

A high-speed photograph of a water splash, showing a horizontal line of water at the top with numerous small, clear bubbles rising from it. A single, larger, reddish-orange sphere is suspended in the water, surrounded by more bubbles. The background is a clean, bright white.

GLOBAL MARKET LEADER IN

chemical distribution

Annual Report 2010

KEY FINANCIAL FIGURES AT A GLANCE

Consolidated Income statement		2010	2009	Change
Sales	EUR m	7,649.1	6,364.6	20.2%
Gross profit	EUR m	1,636.4	1,459.5	12.1%
Operating EBITDA	EUR m	602.6	480.3	25.5%
Operating EBITDA/Gross profit	%	36.8	32.9	11.9%
EBITDA	EUR m	597.6	476.6	25.4%
EBT	EUR m	231.8	47.1	>100%
Profit after tax	EUR m	146.6	0.5	>100%
Earnings per share	EUR	2.93	–	

Consolidated Balance sheet		Dec. 31, 2010	Dec. 31, 2009
Total assets	EUR m	4,970.2	4,653.8
Equity	EUR m	1,617.9	172.3
Working capital	EUR m	831.7	598.1
Net financial liabilities	EUR m	1,420.9	2,535.9

Consolidated Cash flow		2010	2009
Cash provided by operating activities	EUR m	150.3	490.3
Investments in non-current assets (Capex)	EUR m	–85.1	–71.8
Free cash flow	EUR m	376.1	646.8

Key figures Brenntag share		Dec. 31, 2010	Mar. 29, 2010
Share price	EUR	76.30	50.00
No. of shares (unweighted)		51,500,000	51,500,000
Market capitalization	EUR m	3,929	2,575
Free float*	%	63.98	29.03

*as of January 19, 2011

OUR GOALS AND OBJECTIVES

- To be the **safest** chemical distributor.
- To be the **fastest-growing** chemical distributor.
- To be the **most profitable** chemical distributor.
- To be the **chemical distributor** which offers its customers a **full line of specialty and industrial chemicals** and services with complete geographic coverage.
- To be the **preferred chemical distributor** for our customers and suppliers.

PROFILE

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 about 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 nearly 70 countries.

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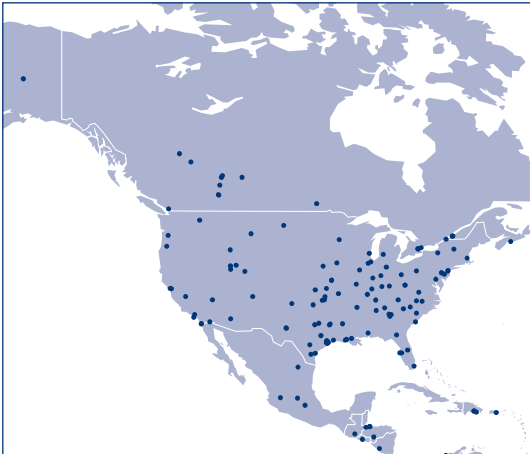
SEGMENTS

EUROPE



Brenntag is the market leader in both western and eastern Europe. Brenntag has a strong network of about 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 2010 operating EBITDA of EUR 286.5 million.

NORTH AMERICA



Brenntag is the number three chemical distributor in North America. With some 120 locations, we operate in all important industrial centres. Nearly 3,600 employees ensure that over 35,000 customers have the products and services they need. The North American companies generated 2010 operating EBITDA of EUR 264.4 million.

OPERATING EBITDA

286.5 EUR m

Europe		2010	2009
External sales	EUR m	3,927.5	3,434.4
Operating gross profit	EUR m	863.0	807.6
Operating expenses	EUR m	−576.5	−557.0
Operating EBITDA	EUR m	286.5	250.6

OPERATING EBITDA

264.4 EUR m

North America		2010	2009
External sales	EUR m	2,442.7	2,050.5
Operating gross profit	EUR m	613.0	537.7
Operating expenses	EUR m	−348.6	−340.9
Operating EBITDA	EUR m	264.4	196.8

LATIN AMERICA



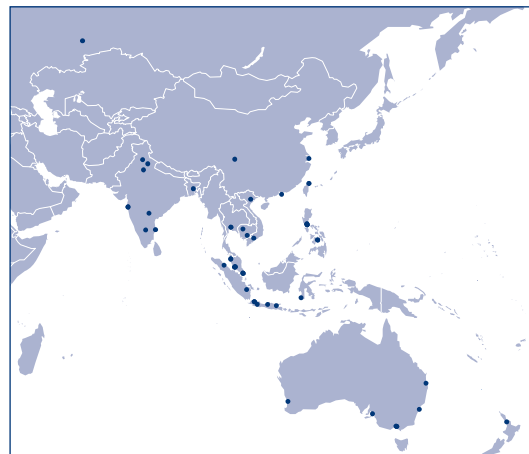
In Latin America, Brenntag is the only large chemical distributor which is transregional and can provide its customers with products and services from throughout Latin America. Our over 18,000 customers are supplied by our over 1,200 colleagues from 53 locations in 19 Latin American countries. Our Latin American employees generated 2010 operating EBITDA of EUR 45.9 million.

OPERATING EBITDA

45.9 EUR m

Latin America		2010	2009
External sales	EUR m	725.1	610.5
Operating gross profit	EUR m	137.8	123.3
Operating expenses	EUR m	−91.9	−81.0
Operating EBITDA	EUR m	45.9	42.3

ASIA PACIFIC



Brenntag entered the Asia Pacific markets in 2008 with the acquisition of Rhodia's sales and marketing resources 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. Brenntag now has a network of 48 locations in 12 Asia Pacific countries. Over 1,000 employees now handle the demand for chemical products and services from some 9,000 customers and generated 2010 operating EBITDA of EUR 17.6 million, which includes the results of EAC Industrial Ingredients Ltd. A/S only since July 2010.

OPERATING EBITDA

17.6 EUR m

Asia Pacific		2010	2009
External sales	EUR m	217.1	58.4
Operating gross profit	EUR m	45.7	14.5
Operating expenses	EUR m	−28.1	−10.4
Operating EBITDA	EUR m	17.6	4.1

The segment "All other segments", which contains mainly activities that can not be assigned to a geographical segment, is not shown here.

TO OUR SHAREHOLDERS

CEO LETTER

Dear Shareholders,

It has been an exciting year bringing many changes for Brenntag. Early in the year, nearly 140 years after the company's establishment, we successfully ventured onto the Frankfurt stock exchange. The company sold 10.5 million shares and the previous sole owner sold an additional 4.45 million shares with an aggregate value of EUR 747.5 million, enabling a multiplicity of shareholders to participate in the forward-looking business model of the company. Accordingly, Brenntag was able to execute one of the largest initial public offerings in Germany in recent years. As previously announced, we used the proceeds from the capital increase to repay debt and to increase our financial flexibility. This allowed us to vigorously pursue the execution of our growth strategy.

During the rest of the year, we systematically worked toward achieving our long-term goal of continuous, profitable growth. Our growth strategy is based on two pillars: organic growth and acquisition initiatives. Organically, we increased our business volume by expanding existing and building up new customer relationships as well as by focusing on the key growth industries of pharmaceuticals, food, oil & gas, personal care, coatings and water treatment. We also continued to benefit from industry trends favouring scale distributors such as global accounts and the outsourcing of small customers from chemical manufacturers to distributors. In addition, we resumed our role as a major consolidator of the highly fragmented chemical distribution market. Alongside various small acquisitions, the takeover of EAC Industrial Ingredients Ltd. A/S, a leading provider of chemical distribution solutions in the fast-growing region of South and Southeast Asia, was a major step in the fulfillment of our Asian growth initiative. We now have an extensive and well-established network of 48 distribution sites in the Asia Pacific growth region and employ over 1,000 people there. As a result, our sales in the region will increase significantly. This acquisition has provided a platform for accelerated future growth in this important geography for years to come.

Overall in 2010, we increased our gross profit by 12.1% to EUR 1,636.4 million compared with the previous year. Operating EBITDA, one of our key performance indicators, grew by 25.5% to EUR 602.6 million this year as we continued to benefit from economies of scale as well as successfully implemented efficiency enhancement measures. The brightening global economic climate aided this development. However, our strong 2010 development was only possible due to the dedication and passion of our employees. On behalf of my Board colleagues, I would like to give special thanks to all our employees! Based on today's outlook, we are also expecting our business to develop positively in 2011.

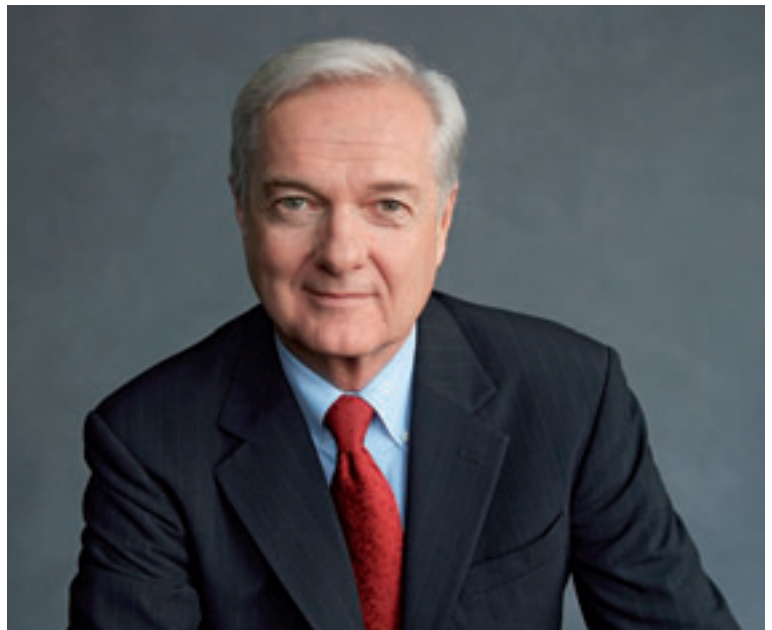
2010 was also a good year for our share. In June 2010, just three months after the IPO, Deutsche Börse decided to make a fast-track adjustment in the MDAX® and include the Brenntag share in the index. This move clearly boosted the visibility of the share in the financial community. On October 1, 2010 and January 19, 2011, the former majority owner (Brachem Acquisition S.C.A., Luxembourg) placed another 11 million and 7 million shares, respectively, of Brenntag AG with institutional investors. Consequently, the free float share increased from 29% to nearly 64%. The Brenntag share clearly gained liquidity as reflected in higher average daily trading volumes. With the higher liquidity, we expect the share to gain even more attention from interested investors globally. The share price provided a positive development for our shareholders. From the issue price of EUR 50.00 on March 29, 2010, the Brenntag share advanced 52.6% to close the year at EUR 76.30, outperforming the MDAX®, which increased by 24.1% in the same period.

With this Annual Report, we are presenting the first comprehensive report on our business activities of the past financial year. We welcome you to take this opportunity to gain some more insight into Brenntag AG, our business model, our particular strengths and our future prospects. On behalf of my Board colleagues, I wish you interesting reading and hope that afterwards you will be just as excited about our company and its future as we are.

Mülheim an der Ruhr, March 15, 2011



Stephen Clark
Chief Executive Officer



Stephen Clark, CEO

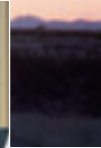
BRENNTAG

GLOBAL MARKET LEADER IN CHEMICAL DISTRIBUTION

BRENNTAG – SETTING THE BENCHMARK FOR MODERN CHEMICAL DISTRIBUTION

As the market leader in chemical distribution Brenntag sets the standards for others to follow. The starting point and principal focus for all our activities are our customers. By offering a full-line product and services portfolio in less-than-truckload quantities we are the strategic partner for both our customers and our suppliers. Brenntag serves as the indispensable service provider for producers and consumers of chemical products. Based on the principles of responsible care and responsible distribution, we offer our customers and suppliers innovative services which help them to focus on their core business.

In the long company history of nearly 140 years, Brenntag has adapted to a constantly changing environment by continually refining its business model. Today the focus on organic growth and acquisitions, on the one hand, as well as the focus on profitability and returns, on the other, form the foundation upon which highly experienced managers with long-standing experience in the chemical distribution market continue our successful growth and development.



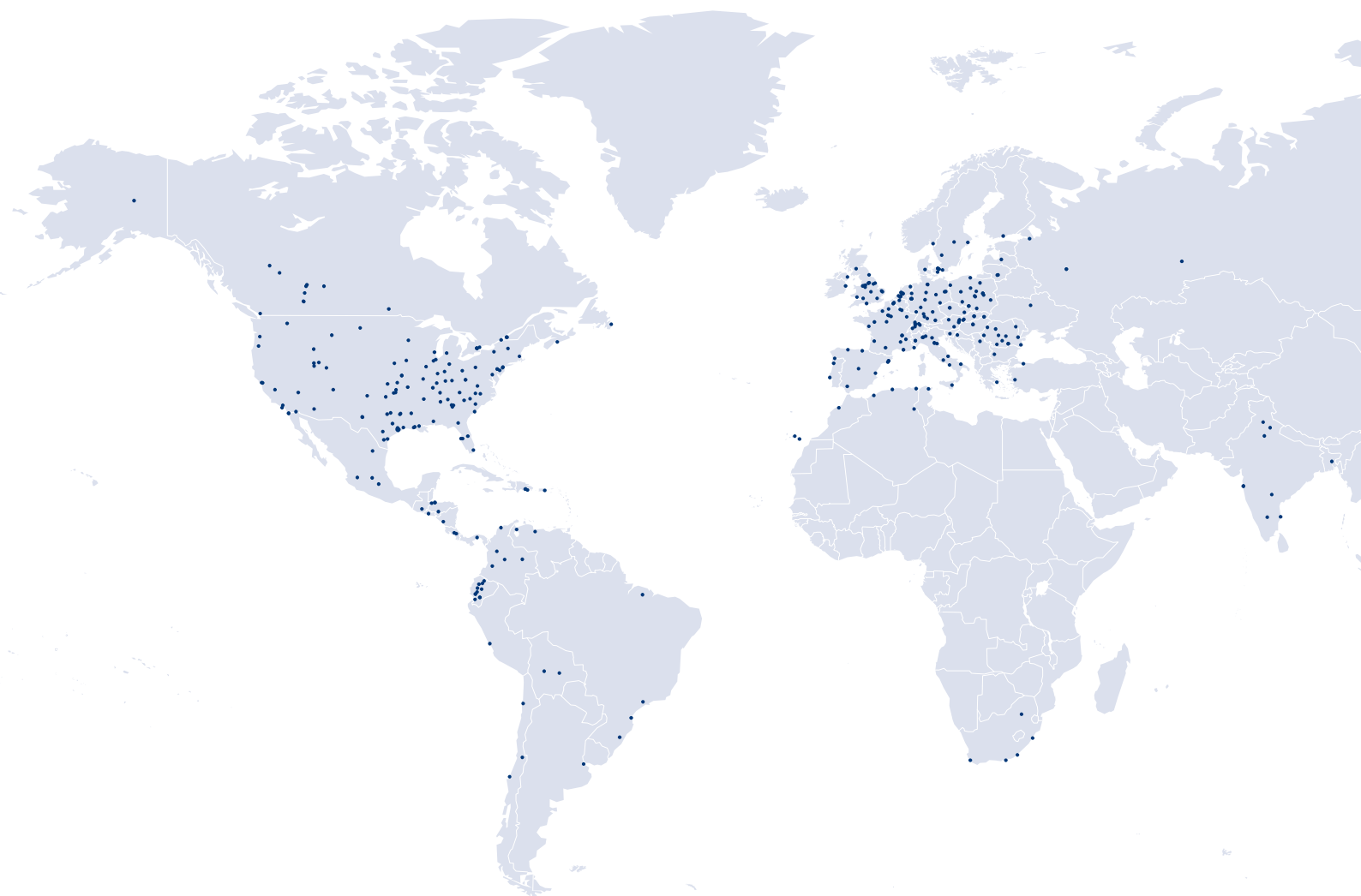
WHO WE ARE

Brenntag is a strategic partner and service provider for producers of industrial and speciality chemicals at the one end and chemical users at the other end of the value chain. In chemical distribution, i.e. purchasing chemicals, storing them in our own warehouses, repackaging them into smaller quantities, sometimes providing customer-specific blends and selling them in less-than-truckload quantities to our about 160,000 customers, we are the global market leader with more than 400 locations in nearly 70 countries. We define market leader not just by business volume but also by our philosophy of continuous improvement in safety standards at all our sites. As a responsible service provider, we have a duty not only to our suppliers, customers and shareholders but also to society and the environment.

WE ARE:

- 1 **THE LEADER** IN THE HIGHLY FRAGMENTED THIRD-PARTY SPECIALTY AND INDUSTRIAL CHEMICAL DISTRIBUTION MARKET
- 2 **GLOBAL**, OPERATING ON ALL CONTINENTS WORLDWIDE
- 3 **ACTIVE IN A MARKET** WHICH HAS BEEN **GROWING** YEAR BY YEAR MORE STRONGLY THAN INDUSTRIAL PRODUCTION
- 4 **BROADLY DIVERSIFIED** WITH REGARD TO CUSTOMERS, SUPPLIERS, PRODUCTS, MARKETS AND COUNTRIES
- 5 **RESILIENT THROUGHOUT THE BUSINESS CYCLE**
- 6 **FOCUSED** ON CONTINUOUS AND PROFITABLE GROWTH





BRENNTAG – GLOBAL MARKET LEADER

The chemical distribution market demonstrates underlying growth characteristics driven by a dynamic and complex product and business services environment. Brenntag provides a vital link between producers and the end-user of products and services who often requires specialised packaging, small quantities and multiple product package combinations. During 2008 the estimated distribution-relevant global chemical consumption was EUR 1.2 trillion (according to a study by Boston Consulting Group in January 2010) of which EUR 115 billion (9%) is assessed as the market for chemical distribution. Overall trends suggest the share of the total market represented by the distributor sector will grow as more producers seek to reduce complexity and transfer more of the smaller consumers into the distributor sector as they focus on larger strategic customers.

Chemical distribution remains highly fragmented, with the top five distributors worldwide only accounting for 19% market share and therefore provides a dynamic environment in terms of consolidation throughout the market. The development of more sophisticated value-added services continues to drive growth and reduce complexity for customers and suppliers alike. On a regional basis, the evolving nature of customer requirements provides a fertile and target-rich environment for continued growth of the sector as we see accelerated demand in emerging markets.

Brenntag is the global market leader in specialty and industrial chemical distribution with a market share of nearly 7% (according to a study by Boston Consulting Group in January 2010). In the developed markets like Europe and the USA, Brenntag ranks amongst the top 3 chemical distributors, with a strong leading position in Europe. Brenntag holds by far the number one position in Latin America and continues to develop its strong position in Asia Pacific.

10%

COMPOUND ANNUAL
GROWTH RATE OF THE
CHEMICAL DISTRIBUTION
MARKET FROM 2006-2008

This global footprint allows Brenntag to grow from the different market situations in the developed and emerging markets: in the developed markets, Brenntag has an established business from its leading position and can grow organically with the growth of its business partners. In rapidly industrializing countries, Brenntag can either acquire new customers from a broad potential customer base, building on its world-class supplier base to target new growth, or leverage existing customer relationships from the global accounts programme as Brenntag moves into geographies in which its customers are already established.

This worldwide positioning is truly unique as Brenntag is the only chemical distributor who is active around the whole globe, which sets us apart from our competitors.



BRENNTAG OFFERS
MORE THAN
10,000 PRODUCTS.

MILESTONES OF BRENNTAG'S HISTORY

2010

IPO, acquisition of EAC Industrial Ingredients Ltd. A/S,
which substantially strengthens presence in Asia Pacific

2008

Acquisition of the sales activities of Rhodia in eight Asian countries,
which lays the foundation for Brenntag's Asia Pacific platform

2000–2008

On the road to global market leader;
important acquisitions in the USA, UK and Switzerland

2000

Acquisition of Holland Chemical International, at
that time the fifth largest chemical distributor in
the world with a leading position in Latin America

1990–2000

Expansion in Europe through acquisitions; the takeover of the Neuber Group in
Austria lays the foundation for expansion in Central and Eastern Europe

1980–1989

Further expansion in North America

1970–1979

Development of US business and expansion
of the European business through acquisitions

1966

Brenntag goes international with
the acquisition of Balder in Belgium

1912

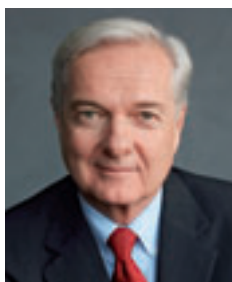
Entry into chemical distribution business

1874

Philipp Mühsam establishes
the company in Berlin

A HIGHLY EXPERIENCED MANAGEMENT TEAM

**BRENNTAG'S BOARD OF MANAGEMENT CONSISTS
OF THREE MANAGERS WITH COLLECTIVE RELEVANT
EXPERIENCE OF MORE THAN 80 YEARS.**



Stephen Clark, CEO

STEPHEN CLARK

Stephen Clark, CEO Brenntag Group, joined the company in 1981 and has been a Brenntag Board member since 1993. Mr Clark graduated from Pennsylvania State University and has worked in a broad range of financial and general management roles in the chemical distribution industry over the last 30 years. Prior to becoming Brenntag's CEO in 2006, Mr Clark served as the President of the North American segment and as a member of Brenntag's Board of Management.



Jürgen Buchsteiner, CFO

JÜRGEN BUCHSTEINER

Jürgen Buchsteiner, CFO Brenntag Group, joined the company in 2000 and has over 20 years of experience in leading financial management positions in the chemical manufacturing and distribution industries. Mr Buchsteiner holds master's degrees in business administration from both Ruhr University in Germany and Saint Louis University (Missouri) in the United States. Prior to becoming Brenntag's CFO in 2000, Mr Buchsteiner served as Vice President Finance and Investor Relations at Stinnes AG in Germany.



Steven Holland, COO

STEVEN HOLLAND

Steven Holland, our Chief Operating Officer, has a distinguished career of more than 30 years in chemical manufacturing and distribution. Mr Holland began his career in chemicals, graduating as an industrial chemist in the field of water treatment and surface coatings. He quickly moved through the chemical industry in a number of general management roles for both manufacturing and chemical distribution gaining. Mr Holland joined Brenntag in 2006 following the acquisition of Albion Chemicals where he was group managing director. A year later he was asked to join the Brenntag Board as Chief Executive of Brenntag's European business and subsequently was appointed Chief Operating Officer for the Group in 2009.

This experienced management team has successfully grown the business into its market leadership position today.

Whilst Brenntag benefits from a very experienced Board of Management we are also extremely well-positioned in terms of succession planning and development of our management teams both on a global and regional basis. We encourage continuous development of our management and have aligned ourselves with several major business management schools and universities to invest in the future leaders of our business. Brenntag benefits from an established business model in diverse markets which is attractive to both existing and new employees as it provides a dynamic and growing environment. We firmly believe investing in our people is the foundation of our long-term growth.

WHAT WE DO

As a responsible chemical distributor, Brenntag forms the vital link between chemical producers and chemical users. By bundling supply and demand, Brenntag increases efficiencies in the value chain and thereby creates value added for the entire industry. Brenntag is a “one-stop-shop” where our customers can obtain all the chemicals, both specialty and industrial, and related services they need from one source, allowing our customers to concentrate on their core business.

Outsourcing or the process of moving smaller customers from a direct relation with producers to service via the distributor provides significant cost savings where a customer is generally ordering less frequently from the producer and, at the same time, allows a distributor to provide additional services not normally available directly from the producer. In-depth technical knowledge, delivered through hundreds of technically trained industry specialists supported by chemists in dozens of state-of-the-art testing and applications laboratories, and a myriad of value-added services complete Brenntag’s fields of activity.

3.5 MILLION
CUSTOMER ORDERS PER YEAR –
1 ORDER EVERY 2 SECONDS

BRENNTAG

THE WORLD OF CHEMICAL DISTRIBUTION



Steven Holland, COO

The chemical distributor provides a function to both the producer and the end-user by reducing complexity and cost in the supply chain. In the main we purchase larger volumes from the producer which can vary in size from ships, trains or full-truckload deliveries which are transferred to our own warehouses and bulk installations. Our customers normally order our products in smaller quantities, usually in less-than-truckload quantities.

But chemical distribution does not just mean meeting different volume needs. We aim to offer our customers value-added services. This includes, for example, just-in-time delivery. Our customers no longer have to store the products in their own warehouses but can order the quantities just before they are needed and thereby reduce inventory costs. Further services which Brenntag offers include mixing and blending, formulation, repackaging in smaller quantities, inventory management for customers, drum return handling, and extensive technical support. For us, this overall package is chemical distribution in its broadest sense.

CHEMICAL DISTRIBUTORS FULFILL A VALUE-ADDING FUNCTION IN THE SUPPLY CHAIN



Full-line distributors reduce inefficiencies and offer one-stop-shop solutions.



TRENDS IN CHEMICAL DISTRIBUTION

- **Growth in chemical demand:**

In the past worldwide chemical consumption grew at a higher rate than industrial output, mainly due to the increased use of chemicals in advanced applications and improved production processes. This trend is expected to continue in the future (according to a study by Boston Consulting Group in January 2010). Brenntag is positioned to grow from this industry trend through its diverse business mix. This business mix at the same time makes Brenntag relatively resilient to variations in single customer industries.

- **Outsourcing:**

Specialty and industrial chemical producers face the challenge of supplying a wide range of products in differing qualities to a hugely diverse customer base. As they continue to generate a large part of their revenues from a relatively small number of customers, outsourcing of smaller customers to a distributor is an attractive option to enhance profitability and efficiency. Brenntag provides the perfect solution to capture the value from this process.

- **Value-added services:**

Chemical distribution is more than just pure logistics. In order to meet the special requirements of the mostly smaller customers, value-added services complete Brenntag's range of offerings. These value-added services comprise mixing and blending, formulation, repackaging, inventory management, just-in-time delivery, bundling, drum return handling and extensive technical support, particularly in the distribution of specialty chemicals, one area of targeted growth for Brenntag. With teams of technically trained industry specialists supported by industry-specific applications labs, Brenntag provides specialty products and solutions to customers in many industries including the food, oil & gas, personal care and ACES (adhesives, coatings, elastomers and sealants).

100

COMPANIES HAVE BEEN ACQUIRED IN THE LAST 20 YEARS.

- **Share gain by scale distributors:**

Scale advantages become manifest in a global network that meets the needs of multiregional customers, in purchasing efficiencies due to global sourcing of products and the easy access to a full line of products. Furthermore, large distributors can spread the costs of health and safety or regulatory affairs over a large customer base, making the use of this knowledge affordable for every customer. Customers who take advantage of Brenntag's truly global network contributed EUR 670 million of sales in 2010. Our scale of operations allows us to meet the regulatory demands and develop our business whilst anticipating further change in a fast-moving environment.

- **Consolidation:**

In the highly fragmented chemical distribution market – with the top 10 third-party chemical distributors worldwide with a share of only 23% of the market – consolidation is an ongoing trend (according to a study by Boston Consulting Group in January 2010). Brenntag has a very successful track record in mergers and acquisitions of specialty and industrial distributors which has benefited from clear selection criteria, integrated planning and financial due diligence. Mergers and acquisitions provide opportunities to strengthen our regional presence, develop new products and services and enter new geographic regions of the world.



WE AIM TO OFFER OUR CUSTOMERS VALUE-ADDED SERVICES.



A GLOBAL PLATFORM COMBINED WITH INTENSE
LOCAL CUSTOMER ORIENTATION.

EXCELLENCE IN EXECUTION

RESULTING FROM A GLOBAL PLATFORM AND LOCAL REACH

INTENSE CUSTOMER ORIENTATION GLOBAL PLATFORM

Decisions, which need an in-depth knowledge of the local market trends and the adaption to respective customer needs, are taken on the local level. This supports an entrepreneurial culture in all Brenntag locations worldwide. The clear accountability of results leads to a success-oriented company culture, focusing on local customers and reaching out to the whole organization.

Core management functions, including, strategic planning, direction, controlling, treasury and information technology as well as quality, health, safety and environment are determined and executed on a global level by the Board of Management and its staff. In addition to that, strategic growth initiatives, e.g. the identification of focus industries or addressing key accounts, are pursued on group level, including best practice and knowledge transfer.

ENVIRONMENTAL PROTECTION

IS WRITTEN IN CAPITAL LETTERS AT BRENNTAG

HEALTH, SAFETY AND ENVIRONMENT

Health, safety and the environment are not only a priority for Brenntag, but a business principle, and we remain on a constant journey of continuous improvement. In recognition of the Responsible Care/Responsible Distribution programme of the International Council of Chemical Trade Associations, Brenntag affirms its commitment to sustainable development and to the guiding principles outlined in this worldwide initiative.

REACH

REACH is the EU chemicals legislation dealing with the **R**egistration, **E**valuation, **A**uthorization and Restriction of **C**hemicals. The regulation replaces numerous EU laws and is complementary to other environmental and safety legislation. All substances above one tonne per year are subject to registration. However, there are exemptions from certain parts of the legislation, for example, chemicals in food and medicine are covered by other EU laws.

Virtually everyone in the supply chain dealing with chemical substances has certain obligations: manufacturers or importers of chemical substances or mixtures of chemical substances located in the EU, downstream users processing chemicals, formulating preparations for end-use or using formulated products as part of their business. The principle 'No Registration – No Market' applies, meaning that non-registered substances and non-registered use will become illegal.

Brenntag has implemented a dedicated REACH team consisting of REACH specialists who supervise regulatory developments and initiate all necessary procedures to ensure compliance with the new regulations, and we have been at the forefront of developing and implementing the new regulations throughout our industry.

HEALTH, SAFETY AND THE ENVIRONMENT ARE A BUSINESS PRINCIPLE AND WE REMAIN ON A CONSTANT JOURNEY OF CONTINUOUS IMPROVEMENT.

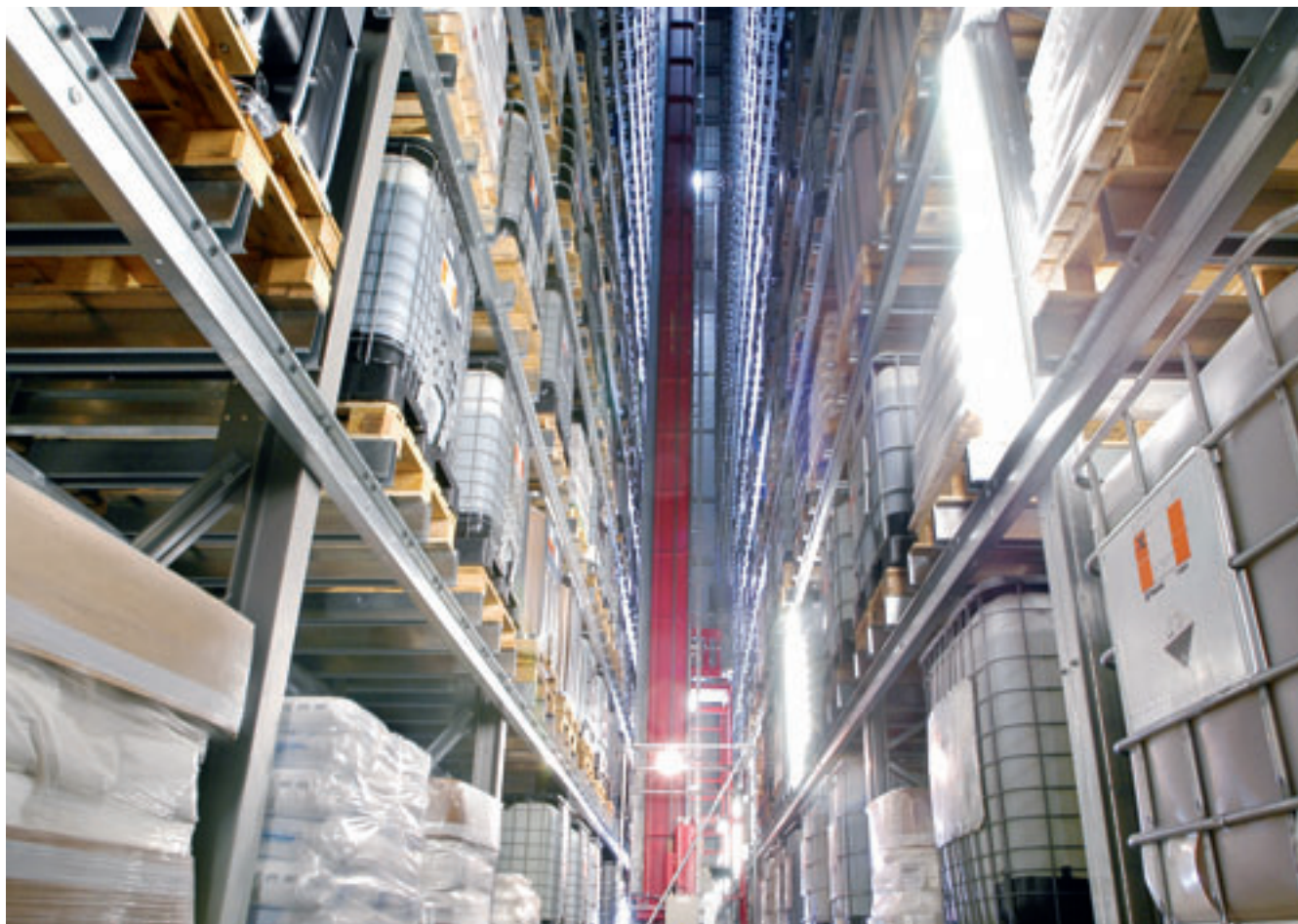


WINNING WITH BRENNTAG

Brenntag's strength is based on three main pillars: its successful and resilient business model, a strong financial profile, and highly trained and motivated employees. Brenntag covers every aspect of the chemical distribution value chain, offering products and services to meet every customer need. Customer satisfaction drives both repeat business and economic success for Brenntag.

