests cover shares of non-Group shareholders in the subscribed capital, retained earnings and the result of fully consolidated entities.

Powers of the Board of Management to issue and repurchase shares

- **Authorization to create authorized capital**

  In the period ending on February 28, 2015, the Board of Management is 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 25,750,000 in aggregate by issuing up to 25,750,000 new non-par-value registered shares against cash contributions or non-cash contributions. In principle, shareholders are to be granted a pre-emption right. However, the Board of Management is authorized, subject to the consent of the Supervisory Board, to exclude the statutory pre-emption right in relation to one or more increases in the share capital within the scope of the authorized share capital. Details are to be found in the Articles of Association of Brenntag AG which are available on the Internet 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 acquire and sell 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 March 19, 2010, the company was authorized to purchase its own shares up to a total of 10% of the company's share capital at the time of the resolution provided that the shares purchased on the basis of this authorization and other shares of the company which Brenntag AG has already purchased and still owns do not in aggregate at any time amount to more than 10% of the share capital. The authorization may be exercised in one or more tranches, once or several times. It became effective at the close of the General Shareholders' Meeting on March 19, 2010 and remains in effect until February 28, 2015. If the shares are purchased on the stock exchange, the purchase price may not be more than 10% lower or higher than the arithmetic mean of the share price on the stock exchange in Frankfurt am Main on the last five trading days before the shares are purchased or an obligation to purchase the shares is entered into. If the shares are purchased by a public offer to all shareholders or by other means in accordance with section 53a of the German Stock Corporation Act, the purchase price paid to the shareholders may not be more than 10% lower or higher than the arithmetic mean of the share price on the stock exchange in Frankfurt am Main on the last five trading days before announcement of the offer or, in the case of purchase by other means, before such purchase. The authorization may be exercised for any purpose permitted by law.

  As far as the purchase is made to the exclusion of the shareholders pre-emption rights, the right to a report by the Board of Management in accordance with section 71, para. 1, No. 8, and section 186, para. 4, sentence 2 of the German Stock Corporation Act on the reason for the exclusion of the statutory pre-emption right was irrevocably waived.

- **Authorization to issue convertible bonds or warrant-linked bonds or profit-sharing certificates with conversion or option rights, creation of contingent capital and corresponding amendments to the Articles of Association**

  By resolution of the General Shareholders' Meeting on March 19, 2010, the Board of Management was authorized, with the consent of the Supervisory Board, until February 28, 2015 to issue once or several times bearer or registered convertible bonds or warrant-linked bonds or profit-sharing certificates with conversion or option rights with limited or unlimited maturities up to an aggregate principal amount of EUR 2,000,000,000 (hereinafter jointly referred to as bonds) and to grant the bond holders or creditors conversion or option rights to up to 20,500,000 new shares of Brenntag AG with a pro rata amount of the share capital of up to EUR 20,500,000 in accordance with the more detailed terms and conditions of the convertible bonds, warrant-linked bonds and/or profit-sharing certificates (hereinafter referred to as conditions). Said bonds may be denominated in euros or – in the equivalent amount – in another legal currency. The individual issues may be divided into partial bonds, each bearing identical rights. The bonds may also be issued against non-cash contributions. The Board of Management is authorized, under certain circumstances, to exclude, with the consent of the Supervisory Board, shareholders pre-emption rights to bonds.

If convertible bonds or profit-sharing certificates with conversion rights are issued, the holders shall have the right to convert their bonds to new shares of Brenntag AG in accordance with the bond conditions.

The share capital of Brenntag AG was conditionally increased by up to EUR 20,500,000 through the issuance of up to 20,500,000 new no-par-value registered shares with profit participation rights from the beginning of the financial year in which they are issued. The conditional capital increase serves to issue shares to the holders or creditors of convertible or warrant-linked bonds as well as profit-sharing certificates with option or conversion rights which may be issued until February 28, 2015, based on the aforementioned authorization, by Brenntag AG. The conditional capital increase may only be implemented to the extent that option or conversion rights under warrants or bonds have been exercised or conversion obligations under such warrants or bonds have to be fulfilled and to the extent that neither treasury shares nor new shares from the authorized capital are being used to fulfil such claims. The Board of Management has been authorized to set forth the additional details of the implementation of the conditional capital increase.

The measures described above to which the Board of Management is authorized can be performed both by Brenntag AG and by dependent companies or majority owned subsidiaries of Brenntag AG.

32. INFORMATION ON THE CONSOLIDATED CASH FLOW STATEMENT

The net cash inflow from operating activities amounting to EUR 349.6 million was influenced by cash outflows from the increase in working capital of EUR 61.0 million.

The rise in working capital resulted from changes in inventories, gross trade receivables and trade payables as well as from write-downs on trade receivables and inventories as follows:

in EUR m	**2011**	2010
Increase in inventories	−44.5	−117.5
Increase in gross trade receivables	−63.2	−143.7
Increase in trade payables	50.1	124.1
Write-downs on trade receivables and on inventories [1]	−3.4	0.7
Cash outflow resulting from the change in working capital	**−61.0**	**−136.4**

[1] *Shown within other non-cash items.*

Although the working capital – adjusted for exchange rate effects and acquisitions – was again significantly reduced compared with the figure at September 30, 2011, as at December 31, 2011 it had risen by a total of EUR 61 million since December 31, 2010. The annualized working capital turnover rate [1] fell from 10.2 in 2010 to 9.3 in the reporting period. One of the reasons for this is that the EAC Group's turnover rate is below the Group average due to the higher proportion of specialty chemicals in its business. EAC was acquired in July 2010 and was included in the consolidated financial statements for a full financial year for the first time in 2011.

Of the interest payments, EUR 4.5 million (2010: EUR 3.6 million) relate to interest received and EUR 116.5 million (2010: EUR 198.9 million) to interest paid.

[1] *Ratio of annual sales to average working capital; average working capital is defined for a particular year as the mean average of the values for working capital at each of the following five times: the beginning of the year, the end of each of the first, second and third quarters, and the end of the year.*

33. SEGMENT REPORTING

The Brenntag Group operates solely in the field of chemical distribution and is controlled through the regions Europe, North America, Latin America and Asia Pacific. The individual 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 benefits.

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).

Central functions for the entire Group, the sourcing activities in China and the international business of Brenntag International Chemicals are combined as All Other Segments. All consolidation measures between the segments are shown separately. Deviations between the figures from the segment reporting and the corresponding figures in the consolidated financial statements are shown as a reconciliation.

The result metric mainly used for control of the segments is operating EBITDA. Operating EBITDA is the operating profit/loss as recorded in the consolidated income statement plus amortization of intangible assets and depreciation of property, plant and equipment, adjusted for the following items:

- **Transaction costs:** Costs connected with restructuring and refinancing under company law, particularly the IPO in 2010 and the refinancing in 2011. They are eliminated for purposes of management reporting to permit proper presentation of the operating performance and comparability on segment level.
- **Holding charges:** Certain costs charged between holding companies and operating companies. On Group level they net to zero.

There are no major non-cash items in the reporting period. Differences between operating EBITDA and cash flow from operating activities of the segments mainly result from changes in the working capital.

Of the impairments of property, plant and equipment, EUR 0.5 million relate to the Europe segment. They are shown in the selling expenses. The impairments of investment property of EUR 0.7 million relate to the Latin America segment and are shown in other operating expenses.

The non-current assets comprise property, plant and equipment, investment property as well as intangible assets including goodwill. The allocation of the non-current assets over the different countries is as follows:

in EUR m		Germany	USA	France	Others	Group
Property, plant and equipment	**Dec. 31, 2011**	**105.7**	**160.3**	**89.3**	**510.5**	**865.8**
	Dec. 31, 2010	109.6	150.5	87.9	481.6	829.6
Investment property	**Dec. 31, 2011**	**–**	**–**	**–**	**0.5**	**0.5**
	Dec. 31, 2010	–	–	–	2.0	2.0
Intangible assets	**Dec. 31, 2011**	**377.5**	**648.5**	**156.8**	**864.2**	**2,047.0**
	Dec. 31, 2010	378.4	609.1	126.9	748.8	1,863.2

The allocation of external sales over the different countries is shown in the following table:

in EUR m		Germany	USA	France	Others	Group
External sales	**2011**	**1,290.5**	**2,447.4**	**483.0**	**4,458.4**	**8,679.3**
	2010	1,152.2	2,175.7	445.4	3,875.8	7,649.1

34. OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

The following other financial obligations exist:

	Remaining term			
in EUR m	less than 1 year	1 to 5 years	more than 5 years	**Dec. 31, 2011**
Purchase commitments for property, plant and equipment	0.8	–	–	0.8
Obligations from future minimum lease payments for operating leases	41.8	92.0	21.6	155.4
Total	**42.6**	**92.0**	**21.6**	**156.2**

	Remaining term			
in EUR m	less than 1 year	1 to 5 years	more than 5 years	Dec. 31, 2010
Purchase commitments for property, plant and equipment	1.5	–	–	1.5
Obligations from future minimum lease payments for operating leases	42.4	86.4	24.9	153.7
Total	**43.9**	**86.4**	**24.9**	**155.2**

The obligations from future minimum lease payments for operating leases mainly relate to rent obligations from the leasing of real estate as well as other equipment, fixtures, furniture and office equipment.

35. LEGAL PROCEEDINGS AND DISPUTES

Brenntag AG as well as its subsidiaries have been named as defendants in various legal proceedings and disputes arising in connection with its activities as a global group. Sometimes, Brenntag is also the subject of investigations by the authorities.

In particular this also includes investigations by antitrust authorities. Brenntag is cooperating with the relevant authorities in several jurisdictions and, where appropriate, conducts internal investigations regarding potential wrongdoings with the assistance of in-house and external counsel.

During tax audits related to alcohol tax, the customs authorities discovered that for 2005 to 2007 alcohol had been delivered to two customers within Germany without the excise duty permits necessary for tax-free delivery. Therefore, tax assessments for an amount of EUR 60.1 million were issued for 2005 to 2007. As the excise duty permits for the onward delivery of the alcohol to final customers had, however, been obtained by the final customers and proof could be furnished of the tax-free use of the goods supplied, there was de facto no shortfall in the tax revenue. Therefore, Brenntag submitted requests for waiver of the alcohol tax. In October 2011, the competent authorities largely granted Brenntag's requests for the years 2006 and 2007 and waived payment of an amount of EUR 37.7 million; Brenntag has since paid an amount of EUR 1.1 million, but at the same time filed an appeal against the parts of the tax assessments relating to these payments. We and our advisors are also expecting a waiver of payment for the amounts of EUR 21.3 million relating to 2005 and, as far as we know, assume that the tax receivable is already statute-barred.

In the course of investigations against a French manufacturer of medical devices, accusations have also been made amongst others against Brenntag as one of its suppliers. In this connection, claims are being asserted against Brenntag. The company is convinced there was no misconduct on the part of Brenntag.

Furthermore, Brenntag is involved in various other pending actions.

Given the number of legal disputes and other proceedings to which Brenntag is subject, some may result in adverse decisions for Brenntag. Brenntag contests actions and proceedings where it considers it appropriate. The outcome of such matters, particularly in cases in which claimants seek indeterminate damages, is very difficult to predict. Any adverse decisions rendered in such cases may have material effects on Brenntag's business, results of operations and financial condition for a reporting period. However, Brenntag currently does not expect its business, results of operations and financial condition to be materially affected. Where necessary, provisions have been established for current legal disputes based on the estimated risk and, where required, with the aid of external consultants.

