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Ulixes Limited

Report and Financial Statements

31 December 2012

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COMPANIES HOUSE

Directors

W T Hill
S Duyfjes
A Weaver Fisher

Secretary

Pinsent Masons Secretarial Limited
1 Park Row
Leeds
LS1 5AB

Auditors

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

Registered Office

Aquarius House
6 Mid Point Business Park
Thornbury
Bradford
BD3 7AY

Registered No 06371237

Directors' report

The directors present their report and financial statements for the year ended 31 December 2012

Results and dividends

The loss for the year after taxation amounted to £5,457,000 (2011 – loss of £12,390,000) The directors do not recommend a final dividend (2011 – £nil)

Principal activity and review of the business

The company has acted, and continues to act, since incorporation as a holding company Details of subsidiary undertakings are included in note 7

The company's key financial and other performance indicators during the year were as follows

	2012 £000	2011 £000
Shareholders' funds	51,529	45,923

Excluding loans and interest owed to its parent undertaking the company has net assets of £225,172,000 (2011 – £228,064,000)

On 17 December 2012, the company issued 11,062,897 of £1 ordinary shares to its immediate parent, Univar Inc in exchange for the capitalisation of one of its USD denominated intercompany loans

On 20 December 2012, the company acquired a number of freehold properties from a UK subsidiary entity, Cravenhurst Properties Limited The transfer was executed at net book value

Future developments

The directors intend the company to continue to act as a holding company

Principal risks and uncertainties

The company holds significant investments in group companies and there is a risk that these investments will not be recovered, although as the group continues to produce positive cash flows the directors are confident of their recoverability

The company has two unsecured interest bearing intercompany loans with its ultimate parent, Univar Inc, all of which are denominated in US Dollars The interest and exchange risk is mitigated by the fact that the loans are from a fellow group company

Going concern

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future Univar Inc has also agreed to continue to support the company until at least 1 October 2014

Directors' report (continued)

Directors

The directors who served the company during the year and subsequently were as follows

W T Hill

C Jeusse (resigned with effect from 11 May 2012)

A Weaver Fisher

S Duyfjes (appointed with effect from 11 May 2012)

Directors' liabilities

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provisions remain in force as at the date of approving the directors' report.

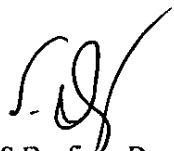
Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



S Duyfjes - Director

15 July 2013

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Ulixes Limited

We have audited the financial statements of Ulixes Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report (continued)

to the members of Ulixes Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Alastair John Richard Nuttall (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)

Leeds
18 July 2013

Profit and loss account

for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Turnover			
Administrative expenses		(2)	-
Exchange gain / (loss)		7,889	(3,651)
Operating profit / (loss)	2	7,887	(3,651)
Interest payable and similar charges	4	(10,454)	(10,023)
Loss on ordinary activities before taxation		(2,567)	(13,674)
Tax	5	(2,890)	1,284
Loss for the financial year	11	(5,457)	(12,390)

All amounts relate to continuing activities

Statement of total recognised gains and losses

for the year ended 31 December 2012

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £5,457,000 in the year ended 31 December 2012 (2011 – loss of £12,390,000)

Balance sheet

at 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Tangible fixed assets	6	3,533	-
Investments	7	243,718	243,718
		247,251	243,718
Current assets			
Debtors amounts falling due within one year	8	7,092	9,976
Creditors amounts falling due within one year	9	(202,814)	(207,771)
Net current liabilities		(195,722)	(197,796)
Total assets less current liabilities		51,529	45,923
Net assets		51,529	45,923
Capital and reserves			
Called up share capital	10	11,063	-
Capital reserve	11	104,356	104,356
Profit and loss account	11	(63,890)	(58,433)
Shareholders' funds	12	51,529	45,923

The financial statements of Ulixes Limited (registered number 06371237) were approved by the board of directors and authorised for issue on 15 July 2013. They were signed on its behalf by



S Duyffes
Director

15 July 2013

Notes to the financial statements

at 31 December 2012

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

Going concern

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Univar Inc has also agreed to continue to support the company until at least 1 October 2014. Accordingly, the management continue to adopt the going concern basis in preparing the annual report and financial statements.

Group financial statements

The company has not prepared group financial statements as it is a wholly owned subsidiary undertaking of a company which itself prepares group financial statements and so is exempt by virtue of section 400 of the Companies Act 2006. These financial statements present information about the company as an individual undertaking and not about its group.

Statement of cash flows

Under FRS 1 (Revised 1996) the company is exempt from the requirement to prepare a statement of cash flows on the grounds that it is a wholly owned subsidiary undertaking and group financial statements in which the company is included are publicly available.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	–	10 – 50 years
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The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments in subsidiaries are stated in the balance sheet at cost less any provisions for impairment. The carrying value of investments is reviewed on an annual basis for any signs of impairment. When a provision for impairment is deemed necessary the resulting expense is charged to the profit and loss account.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences are taken to the profit and loss account.

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with following exceptions

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by repayments made in the period.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

2. Operating loss

This is stated after charging/(crediting)

	2012 £000	2011 £000
Exchange (gain) / loss	(7,889)	3,651
Depreciation of owned fixed assets	6	-

Auditors' remuneration of £1,000 in the current year was borne by a fellow group company (2011 £1,000)

3. Directors' remuneration and staff costs

No remunerations were paid to the directors in the current year or preceding year for their services to the company. The company had no employees during the year apart from the directors.

The directors of the company are also directors of the holding company and/or fellow subsidiaries. The directors received remuneration for the year of £3,000 (2011 – £3,000) in relation to qualifying services as directors of this company, all of which was paid by Univar Inc and Univar Benelux SA.

Notes to the financial statements

at 31 December 2012

4. Interest payable and similar charges

	2012 £000	2011 £000
Bank loans	-	416
Group interest	10,454	8,536
Finance expenses	-	1,071
	<u>10,454</u>	<u>10,023</u>

5. Tax

(a) Tax on loss on ordinary activities

The tax (charge) / credit is made up as follows

	2012 £000	2011 £000
Current tax.		
UK corporation tax on the loss for the year	-	(4,038)
Adjustments in respect of prior year	(2,890)	(119)
Total current tax (note 5(b))	<u>(2,890)</u>	<u>(4,157)</u>
Deferred tax:		
Adjustments in respect of prior year	-	2,820
Tax rate adjustment	-	53
Total deferred tax	<u>-</u>	<u>2,873</u>
Tax on loss on ordinary activities	<u>(2,890)</u>	<u>(1,284)</u>

(b) Factors affecting tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%). The differences are explained below

	2012 £000	2011 £000
Loss on ordinary activities before tax	<u>(2,567)</u>	<u>(13,674)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%)	(629)	(3,624)
Effects of		
Non-deductible expenses	2	-
UK thin capitalisation adjustment	875	-
Non-(taxable)/deductible finance (gains)/costs	(1,933)	2,405
Reversal of timing differences	-	(2,819)
Group loss relief surrendered for no consideration	1,685	-
Prior year adjustments	<u>(2,890)</u>	<u>(119)</u>
Current tax for the year (note 5(a))	<u>(2,890)</u>	<u>(4,157)</u>

Notes to the financial statements

at 31 December 2012

5. Tax (continued)

A deferred tax asset totalling £2,953,000 (2011 – £3,209,000) in respect of non-trade deficits has not been recognised due to uncertainty over the future utilisation

(c) Factors that may affect future tax

The Finance Act 2012 received Royal Assent on 17 July 2012 and enacted a reduction in the main rate of corporation tax to 24% with effect from 1 April 2012 and to 23% from 1 April 2013. Deferred tax has therefore been provided at 23%.

On 20 March 2013, it was announced in the 2013 Budget that the main rate of corporation tax effective from 1 April 2014 will be 21% and that a further reduction of 1% will be applied to bring the main rate of corporation tax to 20% from 1 April 2015.

If these above changes had been substantially enacted at the balance sheet date, the deferred tax asset would have been unchanged.

The aggregate impact of the proposed reductions from 23% to 20% would reduce the unprovided deferred tax asset by approximately £385,000.

6. Tangible Fixed Assets

	<i>Freehold Property £000</i>
Cost	
At 1 January 2012	–
Additions	3,539
At 31 December 2012	<u>3,539</u>
Depreciation	
At 1 January 2012	–
Charge for the year	6
At 31 December 2012	<u>6</u>
Net book value	
At 31 December 2012	<u>3,533</u>
At 1 January 2012	<u>–</u>

Included in freehold property is land with a cost of £699,000 (2011 – £nil) which is not depreciated.

On 20 December 2012, the company acquired a number of Freehold Properties from a UK subsidiary entity, Cravenhurst Properties Limited. The transfer was executed at net book value.

Notes to the financial statements

at 31 December 2012

7. Investments

*Subsidiary
undertakings
£000*

Cost

At 1 January 2012 and 31 December 2012

243,718

The company has taken advantage of section 405(2) of the Companies Act 2006 and disclosed only those investments whose results or financial position materially affected the figures shown in the company's annual financial statements

The material investments in which the company holds at least 20% of the nominal value of any class of share capital, all of which are unlisted, are as follows

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Univar UK Limited	Ordinary/Preference shares	100%	Holding company
Univar UK Holdings Limited*	Ordinary shares	100%	Holding company
Ellis & Everard (UK Holdings) Limited*	Ordinary shares	100%	Holding company
Distrupol Limited *	Ordinary shares	100%	Chemical distribution
Univar Limited *	Ordinary shares	100%	Chemical distribution
Univar Specialty Consumables Limited*	Ordinary shares	100%	Consumables

*Investment held by subsidiary undertaking

8. Debtors

	<i>2012 £000</i>	<i>2011 £000</i>
Amounts due within one year		
Amounts owed by subsidiary undertakings	7,085	8,476
Other debtor	7	-
Corporation tax	-	1,500
Deferred tax (note 5(c))	-	-
	<u>7,092</u>	<u>9,976</u>

Notes to the financial statements

at 31 December 2012

9. Creditors: amounts falling due within one year

	2012 £000	2011 £000
Amounts owed to subsidiary undertakings	29,171	25,630
Amounts owed to parent undertaking – loan	172,547	182,068
– other	1,096	73
	<u>202,814</u>	<u>207,771</u>

On 17 December 2012, one of the intercompany loans held with the immediate parent entity, Univar Inc was capitalised (refer to note 10). The remaining two intercompany loans are unsecured and have no set date for repayment. Interest is charged on the loan of £172,547,000, from Ulixes Ltd's parent undertaking, at a rate of 4.06188% for £105,717,000 and 7.5% for £66,830,000. These loans and associated interest is denominated in US Dollars. No interest is charged on any other group borrowings.

10. Issued share capital

	No	2012 £000	No	2011 £000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	11,062,997	<u>11,063</u>	100	<u>–</u>

On 17 December 2012, the company issued 11,062,897 of £1 ordinary shares to its immediate parent, Univar Inc in exchange for the capitalisation of an intercompany loan (refer to note 9).

11. Movement reserves

	Profit and loss account £000	Capital reserve £000
At 1 January 2012	(58,433)	104,356
Loss for the year	(5,457)	–
At 31 December 2012	<u>(63,890)</u>	<u>104,356</u>

12. Reconciliation of shareholders' funds and movements on reserves

	2012 £000	2011 £000
Opening shareholders' funds	45,923	58,313
Loss for the year	(5,457)	(12,390)
Share capital issue	11,063	–
Closing shareholders' funds	<u>51,529</u>	<u>45,923</u>

13. Related party transactions

The directors have taken advantage of the exemption in FRS 8, paragraph 3(c), and have not disclosed related party transactions with parent and fellow subsidiary undertakings.

Notes to the financial statements

at 31 December 2012

14. Ultimate parent undertaking and controlling party

Univar Inc is the immediate parent, ultimate parent undertaking, and controlling party

Group financial statements, incorporating Ulixes Limited, for year ended 31 December 2012 were drawn up by Univar Inc, a company incorporated in the USA. The consolidated financial statements of Univar Inc have been filed at Companies House in conjunction with the financial statements of the ultimate UK parent company, Ulixes Limited.



2012 Financial Information



Consolidated Financial Statements

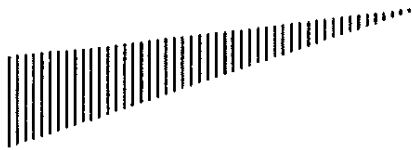
for the years ended December 31, 2012, 2011 and 2010

Univar Inc.

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Univar Inc

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Report of Independent Auditors

The Board of Directors and Stockholders
Univar Inc

We have audited the accompanying consolidated financial statements of Univar Inc (the Company), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2012, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U S generally accepted accounting principles, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Univar Inc at December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U S generally accepted accounting principles.

Ernst & Young LLP

March 29, 2013

UNIVAR INC.
CONSOLIDATED BALANCE SHEETS

(in US\$ millions, except share data)	December 31,	
	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 220 9	\$ 96 3
Trade accounts receivable, net	1,243 2	1,164 9
Inventories	928 8	761 5
Prepaid expenses and other current assets	158 9	148 4
Income tax receivable	52 3	14 1
Deferred tax assets, net	20 5	21 8
Total current assets	2,624 6	2,207 0
Property, plant and equipment, net	1,152 8	1,062 8
Goodwill	1,883 0	1,673 6
Intangible assets, net	762 2	652 6
Deferred tax assets, net	20 4	21 3
Other assets	75 9	84 8
Total assets	\$ 6,518 9	\$ 5,702 1
Liabilities and stockholders' equity		
Current liabilities		
Short-term financing	\$ 121 7	\$ 91 6
Trade accounts payable	892 1	910 7
Current portion of long-term debt	25 8	20 2
Accrued compensation	69 8	86 5
Other accrued expenses	384 6	308 2
Deferred tax liabilities	1 8	—
Income taxes payable	1 7	1 7
Total current liabilities	1,497 5	1,418 9
Long-term debt	3,750 2	3,022 8
Pension and other postretirement benefit liabilities	377 8	344 2
Deferred tax liabilities	188 6	61 2
Other long-term liabilities	178 4	194 7
Commitments and contingencies		
Stockholders' equity		
Common stock, \$0.00000014 par value, 734,625,648 shares authorized, 198,015,889 shares issued and outstanding at December 31, 2012 and 194,910,000 shares issued and outstanding at December 31, 2011	—	—
Additional paid-in capital	1,426 5	1,387 1
Accumulated deficit	(898 7)	(701 3)
Accumulated other comprehensive income (loss)	(1 4)	(25 5)
Total stockholders' equity	526 4	660 3
Total liabilities and stockholders' equity	\$ 6,518 9	\$ 5,702 1

The accompanying notes are an integral part of these consolidated financial statements

UNIVAR INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(in US\$ millions, except per share data)	Year Ended December 31,		
	2012	2011	2010
Net sales	\$ 9,747.1	\$ 9,718.5	\$ 7,908.2
Cost of goods sold	7,924.6	7,883.0	6,399.9
	1,822.5	1,835.5	1,508.3
Operating expenses			
Warehousing, selling and administrative	1,217.2	1,184.8	1,005.3
Other operating expenses, net	184.9	142.2	86.2
Depreciation	111.7	108.4	83.0
Amortization	93.3	90.0	45.6
Impairment charges	75.8	173.9	12.6
Total operating expenses	1,682.9	1,699.3	1,232.7
Operating income	139.6	136.2	275.6
Other income (expense)			
Interest income	9.0	7.1	7.7
Interest expense	(269.9)	(287.5)	(309.0)
Loss on extinguishment of debt	(0.5)	(16.1)	(14.5)
Total other expense	(261.4)	(296.5)	(315.8)
Loss before income taxes	(121.8)	(160.3)	(40.2)
Income tax expense	75.6	15.9	30.4
Net loss	\$ (197.4)	\$ (176.2)	\$ (70.6)
Loss per common share			
Basic and diluted	\$ (1.01)	\$ (0.91)	\$ (0.48)

The accompanying notes are an integral part of these consolidated financial statements

UNIVAR INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In US\$ millions)	Year Ended December 31,		
	2012	2011	2010
Net loss	\$ (197.4)	\$ (176.2)	\$ (70.6)
Other comprehensive income, net of tax			
Foreign currency translation adjustment	27.6	(56.0)	24.7
Pension liability adjustment	(7.6)	(6.9)	(6.2)
Derivative financial instruments	4.1	4.5	3.5
Total other comprehensive income (loss)	24.1	(58.4)	22.0
Comprehensive loss	\$ (173.3)	\$ (234.6)	(48.6)

The accompanying notes are an integral part of these consolidated financial statements

UNIVAR INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in US\$ millions, except share data)

	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2010	143,986,627	—	\$ 888.8	\$ (454.5)	\$ 10.9	\$ 445.2
Net loss	—	—	—	(70.6)	—	(70.6)
Foreign currency translation adjustment, net of tax of \$(3.5)	—	—	—	—	24.7	24.7
Pension liability adjustment, net of tax of \$4.2	—	—	—	—	(6.2)	(6.2)
Derivative financial instruments, net of tax of \$(14.6)	—	—	—	—	3.5	3.5
Issuance of common shares net	50,523,373	—	478.8	—	—	478.8
Employee loans for share-based compensation, net	—	—	(0.8)	—	—	(0.8)
Share-based compensation	—	—	1.3	—	—	1.3
Balance, December 31, 2010	194,510,000	—	1,368.1	(525.1)	32.9	875.9
Net loss	—	—	—	(176.2)	—	(176.2)
Foreign currency translation adjustment, net of tax of \$(2.3)	—	—	—	—	(56.0)	(56.0)
Pension liability adjustment, net of tax of \$4.9	—	—	—	—	(6.9)	(6.9)
Derivative financial instruments, net of tax of \$(2.6)	—	—	—	—	4.5	4.5
Share-based compensation	400,000	—	19.0	—	—	19.0
Balance, December 31, 2011	194,910,000	—	1,387.1	(701.3)	(25.5)	660.3
Net loss	—	—	—	(197.4)	—	(197.4)
Foreign currency translation adjustment, net of tax of \$(4.7)	—	—	—	—	27.6	27.6
Pension liability adjustment, net of tax of \$4.4	—	—	—	—	(7.6)	(7.6)
Derivative financial instruments, net of tax of \$(0.7)	—	—	—	—	4.1	4.1
Retirement of shares	(400,000)	—	(4.2)	—	—	(4.2)
Capital contributions	2,406,680	—	26.1	—	—	26.1
Share-based compensation	1,095,219	—	17.5	—	—	17.5
Balance, December 31, 2012	198,015,899	—	\$ 1,426.5	\$ (898.7)	\$ (1.4)	\$ 526.4