In a constructive and motivating environment, our employees think and act in an entrepreneurial and responsible manner. Brenntag's strategy is to both encourage and challenge employees. We deal fairly with our employees, we acknowledge and reward achievement, and we address problems openly to find a solution together. We are always aware of one fact: the best business model cannot be successful unless it is lived day in, day out by all members of the organization.





SUPERIOR BUSINESS MODEL WITH RESILIENCE

The Brenntag business model is positioned to adapt to industry growth trends while building in a demonstrable measure of resiliency. This resiliency results from the large diversification of our operations:

- **Complete geographic coverage:**
With distribution operations in nearly 70 countries, our diverse regional business mix provides us with the ability to achieve economies of scale while at the same time mitigating the effects of economic fluctuations in specific regions. We are well positioned to take advantage of opportunities in faster-growing economies and our long-standing M&A record has enhanced our ability to accelerate growth in these regions.
- **Full-line specialty and industrial chemical product offering:**
We offer over 10,000 products in more than 30,000 stocking units. We are not dependent on any one product or product family. In 2010, the total gross profit from our top product accounted for less than 6%, while the revenue from our top ten products accounted for less than 22% of total gross profit. We believe our full-line customized product offering, speed and flexibility of delivery allow us to capitalize on growth opportunities in attractive customer industries.
- **Broad customer base:**
With about 160,000 customers, our largest customer accounted for less than 1%, and our ten largest customers accounted for less than 4%, of our total revenue in 2010. We believe this broad customer base makes us attractive to suppliers seeking to move new products.

- **Diverse end-market industry exposure:**

Our customers are present in a wide variety of industries globally, including ACES (adhesives, coatings, elastomers and sealants), agriculture, chemicals processing, cleaning and detergents, food, metal finishing, mining, oil & gas, personal care, pharmaceuticals, pulp and paper, textiles and water treatment. We believe that we are not materially dependent on any one industry and that our exposure to trends in any particular industry is low. Conversely, this diversity gives us the flexibility to shift resources to those industries that show exceptional potential for growth or profitability.

- **Diverse sourcing relationships:**

Our supplier base is also diverse, with our largest supplier accounting for less than 8%, and our ten largest suppliers accounting for approximately 27%, of our total purchases by value in 2010. Customers gain the benefit of redundancy of supply from our multiple sourcing relationships, particularly in the industrial chemicals area.

Additionally, we believe that our pricing discipline and flexible cost base give us a low risk profile:

- **Cost-efficient network:**

The exceptional diversity of our end-markets enables a dense route network, which results in superior service and cost efficiency, which is a key driver of our returns on capital and continuous investment in our network.

- **Market pricing:**

Generally, in our experience our product purchase costs tend to vary primarily with the market prices for chemicals. We generally purchase products at market rates and not on long-term contracts. We have a highly developed sales and marketing structure which, based on extensive market information collected by our sales force, allows us to actively respond to market prices and conditions.

- **Flexible cost base:**

The largest components of operating expenses are: personnel expenses, transportation costs, maintenance, rent, fuel and energy. Based on our experience, we are able to modify the use of our resources to mirror the demands of the business in the most cost-effective manner.

- **Flexible asset base:**

Our network of assets, infrastructure and management processes can be adapted relatively quickly and at relatively low cost in response to changing market dynamics. Capital expenditure required to maintain these assets according to our current high standards is relatively low for a business of our size and reach and, combined with relatively short lead times, results in a flexible capital expenditures cycle. A large part of our capital investment is carefully invested in multi-use assets which allow us to take advantage of new markets and opportunities.



BRENNTAG'S FOCUS
INDUSTRIES OFFER
ABOVE-AVERAGE GROWTH
OPPORTUNITIES.



STRONG FINANCIAL PROFILE



Jürgen Buchsteiner, CFO

“WE HAVE BEEN ABLE TO CONVERT BRENNTAG’S LONG-STANDING SUCCESS IN THE CHEMICAL DISTRIBUTION MARKETS INTO A STRONG FINANCIAL PROFILE ENFORCING CLEAR MEASURES FOR EFFICIENCY AND ASSET UTILIZATION.”

Attractive industry fundamentals, a superior business model, our market leading position and excellence in execution have enabled us to deliver strong gross profit growth, which is

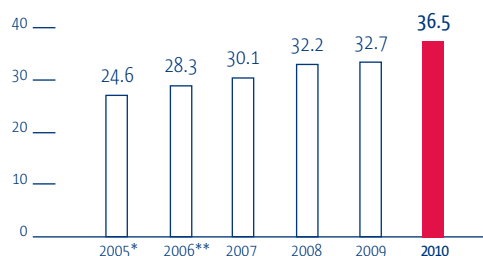
our key financial metric to measure our market success. It is equally important that we convert our market success into strong operating results, which we primarily measure in terms of EBITDA (Earnings before Interest, Tax, Depreciation and Amortization).

To measure the conversion of gross profit into EBITDA or – in other words – the efficiency of our cost structure, we constantly monitor the conversion ratio:

• **Conversion Ratio 2010:**

$$\frac{\text{EBITDA}}{\text{Gross profit}} = \frac{597.6}{1,636.4} = 36.5\%$$

CONVERSION RATIO in %



* Brenntag predecessor

** Brenntag and Brenntag predecessor combined

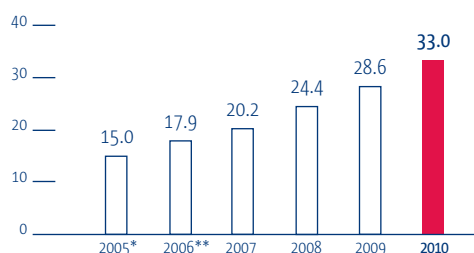
Through constant improvements in the efficiency of our organization, we have been able to transform a compound annual growth rate (CAGR) of 9.6% for our gross profit into an even higher CAGR of 18.7% for EBITDA 2005 to 2010. Not only has EBITDA grown significantly, its development has also shown extraordinary resilience through the business cycle, especially during the economic downturn of 2009.

In addition to our constant strive to improve results, we require our managers to make efficient and profitable use of the asset base we employ. Operating managers directly influence the levels of working capital as well as property, plant and equipment employed in our business. This is why we measure capital returns against these assets.

• **Return on net assets (RONA):**

$$\frac{\text{EBITA}}{\text{ave. working capital} + \text{ave. property, plant and equipment}} = \frac{513.6}{752.4 + 806.1} = 33.0\%$$

RONA in %



* Brenntag predecessor

** Brenntag and Brenntag predecessor combined

As we have been able to increase our earnings, we have also managed to improve RONA over time to remarkable levels.

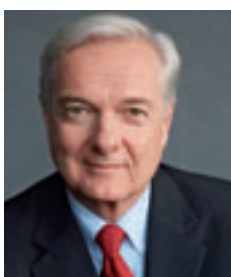
Brenntag has developed a strong financial profile and there is more to come. We will ensure that our continued market success will result in strong operating results.



4.8%

THE EMPLOYEE FLUCTUATION
RATE IS LOW AT BRENNTAG.

BRENNTAG'S GREATEST ASSET – OUR EMPLOYEES



Stephen Clark, CEO

In any company with a track record of growth in a dynamic and demanding industry, no one can underestimate the contribution of our most valuable asset – our employees. For a company that transcends nearly seventy countries, many languages and cultures, we have one thing in common, which binds us together – our passion for our business and the chemical distribution sector.

We are a success-led business with clear recognition and rewards for our high achievers. We celebrate the success of our colleagues and benefit from the long experience and the ability to train others in the art and science of chemical distribution, whether it be management, sales and marketing, operations, administration, logistics or all-important health, safety and the environment. We are committed to continuous profitable growth and this commitment extends to our employees which could not be achieved without the success they bring to the business.

OUR GOALS AND OBJECTIVES

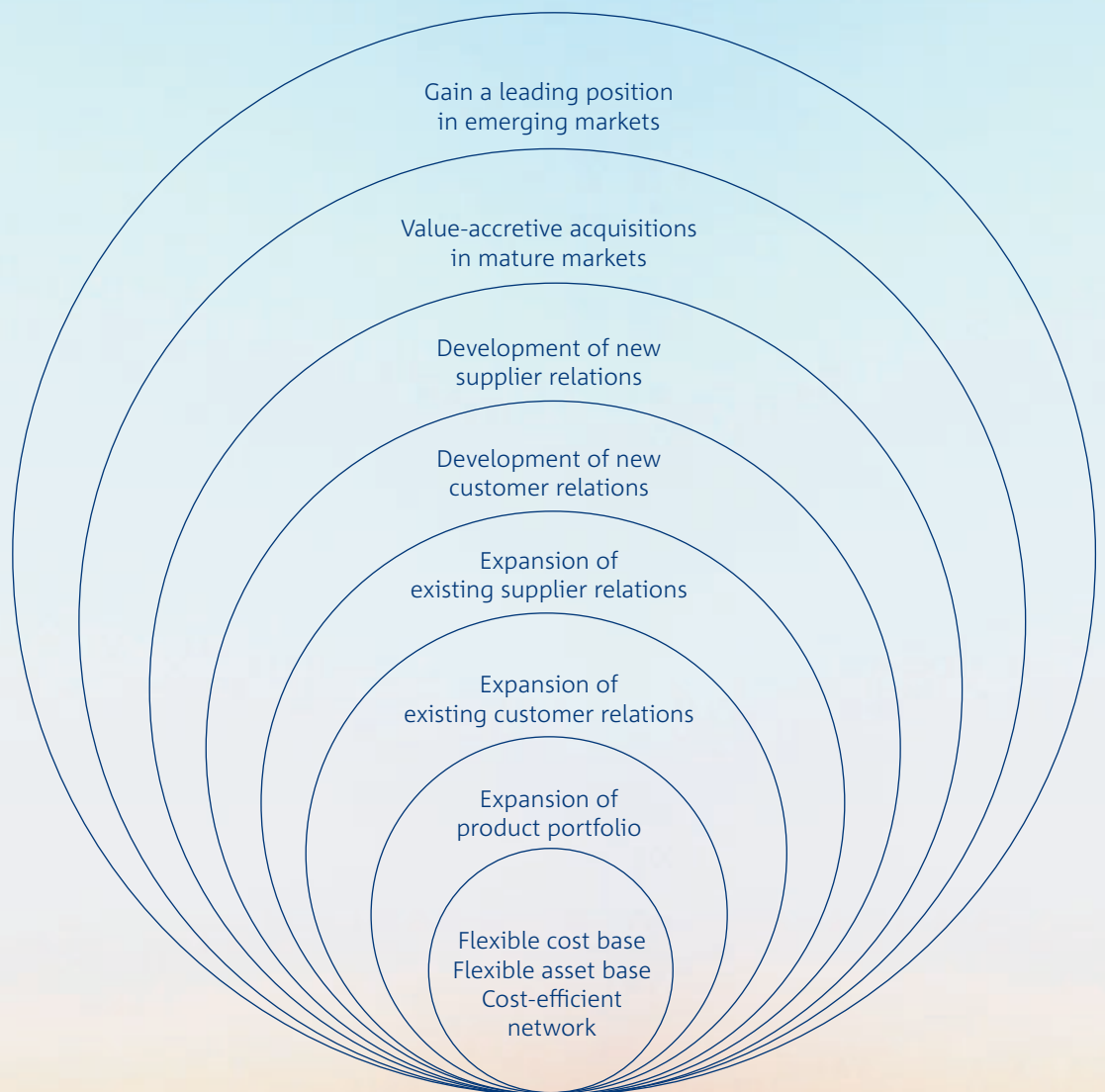
With strong business fundamentals, Brenntag has established a market leading position in chemical distribution. However, we remain ambitious in terms of growth and quality of our earnings in the future. Our highly diversified and dynamic market presents many opportunities and our goals and objectives can be summarized as follows:

- To be the **safest** chemical distributor.
- To be the **fastest-growing** chemical distributor.
- To be the **most profitable** chemical distributor.
- To be the **chemical distributor** which offers its customers a **full-line product portfolio** with complete geographic coverage.
- To be the **preferred chemical distributor** for our customers and suppliers.

Our strategy: Company growth, both organically and through acquisitions, efficient cost structures as well as intense customer orientation and supplier focus provide the pillars of sustainable, profitable growth.



Long-term profitable growth prospects



2011

CONTINUING
OUR LONG-TERM
GROWTH PATH.

TO BE THE SAFEST CHEMICAL DISTRIBUTOR.

Health, safety and environment and the long-term conservation of natural resources are a key priority and business principle in Brenntag and we continue to strive for our ultimate goal of zero accidents and incidents. Dedicated HSE teams (health, safety and environment), a team of REACH specialists and regular external audits continue to drive us to our goal.

TO BE THE FASTEST-GROWING CHEMICAL DISTRIBUTOR.

Our strategy comprises organic and acquisitive growth:

1. ORGANIC GROWTH:

To achieve organic growth, we carefully manage a mix of new and developing markets, products and services, plus extra focus on industry segments which provide longer-term above-average and sustainable growth, such as:

- **Focused segment growth:**

We have defined six segments which will allow for above-average growth. These focused segments are ACES (adhesives, coatings, elastomers, sealants), food, oil & gas, personal care, pharmaceuticals and water treatment and contributed about 47% to our gross profit in 2010. We will continue to capture cross-selling opportunities, optimize the portfolio, leverage know-how across regions, improve our value proposition and support the growth by acquisitions.

- **Global accounts:**

Brenntag has global accounts with 2010 sales of about EUR 670 million. All of the global accounts use Brenntag on at least two continents. EUR 480 million sales are generated with global accounts using Brenntag in all regions – Europe, North America, Latin America and Asia Pacific – Brenntag is the only distributor with the geographic reach to do so. We intend to increase business with these customers, based on our unique ability to provide them with value.



- **Supplier channel optimization:**

In many respects we regard our suppliers not as suppliers but as customers as we provide a valuable service which allows them access to about 160,000 of our customers worldwide. We continue to work hard to develop our sales and marketing expertise and services. We encourage suppliers in their outsourcing plans to adopt Brenntag as their preferred channel to market in order to fully optimize their less-than-truckload business with the help of Brenntag, an experienced service provider and market leader in this business.

- **Environment:**

We have a wide range of products and services which contribute to an improved environment, such as clean water and improved air quality. For example, we have been successful along with one of our principal suppliers in achieving a market-leading position in diesel exhaust fluids used to reduce vehicle emissions in Europe. We will continue to develop this application in new and emerging markets.

Within Brenntag we also recycle thousands of plastic containers every day to reduce cost and waste for our customers and the environment as a whole.

2. GROWTH THROUGH ACQUISITIONS:

Brenntag has a long history of successful acquisitions and has completed nearly 100 transactions in the last 20 years. Our mergers and acquisition strategy has a range of clear criteria and objectives in terms of acquiring companies that represent significant accretive value, provide access to new products and services and/or extend our geographic coverage such as emerging markets. We have the opportunity in a consolidating market to reach all these aims and we constantly develop our acquisition pipeline to achieve this objective.

TO BE THE MOST PROFITABLE CHEMICAL DISTRIBUTOR.

Ultimately our future profitability is determined by how well we manage our business and the value created for our customers and suppliers. Brenntag has a sophisticated and integrated management information system which brings structure to a complex and dynamic business. We set targets for key performance indicators and constantly benchmark against the very best performers, both within Brenntag and externally. Our business mix in growth segments, efficiency, new customers and suppliers plus the growth in emerging markets provides a firm foundation to achieve our goal.

TO BE THE CHEMICAL DISTRIBUTOR WHICH OFFERS ITS CUSTOMERS A FULL-LINE PRODUCT, BOTH SPECIALTY AND INDUSTRIAL CHEMICALS, AND SERVICES PORTFOLIO WITH COMPLETE GEOGRAPHIC COVERAGE.

Brenntag is positioned as a full-line chemical distributor with over 10,000 industrial and specialty chemical products sold worldwide. We provide a comprehensive range to our customers which allows them to select Brenntag as a “one-stop-shop” for their chemical requirements. Notwithstanding our wide range, we are able to focus very clearly on new products and services required by customers and provide suppliers with an unparalleled access to our customer base for both new and existing products. In addition, our dedicated sales and marketing resources of nearly 4,400 colleagues worldwide ensure we achieve our growth objective.

TO BE THE PREFERRED CHEMICAL DISTRIBUTOR FOR OUR CUSTOMERS AND SUPPLIERS.

For Brenntag to be selected as the preferred distributor by customers and suppliers is the ultimate goal in terms of future growth and sustainability. Our extensive resources, be they sales and marketing, technical or physical distribution from our over 400 sites worldwide, are all dedicated to provide customers and suppliers with confidence that choosing Brenntag as their preferred distributor will provide everything they require from a long-term partner.

60%

OF OUR ACQUISITION FUNDS
WILL BE SPENT IN THE GROWING
ECONOMIES OF ASIA PACIFIC, LATIN
AMERICA AND EASTERN EUROPE.



BRENNTAG ON THE STOCK MARKET

THE SHARE

The initial public offering of Brenntag AG took place on March 29, 2010 with the debut on the Frankfurt stock exchange. In a public offering in Germany and Luxembourg and a private placing with institutional investors outside Germany and Luxembourg, interested investors could subscribe to the new share in the period from March 16 to March 26, 2010. A consortium of eight national and international banks managed the process. Interest in the Brenntag share was particularly high and consequently the offering was oversubscribed multiple times. The issue price was set at EUR 50.00 per share.

The offering comprised a total of 14.95 million shares. Brenntag issued 10.5 million shares by way of a capital increase. In addition, 2.5 million shares came from the holdings of the selling shareholder and 1.95 million shares by way of overallotments in connection with a greenshoe option granted to the underwriting banks by the selling shareholder. The issue volume (including overallotments) thus totalled EUR 747.5 million and allowed Brenntag to complete one of the largest initial public offerings in Germany in recent years. Out of the total sum, the company received EUR 525.0 million gross, i.e. before deduction of transaction costs, from the capital increase.

Already some two months later, on June 4, 2010, Deutsche Börse decided to include the Brenntag share in the MDAX® effective June 21, 2010 as a result of a fast-track entry selection. The 50 companies listed in the MDAX® directly follow the 30 companies listed in the DAX® with regard to stock market turnover and free float market capitalization. On a regular basis the MDAX® is reviewed and adjusted every six months in March and September. However, for candidates which can enrich and stabilize the index as sound, strong brand names or highly specialized industry leaders, fast-track adjustments to the index can take place in June and December. Stricter requirements with regard to the criteria stock market turnover and free float market capitalization have to be met for fast entry into the index compared to the regular entry. The Brenntag share fulfilled these stricter criteria and therefore was included in the MDAX® effective June 21, 2010.

Effective as of November 30, 2010, the Brenntag share was also included in the relevant MSCI indices. Brenntag is now a member of the indices MSCI Germany, MSCI World, MSCI Europe, MSCI EAFE and MSCI Kokusai. Furthermore, since January 21, 2011 Brenntag was included in the Stoxx Europe 600 index.

Key figures and master data on the share

		IPO	Mar. 31, 2010	Jun. 30, 2010	Sep. 30, 2010	Dec. 31, 2010
Share price	EUR	50.00	55.00	52.02	61.00	76.30
Number of shares (unweighted)		51,500,000	51,500,000	51,500,000	51,500,000	51,500,000
Market capitalization	EUR m	2,575	2,833	2,679	3,142	3,929
Free float	%	29.03	29.03	29.03	29.03	50.39
Free float market capitalization	EUR m	748	822	778	912	1,980

Most important stock exchange	Xetra
Indices	MDAX®, MSCI, Stoxx Global, Stoxx Europe
ISIN	DE000A1D AHH0
WKN	A1DAHH
Trading symbol	BNR

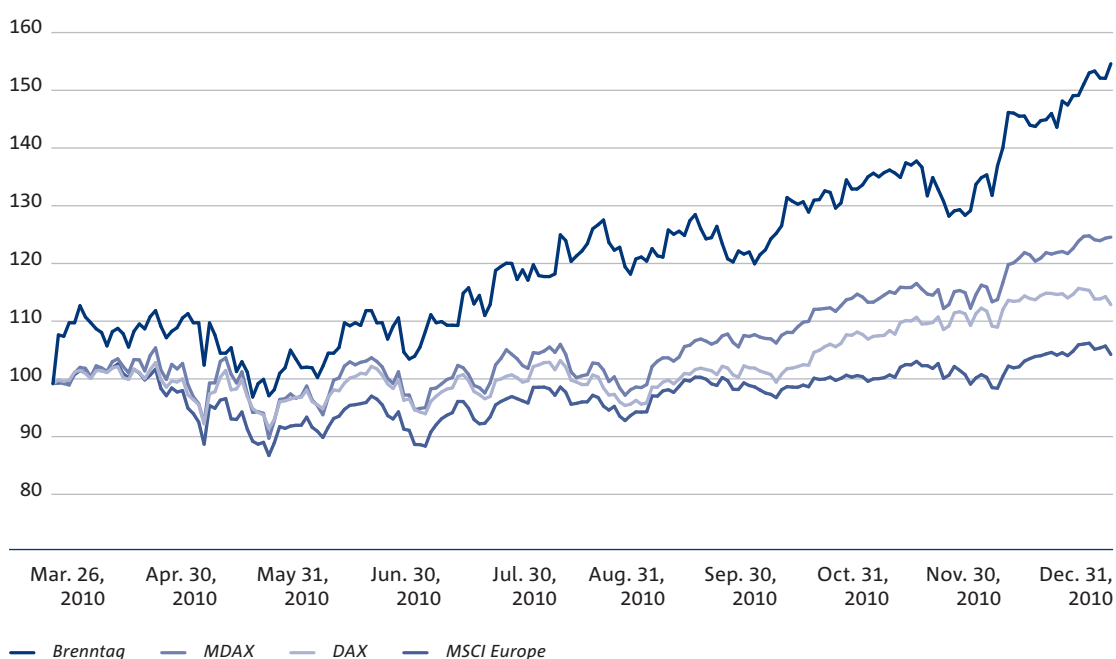
DEVELOPMENT OF THE SHARE PRICE

The IPO of Brenntag AG took place in a highly volatile market environment. The global economic recovery which accelerated at the start of the year and the resulting optimism on the stock markets already received a dampening in February as Greek national debt led to fears of a destabilization of the entire European economic area. The agreement of a comprehensive aid package for Greece enabled positive news from companies to come to the fore again in the following months before acute problems in Spain at the end of May caused new uncertainty on the financial markets and thus high volatilities. It was not until the start of the third quarter that various economic indicators confirmed that the global economic upswing was continuing. Buoyed by growing economic optimism and flanked by low base rates as well as positive company results, the markets continued to rise steadily in the fourth quarter and closed the year near their year-highs. Volatility decreased. The DAX® ended the trading year at 6,914.19 points, 16.1% above its level at the beginning of the year. The MDAX®, in which the Brenntag share is also included, closed at 10,128.12 points, an increase of 34.9% in 2010. The MSCI Europe Index, to which the Brenntag share has belonged since November 30, 2010, finished 2010 at 95.81 points, a rise of 8.0% over the prior-year closing level.

The Brenntag share has been listed on the stock exchange since March 29, 2010. From its issue price of EUR 50.00, the share rose by 52.6% in 2010 and finished the trading year at a price of EUR 76.30. In the same period, the DAX® rose by 13.0% and the MDAX® by 24.1%. Therefore, Brenntag outperformed both indices.

The average number of Brenntag shares traded every day in the past business year was nearly 100,000 shares. Since the IPO, four designated sponsors have ensured that there is adequate liquidity in the share and that buy and sell orders can be carried out.

DEVELOPMENT OF THE BRENNTAG SHARE PRICE (INDEXED TO 100)



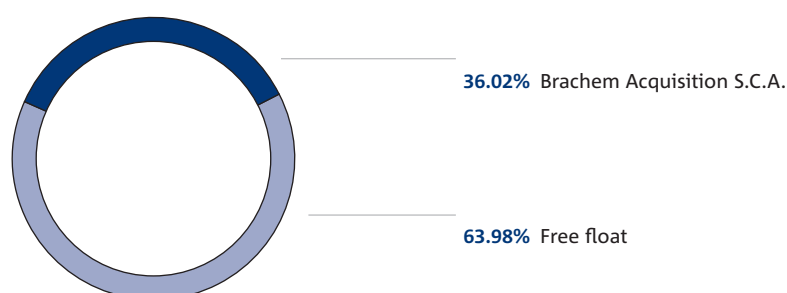
SHAREHOLDER STRUCTURE

Brenntag AG currently (end of February 2011) has a free float of 63.98%, representing 32.95 million shares of the total of 51.5 million shares. 36.02% or 18.55 million shares are held by Brachem Acquisition S.C.A., Luxembourg.

On May 25, 2010, Paulson & Co. Inc., USA, notified us that it holds 3.05% or 1,573,203 shares in Brenntag AG. So far we have received no information that any other shareholder has exceeded the statutory notification threshold of 3%.

FURTHER INFORMATION:
www.brenntag.com

SHAREHOLDER STRUCTURE

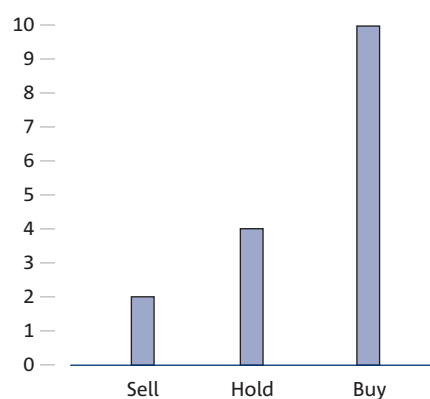


ANALYSTS' OPINIONS

The Brenntag share is currently (end of February 2011) being covered by 16 analysts of renowned national and international banks. Therefore, interested investors can use 16 independent reports to form an opinion on the Brenntag share.

Over 60% of the analysts (10) give a buy recommendation for the Brenntag share, 25% (4) recommend holding the share. Only 2 analysts are advising to sell.

ANALYSTS' OPINIONS



INVESTOR RELATIONS

Brenntag AG desires 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 this fair communication policy is also evidenced by Brenntag's membership of Deutscher Investor Relations Verband e.V.

In order to inform the interested public fairly and equally about developments at Brenntag, we use the Internet in particular. On our website www.brenntag.com we have created an Investor Relations section. Here shareholders will find more than just information on the share and the development of the share price. A financial calendar gives the publication dates of our quarterly and annual reports, the annual General Shareholders' Meeting and the conferences at which Brenntag meets investors. The reports and the latest presentations can be downloaded. Information on the subject of Corporate Governance, to which Brenntag attaches great importance, is also found there.

Naturally, anyone interested in Brenntag can also contact us **by phone (+49/208/7828-7653), 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 Brenntag and the share.

ROAD SHOWS/CONFERENCES

To maintain close contact with our current investors and establish contact with potential new investors, the Brenntag Board of Management and the Investor Relations team regularly go on road shows and attend 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, different German financial centres as well as in Austria. We saw several hundred institutional investors during a total of about 20 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 a large audience. Roughly another 20 investors visited us at our head office in Mülheim an der Ruhr. Countless phone calls with investors, analysts and private shareholders round off the spectrum of our Investor Relations work.

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 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. In 2010, this profit will be adjusted for the effects (net of deferred taxes) relating to the amortization of the customer relationships and similar rights capitalized in the course of the purchase price allocation made in September 2006. Adjusted for these special effects of EUR 56.8 million, the basis for the dividend payout is EUR 200.4 million. The Board of Management and Supervisory Board will therefore recommend to shareholders at the General Shareholders' Meeting that a dividend of EUR 1.40 per share be paid. The payout ratio on the basis of the consolidated profit after tax for the year is therefore 36%.

REPORT FROM THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

2010 was an eventful year for Brenntag AG. On March 29, 2010, the Group was listed for the first time on the stock exchange and, just three months later, included in the MDAX®. This was a major success for the Board of Management and the entire workforce. We are now reporting on our activities as the Supervisory Board of Brenntag AG for the first time since Brenntag became a stock corporation on March 3, 2010.

COMPOSITION OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

At the first General Meeting of Brenntag AG shareholders on March 3, 2010, Mr Stefan Zuschke, Ms Doreen Nowotne and Mr Thomas Weinmann were appointed to the Supervisory Board of Brenntag AG. At the second General Shareholders' Meeting on March 19, 2010, the Supervisory Board was increased to six members, with Dr Thomas Ludwig, Dr Andreas Rittstieg and Prof. Dr Edgar Fluri being appointed to the Supervisory Board. During the constituent meeting of the Supervisory Board on March 3, 2010, Mr Stefan Zuschke was elected Supervisory Board Chairman. In the course of the meeting on May 11, 2010, Dr Thomas Ludwig was appointed Deputy Chairman of the Supervisory Board, replacing Mr Thomas Weinmann, who had been provisionally elected to this position in the constituent meeting. The election of Mr Stefan Zuschke as Supervisory Board Chairman was confirmed in the meeting on May 11, 2010.

In the constituent meeting of the Supervisory Board, the previous management of the Group's parent company – consisting of Mr Stephen Clark (CEO), Mr Steven Holland (COO) and Mr Jürgen Buchsteiner (CFO) – were appointed to the Board of Management with the same functions. Since then, there have been no changes in the Brenntag AG Board of Management.

COOPERATION BETWEEN MANAGEMENT BOARD AND SUPERVISORY BOARD

In the year under review, the Supervisory Board of Brenntag AG performed diligently the duties assigned to it by law, by its Rules of Procedure and by the company's Articles of Association. Details on the duties of the Supervisory Board can be found in the management report. We on the Supervisory Board 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 management and compliance. 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.

In addition to the constituent meeting on March 3, 2010, the Supervisory Board came together for a further eight meetings during the period under review. Among other things, the Supervisory Board held an extraordinary Supervisory Board meeting in the form of a telephone conference on June 22, 2010, when the Board of Management proposal to take over EAC Industrial Ingredients Ltd. A/S was approved. During this meeting, an upper price limit was defined by the Supervisory Board.

All members of the Supervisory Board at any given time took part in all regular meetings, if not in person then by telephone. The three Board of Management members were present at the three regular meetings, which focused on the quarterly figures, among other things, and at the extraordinary meeting for the acquisition of EAC Industrial Ingredients Ltd. A/S.