36. REPORTING OF FINANCIAL INSTRUMENTS

Carrying amounts, valuations and fair values according to measurement categories

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

2011
in EUR m

Measurement in the balance sheet:	At amortized cost	At fair value			Dec. 31, 2011	
Measurement category under IAS 39:	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Hedging derivatives under IAS 39	Carrying amount	Fair value
Cash and cash equivalents	458.8	–	–	–	458.8	458.8
Trade receivables	1,220.9	–	–	–	1,220.9	1,220.9
Other receivables	64.8	–	–	–	64.8	64.8
Other financial assets	29.4	1.0	1.6	–	32.0	32.0
Total	**1,773.9**	**1.0**	**1.6**	**–**	**1,776.5**	**1,776.5**

2010
in EUR m

Measurement in the balance sheet:	At amortized cost	At fair value			Dec. 31, 2010	
Measurement category under IAS 39:	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Hedging derivatives under IAS 39	Carrying amount	Fair value
Cash and cash equivalents	362.9	–	–	–	362.9	362.9
Trade receivables	1,059.7	–	–	–	1,059.7	1,059.7
Other receivables	64.3	–	–	–	64.3	64.3
Other financial assets	11.0	1.5	1.5	–	14.0	14.0
Total	**1,497.9**	**1.5**	**1.5**	**–**	**1,500.9**	**1,500.9**

The majority of the financial assets in the loans and receivables category measured at amortized cost have remaining terms of less than one year. Their carrying amounts at the balance-sheet date are therefore approximately their fair values.

Of the other receivables shown in the balance sheet, EUR 60.7 million (Dec. 31, 2010: EUR 39.8 million) are not financial assets within the meaning of IFRS 7. They are mainly receivables from value added tax and other taxes, prepaid expenses and receivables from plan assets.

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

2011
in EUR m

Measurement in the balance sheet:	**At amortized cost**	**At fair value**			**Dec. 31, 2011**	
Measurement category under IAS 39:	Financial liabilities measured at amortized cost	Financial liabilities at fair value through profit or loss	Financial instruments designated in hedge accounting	Valuation under IAS 17	**Carrying amount**	**Fair value**
Trade payables	956.6	–	–	–	956.6	956.6
Other liabilities	257.9	–	–	–	257.9	257.9
Purchase price obligations and liabilities under IAS 32 to minorities	47.0	–	57.7	–	104.7	104.7
Financial liabilities	1,919.7	13.8	–	18.9	1,952.4	1,959.3
Total	**3,181.2**	**13.8**	**57.7**	**18.9**	**3,271.6**	**3,278.5**

2010
in EUR m

Measurement in the balance sheet:	**At amortized cost**	**At fair value**			**Dec. 31, 2010**	
Measurement category under IAS 39:	Financial liabilities measured at amortized cost	Financial liabilities at fair value through profit or loss	Financial instruments designated in hedge accounting	Valuation under IAS 17	Carrying amount	Fair value
Trade payables	834.1	–	–	–	834.1	834.1
Other liabilities	254.1	–	–	–	254.1	254.1
Purchase price obligations and liabilities under IAS 32 to minorities	2.0	–	–	–	2.0	2.0
Financial liabilities	1,735.4	11.9	16.6	19.9	1,783.8	1,786.5
Total	**2,825.6**	**11.9**	**16.6**	**19.9**	**2,874.0**	**2,876.7**

The majority of the trade payables measured at amortized cost and other liabilities have remaining terms of less than one year. Their carrying amounts at the balance-sheet date are therefore approximately their fair values. The fair values of the financial liabilities have been determined using the discounted cash flow method on the basis of current interest curves.

Of the other liabilities shown in the balance sheet, EUR 91.9 million (Dec. 31, 2010: EUR 76.8 million) are not financial liabilities within the meaning of IFRS 7. They are mainly liabilities from value added tax and other taxes, liabilities under staff leave entitlements 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 7 fair value hierarchy is shown in the table below:

2011
in EUR m

Hierarchy level	Level 1	Level 2	Level 3	Dec. 31, 2011
Financial assets at fair value through profit or loss	–	1.0	–	1.0
Financial liabilities at fair value through profit or loss	–	13.8	–	13.8
Available-for-sale financial assets	1.6	–	–	1.6

2010
in EUR m

Hierarchy level	Level 1	Level 2	Level 3	Dec. 31, 2010
Financial assets at fair value through profit or loss	–	1.5	–	1.5
Financial liabilities at fair value through profit or loss	–	11.9	–	11.9
Available-for-sale financial assets	1.5	–	–	1.5
Hedging derivatives under IAS 39 with negative fair values	–	16.6	–	16.6

The net results from financial assets and liabilities broken down into measurement categories are as follows:

2011
in EUR m

	From interest		From subsequent measurement					
			At fair value/ New estimate		Currency translation		Balance of impair- ments	
	Income	Expense	Gains	Losses	Gains	Losses		Net result
Loans and receivables	4.4	–	–	–	48.0	−47.3	−4.5	0.6
Financial assets and liabilities at fair value through profit or loss	–	−0.8	69.2	−68.7	–	–	–	−0.3
Liabilities from finance leases under IAS 17	–	−1.6	–	–	–	–	–	−1.6
Financial liabilities measured at amortized cost	–	−92.0	–	−1.5	31.7	−51.7	–	−113.5
Total	**4.4**	**−94.4**	**69.2**	**−70.2**	**79.7**	**−99.0**	**−4.5**	**−114.8**

2010
in EUR m

	From interest		From subsequent measurement					
			At fair value/ New estimate		Currency translation		Balance of impair- ments	
	Income	Expense	Gains	Losses	Gains	Losses		Net result
Loans and receivables	3.5	–	–	–	26.7	−28.5	−7.7	−6.0
Financial assets and liabilities at fair value through profit or loss	–	−1.6	60.1	−61.5	–	–	–	−3.0
Liabilities from finance leases under IAS 17	–	−1.8	–	–	–	–	–	−1.8
Financial liabilities measured at amortized cost	–	−131.3	–	−1.9	20.1	−27.2	–	−140.3
Total	**3.5**	**−134.7**	**60.1**	**−63.4**	**46.8**	**−55.7**	**−7.7**	**−151.1**

Of the interest expense on liabilities to third parties contained in finance costs, EUR 3.0 million (2010: EUR 1.7 million) is interest expense which is not part of the effective interest on financial liabilities measured at amortized cost.

With the exception of impairments of trade receivables and other receivables, the net results from subsequent measurement are shown under financial result. The impairments of trade receivables and other receivables are shown under other operating expenses and the income from the receipt of trade receivables derecognized in prior periods is shown under other operating income.

Nature and extent of risks arising from financial instruments

According to IFRS 7, risks arising from financial instruments can typically be divided into market risks, credit risks and liquidity risks.

In the market risk category, the Brenntag Group's global business operations expose it particularly to exchange rate and interest rate risks. The management and monitoring of these risks are the responsibility of the central function, Corporate Finance & Investor Relations. Whilst the interest rate risks are solely managed centrally, the Group companies are responsible for handling the exchange rate risks arising from their business operations. The Group companies have been instructed to reduce any exchange rate risks to a minimum.

Brenntag AG, Mülheim an der Ruhr, is available as a contract partner for the Group companies for exchange rate hedging transactions, its own exposure being hedged by back-to-back transactions with banks. If the Group companies contract hedges directly with the banks, Corporate Finance & Investor Relations is regularly informed of their nature and extent.

Currency risks

Currency risks arise particularly when monetary items or contracted future transactions are in a different currency to the functional currency of a company.

Any foreign currency risk for monetary items and contracted transactions is generally hedged in full, taking into account the claims and obligations in the same currency and with the same maturity. Forward exchange contracts and cross-currency 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 at December 31, 2011, translation of the monetary items in foreign currency into the Group currency, euro, allowing for the foreign exchange forward deals and foreign exchange swaps still open on December 31, 2011, would have decreased the financial result by EUR 1.0 million (2010: EUR 0.5 million) or increased it by EUR 1.2 million (2010: EUR 0.6 million).

The purchase price obligation for the second tranche of Zhong Yung has been included in net investment hedge accounting in the amount of the pro-rata net assets of the Chinese Zhong Yung companies. Exchange rate-related changes in the liability are recorded for the portion included in net investment hedge accounting within equity in the net investment hedge reserve and for the portion not included in net investment hedge accounting are recognized in profit or loss.

The net investment hedge reserve developed as follows:

in EUR m	
Dec. 31, 2010	**–**
Transfer to net investment hedge reserve	−3.1
Dec. 31, 2011	**−3.1**

Interest rate risks

Interest rate risks can occur due to changes in the market interest rates. The risks result from changes in the fair values of fixed-interest financial instruments or from changes in the cash flows of variable-interest financial instruments. The optimal structure of variable and fixed interest rates is determined as part of interest risk management. It is not possible to simultaneously minimize both kinds of interest rate risk.

Due to its funding through a variable-interest syndicated loan, the Brenntag Group is exposed to an interest rate risk in the form of a cash flow risk. Interest rate swaps, basis swaps and interest caps are contracted to limit this risk. The cash flow hedge accounting for interest rate and basis swaps as well as interest caps existing in 2010 was terminated due to the absence of hedged interest payments on the old syndicated loan, which was replaced by a new syndicated loan.

The cash flow hedge reserve has developed as follows:

in EUR m	
Dec. 31, 2009	**−26.7**
Changes in the fair value of cash flow hedges	−12.5
Reclassifications to finance costs	29.5
Dec. 31, 2010	**−9.7**
Changes in the fair value of cash flow hedges	−1.9
Reclassifications to finance costs	11.6
Dec. 31, 2011	**–**

In 2010, the changes of the non-effective part of the fair value of the financial instruments included in cash flow hedge accounting shown under finance costs led to income of EUR 0.3 million.

If the market interest rate in 2011 had been 25 basis points (2010: 25 basis points) higher or lower (related to the total amount of derivatives as well as variable-interest financial assets and liabilities at December 31, 2011), the financial result would have been EUR 2.2 million lower or EUR 2.2 million higher (2010: EUR 1.6 million lower or EUR 1.6 million higher). Furthermore, without allowing for deferred taxes, the cash flow hedge reserve in 2010 would have been EUR 1.4 million higher or EUR 1.4 million lower.

Credit risks

There is a credit risk with non-derivative financial instruments when contractually agreed payments are not made by the relevant contractual parties. As the Brenntag Group has diverse business operations in many different countries, significant concentrations of credit risks from trade receivables as well as from loans are not to be expected. The expected credit risk from individual receivables is allowed for by write-downs of the assets. The maximum credit risk of the non-derivative financial instruments corresponds to their carrying amounts.

With the derivative financial instruments used, the maximum credit risk is the sum total of all positive fair values of these instruments as, in the event of non-performance by the contractual parties, losses on assets would be restricted to this amount. As derivative financial instruments have only been concluded with banks which we consider to have a first-rate credit standing, significant credit risks herefrom are not to be expected.

Liquidity risks

The liquidity risk is the risk that the Brenntag Group may in future not be able to meet its contractual payment obligations. Due to the fact that the Brenntag Group's business is not subject to any pronounced seasonal fluctuations, there is relatively little fluctuation in liquidity during the financial year.

To ensure that the Brenntag Group can pay at all times, it not only has appropriate liquidity reserves in the form of cash and cash equivalents but also credit lines under the syndicated loan which can be utilized as needed. In order to identify the liquidity risks, the Group has a multi-annual liquidity plan which is regularly reviewed and adjusted if necessary.