The accompanying notes are an integral part of these consolidated financial statements

UNIVAR INC
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in US\$ millions)	Year Ended December 31,		
	2012	2011	2010
Operating activities			
Net loss	\$ (197 4)	\$ (176 2)	\$ (70 6)
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation and amortization	205 0	198 4	128 6
Impairment charges	75 8	173 9	12 6
Amortization of deferred financing fees	16 1	15 4	9 5
Loss on extinguishment of debt	0 5	16 1	14 5
Loss on sale of property, plant and equipment	1 1	0 9	0 8
Deferred income taxes	60 4	(5 3)	(41 6)
Stock-based compensation expense	17 5	19 0	1 3
Changes in operating assets and liabilities			
Trade accounts receivable, net	(13 9)	(48 2)	(112 5)
Inventories	(97 5)	(17 2)	(65 9)
Prepaid expenses and other current assets	(5 9)	12 9	(35 0)
Trade accounts payable	(47 4)	78 7	186 3
Pensions and postretirement benefit plans	19 4	7 5	(43 2)
Other, net	(18 2)	(13 5)	42 3
Net cash provided by operating activities	15 5	262 4	27 1
Investing activities			
Purchases of property, plant and equipment	(170 1)	(102 9)	(92 0)
Purchases of businesses, net of cash acquired	(491 2)	(153 6)	(698 6)
Proceeds from sale of property, plant and equipment	4 2	5 7	1 0
Net cash used by investing activities	(657 1)	(250 8)	(789 6)
Financing activities			
Proceeds from debt	745 7	129 2	1,145 3
Payments on debt	(21 6)	(198 5)	(128 7)
Loans to related parties, net	—	(952 1)	187 6
Parent contributions	—	—	4 2
Capital contributions	26 1	—	474 3
Retirement of shares	(4 2)	—	—
Proceeds held in escrow	—	956 6	(956 6)
Financing fees paid	(8 0)	(8 1)	—
Short-term financing, net	15 8	37 8	22 9
Net cash provided (used) by financing activities	753 8	(35 1)	749 0
Net cash flow	112 2	(23 5)	(13 5)
Effect of exchange rate changes on cash	12 4	(8 1)	1 2
Net increase (decrease) in cash and cash equivalents	124 6	(31 6)	(12 3)
Cash and cash equivalents at beginning of period	96 3	127 9	140 2
Cash and cash equivalents at end of period	\$ 220 9	\$ 96 3	\$ 127 9
Supplemental disclosures of cash flow information			
Cash paid during the period for			
Income taxes	\$ 69 5	\$ 48 1	\$ 72 0
Interest	239 9	250 3	129 0
Non-cash activities			
Additions of property, plant and equipment included in accounts payable and other accrued expenses	16 8	24 4	2 2

The accompanying notes are an integral part of these consolidated financial statements

UNIVAR INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Nature of operations

Headquartered in Redmond, Washington, Univar Inc. ("Univar" or the "Company") is a leading global distributor of commodity and specialty chemicals. The Company is the largest independent chemical distributor in the United States and Canada and the second largest in Europe, with additional distribution sites in Asia-Pacific and Latin America and sales offices located in Eastern Europe, the Middle East and Africa. The Company's operations are structured into four reportable segments that represent the geographic areas under which the Company manages its business:

- Univar USA
- Univar Canada
- Univar Europe, the Middle East and Africa ("EMEA")
- Rest of World

Rest of World includes certain developing businesses in Latin America (including Mexico) and the Asia-Pacific region.

Univar was incorporated on October 12, 2007 as part of a plan to facilitate the acquisition of Univar N.V., a public company listed on the Euronext exchange in Amsterdam, by investment funds advised by CVC Capital Partners ("CVC") and investment funds associated with Goldman Sachs and Parcom. As a result of the 2007 transactions, Univar's sole stockholder was Univar N.V. On November 30, 2010, funds managed by Clayton, Dubilier & Rice, LLC ("CD&R") acquired a 42.5% ownership interest in Univar through a combination of the purchase of shares issued by Univar and the acquisition of a portion of the shares owned by Univar N.V. (the "CD&R transaction").

2 Significant accounting policies

Basis of presentation

The consolidated financial statements of Univar have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Unless otherwise indicated, all financial data presented in these consolidated financial statements are expressed in US dollars.

The Board of Directors of the Company authorized a common stock split, effected on November 29, 2010, that increased the total number of shares authorized from 1,000 shares of common stock, par value of \$0.01 per share, to 734,625,648 shares of common stock, par value of \$0.000000014 per share. All share and per share data has been adjusted to reflect the stock split.

Basis of consolidation

The consolidated financial statements include the financial statements of Univar and its subsidiaries. Subsidiaries are consolidated if Univar has a controlling financial interest, which may exist based on ownership of a majority of the voting interest, or based on Univar's determination that it is the primary beneficiary of a variable interest entity. Univar did not have any material interests in any variable interest entities during the years presented in these consolidated financial statements. All intercompany balances and transactions are eliminated in consolidation.

Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and accompanying notes. Significant estimates in these consolidated financial statements include the allowance for doubtful accounts, the realizable value of property and equipment, and goodwill and intangible assets, the fair value of assets and liabilities acquired through business combinations, the fair value of share-based compensation awards, environmental liabilities, assets and obligations relating to pension and other post-employment benefits, and tax valuation allowances. Actual results could differ materially from these estimates.

UNIVAR INC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Prior period reclassifications

The Company reclassified certain operating expenses in 2011 and 2010 from warehousing, selling and administrative to other operating expenses, net to conform to the presentation in the 2012 consolidated statements of operations. As disclosed in "Note 4 Other operating expenses, net," these operating expenses relate to pension mark to market adjustments, acquisition and integration related expenses, stock-based compensation expense, redundancy and restructuring costs, advisory fees paid to stockholders, and other unusual or non-recurring expenses. This reclassification did not have an effect on total operating expenses or operating income.

Cash and cash equivalents

Cash and cash equivalents include all highly-liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash. Cash at bank earns interest at floating rates based on daily bank deposit rates.

Trade accounts receivable, net

Trade accounts receivable are stated at the invoiced amount, net of an allowance for doubtful accounts of \$16.3 million and \$12.2 million at December 31, 2012 and 2011, respectively. The allowance for doubtful accounts is estimated based on prior experience, as well as an individual assessment of collectability based on factors that include current ability to pay, bankruptcy and payment history.

Inventories

Inventories consist primarily of merchandise purchased for resale and are stated at the lower of cost or net realizable value. Inventory cost is determined by the weighted average method. Inventory cost includes direct labor and other costs incurred to blend and repackage product and is net of supplier incentive rebates. The Company recognized \$14.6 million lower of cost or market adjustments to its related inventories in 2012. The expense related to these adjustments is included in cost of goods sold in the consolidated statements of operations.

Supplier incentives

The Company has arrangements with certain suppliers that provide discounts when certain measures are achieved, generally related to purchasing volume. Volume rebates are recorded based on actual purchases made during each fiscal year. Discretionary rebates are recorded when received. The unpaid portion of rebates from suppliers is recorded in prepaid expenses and other current assets in the consolidated balance sheets.

Property, plant and equipment

Property, plant and equipment are carried at historical cost, net of accumulated depreciation and impairment losses, if any. Expenditures for improvements that increase asset values and extend useful lives are capitalized. Repair and maintenance costs are expensed as incurred. Depreciation is recorded on a straight-line basis over the estimated useful lives of each asset from the time the asset is ready for its intended purpose, with consideration of any expected residual value.

The estimated useful lives of plant, property and equipment are as follows:

Buildings	10-50 years
Main components of tank farms	5-40 years
Containers	2-15 years
Machinery and equipment	5-20 years
Furniture, fixtures and others	5-20 years
Information technology	3-10 years

The Company evaluates the carrying value of property, plant and equipment for impairment if an event occurs or circumstances change that would indicate the carrying value may not be recoverable. If an asset is tested for possible impairment, the Company compares the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of the asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying amount exceeds its estimated fair value.

The fair value of liabilities related to the retirement of property is recorded when there is a legal or contractual obligation to incur asset retirement costs and the costs can be estimated. The Company records the asset retirement cost by

UNIVAR INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

increasing the carrying cost of the underlying property by the amount of the asset retirement obligation. The asset retirement cost is depreciated over the estimated useful life of the underlying property.

Leasehold improvements are capitalized and amortized over the lesser of the term of the applicable lease, including renewable periods if reasonably assured, or the useful life of the improvement. The Company capitalizes interest costs on significant capital projects, as an increase to property, plant and equipment.

Refer to "Note 6 Property, plant and equipment" for further information.

Goodwill and intangible assets

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in business combinations. Goodwill is tested for impairment annually, or between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

Intangible assets consist of customer relationships, tradenames, supplier relationships, non-compete agreements and exclusive distribution rights recognized in business combinations. Intangible assets have finite lives and are amortized over their respective useful lives of 2-20 years. Amortization of intangible assets is based on the pattern in which the economic benefits of the intangible assets are consumed or otherwise used up, which is normally based on the undiscounted cash flows, or when not reliably determined, on a straight-line basis. Intangible assets are tested for impairment if an event occurs or circumstances change that indicate the carrying value may not be recoverable.

Refer to "Note 7 Goodwill and intangible assets" for further information.

Short-term financing

Short-term financing includes bank overdrafts and short-term lines of credit. Refer to "Note 11 Debt" for further information.

Long-term debt

Long-term debt consists of loans with original maturities greater than one year. Fees paid to secure financing are included in other assets and are amortized using the effective interest method over the lives of the facilities. Refer to "Note 11 Debt" for further information.

Income taxes

The Company is subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment in the forecasting of taxable income using historical and projected future operating results is required in determining the Company's provision for income taxes and the related assets and liabilities. The provision for income taxes includes income taxes paid, currently payable or receivable and those deferred.

In the event that the actual outcome of future tax consequences differs from the Company's estimates and assumptions due to changes or future events such as tax legislation, geographic mix of the earnings, completion of tax audits or earnings repatriation plans, the resulting change to the provision for income taxes could have a material effect on the consolidated statements of operations and consolidated balance sheets.

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities, and are measured using enacted tax rates and laws that are expected to be in effect when the differences reverse. Deferred tax assets are also recognized for the estimated future effects of tax loss carryforwards. The effect on deferred taxes of changes in tax rates is recognized in the period in which the enactment date changes. Valuation allowances are established when necessary on a jurisdictional basis to reduce deferred tax assets to the amounts expected more likely than not to be realized.

The Company recognizes interest and penalties related to unrecognized tax benefits within interest expense and warehousing, selling and administrative, respectively, in the accompanying consolidated statements of operations. Accrued interest and penalties are included within other long-term liabilities in the consolidated balance sheets.

Refer to "Note 12 Income taxes" for further information.

Pension and other postretirement benefit plans

Univar sponsors several defined benefit and defined contribution plans. Univar's contributions to defined contribution plans are charged to income during the period of the employee's service.

UNIVAR INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The benefit obligation and cost of defined benefit pension plans and other postretirement benefits are calculated based upon actuarial valuations, which involves making assumptions about discount rates, expected rates of return on assets, future salary increases, future health care costs, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The projected benefit obligation is calculated separately for each plan based on the estimated future benefit employees have earned in return for their service. Those benefits are discounted to determine the present value of the benefit obligations using the projected unit-credit method. A liability is recognized on the balance sheet, for each plan with a projected benefit obligation in excess of plan assets at fair value. An asset is recorded for each plan with plan assets at fair value in excess of the projected benefit obligation.

Univar recognizes the actuarial gains or losses that arise during the period within other operating expenses, net in the consolidated statement of operations. This "mark to market" adjustment will be recognized at each December 31, or more frequently if required due to a curtailment or settlement. All other components of periodic benefit cost are classified as warehousing, selling and administrative expenses in the consolidated statements of operations. Univar recognizes prior service costs or credits that arise during the period in other comprehensive income, and amortizes these items in subsequent periods as components of net periodic benefit cost.

The market-related value of plan assets is used to calculate the expected return on assets component of the net periodic cost. Univar has elected to use fair value as the market-related value of plan assets.

Refer to "Note 13 Employee benefit plans" for further information.

Environmental liabilities

Environmental liabilities are recognized for probable and reasonably estimable losses associated with environmental remediation. Incremental direct costs of the investigation, remediation effort and post-remediation monitoring are included in the estimated environmental liabilities. Expected cash outflows related to environmental remediation for the next 12 months and amounts for which the timing is uncertain are reported as current within other accrued expenses in the consolidated balance sheets. The long-term portion of environmental liabilities is reported within other long-term liabilities in the consolidated balance sheets on an undiscounted basis, except for sites for which the amount and timing of future cash payments are fixed or reliably determinable. The total discount on environmental liabilities was \$3.1 million and \$2.1 million at December 31, 2012 and 2011, respectively. The discount rate used in the present value calculation was 1.8% and 1.9% as of December 31, 2012 and 2011, respectively. Environmental remediation expenses are included within warehousing, selling and administrative expenses in the consolidated statements of operations, unless associated with disposed operations, in which case such expenses are included in other operating expenses, net.

Environmental costs are capitalized if the costs extend the life of the property, increase its capacity and/or mitigate or prevent contamination from future operations.

Refer to "Note 14 Commitments and contingencies" for further information.

Revenue recognition

Univar recognizes net sales when persuasive evidence of an arrangement exists, products are transferred, or services are provided to customers, the sales price is fixed or determinable and collectability is reasonably assured. Net sales primarily include product sales, billings for freight and handling charges and fees earned for services provided, net of any discounts, returns, customer rebates and sales or other revenue-based tax. The Company recognizes product sales and billings for freight and handling charges when they are considered delivered to the customer under the terms of the sale. Fee revenues are recognized when services are completed.

The Company's sales to customers in the agriculture end-market, principally in Canada, often provide for a form of inventory protection through credit and re-bill as well as understandings pursuant to which certain price changes from chemical producers may be passed through to the customer. These arrangements require us to make estimates of potential returns of unused chemicals as well as revenue deferral to the extent the sales price is not considered determinable. The estimates used to determine the amount of revenue associated with product likely to be returned are based on past experience adjusted for any current market conditions.

Cost of goods sold

Cost of goods sold includes all inventory costs such as purchase price (net of supplier incentive discounts), as well as direct labor and other costs incurred to blend and repackage the product. Cost of goods sold is exclusive of costs to deliver the product and depreciation expense.

UNIVAR INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Leases

All leases that are determined not to meet the capital lease criteria are classified as operating leases. Operating lease payments are recognized as an expense in the statements of operations on a straight-line basis over the lease term. During the periods presented, the Company had no material capital lease commitments. Refer to "Note 14 Commitments and contingencies" for further information.

Contingencies

A loss contingency is recorded if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. The Company evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of the ultimate loss. Changes in these factors and related estimates could materially affect the Company's financial position and results of operations. Legal expenses are recorded as incurred. Refer to "Note 14 Commitments and contingencies" for further information.

Derivatives

The Company uses derivative financial instruments, such as foreign currency contracts, interest rate swaps and interest rate caps, to manage its risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are recorded in the consolidated balance sheets as either an asset or liability at fair value. Changes in the fair value of derivative financial instruments are recognized in the consolidated statements of operations unless specific hedge accounting criteria are met.

For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognized asset or liability, or cash flow hedges, where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction. Gains and losses on fair value hedges that meet the conditions for hedge accounting are recognized immediately in the consolidated statements of operations, along with the offsetting gain or loss on the related hedged item. For cash flow hedges that meet the conditions for hedge accounting, the effective portion of the gain or loss on the derivative financial instrument is recognized in other comprehensive income (loss) and the ineffective portion is recognized immediately in the statement of operations. Amounts in accumulated other comprehensive income (loss) are reclassified to the consolidated statement of operations in the same period in which the hedged transactions affect earnings.

For derivative financial instruments designated as hedges, Univar formally documents the hedging relationship to the hedged item and its risk management strategy. Univar assesses the effectiveness of its hedging instruments at inception and on an ongoing basis. Hedge accounting is discontinued when the hedging instrument is sold, expired, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognized in other comprehensive income (loss) is reclassified into the consolidated statement of operations in the same period during which the hedged transaction affects earnings. If it becomes probable that a hedged transaction will no longer occur, the net cumulative gain or loss recognized in other comprehensive income (loss) is reclassified into the consolidated statement of operations immediately.

Refer to "Note 18 Financial instruments" for further information.

Foreign currency translation

The functional currency of the Company's subsidiaries is the local currency, unless the primary economic environment requires the use of another currency. Transactions denominated in foreign currencies are translated into the functional currency of each subsidiary at the rate of exchange on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of each subsidiary at period-end exchange rates. Net foreign currency transaction gains and losses are recognized in the consolidated statements of operations, with the exception of certain gains and losses relating to intercompany borrowings. For the years ended December 31, 2012, 2011 and 2010, the Company recognized net foreign currency transaction (gains) losses in warehousing, selling and administrative in the consolidated statements of operations of \$2.3 million, \$(4.7) million and \$(4.1) million, respectively.

Foreign currency gains and loss relating to intercompany borrowings that are considered a part of the Company's investment in a foreign subsidiary are reflected in accumulated other comprehensive income (loss) in stockholders' equity. Foreign currency gains and losses on intercompany borrowings that are not considered a part of the Company's investment in a foreign subsidiary are recognized in the consolidated statements of operations. For the years ended December 31, 2012, 2011 and 2010, the Company recognized foreign currency transaction (gains) losses on intercompany borrowings in interest expense of \$(1.0) million, \$8.0 million and \$3.4 million, respectively.