TOPICS ADDRESSED IN THE SUPERVISORY BOARD MEETINGS



Stefan Zuschke, Chairman

In the constituent Supervisory Board meeting on March 3, 2010, the Chairman of the Supervisory Board, Mr Stefan Zuschke, was elected together with his provisional deputy, Mr Thomas Weinmann. In addition, the Board of Management of the newly converted Brenntag AG was appointed.

In the meeting on March 11, 2010, a resolution was passed on the Rules of Procedure for the Supervisory Board and the Board of Management; the meeting also resolved to sign the Underwriting Agreement with the underwriting banks in connection with Brenntag's IPO.

In its meeting on March 18, 2010, the Supervisory Board concerned itself with a resolution regarding service agreements for Board of Management members and, in this connection, discussed the remuneration system for the Board of Management.

In a Supervisory Board meeting on March 27, 2010, and in connection with the IPO capital increase, the Supervisory Board approved the signing of the price agreement and the setting of the offer price to EUR 50.00 per share by Brenntag AG's Board of Management.

The first meeting with six Supervisory Board members took place on May 11, 2010. The three Board of Management members also took part in this meeting. The topics discussed during this meeting were the sales, profits and employment trends at Brenntag AG and in the individual regions in the first quarter of the year under review. The Board of Management reported on the current status of scheduled/planned acquisitions and on investor relations activities. Mr Stefan Zuschke was confirmed in his office as Supervisory Board Chairman. Dr Thomas Ludwig was elected as the new Deputy Chairman. An Audit Committee and a Presiding and Nomination Committee were also formed in this meeting. Prof. Fluri was elected Chairman of the Audit Committee. Supervisory Board Chairman Mr Stefan Zuschke was elected Chairman of the Presiding and Nomination Committee.

On June 22, 2010, the Supervisory Board approved the acquisition of EAC Industrial Ingredients Ltd. A/S, a leading provider of chemical distribution solutions in South and Southeast Asia.

Following the publication of figures from the second quarter, the Supervisory Board came together once again on August 31, 2010. The Board of Management reported on the current sales and profit figures as well as on acquisition projects and investor relations activities. The reporting focused partly on the current status of the integration of EAC Industrial Ingredients Ltd. A/S.

Projections for the current financial year 2010 were presented in the Supervisory Board meeting on December 17, 2010. In addition to operations in individual countries, the budget for financial year 2011 was discussed. Furthermore, the Board of Management and Supervisory Board of Brenntag AG submitted the Declaration of Conformity regarding the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act (Aktiengesetz, AktG). The Supervisory Board and Board of Management also gave their approval for the Declaration of Conformity to be published on www.brenntag.com with immediate effect.

The main focus of the meeting on December 21, 2010, was the report by the Chairman of the Audit Committee, a short discussion on the efficiency of the Supervisory Board and the issue of long-term personnel development. The Board of Management did not take part in the meeting.

SUPERVISORY BOARD COMMITTEE ACTIVITIES

Two committees were set up during the period under review: the Audit Committee and the Presiding and Nomination Committee.

The Audit Committee, consisting of Prof. Dr Edgar Fluri, Doreen Nowotne and Thomas Weinmann, came together for four meetings. The committee concerned itself in particular with the following core topics: the quarterly financial reports, the Declaration of Conformity regarding the Corporate Governance Code, and the effectiveness of the internal control system, the risk management system, the internal auditing division and compliance monitoring activities. In addition, the work of auditors PricewaterhouseCoopers was discussed.

The Presiding and Nomination Committee with members Stefan Zuschke, Dr Thomas Ludwig and Dr Andreas Rittstieg did not convene for a meeting.

CORPORATE GOVERNANCE CODE

The Supervisory Board dealt extensively with the German Corporate Governance Code in the valid versions dated June 18, 2009, and May 26, 2010. Together with the Board of Management, they also submitted a Declaration of Conformity in accordance with section 161 of the German Stock Corporation Act. This has been continuously available online on Brenntag AG's website since December 2010.

In the Declaration of Conformity, 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 (Bundesanzeiger).

The Board of Management and Supervisory Board also declare that Brenntag AG has, since going public on March 29, 2010, complied with all recommendations of the German Corporate Governance Code in the version dated June 18, 2009. Details on Corporate Governance in the company can be found in the management report. In accordance with section 5.5.3 of the German Corporate Governance Code, the Supervisory Board is required to provide information on conflicts of interest that have arisen and the measures taken to deal with them. No such conflicts of interest have arisen during the period under review.

AUDITING OF THE ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements and the combined group management report and management report of Brenntag AG were prepared in accordance with the regulations of the German Commercial Code (Handelsgesetzbuch, HGB) and the German Stock Corporation Act, the consolidated financial statements according to section 315 German Commercial Code in accordance with the principles of the International Financial Reporting Standards (IFRS) – as adopted in the EU.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf (PwC) conducted the audit in accordance with the German generally accepted standards for the audit of financial statements promulgated by the IDW (Institute of Public Auditors in Germany). The auditing firm explained the audit principles in its audit reports. PwC audited our consolidated financial statements and the annual financial statements of Brenntag AG as at December 31, 2010, and issued unqualified audit opinions. The annual financial statements, consolidated financial statements, combined management report and audit reports have been submitted to all members of the Supervisory Board. 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 in both committees and gave a report beforehand.

The report prepared by the Board of Management in accordance with section 312 of the German Stock Corporation Act on the company's relationships with related companies was also submitted to the Supervisory Board for inspection.

After examining this report carefully, the auditors issued the following audit opinion in accordance with section 313, para. 3 of the German Stock Corporation Act: "On completion of our review and assessment in accordance with professional standards, we confirm

1. that the factual statements made in the report are correct
2. that the company did not pay any excessive consideration or that it received compensation for any disadvantages with regard to the transactions identified in the report
3. that there are no circumstances which, with respect to the measures outlined in the report, would justify an assessment that materially differs from that presented by the Board of Management."

We endorse the findings of the audit. No objections were raised following the review by the Audit Committee or by our own review. The Supervisory Board approved the annual financial statements as prepared by the Board of Management; the annual financial statements are thus adopted. We approve the Board of Management proposal to use parts of the unappropriated profit to pay a dividend of EUR 1.40 for each share entitled to dividend.

The Supervisory Board would like to thank the Board of Management and all Group employees for their commitment and hard work in financial year 2010.

Mülheim an der Ruhr, Germany, March 2011

On behalf of the Supervisory Board
Stefan Zuschke
Chairman

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

Corporate Governance, i.e. ensuring the continued existence of the enterprise and its sustainable creation of value in conformity with the principles of the social market economy, is the basis of all our management and control processes. At Brenntag, we follow the recommendations of the Government Commission "German Corporate Governance Code" (Code). Transparency and responsible governance ensure the continued existence of the company lead to a sustainable increase in the company's value and promote the trust of shareholders, suppliers, customers, employees and financial markets in our company.

In the following report, the Board of Management and Supervisory Board outline the implementation of Corporate Governance principles at Brenntag.

IMPLEMENTATION OF THE RECOMMENDATIONS OF THE CODE

In 2010, the Board of Management and the Supervisory Board of Brenntag AG discussed the recommendations of the Code thoroughly, including the latest amendments and supplements of May 26, 2010. On the basis of these deliberations, the Board of Management and Supervisory Board gave, on December 17, 2010, 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 40 of this Annual Report. It is also posted on the website of Brenntag AG. 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 Brenntag AG website.

Brenntag AG complies with all recommendations of the Code in the version of May 26, 2010. The new recommendations included in the Code are, in particular, regulations on the composition of the Board of Management and the Supervisory Board and the filling of managerial positions in the company. Therefore, the Supervisory Board has set itself concrete objectives for its composition which are set forth in detail in the next paragraph of this report (section 5.4.1 of the Code). A major criterion in the Code is consideration of diversity. This is also the basis of the Supervisory Board's decisions on the filling of Board of Management positions (section 5.1.2 of the Code) and the Board of Management's decisions on the filling of managerial positions in the company (section 4.1.5 of the Code), appropriate consideration of women being taken in each case. The company also complies with the further new recommendation in the Code that the company shall support the training and further education measures of the Supervisory Board members required for their tasks (section 5.4.1 of the Code). No member of the Board of Management has accepted more than a total of three Supervisory Board mandates in listed companies that are not part of the Brenntag Group or in supervisory bodies of companies with similar requirements (section 5.4.5 of the Code). Finally, Brenntag AG will follow the recommendation of the Code and assist shareholders in the use of proxies and postal votes (section 2.3.3 of the Code).

OBJECTIVES OF THE SUPERVISORY BOARD REGARDING ITS COMPOSITION

“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)

On December 17, 2010, the Supervisory Board set the following objectives for its future composition:

- At least 15% of the members of the Supervisory Board shall have relevant industry experience.
- At least 15% of the members of the Supervisory Board shall have particularly great experience gained abroad. This experience may also have been gained in other industries.
- At least 50% of the members of the Supervisory Board shall not hold offices at customers, suppliers or lenders of the company.
- At least 15% of the seats on the Supervisory Board shall be filled by women with the appropriate qualifications.
- No member of the Supervisory Board shall continue to hold office beyond his/her 70th birthday.

STATUS REPORT ON THE IMPLEMENTATION OF THESE OBJECTIVES AND FUTURE COMPOSITION

Dr Thomas Ludwig has many years of experience in the industry. Stefan Zuschke, Thomas Weinmann and Doreen Nowotne have already been advising Brenntag Management GmbH and, following its conversion into a stock corporation, Brenntag AG, as representatives of the owners since 2006. Through the election of the Swiss national Prof. Dr Edgar Fluri, who has particularly great experience abroad, the company is also documenting its claim to internationality, also with regard to its Supervisory Board members. In line with the Supervisory Board objectives, as of December 31, 2010 only two members of the Supervisory Board hold office (advisory board and administrative board mandates) at customers, suppliers or lenders of the company. In line with Brenntag's objectives, the aim is to increase the number of women members in addition to Ms Doreen Nowotne, who has already been elected to the Supervisory Board by the General Shareholders' Meeting. 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.

Therefore, in the coming elections, it is intended to at least maintain or, if possible, increase the proportions laid down in the resolution on the objectives for the composition of the Supervisory Board.

SHARES HELD BY BOARD OF MANAGEMENT AND SUPERVISORY BOARD MEMBERS

On December 31, 2010, 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 as well as 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 page 46. 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. All transactions reported to Brenntag AG were published and can also be accessed at any time on the website of Brenntag AG.

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 chairs 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. Furthermore, in the 2011 General Shareholders' Meeting, shareholders will be offered the option of exercising their right to vote in writing by postal vote, without appointing a person to represent them. 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. Notice of the General Shareholders' Meeting is given at least 36 days before the date on which it is to be held. The invitation to attend includes 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 General Shareholders' Meeting can also be downloaded 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 is on 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 risks minimized. 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 internal audit system. The Audit Committee's work is described in detail on page 43.

Brenntag'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 page 86 ff.

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, all press releases and ad-hoc news are published on the Brenntag website in both German and English. The Articles of Association and the last 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 institutional 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 as well as 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 in this Annual Report (see page 176).

ACCOUNTING AND FINANCIAL STATEMENT AUDITING

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). We agreed with the financial statement auditors, PricewaterhouseCoopers (PwC), 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 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 fixing 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 fulfills 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 2010 financial year.

CORPORATE GOVERNANCE STATEMENT

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

On December 17, 2010, 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 its initial public offering dated March 29, 2010, Brenntag AG has complied with all recommendations of the German Corporate Governance Code in the version dated June 18, 2009.”

The declaration of compliance 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 subjects 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 adherence 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 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.

Finally, 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 38.

Supervisory Board

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. The Supervisory Board members are 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.

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. 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. Resolutions are passed by a simple majority, insofar as other majorities are not prescribed by law. 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.

At regular intervals, the Supervisory Board 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 AG with regard to planning, business development, the risk situation and risk management in compliance with section 90 of the German Stock Corporation Act. It 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 on page 71 ff.

The Supervisory Board reviews the efficiency of its activities on a regular basis but at least once every two years.

Committees of the Supervisory Board

The Supervisory Board has currently 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. Insofar as the committees take decisions in place of the full 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

The Presiding and Nomination Committee 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 German law does not prescribe 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 Prof. Dr Edgar Fluri (chairman), Doreen Nowotne and Thomas Weinmann. 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 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. The Committee deals with accounting issues on behalf of the Supervisory Board. It monitors the accounting process, deals with the half-yearly and quarterly financial reports as well as their audit or review, reviews the adequacy and effectiveness of the company's internal control system, risk management system and internal audit system.

The Committee monitors the observance of and compliance with the statutory provisions and the internal company policies by the Group companies as well as with the relevant recommendations 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 informed by Brenntag's Compliance Committee on 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.

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.

The members of the Supervisory Board are listed on page 46.

Board of Management

The Brenntag AG Board of Management has three members. The chairman of the Board of Management is Stephen Clark. 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 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 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 and risk management. Furthermore, 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-offs 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 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 and 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 the deciding vote. The remuneration of the Board of Management members is given in detail in the remuneration report on page 71 ff. of the Annual 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:

Stephen Clark, Wyomissing/USA, Chief Executive Officer
Chairman

- BRENNTAG (Holding) B.V. (Member of the Supervisory Board)
- Brenntag HoldCo B.V. (Member of the Supervisory Board)
- HCI Central Europe Holding B.V. (Member of the Supervisory Board)

Jürgen Buchsteiner, Düsseldorf/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. (Member of the Administrative Board)
- BRENNTAG S.A. (Deputy Chairman of the Supervisory Board)
- HCI USA Holdings B.V. (Member of the Supervisory Board)
- Holland Chemical International B.V. (Member of the Supervisory Board)

Steven Holland, North Kilvington, Thirsk/United Kingdom, Chief Operating Officer

- 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. (Member of the Supervisory Board)
- BRENNTAG S.A. (Chairman of the Supervisory Board)
- HCI Central Europe Holding B.V. (Member of the Supervisory Board)

These offices only refer to Group companies.

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 (Member of the Supervisory Board since March 3, 2010), Hamburg/Germany, Business Consultant
Chairman of the Supervisory Board

- OME Investment Acquisition S.C.A. (Member of the Advisory Board)
- OME Acquisition S.C.A. (Member of the Advisory Board)
- Brachem 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 (Member of the Supervisory Board since March 28, 2010), Düsseldorf/Germany, Managing Director and Managing Partner

Deputy Chairman of the Supervisory Board

- Trimet Aluminium AG (Deputy Chairman of the Supervisory 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)
- Grünenthal GmbH (Deputy Chairman of the Advisory Board)
- Dalli-Werke GmbH & Co. KG (Member of the Advisory Board)
- Bandstuhl Schulte GmbH (Member of the Advisory Board)

Prof. Dr Edgar Fluri (Member of the Supervisory Board since March 28, 2010), Binningen/Switzerland, Auditor

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

Doreen Nowotne (Member of the Supervisory Board since March 3, 2010), Hamburg/Germany, Business Consultant

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

Dr Andreas Rittstieg (Member of the Supervisory Board since March 28, 2010), Hamburg/Deutschland, Lawyer

- Tomorrow Focus AG (Deputy Chairman of the Supervisory Board)
- Huesker Holding GmbH (Member of the Advisory Board)
- Berenberg Bank (Member of the Administrative Board)
- Turina Holding GmbH & Co. KG (Member of the Advisory Board)
- Ludwig Görtz GmbH (Member of the Advisory Board, until June 30, 2010)

Thomas Weinmann (Member of the Supervisory Board since March 3, 2010), Hamburg/Germany, Business Consultant

- OME Investment Acquisition S.C.A. (Member of the Advisory Board)
- OME Acquisition S.C.A. (Member of the Advisory Board)
- Brachem 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, 2010

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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 some 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, formulation, repackaging, inventory management and drum return handling, as well as technical services and support). High diversification means that Brenntag is largely independent from 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 by our philosophy of continually improving the safety standards at our sites. As a responsible service provider, we believe we have a commitment not only to our suppliers, customers and shareholders but also to society and the environment.

Group Structure

At the General Shareholders' Meeting of Brenntag Management GmbH on March 3, 2010, the shareholders passed a resolution to convert Brenntag Management GmbH into a stock corporation (Aktiengesellschaft) with the name Brenntag AG. The conversion was entered in the commercial register of the local court of Duisburg (HRB 22178) on March 11, 2010. At the end of the financial year, the share capital amounted to EUR 51,500,000, divided into 51,500,000 no-par-value registered shares, each with a notional value of EUR 1.00. The shares are traded inter alia on the Frankfurt stock exchange. The registered office of the company is Mülheim an der Ruhr.

As the Group's 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, M & A, HR, Corporate Development, Corporate Communications, Legal, Corporate Internal Audit and Tax.

The consolidated financial statements include Brenntag AG, 24 domestic (December 31, 2009: 29) and 169 foreign (December 31, 2009: 148) fully consolidated subsidiaries and special purpose entities. Eight associates (December 31, 2009: five) have been accounted for at equity.

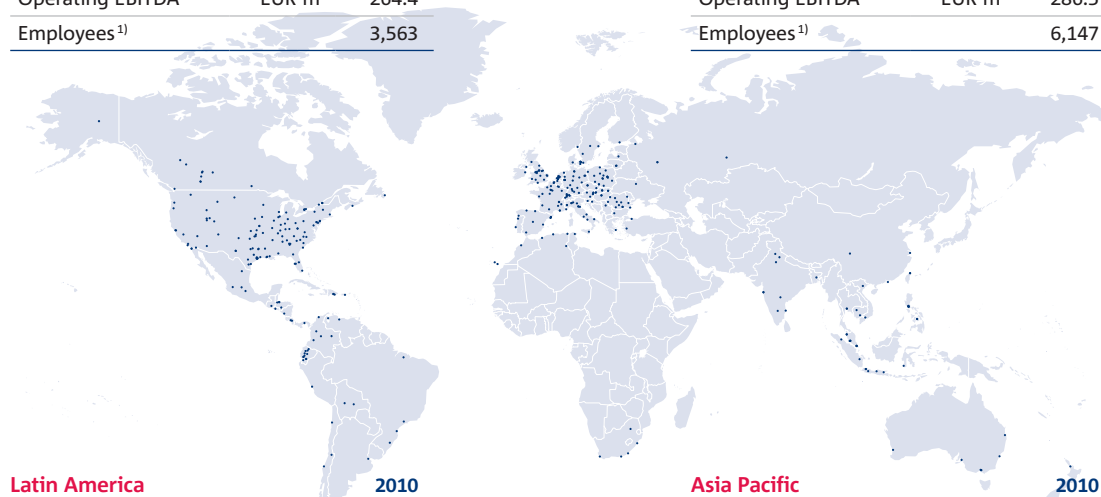
The following graph gives an overview of the global network of the Brenntag Group, which is managed by the regionally structured segments Europe, North America, Latin America and Asia Pacific. Furthermore, a segment titled All Other Segments covers the central functions for the entire Group as well as the activities of Brenntag International Chemicals.

North America 2010

External sales	EUR m	2,442.7
Operating gross profit	EUR m	613.0
Operating EBITDA	EUR m	264.4
Employees ¹⁾		3,563

Europe 2010

External sales	EUR m	3,927.5
Operating gross profit	EUR m	863.0
Operating EBITDA	EUR m	286.5
Employees ¹⁾		6,147



Latin America 2010

External sales	EUR m	725.1
Operating gross profit	EUR m	137.8
Operating EBITDA	EUR m	45.9
Employees ¹⁾		1,257

Asia Pacific 2010

External sales	EUR m	217.1
Operating gross profit	EUR m	45.7
Operating EBITDA	EUR m	17.6
Employees ¹⁾		1,029

Figures exclude All Other Segments, which, in addition to various holding companies, covers 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 remains to be the preferred full-line chemical distributor and partner of choice 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 at steadily expanding our leading market positions while continually improving profitability.

Organic growth and acquisitions

We strive to extend our market lead 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, Latin America and Eastern Europe, to capture the expected strong growth in demand for chemicals in these regions.

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 of water treatment, personal care, pharmaceuticals, food, and oil & gas, as well as in the adhesives, coatings, elastomers and sealants sector. 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 business with fuel additives which reduce road traffic emissions in Europe and North America. Improving the Group's operational efficiency by optimizing our warehouse and transport logistics and continually refining the procurement and sales processes are also points of constant focus.

These top initiatives follow the guiding strategic principles:

- intense customer orientation
- full-line product portfolio focused on less-than-truckload deliveries
- complete geographic coverage
- accelerated growth in target markets

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 AND SITUATION IN THE INDUSTRY

The global economy continued to improve in the second half of 2010, although growth rates decreased slightly during the summer after the sharp increase in production in the first months of the year. Real global GDP grew by about 5% in 2010 and was therefore above the long-term trend. Regional differences in the pace of growth remained. Whilst economic output in the emerging markets expanded strongly towards the end of 2010 and was well above its 2008 level, the advanced economies in Europe and North America recorded comparatively moderate GDP growth rates.

The European economy returned to a path of growth from mid-2009, although growth rates in the third quarter of 2010 weakened slightly after exceptionally strong expansion in the second quarter. Overall growth in the European Economic Area amounted to some 2% in the reporting period, the euro zone expanding somewhat less, with development varying in the different member states. Below-average economic growth rates were seen in the countries particularly badly hit by the financial crisis. European industry benefited in 2010 from the expanding global economy and rising demand for capital goods and therefore grew by 6 to 7% over the year as a whole.

In the second half of 2010, the US economy developed better than economic research institutes had expected after slowing slightly in the middle of the year. At the end of 2010, GDP was some 2.7% above the prior-year level, indicating that economic performance had returned to its pre-crisis level. Industry benefited in 2010 from the general development with industrial output growing by some 5.5%.

In Latin America, the pace of growth weakened slightly towards the end of 2010. The economic slowdown was mainly the result of reduced momentum from the global economy as well as the dampening effects of tighter monetary and fiscal policies. The Latin American economy recorded growth of 5 to 6% in 2010. The growth rate of industrial production in the region fell compared with the previous year. Nevertheless, over 2010 as a whole, industrial output expanded at a rate of some 9%.

The strongest growth in 2010 was recorded by the economies of the Asian economic area. Whilst governments reduced their expansive fiscal and monetary policies as the year progressed, growth in Asia was stimulated by private domestic consumption and gross investments in plant and equipment. Industrial output in the region continued to expand strongly by nearly 15%, driven primarily by the economic powerhouses, China and India.

In summary, demand for products and services in the chemical distribution sector recovered well in 2010, after a double-digit fall in both the mature markets and Latin America in 2009. One of the reasons for this was the recovery of industrial activity, a growth driver for chemical consumption.

BUSINESS PERFORMANCE

MAJOR EVENTS IMPACTING ON BUSINESS IN 2010

For the Brenntag Group, the first quarter of 2010 was dominated by the IPO, which took place on the Frankfurt stock exchange on March 29, 2010. The issue price of the Brenntag share was set at EUR 50.00.

The offer comprised a total of 14.95 million shares. Of this figure, 10.5 million shares came from a capital increase, the proceeds of which totalled EUR 525.0 million gross, i.e. before deduction of transaction costs, and flowed directly to Brenntag. In addition, 4.45 million shares came from the holdings of the selling shareholder, Brachem Acquisition S.C.A., Luxembourg, including the overallotments from the greenshoe option. The issue volume (including the greenshoe exercise) totalled EUR 747.5 million.

On October 1, 2010, Brachem Acquisition S.C.A., Luxembourg, sold another 11.0 million shares at a price of EUR 60.75 per share in an accelerated book-building process and still held 25.55 million shares or 49.61% of the total share capital of 51.5 million shares on December 31, 2010. The free float was 50.39%.

The funds which flowed to the company from the capital increase were used to repay in full the borrowings under the Mezzanine Facility Agreement of EUR 438.6 million, including the outstanding interest (as at December 31, 2009). A further EUR 69.0 million was used for early repayment of part of the borrowings under the Second-Lien Facility Agreement of the syndicated loan.

Moreover, a shareholder loan from Brachem Acquisition S.C.A., Luxembourg, including interest accrued up to March 28, 2010 was contributed to equity after offsetting of receivables from Brachem Acquisition S.C.A., Luxembourg. The additional paid-in capital thus increased by EUR 714.9 million, which enabled us to considerably strengthen our equity base and correspondingly reduce net debt.

Furthermore, borrowings of EUR 227.3 million under the Senior Facility Agreements of the syndicated loan were repaid ahead of schedule as part of the so-called cash sweep. This early repayment was agreed in the terms of the Senior Facility Agreements, the amount depending on the net cash flow of the previous year.

Due to the strengthening of the company's equity base as a result of the IPO and the company's continued positive result prospects, Standard & Poor's raised the Brenntag Group's rating from B+ to BB+ and Moody's from B2 to Ba2.

Through the takeover of all the shares in EAC Industrial Ingredients Ltd. A/S, Copenhagen, Denmark, a leading provider of chemical distribution solutions in South and Southeast Asia, in July 2010, Brenntag has further expanded its market position in the growth region Asia Pacific. The seller was the listed company The East Asiatic Company Ltd. A/S, headquartered in Copenhagen, Denmark. The purchase price was EUR 163.6 million on a cash and debt-free basis. This acquisition has given Brenntag access to an established distribution network in nine countries which we consider to have excellent growth potential. With this major acquisition, Brenntag is significantly increasing its market share in South and Southeast Asia and strengthening its market position in key industries such as food, coatings, personal care and pharmaceuticals.

Furthermore, Brenntag acquired the industrial chemicals distribution business of Houghton Chemical Corporation, Boston, USA, for USD 7.0 million. The takeover has enabled Brenntag to increase its market share, above all in the New England states, and further improve its market position in key industries such as pharmaceuticals, personal care as well as in the adhesives and coating industries.

STATEMENT BY THE BOARD OF MANAGEMENT ON BUSINESS PERFORMANCE

The business environment of the Brenntag Group in 2010 showed a positive development in all regions, although momentum slowed in the second half of the year.

Once again operating in a favourable economic climate, we continued our course of growth of prior years. Both the sales and gross profit of the Brenntag Group rose significantly compared with 2009 due to higher volumes and rising prices.

Accordingly, costs, particularly volume-related expenses, rose in 2010. Personnel expenses also increased as more staff were taken on. The fact that personnel expenses in 2009 were impacted by the cost of the early termination of a multi-year incentive programme had a counter effect. Furthermore, the efficiency measures implemented in 2009 helped to mitigate the increase in costs.

Overall, gross profit growth was translated into even higher growth rates in operating EBITDA, which well exceeded the prior-year results. The growth is mainly organic. However, the first-time inclusion of EAC Industrial Ingredients Ltd. A/S, which was acquired in July 2010, also contributed to the development of results. With this strategic milestone, we have extended our market position in Asia to a comprehensive established network.

Working capital (inventories plus trade receivables less trade payables) rose compared with the low level at the end of 2009. This is mainly due to the growth of sales and the acquisition of EAC Industrial Ingredients Ltd. A/S. However, the rate of turnover of working capital increased as further improvements in working capital management were realized.

Investment in property, plant and equipment increased compared with the low level in 2009. Our business model allows for investment levels to remain relatively low and highly flexible.

Given the overall economic environment, our business performance and the development of the results of operations and the financial condition of the company in 2010 were highly positive.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

Business Performance of the Brenntag Group

in EUR m	2010	2009	Change		
			abs.	in %	in % (fx adj.) ²⁾
External sales	7,649.1	6,364.6	1,284.5	20.2	15.3
Operating gross profit	1,673.9	1,493.2	180.7	12.1	7.5
Operating expenses	–1,071.3	–1,012.9	–58.4	5.8	1.4
Operating EBITDA	602.6	480.3	122.3	25.5	20.2
<i>Transaction costs/ holding charges</i>	<i>–5.0</i>	<i>–3.7</i>	<i>–1.3</i>	<i>–</i>	<i>–</i>
EBITDA (incl. transaction costs/ holding charges)	597.6	476.6	121.0	25.4	20.1
Depreciation of property, plant and equipment	–84.0	–82.3	–1.7	2.1	–1.4
EBITA ¹⁾	513.6	394.3	119.3	30.3	24.5
Amortization of intangible assets	–104.6	–123.6	19.0	–15.4	–18.7
Financial result	–177.2	–223.6	46.4	–20.8	–
Profit before tax	231.8	47.1	184.7	392.1	–
Income taxes	–85.2	–46.6	–38.6	82.8	–
Profit after tax	146.6	0.5	146.1	>1,000	–

¹⁾ EBITA is defined as EBITDA less depreciation of property, plant and equipment.

²⁾ Change in % (fx adj.) is the percentage change on a constant currency basis.

External sales

In 2010, the Group recorded external sales of EUR 7,649.1 million, an increase of 20.2% compared with 2009 or 15.3% on a constant currency basis. This growth in external sales in the Europe and Latin America segments was due to an increase in volumes and the average selling price. In the North America segment, it is mainly driven by higher volumes, whilst in the Asia Pacific segment the increase in sales was above all attributable to the acquisition of the EAC Group.

Operating gross profit

In 2010, the Group recorded an operating gross profit of EUR 1,673.9 million, which was 12.1% higher than in 2009 or 7.5% on a constant currency basis. This increase is largely due to higher volumes in all segments.

Operating expenses

In 2010, operating expenses (excluding interest, the result from investments, taxes, depreciation, amortization, transaction costs and holding charges) were 5.8% higher than in 2009 or 1.4% on a constant currency basis. Volume-related variable expenses, such as transport costs, were the main driving factor behind the operating expense increases. Furthermore, the headcount rose in some of our companies as business increased, which led to higher personnel expenses. However, the fact that personnel expenses in 2009 were impacted by expense items relating to the early termination of a multi-year incentive programme had a counter effect; these expenses for members of the Board of Management amounted to EUR 22.8 million.

EBITDA

The key measure of our results used for control 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 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. 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.

Continuing industry trends favouring scale distributors, our unique global network and the continued, albeit slightly weaker global economic tailwind manifested themselves in the form of strong demand. In this business environment, the Brenntag Group posted EBITDA of EUR 597.6 million in 2010. That is an increase of 25.4% compared with the previous year or 20.1% on a constant currency basis. Adjusted for transaction costs and holding charges, operating EBITDA was EUR 602.6 million. That is an increase of 25.5% compared with the previous year or 20.2% on a constant currency basis.

Depreciation, amortization and financial result

Depreciation of property, plant and equipment and amortization of intangible assets amounted to EUR 188.6 million in 2010. Of this figure, EUR 104.6 million relates to amortization of intangible assets and EUR 84.0 million to depreciation of property, plant and equipment. Overall, depreciation and amortization fell by EUR 17.3 million compared with the previous year. The main reason for this decrease is that 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, have been fully amortized since September 30, 2010. In 2010, EUR 79.4 million was expensed for this item.

The financial result improved by EUR 46.4 million from EUR –223.6 million to EUR –177.2 million. This was largely due to the reduction in finance costs (interest expense and result from the measurement of interest rate swaps and interest caps at fair value) from EUR 220.8 million to EUR 177.6 million. At EUR 9.3 million, finance income was on par with the previous year's level. The other financial result, which mainly comprises the result from the measurement of foreign currency receivables, liabilities and foreign currency derivatives, totalled EUR –11.7 million, as against EUR –1.7 million in 2009. Furthermore, the financial result comprises the result from at equity measurement (2010: EUR 4.7 million; 2009: EUR –8.8 million) as well as the addition to liabilities to minorities under IAS 32 (2010: EUR –1.9 million; 2009: EUR –1.6 million).

Due to the reduction of debt as part of the IPO and the sharp drop in base rates for floating-rate loans, interest expenses in 2010 were significantly lower than in 2009. Furthermore, as the shareholder loan was contributed to the additional paid-in capital of Brenntag AG as part of the IPO, the related interest expenses dropped. The one-off expenses in connection with the amendments to loan agreements as well as the change in interest margins on the syndicated loan, which were adjusted to the current market level when the IPO took place, had the opposite effect.