The undiscounted cash flows resulting from financial liabilities are shown in the following table below:

		Cash flows 2012–2017 ff.					
in EUR m	Carrying amount Dec. 31, 2011	2012	2013	2014	2015	2016	2017 ff.
Trade payables	956.6	956.6	–	–	–	–	–
Other liabilities	349.8	347.7	2.1	–	–	–	–
Purchase price obligations and liabilities under IAS 32 to minorities	104.7	31.1	–	–	–	96.1	–
Liabilities under syndicated loan	1,197.6	30.2	30.2	30.2	30.2	1,229.1	–
Other liabilities to banks	270.8	82.7	9.6	181.7	0.5	–	8.6
Bond	401.4	22.0	22.0	22.0	22.0	22.0	444.0
Liabilities under finance leases	18.9	4.5	7.3	2.6	2.1	1.5	9.0
Derivative financial instruments	13.8	–	–	–	–	–	–
Cash inflows	–	276.3	2.1	–	–	–	–
Cash outflows	–	287.3	7.5	–	–	–	–
Other financial liabilities	49.9	31.3	12.4	2.9	1.4	1.5	0.4
Total	**3,363.5**	**1,517.1**	**89.0**	**239.4**	**56.2**	**1,350.2**	**462.0**

in EUR m	Carrying amount Dec. 31, 2010	Cash flows 2011–2016 ff. 2011	2012	2013	2014	2015	2016 ff.
Trade payables	834.1	834.1	–	–	–	–	–
Other liabilities	330.9	328.9	2.0	–	–	–	–
Liabilities to minorities under IAS 32	2.0	2.0	–	–	–	–	–
Liabilities under syndicated loan	1,482.0	58.2	86.9	83.2	1,067.0	441.1	–
Other liabilities to banks	235.7	49.9	187.8	1.3	0.9	–	10.3
Liabilities under finance leases	19.8	5.1	3.7	6.6	1.9	1.6	10.0
Liabilities to related companies	–	–	–	–	–	–	–
Derivative financial instruments	28.5	–	–	–	–	–	–
Cash inflows	–	179.0	2.4	4.5	–	–	–
Cash outflows	–	202.5	6.2	6.2	–	–	–
Other financial liabilities	17.8	4.6	7.6	3.8	2.8	1.4	0.1
Total	**2,950.8**	**1,306.3**	**291.8**	**96.6**	**1,072.6**	**444.1**	**20.4**

Derivative financial instruments

The nominal volume and fair values of derivative financial instruments are shown in the table below:

in EUR m	Dec. 31, 2011 Nominal volume	Dec. 31, 2011 Positive fair value	Dec. 31, 2011 Negative fair value	Dec. 31, 2010 Nominal volume	Dec. 31, 2010 Positive fair value	Dec. 31, 2010 Negative fair value
Foreign exchange forward transactions and foreign exchange swaps excluding hedge accounting	371.0	1.0	5.6	306.2	1.5	4.5
Interest rate swaps in hedge accounting	–	–	–	638.2	–	16.6
Interest rate swaps excluding hedge accounting	234.8	–	8.2	275.4	–	6.5
Interest caps in hedge accounting	–	–	–	93.0	–	–
Interest caps excluding hedge accounting	–	–	–	192.0	–	–
Basis swaps excluding hedge accounting	–	–	–	361.9	–	0.9
Total		**1.0**	**13.8**		**1.5**	**28.5**

37. RELATED PARTIES

During its normal business activities, Brenntag AG also obtains services from and provides services for related parties. These related parties are the subsidiaries included in the consolidated financial statements as well as associates accounted for at equity and their subsidiaries. Furthermore, Brachem Acquisition S.C.A., Luxembourg, (hereinafter referred to as "Brachem") represented by its general partner, Brahms Chemical Intermediate S.A., Luxembourg, with 36.02% of the capital and the voting rights as at December 31, 2011 as well as CIE Management II Limited, St. Peter Port, Guernsey, as general partner of the BC Partners funds and its sole shareholder, BC Partners Holding Limited, St. Peter Port, Guernsey, are also to be included in the related parties.

Related parties are also the members of the Board of Management and Supervisory Board of Brenntag AG and members of their families.

The total remuneration of the Board of Management due in the short term including the remuneration for performing their tasks at subsidiaries amounts to EUR 3.5 million for the 2011 financial year (2010: EUR 3.5 million). In addition, a one-off payment of EUR 0.7 million was made in connection with the termination of a contract of employment. Furthermore, there is a long-term, share-based remuneration programme for members of the Board of Management based on virtual shares. The resulting virtual stock performance bonus earned in 2011 amounts to EUR 2.9 million (2010: EUR 1.0 million). The cost (excluding interest expense) for the pension entitlements earned in the reporting year (defined benefit plans) and the payments into defined contribution pension plans amount to EUR 0.3 million (thereof: EUR 0.2 million for defined benefit plans, EUR 0.1 million for defined contribution plans); in 2010: EUR 1.0 million (thereof: EUR 0.9 million for defined benefit plans; EUR 0.1 million for defined contribution plans).

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 Board of Management of Brenntag AG is, together with other senior managers of the Brenntag Group, included in a management participation programme at the former parent company, Brachem Acquisition S.C.A., Luxembourg. Under this programme, shares in Brachem Acquisition S.C.A., Luxembourg, have been acquired through investment companies by the group of entitled employees. The shares were acquired at the respective fair market value determined on the basis of a valuation of the enterprise at the particular time.

The total remuneration of the members of the Supervisory Board due in the short term amounts to EUR 0.7 million for the 2011 financial year (2010: EUR 0.5 million).

Apart from the aforementioned, there were no transactions with related parties.

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.

The following business transactions were performed with the related parties on terms equivalent to those that prevail in arms' length transactions:

in EUR m	**2011**	2010
Sales revenue from transactions with associates	0.4	0.6
Goods and services rendered by associates	0.6	1.0
Services rendered by Brachem	–	0.1
Interest expenses to Brachem	–	17.0

in EUR m	**Dec. 31, 2011**	Dec. 31, 2010
Trade receivables	0.1	0.1
(thereof associates)	(0.1)	(0.1)
Financial receivables	0.1	0.7
(thereof associates)	(0.1)	(0.6)
(thereof Brachem)	(–)	(0.1)
Trade payables	–	0.1
(thereof associates)	(–)	(0.1)

The transactions of Brenntag AG with consolidated subsidiaries as well as between consolidated subsidiaries have been eliminated.

38. AUDIT FEES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The following fees for the services of the auditors of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, were recognized as expenses:

in EUR m	2011	2010
Financial statement audit services	0.7	0.7
Other assurance services	0.3	1.3
Tax advisory services	0.1	0.6
Other services rendered	0.1	–
Total	**1.2**	**2.6**

39. EXEMPTIONS PURSUANT TO SECTION 264, PARA. 3 OF THE GERMAN COMMERCIAL CODE

For the 2011 financial year, the following subsidiaries of Brenntag AG are making use of the exemptions pursuant to section 264, para. 3 of the German Commercial Code:

- Brenntag Holding GmbH, Mülheim an der Ruhr
- Brenntag Germany Holding GmbH, Mülheim an der Ruhr
- Brenntag Foreign Holding GmbH, Mülheim an der Ruhr
- Brenntag Beteiligungs GmbH, Mülheim an der Ruhr
- BRENNTAG GmbH, Duisburg
- BRENNTAG International Chemicals GmbH, Mülheim an der Ruhr
- Brenntag Real Estate GmbH, Mülheim an der Ruhr
- Biesterfeld Chemiedistribution GmbH, Hamburg

40. DECLARATION OF COMPLIANCE WITH THE RECOMMENDATIONS OF THE GOVERNMENT COMMISSION “GERMAN CORPORATE GOVERNANCE CODE”

On December 16, 2011, the Board of Management and Supervisory Board made a declaration for the 2011 financial year on the recommendations of the Government Commission “German Corporate Governance Code” in accordance with section 161 of the German Stock Corporation Act. The declaration of compliance can be viewed at any time on website of Brenntag AG www.brenntag.com.

RESPONSIBILITY STATEMENT

To the best of our knowledge and belief and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair representation of the assets, liabilities, financial position and profit or loss of the Group and the Group management report, which is combined with the management report of Brenntag AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Mülheim an der Ruhr, March 12, 2012

Brenntag AG
THE BOARD OF MANAGEMENT

Steven Holland Jürgen Buchsteiner William Fidler

ANNEX A

List of Shareholdings in Accordance with Section 313, para. 2 of the German Commercial Code as at December 31, 2011

No.	Company	Seat	Held directly % 1)	Held indirectly % 1)	Effective net holding % 1)	Via No.
1	Brenntag AG	Mülheim an der Ruhr				
CONSOLIDATED SUBSIDIARIES						
Algeria						
2	Alliance Chimie Algerie SPA	Algiers		100.00	100.00	64
Argentina						
3	Brenntag Argentina S.A.	Buenos Aires		90.00 10.00	100.00	134 139
Australia						
4	Brenntag Australia Pty. Ltd.	Notting Hill		100.00	100.00	172
5	Brenntag Pty. Ltd.	Notting Hill		100.00	100.00	4
Bangladesh						
6	Brenntag Bangladesh Ltd.	Dhaka		100.00	100.00	31
7	Brenntag Bangladesh Formulation Ltd.	Dhaka		100.00	100.00	31
8	Brenntag Bangladesh Services Ltd.	Dhaka		100.00	100.00	6
Belgium						
9	BRENNTAG NV	Deerlijk		99.99 0.01	100.00	69 50
10	European Polymers and Chemicals Distribution BVBA	Deerlijk		100.00	100.00	147
Bermuda						
11	HCI Chemicals (FSC) Ltd.	Hamilton		0.10 99.80 0.10	100.00	198 203 210
12	HCI Ltd.	Hamilton		100.00	100.00	13
13	Pelican Chemical Traders Ltd.	Hamilton		100.00	100.00	27
14	Viking Traders Ltd.	Hamilton		100.00	100.00	13
Bolivia						
15	Brenntag Bolivia S.R.L.	Santa Cruz		90.00 10.00	100.00	134 135
Brazil						
16	Brenntag Quimica Brasil Ltda.	Guarulhos, São Paulo		100.00	100.00	134
Bulgaria						
17	BRENNTAG Bulgaria EOOD	Sofia		100.00	100.00	134
Chile						
18	Brenntag Chile Comercial e Industrial Limitada	Santiago		95.00 5.00	100.00	134 135