UNIVAR INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Assets and liabilities of foreign subsidiaries are translated into US dollars at period-end exchange rates. Income and expense accounts of foreign subsidiaries are translated at the average exchange rates for the period. The net exchange gains and losses arising on this translation are reflected in accumulated other comprehensive income (loss) in stockholders' equity.

Share-based compensation plans

Univar recognizes all share-based compensation as an expense based on the grant date fair value of each award. Univar recognizes share-based compensation expense on a straight-line basis over the requisite service period for each separately vesting tranche of an award. Share-based compensation expense is classified within other operating expenses, net in the consolidated statements of operations. Refer to "Note 15 Share-based compensation" for further information.

Fair value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. US GAAP specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair-value hierarchy:

- Level 1 – Quoted prices for *identical* instruments in active markets
- Level 2 – Quoted prices for *similar* instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuation in which all significant inputs and significant value drivers are observable in active markets
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are *unobservable*

When available, the Company uses quoted market prices to determine fair value and classifies such items as Level 1. In cases where a market price is not available, the Company will make use of observable market-based inputs to calculate fair value, in which case the items are classified as Level 2. If quote or observable market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market information. Items valued using internally generated valuation techniques are classified according to the lowest level input that is significant to the valuation, and may be classified as Level 3 even though there may be significant inputs that are readily observable.

Earnings per share

Basic earnings per share is based on the weighted average number of common shares outstanding during each period, which excludes unvested restricted stock. Diluted earnings per share is based on the weighted average number of common shares and dilutive common share equivalents outstanding during each period. The Company reflects common share equivalents relating to stock options and unvested restricted stock in its computation of diluted weighted average shares outstanding unless the effect of inclusion is anti-dilutive. The effect of dilutive securities is calculated using the treasury stock method. Refer to "Note 17 Earnings per share" for further information.

Recently issued and adopted accounting pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued new guidance to achieve common fair value measurement and disclosure requirements between US GAAP and International Financial Reporting Standards. This new guidance amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. The Company adopted this new guidance in the first quarter of 2012. Adoption of the new guidance did not have a significant impact on the Company's consolidated financial position, results of operations or cash flows.

In June 2011, the FASB issued new guidance on the presentation of comprehensive income. Specifically, the new guidance requires an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. The Company adopted this guidance in the first quarter of 2012, and elected to present components of net income and OCI in two consecutive statements. Adoption of the new guidance did not have an impact on the Company's consolidated financial position, results of operations or cash flows.

UNIVAR INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In September 2011, the FASB issued new guidance to amend and simplify the rules related to testing goodwill for impairment. The revised guidance allows an initial qualitative evaluation, based on the entity's events and circumstances, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The results of this qualitative assessment determine whether it is necessary to perform the currently required two-step impairment test. The Company adopted this guidance in the first quarter of 2012, but elected not to perform an initial qualitative evaluation. Adoption of this new guidance did not have an impact on the Company's consolidated financial position, results of operations or cash flows.

3 Business combinations

Year ended December 31, 2012

Acquisition of Magnablend Holdings, Inc

On December 11, 2012, the Company completed an acquisition of 100% of the equity interest in Magnablend Holdings, Inc ("Magnablend"), a Texas-based provider of custom specialty chemical manufacturing, blending and packaging solutions. The acquisition provides Univar with a strong platform for future growth in the rapidly growing North American oil & gas market.

Summarized financial information

The fair values of assets acquired and liabilities assumed for Magnablend are as follows:

(in US\$ millions)	Allocation of Purchase Price
Cash	\$ 3 0
Trade accounts receivable, net	48 8
Inventories	60 0
Prepaid expenses and other assets	12 1
Deferred tax assets, net	4 3
Property, plant and equipment	35 7
Intangible assets	198 2
Assets	362 1
Trade accounts payable	23 4
Accrued compensation and other accrued expenses	14 3
Deferred tax liabilities	74 7
Other long-term liabilities	26 5
Liabilities	138 9
Net assets	223 2
Goodwill arising on acquisition	271 0
Total acquisition cost	\$ 494 2

As part of the allocation of the purchase price in 2012, the Company recognized \$25.5 million in other long-term liabilities related to the Magnablend contingent consideration. The Company will make an earn-out payment of up to \$50.0 million based on Magnablend's performance in 2013 and 2014. The contingent consideration was recognized at fair value based on a real options approach, which took into consideration management's best estimate of Magnablend's performance in 2013 and 2014, as well as achievement risk. The liability will be re-measured at fair value at each reporting date until the liability is settled, with changes in the fair value recognized as other operating expense (income).

Cash paid for the Magnablend acquisition was as follows:

(in US\$ millions)	
Net cash acquired with Magnablend	\$ 3 0
Cash paid	(494 2)
Net cash paid	\$ (491 2)

UNIVAR INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Costs of approximately \$7.1 million directly attributable to the acquisition, consisting primarily of legal and consultancy fees, were expensed as incurred in other operating expenses, net in the consolidated statement of operations.

Substantially all of the goodwill recognized above was attributed to the expected synergies from combining the assets and activities of Magnablend with those of the Company's USA segment. The goodwill arising on the Magnablend acquisition is not tax-deductible. The intangible assets recognized were primarily customer relationship intangibles, which will be amortized on an accelerated basis over a period of 13 years.

The financial statements include the results of Magnablend from the acquisition date. Net sales and net loss of Magnablend included in the consolidated statement of operations for the year ended December 31, 2012, were \$14.4 million and \$4.9 million, respectively.

Supplemental pro forma information (unaudited)

The following table presents summarized pro forma results of the Company and Magnablend had the acquisition date of the 2012 business combination been January 1, 2011.

(in US\$ millions)	2012	2011
Net sales	\$ 10,112.5	\$ 9,900.7
Net income (loss)	(181.5)	(187.4)
Earnings (loss) per common share – basic and diluted	\$ (0.93)	\$ (0.96)

The supplemental pro forma information presents the combined operating results of the Company and the business acquired, adjusted to exclude acquisition-related costs, include the additional depreciation and amortization expense associated with the effect of fair value adjustments recognized, and to include interest expense and amortization of debt issuance costs related to the Company borrowings used to fund the acquisition.

Year ended December 31, 2011

In 2011, the Company completed three acquisitions for a total purchase price of \$158.5 million.

On January 3, 2011, the Company completed an acquisition of 100% of the equity interest in Quaron, a leading chemical distributor in Belgium and the Netherlands. The combined organizations will offer better product selection and enhanced value-added services to customers and provide supplier partners with greater opportunities for sales growth and technical service.

On March 16, 2011, the Company completed an acquisition of 100% of the equity interest in Eral-Protek, a leading chemical distributor in Turkey. This acquisition gives the Company a greater presence in the region, as Turkey is a growing market and an important logistical and cultural bridge between Europe and the Company's growing Middle Eastern and African business.

On August 31, 2011, the Company completed an acquisition of 100% of the equity interest in Arinos, a leading chemical distributor of specialty and commodity chemicals and high-value services in Brazil. The acquisition provides Univar with a presence in the Brazilian market and will provide customers with access to a broader base of products through Univar's existing global supply chain.

UNIVAR INC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Summarized financial information

In 2012, the Company finalized its purchase accounting and recorded several insignificant adjustments to the balance sheets of the acquired companies, with no net impact to goodwill

The final fair values of assets acquired and liabilities assumed for the 2011 acquisitions are as follows

(In US\$ millions)	Allocation of Purchase Price
Cash	\$ 3 1
Trade accounts receivable, net	42 2
Inventories	26 0
Prepaid expenses and other current assets	7 4
Property, plant and equipment	54 2
Intangible assets	39 9
Deferred tax assets	2 3
Other noncurrent assets	19 9
Assets	195 0
Short-term financing	8 4
Trade accounts payable	26 6
Other accrued expenses	14 0
Deferred tax liabilities	19 4
Long-term debt	15 4
Other long-term liabilities	20 8
Liabilities	104 6
Net assets	90 4
Goodwill arising on acquisition	68 1
Total acquisition cost	\$ 158 5

As part of the allocation of the purchase price in 2011, the Company recognized \$15.6 million (29.3 million Brazilian Reals) in other long-term liabilities for Arnos contingencies incurred pre-acquisition. The contingencies were recognized at fair value based on the "more likely than not" recognition threshold, and primarily relate to taxes and potential labor claims. The contingencies will be resolved within five years of the acquisition date as the statute of limitations for each potential claim expires at various dates through 2015. The pre-acquisition contingencies decreased to \$12.7 million (26.0 million Brazilian Reals) as of December 31, 2012, primarily due to changes in estimates and the expiration of statute of limitations. The Company estimates the range of outcomes to be from \$1.0 million to \$15.3 million. The Company also recognized a \$15.6 million (29.3 million Brazilian Reals) indemnification asset in other assets relating to these Arnos contingencies as part of the allocation price in 2011. Under the terms of the Arnos Purchase and Sale Agreement between the Company and the sellers, the Company has a right to recover from the sellers any costs associated with certain contingent liabilities incurred pre-acquisition. Indemnification payments from the sellers are subject to an overall cap of 40.0 million Brazilian Reals within five years from the date of acquisition. The initial recognition and value of the indemnification asset was on the same basis as the related indemnified items. The subsequent accounting for the indemnification asset will generally reflect the manner in which the indemnified items are subsequently measured, subject to collectability and any contractual limitations on the indemnification payments. The indemnification asset decreased to \$13.1 million (26.9 million Brazilian Reals) as of December 31, 2012, due to the decrease in indemnified contingencies. The Company believes this indemnification asset is collectible at December 31, 2012.

Goodwill and other intangible assets of \$47.5 million and \$60.5 million were allocated to the Company's EMEA and Rest of World segments, respectively, relating to the 2011 acquisitions. Substantially all of the goodwill recognized was attributed to the expected synergies from combining the assets and activities of acquired companies with those of the Company's existing business. The goodwill arising on the 2011 acquisitions is not tax-deductible. The intangible assets recognized in 2011 business combinations were primarily customer relationship intangibles, which will be amortized over a weighted-average period of 6.9 years.

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Cash paid for the 2011 acquisitions was as follows

(in US\$ millions)	
Net cash acquired with the acquired companies	\$ 31
Cash paid	(158.5)
Net cash paid	<u>\$ (155.4)</u>

Costs of approximately \$11.2 million directly attributable to the acquisitions, consisting primarily of legal and consultancy fees, were expensed as incurred in other operating expenses, net in the consolidated statement of operations

The financial statements include the results of each acquisition from the acquisition date. Net sales and net loss of the above acquisitions included in the consolidated statements of operations for the year ended December 31, 2011, were \$204.4 million and \$2.5 million, respectively

Supplemental pro forma information (unaudited)

The following table presents summarized pro forma results of the Company and the acquired entities had the acquisition dates of all 2011 business combinations been January 1, 2010

(in US\$ millions)	2011	2010
Net sales	\$ 9,799.1	\$ 8,170.0
Net income (loss)	(171.9)	(75.0)
Earnings (loss) per common share – basic and diluted	\$ (0.88)	\$ (0.51)

The supplemental pro forma information presents the combined operating results of the Company and the businesses acquired, adjusted to exclude acquisition-related costs, to include the additional depreciation and amortization expense associated with the effect of fair value adjustments recognized, and to include interest expense and amortization of debt issuance costs related to the Company borrowings used to fund the acquisitions

Year ended December 31, 2010

Acquisition of Basic Chemical Solutions, L L C

On December 20, 2010, the Company acquired 100% of the equity interest in Basic Chemical Solutions, L L C (“BCS”), a global distributor and trader of commodity chemicals based in Redwood City, California, for an initial purchase price of \$721.0 million. BCS provided an integrated service model, combining bulk and mini-bulk chemical distribution with a global procurement and trading platform. Univar acquired BCS primarily to take advantage of the complementary addition of the mini-bulk business and global sourcing capability to its current business.

In 2011, the BCS purchase price was reduced by \$1.8 million based on the final closing balance sheet. Additionally, the Company finalized its purchase accounting and recorded adjustments to the BCS balance sheet, the net effect of which was a \$0.5 million increase to goodwill.

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The final fair values of assets acquired and liabilities assumed for BCS are as follows

<u>(in US\$ millions)</u>	<u>Allocation of Purchase Price</u>
Cash	\$ 28.9
Trade accounts receivable, net	109.2
Inventories	26.8
Prepaid expenses and other current assets	7.4
Property, plant and equipment	47.2
Intangible assets	262.0
Deferred tax assets	2.7
Other assets	8.1
Assets	492.3
Trade accounts payable	47.4
Other accrued expenses	37.0
Deferred tax liabilities	3.5
Other long-term liabilities	2.8
Liabilities	90.7
Net assets	401.6
Goodwill arising on acquisition	317.6
Total acquisition cost	\$ 719.2

Cash paid for the BCS acquisition was as follows

<u>(in US\$ millions)</u>	
Net cash acquired with BCS	\$ 28.9
Cash paid in 2010	(721.0)
Purchase price adjustment in 2011	1.8
Net cash paid	\$ (690.3)

Costs of approximately \$13.9 million directly attributable to the acquisition, consisting primarily of legal and consultancy fees, were expensed as incurred in other operating expenses, net in the consolidated statement of operations.

Substantially all of the goodwill recognized above was attributed to the expected synergies from combining the assets and activities of BCS with those of the Company's USA segment. The goodwill arising on the BCS acquisition is not tax-deductible. The intangible assets recognized were primarily customer relationship intangibles, which will be amortized on an accelerated basis over a weighted-average period of 8.4 years.

The financial statements include the results of BCS from the acquisition date. Net sales and net income of BCS included in the consolidated statement of operations for the year ended December 31, 2010, were \$27.9 million and \$0.6 million, respectively.

Other acquisitions

On May 1, 2010, the Company acquired 100% of the equity interest in SMCP Holdings, Inc. ("SMCP"), an Ohio-based distributor of pest control products, for \$5.3 million. The acquisition allows Univar to expand its customer and geographic reach. The assets acquired consisted of inventory of \$4.6 million, property, plant and equipment of \$0.4 million and goodwill and other intangible assets of \$2.1 million. Goodwill and other intangible assets from the SMCP acquisition were allocated to the Company's USA segment.

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Supplemental pro forma information (unaudited)

The following table presents summarized pro forma results of the Company and the acquired entities had the acquisition date of all 2010 business combinations been January 1, 2009

(in US\$ millions)	2010	2009
Net sales	\$ 8,577.1	\$ 8,075.7
Net income (loss)	(90.9)	(14.1)
Earnings (loss) per common share -- basic and diluted	\$ (0.61)	\$ (0.10)

The supplemental pro forma information presents the combined operating results of the Company and the businesses acquired, adjusted to exclude acquisition-related costs, eliminate transactions between the Company and the businesses acquired, to include the additional depreciation and amortization expense associated with the effect of fair value adjustments recognized, and to include interest expense and amortization of debt issuance costs related to the Company borrowings used to fund the acquisitions

4 Other operating expenses, net

Other operating expenses, net consisted of the following expenses and (income)

(in US\$ millions)	Year Ended December 31		
	2012	2011	2010
Pension mark to market adjustment	\$ 83.6	\$ 49.1	\$ (17.3)
Acquisition and integration related expenses	17.7	26.7	21.8
Share-based compensation expense	17.5	19.0	—
Redundancy and restructuring	24.2	32.4	4.6
Advisory fees paid to CVC and CD&R	5.2	4.4	44.6
CD&R transaction costs	—	1.8	26.2
Debt refinancing costs	7.2	1.9	—
Other	29.5	6.9	6.3
Total	<u>\$ 184.9</u>	<u>\$ 142.2</u>	<u>\$ 86.2</u>

5 Prepaid expenses and other current assets

Prepaid expenses represent upfront payments for expenses such as insurance, service contracts and subscriptions, which are expensed over the period in which the benefit or service is received. Supplier incentives represent the unpaid portion of rebates due from suppliers based upon the Company's achievement of certain measures, generally related to purchasing volumes.

Prepaid expenses and other current assets consisted of the following

(in US\$ millions)	December 31,	
	2012	2011
Prepayments to suppliers	\$ 40.5	\$ 23.2
Other receivables	32.6	36.6
Supplier incentives	29.5	33.2
Prepaid expenses	29.3	26.0
Deposits	13.6	13.4
Other tax receivable	13.0	15.8
Derivative contracts	0.4	0.2
Total	<u>\$ 158.9</u>	<u>\$ 148.4</u>

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6 Property, plant and equipment

Property, plant and equipment consisted of the following

(in US\$ millions)	December 31,	
	2012	2011
Land and buildings	\$ 781.6	\$ 768.7
Tank farms	181.2	222.2
Machinery, equipment and other	499.5	369.6
Less Accumulated depreciation	(439.1)	(354.0)
Subtotal	1,023.2	1,006.5
Work in progress	129.6	56.3
Property, plant and equipment, net	<u>\$ 1,152.8</u>	<u>\$ 1,062.8</u>

During 2012, 2011 and 2010, the Company recognized impairment charges on several idle properties, which generally became idle during the respective periods as the Company consolidated operations to gain efficiencies. Impairments in the USA segment amounted to \$0.8 million, \$2.6 million and \$11.0 million for the years ended December 31, 2012, 2011 and 2010, respectively. Impairments in the EMEA segment amounted to \$1.9 million and \$1.6 million for the years ended December 31, 2011 and 2010 respectively. The fair value of these assets was determined based on third party appraisals.

The increase in the work in progress balance over the prior year is a result of the Company's implementation of a global ERP system.

Capitalized interest on capital projects was \$4.6 million in 2012 and \$1.0 million in 2011.