Half of the loss from the measurement of foreign currency receivables, liabilities and foreign currency derivatives totalling EUR 10.3 million in 2010 is connected with our activities in Venezuela. The devaluation of the Venezuelan currency together with the even tougher foreign exchange restrictions led to expenses of EUR 5.2 million. The other foreign currency losses include hedging costs as well as the result of foreign currency items which we intentionally either did not hedge or did not hedge completely.

In 2009, the result from investments accounted for at equity included the loss of EUR 12.7 million from the sale of our share in Staub & Co. Chemiehandels-gesellschaft mbH, Nuremberg. By contrast, 2010 included no special influences.

Profit before tax

In 2010, the profit before tax amounted to EUR 231.8 million (2009: EUR 47.1 million) and more than quadrupled compared with the prior period. This is due to the good operating performance and a much improved financial result.

Furthermore, it must be considered that, in 2010, the operating result includes costs of the IPO of EUR 4.5 million net (i.e. after the pro-rata charging of costs to Brachem Acquisition S.C.A., Luxembourg). Moreover, the financial result includes one-off costs of EUR 20.8 million in connection with the restructuring of the syndicated loan, the interest expense of EUR 17.0 million from a shareholder loan contributed to the additional paid-in capital of Brenntag AG on March 29, 2010 as well as costs of EUR 5.4 million incurred as a result of the termination of hedge accounting for interest rate swaps in connection with the Mezzanine Facility Agreement repaid as part of the IPO. In addition to these three items totalling EUR 43.2 million, the financial result also includes interest expense of EUR 8.5 million for the Mezzanine Facility Agreement repaid as part of the IPO. Adjusted for these items, the profit before tax would have been EUR 288.0 million.

Income taxes and profit after tax

At EUR 85.2 million, income tax expense was higher than in 2009 and mainly reflects the positive development of profit before taxes.

The profit for the Group after tax was EUR 146.6 million (2009: EUR 0.5 million).

Business Performance in the Segments

2010 in EUR m	Brenntag Group	Europe	North America	Latin America	Asia Pacific	All Other Segments
External sales	7,649.1	3,927.5	2,442.7	725.1	217.1	336.7
Operating gross profit	1,673.9	863.0	613.0	137.8	45.7	14.4
Operating expenses	-1,071.3	-576.5	-348.6	-91.9	-28.1	-26.2
Operating EBITDA	602.6	286.5	264.4	45.9	17.6	-11.8

Europe

in EUR m	2010	2009	Change		
			abs.	in %	in % (fx adj.)
External sales	3,927.5	3,434.4	493.1	14.4	12.2
Operating gross profit	863.0	807.6	55.4	6.9	5.0
Operating expenses	-576.5	-557.0	-19.5	3.5	1.6
Operating EBITDA	286.5	250.6	35.9	14.3	12.4

External sales

External sales in Europe rose in 2010 by 14.4% to EUR 3,927.5 million, which is an increase of 12.2% on a constant currency basis. We recorded both a significant increase in volumes and in the average selling price.

Operating gross profit

In 2010, operating gross profit totalled EUR 863.0 million, which was an increase of 6.9% or 5.0% on a constant currency basis. This rise was mainly attributable to the pleasing development of volumes.

Operating expenses

Operating expenses rose in 2010 compared with the prior year by 3.5% to EUR 576.5 million, which is an increase of 1.6% on a constant currency basis. This rise was mainly due to higher volumes, which impacted transport costs and other volume-related costs. Personnel expenses actually fell slightly. We continue to benefit from the restructuring measures implemented in 2009 which enabled us to handle a higher volume of business with roughly the same number of staff. Furthermore, in 2009 personnel expenses were impacted by expense items relating to the early termination of a multi-year incentive programme; these expenses for one member of the Board of Management amounted to EUR 5.2 million. In 2009, the operating expenses for the Europe segment still included the other personnel expenses for one member of the Board of Management of Brenntag AG (EUR 0.6 million) which appeared in All Other Segments in 2010 (EUR 1.4 million).

Operating EBITDA

The European companies posted operating EBITDA of EUR 286.5 million in 2010. Thus operating EBITDA rose compared with 2009 by 14.3% or 12.4% on a constant currency basis. Overall, the Europe segment recorded pleasing double-digit growth compared with the already strong prior year.

North America

in EUR m	2010	2009	Change		
			abs.	in %	in % (fx adj.)
External sales	2,442.7	2,050.5	392.2	19.1	11.7
Operating gross profit	613.0	537.7	75.3	14.0	6.8
Operating expenses	-348.6	-340.9	-7.7	2.3	-4.4
Operating EBITDA	264.4	196.8	67.6	34.3	26.2

External sales

In the North America segment we posted external sales of EUR 2,442.7 million in 2010. Compared with the previous year, this is a growth rate of 19.1% or 11.7% on a constant currency basis. Volumes increased significantly while the average selling price was slightly below the prior-year level.

Operating gross profit

The operating gross profit of the North American companies totalled EUR 613.0 million in 2010, an increase of 14.0% compared with 2009. On a constant currency basis, operating gross profit rose by 6.8%. This development was mainly driven by the significant increase in volumes.

Operating expenses

Operating expenses totalled EUR 348.6 million in 2010, an increase of 2.3% over the prior year. On a constant currency basis, operating expenses fell, however, by 4.4%. This decrease was mainly driven by the fact that personnel expenses in 2009 were impacted by expense items relating to the early termination of a multi-year incentive programme; these expenses for one member of the Board of Management amounted to EUR 12.8 million. Furthermore, in 2009 operating expenses for the North America segment still included further personnel expenses for a member of the Board of Management of Brenntag AG (EUR 1.2 million) which appeared in All Other Segments in 2010 (EUR 1.6 million). By contrast, volume-related costs, e.g. transport costs, increased as a result of the higher volume of business.

Operating EBITDA

In 2010, the North American companies posted excellent operating EBITDA of EUR 264.4 million, exceeding the prior-year figure by 34.3% or 26.2% on a constant currency basis. Overall, we saw earnings grow and even accelerate as the year progressed.

Latin America

in EUR m	2010	2009	Change		
			abs.	in %	in % (fx adj.)
External sales	725.1	610.5	114.6	18.8	8.3
Operating gross profit	137.8	123.3	14.5	11.8	2.5
Operating expenses	-91.9	-81.0	-10.9	13.5	3.7
Operating EBITDA	45.9	42.3	3.6	8.5	0.0

External sales

The Latin American companies posted external sales of EUR 725.1 million in 2010, well exceeding the figure for 2009 by 18.8% or 8.3% on a constant currency basis. This increase was mainly due to a higher average selling price but also to higher volumes.

Operating gross profit

In 2010, operating gross profit increased by 11.8% to EUR 137.8 million. On a constant currency basis, we exceeded the prior-year result by 2.5%, largely due to higher volumes.

Operating expenses

In 2010, operating expenses totalled EUR 91.9 million, an increase of 13.5% or 3.7% on a constant currency basis. This rise was mainly driven by higher personnel expenses since some companies took on more staff as business expanded. Other expenses also rose, including transport costs and rents.

Operating EBITDA

Our companies in the Latin America segment posted operating EBITDA of EUR 45.9 million in 2010, an increase of 8.5% compared with 2009; on a constant currency basis operating EBITDA remained constant.

The main reasons for this lack of growth in results are political developments that are unfavourable for our business in Venezuela and the country's financial policy, which had a significant impact on the results of our company there. Excluding Venezuela, the Latin America segment achieved significant growth of some 10% in both operating gross profit and operating EBITDA on a constant currency basis in 2010.

Asia Pacific

in EUR m	2010	2009	Change		
			abs.	in %	in % (fx adj.)
External sales	217.1	58.4	158.7	271.7	219.7
Operating gross profit	45.7	14.5	31.2	215.2	173.7
Operating expenses	-28.1	-10.4 ¹⁾	-17.7	170.2	130.3
Operating EBITDA	17.6	4.1¹⁾	13.5	329.3	291.1

¹⁾The expense in connection with the department of the Asia Pacific Holding that deals with the strategic further development of this segment has been shown under All Other Segments since 2010; the prior-year figures have been restated accordingly.

The results of the Asia Pacific segment established with effect from September 30, 2008 after the takeover of the distribution activities of the Rhodia Group, exceeded expectations in 2010. From July 2010, Brenntag significantly expanded its coverage of the Asian regions with the acquisition of EAC Industrial Ingredients Ltd. A/S. Overall, the Asia Pacific segment delivered a convincing performance with steady growth.

External sales

External sales in the Asia Pacific segment totalled EUR 217.1 million in 2010 and therefore increased by 271.7% or, on a constant currency basis, by 219.7% compared with 2009. These figures were significantly influenced by the companies of the EAC Group acquisition. The previous companies of the segment also contributed to this pleasing development, well exceeding sales in 2009 thanks to higher volumes and higher selling prices.

Operating gross profit

In the reporting period, operating gross profit rose by 215.2%, on a constant currency basis by 173.7%, to EUR 45.7 million. The previous Brenntag companies again posted a significant double-digit increase in their operating gross profit, in addition to the contribution to results made by the companies of the EAC Group acquisition.

Operating expenses

In line with the increase in business volume, operating expenses rose by 170.2% (on a constant currency basis by 130.3%) to EUR 28.1 million. Excluding the newly acquired business of the EAC Group, operating expenses rose much less than the operating gross profit. Operating expenses mainly increased due to higher personnel costs as more staff were taken on to cope with the larger volume of business. The operating expenses of the companies of the EAC Group acquisition also contributed to the increase.

Operating EBITDA

In the 2010 financial year, the companies in the Asia Pacific segment increased operating EBITDA by 329.3% to EUR 17.6 million. On a constant currency basis, the increase was 291.1%. Alongside the contribution to results made by the companies of the EAC Group acquisition, the previous Brenntag companies also posted significantly higher operating EBITDA, continuing the pleasing development since the acquisition in 2008.

All Other Segments

in EUR m	2010	2009	Change		
			abs.	in %	in % (fx adj.)
External sales	336.7	210.8	125.9	59.7	59.7
Operating gross profit	14.4	10.1	4.3	42.6	42.6
Operating expenses	–26.2	–23.6 ¹⁾	–2.6	11.0	11.0
Operating EBITDA	–11.8	–13.5¹⁾	1.7	–12.6	–12.6

¹⁾The expense in connection with the department of the Asia Pacific Holding that deals with the strategic further development of this segment has been shown under All Other Segments since 2010; the prior-year figures have been restated accordingly.

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 2010, Brenntag International Chemicals GmbH, Mülheim an der Ruhr, well exceeded the operating EBITDA recorded in the previous year as a result of higher operating gross profit.

In the holding companies, including the sourcing activities in China, which we have expanded since 2009, costs were higher than in the prior period. This includes, on the one hand, the running costs connected with the listing of Brenntag AG. On the other hand, in 2009 personnel expenses for two members of the Board of Management of Brenntag AG were still shown in the Europe and North America segments (EUR 1.8 million) whereas, in 2010, they are recorded in All Other Segments (EUR 3.0 million). By contrast, personnel expenses in 2009 were impacted by expense items relating to the early termination of a multi-year incentive programme; these expenses for one member of the Board of Management amounted to EUR 4.8 million.

Overall, operating EBITDA in the 2010 financial year amounted to EUR –11.8 million and thus improved by EUR 1.7 million on the figure for 2009.

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

Free cash flow in EUR m	2010	2009	Change	
			abs.	in %
EBITDA (incl. transaction costs/holding charges)	597.6	476.6	121.0	25.4
Capex	–85.1	–71.8	–13.3	18.5
Change in working capital	–136.4	242.0	–378.4	–156.4
Free cash flow	376.1	646.8	–270.7	–41.9

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; working capital is defined as trade receivables plus inventories less trade payables.

The Group's free cash flow amounted to EUR 376.1 million in the reporting period and thus fell by 41.9% compared with the previous year (EUR 646.8 million).

The main reason for this reduction is that working capital increased by EUR 136.4 million in 2010, whereas it fell by EUR 242.0 million in 2009. The significant rise in EBITDA by 25.4% to EUR 597.6 million could not offset this.

Return on net assets		2010	2009	Change	
				abs.	in %
EBITA	EUR m	513.6	394.3	119.3	30.3
Average property, plant and equipment	EUR m	806.1	780.3	25.8	3.3
Average working capital	EUR m	752.4	691.9	60.5	8.7
Return on net assets	%	33.0	26.8	–	–

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 2010, the Group generated RONA of 33.0%. Compared with the previous year, RONA rose by 6.2 percentage points, mainly as a result of EBITDA increasing by 30.3%. This more than compensated for the slight rises in average property, plant and equipment (3.3%) and the average working capital (8.7%).

FINANCIAL CONDITION

Financing

The most important component in Brenntag's financing structure is a Group-wide loan agreement that we have concluded with a consortium of international lenders. This syndicated loan came into effect on January 18, 2006 and was substantially amended with effect from March 31, 2010 and adjusted to the changed conditions following the company's IPO. As of December 31, 2010, liabilities under these loans (excluding accrued interest and transaction costs) totalled EUR 1,473.2 million.

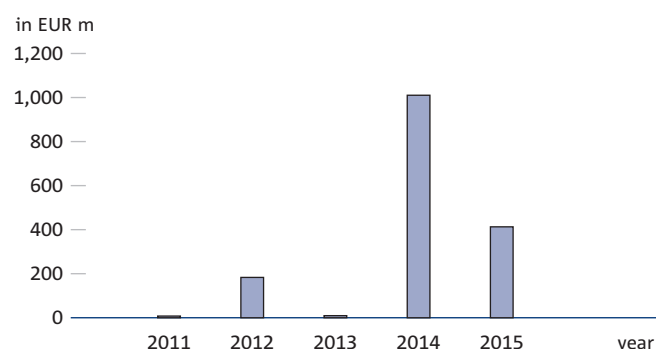
Our financing is largely provided by long-term financing instruments which are broken down into various tranches with different maturity dates. Our plans provide for the capital requirements for operating activities, investments in property, plant and equipment as well as dividends and acquisitions currently planned to be covered by the cash provided by operating activities so that no further loans are necessary for this purpose. As part of the syndicated loan, we also have a revolving credit facility available to provide periodic liquidity.

Some of our subsidiaries are direct borrowers under the syndicated loan. Other subsidiaries obtain their financing from intra-Group loans provided by other Brenntag companies. Two companies in Luxembourg, which are borrowers under the loan agreement, exist specifically for this purpose. All major Group companies are liable for the liabilities under the syndicated loan and have pledged substantial parts of their assets as security in favour of the lenders.

Alongside the syndicated loan, 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 Ltd., 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 177.3 million (excluding transaction costs). Towards the end of 2009, an agreement was reached with the banks involved to extend the maturity date by two years so the programme will continue until January 2012. Furthermore, some of our companies make use of credit lines with local banks on a minor scale in consultation with the Group Treasury department.

MATURITY PROFILE OF OUR CREDIT PORTFOLIO¹⁾

as per December 31, 2010



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

According to our plans, the credit lines and liquid funds available are adequate to cover the future liquidity needs of our Group, even if requirements should change unexpectedly.

Cash Flow

in EUR m	2010	2009
Cash flow provided by operating activities	150.3	490.3
Cash used for investing activities	–218.5	–73.9
<i>(thereof purchases of consolidated subsidiaries, other business units and other financial assets)</i>	<i>–144.4</i>	<i>–17.2</i>
<i>(thereof purchases of other investments)</i>	<i>–81.2</i>	<i>–67.9</i>
<i>(thereof proceeds from divestments)</i>	<i>7.1</i>	<i>11.2</i>
Cash used for financing activities	–187.1	–115.2
Change in cash and cash equivalents	–255.3	301.2

The cash of the Group provided by operating activities totalled EUR 150.3 million in the reporting period. The decrease compared with the previous year is mainly a result of the build-up of working capital, which had fallen sharply in 2009 as a result of declining business. However, through active working capital management the increase in working capital was kept within limits despite the high business growth. Thus, the annualized working capital turnover rate¹⁾ rose from 9.2 in 2009 to 10.2 in the reporting period. In addition, interest payments – including accrued and capitalized amounts – on the Mezzanine Facilities repaid in full as part of the IPO also reduced the operating cash flow by EUR 64.2 million whilst in 2009 only current interest of EUR 33.1 million was to be paid.

Cash used for investing activities totalled EUR 218.5 million. The funds were used for the purchase of consolidated subsidiaries and other business units (EUR 143.1 million) and financial assets (EUR 1.3 million) as well as for investments in intangible assets and property, plant and equipment (EUR 81.2 million). Of the cash used for the purchase of consolidated subsidiaries and other business units, EUR 132.7 million relates to the acquisition of the EAC Group.

The cash used for financing activities includes cash inflows from the IPO (EUR 525.0 million less costs of EUR 13.7 million incurred in connection with the capital increase) and, above all, cash outflows to repay financial liabilities (EUR 694.2 million). Of this figure, EUR 451.9 million was used for early repayments in connection with the IPO and EUR 227.3 million for capital repayments from cash surplus generated in the prior period in line with the terms of loans.

Investments

In 2010, investments in property, plant and equipment and intangible assets (excluding additions from company acquisitions) led to a total cash outflow of EUR 81.2 million (2009: EUR 67.9 million).

We regularly invest in the maintenance and replacement 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 chemical distributor, we attach the greatest importance to ensuring that our property, plant and equipment meet or exceed all health, safety and environmental requirements.

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.

Major investment projects in the reporting period were:

- Loire Bretagne site, France (EUR 1.8 million): The acids and lyes facilities at the site near Nantes are being modernized. The investment will ensure that the facility meets the latest environmental and safety requirements.
- Warehouse in Swansea, UK (EUR 0.5 million): The warehouse is part of the development of a successful base in the region and will promote growth of volumes and margins in strategically important markets.
- Bentivoglio site, Italy (EUR 1.8 million): Merger of two sites for the acids and lyes business into one. The investment is to strengthen existing business and permit growth through efficiency improvements.
- Coastal, USA (EUR 1.6 million): The company sells products and provides services for the oil & gas industry. In view of the favourable development of business, investments were made in storage tanks.
- Guarulhos site, Brazil (EUR 0.2 million): Business volume has increased considerably at the site, and it now needs additional storage capacity in line with the latest environmental and safety requirements. The investment project will be continued in the years to come.
- Warehouse in Jakarta, Indonesia (EUR 1.3 million): Construction of a new warehouse in the Jakarta metropolitan area. The investment is to increase the storage capacity to promote the growing business.

FINANCIAL AND ASSETS POSITION

in EUR m	Dec. 31, 2010		Dec. 31, 2009	
	abs.	in %	abs.	in %
ASSETS				
Current assets	2,142.0	43.1	1,966.3	42.3
Cash and cash equivalents	362.9	7.3	602.6	12.9
Trade receivables	1,059.7	21.3	831.4	17.9
Other receivables and assets	113.3	2.3	110.0	2.4
Inventories	606.1	12.2	422.3	9.1
Non-current assets	2,828.2	56.9	2,687.5	57.7
Intangible assets ¹⁾	1,863.2	37.5	1,785.9	38.4
Other fixed assets	860.2	17.3	802.7	17.2
Receivables and other assets	104.8	2.1	98.9	2.1
Total assets	4,970.2	100.0	4,653.8	100.0
LIABILITIES AND EQUITY				
Current liabilities	1,330.9	26.7	1,084.7	23.3
Provisions	56.2	1.1	56.1	1.2
Trade payables	834.1	16.8	655.6	14.1
Financial liabilities	87.1	1.7	61.5	1.3
Miscellaneous liabilities	353.5	7.1	311.5	6.7
Equity and non-current liabilities	3,639.3	73.3	3,569.1	76.7
Equity	1,617.9	32.6	172.3	3.7
Non-current liabilities	2,021.4	40.7	3,396.8	73.0
Provisions	196.6	4.0	193.9	4.2
Financial liabilities	1,696.7	34.1	3,077.0	66.1
Miscellaneous liabilities	128.1	2.6	125.9	2.7
Total liabilities and equity	4,970.2	100.0	4,653.8	100.0

¹⁾ Of the intangible assets as of December 31, 2010, some EUR 1,185 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, 2010, total assets had increased by 6.8% to EUR 4,970.2 million (December 31, 2009: EUR 4,653.8 million).

Cash and cash equivalents fell by 39.8% to EUR 362.9 million (December 31, 2009: EUR 602.6 million). This decrease is mainly due to repayments of EUR 227.3 million under the Senior Facility Agreements in April and May in line with the terms of the syndicated loan and the acquisition of the EAC Group for EUR 132.7 million.

Working capital, defined as trade receivables plus inventories less trade payables, developed as follows in the reporting period:

- Trade receivables increased in the reporting period by 27.5% to EUR 1,059.7 million (December 31, 2009: EUR 831.4 million). This rise is due to higher sales, exchange rate effects as well as the first-time consolidation of the EAC Group. The increase was partly offset by systematic receivables management.
- Inventories rose by 43.5% to EUR 606.1 million in the 2010 reporting period (December 31, 2009: EUR 422.3 million). This was mainly due to higher business volumes as well as the first-time consolidation of the EAC Group. However, thanks to improved warehouse logistics, we also increased our inventory turnover rate.
- By contrast, trade payables increased by 27.2% to EUR 834.1 million (December 31, 2009: EUR 655.6 million) also as a result of higher business volumes, exchange rate effects as well as the first-time consolidation of the EAC Group.

However, through active working capital management the increase in working capital, which had fallen sharply in the prior period as a result of declining business, was kept within limits despite the high business growth. Thus, the annualized working capital turnover rate¹⁾ rose from 9.2 in 2009 to 10.2 in the reporting period.

Other current receivables and assets increased by 3.0% to EUR 113.3 million in the reporting period (December 31, 2009: EUR 110.0 million).

The intangible assets and other fixed assets of the Brenntag Group rose by 5.2% or EUR 134.8 million to EUR 2,723.4 million (December 31, 2009: EUR 2,588.6 million). The change was mainly a result of the acquisitions performed in 2010 (EUR 117.7 million), investments in non-current assets (EUR 87.4 million), depreciation and amortization (EUR 188.6 million) and positive exchange rate effects (EUR 111.5 million).

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.

Non-current receivables and other assets increased in 2010 by 6.0% to EUR 104.8 million (December 31, 2009: EUR 98.9 million).

Current financial liabilities increased by EUR 25.6 million to a total of EUR 87.1 million (December 31, 2009: EUR 61.5 million).

Non-current financial liabilities fell in the reporting period by EUR 1,380.3 million or 44.9% to EUR 1,696.7 million (December 31, 2009: EUR 3,077.0 million). This decrease resulted, on the one hand, mainly from the contribution of the shareholder loan granted by Brachem Acquisition S.C.A., Luxembourg, (December 31, 2009: EUR 702.2 million) including interest accrued up to March 28, 2010, to the additional paid-in capital of Brenntag AG. On the other hand, the decrease was due to the repayment in full of borrowings under the Mezzanine Facility Agreement (December 31, 2009: EUR 438.6 million) including accrued interest as at March 31, 2010 as well as repayments under the Senior Facility Agreements (EUR 227.3 million) and the Second-Lien Facility Agreement (EUR 69.0 million).

Current and non-current provisions totalled EUR 252.8 million (December 31, 2009: EUR 250.0 million). This figure included pension provisions of EUR 60.7 million (December 31, 2009: EUR 54.4 million).

As of December 31, 2010, the equity of the Brenntag Group totalled EUR 1,617.9 million (December 31, 2009: EUR 172.3 million). The increase in equity is mainly due to the contribution of the shareholder loan of EUR 714.9 million to the additional paid-in capital by the parent company, Brachem Acquisition S.C.A., Luxembourg, and the issuance of 10.5 million new shares.

ANNUAL FINANCIAL STATEMENTS OF BRENNTAG AG

EARNINGS, ASSETS AND FINANCIAL POSITION OF BRENNTAG AG

The annual financial statements of Brenntag AG have been drawn up in accordance with the provisions of the German Commercial Code (HGB), for the first time in the version of the German Accounting Law Modernization Act (BilMoG), and the German Stock Corporation Act (AktG). As a result of the IPO, there have been in some cases significant changes compared with the previous year.

Income Statement of Brenntag AG in accordance with the German Commercial Code (HGB) in EUR m		
	2010	2009
Other operating income	36.3	25.7
Personnel expenses	–21.3	–16.5
Amortization of intangible assets and depreciation of property, plant and equipment	–0.4	–0.4
Other operating expenses	–56.8	–20.6
Financial result	239.5	158.8
Result from ordinary business activities	197.3	147.0
Extraordinary result	–2.9	0.0
Income taxes	–0.8	0.2
Net income for the year	193.6	147.2
Profit carried forward	–	436.7
Appropriation to retained earnings	–96.8	–583.9
Distributable profit	96.8	0.0

Other operating income mainly relates to inter-company charges. The rise in 2010 compared with the previous year is inter alia due to costs of the IPO, which were charged on a pro-rata basis to the main shareholder Brachem Acquisition S.C.A., Luxembourg.

The main reason for the increase in personnel expenses compared with the prior year is that, in the run-up to the IPO, the service agreements of two members of the Board of Management with subsidiaries of Brenntag AG were transferred to Brenntag AG and the remunerations of all members of the Board of Management are now shown under the personnel expenses of Brenntag AG.

The rise in other operating expenses in 2010 is due, inter alia, to consultancy costs in connection with the IPO (EUR 18.6 million).¹⁾ Moreover, this item includes a one-off amount charged by subsidiaries for a proportion of the total remuneration of two members of the Board of Management of Brenntag AG, then managing directors of Brenntag Management GmbH, paid in previous years solely by those subsidiaries (EUR 18.4 million); this figure also includes pro-rata amounts paid in 2009 in connection with the early termination of a multi-year incentive programme.

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 financial result includes high income from profits transferred by Brenntag Holding GmbH, Mülheim an der Ruhr, both in the reporting year and in 2009. The high profit transferred is mainly due to the write-up (2010: EUR 204.8 million; 2009: EUR 173.7 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. The write-down was 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 –43.7 million in 2009 to EUR +12.1 million in 2010, above all due to the fact that Brachem Acquisition S.C.A., Luxembourg, contributed the interest-bearing shareholder loan to the additional paid-in capital.

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 are shown under the extraordinary result. These are primarily the revaluation of pension obligations.

The income taxes amounting to EUR 0.8 million (2009: EUR 0.2 million income) relate to corporate income tax and trade tax for 2010. 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

	2010	2009
Fixed assets	1,372.9	854.5
Current assets including prepaid expenses and surplus from offsetting	1,048.2	833.7
Total assets	2,421.1	1,688.2
Shareholders' equity	2,399.1	965.5
Provisions	17.2	18.6
Liabilities	4.8	704.1
Total shareholders' equity and liabilities	2,421.1	1,688.2

The shareholders' equity of Brenntag AG increased in 2010 by EUR 1,433.6 million to EUR 2,399.1 million. This rise is mainly due to the contribution of the shareholder loan by Brachem Acquisition S.C.A., Luxembourg, including interest accrued up to March 28, 2010, to the additional paid-in capital (EUR 714.9 million); the liabilities decreased accordingly. Furthermore, the capital increase performed as part of the IPO amounted to EUR 525.0 million.¹⁾ These funds were mainly used – indirectly through Brenntag Holding GmbH – for capital increases at subsidiaries, which explains the increase in fixed assets.

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

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.

APPROPRIATION OF DISTRIBUTABLE PROFIT OF BRENNTAG AG

The net income of Brenntag AG as at December 31, 2010 was EUR 193,605,444.02. Of this figure, EUR 96,802,722.01 was allocated to retained earnings, giving a distributable profit of EUR 96,802,722.01.

At the General Shareholders' Meeting on June 22, 2011, the Board of Management and the Supervisory Board will propose that the distributable profit of Brenntag AG amounting to EUR 96,802,722.01 be used as follows:

- Payment of a dividend of EUR 1.40 per no-par share entitled to a dividend: EUR 72,100,000.00,
- Appropriation to retained earnings: EUR 24,702,722.01.

REFERENCE TO DEPENDENT COMPANY REPORT IN ACCORDANCE WITH SECTION 312, PARA. 3, SENTENCE 3 OF THE GERMAN STOCK CORPORATION ACT

Brenntag AG's Board of Management has prepared a report on relations with affiliated companies for the 2010 financial year which contains the following final statement:

"Brenntag AG received reasonable consideration in the course of each of the legal transactions and measures listed in the report on relations with affiliated companies, taking account of the circumstances known to us at the time when the legal transactions were conducted or the measures taken or not taken, and the company was not disadvantaged by the fact that measures were taken or not taken."

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

Prior to the IPO of Brenntag AG, the remuneration system of the Board of Management was changed to meet the requirements of a listed company. The structure of the remuneration system in place until 2009 was similar but the details of specific components were different. Therefore, the amounts for 2009 mentioned in the following are not necessarily comparable.

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 based on the achievement of targets in the particular financial year and the two preceding financial years, and a long-term variable remuneration, which is a target remuneration generally referring to five years (virtual stock 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, accident insurance, etc.

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 apply with regard to the financial years 2010 and 2011:

- The annual bonus for the year 2010 will be 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 achievement of the targets of the annual bonus plan 2010 and to 50% on 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, accident insurance, etc. 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 stock plan). The virtual stock 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 upon 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 will be uniquely calculated on the basis of the achievement of the targets of the annual bonus plan 2010. Any outperformance of any KPI by 1% will result 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:

- 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
- 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). 22,269 virtual shares were granted for the first time in the 2010 financial year.

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 increased or decreased 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).

For the 2009 financial year, the amounts paid in 2009 in connection with the early termination of a multi-year incentive programme are shown here.

Pension entitlements

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

Stephen Clark 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 2010, payments were made for Stephen Clark 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 dependents. The monthly retirement pension and the invalidity pension each amount to 50% of the last gross monthly salary. 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. If employment ends prematurely by termination of the service agreement, he will, with respect to his company retirement pension, be placed in the same position as if he had left the company at the close of December 31, 2011. The reinsurance contract concluded for the benefit of Jürgen Buchsteiner is adjusted to the relevant base salary and pledged to him.

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 one-off amount is paid every year as deferred compensation into the retirement plan of Brenntag AG. Until 2009, payments for Steven Holland were made into a defined contribution plan.

The total remuneration of the Board of Management members in the 2010 financial year amounts to EUR 7,148 k (2009: EUR 25,522 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		Stephen Clark	Jürgen Buchsteiner	Steven Holland	Total
Annual base salary	2010	720	540	540	1,800
	2009	559	420	360	1,339
Company pension (defined contribution plan)	2010	27	–	20	47
	2009	23	–	51	74
Non-cash and other benefits	2010	24	29	36	89
	2009	14	25	22	61
Total of non-performance-related remuneration	2010	771	569	596	1,936
	2009	596	445	433	1,474
Short-term variable remuneration	2010	646	450	453	1,549
	2009	583	420	200	1,203
Long-term variable remuneration	2010 ¹⁾	1,353	1,155	1,155	3,663
	2009 ²⁾	12,771	4,819	5,255	22,845
Total of performance-related remuneration	2010	1,999	1,605	1,608	5,212
	2009	13,354	5,239	5,455	24,048
Total remuneration (in accordance with the German Commercial Code (HGB))	2010	2,770	2,174	2,204	7,148
	2009 ³⁾	13,950	5,684	5,888	25,522

¹⁾ Fair value of the share-based remuneration granted at the date of grant.

²⁾ Amounts relate to the early termination of the multi-year incentive programme in 2009.

³⁾ In the financial statements of Brenntag AG (single-entity), only the remuneration of Jürgen Buchsteiner was shown in 2009; since 2010 the personnel expenses of Brenntag AG contain the remuneration of all members of the Board of Management.

Pension commitments (defined benefit plan) in accordance with the German Commercial Code (HGB) in EUR k		Stephen Clark	Jürgen Buchsteiner	Steven Holland	Total
Cost of pension commitments	2010	–	2,325 ¹⁾	172	2,497
	2009	–	311	–	311
Present value of pension commitments	2010	–	4,654	172	4,826
	2009	–	2,329	–	2,329

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 change-over from HGB accounting to the requirements of the German Accounting Law Modernization Act (BilMoG).

