TELETECH HOLDINGS INC
Form 10-Q/A
March 01, 2005

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
to
Form 10-Q
þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2004

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-11919

TeleTech Holdings, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	**84-1291044**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9197 South Peoria Street
Englewood, Colorado 80112
(Address of principal executive offices)

Registrant s telephone number, including area code: **(303) 397-8100**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past (90) days. YES þ NO o

Indicate by check mark if an accelerated filer (as defined in Rule 12b-2 of the Act). YES þ NO o

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Common Stock, par value $.01 per share outstanding at May 3, 2004 74,501,560

Table of Contents

Explanatory Note

This quarterly report on Form 10-Q/A is being filed for the purpose of amending our consolidated financial statements to provide users of our financial information with additional information relative to adjustments recorded during the first quarters of 2004 and 2003 that related to prior periods. During December 2004, we determined that it was appropriate to restate previously issued consolidated financial statements to record these adjustments.

The restatement is primarily a result of accounting adjustments that pertain to prior periods, the majority of which were disclosed in Item 9A in the original filing of our Annual Report on Form 10-K for the year ended December 31, 2003. These adjustments have been recorded into the proper periods decreasing net income for the three months ended March 31, 2004 by approximately $208,000. As a result of that restatement, certain additional adjustments recorded during the first quarter of 2004 have been recorded in 2003. Those adjustments decreased net income for the three months ended March 31, 2004 by approximately $475,000. In addition, subsequent to filing the 2003 Form 10-K, we identified a contract acquisition cost and related liability that became the right and obligation of ours during 2002; we recorded the contract acquisition cost and related liability, as well as recorded the related amortization of the asset and decretion of the liability from inception of the obligation forward, increasing net income for the three months ended March 31, 2004 and 2003 by approximately $182,000. In addition, we determined that we were not properly accounting for scheduled rent escalations at each of our locations. The impact of this was to record additional rent expense of $55,000 for the three months ended March 31, 2003 and decrease rent expense by $85,000 for the three months ended March 31, 2004. Finally, the tax impact of the above adjustments was to increase tax expense by $267,000 for the three months ended March 31, 2004 and to decrease tax expense by $92,000 for the three months ended March 31, 2003.

The impact of the restatement on net income for the three months ended March 31, 2004 was a decrease in net income of $200,000.

This Form 10-Q/A amends and restates Items 1 and 2 contained in our Quarterly Report on Form 10-Q originally filed with the Securities and Exchange Commission (SEC) on May 6, 2004, as required to reflect the restatement, and includes currently dated certifications pursuant to the rules of the SEC. The foregoing items have not been updated to reflect other events occurring after the filing of the original Form 10-Q, or to modify those disclosures affected by subsequent events, except for those disclosures provided in Note 12 to the consolidated financial statements included in this Form 10-Q/A. All other information contained herein was included in the original Form 10-Q, which was filed with the SEC on May 6, 2004, speaks only as of such date and has not been amended or updated hereby. All referenced amounts in this Form 10-Q/A for prior periods and prior period comparisons reflect the balances and amounts on a restated basis.

All information contained in this Form 10-Q/A is subject to updating and supplementing as provided in our reports filed with the SEC subsequent to the date of the original filing of the Annual Report on Form 10-K. As a result, we recommend that this Form 10-Q/A be read in conjunction with all other periodic and current reports of the Company filed under the Securities Exchange Act of 1934, as amended (the Exchange Act), after the filing of the original Form 10-Q, including without limitation the information described in Note 12 to the consolidated financial statements included in this Form 10-Q/A and the information contained in the Company s Quarterly Reports on Form 10-Q/A for the quarters ended June 30, 2004 and September 30, 2004, each as filed on the date hereof.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

FORM 10-Q

INDEX

		Page No.
PART I. FINANCIAL INFORMATION		
Item 1.	Condensed Consolidated Financial Statements (unaudited)	
	Condensed Consolidated Balance Sheets March 31, 2004 (unaudited) and December 31, 2003	4
	Condensed Consolidated Statements of Operations Three Months Ended March 31, 2004 and 2003 (unaudited)	5
	Condensed Consolidated Statements of Cash Flows Three Months Ended March 31, 2004 and 2003 (unaudited)	6
	Notes to Condensed Consolidated Financial Statements March 31, 2004 (unaudited)	7
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	33
Item 4.	Controls and Procedures	34
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	34
Item 2.	Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities	34
Item 6.	Exhibits and Reports on Form 8-K	35
	Signatures	
	Written Statement of Chief Executive Officer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
	Certifications	

Waiver under Credit Agreement
Certification of CEO
Certification of CFO
Written Statement of CEO and CFO Pursuant to Section 906

Table of Contents

Item 1.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands except share amounts)