7 Goodwill and intangible assets

Goodwill

Changes in the carrying amount of goodwill for the years ended December 31, 2012 and 2011, are as follows:

(in US\$ millions)	2012	2011
Net book value at January 1,	\$ 1,673.6	\$1,802.5
Additions	271.0	68.6
Impairment	(75.0)	(169.4)
Exchange differences	13.4	(28.1)
Net book value at December 31,	<u>\$ 1,883.0</u>	<u>\$ 1,673.6</u>

Additions to goodwill in 2012 related to the acquisition of Magnablend. Additions to goodwill in 2011 related to the acquisitions of Quaron, Eral-Protek and Arnos. Accumulated impairment losses on goodwill was \$1.5 million at January 1, 2011. Accumulated impairment losses on goodwill were \$250.9 and \$170.9 million at December 31, 2012 and 2011, respectively.

In 2012, Univar has identified the following reporting units: USA, Canada, Industrial Chemical Distribution, Canada Agricultural, EMEA and Rest of World, based on the way the Company manages its business. In 2011 the Company identified the following reporting units: USA, Canada, EMEA and Rest of World. Goodwill is assigned to reporting units based on the expected benefit from the synergies arising from each business combination, determined by using certain financial metrics, including the forecasted discounted cash flows associated with each reporting unit.

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The following summarizes the goodwill assigned to Univar's reporting units and included in the Company's consolidated statements

(In US\$ millions)	December 31,	
	2012	2011
Univar USA	\$ 1,266 0	\$ 994 9
Univar Canada Industrial Chemical Distribution	467 6	456 8
Univar Canada Agricultural	102 7	100 3
Univar EMEA	—	72 4
Rest of World	46 7	49 2
Total	<u>\$ 1,883 0</u>	<u>\$ 1,673 6</u>

Goodwill is tested for impairment at a reporting unit level using a two-step test. Under the first step of the goodwill impairment test, the Company's estimate of fair value of each reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the Company must perform step two of the impairment test (measurement). Step two of the impairment test, if necessary, would require the identification and estimation of the fair value of the reporting unit's individual assets, including currently unrecognized intangible assets, and liabilities in order to calculate the implied fair value of the reporting unit's goodwill. Under step two, an impairment loss is recognized to the extent the carrying amount of the reporting unit's goodwill exceeds the implied fair value.

To determine fair value, Univar relies on two valuation techniques: the income approach and the market approach. The results of these two approaches are given equal weighting in determining the fair value of each reporting unit.

The income approach is a valuation technique used to convert future expected cash flows to a present value. The income approach is dependent on several management assumptions, including estimates of future sales growth, gross margins, operating costs, terminal growth rates, capital expenditures, changes in working capital requirements and the weighted average cost of capital (discount rate). Expected cash flows used under the income approach are developed in conjunction with Univar's budgeting and forecasting process and are based on the latest five-year projections approved by senior management.

The discount rates used in the income approach are an estimate of the rate of return that a market participant would expect of each reporting unit. The discount rates are based on short-term interest rates and the yields of long-term corporate and government bonds, as well as the typical capital structure of companies in the industry. The discount rates used for each reporting unit may vary depending on the risk inherent in the cash flow projections, as well as the risk level that would be perceived by a market participant. The discount rate applied to cash flow projections for testing the impairment of goodwill ranged from 11.0% to 13.5% in 2012 and 10.5% to 14.0% in 2011.

A terminal value is included at the end of the projection period used in the discounted cash flow analysis in order to reflect the remaining value that each reporting unit is expected to generate. The terminal value represents the present value subsequent to the last year of the projection period of cash flows into perpetuity. The terminal growth rate is a key assumption used in determining the terminal value as it represents the annual growth of all subsequent cash flows into perpetuity. A terminal growth rate of 2.5% was used in 2012 and 2011.

The market approach measures fair value based on prices generated by market transactions involving identical or comparable assets or liabilities. Under the market approach, Univar estimates fair value by applying EBITDA market multiples of comparable companies to each reporting unit. Comparable companies are identified based on a review of publicly traded companies in the Company's line of business. The comparable companies were selected after consideration of several factors, including whether the companies are subject to similar financial and business risks.

During 2012, the Company performed its annual impairment review as of October 1 and concluded that the fair value of the USA, Canada Industrial Chemical Distribution, Canada Agricultural, and Rest of World reporting units substantially exceeded their carrying values. There were no events or circumstances from the date of the assessment through December 31, 2012 that would affect this conclusion. However, the EMEA reporting unit passed the October 1 step one test by a narrow margin.

Economic conditions in Europe and the performance of the EMEA reporting unit worsened during the fourth quarter and the Company determined it was necessary to review the EMEA reporting unit for impairment again at December 31, 2012. The Company concluded that an indication of impairment existed at December 31, 2012 as the carrying value of the EMEA reporting unit exceeded fair value. The Company performed step two of the goodwill impairment test in order to calculate the implied fair value of the reporting unit's goodwill and recorded an impairment charge of \$75.0 million in 2012.

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During 2011, the Company performed its annual impairment review and concluded that the fair value of the USA, Canada and Rest of World reporting units substantially exceeded their carrying values. The Company recognized an impairment of goodwill in EMEA of \$169.4 million in 2011.

Determining the fair value of a reporting unit requires judgment and involves the use of significant estimates and assumptions by management. Univar can provide no assurance that a material impairment charge will not occur in a future period. Univar's estimates of future cash flows may differ from actual cash flows that are subsequently realized due to many factors, including future worldwide economic conditions and the expected benefits of the Company's initiatives. Any of these potential factors, or other unexpected factors, may cause the Company to re-evaluate the carrying value of goodwill.

Intangible Assets

The gross carrying amounts and accumulated amortization of the Company's intangible assets were as follows at December 31, 2012 and 2011:

(in US\$ millions)	2012			2011		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets (subject to amortization)						
Customer relationships	\$ 954.1	\$ 241.1	\$ 713.0	\$ 753.2	\$ 174.3	\$ 578.9
Trade names	108.7	59.9	48.8	104.2	38.8	65.4
Other	41.6	41.2	0.4	41.5	33.2	8.3
Total intangible assets	<u>\$ 1,104.4</u>	<u>\$ 342.2</u>	<u>\$ 762.2</u>	<u>\$ 898.9</u>	<u>\$ 246.3</u>	<u>\$ 652.6</u>

Other intangible assets primarily consist of supplier relationships, non-compete agreements and exclusive distribution rights.

The estimated annual amortization expense in the succeeding five years is as follows:

(in US\$ millions)	
2013	\$ 98.4
2014	93.4
2015	85.7
2016	79.8
2017	75.9

Definite lived intangibles were not tested for impairment in 2012 or 2011 as there were no events or changes in circumstances to indicate that the carrying value of the definite lived intangible assets may not be recoverable.

8 Trade accounts payable

Trade accounts payable consisted of the following:

(in US\$ millions)	December 31,	
	2012	2011
Trade accounts payable	\$ 891.9	\$ 847.4
Drafts payable	0.2	63.3
Total	<u>\$ 892.1</u>	<u>\$ 910.7</u>

Drafts payable are outstanding checks in excess of bank balances to be funded upon clearing the bank.

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9 Other accrued expenses

Other accrued expenses included in current liabilities consisted of the following

(in US\$ millions)	December 31,	
	2012	2011
Customer prepayments and deposits	\$ 105.5	\$ 80.3
Other payables	41.9	39.3
Current portion of environmental liabilities	32.0	35.3
Other taxes payable	31.5	29.8
Other contingencies	24.9	10.6
Income tax contingency	18.8	-
Accrued freight	16.8	11.7
Accrued insurance	13.4	12.8
Accrued interest expenses	12.0	1.8
Asset retirement obligation	9.8	11.4
Current portion of net benefit obligation	6.8	6.5
Derivative contracts	1.0	8.1
Other accrued expenses	70.2	60.6
Total	<u>\$ 384.6</u>	<u>\$ 308.2</u>

10 Other long-term liabilities

Other long-term liabilities, net of any current portion, consisted of the following

(in US\$ millions)	December 31,	
	2012	2011
Environmental liabilities	\$ 114.6	\$ 130.3
Contingent consideration	25.5	—
Income tax contingencies	8.1	28.9
Other liabilities	30.2	35.5
Total	<u>\$ 178.4</u>	<u>\$ 194.7</u>

11 Debt

Short-term financing

Short-term financing consisted of the following

(in US\$ millions)	December 31,	
	2012	2011
Amounts drawn under credit facilities	\$ 48.7	\$ 30.0
Bank overdrafts	73.0	61.6
Total	<u>\$ 121.7</u>	<u>\$ 91.6</u>

The weighted average interest rate on short-term financing was 7.0% and 7.9% as of December 31, 2012 and 2011, respectively

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Long-term debt

Long-term debt consisted of the following

(in US\$ millions)	December 31,	
	2012	2011
Senior Term Loan Facility		
Term Loan due 2017, interest rate of 5.00% at December 31, 2012 and 2011	\$ 2,489.0	\$ 1,960.2
Asset Backed Loan Facilities ("ABL Facility(ies)")		
ABL Facility due 2015, interest rate of 3.15% and 4.55% at December 31, 2012 and 2011, respectively	254.7	52.3
European ABL Facility ("Euro ABL") due 2016 interest rate of 2.61% and 3.56% at December 31, 2012 and 2011, respectively	66.7	61.7
Senior Subordinated Notes		
Senior Subordinated Notes due 2017, interest rate of 12.00%	600.0	600.0
Senior Subordinated Notes due 2018, interest rate of 12.00%	400.0	400.0
Other long-term debt due 2016, interest rate of 4.48%	6.2	6.6
Total long-term debt before discount	3,816.6	3,080.8
Less discount on debt	(40.6)	(37.8)
Total long-term debt	3,776.0	3,043.0
Less current maturities	(25.8)	(20.2)
Total long-term debt excluding current maturities	<u>\$ 3,750.2</u>	<u>\$ 3,022.8</u>

The Company has utilized syndicated senior term loan facilities as a primary source of long term funding since 2007.

On November 30, 2010, the Company amended terms of the Term Loan Facility, extended the maturity dates, and borrowed an additional \$300.0 million. The Company recognized a loss on extinguishment of \$14.5 million related to this refinancing. The Company borrowed an additional \$300.0 million under the Term Loan Facility in December 2010.

On February 28, 2011, the Company completed an additional refinancing of the Term Loan Facility to borrow an additional \$350.0 million, extend maturities and reduce interest rates, thereby providing additional operational and financial flexibility. As a part of this refinancing, the Company entered into a new \$1.98 billion term loan which was used to pay down the existing term loans, including certain call premiums, and repay a substantial portion of the ABL Facility. As a result of this refinancing, the Company recognized a loss on extinguishment of \$16.1 million and additional operating expenses of \$1.9 million for third party fees in other operating expenses, net in the consolidated statement of operations related to the refinancing.

On October 3, 2012, the Company completed an additional refinancing of its Term Loan Facility to borrow an additional \$550.0 million and to amend certain terms, including an increase in the permitted foreign subsidiary debt and additional flexibility for future debt issuances. The Term Loan has a variable interest rate based on the then-current benchmark rate (LIBOR) and a credit spread of 3.50%, with a LIBOR floor of 1.50% and is payable in installments of \$6.4 million per quarter, with the remaining principal balance due on June 30, 2017. As a result of this refinancing, the Company recognized a loss on extinguishment of \$0.5 million and additional operating expenses of \$7.2 million for third party fees in other operating expenses, net in the consolidated statement of operations.

As of December 31, 2012, the Company and its U.S. and Canadian subsidiaries had a \$1.1 billion senior secured asset-based lending credit facility due 2015, referred to as the ABL Facility. The ABL Facility has a variable interest rate calculated as a function of the then-current benchmark rate (LIBOR) and a credit spread of 4.00% on the first \$100.0 million drawn and 2.75% on amounts drawn over \$100.0 million. Availability of the entire \$1.1 billion in ABL Facility credit commitments is determined based on the periodic reporting of available qualifying collateral, as defined in the ABL Facility credit agreement. Approximately \$572.1 million was available under the ABL Facility at December 31, 2012. An unused line fee of .375% is in effect at December 31, 2012.

As of December 31, 2012, certain of the Company's European subsidiaries had a €60.0 million secured asset-based lending credit facility due 2016, referred to as the Euro ABL. The Euro ABL has a variable interest rate calculated as a function of the then-current benchmark rate (EURLIBOR) and a credit spread of 2.50%. Availability of the entire €60.0 million Euro ABL is determined based on the periodic reporting of available qualifying collateral, as defined in the Euro ABL credit agreement. Approximately \$0.9 million was available under the Euro ABL at December 31, 2012. A turnover commission fee of .05% is in effect at December 31, 2012.

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The \$600.0 million Senior Subordinated Notes due 2017 were issued on October 11, 2007. The \$400.0 million Senior Subordinated Notes due 2018 were issued on December 20, 2010, concurrent with the BCS acquisition.

The ABL facility is secured by substantially all of the assets of the US and Canadian operating companies. The term loan facilities are secured by substantially all of the assets of the US operating and management companies. In 2010, the assets of the UK operating companies were used to secure certain borrowings under Term Loan A which have been repaid and such assets have been released in connection with the February 2011 refinancing. With respect to shared collateral, the ABL Facility and the term loan facilities are secured by US accounts receivable and US inventory. The obligations under the ABL Facility are secured by a first priority lien on such accounts receivable and inventory, and the obligations under the term loan facilities are secured by a second priority lien on such accounts receivable and inventory. Under the ABL Facility, Canadian entities secure the obligations of the Canadian borrower. In addition, 65% of the shares of all first-tier foreign subsidiaries owned by the US subsidiaries have been pledged as security to the lenders in respect of all obligations. The Euro ABL is secured by accounts receivable of Univar subsidiaries in France, Belgium and the Netherlands. Assets pledged under the ABL Facility, the term loan facility and the Euro ABL are as follows:

(in US\$ millions)	December 31,	
	2012	2011
Cash	\$ 322.0	\$ 100.9
Inventories	656.8	545.9
Trade accounts receivable	872.6	821.0
Property, plant and equipment	903.5	838.9
Other assets	145.8	98.8
Total	<u>\$ 2,900.7</u>	<u>\$ 2,405.5</u>

The companies noted as borrowers and guarantors under the ABL Facility are subject, under certain limited circumstances, to comply with a fixed charge coverage ratio maintenance covenant. Such covenant is calculated based on the consolidated financial results of Univar. As of December 31, 2012 and at December 31, 2011, such covenant was not in effect but the Company would have been in compliance if it was then in effect. Univar and its subsidiaries are also subject to a significant number of non-financial covenants in each of the credit facilities and the Senior Subordinated Notes that restrict the operations of Univar and its subsidiaries, including, without limitation, requiring that the net proceeds from certain dispositions and capital market debt issuances must be used as mandatory prepayments and restrictions on the incurrence of financial indebtedness outside of these facilities (including restrictions on secured indebtedness), prepaying subordinated debt, making dividend payments, making certain investments, making certain asset dispositions, certain transactions with affiliates and certain mergers and acquisitions.

Future contractual maturities of the long-term debt at December 31, 2012 are as follows:

(in US\$ millions)	
2013	\$ 25.8
2014	25.9
2015	280.6
2016	97.0
2017	2,987.3
2018 and thereafter	400.0

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12 Income taxes

The expense (benefit) for income taxes for the years ended December 31, 2012, 2011 and 2010 is summarized as follows

(in US\$ millions)	2012	2011	2010
Current			
Federal	\$ (9 1)	\$ (9 4)	\$ 41 2
State	2 5	6 6	9 4
Foreign	21 8	24 0	21 4
Total current	<u>15 2</u>	<u>21 2</u>	<u>72 0</u>
Deferred			
Federal	76 2	(1 6)	(42 0)
State	0 4	(0 9)	—
Foreign	(16 2)	(2 8)	0 4
Total deferred	<u>60 4</u>	<u>(5 3)</u>	<u>(41 6)</u>
Total income tax expense	<u>\$ 75 6</u>	<u>\$ 15 9</u>	<u>\$ 30 4</u>

For financial reporting purposes, loss before income taxes for the years ended December 31, 2012, 2011 and 2010 includes the following components

(in US\$ millions)	2012	2011	2010
Income (loss) before income taxes			
United States	\$ (8 5)	\$ (9 3)	\$ (77 9)
Foreign	(113 3)	(151 0)	37 7
Total loss before income taxes	<u>\$ (121 8)</u>	<u>\$ (160 3)</u>	<u>\$ (40 2)</u>

The reconciliation between the Company's effective tax rate on income and the statutory tax rate at December 31 is as follows

(in US\$ millions)	2012	2011	2010
Expected US federal statutory income tax benefit applied to loss before income taxes	\$ (42 6)	\$ (56 1)	\$ (14 1)
State income taxes, net of federal benefit	4 2	2 4	5 0
Foreign tax rate differential	(6 1)	(5 9)	(5 0)
Uncertain tax positions	(1 7)	(2 1)	12 2
Valuation allowance	101 0	14 2	12 3
Deemed dividends from foreign subsidiaries	1 8	1 6	1 8
Non-deductible interest	—	0 6	13 8
Non-deductible expenses	4 4	3 8	(1 0)
Non-deductible acquisition costs	1 4	0 3	14 7
Non-deductible management fees	—	—	2 8
Amortization of interest rate swap	—	—	(7 7)
Effect of flow-through entities	4 3	8 5	8 3
Adjustment to tax of previous years	(0 1)	(1 3)	(0 9)
Non-taxable interest income	(15 6)	(14 2)	(13 4)
Non-deductible equity based stock compensation expense	3 4	0 9	—
Change in statutory tax rates	2 0	3 4	0 6
Goodwill impairment	12 6	59 3	—
French Penalty	6 1	—	—
Other	0 5	0 5	1 0
Total income tax expense	<u>\$ 75 6</u>	<u>\$ 15 9</u>	<u>\$ 30 4</u>

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The consolidated deferred tax assets and liabilities are detailed as follows

(in US\$ millions)	December 31,	
	2012	2011
Deferred tax assets		
Net operating loss carryforwards	\$ 85 3	\$ 71 7
Environmental reserves	54 5	69 3
Interest	93 3	92 5
Tax credit and capital loss carryforwards	18 0	17 0
Pension	131 3	127 9
Flow-through entities	4 3	5 2
Stock options	7 0	5 8
Inventory	0 9	—
Other temporary differences	28 3	36 6
Gross deferred tax assets	422 9	426 0
Valuation allowance	(168 4)	(68 2)
Deferred tax assets, net of valuation allowance	254 5	357 8
Deferred tax liabilities		
Inventory	—	(3 5)
Depreciation	(203 3)	(194 2)
Intangible assets	(188 1)	(147 4)
Other temporary differences	(12 6)	(30 8)
Deferred tax liabilities	(404 0)	(375 9)
Net deferred tax liability	\$ (149 5)	\$ (18 1)

The net deferred tax liability is classified as follows

(in US\$ millions)	December 31,	
	2012	2011
Current deferred tax assets	\$ 20 5	\$ 21 8
Noncurrent deferred tax assets	20 4	21 3
Current deferred tax liabilities	(1 8)	—
Noncurrent deferred tax liabilities	(188 6)	(61 2)
Net deferred tax liability	\$ (149 5)	\$ (18 1)

The changes in the valuation allowance were as follows

(in US\$ millions)	December 31,	
	2012	2011
Beginning balance	\$ 68 2	\$ 56 8
Increase related to foreign net operating loss carryforwards	13 2	9 0
Increase related to other items	87 0	2 4
Ending balance	\$ 168 4	\$ 68 2

The Company records valuation allowances to reduce deferred tax assets to the extent it believes more likely than not that a portion of such assets will not be realized. In making such determinations, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and the ability to carry back losses to prior years. Realization is dependent upon generating sufficient taxable income prior to expiration of tax attribute carryforwards. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets will be realized, or if not, a valuation allowance has been recorded. In addition to the ongoing adjustments to the valuation allowances established in years prior to 2012, during Q4, the Company recorded a \$92.4 million valuation allowance against the deferred tax asset related to intercompany interest between Univar Inc. and Univar N.V. The Company continues to monitor the value of its deferred tax assets, as the amount of the deferred

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tax assets considered realizable, could be reduced in the near term if estimates of future taxable income during the carryforward periods are reduced, or current tax planning strategies are not implemented

In 2007, substantially all of Univar N V 's stock was acquired by Ulixes B V and its stock was delisted. Immediately subsequent to the acquisition, a legal entity restructuring was mandated in order to meet the security requirements of the new credit facilities entered into by Ulixes B V and its subsidiaries, certain aspects of which may ultimately result in potential tax liabilities to the Company.