The remuneration of the Board of Management according to IFRS 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. The latter component does not apply in the case of Brenntag AG for the 2010 financial year as no share-based remuneration components existed in previous years. Furthermore, according to IAS 19, the current service cost for pension entitlements must be added.

Board of Management remuneration according to IFRS in EUR k	2010	2009
Total of non-performance-related remuneration	1,936	1,474
Short-term variable remuneration	1,549	1,203
Long-term variable remuneration (in 2010: share-based remuneration entitlements earned; in 2009: multi-year incentive programme terminated early)	990	22,845
Current service cost for pension entitlements earned in the current year (defined benefit plans)	928	49
Board of Management remuneration (according to IFRS)	5,403	25,571

In the reporting year, no members 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:

- 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),
- the company is delisted, or
- 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 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 upon 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 company.

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 a Supervisory Board member 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 2010:

Total remuneration of the Supervisory Board in EUR k	Fixed remuneration	Office bonuses	Attendance fee	Variable remuneration	Total
Stefan Zuschke (Chairman)	33	42	13	29	117
Dr Thomas Ludwig (Deputy Chairman)	30	14	6	26	76
Prof. Dr Edgar Fluri	30	13	11	26	80
Doreen Nowotne	33	7	19	29	88
Dr Andreas Rittstieg	30	7	4	26	67
Thomas Weinmann	33	9	19	29	90
Total remuneration	189	92	72	165	518

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 28, 2010 and the remuneration listed in the table above therefore reflects the pro-rata amounts. As no Supervisory Board existed in 2009, no comparative figures for the previous year are given.

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 for 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, 2010, Brenntag had 12,132 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 employees increased by about 1,256 or 11.5% compared with the previous year, above all as a result of various acquisitions in 2010, but also due to the increased business activity.

Full-time equivalents (FTE)	Dec. 31, 2010		Dec. 31, 2009	
	abs.	in %	abs.	in %
Europe	6,147	50.6	6,050	55.6
North America	3,563	29.4	3,321	30.6
Latin America	1,257	10.4	1,199	11.0
Asia Pacific	1,029	8.5	182	1.7
All Other Segments	136	1.1	124	1.1
Brenntag Group	12,132	100.0	10,876	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, 2010	
						abs.	in %
Sales	2,189	1,229	472	487	12	4,389	36.2
Distribution	827	857	59	78	14	1,835	15.1
Warehouses	1,858	1,160	403	158	–	3,579	29.5
Administration	1,273	317	323	306	110	2,329	19.2
Brenntag Group	6,147	3,563	1,257	1,029	136	12,132	100.0

Personnel expenses including social insurance contributions totalled EUR 618.1 million, against EUR 590.3 million in 2009.

The acquisition of EAC Industrial Ingredients Ltd. A/S in July 2010 enabled Brenntag to significantly expand its position in the Asia Pacific region. Some 800 new employees at 27 locations have now reinforced the southeast Asian Brenntag team. This explains the particularly large rise in the number of employees in the Asia Pacific segment.

Brenntag Holding GmbH was expanded further as the holding company for European business. This company consists of the departments Finance & Controlling, Operations, Marketing Specialties, Marketing Chlor-Alkali, Global Sourcing & Marketing Solvents. Furthermore, the European national organizations report to the Chief Operations Officer of Brenntag Holding GmbH.

The remuneration system for the global management team is a value-based variable remuneration system and consists of variable and fixed components which together make up the total remuneration. The ratio of fixed components to variable 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 (MBO) and the implementation of these target agreements, 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, enabling us to optimally satisfy our suppliers' and customers' requirements.

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 workers 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 impact on 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 a national 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). We are therefore committed to the implementation and observance 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.

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 included more and more in the training programmes.

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 accidents¹⁾ within the Group falling from 135 in 2009 to 89 in 2010. This led to a reduction in the Lost Time Injury Rate (3 days/1 million)²⁾ from 6.1 in 2009 to 3.8 in 2010.

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.

Data 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. As at December 31, 2010, 75% of our operating sites had introduced quality management systems certified according to this standard. Furthermore, 69 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. With its international REACH Implementation Team, consisting of a European network of experienced HSE experts and a large number of REACH-trained staff as well as with the support of the management, Brenntag is well-equipped to handle all REACH tasks.

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.

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 chemical 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 risk management system of the Brenntag Group is an integral part of the planning, control and reporting processes 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 limit known risks and identify any additional risks at an early stage.

Risk reporting (early detection system)

We continue to identify and analyse risks in the Group companies and are continually improving internal work-flows 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 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 where 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, above all, correct 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 promptly. 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 are regularly initiated 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 insurance for the size of our businesses to cover damage and liability risks.

In the following we have listed risks and opportunities which could influence the operational performance and financial and earnings situation of the Brenntag Group. Risks not yet identified which may have a negative impact on our company may arise from unforeseen economic and political developments.

■ **Market risks and opportunities:** Economic downturns and the global financial and economic crises may have a negative impact on the sales and operating gross profit of our company. The fact that we mainly operate in stable market economies and the high geographic diversification of our business mean that these risks are considerably reduced. 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 the quality of our products and services. Furthermore, we see our global presence as a decisive factor in balancing out local risks.

The 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 and the central systems we have in place.

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.

As part of the antitrust investigations in some parts of the chemical distribution industry initiated in some European countries at the end of 2006, branches of some chemical distributors including Brenntag were searched in 2007. No material adverse effect on the Brenntag Group is expected for the future.

■ **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 effects on the results of the Group. Any change in the Euro/US dollar exchange rate has 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 local currency. Where risks occur, we systematically monitor them on the basis of a Group-wide financial policy which lays down the basic strategy, threshold values and hedging instruments to be used. This policy requires Group companies to avoid open net foreign currency exposure or keep it 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 the Group Treasury.

Special negative impacts may arise in this connection, also through unfavourable political developments and financial policy decisions in specific countries, e.g. Venezuela (see explanations on business performance in Latin America, page 59 ff.).

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. 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 structure is partly based on external borrowings. However, according to our plans, the loan agreements we have concluded, credit lines and liquid funds available are adequate to cover the future liquidity needs of our Group, even if requirements should change unexpectedly. Like comparable loan agreements, our syndicated loan contains a number of customary affirmative and negative covenants for the following financial metrics:

- total leverage ratio: net debt to EBITDA
- interest coverage ratio: EBITDA to interest cost

The different metrics are determined in accordance with the definitions in the loan agreements and are not the same as the corresponding terms used in the 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 fulfillment 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 fulfillment 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.

We hedge some of the risks 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.

- **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 filling stations 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 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 and 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.
- **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 due diligence results are of central importance in acquisitions. The acquisition of companies always involves risks surrounding the integration of employees and processes. 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.
- **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 alleged wrongdoings with the assistance of in-house and external counsel. Given the number of legal actions 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. 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 damages. 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 by additional legal matters not separately disclosed in this section. For possible obligations in connection with the non-payment of excise duty on alcohol, see page 151 in the notes to the consolidated financial statements.

FORECAST REPORT

According to a forecast by the International Monetary Fund, global GDP will continue to grow in 2011, although momentum will slow slightly. The regional differences in growth rates will persist; much faster growth is again predicted for Asia and Latin America than for the economies in North America and Europe.

Assuming this background, we are expecting the following developments in local currency, i.e. excluding exchange rate effects, for the Group and its segments in 2011 and 2012:

The company plans to grow all relevant earnings parameters. With efficiency further improving, we are planning to keep the rise in operating expenses moderate so that the increase in operating EBITDA should be higher than the growth of operating gross profit, which is based on higher volumes.

In the Europe segment, we expect operating gross profit to continue to grow, largely as a result of an increase in volumes. Together with the benefits gained from exploiting the potential to cut operating expenses, this should lead to a rise in operating EBITDA. The growth rates in the Europe segment are expected to be slightly below the Group average owing to lower economic growth.

As far as North America is concerned, we believe that volumes will increase significantly although we may not manage to fully translate this increase into higher operating gross profit. However, with operating expenses only rising moderately, we expect to translate higher operating gross profit into even higher operating EBITDA.

After the Latin America segment was hit in 2010 by the unfavourable political and economic developments in Venezuela, we now expect no further deterioration of the general economic environment. Therefore, we are confident that we can harness the forecast momentum generated by industrial output to achieve an above-average increase in operating gross profit and operating EBITDA compared with the Group as a whole.

The Asia Pacific segment was dominated by the acquisition of the EAC Group in July 2010. In 2011, we are expecting operating gross profit and operating EBITDA to jump as a result of the EAC Group being fully consolidated for the entire year and of the organic growth of the other Brenntag companies in this segment. Given the dynamic economic momentum in this region, we should also see above-average growth of operating gross profit and operating EBITDA in 2012.

Given the likely increase in business volume and assuming moderate price developments, we are expecting working capital to rise. We believe that our continual focus on the management of customer and supplier relationships and our efforts to optimize warehouse logistics in all regions will lead to an increase in working capital turnover. By contrast, for the Group as a whole, we are expecting a slight fall in the turnover rate as a result of the acquisition of the EAC Group, which, because of its business model with a high proportion of specialty chemicals, has a lower turnover rate than the rest of the Group.

As we also have to make moderate adjustments to property, plant and equipment capacities, investments in property, plant and equipment are likely to be slightly above the level of depreciation in the years to come. Nevertheless, we should not see any significant increase over the 2010 level.

Overall, we are optimistic that we can further increase free cash flow and continually improve the Group's liquidity position.

We intend to continue our successful strategy of taking over suppliers' distribution activities and extending our geographical presence through acquisitions. The growth markets of Asia and Latin America are particularly interesting to us. We expect the concentration process in the chemical distribution market seen in recent years to continue. Large distributors such as Brenntag with global coverage and a comprehensive portfolio of products and services offer increasing advantages for suppliers and customers alike.

Therefore, in the years to come we will also continue to develop and adapt our product portfolio to suit the demands of the regional markets. One focus will be on the attractive market segments of water treatment, personal care, pharmaceuticals, food, oil & gas as well as in the field of adhesives, sealants, coatings, paints and elastomers. We believe that we can also grow results by stepping up distribution of fuel additives to reduce emissions in Europe and North America. We are also aiming to expand business with regional and pan-regional key accounts, who benefit particularly from our broad geographical presence and our comprehensive product portfolio. To capitalise on the ongoing trend towards outsourcing, we will continue to actively position ourselves as an attractive partner for producers of chemicals.

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. On the one hand, momentum from the growth of industrial output will have a positive effect and, on the other hand, the trend towards chemical producers outsourcing their distribution activities to distributors will continue. We believe that the emerging economies in Latin America, Asia and Eastern Europe will enjoy more dynamic growth than the mature markets in Western Europe and North America. Our broad market presence, both with regard to customer industries and regions, will enable us to participate to a reasonable extent in this trend in the next few years. By focusing on attractive growth segments, we may even be able to reap an above-average benefit from this trend.

The future economic development of the Group's lead company, Brenntag AG, basically depends on the development of its subsidiaries which operate throughout the world. Here, it must be remembered 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 subscribed capital

As of December 31, 2010, 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 sections 12, 53a ff., 118 ff. and 186 of the German Stock Corporation Act.

Restriction on voting rights or transfer of shares

As part of the sale of the second tranche on October 1, 2010, Brachem Acquisition S.C.A., Luxembourg, undertook to sell no further shares in Brenntag AG until December 31, 2010. With the sale of a third tranche on January 19, 2011, Brachem Acquisition S.C.A., Luxembourg, entered into a similar obligation not to sell for a further 180 days. The Board of Management of Brenntag AG is not aware of any such agreements between the shareholders. Future 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 reach or exceed 10% of the voting rights as of December 31, 2010:

On October 5, 2010, voting rights notifications in the name and on behalf of the following companies having the following content were received by Brenntag AG:

Brachem Acquisition S.C.A., 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) on that date.

Brahms Chemical Intermediate S.A., 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) on 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.

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) on 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.

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) on 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.

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, 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,

- (i) to exclude fractional amounts resulting from the subscription ratio from the statutory pre-emption right of the shareholders;
- (ii) in case of increases of the share capital against non-cash contributions in particular – but without limitation – to acquire companies, divisions of companies or interests in companies;
- (iii) in the case that the increase of the share capital is against cash contributions and provided that the issue price of the new shares is not substantially lower (within the meaning of sections 203, paras 1 and 2, 186, para. 3, sentence 4 of the German Stock Corporation Act) than the stock exchange price for shares in the company of the same class and having the same conditions already listed at the final determination of the issue price and provided that the amount of the share capital represented by the shares issued pursuant to this lit (iii) under the exclusion of the statutory pre-emption right in accordance with section 186, para. 3, sentence 4 of the German Stock Corporation Act does not exceed 10% of the share capital;
- (iv) to fulfill obligations of Brenntag AG from convertible bonds or warrant-linked bonds or profit-sharing certificates or participating bonds (or combinations of these instruments), which have been issued by Brenntag AG or dependent companies or by majority-owned subsidiaries of Brenntag AG and which provide for a conversion or option right or an obligation to convert.

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 (excluding incidental transaction costs) may not be more than 10% lower or higher than the arithmetic mean of the share price (closing auction price of the Brenntag share on the XETRA trading platform or a comparable successor system) 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 (excluding incidental transaction costs) may not be more than 10% lower or higher than the arithmetic mean of the share price (closing auction price of the Brenntag share on the XETRA trading platform or a comparable successor system) 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, including but not limited to the pursuit of one or more of the following objectives. With the consent of the Supervisory Board, the Board of Management is authorized to use their own shares purchased other than by way of a sale on the stock exchange or by means of an offer to all shareholders as follows, and to exclude shareholders' pre-emption rights in full or in part:

- (i) to exclude fractional amounts resulting from the subscription ratio from the statutory pre-emption right of the shareholders;
- (ii) in case of sale of the shares against non-cash contributions in particular – but without limitation – to acquire companies, divisions of companies or interests in companies;
- (iii) in the case of sale of the shares against cash contributions provided that said sale is at a price which is not substantially lower than the stock exchange price for shares of Brenntag AG at the date of sale (simplified exclusion of the pre-emption right in accordance with sections 186, para. 3, sentence 4, 71, para. 1, No. 8, sentence 5, second half of the sentence of the German Stock Corporation Act). This authorization is in principle limited to an aggregate of no more than 10% of the current share capital of the company, or if this figure is lower, of the share capital existing at the time of exercise of this authorization;
- (iv) to fulfill obligations of Brenntag AG arising from conversion and option rights or conversion obligations resulting from convertible bonds or bonds with warrants and/or profit-sharing certificates or participating bonds (or combinations of these instruments) which provide for a conversion or option right or an obligation to convert and which are issued by Brenntag AG or dependent companies or by majority-owned subsidiaries of Brenntag AG.

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, for example that of an OECD country. 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 to exclude, with the consent of the Supervisory Board, shareholders' pre-emption rights to bonds:

- (i) to exclude fractional amounts resulting from the subscription ratio from the statutory pre-emption right of the shareholders;
- (ii) to sell bonds against non-cash contributions, in particular but without limitation, to acquire companies, divisions of companies or interests in companies;
- (iii) to sell bonds against cash contributions, provided the bonds are sold at an issue price which is not significantly lower than the theoretical fair value of said bonds calculated according to recognized financial calculation methods. Said authorization to exclude the statutory pre-emption right shall, however, only apply insofar as the shares issued or to be issued to fulfill conversion or option rights or meet an obligation to convert do not account for more than 10% of the share capital at the time of this authorization being exercised;
- (iv) as far as necessary, to fulfill obligations of Brenntag AG from convertible bonds, warrant-linked bonds or profit-sharing certificates or participating bonds (or combinations of these instruments), which have been issued by Brenntag AG and which provide for a conversion or option right or an obligation to convert.

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.

In the case of warrant-linked bonds or profit-sharing certificates with option rights, each partial bond and/or each profit-sharing certificate shall have one or several warrants attached to it, granting the holder the right to subscribe to shares of Brenntag AG in accordance with the option 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 fulfill 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 lenders. The total volume of loans is described under the section "Financing". The main conditions are laid down in a "Senior Facilities Agreement" (SFA) and a "Second-Lien Facility Agreement" (SLFA). Under both agreements, individual lenders have the right to terminate the agreement if any person or group of persons acting in concert other than the investors just prior to the IPO acquire directly or indirectly more than 50% of 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 15 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 and the SLFA. 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.

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 can 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 on pages 36 ff. 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, 2010

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CONSOLIDATED INCOME STATEMENT

in EUR m	Note	2010	2009
Sales	1	7,649.1	6,364.6
Cost of goods sold	2	–6,012.7	–4,905.1
Gross profit		1,636.4	1,459.5
Selling expenses	3	–1,131.2	–1,080.4
Administrative expenses	4	–126.4	–123.6
Other operating income	5	58.1	41.9
Other operating expenses	6	–27.9	–26.7
Operating profit		409.0	270.7
Result of investments accounted for at equity	7	4.7	–8.8
Finance income	8	9.3	9.3
Finance costs	9	–177.6	–220.8
Distribution to minorities under IAS 32		–1.9	–1.6
Other financial result	10	–11.7	–1.7
Financial result		–177.2	–223.6
Profit before tax		231.8	47.1
Income taxes	11	–85.2	–46.6
Profit after tax		146.6	0.5
<i>Attributable to:</i>			
<i>Shareholders of Brenntag AG</i>		143.6	–0.1
<i>Minority shareholders</i>	12	3.0	0.6
Undiluted earnings per share (in EUR)	14	2.93	– ¹⁾
Diluted earnings per share (in EUR)	14	2.93	– ¹⁾

¹⁾ –0.2 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR m	2010	2009
Profit after tax	146.6	0.5
Change in exchange rate differences	64.7	7.4
Change in cash flow hedge reserve	17.0	−1.4
Deferred tax on components of other comprehensive income	−6.0	0.8
Other comprehensive income	75.7	6.8
Total comprehensive income	222.3	7.3
<i>Attributable to:</i>		
Shareholders of Brenntag AG	218.8	6.5
Minority shareholders	3.5	0.8

CONSOLIDATED BALANCE SHEET

ASSETS

in EUR m	Note	Dec. 31, 2010	Dec. 31, 2009
Current Assets			
Cash and cash equivalents	15	362.9	602.6
Trade receivables	16	1,059.7	831.4
Other receivables	17	86.6	85.2
Other financial assets	18	7.6	6.3
Current tax assets		18.7	15.3
Inventories	19	606.1	422.3
Non-current assets held for sale	20	0.4	3.2
		2,142.0	1,966.3
Non-current Assets			
Property, plant and equipment	21	829.6	784.1
Investment property	22	2.0	–
Intangible assets	23	1,863.2	1,785.9
Investments accounted for at equity	24	28.6	18.6
Other receivables	17	17.5	21.3
Other financial assets	18	6.4	10.6
Deferred tax assets	11	80.9	67.0
		2,828.2	2,687.5
Total assets		4,970.2	4,653.8

LIABILITIES AND EQUITY

in EUR m	Note	Dec. 31, 2010	Dec. 31, 2009
Current Liabilities			
Trade payables	25	834.1	655.6
Financial liabilities	26	87.1	61.5
Other liabilities	27	328.9	309.0
Other provisions	28	56.2	56.1
Current tax liabilities		24.6	2.5
		1,330.9	1,084.7
Non-current Liabilities			
Financial liabilities	26	1,696.7	3,077.0
Other liabilities	27	2.0	1.7
Other provisions	28	135.9	139.5
Provisions for pensions and similar obligations	29	60.7	54.4
Liabilities to minorities under IAS 32		2.0	2.1
Deferred tax liabilities	11	124.1	122.1
		2,021.4	3,396.8
Equity	30		
Subscribed capital ¹⁾		51.5	–
Additional paid-in capital		1,560.1	381.6
Retained earnings		–3.3	–143.5
Other comprehensive income		1.2	–74.0
Shares of shareholders of Brenntag AG		1,609.5	164.1
Equity attributable to minority interests		8.4	8.2
		1,617.9	172.3
Total liabilities and equity		4,970.2	4,653.8

¹⁾ Dec. 31, 2009: EUR 25,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR m	Subscribed capital	Additional paid-in capital	Retained earnings
Dec. 31, 2008	– ¹⁾	341.6	–142.1
Capital increase	–	40.0	–
Share increases	–	–	–1.3
Dividends	–	–	–
Profit/loss after tax	–	–	–0.1
Income and expenses recognized directly in equity after tax	–	–	–
Total income and expense for the period	–	–	–0.1
Dec. 31, 2009	– ¹⁾	381.6	–143.5
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	–	–	–
Total income and expense for the period	–	–	143.6
Dec. 31, 2010	51.5	1,560.1	–3.3

¹⁾ EUR 25,000.

²⁾ Exchange rate differences.

Exchange rate differences	Cash flow hedge reserve	Deferred tax	Equity attributable to Brenntag shareholders	Minority interests	Equity
-63.7	-25.3	8.4	118.9	9.4	128.3
-	-	-	40.0	-	40.0
-	-	-	-1.3	-0.3	-1.6
-	-	-	-	-1.7	-1.7
-	-	-	-0.1	0.6	0.5
7.2	-1.4	0.8	6.6	0.2 ²⁾	6.8
7.2	-1.4	0.8	6.5	0.8	7.3
-56.5	-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
64.2	17.0	-6.0	75.2	0.5 ²⁾	75.7
64.2	17.0	-6.0	218.8	3.5	222.3
7.7	-9.7	3.2	1,609.5	8.4	1,617.9

CONSOLIDATED CASH FLOW STATEMENT

in EUR m	Note 31	2010	2009
Profit after tax		146.6	0.5
Depreciation and amortization	21/23	188.6	205.9
Income taxes	11	85.2	46.6
Income tax payments		–86.1	–84.4
Interest result	8/9	168.3	211.5
Interest payments (netted against interest received)		–195.3	–158.9
Dividends received		0.5	1.4
Changes in provisions		–18.5	–7.3
Changes in current assets and liabilities			
Inventories		–117.5	124.2
Receivables		–137.5	152.5
Liabilities		137.9	–31.0
Non-cash distribution under IAS 32		1.9	1.6
Other non-cash items		–23.8	27.7
Cash provided by operating activities		150.3	490.3
Proceeds from disposals of investments accounted for at equity		–	7.4
Proceeds from disposals of other financial assets		2.6	0.5
Proceeds from disposals of intangible assets as well as property, plant and equipment		4.5	3.3
Purchases of consolidated subsidiaries and other business units		–143.1	–15.6
Purchases of other financial assets		–1.3	–1.6
Purchases of intangible assets as well as property, plant and equipment		–81.2	–67.9
Cash used for investing activities		–218.5	–73.9
Capital increase		525.0	40.0
Payments in connection with the capital increase		–13.7	–
Purchases of shares in companies already consolidated		–3.6	–2.2
Profits distributed to minority shareholders		–5.9	–4.5
Proceeds from borrowings		5.3	–
Repayments of borrowings		–694.2	–148.5
Cash used for financing activities		–187.1	–115.2
Change in cash and cash equivalents		–255.3	301.2
Change in cash and cash equivalents due to currency gains / losses		15.6	2.7
Cash and cash equivalents at beginning of period	15	602.6	298.7
Cash and cash equivalents at end of period	15	362.9	602.6

NOTES

KEY FINANCIAL FIGURES BY SEGMENT

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	2010	3,927.5	2,442.7	725.1	217.1	336.7	–	7,649.1
	2009	3,434.4	2,050.5	610.5	58.4	210.8	–	6,364.6
	Change in %	14.4	19.1	18.8	271.7	59.7	–	20.2
	fx adjusted change in %	12.2	11.7	8.3	219.7	59.7	–	15.3
Inter-segment sales	2010	4.3	3.8	10.7	–	2.8	–21.6	–
	2009	2.8	3.0	18.0	–	0.6	–24.4	–
Operating gross profit ²⁾	2010	863.0	613.0	137.8	45.7	14.4	–	1,673.9
	2009	807.6	537.7	123.3	14.5	10.1	–	1,493.2
	Change in %	6.9	14.0	11.8	215.2	42.6	–	12.1
	fx adjusted change in %	5.0	6.8	2.5	173.7	42.6	–	7.5
Gross profit	2010	–	–	–	–	–	–	1,636.4
	2009	–	–	–	–	–	–	1,459.5
	Change in %	–	–	–	–	–	–	12.1
	fx adjusted change in %	–	–	–	–	–	–	7.6
Operating EBITDA (segment result)	2010	286.5	264.4	45.9	17.6	–11.8	–	602.6
	2009	250.6	196.8	42.3	4.1 ⁴⁾	–13.5 ⁴⁾	–	480.3
	Change in %	14.3	34.3	8.5	329.3	–12.6	–	25.5
	fx adjusted change in %	12.4	26.2	0.0	291.1	–12.6	–	20.2
EBITDA	2010	–	–	–	–	–	–	597.6
	2009	–	–	–	–	–	–	476.6
	Change in %	–	–	–	–	–	–	25.4
	fx adjusted change in %	–	–	–	–	–	–	20.1
Operating EBITDA/ Operating gross profit ²⁾	2010	33.2	43.1	33.3	38.5	–81.9	–	36.0
	2009 in %	31.0	36.6	34.3	28.3 ⁴⁾	–133.7 ⁴⁾	–	32.2
Investments in non-current assets (Capex) ³⁾	2010	54.3	18.4	9.1	2.9	0.4	–	85.1
	2009	48.7	15.8	6.2	0.8	0.3	–	71.8

¹⁾ Further information on segment reporting in accordance with IFRS 8 is to be found under Note 32.

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.

⁴⁾ The expense in connection with the department of the Asia Pacific Holding that deals with the strategic further development of this segment has been shown under All Other Segments since 2010; the prior-year figures have been restated accordingly.

GROUP KEY FINANCIAL FIGURES

in EUR m	2010	2009
EBITDA	597.6	476.6
Investments in non-current assets (Capex) ¹⁾	-85.1	-71.8
Changes in working capital ²⁾	-136.4	242.0
Free cash flow	376.1	646.8

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.

in EUR m	2010	2009
Operating EBITDA (segment result)	602.6	480.3
Transaction costs/holding charges ¹⁾	-5.0	-3.7
EBITDA	597.6	476.6
Scheduled depreciation of property, plant and equipment	-84.0	-80.6
Impairment of property, plant and equipment	-	-1.7
EBITA	513.6	394.3
Scheduled amortization of intangible assets ²⁾	-104.4	-123.6
Impairment of intangible assets	-0.2	-
EBIT	409.0	270.7
Financial result	-177.2	-223.6
Profit before tax	231.8	47.1

¹⁾ Transaction costs: Costs connected with restructuring and refinancing under company law, particularly the IPO in 2010. 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 2010 scheduled amortization of customer relationships totalling EUR 96.2 million (2009: EUR 114.4 million). Of the amortization of customer relationships, EUR 79.4 million (2009: EUR 102.4 million) results from 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.

		2010	2009
EBITA	EUR m	513.6	394.3
Average property, plant and equipment	EUR m	806.1	780.3
Average working capital	EUR m	752.4	691.9
RONA ¹⁾	%	33.0	26.8

¹⁾ 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 EUR m	2010	2009
Operating gross profit	1,673.9	1,493.2
Production/mixing & blending costs	37.5	33.7
Gross profit	1,636.4	1,459.5

PRELIMINARY REMARKS

At the shareholders' meeting of Brenntag Management GmbH on March 3, 2010, the shareholders passed a resolution to convert Brenntag Management GmbH into a stock corporation (Aktiengesellschaft) with the name Brenntag AG¹⁾. The conversion was entered in the commercial register of the local court of Duisburg (HRB 22178) on March 11, 2010. On March 29, 2010, the capital of the company was increased by the issuance of 10.5 million new shares in connection with the first listing of Brenntag AG on the regulated market of the Frankfurt stock exchange (Prime Standard section).

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 15, 2011, authorized for publication and submitted by the Audit Committee to the Supervisory Board for approval at its meeting on March 21, 2011.

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 \pm 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, 2010 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.

¹⁾ Brenntag AG, Stinnes-Platz 1, 45472 Mülheim an der Ruhr, Germany.

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 2010 financial year:

- Revised IFRS 3 (Business Combinations)
- Revised IAS 27 (Consolidated and Separate Financial Statements)
- Improvements to IFRSs (2009)
- Amendments to IAS 39 (Financial Instruments: Recognition and Measurement) regarding eligible hedged items in hedging relationships
- IFRIC 17 (Distributions of Non-cash Assets to Owners)
- IFRIC 18 (Transfers of Assets from Customers)
- Revised version of IFRS 1 (First-time Adoption of International Financial Reporting Standards)
- Amendments to IFRS 1 (First-time Adoption of International Financial Reporting Standards) regarding additional exemptions for first-time adopters
- Amendments to IFRS 2 (Share-based Payment) and IFRIC 11 (Group and Treasury Share Transactions) regarding cash-settled, share-based payment transactions in the Group

The revised IFRS 3 (Business Combinations) leads to material changes in the accounting of business combinations. It does not allow the capitalization of acquisition-related costs and introduces clearer requirements for the separation of a business combination from other transactions. Furthermore, any subsequent changes in estimates of a contingent purchase price payable are, in principle, not to be recognized by adjusting goodwill but directly recognized as expense or income. In the case of acquisitions in stages which lead to the control of an entity or in the case of the sale of shares with the loss of control, the Standard requires the remeasurement of the shares already held in the first case and the remaining shares in the second case at fair value in profit or loss.

The revised IAS 27 (Consolidated and Separate Financial Statements) stipulates that share acquisitions and sales which have no influence on existing control are to be recognized directly in equity (economic entity approach).

The Improvements to IFRSs (2009) contain a large number of minor changes to various standards which are to clarify the content of the regulations and eliminate any inconsistencies.

The first-time application of the other 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 2010 but their adoption is not yet mandatory:

- IFRS 9 (Financial Instruments)
- 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
- 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) regarding disclosures on the transfer of financial assets
- Amendments to IAS 12 (Income Taxes) regarding the tax rate to be applied to intangible assets measured at fair value, property, plant and equipment and investment property

IFRS 9 regulates the classification and measurement of financial assets and liabilities. In the future, financial assets are, on initial recognition, to be classified in the “fair value” or “amortized cost” categories. Brenntag is examining any resulting effects on the presentation of the net assets, financial position and results of operations of the Brenntag Group.

The other standards and interpretations not yet applied are not expected to have any material effect on the presentation of the net assets, financial position and results of operations of the Brenntag Group.

The above-mentioned standards and interpretations 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. This is likely to be the 2011 financial year for the amendments to IAS 32, IFRIC 14 and IFRS 1 regarding the limited exemption of first-time adopters from comparative information in accordance with IFRS 7, the revised IAS 24, IFRIC 19 and the Improvements to IFRSs (2010). The amendments to IAS 12, IFRS 7 and IFRS 1 regarding severe hyperinflation and removal of fixed dates for first-time adoption are likely to be applied for the first time for the 2012 financial year. IFRS 9 is likely to be applied for the first time for the 2013 financial year.

Scope of consolidation

As at December 31, 2010, the consolidated financial statements include Brenntag AG and 24 domestic (Dec. 31, 2009: 29) and 169 foreign (Dec. 31, 2009: 148) 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, 2010:

	Jan. 1, 2010	Additions	Disposals	Dec. 31, 2010
Domestic consolidated companies	30	–	5	25
Foreign consolidated companies	148	24	3	169
Total consolidated companies	178	24	8	194

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.

Eight associates (Dec. 31, 2009: five) 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

All the shares in EAC Industrial Ingredients Ltd. A/S, Copenhagen, Denmark, a leading provider of chemical distribution solutions in South and Southeast Asia, with a total of 20 subsidiaries and one special purpose entity, were taken over in July 2010. This acquisition has enabled Brenntag to further expand its market position in the Asia Pacific growth region. The name and seat of the companies acquired are marked in the list of shareholdings of the Brenntag Group in Annex A.

The acquisition costs for the net assets of the group acquired amounted to EUR 139.5 million (including EUR 128.0 million for the equity acquired and EUR 11.5 million for the repayment of financial liabilities towards the old shareholders). Costs of EUR 1.7 million in connection with the acquisition have been recognized directly in other operating expenses in 2010.