No.	Company	Seat	Held directly % [1]	Held indirectly % [1]	Effective net holding % [1]	Via No.
China						
19	Brenntag (Shanghai) Chemical Trading Co., Limited	Shanghai		100.00	100.00	134
20	Guangzhou Fan Ya Jia Rong Trading Co.,Ltd. [2]	Guangzhou		60.00 40.00	51.00	22 24
21	Shanghai Anyijie Chemical Logistic Co., Ltd. [2]	Shanghai		100.00	51.00	25
22	Shanghai Jia Rong Trading Co., Ltd. [2]	Shanghai		100.00	51.00	25
23	Shanghai Yi Rong International Trading Co., Ltd. [2]	Shanghai		24.70 75.30	51.00	99 22
24	Tianjin Tai Rong Chemical Trading Co., Ltd. [2]	Tianjin		100.00	51.00	22
25	Tianjin Zhong Rong Chemical Storage Co., Ltd. [2]	Tianjin		100.00	51.00	99
Costa Rica						
26	Quimicos Holanda Costa Rica S.A.	San Jose		100.00	100.00	134
Curaçao (Dutch Antilles)						
27	H.C.I. (Curaçao) N.V.	Curaçao		100.00	100.00	134
28	HCI Shipping N.V.	Curaçao		100.00	100.00	27
Denmark						
29	Brenntag Nordic A/S	Ballerup		100.00	100.00	134
30	Aktieselskabet af 1. Januar 1987	Ballerup		100.00	100.00	29
31	Brenntag Ltd. A/S	Ballerup		100.00	100.00	134
Germany						
32	Brenntag Germany Holding GmbH	Mülheim an der Ruhr		100.00	100.00	50
33	CVH Chemie-Vertrieb GmbH & Co. Hannover KG	Hanover		51.00	51.00	32
34	BBG Berlin-Brandenburger Lager- und Distributionsgesellschaft Biesterfeld Brenntag mbH	Hoppegarten		50.00 50.00	100.00	35 32
35	Biesterfeld Chemiedistribution GmbH	Hamburg		100.00	100.00	32
36	CLG Lagerhaus GmbH & Co. KG	Mülheim an der Ruhr		100.00	100.00	32
37	CVB Albert Carl GmbH & Co. KG	Berlin		100.00	51.00	33
38	CVM Chemie-Vertrieb Magdeburg GmbH & Co. KG	Schönebeck		100.00	51.00	33
39	CLG Lagerhaus GmbH	Duisburg		100.00	100.00	32
40	CVP Chemie-Vertrieb Berlin GmbH	Berlin		100.00	51.00	33
41	CVH Chemie-Vertrieb Verwaltungsgesellschaft mbH	Hanover		51.00	51.00	32
42	Blitz 03-1161 GmbH	Mülheim an der Ruhr		100.00	100.00	45
43	Blitz 03-1162 GmbH	Mülheim an der Ruhr		100.00	100.00	47
44	Blitz 03-1163 GmbH	Mülheim an der Ruhr		100.00	100.00	48
45	Brenntag Foreign Holding GmbH	Mülheim an der Ruhr		100.00	100.00	50
46	ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Hüttenheim KG [3]	Düsseldorf		94.00	94.00	32
47	CM Komplementär 03-018 GmbH & Co. KG	Mülheim an der Ruhr		100.00	100.00	42
48	CM Komplementär 03-019 GmbH & Co. KG	Mülheim an der Ruhr		100.00	100.00	43
49	CM Komplementär 03-020 GmbH & Co. KG	Mülheim an der Ruhr		100.00	100.00	44
50	Brenntag Beteiligungs GmbH	Mülheim an der Ruhr		100.00	100.00	54
51	Brenntag Finanz-Service GmbH [3]	Mülheim an der Ruhr		0.00	0.00	106
52	BRENNTAG GmbH	Duisburg		100.00	100.00	32
53	BRENNTAG International Chemicals GmbH	Mülheim an der Ruhr		100.00	100.00	32

No.	Company	Seat	Held directly % [1]	Held indirectly % [1]	Effective net holding % [1]	Via No.
Germany						
54	Brenntag Holding GmbH	Mülheim an der Ruhr	100.00	0.00	100.00	1
55	Brenntag Real Estate GmbH	Mülheim an der Ruhr		100.00	100.00	50
56	Brenntag Vermögensmanagement GmbH	Zossen	100.00	0.00	100.00	1
57	Brenntag Vermögensverwaltungs GmbH & Co. KG	Zossen		100.00	100.00	50
Dominican Republic						
58	Brenntag Caribe S.R.L.	Santo Domingo		100.00	100.00	134
				0.00		139
59	HCI CHEMCENTRAL, DOM REP, S.A.	Santo Domingo		99.80	100.00	134
				0.10		27
				0.10		28
Ecuador						
60	Brenntag Ecuador S.A.	Guayaquil		100.00	100.00	134
El Salvador						
61	BRENNTAG EL SALVADOR, S.A. DE C.V.	San Salvador		100.00	100.00	134
Finland						
62	BRENNTAG Nordic OY	Vantaa		100.00	100.00	134
France						
63	BRENNTAG S.A.	Chassieu		100.00	100.00	69
64	Brenntag Maghreb SAS	Vitrolles		100.00	100.00	68
65	SOCIETE COMMERCIALE TARDY ET CIE. SARL	Vitrolles		51.22	51.22	68
66	BRENNTAG INVESTISSEMENTS SAS	Chassieu		100.00	100.00	69
67	Brachem France Holding SAS	Chassieu		100.00	100.00	54
68	BRENNTAG EXPORT SARL	Vitrolles		100.00	100.00	63
69	Brenntag France Holding SAS	Chassieu		100.00	100.00	67
70	Brenntag France SAS [3]	Paris		0.00	0.00	106
71	Metausel SAS	Chassieu		100.00	100.00	63
72	Multisol France SAS [2]	Villebon sur Yvette		100.00	100.00	69
73	Multisol International Services SAS [2]	Sotteville Les Rouen		80.00	100.00	69
				20.00		72
Greece						
74	Brenntag Hellas Chimika Monoprosopi EPE	Agia Paraskevi Attika		100.00	100.00	146
United Kingdom						
75	Woodland 4 Limited	Leeds		100.00	100.00	45
76	Albion Distillation Service Limited	Leeds		100.00	100.00	92
77	Brenntag Colours Limited	Leeds		100.00	100.00	92
78	Brenntag Inorganic Chemicals Limited	Leeds		100.00	100.00	80
79	Brenntag Inorganic Chemicals (Thetford) Limited	Leeds		100.00	100.00	92
80	Brenntag UK and Ireland Limited	Leeds		100.00	100.00	93
81	Brenntag UK Group Limited	Leeds		100.00	100.00	83
82	Brenntag UK Limited	Leeds		100.00	100.00	92
83	Brenntag UK Holding Limited	Leeds		100.00	100.00	66
84	Multisol Limited [2]	Nantwich		100.00	100.00	85
85	Multisol Chemicals Limited [2]	Nantwich		100.00	100.00	87
86	Multisol EBT Limited [2]	Nantwich		100.00	100.00	84
87	Multisol Group Limited [2]	Nantwich		100.00	100.00	83
88	Multisol Holdings Limited [2]	Nantwich		100.00	100.00	84

No.	Company	Seat	Held directly % 1)	Held indirectly % 1)	Effective net holding % 1)	Via No.
United Kingdom						
89	Murgatroyd`s Salt & Chemical Company Limited	Leeds		100.00	100.00	78
90	Water Treatment Solution Limited	Leeds		100.00	100.00	78
91	Woodland 1 Limited	Leeds		100.00	100.00	81
92	Woodland 2 Limited	Leeds		100.00	100.00	80
93	Woodland 3 Limited	Leeds		100.00	100.00	81
94	Zenteum Limited 2)	Crewe		100.00	100.00	88
Guatemala						
95	Brenntag Guatemala S.A.	Guatemala City		100.00	100.00	134
Honduras						
96	INVERSIONES QUIMICAS, S.A.	San Pedro Sula		98.51 1.49	100.00	134 139
97	Compania Hondurena de Terminales, S.A.	Puerto Cortez		96.00 4.00	100.00	134 27
Hong Kong						
98	Brenntag Hong Kong Limited	Hong Kong		99.96 0.04	100.00	134 139
99	Zhong Yung (International) Chemical Co., Ltd. 2)	Hong Kong		51.00	51.00	134
India						
100	Brenntag India Private Limited	Mumbai		100.00	100.00	134
101	Brenntag Ingredients (India) Private Limited	Mumbai		100.00	100.00	173
Indonesia						
102	PT. Brenntag Indonesia	Jakarta Selatan		99.00 1.00	100.00	134 135
103	PT. Brenntag	Jakarta Selatan		100.00	100.00	173
104	PT. Dharmala HCI i.L.	Jakarta		91.14	91.14	134
Ireland						
105	Brenntag Chemicals Distribution (Ireland) Limited	Dublin		100.00	100.00	92
106	Brenntag Funding Limited 3)	Dublin		0.00	0.00	
Italy						
107	BRENNTAG HOLDING S.P.A.	Milan		100.00	100.00	134
108	BRENNTAG S.P.A.	Milan		100.00	100.00	107
109	ROMANA CHIMICI S.P.A.	Anagni		80.00 20.00	100.00	108 107
110	Brenntag Italia S.r.l. 3)	Milan		0.00	0.00	106
111	Natural World S.r.l.	Lugo		100.00	100.00	108
Canada						
112	BRENNTAG CANADA INC.	Toronto		100.00	100.00	138
Columbia						
113	Brenntag Colombia S.A.	Bogota		92.00 5.06 0.57 1.23 1.14	100.00	134 135 27 28 139
Croatia						
114	BRENNTAG HRVATSKA d.o.o.	Zagreb		100.00	100.00	146

No.	Company	Seat	Held directly % 1)	Held indirectly % 1)	Effective net holding % 1)	Via No.
Latvia						
115	SIA BRENNTAG LATVIA	Riga		100.00	100.00	155
116	SIA DIPOL BALTIJA	Riga		100.00	100.00	211
Lithuania						
117	UAB Brenntag Lietuva	Kaunas		100.00	100.00	155
Luxembourg						
118	Brenntag FinanceCo I S.à.r.L.	Luxembourg		100.00	100.00	54
119	Brenntag FinanceCo II S.à.r.L.	Luxembourg		100.00	100.00	54
Malaysia						
120	Akashi Sdn. Bhd.	Kuala Lumpur		100.00	100.00	124
121	Akashi Biosystems Sdn. Bhd.	Kuala Lumpur		100.00	100.00	120
122	Brenntag Malaysia SDN. BHD.	Kuala Lumpur		100.00	100.00	134
123	Brenntag Malaysia Services Sdn. Bhd.	Kuala Lumpur		100.00	100.00	120
124	Brenntag SDN. BHD.	Kuala Lumpur		100.00	100.00	173
125	Casechem Industries Sdn. Bhd.	Kuala Lumpur		100.00	100.00	120
126	Seawards Sdn. Bhd.	Kuala Lumpur		100.00	100.00	124
Morocco						
127	BRENNTAG MAROC S.A.R.L associé unique	Casablanca		100.00	100.00	178
128	Alcochim Maroc S.A.R.L.	Casablanca		100.00	100.00	64
Mauritius						
129	Multisol Mauritius Limited 2)	Ebene		100.00	100.00	88
Mexico						
130	BRENNTAG MÈXICO, S.A. DE C.V.	Mexico City		99.99 0.01	100.00	134 27
131	BRENNTAG PACIFIC, S. DE R.L. DE C.V.	Tijuana		1.00 99.00	100.00	207 208
132	Amco Internacional S.A. de C.V. 2)	Mexico City		0.00 100.00	100.00	131 130
Nicaragua						
133	BRENNTAG NICARAGUA, S.A.	Managua		100.00	100.00	134
Netherlands						
134	BRENNTAG (Holding) B.V.	Amsterdam		26.00 74.00	100.00	45 143
135	H.C.I Chemicals Nederland B.V.	Amsterdam		100.00	100.00	134
136	BRENNTAG NEDERLAND B.V.	Dordrecht		100.00	100.00	134
137	HCI U.S.A. Holdings B.V.	Amsterdam		100.00	100.00	140
138	Holland Chemical International B.V.	Dordrecht		100.00	100.00	134
139	HCI Central Europe Holding B.V.	Amsterdam		100.00	100.00	134
140	Brenntag Coöperatief U.A.	Amsterdam		99.00 1.00	100.00	207 206
141	Brenntag Dutch C.V.	Amsterdam		99.90 0.10	100.00	134 135
142	Brenntag Finance B.V.	Amsterdam		100.00	100.00	134
143	Brenntag HoldCo B.V.	Amsterdam		100.00	100.00	54
144	Brenntag Vastgoed B.V.	Dordrecht		100.00	100.00	136