As of December 31, 2012, the total remaining tax benefit of available net operating loss carryforwards recognized on the balance sheet amounted to \$19.7 million (tax benefit of operating losses of \$85.3 million reduced by a valuation allowance of \$65.6 million). Total net operating losses at December 31, 2012 and 2011 amounted to \$329.6 million and \$257.2 million, respectively. If not utilized, \$15.8 million of the available loss carryforwards will expire between 2013 and 2017, subsequent to 2017, approximately \$167.2 million will expire. The remaining losses of \$146.6 million have an unlimited life.

As the result of intercompany dividend payments from Canada to the US in prior years, the Company has carryforward foreign tax credits. These foreign tax credits are subject to a ten-year carryforward life. As of December 31, 2012, the amount of unused foreign tax credits total \$10.5 million. Within the next one to five years, \$6.6 million of the unused foreign tax credits will expire in 2015 if unused. Within the following five to nine years, the remaining \$3.9 million will expire in 2016 if unused. No benefit relating to the future utilization of the foreign tax credits was recorded during the period ended December 31, 2012.

Except as required under US tax law, the Company does not provide for US taxes on approximately \$614.3 million of cumulative undistributed earnings of foreign subsidiaries that have not been previously taxed since the Company intends to invest such undistributed earnings indefinitely outside of the US. Determination of the unrecognized deferred tax liability that would be incurred if such amounts were not indefinitely reinvested is not practicable.

US GAAP prescribes a recognition threshold and measurement attribute for the accounting and financial statement disclosure of tax positions taken or expected to be taken in a tax return. The evaluation of a tax position is a two step process. The first step requires the Company to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. The second step requires the Company to recognize in the financial statements each tax position that meets the more likely than not criteria, measured at the amount of benefit that has a greater than fifty percent likelihood of being realized.

The changes in the liability for unrecognized tax benefits, excluding interest and penalties, are as follows:

(in US\$ millions)	December 31,	
	2012	2011
Beginning balance	\$ 32.0	\$ 30.8
Additions based on tax positions related to the current year	0.5	4.3
Additions for tax positions of prior years	—	—
Reductions for tax positions of prior years	(2.5)	—
Reductions due to lapse in statute	(0.7)	(2.6)
Reduction due to audit settlement	(0.6)	—
Foreign exchange	0.2	(0.5)
Ending balance	<u>\$ 28.9</u>	<u>\$ 32.0</u>

The Company's unrecognized tax benefit consists largely of foreign flow-through entity liabilities and interest expense liabilities as of December 31, 2012. The Company believes that it is reasonably possible that approximately \$15.7 million of its currently remaining unrecognized tax benefits, \$10.7 million of which relates to flow-through entities, may be recognized by the end of 2013 as a result of an audit or a lapse of the statute of limitations.

The Company classifies the unrecognized tax benefits as deferred tax assets, other current liabilities, and other long-term liabilities, as applicable, in the consolidated balance sheets. The Company has \$28.9 million and \$32.0 million of unrecognized tax benefits at December 31, 2012 and December 31, 2011, respectively. As of December 31, 2012, the total amount of unrecognized tax benefits that, if recognized, would affect the tax rate for continuing and discontinued operations was \$27.9 million. The remaining unrecognized tax benefits relate to tax positions for which ultimate deductibility is highly certain, but for which there is uncertainty as to the timing of such deductibility. Recognition of these tax benefits would not have an impact on the effective tax rate.

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The Company recognizes interest and penalties related to uncertain tax positions as a component of interest expense and warehousing, selling and administrative, respectively, in the consolidated statements of operations. The total liability associated with the interest and penalties was \$4.7 million and \$2.8 million in 2012 and 2011, respectively. The Company recorded \$1.5 million and \$1.3 million in interest and penalties related to unrecognized tax benefits in the consolidated statements of operations for the years 2012 and 2011, respectively.

The Company files income tax returns in the U.S. and various state and foreign jurisdictions. As of December 31, 2012, the Company's tax years for 2011, 2010, 2009, 2008, and 2007 are subject to examination by the tax authorities. With few exceptions, as of December 31, 2012, the Company is no longer subject to U.S. federal, state, local or foreign examinations by tax authorities for years before 2007.

13 Employee benefit plans

Univar sponsors defined benefit plans that provide pension benefits for employees upon retirement primarily in the U.S., Canada, United Kingdom and several other European countries. The Company has final salary and average salary defined benefit plans covering a significant number of its employees.

The United States, Canada and United Kingdom defined benefit pension plans are closed to new entrants. Benefits accrued by participants in the United Kingdom plan were frozen as of December 1, 2010. Benefits accrued by participants in the United States plans were frozen as of December 31, 2009. These amendments to freeze benefits were made in conjunction with a benefit plan review which provides for enhanced benefits under a defined contribution plan available to all employees in the United Kingdom and the United States. In 2010, a curtailment gain of \$7.2 million was immediately recognized in the consolidated statement of operations as a result of the United Kingdom plan amendment.

Other postretirement benefits relate to a health care plan for retired employees in the United States. In 2009, the Company approved a plan to phase out the benefits provided under one of these plans by 2020. As a result of this change, the benefit obligation was reduced by \$76.8 million and a curtailment gain of \$73.1 million was recognized in accumulated other comprehensive income and is being amortized to the consolidated statements of operations over the average future service period, which has approximately three years remaining as of December 31, 2012.

The following summarizes Univar's defined benefit plans for the years ended December 31, 2012 and 2011:

(In US\$ millions)	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2012	2011	2012	2011
Change in benefit obligations:				
Actuarial present value of benefit obligations at beginning of year	\$ 1,062.9	\$ 999.1	\$ 10.2	\$ 11.8
Service cost	8.0	7.7	0.2	0.2
Interest cost	52.4	55.1	0.4	0.5
Contributions by participants	0.6	0.7	1.5	1.7
Benefits paid	(43.7)	(42.8)	(2.3)	(2.0)
Actuarial (gain) loss	138.4	49.8	(0.5)	(1.8)
Curtailments	—	(0.1)	—	—
Foreign currency and other	17.2	(6.6)	—	(0.2)
Actuarial present value of benefit obligations at end of year	<u>\$ 1,235.8</u>	<u>\$ 1,062.9</u>	<u>\$ 9.5</u>	<u>\$ 10.2</u>
Change in the fair value of plan assets:				
Plan assets at beginning of year	\$ 723.6	\$ 680.1	\$ —	\$ —
Actual return on plan assets	103.8	44.6	—	—
Contributions by employer	63.2	45.3	0.8	0.3
Contributions by participants	0.6	0.7	1.5	1.7
Benefits paid	(43.7)	(42.8)	(2.3)	(2.0)
Foreign currency and other	13.6	(4.3)	—	—
Plan assets at end of year	<u>861.1</u>	<u>723.6</u>	<u>—</u>	<u>—</u>
Funded status at end of year:	<u>\$ (374.7)</u>	<u>\$ (339.3)</u>	<u>\$ (9.5)</u>	<u>\$ (10.2)</u>

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Net amounts recognized in the consolidated balance sheets as of December 31, 2012 and 2011 consist of

(in US\$ millions)	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2012	2011	2012	2011
Plan assets in other long term assets	\$ 0.4	\$ 1.2	\$ —	\$ —
Current portion of net benefit obligation in other accrued expenses	(5.6)	(5.3)	(1.2)	(1.2)
Long-term portion of net benefit obligation	(369.5)	(335.2)	(8.3)	(9.0)
Net liability recognized at end of year	<u>\$ (374.7)</u>	<u>\$ (339.3)</u>	<u>\$ (9.5)</u>	<u>\$ (10.2)</u>

The following summarizes pre-tax amounts recognized in accumulated other comprehensive income (loss) as of December 31, 2012 and 2011

(in US\$ millions)	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2012	2011	2012	2011
Net prior service (cost) credit	\$ (0.4)	\$ (0.4)	\$ 39.7	\$ 51.7

The following table summarizes pension plans with accumulated benefit obligations in excess of plan assets as of December 31, 2012 and 2011

(in US\$ millions)	Defined Benefit Pension Plans	
	2012	2011
Projected benefit obligation	\$ 1,201.0	\$ 1,027.1
Accumulated benefit obligation	1,163.6	1,006.5
Fair value of plan assets	825.9	686.9

The following table summarizes pension plans with projected benefit obligations in excess of plan assets as of December 31, 2012 and 2011

(in US\$ millions)	Defined Benefit Pension Plans	
	2012	2011
Projected benefit obligation	\$ 1,201.0	\$ 1,030.7
Fair value of plan assets	825.9	690.3

The total accumulated benefit obligation for all pension plans as of December 31, 2012 and 2011, was \$1,196.9 million and \$1,039.7 million, respectively

Net periodic benefit cost

The following tables summarize the components of net periodic benefit cost recognized in the consolidated statements of operations

(in US\$ millions)	Defined Benefit Pension Plans			Other Postretirement Benefits		
	2012	2011	2010	2012	2011	2010
Service cost	\$ 8.0	\$ 7.7	\$ 11.2	\$ 0.2	\$ 0.2	\$ 0.2
Interest cost	52.4	55.1	53.7	0.4	0.5	0.5
Expected return on plan assets	(49.5)	(45.8)	(42.0)	—	—	—
Amortization of unrecognized prior service costs	—	0.1	1.4	(12.0)	(11.9)	(11.9)
Immediate recognition of net actuarial (gain) loss	84.1	51.0	(8.7)	(0.5)	(1.8)	(1.1)
Curtailment gain	—	(0.1)	(7.5)	—	—	—
Net periodic benefit cost (credit)	<u>\$ 95.0</u>	<u>\$ 68.0</u>	<u>\$ 8.1</u>	<u>\$ (11.9)</u>	<u>\$ (13.0)</u>	<u>\$ (12.3)</u>

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The following table shows other changes in plan assets and benefit obligations recognized in accumulated other comprehensive income (loss)

(In US\$ millions)	Defined Benefit Pension Plans			Other Postretirement Benefits		
	2012	2011	2010	2012	2011	2010
New prior credit service credit (cost)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net gain (loss) arising during the year	(84.1)	(50.9)	16.2	0.5	1.8	1.1
Recognition in net periodic benefit cost of						
Prior service cost (credit)	—	0.1	1.4	(12.0)	(11.9)	(11.9)
Net loss (gain)	84.1	50.9	(16.2)	(0.5)	(1.8)	(1.1)
Foreign currency exchange rate changes	—	—	0.1	—	—	—
Total	\$ —	\$ 0.1	\$ 1.5	\$ (12.0)	\$ (11.9)	\$ (11.9)

The following table summarizes the amounts in accumulated other comprehensive income (loss) at December 31, 2012 that are expected to be amortized as components of net periodic benefit (cost) income during the next fiscal year

(In US\$ millions)	Defined Benefit Pension Plans	Other Postretirement Benefits
Prior service credit	\$ —	\$ 11.9

Actuarial assumptions

The significant weighted average actuarial assumptions used in determining the benefit obligations and net periodic benefit cost for Univar's defined benefit plans are as follows

	At December 31,		
	2012	2011	2010
Actuarial assumptions used to determine benefit obligations at end of period			
Discount rate	4.2%	5.0%	5.6%
Expected annual rate of compensation increase	3.0%	3.2%	3.0%
Actuarial assumptions used to determine net periodic benefit cost for the period			
Discount rate	5.0%	5.6%	5.7%
Expected rate of return on plan assets	7.0%	7.0%	7.2%
Expected annual rate of compensation increase	3.2%	3.0%	4.2%

Discount rates are used to measure benefit obligations and the interest cost component of net periodic cost. Univar selects its discount rates based on the consideration of equivalent yields on high-quality fixed income investments at each measurement date. Discount rates are based on a benefit cash flow-matching approach and represent the rates at which the Company's benefit obligations could effectively be settled as of the measurement date.

For defined benefit plans located in the United States, the discount rates are based on a hypothetical bond portfolio approach. The hypothetical bond portfolio is constructed to comprise AA-graded corporate bonds whose cash flow from coupons and maturities match the expected future plan benefit payments.

The discount rate for the remaining defined benefit plans are based on a yield curve approach. For plans in countries with a sufficient corporate bond market, the expected future benefit payments are matched with a yield curve derived from AA-graded corporate bonds, subject to minimum amounts outstanding and meeting other selection criteria. For plans in countries without a sufficient corporate bond market, the yield curve is constructed based on prevailing government yields and an estimated credit spread to reflect a corporate risk premium.

The expected long-term rate of return on plan assets reflects management's expectations on long-term average rates of return on funds invested to provide for benefits included in the benefit obligations. The long-term rate of return assumptions are based on the outlook for equity and fixed income returns, with consideration of asset allocations, investment strategies and premiums for active management when appropriate. Assumptions reflect the expected rates of return at the beginning of the year.

Health care cost increases did not have a significant impact on the Company's postretirement benefit obligations in 2012, 2011, and 2010 as a result of the 2009 plan to phase out the health care benefits provided under the US plan.

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Plan assets

Plan assets are invested in global equity and debt securities through professional investment managers with the objective to achieve targeted risk adjusted returns and to maintain liquidity sufficient to fund current benefit payments. Typically, each funded defined benefit plan has an investment policy that is administered by plan trustees with the objective of meeting targeted asset allocations based on the circumstances of that particular plan. The investment strategy followed by Univar varies by country depending on the circumstances of the underlying plan. Typically less mature plan benefit obligations are funded by using more equity securities as they are expected to achieve long-term growth while exceeding inflation. More mature plan benefit obligations are funded using a higher allocation to fixed income securities as they are expected to produce current income with limited volatility. The Company's largest plan has adopted a dynamic investment strategy whereby as the plan funded status improves, the investment strategy is migrated to more liability matching assets, and return seeking assets are reduced. Other of the Company's defined benefit plans are considering similar arrangements suitable to the individual plans' circumstances. Risk management practices include the use of multiple asset classes for diversification purposes. Specific guidelines for each asset class and investment manager are implemented and monitored.

The weighted average target asset allocation for all plans in 2012 is as follows:

Asset category	<u>All Plans</u>
Equity securities	52.9%
Debt securities	40.4%
Cash/Other	6.7%

Univar determines the fair value of plan assets using observable market data obtained from independent sources when available. Univar classifies its plan assets according to the fair value hierarchy described in "Note 2. Significant accounting policies." The following summarizes the fair value of plan assets by asset category and level within the fair value hierarchy as of December 31, 2012:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
		(in millions)		
Investments				
Investment funds ⁽¹⁾	\$ 820.2	—	\$ 820.2	—
Insurance contracts	12.2	—	—	12.2
Derivatives				
Interest rate swaps – Assets	21.8	—	21.8	—
Interest rate swaps - Liabilities	(0.7)	—	(0.7)	—
Interest rate swaps – net value	21.1	—	21.1	—
Total investments	853.5	—	841.3	12.2
Cash:	1.8	1.8	—	—
Real estate	5.8	—	—	5.8
Total	\$ 861.1	\$ 1.8	\$ 841.3	\$18.0

⁽¹⁾ This category includes investments in approximately 23.0% in US equities, 29.7% in non-US equities, 10.3% in US corporate bonds, 4.7% in non-US corporate bonds, 12.8% in US government bonds, 13.3% in non-US government bonds and 6.2% in cash and other investments. The net asset values are based on the fair value of the underlying assets of the funds, minus their liabilities, and then divided by the number of units outstanding at the valuation date. The funds are traded on private markets that are not active; however, the unit price is based primarily on observable market data of the fund's underlying assets.