The net assets acquired break down as follows:

in EUR m	Fair value according to IFRS
ASSETS	
Cash and cash equivalents	6.8
Trade receivables	53.7
Other receivables	7.2
Current tax assets	1.6
Inventories	41.2
Property, plant and equipment	16.0
Customer relationships and similar rights	19.5
Other intangible assets	0.5
Investments accounted for at equity	2.5
Deferred tax assets	1.9
LIABILITIES AND EQUITY	
Liabilities to banks	-29.1
Other financial liabilities	-1.8
Trade payables	-26.5
Other provisions	-1.2
Provisions for pensions and similar obligations	-2.5
Other liabilities	-4.7
Current tax liabilities	-3.5
Deferred tax liabilities	-6.2
Net assets	75.4 ¹⁾

¹⁾ Of this figure, EUR 0.7 million is due to minority shareholders.

All assets and liabilities acquired were recognized at the fair value on the date of acquisition. Additional intangible assets (customer relationships and similar rights) which were not recognized in the balance sheet of the companies acquired have been accounted for, taking tax effects into consideration. The multi-period excess earnings method was used to measure customer relationships. There are no material differences between the gross amount and the carrying amount of the receivables. Minority interests were measured on the basis of the share in the net assets acquired. On the basis of the fair values of the net assets acquired, the goodwill which cannot be amortized for tax purposes amounts to EUR 64.8 million. In accordance with IFRS 3, this goodwill is not amortized. The goodwill includes an employee base of EUR 3.5 million which was determined on a cost basis. The remaining goodwill is determined by the growth opportunities arising from the takeover. For example, the acquisition has given Brenntag access to an established distribution network in nine countries which Brenntag considers to have excellent growth potential. Brenntag is thus significantly increasing its market share in South and Southeast Asia and strengthening the market position in key industries such as food, coatings, personal care and pharmaceuticals.

The goodwill acquired has developed as follows since the acquisition:

in EUR m	EAC Industrial Ingredients Ltd. A/S
COST OF ACQUISITION	
December 31, 2009	–
Additions from business combinations	64.8
Exchange rate differences	–2.6
December 31, 2010	62.2

In the period after their acquisition by Brenntag, the companies posted sales of EUR 136.1 million and profit after tax of EUR 1.8 million in 2010.

In addition to the above-mentioned acquisition, further businesses were taken over for a total of EUR 12.9 million as part of asset deals, in particular the distribution business of Metausel S.A.S., Reichstett, France, in mid-February 2010, the industrial chemical distribution business of the US chemical distributor Houghton Chemical Corporation, Boston, at the end of July 2010, as well as the distribution business of Riba S.A., Barcelona, Spain, in early October 2010.

The net assets acquired break down as follows:

in EUR m	Fair value according to IFRS
ASSETS	
Inventories	1.3
Property, plant and equipment	0.4
Customer relationships and similar rights	6.0
LIABILITIES AND EQUITY	
Other provisions	–0.1
Deferred tax liabilities	–0.4
Net assets	7.2

These acquisitions resulted in tax-deductible goodwill totalling EUR 5.7 million. In accordance with the IFRS 3, this goodwill is not amortized.

All business units acquired in 2010 generated sales of EUR 155.7 million and profit after tax of EUR 3.2 million after their acquisition.

If all business combinations had taken place with effect from January 1, 2010, sales of EUR 7,808.3 million would have been shown for the Brenntag Group in 2010. The profit after tax for the Brenntag Group in 2010 would have been EUR 149.3 million.

The following table shows how goodwill from the business combinations in 2010 was determined:

in EUR m

Cost of acquisition of net assets acquired in 2010	152.4
less fair value of the share of net assets	81.9
Goodwill from business combinations in 2010	70.5
plus subsequent acquisition costs from business combinations from prior periods	0.3
Goodwill from business combinations	70.8

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

in EUR m

Cost of acquisition in 2010	152.4
plus cash-effective subsequent acquisition costs from prior periods	0.3
less purchase price liabilities	-2.8
less cash and cash equivalents acquired	-6.8
Purchases of consolidated subsidiaries and other business units	143.1

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, 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 have been 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.

Foreign currency differences resulting from the translation of balance-sheet items are treated as other comprehensive income and shown as a separate equity item, as are the differences resulting from the application of different exchange rates in the balance sheet and the income statement.

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 remeasured 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:

1 EUR = currencies	Closing rate		Average rate	
	Dec. 31, 2010	Dec. 31, 2009	2010	2009
Canadian dollar (CAD)	1.3322	1.5128	1.3651	1.5850
Swiss franc (CHF)	1.2504	1.4836	1.3803	1.5100
Danish crown (DKK)	7.4535	7.4418	7.4473	7.4462
Pound sterling (GBP)	0.8608	0.8881	0.8578	0.8909
Polish zloty (PLN)	3.9750	4.1045	3.9947	4.3276
Swedish crown (SEK)	8.9655	10.2520	9.5373	10.6191
US dollar (USD)	1.3362	1.4406	1.3257	1.3948

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:

- (i) The significant risks and rewards of ownership of the goods have been transferred to the buyer.
- (ii) Brenntag retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (iii) The amount of revenue can be measured reliably.
- (iv) It is probable that the economic benefits associated with the transaction will flow to Brenntag.
- (v) 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.

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. 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:** Quoted prices in active markets
- **Level 2:** Quoted prices in active markets for similar financial assets or liabilities, or other measurement methods for which significant inputs used are based on observable market data
- **Level 3:** 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. 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. Furthermore, 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 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 – provided the transfer of ownership is not probable – or 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
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 or 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 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 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 sensibly 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, which was introduced in 2010, 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.

In accordance with IAS 19, 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.

Liabilities to minorities under IAS 32

The liabilities to minorities under IAS 32 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, as in the previous year, on the basis of a tax rate of 31% (corporate income tax of 15%, solidarity surcharge of 5.5% on corporate income tax, and trade income tax of 15%). As in the previous year, deferred taxes for foreign companies are calculated at local tax rates (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.

Cash flow hedges

Some of the derivative financial instruments within other financial assets and liabilities have been included in cash flow hedge accounting.

The hedge-effective portion of changes in the fair value of these derivative financial instruments is first recognized within equity in the cash flow hedge reserve. Gains or losses from 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 as well as the likelihood of occurrence and the discounting of provisions, particularly in the field of environmental risks. Furthermore, assumptions are made as to the realization of future tax benefits from loss carryforwards 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 2009 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 4.4 million (Dec. 31, 2009: EUR 4.5 million) or increased by EUR 4.9 million (Dec. 31, 2009: EUR 5.0 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. Both interest and tax payments made and received 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 7,649.1 million (2009: EUR 6,364.6 million) mainly relate to the sale of goods. Sales of EUR 0.6 million (2009: EUR 7.6 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 5,975.2 million (2009: EUR 4,871.4 million). The cost of goods sold also includes write-downs of inventories of EUR 2.9 million (2009: EUR 5.5 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 69.0 million (2009: EUR 65.8 million), of which EUR 0.8 million (2009: EUR 0.9 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	2010	2009
Income from the disposal of non-current assets	1.9	1.7
Income from the reversal of provisions no longer required	4.3	1.1
Miscellaneous operating income	51.9	39.1
Total	58.1	41.9

Miscellaneous operating income includes in 2010 income from IPO costs to be charged proportionally to Brachem Acquisition S.C.A., Luxembourg, amounting to EUR 2.1 million.

6. Other operating expenses

in EUR m	2010	2009
Impairments of trade receivables	−9.9	−17.0
Impairments of other receivables	−0.8	–
Income from the reversal of impairments of receivables	3.0	2.9
Losses on the disposal of non-current assets	−0.9	−1.9
Miscellaneous operating expenses	−19.3	−10.7
Total	−27.9	−26.7

Miscellaneous operating expenses include in 2010 costs of the IPO amounting to EUR 6.6 million.

7. Result of investments accounted for at equity

in EUR m	2010	2009
Result of associates	4.7	3.9
Result of joint ventures	–	−12.7
Total	4.7	−8.8

8. Finance income

in EUR m	2010	2009
Interest income from third parties	3.5	4.0
Expected income from plan assets	5.8	5.3
Total	9.3	9.3

9. Finance costs

in EUR m	2010	2009
Interest expense on liabilities to third parties	–116.0	–125.6
Interest expense on liabilities to related parties	–17.0	–64.7
Expense from the measurement of interest rate swaps and interest caps at fair value	–31.0	–16.8
Interest cost on the unwinding of discounting for provisions for pensions and similar obligations	–8.7	–8.4
Interest cost on other provisions	–3.1	–3.4
Interest expense on finance leases	–1.8	–1.9
Total	–177.6	–220.8

The interest expense on liabilities to third parties includes one-off costs amounting to EUR 20.0 million in connection with the restructuring of the syndicated loan.

Due to the repayment of the Mezzanine Facility Agreement as well as parts of the Second-Lien and the Senior Facility Agreements, the hedge accounting for the interest rate swaps and interest caps used to hedge the interest payments on these loans that originally ran until January and July 2011 respectively was terminated prematurely in relation to the parts repaid. As a result, an expense of EUR 9.1 million was reclassified from the cash flow hedge reserve to expense from the measurement of interest rate swaps and interest caps at fair value.

10. Other financial result

in EUR m	2010	2009
Result from the translation of foreign currency receivables and liabilities at the closing rate	–8.9	16.2
Result from the measurement of foreign currency derivatives at fair value	–1.4	–17.5
Miscellaneous other financial income	0.1	–
Miscellaneous other financial expense	–1.5	–0.4
Total	–11.7	–1.7

Miscellaneous other financial expense includes one-off costs totalling EUR 0.8 million in connection with the restructuring of the syndicated loan.

11. Income taxes

in EUR m	2010	2009
Current income taxes	–106.5	–78.1
Deferred taxes	21.3	31.5
(thereof from temporary differences)	(11.7)	(38.7)
(thereof from tax loss carryforwards)	(9.6)	(–7.2)
Total	–85.2	–46.6

The effective tax expense of EUR 85.2 million (2009: EUR 46.6 million) differs by EUR 13.4 million (2009: EUR 32.0 million) from the expected tax expense of EUR 71.8 million (2009: EUR 14.6 million). The expected tax expense results from applying the Group tax rate of 31% (2009: 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	2010	2009
Pre-tax profit	231.8	47.1
Expected income tax (31%, 2009: 31%)	-71.8	-14.6
Difference due to tax base for trade income tax	-0.5	-3.3
Difference to expected tax rate	-14.3	-8.5
Changes in valuation adjustments on deferred tax assets/ losses without the establishment of deferred taxes	12.4	-14.2
Changes in the tax rate and tax laws	0.5	3.6
Non-tax-deductible expenses	-11.1	-12.9
Tax-free income	1.1	1.7
Result of investments accounted for at equity	1.3	-1.2
Taxes of prior periods	-1.9	4.3
Deferred taxes on temporary differences from shares in subsidiaries	1.6	-0.1
Other effects	-2.5	-1.4
Effective tax expense	-85.2	-46.6

The non-tax-deductible expenses mainly result from non-deductible finance costs and exchange losses.

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

in EUR m	Dec. 31, 2010		Dec. 31, 2009	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Current assets				
Cash and cash equivalents and financial assets	10.5	3.9	11.1	4.9
Inventories	11.0	0.3	9.7	0.3
Non-current assets				
Property, plant and equipment	15.1	89.4	14.6	82.7
Intangible assets	6.5	103.1	5.7	115.5
Financial assets	10.2	7.7	16.6	7.7
Current liabilities				
Other provisions	9.8	0.2	7.8	0.2
Liabilities	26.4	2.2	29.5	1.3
Non-current liabilities				
Provisions for pensions	8.3	0.1	7.0	0.1
Other provisions	26.1	1.4	32.4	1.3
Liabilities	14.2	6.9	11.8	6.8
Special tax-allowable reserves	5.0	2.4	4.8	2.1
Loss carryforwards	96.0	-	92.7	-
Consolidation items	-	4.5	-	6.1
Deferred tax (gross)	239.1	222.1	243.7	229.0
Valuation allowance ¹⁾	-60.2	-	-69.8	-
Offsetting	-98.0	-98.0	-106.9	-106.9
Deferred tax (net)	80.9	124.1	67.0	122.1

¹⁾ Deferred tax assets and corresponding valuation allowances are shown as gross amounts.

Of the deferred tax assets, EUR 54.2 million (Dec. 31, 2009: EUR 53.5 million) are current and EUR 26.7 million (Dec. 31, 2009: EUR 13.5 million) are non-current. Of the deferred tax liabilities, EUR 0.2 million (Dec. 31, 2009: EUR 0.7 million) are current and EUR 123.9 million (Dec. 31, 2009: EUR 121.4 million) are non-current.

No deferred tax liabilities were established for temporary differences amounting to EUR 532.2 million (Dec. 31, 2009: EUR 344.4 million). These amounts include temporary differences of which, according to the respective local tax law, only a portion (5%) is to be taxed at the relevant local tax rate. The pro-rata temporary differences contained in these amounts which are in effect not taxable (95%) total EUR 288.3 million (Dec. 31, 2009: EUR 243.7 million).

The existing tax loss carryforwards can be utilized as follows:

in EUR m	Dec. 31, 2010		Dec. 31, 2009	
	Loss carryforwards	Thereof loss carryforwards without deferred taxes	Loss carryforwards	Thereof loss carryforwards without deferred taxes
within one year	24.5	(24.2)	0.1	(-)
2 to 5 years	5.1	(3.1)	25.9	(24.2)
6 to 9 years	5.5	(-)	6.1	(-)
more than 9 years	58.6	(56.5)	52.3	(49.7)
Unlimited	417.4	(249.1)	402.4	(304.8)
Total	511.1	(332.9)	486.8	(378.7)

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 35.6 million (Dec. 31, 2009: EUR 26.0 million) were provided for loss carryforwards of EUR 178.2 million (Dec. 31, 2009: EUR 108.1 million) which are likely to be utilized. The loss carryforwards of EUR 178.2 million which are likely to be utilized include domestic corporate tax and trade income tax loss carryforwards totalling EUR 123.3 million (Dec. 31, 2009: EUR 42.2 million). No deferred taxes were provided for loss carryforwards of EUR 332.9 million (Dec. 31, 2009: EUR 378.7 million) which are not likely to be utilized.

The deferred taxes recognized directly within equity amounting to EUR 3.2 million (Dec. 31, 2009: EUR 9.2 million) were established exclusively for the fair value components recognized within equity of interest rate swaps and interest caps included in cash flow hedge accounting. In the 2010 financial year, EUR 9.0 million of the deferred taxes within equity was reclassified as income in the income statement (2009: EUR 5.8 million).

12. Minority interests in profit/loss after tax

Of the shares of other shareholders in the profit/loss after tax, EUR 4.1 million (2009: EUR 1.9 million) relates to the net income for the period and EUR 1.1 million (2009: EUR 1.3 million) to the net loss for the period of fully consolidated companies.

13. Personnel expenses/Employees

Personnel expenses amount to EUR 618.1 million (2009: EUR 590.3 million). This line item includes wages and salaries totalling EUR 491.5 million (2009: EUR 471.5 million) as well as social insurance contributions of EUR 126.6 million (2009: EUR 118.8 million), of which pension expenses (including employer contributions to the statutory pension insurance fund) account for EUR 40.2 million (2009: EUR 34.9 million). The interest portion of the addition to provisions for personnel expenses (mainly provisions for pensions) is not included in personnel expenses but is shown within the financial result under finance costs.

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

	2010	2009
Europe	6,283	6,319
North America	3,463	3,337
Latin America	1,237	1,215
Asia Pacific	614	182
All Other Segments	137	124
Total	11,734	11,177

As at December 31, 2010, the employee numbers of the Brenntag Group totalled 12,344 (Dec. 31, 2009: 11,094). Of this figure, 1,485 (Dec. 31, 2009: 1,469) were employed in Germany.

14. Earnings per share

The earnings per share of EUR 2.93 (2009: –0.2 cent) are determined by dividing the share in income after tax of EUR 143.6 million (2009: EUR –0.1 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, 2009 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, 2009	41,000,000	365	41,000,000
	Jan. 1, 2010	41,000,000	365	41,000,000
Capital increase through the issuance of new shares	March 29, 2010	10,500,000	278	7,997,260
	Dec. 31, 2010	51,500,000		48,997,260

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, 2010	Dec. 31, 2009
Bank deposits	354.5	594.0
Cheques and cash on hand	8.4	8.6
Total	362.9	602.6

16. Trade receivables

in EUR m	Dec. 31, 2010	Dec. 31, 2009
Trade receivables from third parties	1,059.6	831.4
Trade receivables from related parties	0.1	–
Total	1,059.7	831.4

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, 2010	Dec. 31, 2009
1 to 30 days	142.1	105.9
31 to 60 days	21.8	18.0
61 to 90 days	4.5	4.6
91 to 180 days	3.6	3.7
more than 180 days	5.2	3.6
Receivables past due for which no impairment loss has been recorded	177.2	135.8
Receivables not past due and for which no impairment loss has been recorded	872.4	688.8
Gross value of receivables for which an impairment loss has been recorded	55.0	51.7
Gross value of trade receivables	1,104.6	876.3

The impairments on trade receivables developed as follows:

in EUR m	Accumulated impairments of trade receivables
December 31, 2008	34.2
Exchange rate differences	0.6
Additions	17.0
Reversals	–2.9
Utilizations	–4.0
December 31, 2009	44.9
Exchange rate differences	1.5
Additions	9.9
Reversals	–3.0
Utilizations	–8.4
December 31, 2010	44.9

17. Other receivables

in EUR m	Dec. 31, 2010		Dec. 31, 2009	
	Total	Thereof current	Total	Thereof current
Value-added tax receivables	19.7	(19.7)	18.1	(18.1)
Receivables from packaging	19.4	(19.4)	19.0	(19.0)
Reimbursement claims – environment	9.7	(1.3)	8.6	(0.4)
Suppliers with debit balances	5.4	(5.4)	5.7	(5.7)
Receivables from insurance claims	4.9	(4.9)	4.5	(4.5)
Receivables from plan assets – pensions	4.8	(–)	5.5	(–)
Deposits	3.0	(3.0)	2.0	(2.0)
Receivables from commissions and rebates	2.8	(2.8)	2.9	(2.9)
Advance payments	2.1	(2.1)	2.1	(2.1)
Receivables from other taxes	2.0	(2.0)	2.1	(2.1)
Receivables from employees	1.6	(1.6)	2.9	(2.9)
Miscellaneous other receivables	17.7	(14.0)	20.3	(15.0)
Prepaid expenses	11.0	(10.4)	12.8	(10.5)
Total	104.1	(86.6)	106.5	(85.2)

18. Other financial assets

in EUR m	Remaining term			Dec. 31, 2010
	less than 1 year	1 to 5 years	more than 5 years	
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

in EUR m	Remaining term			Dec. 31, 2009
	less than 1 year	1 to 5 years	more than 5 years	
Financial receivables from third parties	3.0	7.0	1.1	11.1
Derivative financial instruments	0.6	–	–	0.6
Available-for-sale financial assets	1.4	–	–	1.4
Financial receivables from related parties	1.3	0.6	1.9	3.8
Total	6.3	7.6	3.0	16.9

19. Inventories

The inventories break down as follows:

in EUR m	Dec. 31, 2010	Dec. 31, 2009
Merchandise	584.0	388.3
Finished goods	17.2	30.0
Raw materials and supplies	4.9	4.0
Total	606.1	422.3

20. Non-current assets held for sale

Non-current assets held for sale of EUR 0.4 million (Dec. 31, 2009: EUR 3.2 million) are recognized under current assets; of this figure, North America accounts for EUR 0.4 million (Dec. 31, 2009: EUR 1.3 million) and Latin America for EUR 0.0 million (Dec. 31, 2009: EUR 1.9 million). These assets are land and buildings 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.

Of the non-current assets, land and buildings totalling EUR 2.0 million were reclassified to investment property as the company no longer intends to sell them within the next twelve months.

21. Property, plant and equipment

in EUR m	Real estate and leasehold rights	Technical equipment, plant and machinery	Other equipment, fixtures, furni- ture and office equipment	Advance payments and construction in progress	Total
ACQUISITION AND PRODUCTION COSTS					
December 31, 2008	521.8	278.4	139.0	19.4	958.6
Exchange rate differences	3.1	-0.2	3.3	-0.3	5.9
Additions from business combinations	-	0.1	0.1	-	0.2
Other additions	4.7	19.6	21.4	23.6	69.3
Reclassification of non-current assets held for sale	1.7	-0.9	-	-	0.8
Disposals	-0.3	-3.5	-15.9	-0.3	-20.0
Transfers	9.4	8.3	1.5	-20.4	-1.2
December 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
December 31, 2010	592.5	347.7	180.1	17.5	1,137.8
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
December 31, 2008	41.5	66.7	54.8	-	163.0
Exchange rate differences	0.4	0.1	2.2	-	2.7
Scheduled depreciation	20.0	32.0	28.6	-	80.6
Impairment	1.2	0.5	-	-	1.7
Reclassification of non-current assets held for sale	-0.8	-0.6	-	-	-1.4
Disposals	-0.3	-2.2	-14.6	-	-17.1
Transfers	-	0.7	-0.7	-	-
December 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
Impairment	-	-	-	-	-
Disposals	-0.2	-2.5	-12.2	-	-14.9
Transfers	-	-0.5	-0.1	-	-0.6
December 31, 2010	85.8	131.5	90.9	-	308.2
Carrying amounts at Dec. 31, 2010	506.7	216.2	89.2	17.5	829.6
Carrying amounts at Dec. 31, 2009	478.4	204.6	79.1	22.0	784.1

The carrying amounts for assets recognized on the basis of finance leases total EUR 10.0 million (Dec. 31, 2009: EUR 10.0 million) for real estate, EUR 0.8 million (Dec. 31, 2009: EUR 1.1 million) for technical equipment, plant and machinery, and EUR 6.7 million (Dec. 31, 2009: EUR 5.9 million) for other equipment as well as fixtures, furniture and office equipment.

The volume of government grants totals EUR 1.0 million (Dec. 31, 2009: EUR 1.0 million).

22. Investment property

Investment property relates to land and buildings amounting to EUR 2.0 million, which were previously shown under non-current assets held for sale. Due to the conditions on the local real estate market, Brenntag decided at the end of December 2010 to keep the land and buildings not used for its own operations in the long term for capital appreciation and to let until sale.

in EUR m	Investment property
Acquisition and production costs	
December 31, 2009	–
Transfers	3.5
December 31, 2010	3.5
Accumulated depreciation and impairment	
December 31, 2009	–
Transfers	1.5
December 31, 2010	1.5
Carrying amounts at Dec. 31, 2010	2.0
Carrying amounts at Dec. 31, 2009	–

The investment property was valued by external valuers. As at December 31, 2010, the fair value of the investment property amounted to 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					
December 31, 2008	1,450.4	207.5	457.2	41.0	2,156.1
Exchange rate differences	0.4	–	2.6	0.4	3.4
Additions from business combinations	2.8	1.9	2.2	0.6	7.5
Other additions	–	–	–	2.5	2.5
Disposals	–0.2	–	–	–1.3	–1.5
Transfers	–	–	–	1.2	1.2
December 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	–
December 31, 2010	1,599.9	210.1	82.5	46.2	1,938.7
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
December 31, 2008	–	6.0	238.9	14.6	259.5
Exchange rate differences	–	0.1	0.6	0.7	1.4
Scheduled amortization	–	2.3	114.4	6.9	123.6
Disposals	–	–	–	–1.2	–1.2
Transfers	–	–	–	–	–
December 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
Transfers	–	–	–	–	–
December 31, 2010	–	10.2	38.8	26.5	75.5
Carrying amounts at Dec. 31, 2010	1,599.9	199.9	43.7	19.7	1,863.2
Carrying amounts at Dec. 31, 2009	1,453.4	201.0	108.1	23.4	1,785.9

Goodwill and the “Brenntag” trademark are tested regularly, at least annually, for impairment after completion of the annual budget process.

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

in EUR m	Dec. 31, 2010	Dec. 31, 2009
Europe	722.0	706.5
North America	726.2	665.2
Latin America	31.9	29.0
Asia Pacific	91.6	24.9
All Other Segments	28.2	27.8
Group	1,599.9	1,453.4

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 ending December 31, 2010 were derived from the budget for 2011 and the plan years 2012 to 2015. The assumed growth rate for the period from 2016 onwards is 1.25% in Europe and North America (2009: 1.25%) and 2.5% in Latin America and Asia Pacific (2009: 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 (WACC).

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

WACC in %	2010	2009
Europe	7.8	8.3
North America	7.4	7.9
Latin America	9.6	10.0
Asia Pacific	8.9	8.7
Group	7.8	8.3

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

The disposals of gross values and accumulated amortization of customer relationships of EUR 428.3 million in each case relate 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 joint ventures	Interests in associates	Total
December 31, 2008	21.1	13.6	34.7
Exchange rate differences	–	2.3	2.3
Share of profit for the period	–	3.9	3.9
Dividends received	–1.1	–	–1.1
Disposals	–20.0	–1.2	–21.2
December 31, 2009	–	18.6	18.6
Exchange rate differences	–	3.2	3.2
Share of profit for the period	–	4.7	4.7
Dividends received	–	–0.4	–0.4
Additions from business combinations	–	2.5	2.5
December 31, 2010	–	28.6	28.6

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, 2010	Dec. 31, 2009
Current assets	59.5	39.4
Non-current assets	22.9	16.7
Current liabilities	20.4	19.9
Non-current liabilities	13.2	5.2

in EUR m	2010	2009
Sales	129.1	103.1
Profit after tax	9.8	7.7

Former joint ventures or 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 in the above two tables.

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, 2010	Dec. 31, 2009
Trade payables to third parties	834.0	655.6
Trade payables to related parties	0.1	–
Total	834.1	655.6

Trade payables include accruals of EUR 120.0 million (Dec. 31, 2009: EUR 92.1 million).

26. Financial liabilities

in EUR m	Remaining term			Dec. 31, 2010
	less than 1 year	1 to 5 years	more than 5 years	
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

in EUR m	Remaining term			Dec. 31, 2009
	less than 1 year	1 to 5 years	more than 5 years	
Liabilities under syndicated loan	30.7	1,216.7	913.0	2,160.4
Other liabilities to banks	16.7	171.8	10.3	198.8
Liabilities under finance leases	3.4	10.3	6.4	20.1
Financial liabilities to related parties	–	–	702.2	702.2
Derivative financial instruments	5.6	34.3	–	39.9
Other financial liabilities	5.1	10.6	1.4	17.1
Total	61.5	1,443.7	1,633.3	3,138.5
Cash and cash equivalents				602.6
Net financial liabilities				2,535.9

Brenntag's funding concept is mainly based on loan agreements with a consortium of international lenders. This syndicated loan consisted as at December 31, 2010 of Senior Facility Agreements and a Second-Lien Facility Agreement.

The liabilities under the syndicated loan break down as follows:

in EUR m	Remaining term	Interest rate above EURIBOR/ LIBOR	Remaining term						Dec. 31, 2010
			less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than 5 years	
Senior Facility Agreements									
Tranche A	18.01.2013	3.25%	7.8	13.3	10.6	–	–	–	31.7
Tranche B	18.01.2014	3.5/3.75%	–	–	–	1,023.0	–	–	1,023.0
Tranche C	18.01.2015	4.0%	–	–	–	–	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									
	18.07.2015	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

in EUR m	Remaining term	Interest rate above EURIBOR/ LIBOR	Remaining term						Dec. 31, 2009
			less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than 5 years	
Senior Facility Agreements									
Tranche A	18.01.2013	1.75%	10.5	22.6	33.0	19.9	–	–	86.0
Tranche B	18.01.2014	1.75%/2.0%	–	–	–	–	1,145.6	–	1,145.6
Tranche C	18.01.2015	2.25%	–	–	–	–	–	122.3	122.3
Accrued interest			8.0	–	–	–	–	–	8.0
Total			18.5	22.6	33.0	19.9	1,145.6	122,3	1,361.9
Second-Lien Facility Agreement									
	18.07.2015	4.0%	–	–	–	–	–	362.2	362.2
Accrued interest			3.7	–	–	–	–	–	3.7
Total			3.7	–	–	–	–	362.2	365.9
Mezzanine Facility Agreement									
	18.01.2016	7.0%	–	–	–	–	–	422.7	422.7
Accrued interest			10.1	–	–	–	–	5.8	15.9
Total			10.1	–	–	–	–	428.5	438.6
Transaction costs			–1.6	–1.5	–1.5	–1.3	–0.1	–	–6.0
Liabilities under syndicated loan			30.7	21.1	31.5	18.6	1,145.5	913.0	2,160.4

The liabilities of EUR 438.6 million existing at December 31, 2009 under the Mezzanine Facility Agreement were repaid in full with effect from March 31, 2010 including accrued interest up to that date. Furthermore, liabilities of EUR 69.0 million under the Second-Lien Facility Agreement were repaid in April 2010 and liabilities under the Senior Facility Agreements of EUR 227.3 million were repaid in April and May 2010.

The loans under the Senior Facility Agreements and the Second-Lien Facility Agreement are secured in full by pledging direct and indirect investments of Brenntag AG in fully consolidated subsidiaries as well as by other pledged assets.

In the event of the Brenntag Group's sustained breach of the terms and obligations laid down in the syndicated loan agreements, the facility agent appointed by the lenders may foreclose the loans if he feels this move necessary to safeguard the lenders' interests. Should the 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 assets provided as security.

The carrying amounts shown in the consolidated financial statements of Brenntag AG of the assets provided as security for liabilities to banks in addition to the pledged company shares are as follows:

in EUR m	Dec. 31, 2010	Dec. 31, 2009
Inventories	292.0	204.4
Property, plant and equipment	442.9	429.3
Cash and cash equivalents	250.7	460.9
Receivables and other financial assets	798.2	667.3
Total	1,783.8	1,761.9

The loan of EUR 702.2 million granted by Brachem Acquisition S.C.A., Luxembourg, existing at December 31, 2009 was contributed to the additional paid-in capital of Brenntag AG including interest accrued up to March 28, 2010 after netting against receivables from Brachem Acquisition S.C.A., Luxembourg. The additional paid-in capital thus increased by EUR 714.9 million.

Of the other liabilities to banks, EUR 176.7 million (2009: EUR 171.9 million) are amounts owed to banks by the consolidated Irish special purpose entity, Brenntag Funding Ltd., Dublin.

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	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
December 31, 2010	28.9	9.1	19.8

in EUR m	Minimum lease payments	Interest portion	Liabilities from finance leases
less than 1 year	5.4	2.0	3.4
1 to 2 years	4.2	1.4	2.8
2 to 3 years	2.9	1.2	1.7
3 to 4 years	5.8	0.7	5.1
4 to 5 years	1.3	0.6	0.7
more than 5 years	10.9	4.5	6.4
December 31, 2009	30.5	10.4	20.1

27. Other liabilities

in EUR m	Dec. 31, 2010		Dec. 31, 2009	
		Thereof current		Thereof current
Liabilities to employees	89.9	(89.9)	77.5	(77.5)
Liabilities from packaging	70.1	(70.1)	68.1	(68.1)
Liabilities from value-added tax	35.7	(35.7)	26.0	(26.0)
Liabilities to insurance companies	15.2	(15.2)	11.9	(11.9)
Liabilities from other taxes	14.3	(14.3)	15.1	(15.1)
Deferred income	10.5	(10.5)	10.8	(10.8)
Liabilities from social insurance contributions	7.9	(7.9)	7.4	(7.4)
Miscellaneous other liabilities	87.3	(85.3)	93.9	(92.2)
Total	330.9	(328.9)	310.7	(309.0)

Other liabilities include accruals of EUR 35.8 million (Dec. 31, 2009: EUR 33.6 million).