No.	Company	Seat	Held directly % [1]	Held indirectly % [1]	Effective net holding % [1]	Via No.
Norway						
145	BRENNTAG Nordic AS	Borgenhaugen		100.00	100.00	170
Austria						
146	Brenntag CEE GmbH	Vienna		99.90 0.10	100.00	149 50
147	JLC-Chemie Handels GmbH	Wiener Neustadt		100.00	100.00	146
148	Provida GmbH	Vienna		100.00	100.00	146
149	Brenntag Austria Holding GmbH	Vienna		100.00	100.00	9
Panama						
150	BRENNTAG PANAMA S.A.	Panama City		100.00	100.00	27
Peru						
151	BRENNTAG PERU S.A.C.	Lima		100.00	100.00	134
Philippines						
152	BRENNTAG INGREDIENTS INC.	Makati City		100.00	100.00	134
153	BRENNTAG PHILIPPINES, INC.	Makati City		100.00	100.00	134
154	PHIL-ASIACHEM, INC.	Makati City		100.00	100.00	152
Poland						
155	BRENNTAG Polska sp. z o.o.	Kedzierzyn-Koźle		61.00 39.00	100.00	9 146
156	Eurochem Service Polska sp. z o.o.	Warsaw		100.00	100.00	155
157	Forchem sp. z o.o	Warsaw		100.00	100.00	10
158	Motor Polimer sp. z o.o. [2]	Suchy Las		100.00	100.00	10
159	Obsidian Company sp. z o.o.	Warsaw		100.00	100.00	155
160	PHU Elmar sp. z o.o.	Bydgoszcz		100.00	100.00	155
161	Zenteum Poland sp. z o.o. [2]	Kielpin		100.00	100.00	94
Portugal						
162	Brenntag Portugal- Produtos Quimicos, Lda.	Sintra		73.67 0.28 26.05	100.00	45 32 134
Puerto Rico						
163	Brenntag Puerto Rico, Inc.	Caguas		100.00	100.00	134
Romania						
164	BRENNTAG S.R.L.	Chiajna		100.00	100.00	139
Russia						
165	OOO BRENNTAG	Moscow		100.00	100.00	146
166	OOO Tride Rus	Moscow		100.00	100.00	195
167	OOO Zenteum [2]	Moscow		100.00	100.00	94
Sweden						
168	Brenntag Nordic AB	Malmö		100.00	100.00	169
169	Brenntag Nordic Investment AB	Malmö		100.00	100.00	170
170	Brenntag Nordic Holding AB	Malmö		100.00	100.00	134
Switzerland						
171	Brenntag Schweizerhall AG	Basel		100.00	100.00	69

No.	Company	Seat	Held directly % [1]	Held indirectly % [1]	Effective net holding % [1]	Via No.
Singapore						
172	Brenntag Asia Pacific Pte. Ltd.	Singapore		100.00	100.00	134
173	Brenntag Pte. Ltd.	Singapore		100.00	100.00	31
174	Brenntag Singapore PTE. LTD.	Singapore		100.00	100.00	134
Slovakia						
175	BRENNTAG SLOVAKIA s.r.o.	Pezinok		100.00	100.00	146
Slovenia						
176	BRENNTAG LJUBLIANA d.o.o.	Ljubljana		100.00	100.00	146
Spain						
177	Devon Chemicals S.A.	Barcelona		100.00	100.00	134
178	BRENNTAG QUIMICA, S.A.U.	Dos Hermanas		100.00	100.00	69
179	BRENNTAG QUIMICA Finance, S.L.U. [3]	Madrid		0.00	0.00	106
180	Quimica Multisol Iberica, S.L. Spanish Private LLC [2]	Barcelona		100.00	100.00	72
South Africa						
181	Canada Oil Sales (Proprietary) Limited [2]	Cape Town		100.00	100.00	182
182	Multisol South Africa (Proprietary) Limited [2]	Cape Town		100.00	100.00	88
183	Trade Firm 100 (Proprietary) Limited [2]	Cape Town		100.00	100.00	182
Taiwan						
184	BRENNTAG (Taiwan) Co. Ltd.	Taipeh		100.00	100.00	134
185	Brenntag Chemicals Co., Ltd.	Taipeh		100.00	100.00	134
Thailand						
186	Brenntag (Thailand) Co., Ltd.	Bangkok		0.00 99.99 0.01	100.00	172 188 135
187	Brenntag Enterprises (Thailand) Co., Ltd.	Bangkok		49.00 51.00	100.00	31 189
188	Brenntag Ingredients (Thailand) Public Company Limited	Bangkok		49.00 51.00	100.00	31 187
189	Brenntag Service (Thailand) Co., Ltd.	Bangkok		48.99 51.01	100.00	31 187
190	Thai-Dan Corporation Limited	Bangkok		99.90	99.90	188
Czech Republic						
191	Brenntag CR s.r.o.	Prague		100.00	100.00	146
Tunisia						
192	ALLIANCE – TUNISIE S.A.R.L.	Tunis		100.00	100.00	64
Turkey						
193	BRENNTAG KIMYA TICARET LIMITED SIRKETI	Kavacik – Istanbul		0.02 99.98	100.00	149 146
Ukraine						
194	TOB BRENNTAG UKRAINE	Kiev		100.00	100.00	211
195	TOB TRIDE	Kiev		100.00	100.00	146

No.	Company	Seat	Held directly % [1]	Held indirectly % [1]	Effective net holding % [1]	Via No.
Hungary						
196	BRENNTAG Hungaria Kft	Budapest		97.94 2.06	100.00	146 139
197	BCB Union Kft	Budapest		96.67 3.33	100.00	134 135
USA						
198	Brenntag Mid-South, Inc.	Henderson/Kentucky		100.00	100.00	207
199	Brenntag Southwest, Inc.	Longview/Texas		100.00	100.00	207
200	Brenntag Northeast, Inc.	Wilmington/Delaware		100.00	100.00	207
201	Brenntag Southeast, Inc.	Durham/North Carolina		100.00	100.00	207
202	Coastal Chemical Co., L.L.C.	Abbeville/Louisiana		100.00	100.00	137
203	Brenntag Latin America, Inc.	Wilmington/Delaware		100.00	100.00	207
204	Brenntag Funding LLC	Wilmington/Delaware		100.00	100.00	207
205	Brenntag Great Lakes LLC	Chicago/Illinois		100.00	100.00	137
206	Brenntag North America Foreign Holding, LLC	Wilmington/Delaware		100.00	100.00	207
207	Brenntag North America, Inc.	Wilmington/Delaware		100.00	100.00	134
208	Brenntag Pacific, Inc.	Wilmington/Delaware		100.00	100.00	207
209	Brenntag Specialties, Inc.	Wilmington/Delaware		100.00	100.00	207
210	Brenntag Specialties Latin America, LLC	Chicago/Illinois		100.00	100.00	134
211	Dipol Chemical International, Inc.	State of New York		100.00	100.00	146
Venezuela						
212	HOLANDA VENEZUELA, C.A.	Valencia		100.00	100.00	134
213	INVERSIONES HCI-CHEMCENTRAL de VENEZUELA, C.A.	Caracas		100.00	100.00	212
214	Quimicos Barcelona, C.A.	Caracas		100.00	100.00	212
Vietnam						
215	Brenntag Vietnam Company Limited	Ho Chi Minh City		100.00	100.00	174
216	Nam Giang Trading and Service Co., Ltd [3]	Ho Chi Minh City		0.00	0.00	
INVESTMENTS ACCOUNTED FOR AT EQUITY						
Denmark						
217	Borup Kemi I/S	Borup		33.30	33.30	30
Germany						
218	SOFT CHEM GmbH	Laatzen		33.40	17.03	41
South Africa						
219	Crest Chemicals (Proprietary) Limited	Bryanston		50.00	50.00	134
Thailand						
220	Berli Asiatic Soda Co., Ltd.	Bangkok		50.00	50.00	188
221	Siri Asiatic Co., Ltd.	Bangkok		50.00	50.00	188

[1] *Shares in the capital of the company.*
[2] *Business combinations in accordance with IFRS 3 in 2011.*
[3] *Special purpose entity.*

INDEPENDENT AUDITORS' REPORT

TO BRENNTAG AG, MÜLHEIM AN DER RUHR

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Brenntag AG, Mülheim an der Ruhr, and its subsidiaries, which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements for the business year from January 1, 2011 to December 31, 2011.

Board of Managing Directors' Responsibility for the Consolidated Financial Statements

The Board of Managing Directors of Brenntag AG, Mülheim an der Ruhr, is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The Board of Managing Directors is also responsible for the internal controls as the Board of Managing Directors determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion
According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at December 31, 2011 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report, which is combined with the management report of the company, of Brenntag AG, Mülheim an der Ruhr, for the business year from January 1, 2011 to December 31, 2011. The Board of Managing Directors of Brenntag AG, Mülheim an der Ruhr, is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state, that our audit of the combined management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, March 12, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgd. Klaus-Dieter Ruske	sgd. Frank Hübner
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)

SEGMENT REPORTING

BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

			Change		
in EUR m	**2011**	2010	abs.	in %	in % (fx adj.)
External sales	8,679.3	7,649.1	1,030.2	13.5	15.4
Operating gross profit	1,807.6	1,673.9	133.7	8.0	9.8
Operating expenses	−1,146.7	−1,071.3	−75.4	7.0	8.5
Operating EBITDA	**660.9**	**602.6**	**58.3**	**9.7**	**12.2**
Transaction costs/holding charges	*−2.1*	*−5.0*	*2.9*	–	–
EBITDA (incl. transaction costs/ holding charges)	**658.8**	**597.6**	**61.2**	**10.2**	**12.8**
Depreciation of property, plant and equipment	−88.9	−84.0	−4.9	5.8	6.9
EBITA	569.9	513.6	56.3	11.0	13.7
Amortization of intangible assets	−24.1	−104.6	80.5	−77.0	−76.6
Financial result	−126.3	−177.2	50.9	−28.7	–
Profit before tax	419.5	231.8	187.7	81.0	–
Income taxes	−140.2	−85.2	−55.0	64.6	–
Profit after tax	279.3	146.6	132.7	90.5	–

			Change		
in EUR m	**Q4 2011**	Q4 2010	abs.	in %	in % (fx adj.)
External sales	2,160.8	1,938.9	221.9	11.4	11.9
Operating gross profit	455.9	420.6	35.3	8.4	8.5
Operating expenses	−287.4	−265.6	−21.8	8.2	8.0
Operating EBITDA	**168.5**	**155.0**	**13.5**	**8.7**	**9.4**
Transaction costs/holding charges	*0.7*	*1.4*	*−0.7*	–	–
EBITDA (incl. transaction costs/ holding charges)	**169.2**	**156.4**	**12.8**	**8.2**	**8.8**
Depreciation of property, plant and equipment	−23.0	−21.7	−1.3	6.0	5.6
EBITA	146.2	134.7	11.5	8.5	9.4
Amortization of intangible assets	−6.7	−6.9	0.2	−2.9	−4.3
Financial result	−32.6	−35.8	3.2	−8.9	–
Profit before tax	106.9	92.0	14.9	16.2	–
Income taxes	−28.8	−29.6	0.8	−2.7	–
Profit after tax	78.1	62.4	15.7	25.2	–

BUSINESS PERFORMANCE IN THE SEGMENTS

2011 in EUR m	**Brenntag Group**	Europe	North America	Latin America	Asia Pacific	All Other Segments
External sales	8,679.3	4,295.3	2,725.7	806.9	415.4	436.0
Operating gross profit	1,807.6	898.0	659.7	150.5	82.1	17.3
Operating expenses	−1,146.7	−594.1	−377.6	−99.1	−45.2	−30.7
Operating EBITDA	**660.9**	**303.9**	**282.1**	**51.4**	**36.9**	**−13.4**

4th quarter 2011 in EUR m	**Brenntag Group**	Europe	North America	Latin America	Asia Pacific	All Other Segments
External sales	2,160.8	1,007.8	692.7	209.4	142.1	108.8
Operating gross profit	455.9	216.6	172.6	39.3	23.1	4.3
Operating expenses	−287.4	−148.5	−98.1	−24.8	−13.3	−2.7
Operating EBITDA	**168.5**	**68.1**	**74.5**	**14.5**	**9.8**	**1.6**