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The following table presents the changes in the plan assets valued using significant unobservable inputs for the year ended December 31, 2012

	<u>Real Estate</u>	<u>Insurance Contracts</u>
Balance at December 31, 2011	\$ 57	\$ 82
Actual return on plan assets		
Related to assets still held at year end	—	31
Purchases, issuances and settlements	01	09
Balance at December 31, 2012	<u>\$ 58</u>	<u>\$ 122</u>

The following summarizes the fair value of plan assets by asset category and level within the fair value hierarchy as of December 31, 2011

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
			(in millions)	
Investments:				
Investment funds ⁽¹⁾	\$ 693.1	—	\$ 693.1	—
Insurance contracts	8.2	—	—	8.2
Derivatives				
Interest rate swaps – Assets	14.9	—	14.9	—
Interest rate swaps - Liabilities	(0.5)	—	(0.5)	—
Interest rate swaps – net value	14.4	—	14.4	—
Total investments	715.7	—	707.5	8.2
Cash:	2.2	2.2	—	—
Real estate:	5.7	—	—	5.7
Total	<u>\$ 723.6</u>	<u>\$ 2.2</u>	<u>\$ 707.5</u>	<u>\$ 13.9</u>

⁽¹⁾ This category includes investments in approximately 25.3% in US equities, 22.4% in non-US equities, 10.4% in US corporate bonds, 5.6% in non-US corporate bonds, 13.2% in US government bonds, 15.5% in non-US government bonds and 7.6% in cash and other investments. The net asset values are based on the fair value of the underlying assets of the funds minus their liabilities, and then divided by the number of units outstanding at the valuation date. The funds are traded on private markets that are not active, however, the unit price is based primarily on observable market data of the fund's underlying assets.

The following table presents the changes in the plan assets valued using significant unobservable inputs for the year ended December 31, 2011

	<u>Real Estate</u>	<u>Insurance Contracts</u>
Balance at December 31, 2010	\$ 46	\$ 87
Actual return on plan assets		
Related to assets still held at year end	—	(12)
Purchases, issuances and settlements	11	07
Balance at December 31, 2011	<u>\$ 57</u>	<u>\$ 82</u>

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Contributions

The Company expects to contribute \$61.7 million to its defined benefit pension plans and \$1.2 million to its other postretirement plans in 2013, including direct payments to plan participants in unfunded plans. In many countries, local pension protection laws have been put in place, which have introduced minimum funding requirements for qualified pension plans. As a result, the Company's required contributions to its pension plans may vary in the future.

The following table shows benefit payments, which reflect future service expectations that are projected to be paid in each of the next five years and in aggregate for five years thereafter.

(In US\$ millions)	Defined Benefit Pension Plans	Post-Employment Benefits Other Than Pensions
2013	45.5	1.2
2014	47.6	1.2
2015	49.3	1.3
2016	52.4	1.3
2017	55.2	1.4
2018-2022	312.0	2.7

Defined contribution plans

The Company provides defined contribution plans to assist eligible employees in providing for retirement or other future needs. Under such plans, company contributions amounted to \$26.6 million, \$31.2 million and \$25.9 million in 2012, 2011 and 2010, respectively.

Multi-employer plans

Univar has 18 union bargaining agreements in the United States that stipulate contributions to one of three union pension trusts. These bargaining agreements are generally negotiated on three-year cycles and cover employees in driver and material handler positions at 16 represented locations.

The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to the multi-employer plan by Univar may be used to provide benefits to employees of other participating employers.
- b. If Univar stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If Univar chooses to stop participating in some of its multi-employer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Univar's participation in these plans for the annual period ended December 31, 2012 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2012 and 2011 is for the plan's year end at December 31, 2011 and December 31, 2010, respectively. The zone status is based on information that Univar received from the plan and is certified by the plan's actuary. Among other factors, plans in the "red zone" are generally less than 65 percent funded, plans in the "yellow zone" are less than 80 percent funded and plans in the "green zone" are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective-bargaining agreement(s) to which the plans are subject. There have been no significant changes that affect the comparability of 2012 and 2011 contributions.

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Pension fund	EIN/Pension Plan Number	PPA Zone Status		FIP/RP Status Pending/ Implemented	Contributions ⁽¹⁾			Surcharge Imposed	Expiration Dates of Collective-Bargaining Agreement(s)
		2012	2011		2012	2011	2010		
Western Conference of Teamsters Pension Plan ⁽²⁾	91-6145047/001	Green	Green	No	\$ 13	\$ 15	\$ 15	No	1/31/2013 to 7/31/2017
Central States, Southeast and Southwest Areas Pension Plan	36-6044243/001	Red	Red	Implemented	10	11	11	No	1/31/2013 to 11/30/2017
New England Teamster and Trucking Industry Pension Plan	04-6372430/001	Red as of 10/01/2011	Red as of 10/01/2010	Implemented	03	02	01	No	6/30/2014
Total contributions					\$ 26	\$ 28	\$ 27		

⁽¹⁾ The plan contributions by Univar did not represent more than 5 percent of total contributions to the plans as indicated in the plans' most recently available annual report

⁽²⁾ Western Conference of Teamsters Pension Plan has elected to spread recognition of 2008 market value losses over 10 years and apply the special (extended) amortization rule to eligible net investment losses using the prospective method, both as provided for in the Preservation of Access to care for Medicare Beneficiaries and Pension Relief Act of 2010 and applicable guidance

14 Commitments and contingencies

Operating lease commitments

Minimum rental commitments at December 31, 2012, under non-cancelable operating leases with lease terms in excess of one year are as follows

(In US\$ millions)	Minimum Rental Commitments
2013	61.0
2014	52.7
2015	42.9
2016	36.0
2017	23.7
More than five years	77.1
Total	\$ 293.4

Rental and lease expense for the years ended December 31, 2012, 2011 and 2010 were \$54.2 million, \$54.4 million, \$52.0 million, respectively. Rental and lease commitments at December 31, 2012 and 2011, related primarily to land, buildings and fleet.

Litigation

In the ordinary course of its business, the Company is subject to claims from time to time. The liabilities for injuries to persons or property are typically covered by liability insurance, subject to various deductibles and self-insured retentions. The deductible and self-insured portions of these liabilities, where applicable, have been accrued in the consolidated financial statements. The Company is not aware of any litigation or arbitration proceedings that are likely to have a material effect on its financial position or results of operations, nor is the Company aware of any such proceedings that are pending or threatened.

The Company is subject to liabilities from claims alleging personal injury from exposure to asbestos. The claims result primarily from an indemnification obligation related to the Company's 1986 purchase of McKesson Chemical Company from McKesson Corporation ("McKesson"). Univar USA's obligation to indemnify McKesson for settlements and judgments arising from asbestos claims is the amount which is in excess of applicable insurance coverage, if any, which may be available under McKesson's historical insurance coverage. Univar USA is a defendant in a small number of asbestos claims.

As of December 31, 2012, there were fewer than 170 asbestos-related claims for which the Company has liability for defense and indemnity. Historically, the vast majority of the claims against both McKesson and Univar USA have been dismissed.

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without payment While the company is unable to predict the outcome of these matters, it does not believe, based upon currently available facts, that the ultimate resolution of any of these matters will have a material effect on its overall financial condition, results of operations, or cash flows However, adverse developments could negatively impact earnings or cash flows in a particular future period

Environmental

The Company is currently undergoing remediation efforts or is in the process of active review of the need for potential remediation efforts at approximately 117 sites Some of these efforts are being conducted as a result of governmental proceedings or orders, while the Company is conducting others with appropriate state or federal agency oversight and approval

The level of annual expenditures for remedial, monitoring and investigatory activities will change in the future as major components of remediation activities continue to be planned and completed Project durations, and therefore cash flows, range from 2 to 30 years, depending on the specific site and type of remediation project The Company's accrual for its environmental liabilities is an estimate that is affected by matters such as information obtained from investigatory studies, effectiveness of remediation technologies used, the interpretation, application and enforcement of laws and regulations, the development, evaluation and implementation of alternative cleanup technologies and methods, the uncertainty concerning recovery of such costs from third parties which may be jointly liable, and the relative level of the Company's involvement at various sites for which the Company is allegedly associated The Company reviews the status of all existing or potential environmental liabilities quarterly and adjusts its accruals based on all available, relevant information

The Company is subject to environmental liabilities for contamination of sites never occupied by the Company ("non-owned" sites) From time to time, Univar or related entities are contacted by governmental agencies or private parties regarding potential liability for a share of the cost of clean-up of non-owned sites These non-owned sites are typically locations of independent waste disposal or recycling operations with alleged or confirmed contaminated soil and/or groundwater to which Univar may have shipped waste products or drums for re-conditioning The Company believes there are approximately 30 sites for which the Company may be liable for a share of the cost of clean-up Univar's estimate of the probable liability for the remediation of non-owned sites is \$9.2 million, and is included in the environmental accrual

Although the Company believes adequate accruals have been provided for environmental contingencies, it is possible, due to the uncertainties noted above, that additional accruals could be required in the future that could have a material effect on the results of operations in a particular period This additional loss or range of losses cannot be made, as it is not reasonably estimable

Changes in total environmental liabilities are as follows

(In US\$ millions)	2012	2011
Environmental liabilities at January 1	\$ 165.6	\$ 186.6
Revised obligation estimates	(2.0)	1.1
Environmental payments	(17.5)	(21.5)
Exchange differences and other	0.5	(0.6)
Environmental liabilities at December 31	<u>\$ 146.6</u>	<u>\$ 165.6</u>

Environmental liabilities of \$32.0 million and \$35.3 million were classified as current in other accrued expenses in the consolidated balance sheets as of December 31, 2012 and 2011, respectively The long-term portion of environmental liabilities is recorded in other long-term liabilities in the consolidated balance sheets

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The Company manages estimated cash flows by project. These estimates are subject to change if there are modifications to the scope of the remediation plan or if other factors, both external and internal, change the timing of the remediation activities. Based on current estimates, the expected payments for environmental remediation for the next five years and thereafter at December 31, 2012 are as follows, with projects for which timing is uncertain included in the 2013 estimated amount:

(In US\$ millions)	
2013	32.0
2014	16.8
2015	12.2
2016	11.0
2017	8.7
Thereafter	69.0
Total	<u>\$ 149.7</u>

Competition

In 2006, the Company conducted an internal investigation into possible anti-competitive practices engaged in by employees of several of the Company's acquired European subsidiaries and determined that over a number of years, certain employees in two jurisdictions engaged in illegal anti-competitive practices. The Company informed the relevant authorities of its findings relating to conduct that occurred prior to 2007. The authorities in one jurisdiction are not pursuing further proceedings. In the other jurisdiction, the authorities, in early June 2012, issued a "statement of objections," marking the commencement of a stage in the proceedings during which the Company may negotiate a resolution of the matter. The Company is currently in the process of evaluating a potential negotiated resolution. In June 2012, the Company increased the amount reserved for the potential fine that may be imposed by that authority. While we believe the amount of the reserve is adequate, we estimate that fines of up to approximately \$10.4 million beyond recorded amounts are reasonably possible.

The US Federal Trade Commission ("FTC") began an investigation in 2011 of Univar's bleach distribution business in North Carolina and Virginia. Univar is cooperating with the FTC in that investigation. Univar did not record a liability related to this investigation as the potential loss is neither probable nor estimable at this stage in the investigation.

Customs and International Trade Laws

In April 2012, the US Department of Justice ("DOJ") issued Univar a subpoena in connection with an investigation into the Company's compliance with applicable customs and international trade laws and regulations relating to the importation of saccharin. At around the same time, Univar became aware of a parallel investigation being conducted by US Customs and Border Patrol ("CBP") into the same underlying conduct. Univar is cooperating with DOJ and CBP. Univar did not record a liability related to either of these investigations as any potential loss is neither probable nor estimable at this stage in either investigation.

15 Share-based compensation

In March 2011, the Board of Directors adopted the 2011 Univar Inc. Stock Incentive Plan (the "Plan"). The Plan provides for grants of stock option and restricted stock awards to officers and certain employees of Univar and its subsidiaries. As of December 31, 2012, there were 14,052,963 shares reserved and 12,953,744 shares available for issuance under the Plan.

For the years ended December 31, 2012 and 2011, respectively, Univar recognized total share-based compensation expense of \$17.5 million and \$19.0 million, and a tax benefit relating to share-based compensation expense of \$5.9 million and \$5.7 million. As of December 31, 2012, Univar has unrecognized share-based compensation expense related to non-vested awards of approximately \$26.6 million, which will be recognized over a weighted-average period of 2.2 years.

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Stock options

In 2012, Univar granted approximately 3.5 million stock options under the Plan with a weighted-average grant date fair value of \$4.13. The 2012 stock option grants are summarized as follows:

	Stock Options Granted	Exercise Price	Fair Value per Share	Intrinsic Value per Share
First quarter	—	\$ —	\$ —	\$ —
Second quarter	1,450,000	11.62	11.62	—
Third quarter	—	—	—	—
Fourth quarter	2,010,000	10.62	10.62	—
Total stock options granted in 2012	<u>3,460,000</u>			

Stock options granted under the Plan expire ten years after the grant date and generally become exercisable over a four-year period, based on continued employment, with annual vesting. The exercise price of a stock option is determined at the time of each grant and in no case will the exercise price be less than the fair value of the underlying common stock on the date of grant. Participants have no stockholder rights until the time of exercise. The Company will issue new shares upon exercise of stock options granted under the Plan.

In 2012, the Company modified the terms of 1.9 million stock options held by a key employee. The modification resulted in the cancellation of 400,000 stock options and accelerated vesting of 567,135 of the remaining stock options. The Company accelerated the recognition of expense associated with this award and recorded an additional \$2.2 million in 2012, which is included in the total share-based compensation expense disclosed above.

The following reflects stock option activity under the Plan for the year ended December 31, 2012:

	Number of Stock Options	Weighted- Average Exercise Price	Weighted- Average Contractual Life	Aggregate Intrinsic Value (in US\$ millions) ⁽¹⁾
Outstanding at January 1, 2012	9,772,442	\$ 10.00		
Granted	3,460,000	11.04		
Forfeited	(768,565)	10.00		
Expired	—	—		
Cancelled	(400,000)	10.00		
Exercised	<u>(1,815,738)</u>	10.00		
Outstanding at December 31, 2012	<u>10,248,139</u>	10.35		
Exercisable at December 31, 2012	<u>3,163,029</u>	10.00	8.3	\$ —
Expected to vest after December 31, 2012 ⁽²⁾	<u>6,366,076</u>	10.51	9.0	\$ —

⁽¹⁾ The difference between the exercise price and the fair value of Univar common stock of \$9.14 at December 31, 2012. No amount is included for awards with an exercise price that is greater than the year-end fair value of Univar common stock.

⁽²⁾ The expected to vest stock options are the result of applying the pre-vesting forfeiture rate assumptions to unvested stock options outstanding.

Restricted stock

In 2012, Univar granted 1,000,000 shares of restricted stock to a key employee under the Plan. This restricted stock award vests in four annual tranches beginning November 30, 2013 through November 30, 2016. Unvested shares of restricted stock may not be sold or transferred and are subject to forfeiture. Restricted stock is included in the Company's shares outstanding. Dividend equivalents are available for unvested shares of restricted stock if dividends are declared by the Company during the vesting period.

In 2012, the Company modified the terms of 300,000 restricted shares held by a key employee. The modification resulted in the accelerated vesting of 200,000 restricted shares and the repurchase of 300,000 vested shares. The Company recognized incremental expense of \$0.2 million and accelerated expense of \$0.9 million due to this modification in 2012, which are included in the total share-based compensation expense disclosed above.

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The following table reflects restricted stock activity under the Plan for the year ended December 31, 2012

	<u>Restricted Stock</u>	<u>Weighted Average Grant-Date Fair Value</u>
Nonvested at January 1, 2012	300,000	\$ 10 00
Granted	1,000,000	10 62
Forfeited	—	—
Vested	(300,000)	10 00
Nonvested at December 31, 2012	<u>1,000,000</u>	<u>10 62</u>

Stock-based compensation fair value assumptions

The fair value of Univar common stock was used to establish the exercise price of stock options granted, as the basis for the fair value of restricted stock awards and as an input in the valuation of stock option stock awards at each grant date. Univar obtained contemporaneous valuations performed by an unrelated valuation specialist in support of each award. The fair value of Univar common stock was based on an equal weighting of the fair values determined under the income and market approaches, discounted for the lack of marketability as a closely held, nonpublic company. A discounted cash flow analysis was used to estimate fair value under the income approach. The market approach consisted of an analysis of multiples of comparable companies whose securities are traded publicly, as well as a review of multiples in recent mergers and acquisitions involving similar businesses.

The Black-Scholes-Merton option valuation model was used to calculate the fair value of stock options. The weighted-average assumptions used under the Black-Scholes-Merton option valuation model were as follows:

	<u>2012</u>	<u>2011</u>
Risk-free interest rate ⁽¹⁾	1 0%	2 5%
Expected dividend yield ⁽²⁾	—%	—%
Expected volatility ⁽³⁾	36 8%	36 9%
Expected term (years) ⁽⁴⁾	6 2	6 1

⁽¹⁾ The risk-free interest rate is based on the US Treasury yield for a term consistent with the expected term of the stock options at the time of grant.

⁽²⁾ The Company currently has no expectation of paying cash dividends on its common stock.

⁽³⁾ The expected volatility is based on the average historical data of a peer group of public companies over a period equal to the expected term of the stock options.

⁽⁴⁾ As the Company does not have historical exercise data under the Plan, the expected term is based on the average of the vesting period of each tranche and the original contract term of 10 years.