28. Other provisions

The other provisions developed as follows:

in EUR m	Environmental provisions	Provisions for personnel expenses	Miscellaneous provisions	Total
January 1, 2010	122.7	17.2	55.7	195.6
Exchange rate differences	7.6	0.8	1.5	9.9
Additions from business combinations	0.1	0.3	0.9	1.3
Unwinding of discounting	2.8	0.2	0.1	3.1
Utilizations	-5.1	-9.2	-13.3	-27.6
Reversals	-9.5	-0.1	-8.1	-17.7
Additions	5.4	8.7	10.7	24.8
Transfers	-	-0.2	2.9	2.7
December 31, 2010	124.0	17.7	50.4	192.1

The other provisions have the following maturities:

in EUR m	Dec. 31, 2010	Dec. 31, 2009
less than 1 year	56.2	56.1
1 to 5 years	89.9	92.2
more than 5 years	46.0	47.3
Total	192.1	195.6

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, 2010, the environmental provisions totalled EUR 124.0 million (Dec. 31, 2009: EUR 122.7 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 23.8 million (Dec. 31, 2009: EUR 29.3 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 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, 2010 amount to EUR 9.7 million (Dec. 31, 2009: EUR 8.6 million).

Provisions for personnel expenses

The share-based remuneration programme on the basis of virtual shares introduced in 2010 is a long-term bonus system for the members of the Brenntag AG Board of Management 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 1.0 million. The total cost of the virtual share programme contained in personnel expenses amounts to EUR 1.0 million.

Furthermore, the provisions for personnel expenses include pre-retirement part-time work compensation amounting to EUR 2.4 million (Dec. 31, 2009: EUR 2.4 million) and anniversary bonuses amounting to EUR 3.5 million (Dec. 31, 2009: EUR 2.9 million).

Miscellaneous provisions

Miscellaneous provisions include provisions for compensation payable of EUR 5.3 million (Dec. 31, 2009: EUR 5.2 million) as well as for risks from unsettled litigation amounting to EUR 7.0 million (Dec. 31, 2009: EUR 9.7 million) and provisions for restoration obligations amounting to EUR 3.0 million (Dec. 31, 2009: EUR 2.8 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 2010 financial year, pension expenses in the Brenntag Group totalled EUR 19.0 million (2009: EUR 18.8 million) for employer contributions to the statutory pension insurance fund and EUR 12.3 million (2009: EUR 11.7 million) for non-statutory defined contribution plans.

Defined benefit plans

Pension expenses for obligations from defined benefit plans total EUR 11.8 million (2009: EUR 7.5 million). Apart from the interest cost 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	2010	2009
Current service cost	–7.3	–6.1
Interest cost	–8.7	–8.4
Expected return on plan assets	5.8	5.3
Past service cost (changes in the pension plan)	–1.2	–
Amortization of actuarial gains/losses	–2.6	0.6
Settlements	–	1.0
Effect of the limiting of plan assets in acc. with IAS 19.58b	2.2	0.1
Total	–11.8	–7.5

The pensions expected to be paid directly by the company in 2011 total EUR 2.7 million. The expected payments into the plan assets for 2011 amount to EUR 6.3 million.

While the value of assets was determined on the basis of the fair value of the funds invested at December 31, 2010, 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, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Discount rate	3.70 ¹⁾	4.10 ¹⁾	5.75	6.25	6.50	6.50	4.80	n.a.
Projected salary increases	2.10	2.10	4.00	4.00	2.40	2.40	5.50	n.a.
Projected pension payment increases	1.30	1.30	3.00	3.00	6.50	6.50	4.00	n.a.
Inflation	1.50	1.50	3.00	3.00	5.00	5.00	4.00	n.a.
Medical cost trend	n.a.	n.a.	6.60	6.50	n.a.	n.a.	n.a.	n.a.
Expected rate of return on plan assets	4.00	4.00	7.00	7.00	n.a.	n.a.	3.0	n.a.

¹⁾ Dec. 31, 2010: EURO countries 4.75% discount rate; Switzerland 2.75% discount rate;
Dec. 31, 2009: EURO countries 5.25% discount rate; Switzerland 3.00% discount rate.

Breakdown of the fair value of the plan assets

in EUR m	Dec. 31, 2010	Dec. 31, 2009
Shares	24.8	19.2
Fixed-interest securities	25.0	21.9
Others	111.3	93.4
Total	161.1	134.5

The other plan assets of EUR 111.3 million (Dec. 31, 2009: EUR 93.4 million) consist of EUR 102.8 million (Dec. 31, 2009: EUR 87.5 million) from insurance contracts of European Brenntag companies and EUR 8.5 million (Dec. 31, 2009: EUR 5.9 million) from other assets in Asia (EUR 1.6 million), in Canada (EUR 0.3 million) and in Switzerland (EUR 6.6 million). The insurance contracts work with 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 28.1 million are from Canada, EUR 20.9 million from Switzerland and EUR 0.8 million from France.

The Canadian assets are invested in external investment fund shares. 59.9% of the portfolio of this investment fund consists of Canadian and international shares. 38.9% is invested in fixed-interest securities and the remaining 1.2% consists of cash and other assets. Due to the investment structure of the fund, an expected long-term rate of return of 7.0% has been taken. 8.4% of the assets in Switzerland have been invested in international shares and 14.2% in fixed-interest securities. The majority (70.3%) consists of insurance contracts. The remaining 7.1% 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 3.75%.

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

in EUR m	Dec. 31, 2010	Dec. 31, 2009
Influence of +1 percentage point on the service cost and interest cost	0.2	0.1
Influence of +1 percentage point on the pension obligations at the end of the period	1.7	1.5
Influence of -1 percentage point on the service cost and interest cost	-0.2	-0.1
Influence of -1 percentage point on the pension obligations at the end of the period	-1.4	-1.2

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

in EUR m	2010	2009
PENSION OBLIGATIONS FROM DEFINED BENEFIT PENSION PLANS		
Present value of pension entitlements at the beginning of the period	182.2	161.0
Exchange rate differences	18.7	3.2
Reclassification	-	1.0
Addition from business combinations	2.7	-
Utilizations	-8.7	-10.0
Service cost	7.3	6.1
Employee contributions	1.3	1.2
Interest cost	8.7	8.4
Changes in pension plans	1.2	-
Settlements	-	-1.0
Actuarial loss	12.3	12.3
Present value of pension entitlements at the end of the period	225.7	182.2
(thereof funded)	(168.5)	(135.1)
(thereof unfunded)	(57.2)	(47.1)

in EUR m	2010	2009
FAIR VALUE OF PLAN ASSETS		
Fair value at the beginning of the period	134.5	125.1
Exchange rate differences	17.9	2.5
Reclassification	–	0.9
Addition from business combinations	0.2	–
Utilizations	–6.6	–8.2
Employee contributions	1.3	1.2
Employer contributions	6.2	5.7
Expected return on plan assets	5.8	5.3
Actuarial gain	1.8	2.0
Fair value of plan assets at the end of the period	161.1	134.5

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, 2010	Dec. 31, 2009
Present value of the funded pension entitlements	168.5	135.1
Less fair value of plan assets	–161.1	–134.5
Underfunding by plan assets	7.4	0.6
Present value of unfunded pension entitlements	57.2	47.1
Funded status of pension entitlements	64.6	47.7
Unrecognized actuarial loss	–8.7	–0.9
Unrecognized past service cost	–	–
Provisions for pensions and similar obligations – net	55.9	46.8
Thereof assets capitalized	4.8	5.5
Limiting of plan assets in accordance with IAS 19.58b	–	2.1
Provisions for pensions and similar obligations shown in the balance sheet	60.7	54.4

The provisions for pensions shown include EUR 10.3 million (Dec. 31, 2009: EUR 8.2 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 12.3 million (2009: EUR 12.3 million) in the obligations, EUR 12.5 million (2009: EUR 13.4 million) is attributable to actuarial losses due to changes in actuarial parameters to be applied at the measurement date and EUR 0.2 million (2009: EUR 1.1 million) to actuarial gains due to experience adjustments to the obligations.

The actual gain from plan assets is EUR 7.6 million (2009: EUR 7.3 million). The actuarial gains in the plan assets of EUR 1.8 million (2009: EUR 2.0 million) 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 8.7 million (2009: EUR 0.9 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/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, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Pension obligation from defined benefit plans	225.7	182.2	161.0	162.6	171.4
Fair value of plan assets	161.1	134.5	125.1	129.6	127.0
Funded status of pension entitlements	64.6	47.7	35.9	33.0	44.4
Gains/losses from experience adjustments – pension obligation	0.2	1.1	1.5	–2.6	–
Gains/losses from experience adjustments – plan assets	1.8	2.0	–15.8	–3.5	1.8

30. 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 2010, the Group generated RONA of 33.0%, an increase of 6.2 percentage points compared with the previous year (26.8%).

		2010	2009
EBITA	EUR m	513.6	394.3
Average property, plant and equipment	EUR m	806.1	780.3
Average working capital	EUR m	752.4	691.9
Return on Net Assets (RONA) ¹⁾	%	33.0	26.8

¹⁾ For the definition of RONA, see the chapter Group Key Financial Figures.

Brenntag continually monitors the appropriateness of borrowings inter alia through the ratio of net financial liabilities (defined as current and non-current financial liabilities less cash and cash equivalents) to operating EBITDA (leverage). In principle, Brenntag considers a leverage of between 2.0x and 2.7x 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 3.6 in 2009 to 2.4 in 2010, mainly as a result of the partial repayment of the syndicated loan with funds from the capital increase as part of the IPO and the significant increase in operating EBITDA.

in EUR m	2010	2009
Non-current financial liabilities ¹⁾	1,696.7	2,374.8
Current financial liabilities	87.1	61.5
Less cash and cash equivalents	–362.9	–602.6
Net financial liabilities excluding shareholder loan	1,420.9	1,833.7
Operating EBITDA ²⁾	602.6	503.1
Net financial liabilities/operating EBITDA ²⁾	2.4x	3.6x

¹⁾ December 31, 2009 excluding shareholder loan of EUR 702.2 million; as at December 31, 2010 the shareholder loan no longer existed as it had been contributed to the additional paid-in capital of Brenntag AG as part of the IPO.

²⁾ Operating EBITDA in 2009 adjusted for cost of the early termination of a multi-year incentive programme. The cost for the members of the management amounted to EUR 22.8 million.

Subscribed capital

In connection with the conversion of Brenntag Management GmbH into a stock corporation (Aktiengesellschaft), the subscribed capital of EUR 25,000 was increased by EUR 40,975,000 by a capital increase from company funds.

Through the issuance of new shares as part of the IPO (capital increase by the issuance of new shares), the subscribed capital of Brenntag AG increased by a further EUR 10,500,000.

Thus, as of December 31, 2010, 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 sections 12, 53a ff., 118 ff. and 186 of the German Stock Corporation Act.

Additional paid-in capital

As a result of the capital increase from company funds, the additional paid-in capital of Brenntag AG was reduced by EUR 40,975,000.

It increased by EUR 504,542,490.91 through the issuance of the new shares. The costs connected with the issuance of the new shares amounting to EUR 13,684,074.06 were directly offset against the additional paid-in capital, taking the relevant tax effects of EUR 3,726,564.97 into account.

Furthermore, the loan granted by Brachem Acquisition S.C.A., Luxembourg, including interest accrued up to March 28, 2010 (after netting against receivables from Brachem Acquisition S.C.A., Luxembourg) was contributed to the additional paid-in capital of Brenntag AG. The additional paid-in capital thus increased by a further EUR 714,942,243.36 to EUR 1,560,084,734.27.

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).

At the General Shareholders' Meeting on June 22, 2011, the Board of Management and the Supervisory Board will propose that a dividend of EUR 72,100,000.00 be paid. That is a dividend of EUR 1.40 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.

The cash flow hedge reserve includes 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 are also recognized directly in equity.

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

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,

- (i) to exclude fractional amounts resulting from the subscription ratio from the statutory pre-emption right of the shareholders;
- (ii) in case of increases of the share capital against non-cash contributions in particular – but without limitation – to acquire companies, divisions of companies or interests in companies;
- (iii) in the case that the increase of the share capital is against cash contributions and provided that the issue price of the new shares is not substantially lower (within the meaning of sections 203, paras 1 and 2, 186, para. 3, sentence 4 of the German Stock Corporation Act) than the stock exchange price for shares in the company of the same class and having the same conditions already listed at the final determination of the issue price and provided that the amount of the share capital represented by the shares issued pursuant to this lit (iii) under the exclusion of the statutory pre-emption right in accordance with section 186, para. 3, sentence 4 of the German Stock Corporation Act does not exceed 10% of the share capital;
- (iv) to fulfill obligations of Brenntag AG from convertible bonds or warrant-linked bonds, profit-sharing certificates, or participating bonds (or combinations of these instruments), which have been issued by Brenntag AG or dependent companies or by majority-owned subsidiaries of Brenntag AG and which provide for a conversion or option right or an obligation to convert.

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 (excluding incidental transaction costs) may not be more than 10% lower or higher than the arithmetic mean of the share price (closing auction price of the Brenntag share on the XETRA trading platform or a comparable successor system) 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 (excluding incidental transaction costs) may not be more than 10% lower or higher than the arithmetic mean of the share price (closing auction price of the Brenntag share on the XETRA trading platform or a comparable successor system) 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, including but not limited to the pursuit of one or more of the following objectives. With the consent of the Supervisory Board, the Board of Management is authorized to use the own shares purchased other than by way of a sale on the stock exchange or by means of an offer to all shareholders as follows, and to exclude shareholders' pre-emption rights in full or in part:

- (i) to exclude fractional amounts resulting from the subscription ratio from the statutory pre-emption right of the shareholders;
- (ii) in case of sale of the shares against non-cash contributions in particular – but without limitation – to acquire companies, divisions of companies or interests in companies;
- (iii) in the case of sale of the shares against cash contributions provided that said sale is at a price which is not substantially lower than the stock exchange price for shares of Brenntag AG at the date of sale (simplified exclusion of the pre-emption right in accordance with sections 186, para. 3, sentence 4, 71, para. 1, No. 8, sentence 5, second half of the sentence of the German Stock Corporation Act). This authorization is in principle limited to an aggregate of no more than 10% of the current share capital of the company, or if this figure is lower, of the share capital existing at the time of exercise of this authorization;
- (iv) to fulfill obligations of Brenntag AG arising from conversion and option rights and/or conversion obligations resulting from convertible bonds or bonds with warrants and/or profit-sharing certificates or participating bonds (or combinations of these instruments) which provide for a conversion or option right or an obligation to convert and which are issued by Brenntag AG or dependent companies or by majority-owned subsidiaries of Brenntag AG.

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 and/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, for example that of an OECD country. 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 to exclude, with the consent of the Supervisory Board, shareholders' pre-emption rights to bonds:

- (i) to exclude fractional amounts resulting from the subscription ratio from the statutory pre-emption right of the shareholders;
- (ii) to sell bonds against non-cash contributions, in particular but without limitation, to acquire companies, divisions of companies or interests in companies;
- (iii) to sell bonds against cash contributions, provided the bonds are sold at an issue price which is not significantly lower than the theoretical fair value of said bonds calculated according to recognized financial calculation methods. Said authorization to exclude the statutory pre-emption right shall, however, only apply insofar as the shares issued or to be issued to fulfill conversion or option rights or meet an obligation to convert does not account for more than 10% of the share capital at the time of this authorization being exercised;
- (iv) as far as necessary, to fulfill obligations of Brenntag AG from convertible bonds, warrant-linked bonds or profit-sharing certificates or participating bonds (or combinations of these instruments), which have been issued by Brenntag AG and which provide for a conversion or option right or an obligation to convert.

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.

In the case of warrant-linked bonds or profit-sharing certificates with option rights, each partial bond and/or each profit-sharing certificate shall have one or several warrants attached to it, granting the holder the right to subscribe to shares of Brenntag AG in accordance with the option 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 non-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 fulfill 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.

31. INFORMATION ON THE CONSOLIDATED CASH FLOW STATEMENT

The net cash inflow from operating activities amounting to EUR 150.3 million was influenced by cash outflows from the increase in working capital of EUR 136.4 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	2010	2009
Increase/decrease in inventories	–117.5	124.2
Increase/decrease in gross trade receivables	–143.7	146.6
Increase/decrease in trade payables	124.1	–44.4
Write-downs on gross trade receivables and on inventories ¹⁾	0.7	15.6
Cash outflow/inflow resulting from the change in working capital	–136.4	242.0

¹⁾ Shown within other non-cash items

Overall, through active working capital management, the increase in working capital, which had fallen sharply in the prior period as a result of declining business, was kept within limits despite the high business growth. Therefore, the annualized working capital turnover rate ²⁾ rose from 9.2 in 2009 to 10.2 in the reporting period.

Of the interest payments, EUR 3.6 million (2009: EUR 3.7 million) relates to interest received and EUR 198.9 million (2009: EUR 162.6 million) to interest paid. The interest paid includes both interest of EUR 64.2 million on the Mezzanine Facility Agreement repaid early as part of the IPO as well as payments of EUR 21.1 million for the restructuring of the syndicated loan. In addition, balancing payments under interest-rate hedging are also taken into consideration in the interest payments.

Of the cash used for financing activities, EUR 525.0 million (less costs of EUR 13.7 million incurred in connection with the capital increase) is proceeds from the IPO. At the same time, repayments of EUR 686.7 million were made on the syndicated loan. Of this figure, EUR 451.9 million related to the early repayment of the borrowings under the Mezzanine Facility Agreement (EUR 382.9 million) and parts of the Second-Lien Facility Agreement (EUR 69.0 million) as part of the IPO. EUR 227.3 million relates to loan repayments from cash surplus generated in the prior period in line with the terms of the syndicated loan. In 2009, a total of EUR 93.0 million was repaid.

32. 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.

²⁾ 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.

The Group accounts for inter-segment sales transactions as if the transactions were made with third parties at current prices (arm's length principle).

The All Other Segments column contains activities which cannot be allocated to the geographical segments (in particular BRENNTAG International Chemicals GmbH, Mülheim an der Ruhr, as well as the activities of those holding companies which cannot be allocated to a geographical segment) including Brenntag AG. 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. 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, EUR 0.2 million relate to the Latin America segment.

The non-current assets comprise property, plant and equipment, and 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, 2010	109.6	150.5	87.9	481.6	829.6
	Dec. 31, 2009	109.7	141.8	87.1	445.5	784.1
Investment property	Dec. 31, 2010	–	–	–	2.0	2.0
	Dec. 31, 2009	–	–	–	–	–
Intangible assets	Dec. 31, 2010	378.4	609.1	126.9	748.8	1,863.2
	Dec. 31, 2009	390.1	587.7	134.9	673.2	1,785.9

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	2010	1,152.2	2,175.7	445.4	3,875.8	7,649.1
	2009	936.3	1,811.3	420.8	3,196.2	6,364.6

33. OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

The other financial obligations break down as follows:

in EUR m	Remaining term			Dec. 31, 2010
	Less than 1 year	1 to 5 years	More than 5 years	
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

in EUR m	Remaining term			Dec. 31, 2009
	Less than 1 year	1 to 5 years	More than 5 years	
Purchase commitments for property, plant and equipment	1.5	–	–	1.5
Obligations under consultancy agreements as well as from future minimum lease payments for operating leases	31.2	76.2	21.2	128.6
Total	32.7	76.2	21.2	130.1

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.

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 antitrust authorities. Brenntag is cooperating with the relevant authorities in several jurisdictions and, where appropriate, conducts internal investigations regarding alleged wrongdoings with the assistance of in-house and external counsel. Given the number of legal actions 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 by additional legal matters not separately disclosed in this section. Where necessary, provisions have been established for current legal disputes based on the estimated risk and, where required, with the aid of external consultants.

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, we and our advisors are so far expecting that either our appeals against the tax assessments will be successful or the request we have already made for the waiving of the applicable excise duty on alcohol will be granted. Furthermore, based on information available to date, the tax demand for 2005 for an amount of EUR 21.4 million has already lapsed.

34. 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:

2010

in EUR m

Measurement in the balance sheet:	At amortized cost	At fair value			December 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

2009

in EUR m

Measurement in the balance sheet:	At amortized cost	At fair value			December 31, 2009	
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	602.6	–	–	–	602.6	602.6
Trade receivables	831.4	–	–	–	831.4	831.4
Other receivables	65.7	–	–	–	65.7	65.7
Other financial assets	14.9	0.6	1.4	–	16.9	16.9
Total	1,514.6	0.6	1.4	–	1,516.6	1,516.6

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 39.8 million (Dec. 31, 2009: EUR 40.8 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:

2010

in EUR m

Measurement in the balance sheet:	At amortized cost	At fair value			December 31, 2010	
Measurement category under IAS 39:	Financial liabilities measured at amortized cost	Financial liabilities at fair value through profit or loss	Hedging derivatives under IAS 39	Valuation under IAS 17	Carrying amount	Fair value
Trade payables	834.1	–	–	–	834.1	834.1
Other liabilities	254.1	–	–	–	254.1	254.1
Liabilities to minorities under IAS 32	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

2009

in EUR m

Measurement in the balance sheet:	At amortized cost	At fair value			December 31, 2009	
Measurement category under IAS 39:	Financial liabilities measured at amortized cost	Financial liabilities at fair value through profit or loss	Hedging derivatives under IAS 39	Valuation under IAS 17	Carrying amount	Fair value
Trade payables	655.6	–	–	–	655.6	655.6
Other liabilities	243.4	–	–	–	243.4	243.4
Liabilities to minorities under IAS 32	2.1	–	–	–	2.1	2.1
Financial liabilities	3,078.5	5.4	34.5	20.1	3,138.5	3,184.2
Total	3,979.6	5.4	34.5	20.1	4,039.6	4,085.3

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 76.8 million (Dec. 31, 2009: EUR 67.3 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:

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

2009

in EUR m

Hierarchy level	Level 1	Level 2	Level 3	Dec. 31, 2009
Financial assets at fair value through profit or loss	–	0.6	–	0.6
Financial liabilities at fair value through profit or loss	–	5.4	–	5.4
Available-for-sale financial assets	1.4	–	–	1.4
Hedging derivatives under IAS 39 with negative fair values	–	34.5	–	34.5

The net results from financial assets and liabilities broken down into measurement categories are as follows:

2010

in EUR m

	From subsequent measurement							Net result
	From interest		At fair value		Currency translation		Balance of impairments	
	Income	Expense	Gains	Losses	Gains	Losses		
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	–	–	20.1	–27.2	–	–138.4
Total	3.5	–134.7	60.1	–61.5	46.8	–55.7	–7.7	–149.2

2009

in EUR m

			From subsequent measurement					Balance of impairments	Net result
			From interest		At fair value		Currency translation		
	Income	Expense	Gains	Losses	Gains	Losses			
Loans and receivables	4.0	–	–	–	37.8	–25.2	–14.1	2.5	
Financial assets and liabilities at fair value through profit or loss	0.2	–	38.4	–55.9	–	–	–	–17.3	
Liabilities from finance leases under IAS 17	–	–1.9	–	–	–	–	–	–1.9	
Financial liabilities measured at amortized cost	–	–188.5	–	–	29.2	–25.6	–	–184.9	
Total	4.2	–190.4	38.4	–55.9	67.0	–50.8	–14.1	–201.6	

The net interest result is shown under finance income and finance costs. Of the interest expense on liabilities to third parties contained in finance costs, EUR 1.7 million (2009: EUR 1.8 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 other 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, Controlling & 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 Holding GmbH, 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, Controlling & Investor Relations is regularly informed of their nature and extent.

Currency risks

Currency than the 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. Foreign exchange forward deals and foreign exchange swaps are used as hedging instruments. The derivative financial instruments used have maturities of less than one year and are not included in hedge accounting.

If the euro had been worth 10% more or less against all currencies on December 31, 2010, 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, 2010, would have decreased the financial result by EUR 0.5 million (2009: EUR 6.9 million) or increased it by EUR 0.6 million (2009: EUR 8.4 million).

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 have been concluded to limit that risk to the degree stipulated by management. With the interest rate swaps, a fixed interest rate is paid every six months and a variable interest rate received. With the interest caps, any compensation payment is determined every six months. The interest rate swaps, basis swaps and interest caps have, whenever possible, been included in cash flow hedge accounting. In the period up to July 22, 2013, the amounts transferred to the cash flow hedge reserve will be recognized as finance costs when the cash flow occurs.

The cash flow hedge reserve has developed as follows:

in EUR m	Cash flow hedge reserve
December 31, 2008	-25.3
Changes in the fair value of cash flow hedges	-18.0
Reclassifications to finance costs	16.6
December 31, 2009	-26.7
Changes in the fair value of cash flow hedges	-12.5
Reclassifications to finance costs	29.5
December 31, 2010	-9.7

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 (2009: EUR 0.3 million expense).

If the market interest rate in 2010 had been 25 basis points (Dec. 31, 2009: 25 basis points) higher or lower (related to the total amount of derivatives as well as variable-interest financial assets and liabilities on December 31, 2010), the financial result would have been EUR 1.6 million lower or EUR 1.6 million higher (2009: EUR 3.7 million lower or EUR 3.7 million higher). Without allowing for deferred taxes, the cash flow hedge reserve would have been EUR 1.4 million higher (Dec. 31, 2009: EUR 3.8 million higher) or EUR 1.4 million lower (Dec. 31, 2009: EUR 3.8 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 are not to be expected.

Liquidity risks

The liquidity risk is the risk that the Brenntag Group may not be able to meet its contractual payment obligations in the future. 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:

in EUR m	Carrying amount Dec. 31, 2010	Cash flows					
		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

in EUR m	Carrying amount Dec. 31, 2009	Cash flows					
		2010	2011	2012	2013	2014	2015 ff.
Trade payables	655.6	655.6	–	–	–	–	–
Other liabilities	310.7	309.0	1.7	–	–	–	–
Liabilities to minorities under IAS 32	2.1	2.1	–	–	–	–	–
Liabilities under syndicated loan	2,160.4	77.0	97.5	107.8	162.1	1,140.3	1,056.9
Other liabilities to banks	198.8	23.3	5.1	174.4	0.9	11.3	–
Liabilities under finance leases	20.1	5.4	4.2	2.9	5.8	1.3	10.9
Liabilities to related companies	702.2	–	–	–	–	–	1,380.6
Derivative financial instruments	39.9	–	–	–	–	–	–
Cash inflows	–	187.2	13.1	6.1	7.3	–	–
Cash outflows	–	216.7	24.0	5.9	5.9	–	–
Other financial liabilities	17.1	7.1	6.4	2.8	2.5	1.5	1.2
Total	4,106.9	1,109.0	125.8	287.7	169.9	1,154.4	2,449.6

Derivative financial instruments

The nominal volume and fair values of derivative financial instruments are shown in the table below:

in EUR m	Dec. 31, 2010			Dec. 31, 2009		
	Nominal volume	Positive fair value	Negative fair value	Nominal volume	Positive fair value	Negative fair value
Foreign exchange forward transactions and foreign exchange swaps excluding hedge accounting	306.2	1.5	4.5	222.1	0.6	5.2
Interest rate swaps in hedge accounting	638.2	–	16.6	882.7	–	34.3
Interest rate swaps excluding hedge accounting	275.4	–	6.5	–	–	–
Interest caps in hedge accounting	93.0	–	–	185.0	–	–
Interest caps excluding hedge accounting	192.0	–	–	100.0	–	–
Basis swaps in hedge accounting	–	–	–	131.9	–	0.2
Basis swaps excluding hedge accounting	361.9	–	0.9	138.8	–	0.2
Total		1.5	28.5		0.6	39.9

35. 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 in 2009 joint ventures. Furthermore, Brachem Acquisition S.C.A., Luxembourg, (hereinafter referred to as “Brachem”) represented by its general partner, Brahms Chemical Intermediate S.A., Luxembourg, with 49.61% of the capital and the voting rights as of December 31, 2010 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 2010 financial year (2009: EUR 25.5 million; including expenses in connection with the early termination of a multi-year incentive programme totalling EUR 22.8 million). 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 2010 amounts to EUR 1.0 million. The cost (excluding interest cost) for the pension entitlements earned in the reporting year (defined benefit plans) and the payments into defined contribution pension plans amount to EUR 1.0 million (thereof: EUR 0.9 million for defined benefit plans, EUR 0.1 million for defined contribution plans); 2009: EUR 0.1 million (thereof: EUR 0.0 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 Brenntag AG Board of Management 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 by the group of entitled employees at market prices through management participation companies.

The total remuneration of the members of the Supervisory Board due in the short term amounts to EUR 0.5 million for the 2010 financial year.

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 arm's-length transactions:

in EUR m	2010	2009
Sales revenue from transactions with joint ventures	–	7.3
Sales revenue from transactions with associates	0.6	0.3
Goods and services rendered by associates	1.0	0.4
Services rendered by Brachem	0.1	0.3
Interest expenses to Brachem	17.0	64.7

in EUR m	Dec. 31, 2010	Dec. 31, 2009
Trade receivables	0.1	–
(thereof associates)	(0.1)	(–)
Financial receivables	0.7	3.8
(thereof associates)	(0.6)	(0.6)
(thereof Brachem)	(0.1)	(3.2)
Trade payables	0.1	–
(thereof associates)	(0.1)	(–)
Financial liabilities	–	702.2
(thereof Brachem)	(–)	(702.2)

The transactions of Brenntag AG with consolidated subsidiaries as well as between consolidated subsidiaries have been eliminated.