Europe

in EUR m	**2011**	2010	Change abs.	Change in %	Change in % (fx adj.)
External sales	4,295.3	3,927.5	367.8	9.4	9.2
Operating gross profit	898.0	863.0	35.0	4.1	3.7
Operating expenses	−594.1	−576.5	−17.6	3.1	2.6
Operating EBITDA	**303.9**	**286.5**	**17.4**	**6.1**	**6.0**

in EUR m	**Q4 2011**	Q4 2010	Change abs.	Change in %	Change in % (fx adj.)
External sales	1,007.8	979.3	28.5	2.9	4.0
Operating gross profit	216.6	213.3	3.3	1.5	2.1
Operating expenses	−148.5	−146.9	−1.6	1.1	1.5
Operating EBITDA	**68.1**	**66.4**	**1.7**	**2.6**	**3.5**

North America

in EUR m	**2011**	2010	Change abs.	Change in %	Change in % (fx adj.)
External sales	2,725.7	2,442.7	283.0	11.6	16.6
Operating gross profit	659.7	613.0	46.7	7.6	12.3
Operating expenses	−377.6	−348.6	−29.0	8.3	12.8
Operating EBITDA	**282.1**	**264.4**	**17.7**	**6.7**	**11.7**

in EUR m	**Q4 2011**	Q4 2010	Change abs.	Change in %	Change in % (fx adj.)
External sales	692.7	598.9	93.8	15.7	14.8
Operating gross profit	172.6	150.5	22.1	14.7	14.0
Operating expenses	−98.1	−84.4	−13.7	16.2	14.7
Operating EBITDA	**74.5**	**66.1**	**8.4**	**12.7**	**13.1**

Latin America

in EUR m	2011	2010	Change abs.	Change in %	Change in % (fx adj.)
External sales	806.9	725.1	81.8	11.3	15.0
Operating gross profit	150.5	137.8	12.7	9.2	13.0
Operating expenses	−99.1	−91.9	−7.2	7.8	11.6
Operating EBITDA	**51.4**	**45.9**	**5.5**	**12.0**	**15.8**

in EUR m	Q4 2011	Q4 2010	Change abs.	Change in %	Change in % (fx adj.)
External sales	209.4	182.1	27.3	15.0	16.2
Operating gross profit	39.3	34.1	5.2	15.2	16.1
Operating expenses	−24.8	−21.8	−3.0	13.8	14.5
Operating EBITDA	**14.5**	**12.3**	**2.2**	**17.9**	**19.0**

Asia Pacific

in EUR m	2011	2010	Change abs.	Change in %	Change in % (fx adj.)
External sales	415.4	217.1	198.3	91.3	94.8
Operating gross profit	82.1	45.7	36.4	79.6	81.6
Operating expenses	−45.2	−28.1	−17.1	60.9	62.6
Operating EBITDA	**36.9**	**17.6**	**19.3**	**109.7**	**112.1**

in EUR m	Q4 2011	Q4 2010	Change abs.	Change in %	Change in % (fx adj.)
External sales	142.1	95.2	46.9	49.3	52.8
Operating gross profit	23.1	19.0	4.1	21.6	23.4
Operating expenses	−13.3	−11.6	−1.7	14.7	16.1
Operating EBITDA	**9.8**	**7.4**	**2.4**	**32.4**	**34.7**

All Other Segments

in EUR m	2011	2010	Change abs.	Change in %	Change in % (fx adj.)
External sales	436.0	336.7	99.3	29.5	29.5
Operating gross profit	17.3	14.4	2.9	20.1	20.1
Operating expenses	−30.7	−26.2	−4.5	17.2	17.2
Operating EBITDA	**−13.4**	**−11.8**	**−1.6**	**13.6**	**13.6**

in EUR m	Q4 2011	Q4 2010	Change abs.	Change in %	Change in % (fx adj.)
External sales	108.8	83.4	25.4	30.5	30.5
Operating gross profit	4.3	3.7	0.6	16.2	16.2
Operating expenses	−2.7	−0.9	−1.8	200.0	200.0
Operating EBITDA	**1.6**	**2.8**	**−1.2**	**−42.9**	**−42.9**

KEY FINANCIAL FIGURES BY SEGMENT

for the period from January 1 to December 31

Segment reporting in accordance with IFRS 8 [1] in EUR m		Europe	North America	Latin America	Asia Pacific	All Other Segments	Consoli-dation	**Group**
External Sales	**2011**	**4,295.3**	**2,725.7**	**806.9**	**415.4**	**436.0**	**–**	**8,679.3**
	2010	3.927.5	2.442.7	725.1	217.1	336.7	–	7,649.1
	Change in %	9.4	11.6	11.3	91.3	29.5	–	13.5
	fx adjusted change in %	9.2	16.6	15.0	94.8	29.5	–	15.4
Inter-segment sales	**2011**	**5.8**	**5.4**	**2.8**	**–**	**2.6**	**−16.6**	**–**
	2010	4.3	3.8	10.7	–	2.8	−21.6	–
Operating gross profit [2]	**2011**	**898.0**	**659.7**	**150.5**	**82.1**	**17.3**	**–**	**1,807.6**
	2010	863.0	613.0	137.8	45.7	14.4	–	1,673.9
	Change in %	4.1	7.6	9.2	79.6	20.1	–	8.0
	fx adjusted change in %	3.7	12.3	13.0	81.6	20.1	–	9.8
Gross profit	**2011**	**–**	**–**	**–**	**–**	**–**	**–**	**1,768.0**
	2010	–	–	–	–	–	–	1,636.4
	Change in %	–	–	–	–	–	–	8.0
	fx adjusted change in %	–	–	–	–	–	–	10.0
Operating EBITDA	**2011**	**303.9**	**282.1**	**51.4**	**36.9**	**−13.4**	**–**	**660.9**
	2010	286.5	264.4	45.9	17.6	−11.8	–	602.6
	Change in %	6.1	6.7	12.0	109.7	13.6	–	9.7
	fx adjusted change in %	6.0	11.7	15.8	112.1	13.6	–	12.2
EBITDA	**2011**	**–**	**–**	**–**	**–**	**–**	**–**	**658.8**
	2010	–	–	–	–	–	–	597.6
	Change in %	–	–	–	–	–	–	10.2
	fx adjusted change in %	–	–	–	–	–	–	12.8
Operating EBITDA/ Operating gross profit [2]	**2011 in %**	**33.8**	**42.8**	**34.2**	**44.9**	**−77.5**	**–**	**36.6**
	2010 in %	33.2	43.1	33.3	38.5	−81.9	–	36.0
Investments in non-current assets (Capex) [3]	**2011**	**48.2**	**23.2**	**10.5**	**3.8**	**0.3**	**–**	**86.0**
	2010	54.3	18.4	9.1	2.9	0.4	–	85.1

[1] Further information on segment reporting in accordance with IFRS 8 is to be found under Note 33.
[2] External sales less cost of materials.
[3] The other additions to property, plant and equipment and intangible assets are shown as Investments in non-current assets.

KEY FINANCIAL FIGURES BY SEGMENT

for the period from October 1 to December 31

Segment reporting in accordance with IFRS 8 [1)] in EUR m		Europe	North America	Latin America	Asia Pacific	All Other Segments	Consoli-dation	Group
External Sales	**2011**	**1,007.8**	**692.7**	**209.4**	**142.1**	**108.8**	**–**	**2,160.8**
	2010	979.3	598.9	182.1	95.2	83.4	–	1,938.9
	Change %	2.9	15.7	15.0	49.3	30.5	–	11.4
	fx adjusted change in %	4.0	14.8	16.2	52.8	30.5	–	11.9
Inter-segment sales	**2011**	**1.0**	**2.0**	**0.6**	**–**	**0.7**	**−4.3**	**–**
	2010	1.0	0.8	0.9	–	0.8	−3.5	–
Operating gross profit [2)]	**2011**	**216.6**	**172.6**	**39.3**	**23.1**	**4.3**	**–**	**455.9**
	2010	213.3	150.5	34.1	19.0	3.7	–	420.6
	Change %	1.5	14.7	15.2	21.6	16.2	–	8.4
	fx adjusted change in %	2.1	14.0	16.1	23.4	16.2	–	8.5
Gross profit	**2011**	**–**	**–**	**–**	**–**	**–**	**–**	**444.3**
	2010	–	–	–	–	–	–	410.5
	Change %	–	–	–	–	–	–	8.2
	fx adjusted change in %	–	–	–	–	–	–	8.5
Operating EBITDA	**2011**	**68.1**	**74.5**	**14.5**	**9.8**	**1.6**	**–**	**168.5**
	2010	66.4	66.1	12.3	7.4	2.8	–	155.0
	Change %	2.6	12.7	17.9	32.4	−42.9	–	8.7
	fx adjusted change in %	3.5	13.1	19.0	34.7	−42.9	–	9.4
EBITDA	**2011**	**–**	**–**	**–**	**–**	**–**	**–**	**169.2**
	2010	–	–	–	–	–	–	156.4
	Change %	–	–	–	–	–	–	8.2
	fx adjusted change in %	–	–	–	–	–	–	8.8
Operating EBITDA/ Operating gross profit [2)]	**2011 in %**	**31.4**	**43.2**	**36.9**	**42.4**	**37.2**	**–**	**37.0**
	2010 in %	31.1	43.9	36.1	38.9	75.7	–	36.9
Investments non-current assets (Capex) [3)]	**2011**	**19.7**	**11.9**	**4.7**	**1.6**	**0.1**	**–**	**38.0**
	2010	24.4	6.3	5.1	1.9	0.2	–	37.9

1) Further information on segment reporting in accordance with IFRS 8 is to be found under Note 33.
2) External sales less cost of materials.
3) The other additions to property, plant and equipment and intangible assets are shown as Investments in non-current assets.

GLOSSARY

Accounts receivable securitization programme | Financing instrument that secures the lender by transferring trade receivables.

Ad hoc publicity | Obligation of issuers of securities to immediately report and publish any → *insider information* that directly affects him. The obligation to release such → *insider information* without delay is contained in section 15 of the German Securities Trading Act and is intended to avoid the abuse of → *insider information* and enhance market transparency.

Additional paid-in capital | Additional paid-in capital results from the difference between the par value of issued shares and the issue price. It can increase if e.g. new shares are issued at a price greater than the par value as part of capital increase.

Balance sheet | The balance sheet shows the entire assets and liabilities (equity and borrowed capital) of a company at the balance-sheet date. The stock corporation publishes its statement of financial position at the end of the financial year, thereby providing a summary of its financial situation.

Bearer share | Bearer shares are not registered in one's name, but grant the possessor of the share all shareholder rights.

Best practice | A best practice is a method or technique that has consistently shown results superior to those achieved with other means, and that is used as a benchmark.

Board of Management | The Board of Management is responsible for the management of the company and its representation. It is appointed by the → *Supervisory Board* for a maximum of five years. Members may be reappointed or their term may be extended for a maximum of five years in each case.

CAGR | CAGR is the abbreviation for "Compound Annual Growth Rate" and refers to the average annual growth rate.

Capex | Capex is the abbreviation for "Capital Expenditure" and represents a performance indicator for investments in non-current assets. At Brenntag, Capex is defined as other additions to property, plant and equipment and other additions to acquired software, licenses and similar rights (see the Group Notes 21 and 23).

Cash flow | This is an indicator of the liquidity of an entity. The total change in liquidity consists of the total of the cash flow from current business operations (operating cash flow), the cash flow from investments and the cash flow from financing activities. The operating cash flow is a particularly effective indicator of the ability of an entity to invest, pay off debts and distribute → *dividends.*

Cash flow hedge | Cash flow hedges are used to hedge the risk of cash flow fluctuations. This risk can relate either to assets or liabilities shown in the accounts or can arise from a planned transaction. Cash flow fluctuations can be caused, for example, by variations in interest rates or exchange rates, which are counteracted by e.g. concluding → *interest rate swaps* or foreign exchange forward transactions. Cash flow hedges must be valued at the fair value under → *IFRS*.