Additional stock-based compensation information

The following table provides additional stock-based compensation information for the years ended December 31, 2012 and 2011:

<u>(in US\$ millions)</u>	<u>2012</u>	<u>2011</u>
Total intrinsic value of stock options exercised	\$ 1 1	\$ —
Fair value of restricted stock vested	3 2	1 0
Cash received from stock option exercises	—	—
Tax benefit of stock options exercised	0 4	—

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16 Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) is comprised of the following

(In US\$ millions)	December 31,	
	2012	2011
Changes in fair value of derivative instruments, net of tax	\$ —	\$ (4 1)
Pension and post-employment benefit adjustments, net of tax	24 6	32 2
Foreign currency translation, net of tax	(26 0)	(53 6)
Total accumulated other comprehensive (loss)	<u>\$ (1 4)</u>	<u>\$ (25 5)</u>

17 Earnings per share

The following table presents the basic and diluted earnings per share computations for the years ended December 31, 2012, 2011 and 2010

(In US\$ millions, except per share data)	Year Ended December 31,		
	2012	2011	2010
Net loss	\$ (197 4)	\$ (176 2)	\$ (70 6)
Weighted average common shares outstanding and dilutive ⁽¹⁾	195,186,585	194,518,767	148,003,681
Basic and diluted loss per common share	<u>\$ (1 01)</u>	<u>\$ (0 91)</u>	<u>\$ (0 48)</u>

⁽¹⁾ Stock options to purchase approximately 10.2 million and 9.8 million shares during 2012 and 2011, respectively, were outstanding but not included in the calculation of diluted earnings per share as the impact of these options would have been anti-dilutive

The Board of Directors of the Company authorized a common stock split, effected on November 29, 2010, that increased the total number of shares authorized to issue from 1,000 shares of common stock, par value of \$0.01 per share, to 734,625,648 shares of common stock, par value of \$0.000000014 per share. All share and per share data has been adjusted to reflect the stock split.

18 Financial instruments

Univar classifies its financial instruments according to the fair value hierarchy described in "Note 2 Significant accounting policies". Certain financial instruments, such as derivative financial instruments, are required to be measured at fair value on a recurring basis. Other financial instruments, such as the Company's own debt, are not required to be measured at fair value on a recurring basis. Under current accounting guidance, the Company may make an irrevocable election to measure financial instruments and certain other items at fair value. The Company has not elected to apply this fair value option for eligible items.

Items measured at fair value on a recurring basis

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2012 and 2011.

(In US\$ millions)	Level 1		Level 2	
	2012	2011	2012	2011
Financial assets				
Forward currency contracts	\$ 0 4	\$ 0 2	\$ —	\$ —
Interest rate cap contracts	—	—	—	0 2
Financial liabilities				
Forward currency contracts	0 4	0 4	—	—
Interest rate cap contracts	—	—	0 6	0 9
Interest rate swap contracts	—	—	—	6 8

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Derivatives

The amounts recognized in other comprehensive income and the consolidated statements of operations relating to derivatives are as follows

<u>(in US\$ millions)</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Losses recognized in accumulated other comprehensive income (effective portion)			
Interest rate swaps	\$ —	\$ —	\$ (16.4)
Losses reclassified from accumulated other comprehensive income to statement of operations			
Interest rate swaps – interest expense	4.8	7.1	34.5
Gains (losses) recognized directly in income (amounts excluded from effectiveness testing and ineffective portion)			
Interest rate swaps – interest expense	6.8	5.2	2.8
Interest rate caps – interest expense	0.1	(4.0)	1.2
Foreign currency – warehousing, selling and administrative	0.3	(0.1)	(0.2)

Interest rate derivatives

The fair value of interest rate swaps and interest rate caps is determined by estimating the net present value of amounts to be paid under the agreement offset by the net present value of the expected cash inflows based on market rates and associated yield curves

At December 31, 2012 and 2011, the Company had two interest rate caps in place, each with a notional amount of \$250.0 million whereby, to the extent the quarterly LIBOR variable rate of interest exceeds 2.25%, the Company would receive payment based on the notional amount and the interest rate spread. The Company does not apply hedge accounting for the interest rate caps, which expire on December 31, 2013. The interest rate cap asset is reported in prepaid and other current assets in the consolidated balance sheets.

At December 31, 2011 the Company had one interest rate swap contract in place with a notional amount of \$500.0 million, whereby a fixed rate of interest (1.781%) is paid and a variable rate of interest (equal to one-month USD LIBOR) was received on the notional amount. Prior to the debt refinancing on November 30, 2010, hedge accounting was applied as the swap contract hedged the interest rate risk under the Company's credit facilities. As a result of the debt refinancing, hedge accounting was discontinued on October 1, 2010. The cumulative loss of \$13.7 million was amortized to interest expense from other comprehensive income (loss) over the remaining term of the swap. The interest rate swap expired on December 31, 2012. Any additional valuation adjustments were recognized in interest expense.

Foreign currency derivatives

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Forward currency contracts are not designated as hedges and are recorded at fair value in either other current receivables or current payables in the balance sheets, reflecting their short-term nature.

Financial instruments not carried at fair value

The estimated fair market values of financial instruments not carried at fair value in the consolidated balance as of December 31, 2012 and 2011 are as follows

<u>(in US\$ millions)</u>	<u>December 31, 2012</u>		<u>December 31, 2011</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial liabilities				
Long-term debt	\$ 3,776.0	\$ 3,815.0	\$ 3,043.0	\$ 3,024.8

Long-term debt

The fair values of the long-term debt were based on current market quotes for identical or similar borrowings and credit risk adjusted for liquidity, margins, and amortization, as necessary (Level 2 measurement).

Fair value of other financial instruments

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, short-term debt and current maturities of long-term debt included in the consolidated balance sheets approximate fair value.

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19 Segments

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Management evaluates performance on the basis of Adjusted EBITDA. Adjusted EBITDA is calculated by adjusting net income (loss) for income tax expense (benefit), interest expense, net, other operating expenses, net, impairment charges, loss on extinguishment of debt, depreciation expense and amortization expense (unaudited).

Transfer prices between business segments are set on an arms-length basis in a similar manner to transactions with third parties. Corporate operating expenses that directly benefit segments have been allocated to the operating segments. Allocable operating expenses are identified through a review process by management. These costs are allocated to the operating segments on a basis that approximates the use of services. This is typically measured on a weighted distribution of margin, asset, headcount or time spent.

Other/Eliminations represents the elimination of inter-segment transactions as well as unallocated corporate costs consisting of costs specifically related to parent company operations that do not directly benefit segments, either individually or collectively.

(In US\$ millions)	USA	Canada	EMEA	Rest of World	Other/ Eliminations	Consolidated
Year ended December 31, 2012						
Net sales						
External customers	\$ 5,659.2	\$ 1,494.4	\$ 2,283.0	\$ 310.5	\$ —	\$ 9,747.1
Inter-segment	138.2	16.0	4.3	—	(158.5)	—
Total net sales	5,797.4	1,510.4	2,287.3	310.5	(158.5)	9,747.1
Cost of goods sold	4,728.7	1,242.0	1,851.1	261.3	(158.5)	7,924.6
	1,068.7	268.4	436.2	49.2	—	1,822.5
Adjusted EBITDA (unaudited)	425.9	125.3	60.7	1.8	(8.4)	605.3
Other operating expenses, net						184.9
Depreciation expense	62.2	10.9	29.7	1.4	7.5	111.7
Amortization expense	66.0	13.9	11.5	1.9	—	93.3
Impairment charges						75.8
Loss on extinguishment of debt						0.5
Interest expense, net						260.9
Income tax expense						75.6
Net loss						\$ (197.4)
Total assets	4,049.6	1,812.1	1,446.5	218.2	(1,007.5)	6,518.9
Property, plant and equipment, net	630.4	153.9	240.3	9.1	119.1	1,152.8
Capital expenditures	35.4	14.7	53.7	1.9	64.4	170.1

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(in US\$ millions)	USA	Canada	EMEA	Rest of World	Other/ Eliminations	Consolidated
Year ended December 31, 2011						
Net sales						
External customers	\$ 5,660 8	\$ 1,386 1	\$ 2,437 6	\$ 234 0	\$ —	\$ 9,718 5
Inter-segment	61 5	9 3	4 8	—	(75 6)	—
Total net sales	5,722 3	1,395 4	2,442 4	234 0	(75 6)	9,718 5
Cost of goods sold	4,652 0	1,137 9	1,973 6	195 1	(75 6)	7,883 0
	1,070 3	257 5	468 8	38 9	—	1,835 5
Adjusted EBITDA (unaudited)	449 8	120 8	81 4	13 6	(14 9)	650 7
Other operating expenses, net						142 2
Depreciation expense	61 8	10 1	31 5	0 7	4 3	108 4
Amortization expense	63 1	14 1	11 4	1 4	—	90 0
Impairment charges						173 9
Loss on extinguishment of debt						16 1
Interest expense, net						280 4
Income tax expense						15 9
Net loss						\$ (176 2)
Total assets	3,324 3	1,686 1	1,336 7	207 9	(852 9)	5,702 1
Property, plant and equipment, net	626 6	146 0	214 2	9 7	66 3	1,062 8
Capital expenditures	24 9	8 3	32 0	0 7	37 0	102 9

(in US\$ millions)	USA	Canada	EMEA	Rest of World	Other/ Eliminations	Consolidated
Year ended December 31, 2010						
Net sales						
External customers	\$ 4,571 2	\$ 1,265 2	\$ 1,923 5	\$ 148 3	\$ —	\$ 7,908 2
Inter-segment	11 3	3 5	1 3	—	(16 1)	—
Total net sales	4,582 5	1,268 7	1,924 8	148 3	(16 1)	7,908 2
Cost of goods sold	3,719 7	1,034 9	1,538 1	123 3	(16 1)	6,399 9
	862 8	233 8	386 7	25 0	—	1,508 3
Adjusted EBITDA (unaudited)	323 6	113 3	64 5	8 5	(6 9)	503 0
Other operating expenses, net						86 2
Depreciation expense	52 8	9 3	19 9	0 4	0 6	83 0
Amortization expense	27 7	13 4	4 5	—	—	45 6
Impairment charges						12 6
Loss on extinguishment of debt						14 5
Interest expense, net						301 3
Income tax expense						30 4
Net loss						\$ (70 6)
Total assets	3,331 6	1,682 7	1,407 6	91 8	242 1	6,755 8
Property, plant and equipment, net	667 5	149 1	169 8	1 6	21 2	1,009 2
Capital expenditures	36 6	7 4	27 3	1 0	19 7	92 0

Business line information

Univar's operating segments derive their net sales primarily from distributing industrial chemicals and providing related specialty services

Approximately 97% of Univar's net sales from external customers relate to its industrial chemical business. Other sales to external customers relate to services for collecting and arranging for the transportation of hazardous and nonhazardous waste

No single customer accounted for more than 5% of net sales in any of the years presented

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20 Related party transactions

Prior to the CD&R transaction in November 2010, the Company had a service level agreement with its parent, Univar N V, whereby costs incurred by the parent which benefited the subsidiaries were allocated to the subsidiaries pursuant to a cost allocation model using key profitability, headcount and asset measures as a basis for allocation. These costs included financial, legal and managerial advice and advice with respect to other matters and transactions. These fees are included in other operating expenses, net in the amount of \$1.6 million for the year ended December 31, 2010. Concurrent with the CD&R transaction, operations were realigned such that all costs incurred for the benefit of the Company and its subsidiaries are maintained within the Company.

CD&R and CVC charged the Company a total of \$5.2 million, \$4.4 million and \$43.0 million in 2012, 2011 and 2010, respectively, for advisory services provided to Univar pertaining to the CD&R transaction and the related debt refinancing, as well as for strategic consulting. These amounts were recorded in other operating expenses, net.

The Company previously granted loans to certain employees to acquire shares of an indirect parent company as a management equity program. In conjunction with the CD&R transaction in 2010, there were repayments of principal and accrued interest of \$5.4 million. No new loans were granted during 2011 or 2012. The loan terms call for 2.35% to 3.24% interest to be accrued on unpaid principal per annum, in line with local tax guidance, and for repayment of the loan plus interest on the ninth anniversary of the loan. The terms of eight loans provide that a portion of the employee's annual profit sharing bonus be used to repay the loan. During 2011 and 2012 there were no repayments under this provision. At December 31, 2012 the Company has 9 loans outstanding totaling \$0.5 million with an average remaining term of 6.4 years. The shares acquired with the loans are pledged to repay the loans and the loans are with recourse against the individuals.

In 2010, the Company recognized interest income of \$4.6 million related to three loans to its immediate parent company, Univar N V, and an indirect parent company, Ulixes B V. The outstanding principal and interest of \$90.8 million were repaid concurrent with the CD&R transaction in November 2010.

The following table summarizes Univar's sales and purchases with affiliates of our stockholders.

(in US\$ millions)	Year Ended December 31,		
	2012	2011	2010
CVC			
Sales to affiliate companies	\$ 23.1	\$ 31.2	\$ 29.0
Purchases from affiliate companies	13.3	27.7	26.9
CD&R			
Sales to affiliate companies	11.5	8.3	0.4
Purchases from affiliate companies	0.4	—	—

Included in interest expense are \$4.0 million, and \$132.5 million for the years ended December 31, 2011 and 2010, respectively, related to loans payable to Univar N V. In conjunction with the CD&R transaction, these loans were paid off on January 11, 2011, in the amount of \$956.6 million.

The Senior Subordinated Notes are held by indirect stockholders of the Company and are therefore considered due to related parties. Refer to "Note 11 Debt" for further information regarding the Senior Subordinated Notes.

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21 Quarterly financial information (unaudited)

The following tables contain selected unaudited statement of operations information for each quarter of 2012 and 2011. The tables include all adjustments, consisting only of normal recurring adjustments, that is necessary for fair presentation of the consolidated financial position and operating results for the quarters presented. Our business is affected by seasonality, which historically has resulted in higher sales volume during our second and third quarter. The Company recognized a loss on extinguishment of \$14.5 million in the first quarter of 2011 in connection with the February 2011 term loan refinancing. The Company recognized a loss of \$83.6 million and a loss of \$49.1 million in the fourth quarter of 2012 and 2011, respectively, relating to the annual mark to market adjustment on its defined benefit pension and postretirement plans. The Company recognized a goodwill impairment in the EMEA segment of \$75.0 million and \$169.4 million in the fourth quarter of 2012 and 2011, respectively. The Company recognized a \$92.4 million deferred tax valuation allowance in the fourth quarter of 2012.

Unaudited quarterly results are as follows:

(in US\$ millions, except per share data)	Year Ended December 31, 2012			
	Mar 31, 2012	Jun 30, 2012	Sep 30, 2012	Dec 31, 2012
Net sales	\$ 2,406.1	\$ 2,682.3	\$ 2,424.4	\$ 2,234.3
Income (loss) before income taxes	25.1	23.7	41.6	(212.2)
Income tax expense (benefit)	10.6	18.9	9.7	36.4
Net income (loss)	14.5	4.8	31.9	(248.6)
Earnings (loss) per share				
Basic and diluted	\$ 0.07	\$ 0.02	\$ 0.16	\$ (1.27)
Shares used in computation of earnings (loss) per share				
Basic	194,610,000	194,728,693	195,510,090	195,886,315
Diluted	195,059,223	195,116,970	195,803,085	195,886,315

(in US\$ millions, except per share data)	Year Ended December 31, 2011			
	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Dec 31, 2011
Net sales	\$ 2,294.0	\$ 2,694.2	\$ 2,516.0	\$ 2,214.3
Income (loss) before income taxes	7.4	43.7	6.8	(218.2)
Income tax expense (benefit)	3.1	17.9	(0.5)	(4.6)
Net income (loss)	4.3	25.8	7.3	(213.6)
Earnings (loss) per share				
Basic and diluted	\$ 0.02	\$ 0.13	\$ 0.04	\$ (1.10)
Shares used in computation of earnings (loss) per share				
Basic	194,510,000	194,510,000	194,510,000	194,544,783
Diluted	194,510,000	194,544,348	194,613,041	194,544,783

22 Subsequent events

On February 22, 2013, the Company completed a refinancing whereby it borrowed additional funds of \$423.6 million on its existing Term Loan Facility. As a result of this refinancing, the Company recognized third party fees in other operating expenses, net of \$5.5 million.

In late 2007, Canada Revenue Agency ("CRA") initiated a review of the 2007 Canadian restructuring within the Univar Canadian group under the General Anti-Avoidance Rule ("GAAR"), resulting in a proposed application of withholding tax on a deemed distribution. The Company has, through its external tax counsel, affirmed its more likely than not position that GAAR should not be applied to the transaction(s). On March 6, 2013, the Company received a notice of assessment for \$38.3 million (\$39.5 million Canadian dollars, comprised of \$29.4 million withholding tax and \$10.1 million interest). The Company is proceeding to file its Notice of Objection within the requisite period of time imposed by CRA, and will file a Notice of Appeal with the Canadian Tax Court to commence litigation.

UNIVAR INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On March 25, 2013, the Company refinanced the ABL Facility to increase the total commitment from \$1.1 billion to \$1.4 billion and extend the maturity date of the U.S. and Canadian credit lines from November 30, 2015 to March 25, 2018. The new facility includes a \$100.0 million term loan, which matures March 25, 2016. The Company incurred fees of \$6.1 million related to this refinancing. Unamortized deferred financing fees on this facility were \$13.7 million as of the date of the refinancing.

On March 27, 2013, the Company repaid \$350.0 million of the Senior Subordinated Notes due 2018, incurring an early payment penalty of \$21.0 million. Unamortized deferred financing fees and the discount on these notes totaled \$7.0 million as of the date of the repayment.

On March 27, 2013, the lender lowered the interest rate on the Senior Subordinated Notes due 2017 and the remaining balance of the Senior Subordinated Notes due 2018 from a fixed rate of 12.0% to a fixed rate of 10.5% in exchange for six months of call protection.

The Company has evaluated subsequent events through March 29, 2013, the date that these financial statements were available to be issued.

Supplemental Consolidated Financial Information

for the year ended December 31, 2012

Univar Inc.

THREE ACCOUNTS
FOR THE YEAR OF THE
GROUP / ACCOUNTS
OF COMPANY
No. 6371237



COMPANIES HOUSE

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Univar Inc.