36. 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	2010	2009
Audit of financial statements	0.7	0.8
Other assurance services	1.3	0.5
Tax advisory services	0.6	0.1
Other services rendered	–	0.2
Total	2.6	1.6

37. EXEMPTIONS PURSUANT TO SECTION 264, PARA. 3 OF THE GERMAN COMMERCIAL CODE

For the 2010 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

38. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

On December 17, 2010, the Board of Management and Supervisory Board made a declaration 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 15, 2011

Brenntag AG
THE BOARD OF MANAGEMENT

Stephen Clark

Jürgen Buchsteiner

Steven Holland

APPENDIX A

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313, PARA. 2 OF THE GERMAN COMMERCIAL CODE AS OF DECEMBER 31, 2010

No.	Company	Seat	Held directly % ¹⁾	Held indirectly % ¹⁾	Effective net holding % ¹⁾	Via No.
1	Brenntag AG	Mülheim				
CONSOLIDATED SUBSIDIARIES						
Algeria						
2	Alliance Chimie Algerie SPA	Algiers		100.00	100.00	57
Argentina						
3	Brenntag Argentina S.A.	Buenos Aires		90.00 10.00	100.00	120 125
4	HCI Chemcentral SA de Argentina	Buenos Aires		2.00 98.00	100.00	120 188
Australia						
5	Brenntag Australia Pty. Ltd.	Sydney		100.00	100.00	154
6	Brenntag Pty. Ltd.	Melbourne		100.00	100.00	5
Bangladesh						
7	Brenntag Bangladesh Ltd. ²⁾	Dhaka		100.00	100.00	26
8	Brenntag Bangladesh Formulation Ltd. ²⁾	Dhaka		100.00	100.00	26
9	Brenntag Bangladesh Services Ltd. ²⁾	Dhaka		100.00	100.00	7
Belgium						
10	BRENNTAG N.V.	Deerlijk		99.99 0.01	100.00	62 45
11	European Polymers and Chemical distribution BVBA	Kortrijk		74.00	74.00	132
Bermuda						
12	HCI Chemicals (FSC) Ltd.	Hamilton		0.10 99.80 0.10	100.00	176 181 188
13	HCI Ltd.	Hamilton		100.00	100.00	14
14	Pelican Chemical Traders Ltd.	Hamilton		100.00	100.00	22
15	Viking Traders Ltd.	Hamilton		100.00	100.00	14
Bolivia						
16	Brenntag Bolivia S.R.L.	Santa Cruz		90.00 10.00	100.00	120 121
Brazil						
17	Brenntag Química Brasil Ltda.	Guarulhos, Sao Paulo		100.00	100.00	120
Bulgaria						
18	BRENNTAG Bulgaria EOOD	Sofia		100.00	100.00	120
Chile						
19	Brenntag Chile Comercial e Industrial Ltda.	Santiago		95.00 5.00	100.00	120 121

No.	Company	Seat	Held directly % ¹⁾	Held indirectly % ¹⁾	Effective net holding % ¹⁾	Via No.
China						
20	Brenntag (Shanghai) Chemical Trading Co., Limited	Shanghai		100.00	100.00	120
Costa Rica						
21	Quimicos Holanda Costa Rica S.A.	San Jose		100.00	100.00	120
Curacao (Dutch Antilles)						
22	HCI (Curacao) N.V.	Curacao		100.00	100.00	120
23	HCI Shipping N.V.	Curacao		100.00	100.00	22
Denmark						
24	Brenntag Nordic A/S	Hellerup		100.00	100.00	120
25	Aktieselskabet af 1. Januar 1987	Niva		100.00	100.00	24
26	Brenntag Ltd. A/S ²⁾	Copenhagen		100.00	100.00	120
Germany						
27	Brenntag Germany Holding GmbH	Mülheim		100.00	100.00	45
28	CVH Chemie-Vertrieb GmbH & Co. Hannover KG	Hanover		51.00	51.00	27
29	BBG Berlin-Brandenburger Lager- u. Distributionsgesellschaft	Dahlwitz-Hoppegarten		50.00 50.00	100.00	30 27
30	Biesterfeld Chemiedistribution GmbH	Hamburg		100.00	100.00	27
31	CLG Lagerhaus GmbH & Co. KG	Bremen		100.00	100.00	27
32	CVB Albert Carl GmbH & Co. KG	Berlin		100.00	51.00	28
33	CVM Chemie-Vertrieb Magdeburg GmbH & Co. KG	Schönebeck		100.00	51.00	28
34	CLG Lagerhaus GmbH	Duisburg		100.00	100.00	27
35	CVP Chemie-Vertrieb Berlin GmbH	Berlin		100.00	51.00	28
36	CVH Chemie-Vertrieb Verwaltungsgesellschaft mbH	Hanover		51.00	51.00	27
37	Blitz 03-1161 GmbH	Mülheim		100.00	100.00	40
38	Blitz 03-1162 GmbH	Mülheim		100.00	100.00	42
39	Blitz 03-1163 GmbH	Mülheim		100.00	100.00	43
40	Brenntag Foreign Holding GmbH	Mülheim		100.00	100.00	45
41	ROSEA Grundstücks-Vermietungs- gesellschaft mbH & Co. Objekt ³⁾	Düsseldorf		94.00	94.00	27
42	CM Komplementär 03-018 GmbH & Co. KG	Mülheim		100.00	100.00	37
43	CM Komplementär 03-019 GmbH & Co. KG	Mülheim		100.00	100.00	38
44	CM Komplementär 03-020 GmbH & Co. KG	Mülheim		100.00	100.00	39
45	Brenntag Beteiligungs GmbH	Mülheim		100.00	100.00	49
46	Brenntag Finanz-Service GmbH ³⁾	Mülheim		0.00	0.00	90
47	BRENNTAG GmbH	Duisburg		100.00	100.00	27
48	BRENNTAG International Chemicals GmbH	Mülheim		100.00	100.00	27
49	Brenntag Holding GmbH	Mülheim		100.00	100.00	1
50	Brenntag Real Estate GmbH	Mülheim		100.00	100.00	45

No.	Company	Seat	Held directly % ¹⁾	Held indirectly % ¹⁾	Effective net holding % ¹⁾	Via No.
Dominican Republic						
51	Brenntag Caribe S.R.L.	Santo Domingo		100.00 0.00	100.00	120 125
52	HCI Chemcentral Dominica Republic S.A.	Santo Domingo		99.80 0.10 0.10	100.00	120 22 23
Ecuador						
53	Brenntag Ecuador S.A.	Guayaquil		100.00	100.00	120
El Salvador						
54	Brenntag El Salvador S.A. de C.V.	San Salvador		100.00	100.00	120
Finland						
55	BRENNTAG Nordic OY	Kaunianen		100.00	100.00	120
France						
56	BRENNTAG S.A.	Chassieu		100.00	100.00	62
57	Brenntag Maghreb SAS	Vitrolles		100.00	100.00	61
58	Societe commerciale Tardy et Cie. S.a.r.l.	Vitrolles		51.22	51.22	61
59	Brenntag Investissement SAS	Chassieu		100.00	100.00	62
60	Brachem France Holding SAS	Chassieu		100.00	100.00	49
61	Brenntag Export S.A.R.L.	Vitrolles		100.00	100.00	56
62	Brenntag France Holding SAS	Chassieu		100.00	100.00	60
63	Brenntag France SAS ³⁾	Paris		0.00	0.00	90
64	Metausel SAS	Chassieu		100.00	100.00	62
Greece						
65	Brenntag Hellas Chimika Monoprosopi EPE	Agia Paraskevi Attika		100.00	100.00	131
United Kingdom						
66	Woodland 4 Limited	Leeds		100.00	100.00	40
67	Albion Distillation Service Ltd.	Leeds		100.00	100.00	78
68	Brenntag Colours Ltd.	Leeds		100.00	100.00	78
69	Brenntag Inorganic Chemicals Ltd.	Leeds		100.00	100.00	71
70	Brenntag Inorganic Chemicals (Thetford) Ltd.	Leeds		100.00	100.00	78
71	Brenntag UK and Ireland Limited	Leeds		100.00	100.00	79
72	Brenntag UK Group Limited	Leeds		100.00	100.00	74
73	Brenntag UK Limited	Leeds		100.00	100.00	78
74	Brenntag UK Holding Ltd.	Leeds		100.00	100.00	59
75	Murgatroyd's Salt & Chemical Company Ltd.	Leeds		100.00	100.00	69
76	Water Treatment Solution Ltd.	Leeds		100.00	100.00	69
77	Woodland 1 Ltd.	Leeds		100.00	100.00	72
78	Woodland 2 Ltd.	Leeds		100.00	100.00	71
79	Woodland 3 Ltd.	Leeds		100.00	100.00	72
Guatemala						
80	Brenntag Guatemala S.A.	Guatemala City		100.00	100.00	120

No.	Company	Seat	Held directly % ¹⁾	Held indirectly % ¹⁾	Effective net holding % ¹⁾	Via No.
Honduras						
81	Inversiones Quimicas S.A.	San Pedro Sula		98.51 1.49	100.00	120 125
82	Compania Hondurena de Terminales S.A.	Puerto Cortez		96.00 4.00	100.00	120 22
Hong Kong						
83	Brenntag Hong Kong Limited	Wanchai		99.96 0.04	100.00	120 125
India						
84	Brenntag India Private Ltd.	Mumbai		100.00	100.00	120
85	Brenntag Ingredients (India) Private Limited ²⁾	Neu Delhi		100.00	100.00	155
Indonesia						
86	PT Brenntag Indonesia	Jakarta Selatan		99.00 1.00	100.00	120 121
87	PT Dharmala HCI i.L.	Jakarta		91.14	91.14	120
88	PT EAC Indonesia ²⁾	Jakarta		97.63	97.63	155
Ireland						
89	Brenntag Chemical Distribution (Ireland) Ltd.	Dublin		100.00	100.00	78
90	Brenntag Funding Limited ³⁾	Dublin		0.00	0.00	
Italy						
91	BRENNTAG HOLDING S.p.A.	Milan		100.00	100.00	120
92	BRENNTAG S.p.A.	Milan		100.00	100.00	91
93	Romana Chimici S.p.A.	Anagni		80.00 20.00	100.00	92 91
94	Brenntag Italia S.r.l. ³⁾	Milan		0.00	0.00	90
95	Natural World S.r.l.	Lugo		100.00	100.00	92
Canada						
96	BRENNTAG Canada, Inc.	Etobicoke		100.00	100.00	124
Columbia						
97	Brenntag Colombia S.A.	Bogota		92.00 5.06 0.57 1.23 1.14	100.00	120 121 22 23 125
98	Canytam Limited	Bogota		100.00	100.00	97
99	HCI Chemcentral de Colombia, E.U.	Bogota		100.00	100.00	188
Croatia						
100	BRENNTAG Hrvatska d.o.o.	Zagreb		100.00	100.00	131
Latvia						
101	S I A BRENNTAG LATVIA	Riga		100.00	74.00	140
102	Dipol Baltija SIA	Riga		100.00	100.00	189
Lithuania						
103	UAB Brenntag Lietuva	Klaipeda		100.00	74.00	140

No.	Company	Seat	Held directly % ¹⁾	Held indirectly % ¹⁾	Effective net holding % ¹⁾	Via No.
Luxembourg						
104	Brenntag FinanceCo I, S.a.r.L.	Munsbach		100.00	100.00	49
105	Brenntag FinanceCo II, S.a.r.L.	Munsbach		100.00	100.00	49
Malaysia						
106	Akashi SDN. BHD. ²⁾	Shah Alam		100.00	100.00	111
107	Akashi Biosystems SDN. BHD. ²⁾	Shah Alam		100.00	100.00	106
108	Akashi Specialities SDN. BHD. ²⁾	Shah Alam		100.00	100.00	106
109	Brenntag Malaysia SDN. BHD.	Kuala Lumpur		100.00	100.00	120
110	Brenntag Malaysia Services SDN. BHD. ²⁾	Shah Alam		100.00	100.00	106
111	Brenntag SDN. BHD. ²⁾	Shah Alam		100.00	100.00	155
112	Casechem Industries SDN. BHD. ²⁾	Shah Alam		100.00	100.00	106
113	Oridient SDN. BHD. ²⁾	Shah Alam		100.00	100.00	106
114	Seawards SDN. BHD. ²⁾	Shah Alam		100.00	100.00	111
Morocco						
115	Brenntag Maroc, S.A.R.L.	Casablanca		100.00	100.00	160
116	Alcochim Maroc S.A.R.L.	Casablanca		100.00	100.00	57
Mexico						
117	Brenntag Mexico S.A. de C.V.	Mexico City		99.99 0.01	100.00	120 22
118	BRENNTAG Pacific S. DE R.L. DE C.V.	Tijuana		1.00 99.00	100.00	185 186
Nicaragua						
119	Brenntag Nicaragua, S.A.	Managua		100.00	100.00	120
Netherlands						
120	BRENNTAG (Holding) B.V.	Amsterdam		26.00 74.00	100.00	40 128
121	H.C.I Chemicals Nederland B.V.	Amsterdam		100.00	100.00	120
122	BRENNTAG NEDERLAND B.V.	Dordrecht		100.00	100.00	120
123	HCI USA Holdings B.V.	Amsterdam		100.00	100.00	126
124	Holland Chemical International B.V.	Amsterdam		100.00	100.00	120
125	HCI Central Europe Holding B.V.	Amsterdam		100.00	100.00	120
126	Brenntag Coöperatief U.A.	Amsterdam		99.00 1.00	100.00	185 184
127	Brenntag Dutch C.V.	Amsterdam		99.90 0.10	100.00	120 121
128	Brenntag HoldCo B.V.	Dordrecht		100.00	100.00	49
129	Brenntag Vastgoed B.V.	Dordrecht		100.00	100.00	122
Norway						
130	BRENNTAG Nordic AS	Oslo		100.00	100.00	152
Austria						
131	Brenntag CEE GmbH	Vienna		99.90 0.10	100.00	134 45
132	JLC-Chemie Handels GmbH	Wiener Neustadt		100.00	100.00	131
133	Provida GmbH	Vienna		100.00	100.00	131
134	Brenntag Austria Holding GmbH	Vienna		100.00	100.00	10

No.	Company	Seat	Held directly % ¹⁾	Held indirectly % ¹⁾	Effective net holding % ¹⁾	Via No.
Panama						
135	BRENNTAG PANAMA S.A.	Panama City		100.00	100.00	22
Peru						
136	Brenntag Peru SAC	Lima		100.00	100.00	120
Philippines						
137	Brenntag Ingredients Inc. ²⁾	Makati City		100.00	100.00	155
138	Brenntag Philippines Inc.	Taguig		100.00	100.00	120
139	Phil-Asiachem Inc. ²⁾	Makati City		100.00	100.00	137
Poland						
140	BRENNTAG Polska Sp. z o.o.	Kedzierzyn Kozle		35.00 39.00	74.00	10 131
141	Eurochem Service Polska Sp. z o.o.	Warsaw		100.00	74.00	140
142	Forchem Sp. z o.o.	Warsaw		100.00	74.00	11
143	Obsidian Company Sp. z o.o.	Warsaw		100.00	74.00	140
144	PHU Elmar Sp. z o.o.	Dabrowa		100.00	74.00	140
Portugal						
145	BRENNTAG PORTUGAL-PRODUTOS QUIMICOS Lda.	Sintra		73.67 0.28 26.05	100.00	40 27 120
Puerto Rico						
146	Brenntag Puerto Rico, Inc.	Caguas		100.00	100.00	120
Romania						
147	S.C. Brenntag s.r.l.	Bucharest		100.00	100.00	125
Russia						
148	OOO BRENNTAG	Moscow		100.00	100.00	131
149	Tride Rus	St. Petersburg		100.00	100.00	173
Sweden						
150	Brenntag Nordic AB	Malmö		100.00	100.00	151
151	Brenntag Nordic Investment AB	Gothenburg		100.00	100.00	152
152	Brenntag Nordic Holding AB	Gothenburg		100.00	100.00	120
Switzerland						
153	Brenntag Schweizerhall AG	Reinach		100.00	100.00	62
Singapore						
154	Brenntag Asia Pacific PTE. LTD.	Singapore		100.00	100.00	120
155	Brenntag PTE. LTD. ²⁾	Singapore		100.00	100.00	26
156	Brenntag Singapore PTE. LTD.	Singapore		100.00	100.00	120
Slovakia						
157	BRENNTAG SLOVAKIA s.r.o.	Bratislava		100.00	100.00	131
Slovenia						
158	Brenntag Ljubljana d.o.o.	Trzin		100.00	100.00	131
Spain						
159	Devon Chemicals S.A.	Barcelona		100.00	100.00	120
160	BRENNTAG Quimica S.A.	Dos Hermanas		100.00	100.00	62
161	BRENNTAG QUIMICA Finance, S.L.U. ³⁾	Sevilla		0.00	0.00	90

No.	Company	Seat	Held directly % ¹⁾	Held indirectly % ¹⁾	Effective net holding % ¹⁾	Via No.
Taiwan						
162	BRENNTAG (Taiwan) Co. Ltd.	Taipei		100.00	100.00	120
163	Brenntag Chemicals Co., Ltd.	Taipei		100.00	100.00	120
Thailand						
164	Brenntag (Thailand) Co. Ltd.	Bangkok		0.00 99.99 0.01	100.00	154 120 121
165	Brenntag Enterprises (Thailand) Co., Ltd. ²⁾	Bangkok		49.00 51.00	100.00	26 167
166	Brenntag Ingredients (Thailand) Public Company Limited ²⁾	Bangkok		49.00 51.00	100.00	26 165
167	Brenntag Service (Thailand) Co., Ltd. ²⁾	Bangkok		49.00 51.00	100.00	26 165
168	Thai-Dan Corporation Limited ²⁾	Bangkok		99.90	99.90	166
Czech Republic						
169	Brenntag CR s.r.o.	Prague		100.00	100.00	131
Tunisia						
170	Alliance Tunisie S.A.R.L.	Tunis		100.00	100.00	57
Turkey						
171	Brenntag Kimya Ticaret Limited Sirketi	Kavacik – Istanbul		0.02 99.98	100.00	134 131
Ukraine						
172	Poldiplast Ltd.	Kiev		100.00	100.00	189
173	Tride Ltd.	Kiev		100.00	100.00	131
Hungary						
174	Brenntag Hungaria Kft.	Budapest		97.94 2.06	100.00	131 125
175	BCB Union Kft.	Budapest		96.67 3.33	100.00	120 121
USA						
176	Brenntag Mid-South, Inc.	Henderson/Kentucky		100.00	100.00	185
177	Brenntag Southwest, Inc.	Longview/Texas		100.00	100.00	185
178	Brenntag Northeast, Inc.	Reading		100.00	100.00	185
179	Reading	Durham		100.00	100.00	185
180	Coastal Chemical Company, L.L.C.	Abbeville		100.00	100.00	123
181	Brenntag Latin America, Inc.	Wilmington		100.00	100.00	185
182	BBrenntag Funding L.L.C.	Reading		100.00	100.00	185
183	Brenntag Great Lakes L.L.C.	Milwaukee		100.00	100.00	123
184	Brenntag North America Foreign Holding, L.L.C.	Wilmington		100.00	100.00	185
185	Brenntag North America, Inc.	Reading		100.00	100.00	120
186	Brenntag Pacific, Inc.	Santa Fe Springs		100.00	100.00	185
187	Brenntag Specialties, Inc.	South Plainfield		100.00	100.00	185
188	Brenntag Specialties Latin America, L.L.C.	Springfield		100.00	100.00	120
189	Dipol Chemical International, Inc.	Rockville		100.00	100.00	131

No.	Company	Seat	Held directly % ¹⁾	Held indirectly % ¹⁾	Effective net holding % ¹⁾	Via No.
Venezuela						
190	Holanda Venezuela C.A.	Caracas		100.00	100.00	120
191	Inversiones HCI Chemcentral de Venezuela, C.A.	Caracas		100.00	100.00	190
192	Quimicos Barcelona, C.A.	Caracas		100.00	100.00	190
Vietnam						
193	Brenntag Vietnam Single Member LLC	Ho Chi Minh City		100.00	100,00	156
194	Nam Giang Trading and Service Co., Ltd ²⁾³⁾	Ho Chi Minh City		0.00	0.00	
INVESTMENTS ACCOUNTED FOR AT EQUITY						
Denmark						
195	Borup Kemi I/S	Borup, Skovbo		33.30	33.30	25
Germany						
196	Richard Sichler GmbH & Co. KG	Braunschweig		50.00	25,50	28
197	SOFT CHEM GmbH	Hanover		33.40	17.03	36
Malaysia						
198	AB Far East SDN. BHD. ²⁾	Shah Alam		50.00	50,00	111
199	Amochem SDN. BHD. ²⁾	Shah Alam		50.00	50.00	111
South Africa						
200	Crest Chemicals (Proprietary) Limited	Midrand		50.00	50.00	120
Thailand						
201	Berli Asiatic Soda Co. Ltd. ²⁾	Bangkok		50.00	50.00	166
202	Siri Asiatic Company Ltd. ²⁾	Bangkok		50.00	50.00	166

¹⁾ Shares in the capital of the company²⁾ Business combinations in accordance with IFRS 3 in 2010³⁾ Special purpose entity

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Brenntag AG, comprising the statement of financial position, the income statement, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the Brenntag AG for the business year from January 1, 2010 to December 31, 2010. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, 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 supplementary provisions of the articles of incorporation are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements 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). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, March, 15, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgd. Klaus-Dieter Ruske

Wirtschaftsprüfer
(German Public Auditor)

sgd. Frank Hübner

Wirtschaftsprüfer
(German Public Auditor)

SEGMENT REPORTING

BUSINESS PERFORMANCE OF THE BRENNTAG GROUP

in EUR m	2010	2009	Change		
			abs.	in %	in % (fx adj.)
External sales	7,649.1	6,364.6	1,284.5	20.2	15.3
Operating gross profit	1,673.9	1,493.2	180.7	12.1	7.5
Operating expenses	–1,071.3	–1,012.9	–58.4	5.8	1.4
Operating EBITDA	602.6	480.3	122.3	25.5	20.2
<i>Transaction costs/holding charges</i>	<i>–5.0</i>	<i>–3.7</i>	<i>–1.3</i>	–	–
EBITDA (incl. transaction costs/holding charges)	597.6	476.6	121.0	25.4	20.1
Depreciation of property, plant and equipment	–84.0	–82.3	–1.7	2.1	–1.4
EBITA	513.6	394.3	119.3	30.3	24.5
Amortization of intangible assets	–104.6	–123.6	19.0	–15.4	–18.7
Financial result	–177.2	–223.6	46.4	–20.8	–
Profit before tax	231.8	47.1	184.7	392.1	–
Income taxes	–85.2	–46.6	–38.6	82.8	–
Profit after tax	146.6	0.5	146.1	> 1,000	–

in EUR m	Q4 2010	Q4 2009	Change		
			abs.	in %	in % (fx adj.)
External sales	1,938.9	1,548.4	390.5	25.2	18.8
Operating gross profit	420.6	359.6	61.0	17.0	10.7
Operating expenses	–265.6	–271.0	5.4	–2.0	–7.1
Operating EBITDA	155.0	88.6	66.4	74.9	64.2
<i>Transaction costs/holding charges</i>	<i>1.4</i>	<i>–2.5</i>	<i>3.9</i>	–	–
EBITDA (incl. transaction costs/holding charges)	156.4	86.1	70.3	81.6	70.1
Depreciation of property, plant and equipment	–21.7	–20.4	–1.3	6.4	1.4
EBITA	134.7	65.7	69.0	105.0	90.8
Amortization of intangible assets	–6.9	–30.2	23.3	–77.2	–77.5
Financial result	–35.8	–52.0	16.2	–31.2	–
Profit before tax	92.0	–16.5	108.5	–657.6	–
Income taxes	–29.6	–1.3	–28.3	> 1,000	–
Profit after tax	62.4	–17.8	80.2	450.6	–

BUSINESS PERFORMANCE IN THE SEGMENTS

2010 in EUR m	Brenntag Group	Europe	North America	Latin America	Asia Pacific	All Other Segments
External sales	7,649.1	3,927.5	2,442.7	725.1	217.1	336.7
Operating gross profit	1,673.9	863.0	613.0	137.8	45.7	14.4
Operating expenses	-1,071.3	-576.5	-348.6	-91.9	-28.1	-26.2
Operating EBITDA	602.6	286.5	264.4	45.9	17.6	-11.8

4th quarter 2010 in EUR m	Brenntag Group	Europe	North America	Latin America	Asia Pacific	All Other Segments
External sales	1,938.9	979.3	598.9	182.1	95.2	83.4
Operating gross profit	420.6	213.3	150.5	34.1	19.0	3.7
Operating expenses	-265.6	-146.9	-84.4	-21.8	-11.6	-0.9
Operating EBITDA	155.0	66.4	66.1	12.3	7.4	2.8

Europe

in EUR m	2010	Change			
		2009	abs.	in %	in % (fx adj.)
External sales	3,927.5	3,434.4	493.1	14.4	12.2
Operating gross profit	863.0	807.6	55.4	6.9	5.0
Operating expenses	-576.5	-557.0	-19.5	3.5	1.6
Operating EBITDA	286.5	250.6	35.9	14.3	12.4

in EUR m	Q4 2010	Change			
		Q4 2009	abs.	in %	in % (fx adj.)
External sales	979.3	849.6	129.7	15.3	13.0
Operating gross profit	213.3	198.0	15.3	7.7	5.6
Operating expenses	-146.9	-142.0	-4.9	3.5	1.2
Operating EBITDA	66.4	56.0	10.4	18.6	16.8

North America

in EUR m	2010	Change			
		2009	abs.	in %	in % (fx adj.)
External sales	2,442.7	2,050.5	392.2	19.1	11.7
Operating gross profit	613.0	537.7	75.3	14.0	6.8
Operating expenses	-348.6	-340.9	-7.7	2.3	-4.4
Operating EBITDA	264.4	196.8	67.6	34.3	26.2

in EUR m	Q4 2010	Change			
		Q4 2009	abs.	in %	in % (fx adj.)
External sales	598.9	469.4	129.5	27.6	15.9
Operating gross profit	150.5	123.8	26.7	21.6	10.3
Operating expenses	-84.4	-97.9	13.5	-13.8	-20.5
Operating EBITDA	66.1	25.9	40.2	155.2	118.4

Latin America

in EUR m	2010	2009	Change		
			abs.	in %	in % (fx adj.)
External sales	725.1	610.5	114.6	18.8	8.3
Operating gross profit	137.8	123.3	14.5	11.8	2.5
Operating expenses	-91.9	-81.0	-10.9	13.5	3.7
Operating EBITDA	45.9	42.3	3.6	8.5	0.0

in EUR m	Q4 2010	Q4 2009	Change		
			abs.	in %	in % (fx adj.)
External sales	182.1	151.5	30.6	20.2	8.8
Operating gross profit	34.1	32.0	2.1	6.6	-2.8
Operating expenses	-21.8	-22.7	0.9	-4.0	-13.0
Operating EBITDA	12.3	9.3	3.0	32.3	22.5

Asia Pacific

in EUR m	2010	2009	Change		
			abs.	in %	in % (fx adj.)
External sales	217.1	58.4	158.7	271.7	219.7
Operating gross profit	45.7	14.5	31.2	215.2	173.7
Operating expenses	-28.1	-10.4	-17.7	170.2	130.3
Operating EBITDA	17.6	4.1	13.5	329.3	291.1

in EUR m	Q4 2010	Q4 2009	Change		
			abs.	in %	in % (fx adj.)
External sales	95.2	15.2	80.0	526.3	444.3
Operating gross profit	19.0	3.9	15.1	387.2	327.3
Operating expenses	-11.6	-2.4	-9.2	383.3	307.1
Operating EBITDA	7.4	1.5	5.9	393.3	362.5

All Other Segments

in EUR m	2010	2009	Change		
			abs.	in %	in % (fx adj.)
External sales	336.7	210.8	125.9	59.7	59.7
Operating gross profit	14.4	10.1	4.3	42.6	42.6
Operating expenses	-26.2	-23.6	-2.6	11.0	11.0
Operating EBITDA	-11.8	-13.5	1.7	-12.6	-12.6

in EUR m	Q4 2010	Q4 2009	Change		
			abs.	in %	in % (fx adj.)
External sales	83.4	62.7	20.7	33.0	33.0
Operating gross profit	3.7	1.9	1.8	94.7	94.7
Operating expenses	-0.9	-6.0	5.1	-85.0	-85.0
Operating EBITDA	2.8	-4.1	6.9	-168.3	-168.3

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	2010	3,927.5	2,442.7	725.1	217.1	336.7	–	7,649.1
	2009	3,434.4	2,050.5	610.5	58.4	210.8	–	6,364.6
	Change in %	14.4	19.1	18.8	271.7	59.7	–	20.2
	fx adjusted change in %	12.2	11.7	8.3	219.7	59.7	–	15.3
Inter-segment sales	2010	4.3	3.8	10.7	–	2.8	–21.6	–
	2009	2.8	3.0	18.0	–	0.6	–24.4	–
Operating gross profit ²⁾	2010	863.0	613.0	137.8	45.7	14.4	–	1,673.9
	2009	807.6	537.7	123.3	14.5	10.1	–	1,493.2
	Change in %	6.9	14.0	11.8	215.2	42.6	–	12.1
	fx adjusted change in %	5.0	6.8	2.5	173.7	42.6	–	7.5
Gross profit	2010	–	–	–	–	–	–	1,636.4
	2009	–	–	–	–	–	–	1,459.5
	Change in %	–	–	–	–	–	–	12.1
	fx adjusted change in %	–	–	–	–	–	–	7.6
Operating EBITDA	2010	286.5	264.4	45.9	17.6	–11.8	–	602.6
	2009	250.6	196.8	42.3	4.1 ⁴⁾	–13.5 ⁴⁾	–	480.3
	Change in %	14.3	34.3	8.5	329.3	–12.6	–	25.5
	fx adjusted change in %	12.4	26.2	0.0	291.1	–12.6	–	20.2
EBITDA	2010	–	–	–	–	–	–	597.6
	2009	–	–	–	–	–	–	476.6
	Change in %	–	–	–	–	–	–	25.4
	fx adjusted change in %	–	–	–	–	–	–	20.1
Operating EBITDA/ Operating gross profit ²⁾	2010 in %	33.2	43.1	33.3	38.5	–81.9	–	36.0
	2009 in %	31.0	36.6	34.3	28.3 ⁴⁾	–133.7 ⁴⁾	–	32.2
Investments in non-current assets (Capex) ³⁾	2010	54.3	18.4	9.1	2.9	0.4	–	85.1
	2009	48.7	15.8	6.2	0.8	0.3	–	71.8

¹⁾ Further information on segment reporting in accordance with IFRS 8 is to be found under Note 32.

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.

⁴⁾ The expense in connection with the department of the Asia Pacific Holding that deals with the strategic further development of this segment has been shown under All Other Segments since 2010; the prior-year figures have been restated accordingly.

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	2010	979.3	598.9	182.1	95.2	83.4	–	1,938.9
	2009	849.6	469.4	151.5	15.2	62.7	–	1,548.4
	Change in %	15.3	27.6	20.2	526.3	33.0	–	25.2
	fx adjusted change in %	13.0	15.9	8.8	444.3	33.0	–	18.8
Inter-segment sales	2010	1.0	0.8	0.9	–	0.8	–3.5	–
	2009	0.2	0.7	3.7	–	0.1	–4.7	–
Operating gross profit ²⁾	2010	213.3	150.5	34.1	19.0	3.7	–	420.6
	2009	198.0	123.8	32.0	3.9	1.9	–	359.6
	Change in %	7.7	21.6	6.6	387.2	94.7	–	17.0
	fx adjusted change in %	5.6	10.3	–2.8	327.3	94.7	–	10.7
Gross profit	2010	–	–	–	–	–	–	410.5
	2009	–	–	–	–	–	–	350.8
	Change in %	–	–	–	–	–	–	17.0
	fx adjusted change in %	–	–	–	–	–	–	10.9
Operating EBITDA	2010	66.4	66.1	12.3	7.4	2.8	–	155.0
	2009	56.0	25.9	9.3	1.5 ⁴⁾	–4.1 ⁴⁾	–	88.6
	Change in %	18.6	155.2	32.3	393.3	–168.3	–	74.9
	fx adjusted change in %	16.8	118.4	22.5	362.5	–168.3	–	64.2
EBITDA	2010	–	–	–	–	–	–	156.4
	2009	–	–	–	–	–	–	86.1
	Change in %	–	–	–	–	–	–	81.6
	fx adjusted change in %	–	–	–	–	–	–	70.1
Operating EBITDA/ Operating gross profit ²⁾	2010 in %	31.1	43.9	36.1	38.9	75.7	–	36.9
	2009 in %	28.3	20.9	29.1	38.5 ⁴⁾	–215.8 ⁴⁾	–	24.6
Investments in non-current assets (Capex) ³⁾	2010	24.4	6.3	5.1	1.9	0.2	–	37.9
	2009	24.6	9.3	3.9	0.2	0.2	–	38.2

¹⁾ Further information on segment reporting in accordance with IFRS 8 is to be found under Note 32.

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.

⁴⁾ The expense in connection with the department of the Asia Pacific Holding that deals with the strategic further development of this segment has been shown under All Other Segments since 2010; the prior-year figures have been restated accordingly.

FINANCIAL CALENDAR

March 24, 2011	Annual Report 2010
May 11, 2011	Interim Report Q1 2011
May 19–20, 2011	Deutsche Bank German & Austrian Corporate Conference, Frankfurt
June 9, 2011	Deutsche Bank Leveraged Loan Conference, London
June 22, 2011	Annual General Meeting, Düsseldorf
August 10, 2011	Interim Report Q2 2011
September 1, 2011	Commerzbank Sector Conference, Frankfurt
November 10, 2011	Interim Report Q3 2011
November 21, 2011	Bank of America Business Services Conference, London
November 29–30, 2011	Berenberg Conference, London
December 6–7, 2011	Credit Suisse Business Services West Coast Conference, San Francisco

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

Disclaimer

This report contains forward-looking statements. The words “anticipate”, “assume”, “believe”, “estimate”, “expect”, “intend”, “plan”, “project”, “may”, “should” and similar expressions are used to identify forward-looking statements. Forward-looking statements are statements that are not historical facts; instead they reflect our current views and expectations and the assumptions underlying them about future events.

These forward-looking statements are subject to many risks and uncertainties, including a lack of further improvement or a renewed deterioration of global economic conditions, in particular a renewed decline of consumer demand and investment activities in Western Europe or the United States, a downturn in major Asian economies, a continuation of the tense situation in the credit and financial markets and other risks and uncertainties.

If any of these risks and uncertainties materialize or if the assumptions underlying any of our forward-looking statements prove to be incorrect, our actual results may be materially different from those expressed or implied by such forward-looking statements. We do not assume any obligation or intend to update these forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made.



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