Cash flow hedge reserve | If certain criteria are met, the effective part of the fair value valuation of hedging instruments designated as a → *cash flow hedge* can be included directly in the equity.

Compliance | General term for the observance of all applicable laws, external and internal regulations, principles, procedures and standards.

Consolidated financial statement | A consolidated financial statement presents a group of entities as if it were a single entity. All the relationships between the legally-independent but economically affiliated entities are disregarded so that the consolidated financial statement only shows the activities of the group entity towards external third parties.

Contingent liability | A contingent liability is a possible liability arising from past events, the existence of which remains to be confirmed by the occurrence or non-occurrence of one or more uncertain future events, which are not fully under the control of the entity, or a present obligation based on past events, but not shown in the balance sheet because an outflow of resources with economic effect to meet the liability is unlikely or the amount of the liability cannot be estimated with sufficient reliability.

Controlling | Corporate Controlling provides analyses on the performance of group entities using numerous key performance indicators and supports the decision-making process on resource allocation (e.g. investments). The department operates the monthly management reporting process as well as the forecasting and planning processes.

Conversion ratio | The conversion ratio at Brenntag is calculated as the quotient of the operating → *EBITDA* and the gross profit. It represents one of the most important efficiency ratios.

Corporate Governance | This refers to the regulatory framework for the management and monitoring of a company. A large proportion of this regulatory framework is included in the → *German Corporate Governance Code*.

Cost of sales | Cost of sales includes the costs of materials for goods and raw materials and consumables purchased, services purchased, inventory changes in finished and semi-finished goods, other capitalized internal activities and operating costs.

Covenants | This term refers to clauses or agreements in loan contracts and bond conditions. They are contractually-binding warranties given by the borrower or bond debtor for the term of a loan contract.

Cross-default clause | Agreement in loan contracts or bond conditions under which a default is held to have occurred if the borrower is in default with other creditors, without being in default of the loan agreement containing the clause.

Cross-selling | At Brenntag, we understand cross-selling to mean both the selling of our existing product portfolio to new customers, e.g. who come to Brenntag as a result of acquisitions, and also the selling of newly-acquired product portfolios to our existing customers.

Currency swap | Financial transaction with a counterparty (generally a bank) undertaken as part of foreign currency management. The two parties to the contract first swap two sums in different currencies and at the same time conclude an agreement to reverse the swap at a future point in time.

D&O insurance | Directors‘ and officers’ insurance is a liability insurance for financial damages that covers members of the company management against claims by third parties and by the company for breaches of their duty of care.

DAX® | The “Deutsche Aktienindex DAX®” (DAX® German stock exchange index) is the top index on the German stock exchange and measures the development of the 30 largest and highest-selling companies on the German stock market.

Deferred tax assets | Deferred tax assets are recognized as future tax benefit resulting from differences between the → *IFRS* carrying amount and tax balance-sheet carrying value. Deferred tax assets may result in future tax reductions. At the balance-sheet date there are no actual tax assets or liabilities to tax authorities resulting from deferred taxes.

Deferred tax liabilities | Deferred tax liabilities are recognized as future tax burden resulting from differences between the → *IFRS* carrying amount and tax balance-sheet carrying value. Deferred tax liabilities may result in future tax payments. At the balance-sheet date there are no actual tax assets or liabilities to tax authorities resulting from deferred taxes.

Derivative financial instruments | Financial instruments as defined by → *IFRS* are contracts, which in one entity become a financial asset (cash, shares, receivables etc.) and at the same time become a financial liability or equity instrument in another entity (residual claim against the assets of an entity after deducting all liabilities). [IAS 32, 11] Derivative financial instruments are financial instruments, changes in the value of which are linked to a price, index, rate or similar variable and which are settled in future, whereby initially only a comparatively minor or no investment is necessary (examples of derivative financial instruments or for short derivatives in this sense are foreign exchange → *forward contracts* and → *interest rate swaps*). [IFRS 9, Definitions]

Designated sponsors | A designated sponsor is a credit institute, brokerage company or securities trading house admitted to the stock exchange as a market participant. It provides additional liquidity in the → *Xetra®* electronic trading system for the issuers of shares by undertaking to enter binding bid and ask limits for the supported shares in the order book in continuous trading and in auctions. This enables investors to buy or sell supported shares at any time at reasonable prices in line with market conditions.

Distributable profit | The distributable profit is designated by the provisions of German commercial law in relation to corporations as that part of the profit, on the use of which the → *General Shareholders' Meeting* decides. It constitutes the upper limit of any distribution of profits *(→ dividends)* and consists of the net income for the year after the dissolution or formation of any reserves and any profit or loss carried forward. In the case of a stock corporation that prepares separate financial statements in accordance with the provisions of the HGB (German Commercial Code) taking into account partial appropriation of the profit for the year, the → *Supervisory Board* and → *Board of Management* submit a joint proposal to the → *General Shareholders' Meeting* on the use of the distributable profit. The distributable profit is an item in separate financial statements drawn up in accordance with the provisions of the HGB, and is not shown in consolidated → *IFRS* statements.

Diversification | Diversification at Brenntag means a broad range as regards geography, end markets, customers, products and suppliers. This high extent of diversification makes Brenntag largely independent of individual market segments or regions.

Dividend | The dividend is the proportion of the profit paid out to the shareholders. The → *General Shareholders' Meeting* decides on the amount of dividend.

Earnings per share | Performance indicator measured by dividing the portion of the profit after tax of income and proceeds, to which shareholders in Brenntag AG are entitled by the average weighted number of shares in circulation. The determination of this figure is regulated by IAS 33.

EBITA | Earnings before Interest, Taxes and Amortization. EBITA is a profitability performance indicator.

EBITDA | Earnings before Interest, Taxes, Depreciation and Amortization. EBITDA at Brenntag represents a major profitability performance indicator of the Group.

"Elektronischer Bundesanzeiger" (electronic Federal Gazette) | The electronic German Federal Gazette is the central platform for official publications and announcements and for legal news about companies.

Equity method | This is a valuation method for minority shareholdings that are not included with the assets and liabilities in the consolidated financial statement on the basis of full consolidation. The investment carrying amount of the minority interest is updated in the owning company by any changes in the proportion of equity in the owned company. This change is entered in the income statement of the owning company.

External sales | External sales cover all sales occurring as part of the normal course of business with external third parties. The comprehensive sales figure, on the other hand, also includes sales between consolidated subsidiaries and special purpose entities.

Fair value | Value at which financial assets, liabilities and → *derivative financial instruments* are traded amongst competent, willing and separate independent business partners.

Finance lease | Type of lease in which a business asset is leased at a fixed rate for a defined term that cannot be terminated, and essentially all the risks and opportunities associated with the beneficial ownership are transferred to the lessee. In this case the leased asset must appear in the accounts of the lessee under IAS 17.

Financial covenants | Subgroup of → *covenants* in which the borrower gives his consent to the maintenance of specific performance indicators.

Focus industries | Brenntag has identified six focus industries, in which we expect above-average growth. These are the ACES segments (adhesives, coatings, elastomers, paints and sealants), the food industry, the oil & gas sector, the personal care industry, pharmaceuticals and water treatment.

Forward contract | Financial transaction with a counterparty (generally a bank) undertaken as part of foreign currency management. The two parties to the contract conclude an agreement to swap two currencies at a future point in time at a specified exchange rate.

Free cash flow | Metric for measuring operational cash generation. At Brenntag, the free cash flow is defined as → *EBITDA* less other increases in property, plant and equipment and other increases in acquired software, licences and similar rights *(→ Capex)*, plus/minus changes in the → *working capital.*

Free float | The free float refers to → *shares* that are not owned by major shareholders, and can therefore be acquired and traded by the general public. As a rule, the larger the free float, the easier it is for investors to buy and sell the → *share.*

Full-time equivalents | Number of employees on a full-time equivalent basis, i.e. part-time positions are weighted according to their number of hours worked.

Fx adjusted | Adjusted for translation effects of exchange rates varying over time. Comparability of financial data relating to two different reporting periods with consequent different exchange rates for the translation of local/functional currency into the reporting currency (euro) is improved by adjusting to allow for effects of varying exchange rates by translating both values to the same current exchange rate.

General Shareholders' Meeting (GSM)
The GSM is the institution where shareholders can exercise their rights from their shareholding. A GSM takes place regularly and at least once a year. The GSM is inter alia responsible for: the appointment and dismissal of the members of the → *Supervisory Board* (but not of the employee representatives); decides on the use of profits; discharge of → *Board of Management* and → *Supervisory Board.*

German Corporate Governance Code
A collection of rules on → *corporate governance* compiled by the German Government Commission on the Corporate Governance Code. The emphasis of the code is rules concerning the shareholders and the → *General Shareholders' Meeting,* co-operation between the → *Board of Management* and the → *Supervisory Board,* the → *Board of Management* and → *Supervisory Board* themselves and general rules on transparency, accounting and auditing. As well as repeating statutory regulations, the code also contains "Recommendations" and "Suggestions". Neither are mandatory, but companies must disclose when they are departing from recommendations, which is not the case for suggestions.

Global key accounts | Global key accounts refers at Brenntag to major customers who buy from us on at least two continents.

Goodwill | Intangible asset quantifying the amount paid for the image, know-how and market position. The goodwill (value of the business) is the difference between the acquisition price and the → *fair value* of the acquired net assets at the date of acquisition.

Hedging | Hedging is a strategy for protecting interest rate, currency or share price risks by means of → *derivative financial instruments* (options, → *swaps*, → *forward contracts*, etc.).

Holding charges | These are allocations of certain costs between holding companies and operating companies. They balance themselves out at Group level.

IBC | IBC stands for intermediate bulk container. Consisting of a plastic tank and tubular metal frame, these are used mostly for liquids. A capacity of 1,000 litres is typical.

ICCTA | The International Council of Chemical Trade Associations (established in 1991) represents the interests of over 1500 chemical distributors worldwide. ICCTA was set up to fill the need of having a worldwide chemical association coordinating work on issues and programmes of international interest across chemical trade associations .

IFRS/IAS | International accounting standards issued by the IASB (International Accounting Standards Board) with the aim of creating transparent and comparable accounting principles. Under the Regulation of the European Parliament and the European Council, these are to be used by publicly traded EU companies. IFRS stands for International Financial Reporting Standards, previously IAS (International Accounting Standards).

Impairment test | Credit quality test, in which the carrying amount of an asset is compared to its recoverable amount. The recoverable amount is the higher value of the fair value of the asset less costs to sell and the value in use. The value in use is the present value of future cash flows expected to be obtained from using an asset. If the carrying amount is above the recoverable amount, an unplanned write-down (impairment) of the asset must be undertaken immediately. The → *goodwill* must be subjected to an impairment test at least once a year.

Industrial chemical | Industrial chemical is the term used at Brenntag to distinguish standard chemical products that have specific properties and effects from → *specialty chemicals*. The manufacturer of the product is irrelevant for the user.

Insider information | Insider information is defined as any concrete information about any circumstances or events in connection with an issuer of insider securities or with insider securities themselves such as shares as well as options or trading in futures in connection with such shares that are not known to the public and that could, in case of becoming publically known, significantly influence the stock exchange price or the market value of such insider securities.

Institutional investor | Institutional investors are capital collectors. Among them are banks, insurers, and asset management companies, but also companies investing their retirement contributions in securities.

Interest hedging | Hedging against interest rate variations that occur with variable interest-rate loans. Instruments used can be → *interest-rate swaps* or → *caps*, for example.