Management Discussion & Analysis

For year ended December 31, 2012

Non-GAAP Financial Measures

We have prepared our consolidated financial statements in accordance with US GAAP. However, this discussion utilizes various figures that are “non-GAAP financial measures” as this term is defined in Regulation G as promulgated by the Securities and Exchange Commission (“SEC”), including gross profit, gross margin, adjusted EBITDA and adjusted EBITDA margin. We have detailed either the computation of these measures from multiple US GAAP figures or reconciled these non-GAAP financial measures to the most relevant US GAAP equivalent. Some of these measures do not have standardized meanings and investors should consider that the methodology applied in calculating such measures may differ among companies. Our management believes these non-GAAP measures provide useful supplementary information to investors in order that they may evaluate our financial performance using the same measures as our management. These non-GAAP measures are not in accordance with, or an alternative for, measures of financial performance prepared in accordance with US GAAP.

Gross profit and gross margin. We define gross profit as net sales less cost of goods sold. We define gross margin as gross profit divided by net sales. Our cost of goods sold includes all inventory costs such as the purchase price (net of supplier discounts), as well as direct labor and other costs incurred to blend and repackage the product. Cost of goods sold is exclusive of costs to deliver the product and depreciation expense. Our gross profit may not be comparable to those of other companies, as other companies may include costs related to their distribution network and depreciation expense in cost of goods sold.

Adjusted EBITDA. In addition to our net income (loss) determined in accordance with US GAAP, we evaluate operating performance using adjusted EBITDA, which we define as our consolidated net income (loss), plus the sum of 1) interest expense, net of interest income, 2) income tax expense (benefit), 3) depreciation, 4) amortization, 5) other operating expenses, net (which primarily consists of pension mark to market adjustments, acquisition and integration related expenses, stock-based compensation expense, redundancy and restructuring costs, advisory fees paid to stockholders, and other unusual or non-recurring expenses), 6) impairment charges, and 7) loss on extinguishment of debt. While adjusted EBITDA is a non-GAAP measurement, management believes that it is an important indicator of operating performance because:

- Adjusted EBITDA is reported to our lenders as required under the covenants of our credit agreements,
- Adjusted EBITDA excludes the effects of income taxes, as well as the effects of financing and investing activities by eliminating the effects of interest, depreciation and amortization expenses,
- Management considers gains/(losses) on the acquisition, disposal and impairment of assets as resulting from investing decisions rather than ongoing operations, and
- Other significant items, while periodically affecting our results, may vary significantly from period to period and have a disproportionate effect in a given period, which affects comparability of results.

Reporting Segments

Our operations are structured into four reportable segments that represent the geographic areas under which we operate and manage our business: (1) Univar USA, (2) Univar Canada, (3) Univar Europe, the Middle East and Africa (“EMEA”), and (4) Rest of World, which includes developing businesses in Latin America (including Brazil and Mexico) and the Asia-Pacific region. Management monitors the operating results of its segments on the basis of adjusted EBITDA. Transfer prices between business segments are set on an arms-length basis in similar manner to transactions with third parties. Corporate operating expenses that directly benefit our operating segments have been allocated on a basis that approximates our estimates of the use of these services. Other/Eliminations represents the elimination of inter-segment transactions as well as unallocated corporate costs consisting of costs specifically related to parent company operations that do not directly benefit segments, either individually or collectively. In the analysis of our results of operations below, we discuss operating segment results for each reporting period following our period-to-period comparison.

Results of Operations

The following tables set forth, for the periods indicated, certain statements of operations data first on the basis of reported data and then as a percentage of total net sales for the relevant period. The financial data set forth below are not necessarily indicative of the results of future operations and should be read in conjunction with our historical consolidated financial statements and accompanying notes included elsewhere herein.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2012

(in US\$ millions)	Twelve Months Ended				Increase (decrease)	% Change	Impact of Currency*
	December 31, 2011		December 31, 2012				
Net sales	\$ 9,718.5	100.0%	\$ 9,747.1	100.0%	\$ 28.6	0.3%	(1.9)%
Cost of goods sold	<u>7,883.0</u>	81.1%	<u>7,924.6</u>	81.3%	41.6	0.5%	(1.9)%
Gross profit	1,835.5	18.9%	1,822.5	18.7%	(13.0)	(0.7)%	(1.8)%
Operating expenses							
Warehousing, selling and administrative	1,184.8	12.2%	1,217.2	12.5%	32.4	2.7%	(2.5)%
Other operating expenses, net	142.2	1.5%	184.9	1.9%	42.7	30.0%	(2.9)%
Depreciation	108.4	1.1%	111.7	1.1%	3.3	3.0%	(2.2)%
Amortization	90.0	0.9%	93.3	1.0%	3.3	3.7%	(1.2)%
Impairment charges	<u>173.9</u>	1.8%	<u>75.8</u>	0.8%	(98.1)	(56.4)%	(2.5)%
Total operating expenses	<u>1,699.3</u>	17.5%	<u>1,682.9</u>	17.3%	(16.4)	(1.0)%	(2.4)%
Operating income	<u>136.2</u>	1.4%	<u>139.6</u>	1.4%	3.4	2.5%	5.9%
Other income (expense)							
Interest income	7.1	0.1%	9.0	0.1%	1.9	26.8%	(4.2)%
Interest expense	(287.5)	(3.0)%	(269.9)	(2.8)%	(17.6)	(6.1)%	(0.8)%
Loss on extinguishment of debt	<u>(16.1)</u>	(0.2)%	<u>(0.5)</u>	—%	(15.6)	(96.9)%	—%
Total other expense	<u>(296.5)</u>	(3.1)%	<u>(261.4)</u>	(2.7)%	(35.1)	(11.8)%	(0.7)%
Loss before income taxes	(160.3)	(1.6)%	(121.8)	(1.2)%	38.5	(24.0)%	(6.3)%
Income tax expense	<u>15.9</u>	0.2%	<u>75.6</u>	0.8%	59.7	375.5%	3.8%
Net loss	<u>\$ (176.2)</u>	(1.8)%	<u>\$ (197.4)</u>	(2.0)%	(21.2)	12.0%	(5.4)%

*The currency impact is included in the % change.

Net sales

Net sales were \$9,747.1 million in 2012, an increase of \$28.6 million, or 0.3%, from 2011. The comparability of these periods is impacted by the December 2012 acquisition of Magnablend in the United States, the August 2011 acquisition of Arinos in Brazil, and the March 2011 acquisition of Eral-Protek in Turkey. In total, the acquired companies contributed incremental revenues of \$92.8 million in 2012. Including the effect of acquisitions, pricing and product mix had a positive impact of 2.6%, primarily as a result of changes in product mix in the USA, Canada and Rest of World segments. This positive impact was partially offset by a negative impact in EMEA due to changes in product mix and falling prices because of reduced demand under current economic conditions. A negative currency translation impact and a decrease in volumes partially offset the positive impact of pricing and product mix. Foreign currency translation had a negative 1.9% impact on net sales when compared to 2011 as the US dollar has strengthened, most notably against the Euro. Volumes declined 0.4% worldwide as reduced demand in the USA segment offset the additional volumes from acquisitions and growth in the other regions, including a 3.9% increase in Canada on the strength of the agricultural and energy markets.

Gross profit

Gross profit decreased \$13.0 million, or 0.7%, to \$1,822.5 million in 2012. Acquired companies contributed incremental gross profit of \$11.8 million in 2012. Including the effect of acquisitions, changes in pricing, product costs and product mix contributed a 1.5% positive impact, primarily due to changes in product mix in the USA, partially offset by a negative change in EMEA. Partially offsetting this increase was a negative 1.8% impact from currency translation, primarily related to EMEA, and the 0.4% decrease in volumes. Gross margin decreased to 18.7% in 2012 compared to 18.9% in 2011.

Warehousing, selling and administrative expenses

Warehousing, selling and administrative expenses increased \$32.4 million, or 2.7%, to \$1,217.2 million in 2012, and increased as a percentage of net sales from 12.2% in 2011 to 12.5% in 2012. Acquisitions contributed an incremental \$14.5 million in warehousing, selling and administrative expenses in 2012. The increase was also due to higher transportation costs, professional fees and outside services due to several strategic initiatives, bad debt expense, travel costs and foreign currency losses. Offsetting these increases, was a decline in personnel costs, as lower incentive compensation and retirement benefit costs offset the impact of the additional headcount relating to the recent acquisitions. Also, currency translation had a 2.5% beneficial impact on warehousing, selling and administrative expenses.

Other operating expenses, net

Other operating expenses, net increased \$42.7 million, or 30.0%, from 2011 to \$184.9 million, and increased as a percentage of net sales compared to 2011. The increase was primarily due to a greater pension mark to market loss relating to the annual remeasurement of the Company's defined benefit plans, the accrual for estimated fines relating to an anti-competition matter in Europe regarding conduct that occurred prior to 2007, and debt refinancing costs relating to the October 2012 refinancing of the Company's term loan facility. Currency translation had a 2.9% beneficial impact on other operating expenses, net.

Depreciation and amortization

Depreciation expense increased \$3.3 million, or 3.0%, compared to 2011, primarily due to higher depreciation on capitalized software costs. As a result of the implementation of our global ERP system currently in progress, we began depreciation of associated software licenses and capitalized development costs for completed modules, and have accelerated depreciation of the remaining capitalized balances of our current accounting systems. This increase was partially offset by a 2.2% beneficial impact from currency translation.

Amortization expense increased \$3.3 million, or 3.7%, from 2011, due to the amortization of intangible assets associated with the acquired companies, partially offset by a 1.2% beneficial impact from currency translation.

Impairment charges

Impairment charges in both 2012 and 2011 primarily relate to the impairment of goodwill in the EMEA segment.

Interest expense

Interest expense decreased \$17.6 million, or 6.1%, from 2011, as a result of the beneficial impact of currency and a decrease in interest rates.

Loss on extinguishment of debt

In February 2011, the Company refinanced its term loan facilities to increase borrowings, extend maturities and reduce interest rates, resulting in the recognition of a loss on extinguishment of debt of \$16.1 million. In October 2012, the Company refinanced its term loan facility to increase borrowings and amend certain terms, resulting in the recognition of a loss on extinguishment of debt of \$0.5 million.

Income tax expense

Income tax expense increased \$59.7 million compared to 2011, primarily due to the unfavorable impact of the recognition of a valuation allowance in the United States on certain deferred tax assets, a non-deductible penalty for anti-competitive practices, and the reduction in the loss before income taxes, offset by the favorable impact of the comparatively smaller amount of the EMEA goodwill impairment charge and the release of valuation allowance during from the merger of three subsidiaries in Belgium.

Segment results (unaudited)

Our adjusted EBITDA by reportable segment and in the aggregate for 2011 and 2012 is summarized in the following table

(In US\$ millions)	USA	Canada	FMFA	Rest of World	Other/ Eliminations ⁽¹⁾	Consolidated	USA	Canada	EMEA	Rest of World	Other/ Eliminations ⁽¹⁾	Consolidated
	Year Ended December 31, 2011						Year Ended December 31, 2012					
Net sales												
External customers	\$ 5,660.8	\$ 1,386.1	\$ 2,437.6	\$ 234.0	\$ —	\$ 9,718.5	\$ 5,659.2	\$ 1,494.4	\$ 2,283.0	\$ 310.5	\$ —	\$ 9,747.1
Inter segment	61.5	9.3	4.8	—	(75.6)	—	138.2	16.0	4.3	—	(158.5)	—
Total net sales	5,722.3	1,395.4	2,442.4	234.0	(75.6)	9,718.5	5,797.4	1,510.4	2,287.3	310.5	(158.5)	9,747.1
Cost of goods sold	4,652.0	1,117.9	1,973.6	195.1	(75.6)	7,883.0	4,728.7	1,242.0	1,851.1	261.3	(158.5)	7,924.6
Gross profit	1,070.3	277.5	468.8	38.9	—	1,835.5	1,068.7	268.4	436.2	49.2	—	1,822.5
Adjusted EBITDA	449.8	120.8	81.4	13.6	(14.9)	650.7	425.9	125.3	60.7	1.8	(8.4)	605.3
Other operating expenses, net						142.2						184.9
Depreciation expense	61.8	10.1	31.5	0.7	4.3	108.4	62.2	10.9	29.7	1.4	7.5	111.7
Amortization expense	63.1	14.1	11.4	1.4	—	90.0	66.0	13.9	11.5	1.9	—	93.3
Impairment charges						173.9						75.8
Loss on extinguishment of debt						16.1						0.5
Interest expense, net						280.4						260.9
Income tax expense						15.2						75.6
Net income						<u>\$ (126.2)</u>						<u>\$ (197.4)</u>

(1) Other/Eliminations represents the elimination of intersegment transactions as well as unallocated corporate costs consisting of costs specifically related to parent company operations that do not directly benefit segments, either individually or collectively

United States External sales in the USA segment of \$5,659.2 million were \$1.6 million lower than in 2011. Volumes were 2.9% lower, as the addition of Magnablend in December was offset by reduced volumes on overall market weakness and a mild winter in the first quarter, which impacted many products, including sulfuric acid, methanol and deicing fluid. Pricing and product mix had a positive impact of 2.8%, primarily due to the impact of changes in product mix as much of the decline in volumes was related to products with lower average selling prices. Gross profit decreased by \$1.6 million, or 0.1%, to \$1,068.7 million in 2012, due to the lower volumes and the write-down of guar inventory as a result of a decrease in prices. Positive changes in pricing, product costs and product mix partially offset these negative factors. Gross margin remained at 18.9% in 2012. Operating expenses increased \$22.3 million, or 3.6%, in 2012 to \$642.8 million as higher transportation costs and costs associated with strategic initiatives offset lower personnel and environmental costs. Adjusted EBITDA decreased by \$23.9 million, or 5.3%, to \$425.9 million in 2012. Adjusted EBITDA margin decreased from 7.9% to 7.5% in 2012 as a result of the higher operating expenses relative to net sales.

Canada External sales of \$1,494.4 million in the Canadian segment during 2012 were \$108.3 million, or 7.8%, higher compared to 2011. Sales volumes improved 3.9% primarily as a result of demand in the oil and gas sector and favorable weather conditions relative to the prior year, which resulted in higher agricultural sales. Pricing and product mix had a positive 5.1% impact primarily as a result of an increased mix of higher priced products, such as hydrochloric acid and guar. Foreign currency translation had a negative impact of 1.2% on external sales as the Canadian dollar weakened against the US dollar. Canadian gross profit increased by \$10.9 million, or 4.2%, to \$268.4 million in 2012, as the impact of higher sales volumes and a positive net impact from changes in pricing, product cost and product mix exceeded a 1.1% negative impact from currency translation and the effect of the write-down of guar inventory. Gross margin decreased from 18.6% in 2011 to 18.0% as the effect of lower supplier incentives, the write-down of guar inventory and competitive pressures offset the beneficial impact of the increased mix of higher margin products in the oilfield services sector. Operating expenses increased \$6.4 million, or 4.7%, to \$108.1 million in 2012, but decreased as a percentage of external sales from 9.9% to 9.6%. The increase in operating expenses was due to higher personnel costs, transportation expenses and foreign currency transaction losses, partially offset by a 1.1% beneficial currency translation impact. Adjusted EBITDA of \$125.3 million was \$4.5 million, or 3.7%, higher than 2011 despite a 1.2% negative currency impact. Adjusted EBITDA margin decreased from 8.7% to 8.4% in 2012 as a result of the decrease in gross margin, partially offset by a decrease in operating expenses relative to external sales.

EMEA External sales in the EMEA segment decreased \$154.6 million, or 6.3%, to \$2,283.0 million in 2012. A negative 6.2% impact from foreign currency translation was the primary driver of this decrease as the Euro and British pound weakened against the US dollar. Changes in pricing and product mix had a negative 3.6% impact due to a higher mix of commodity type products, which have lower average selling prices, and due to falling prices on low demand under current economic conditions. Volumes increased 3.5% as gains in commodities and the additional volumes from Eral-Protek, which was acquired in March of 2011, offset the overall negative impact of the poor economic climate in the region. Gross profit decreased \$32.6 million, or 7.0%, to \$436.2 million, as a 5.8% negative currency impact and a 4.6% negative impact from changes in pricing, product costs and product mix offset the impact of higher volumes. Gross margin decreased slightly from 19.2% in 2011 to 19.1% in 2012. Operating expenses decreased \$11.9 million, or 3.1%, to

\$375.5 million in 2012, but increased as a percentage of external sales from 15.9% to 16.4%. A 6.5% beneficial impact from currency translation and a reduction in headcount, which resulted in lower personnel costs, offset increases in other operating expenses, including higher bad debt and environmental expenses, and the impact of foreign currency transaction gains in 2011. Adjusted EBITDA decreased by \$20.7 million, or 25.4%, to \$60.7 million in 2012. Currency had a negative 2.9% impact on adjusted EBITDA. Adjusted EBITDA margin decreased from 3.3% to 2.7% in 2012 as a result of the increase in operating expenses relative to external sales and the decrease in gross margin.

Rest of World External sales in the Rest of World segment increased \$76.5 million, or 32.7%, to \$310.5 million in 2012. Volumes were up 17.4% overall, as the additional volumes related to the August 2011 acquisition of Arinos in Brazil. Changes in pricing and product mix had a 21.6% positive impact on external sales due to the addition of the Arinos business. Foreign currency translation had a negative 6.3% impact on external sales due to the strengthening of the US dollar. Gross profit increased \$10.3 million, or 26.5%, to \$49.2 million, as the increase in volumes and a 16.6% beneficial impact from pricing, product costs and product mix relating to the addition of the Arinos business offset a negative 7.7% currency impact. Gross margin decreased from 16.6% to 15.8%. Operating expenses increased \$22.1 million, or 87.4%, to \$47.4 million, and increased as a percentage of external sales from 10.8% to 15.3%. This increase was primarily due to the addition of the Arinos business, as well as higher personnel costs, transportation costs and foreign currency translation losses. These increases offset a 11.1% beneficial currency translation impact. Adjusted EBITDA was \$1.8 million in 2012, a decrease of \$11.8 million, or 86.8%, from 2011. Adjusted EBITDA margin decreased from 5.8% to 0.6% due to the decrease in gross margin and the increase in operating expenses relative to external sales.