Interest cap | Financial transaction with a counterparty (generally a bank) concluded in respect of an existing variable interest-rate loan as a hedge against interest rates rising above a previously defined level ("cap").

Interest rate swap | Financial transaction with a counterparty (generally a bank) concluded in respect of an existing variable interest-rate loan to fix the total interest expenses at a previously defined level.

Investment property | Investment property is land, buildings or parts of buildings held for the purposes of obtaining rental income or capital appreciation.

Investor Relations | Department in charge of communication with shareholders, investors, analysts and financial media. The objective is to provide information that is necessary to evaluate the development of the company.

ISIN | The International Securities Identification Number (ISIN) serves to clearly identify securities on a worldwide basis and has in the meantime replaced the national securities identification number (WKN).

ISO | The International Organization for Standardization, or ISO for short, is the international association of national standardization organizations and prepares standards with international validity. The standard ISO 9001 lays down internationally-accepted requirements for quality management systems as regards the quality of production, services and development.

Just-in-time delivery | With just-in-time deliveries, our customers do not keep primary or ancillary products necessary for their own production in their own warehouse but order them from Brenntag as required ("just in time").

Leverage | This term has various meanings in the world of finance. In this document, it refers to the ratio of → *net debt* to → *EBITDA*.

Market capitalization | The market capitalization indicates the value of the equity of a listed stock corporation on the market. It is calculated by multiplying the number of issued shares by the current share price.

MDAX® | The MDAX® stock index calculated by the German Stock Exchange covers 50 medium-sized German companies from the classic industries that follow the 30 → *DAX®* values.

MSCI | MSCI provides various services for → *institutional investors* and has been calculating a number of indices since 1968.

Multi-period excess earnings method The multi-period excess earnings method is a valuation method for intangible assets in which the present value of the cash flow generated solely by the intangible asset to be valued is measured. Since intangible assets generally do not generate cash flows unless combined with other tangible or intangible assets, when measuring the relevant cash receipt surpluses allowance is made for "fictitious" payments for "supporting" assets. The assumption is made that these are rented or leased from a third party in the quantity necessary to generate the cash flow. At Brenntag, the multi-period excess earnings method is used to value acquired customer bases and similar rights.

Net debt | This is essentially financial liabilities (debt) less the existing liquidity, although both terms can be defined differently in various (loan) contracts.

Net financial liabilities | This is understood as the part of total financial liabilities not covered by cash and cash equivalents (see also the Group Note 26).

No-par value share | No-par value shares have no nominal value. All issued no-par value shares must represent the same portion of the equity of a publicly listed company.

One-stop shop | "One-stop shop" means that our customers can obtain a comprehensive range of → *specialty* and → *industrial chemicals* and services from a single source.

Operating gross profit | The operating gross profit is defined as sales revenue minus the cost of goods sold.

Operating lease | Leasing method in which the beneficial ownership does not pass to the lessee. In operative leasing, neither the asset nor the liability appears in the balance sheet of the lessee. The periodic payments are entered in the lessee's accounts as operating expenditure.

Ordinary share | Share carrying all standard rights, especially → *voting rights*.

Outsourcing | Outsourcing at Brenntag is understood to mean that chemicals manufacturers pass on their small and medium-sized customers to Brenntag so that in future they obtain their chemicals from Brenntag.

Packaging | Packaging refers to packing or packing material.

Payout ratio | The payout ratio indicates the percentage of the profit after taxes distributed to the shareholders as a → *dividend*.

Prime Standard | The Prime Standard is an EU-regulated segment and the listing segment for companies that target not only German investors, but also international investors. In addition to the requirements for admission to the General Standard, which imposes the statutory requirements of the regulated market, admission to Prime Standard requires the fulfilment of further transparency criteria. Being listed in Prime Standard is a prerequisite for a company to be included in the selection indices (→ *DAX®*, → *MDAX®*, SDAX®, TecDAX®) of FWB Frankfurter Wertpapierbörse (the "Frankfurt Stock Exchange").

REACH | REACH (Registration, Evaluation, Authorization of Chemicals) is a regulation of the European Union, adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals.

Registered share | A type of → *share* registered on the name of the owner, who is also recorded in the → *share register* of the company. The → *share register* enables the company to gain a better understanding of its shareholder structure.

Regulated market | The regulated market is a market segment with strict entry requirements and follow-up requirements. The regulated market is an organized market in accordance with section 2, paragraph 5 of the Securities Trading Act. This means that the admission and follow-up requirements for the participants and the organization of trading are legally regulated. The admission requirements are laid down in the German Stock Exchange Act, the German Stock Exchange Admission Ordinance, the German Securities Prospectus Act and the German Stock Exchange Regulations. In addition to the admission requirements, issuers on the Frankfurt Stock Exchange opt for a transparency standard. Issuers in the regulated market can choose either the general or the → *prime standard*. Issuers in the open market choose the admission standard. This choice determines the follow-up requirements.

Relief-from-royalty method | The value of a trademark is calculated by the cost savings resulting from the fact that the company owns the trademark and does not have to license it from a third party for a fee. The value results from the present value of the saved license fees in the future. These license fees are calculated as a percentage rate of a reference parameter (usually the sales) that is in line with the industry standard.

Retained earnings | Retained earnings are part of the equity of a company in the balance sheet. The part of the net income for the year not distributed to shareholders is transferred to retained earnings.

Return on investment | This performance indicator shows the profit in the income statement as a proportion of the capital employed, in other words the interest earned on the capital employed.

Road show | Presentation of a company to shareholders and potential investors in different financial centres. The goal of this investor relations measure is to stimulate interest in the company and actively market the share.

RONA | Return on Net Assets (RONA) is defined as → *EBITA* divided by the total of the average property, plant and equipment and the average → *working capital*. The average property, plant and equipment and the → *working capital* is defined for any particular year as the arithmetical average of the respective values for property, plant and equipment and → *working capital* at the following five times: the start of the year, the ends of the first, second and third quarters and the end of the year.

Segment | Reportable unit within an entity in accordance with → *IFRS* 8. The Brenntag Group is managed via the regionally based segments in Europe, North America, Latin America and Asia Pacific. The central functions for the Group as a whole and the activities of Brenntag International Chemicals are grouped together as other segments.

Separate financial statement | A separate financial statement represents the annual financial statement of a separate company. In Germany, this must be prepared in accordance with the legal provisions of the HGB and generally accepted accounting principles ("GoB"). The separate financial statement is the basis for determining the distribution and also for taxation.

Share | Security representing a part of a company's overall equity capital. Owning a share entitles the shareholder among others to participate in → *General Shareholders' Meetings;* to vote at → *General Shareholders' Meetings;* to receive → *dividends.*

Share register | Companies which, like Brenntag AG, have issued → *registered shares* maintain a share register, in which the name and address of the shareholder and the quantity of shares held are kept (section 67 of the Stock Corporation Act (Aktiengesetz)).

Specialty chemical | Specialty chemicals are distinguished from → *industrial chemicals* by their producer-specific formulations. Which manufacturer produces the specialty chemical is of prime importance for the user.

Subscribed capital | The subscribed capital of a stock corporation is the total par value of all the issued → *shares* and is laid down in the Articles of Association.

Supervisory Board | Mandatory control body which controls the → *Board of Management,* regulated in the German Stock Corporation Act. The members of the Supervisory Board are in general elected by the → *General Shareholders' Meeting.* The most important functions of the Supervisory Board are the appointment and dismissal of the → *Board of Management* as well as the control of its management.

Suppliers with debit balances | Suppliers with debit balances refer to claims against third parties (generally suppliers) in respect of whom a liability normally exists, but whose account temporarily shows receivables due to e. g. refunds/credits.

Swap contracts | Financial transaction with a counterparty (generally a bank) to hedge financial risks (such as interest rate and currency risks) arising in the course of business.

Syndicated loan | Loan in which at least two lenders grant a loan to one (or more) borrower(s) under uniform conditions.

Trademark | A trademark generally refers to a brand name and at Brenntag includes both the name and the blue-red logo.

Trading symbol | A three-digit combination of letters and possibly numbers. The trading symbol is allocated by WM Datenservice, the body responsible for issuing the WKN and ISIN in Germany. Any share can be unambiguously identified from both trading symbol and also the WKN (German securities ID number) or ISIN (International Securities Identification Number). The Brenntag trading symbol is BNR.

Transaction costs | These are costs associated with company restructuring and refinancing, particularly in relation to the initial public offering in 2010. They are eliminated for purposes of management reporting to permit proper representation of the operating performance and comparability at segment level.

(Group) Treasury | Designates the Group finance department, which is responsible for matters such as financing, cash investment and the management of financial risks.

Voting right | The shareholder is entitled to vote on resolutions that are proposed at the → *General Shareholders' Meeting* of the company he or she is a shareholder of. The weight of his or her vote depends on the number of shares held.

WACC | The WACC (Weighted Average Cost of Capital) is a weighted capital cost rate and is calculated as a weighted average of costs of equity and borrowed capital costs.

Working capital | Working capital is defined as trade receivables plus inventories less trade payables.

Working capital turnover, annualized
Ratio of annual turnover to average → *working capital;* the average → *working capital* is defined for any particular year as the arithmetical average of the respective values for the → *working capital* at the following five times: the start of the year, the ends of the first, second and third quarters and the end of the year.

Xetra® | The term Xetra® stands for the electronic stock exchange trading system of Deutsche Börse AG (Exchange Electronic Trading System).

FIVE-YEAR OVERVIEW

Consolidated income statement		2011	2010	2009	2008	2007
Sales	EUR m	8,679.3	7,649.1	6,364.6	7,379.6	6,671.4
Gross profit	EUR m	1,768.0	1,636.4	1,459.5	1,492.3	1,354.5
Operating EBITDA	EUR m	660.9	602.6	480.3	482.1	412.2
Operating EBITDA/Gross profit	%	37.4	36.8	32.9	32.3	30.4
EBITDA	EUR m	658.8	597.6	476.6	480.9	407.9
Profit after tax	EUR m	279.3	146.6	0.5	−41.8	−63.2
Earnings per share	EUR	5.39	2.93	–	–	–

Consolidated balance sheet		Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Total assets	EUR m	5,575.6	4,970.2	4,653.8	4,792.6	4,867.4
Equity	EUR m	1,761.3	1,617.9	172.3	128.3	197.7
Working capital	EUR m	961.1	831.7	598.1	831.8	761.5
Net financial liabilities	EUR m	1,493.6	1,420.9	2,535.9	2,955.2	2,855.7

Consolidated cash flow		2011	2010	2009	2008	2007
Cash flow provided by operating activities	EUR m	349.6	150.3	490.3	177.1	116.5
Investments in non-current assets (Capex)	EUR m	−86.0	−85.1	−71.8	−84.3	−104.6
Free cash flow	EUR m	511.8	376.1	646.8	343.1	278.9

Key figures Brenntag share		Dec. 31, 2011	Dec. 31, 2010
Share price	EUR	71.95	76.30
No. of shares (unweighted)		51,500,000	51,500,000
Market capitalization	EUR m	3,705	3,929
Free float	%	63.98	50.39

FINANCIAL CALENDAR

March 21, 2012	Annual Report 2011
May 9, 2012	Interim Report Q1 2012
May 14–16, 2012	Deutsche Bank German & Austrian Corporate Conference
June 20, 2012	General Shareholders' Meeting, Düsseldorf
June 25–26, 2012	Goldman Sachs Business Services Conference
August 8, 2012	Interim Report Q2 2012
November 7, 2012	Interim Report Q3 2012

IMPRINT AND CONTACT

Issuer
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Information on the annual report
This translation is only a convenience translation. In case of any differences only the German version is binding.

Information on rounding
Due to the commercial rounding minor differences may occur when using rounded amounts or rounded percentages.

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

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