	Restated (see Note 12)	
	March 31, 2004	December 31, 2003
	(unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 146,619	$ 141,655
Accounts receivable, net	153,392	145,658
Prepaids and other assets	27,656	26,932
Income taxes receivable	2,045	5,482
Deferred tax asset	1,328	641
Total current assets	331,040	320,368
PROPERTY AND EQUIPMENT, net	145,314	148,690
OTHER ASSETS:		
Goodwill, net	30,179	30,200
Contract acquisition costs, net	18,080	19,237
Deferred tax asset	8,770	8,895
Other assets	27,798	27,426
Total assets	$ 561,181	$ 554,816
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 27,878	$ 22,822
Accrued employee compensation and benefits	58,373	47,946
Other accrued expenses	30,110	29,992
Customer advances and deferred income	9,087	12,248
Current portion of grant advances	¾	11,919
Current portion of long-term debt and capital lease obligations	76,616	14,824
Total current liabilities	202,064	139,751
LONG-TERM DEBT, net of current portion:		
Capital lease obligations	130	195
Senior Notes	¾	63,000
Line of credit	39,000	39,000
Other long-term debt	250	268

Grant advances	7,414	¾
Other liabilities	19,864	17,907
Total liabilities	268,722	260,121
MINORITY INTEREST	8,822	9,183
STOCKHOLDERS EQUITY:		
Stock purchase warrants	5,100	5,100
Common stock; $.01 par value; 150,000,000 shares authorized; 74,501,560 and 75,008,100 shares, respectively, issued and outstanding	745	750
Additional paid-in capital	194,614	196,591
Deferred compensation	(408)	(564)
Notes receivable from stockholder	(81)	(111)
Accumulated other comprehensive loss	(8,188)	(6,708)
Retained earnings	91,855	90,454
Total stockholders equity	283,637	285,512
Total liabilities and stockholders equity	$ 561,181	$ 554,816

The accompanying notes are an integral part of these condensed consolidated balance sheets.

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands except per share data)
(Unaudited)

	Restated (see Note 12) Three Months Ended March 31,	
	2004	**2003**
REVENUE	$ 267,998	$ 246,942
OPERATING EXPENSES:		
Costs of services	203,731	190,754
Selling, general and administrative expenses	40,366	36,253
Depreciation and amortization	15,982	13,374
Restructuring charges, net	1,842	(588)
Total operating expenses	261,921	239,793
INCOME FROM OPERATIONS	6,077	7,149
OTHER EXPENSE:		
Interest, net	(2,317)	(1,183)
Other	(43)	(724)
	(2,360)	(1,907)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	3,717	5,242
Provision for income taxes	2,522	1,844
INCOME BEFORE MINORITY INTEREST	1,195	3,398
Minority interest	206	(495)
NET INCOME	$ 1,401	$ 2,903
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic	75,069	74,117
Diluted	76,524	74,531
NET INCOME PER SHARE:		

Basic	$	0.02	$	0.04
Diluted	$	0.02	$	0.04

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

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Restated (see Note 12) Three Months Ended March 31,	
	2004	**2003**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,401	$ 2,903
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	15,982	13,374
Amortization of acquired contract costs	1,158	1,158
Minority interest	(206)	495
Bad debt expense	743	1,212
Deferred income taxes	(40)	279
(Gain) loss on disposal of assets	(18)	
Gain on derivatives		(971)
Other		(1,369)
Changes in assets and liabilities:		
Accounts receivable	(8,429)	(15,852)
Prepaids and other assets	465	(4,742)
Accounts payable and accrued expenses	17,481	(9,603)
Customer advances and deferred income	(2,673)	(3,950)
Net cash provided by (used in) operating activities	25,864	(14,328)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(11,866)	(47,631)
Investment in joint venture	(310)	¾
Capitalized software costs	(935)	(1,055)
Purchases of short-term investments	(10)	¾
Proceeds from sales of short-term investments	10	¾
Other	¾	(1,011)
Net cash used in investing activities	(13,111)	(49,697)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	406	39,000
Payments on long-term debt and capital lease obligations	(771)	(1,750)
Payment on grant advances	(5,780)	¾
Payments from a minority shareholder	960	¾
Payments to a minority shareholder	(900)	(900)

Proceeds from exercise of stock options	3,019	¾
Purchases of treasury stock	(5,000)	(65)
Net cash (used in) provided by financing activities	(8,066)	36,285
Effect of exchange rate changes on cash	277	748
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,964	(26,992)
CASH AND CASH EQUIVALENTS, beginning of period	141,655	144,077
CASH AND CASH EQUIVALENTS, end of period	$ 146,619	$ 117,085

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004
Restated

(1) OVERVIEW AND BASIS OF PRESENTATION

Overview. TeleTech Holdings, Inc. (TeleTech or the Company) serves its clients through two primary businesses: (i) Customer Management Services, which provides outsourced customer support and marketing services for a variety of industries via call centers (customer management centers , or CMCs) in the United States, Argentina, Australia, Brazil, Canada, China, India, Korea, Malaysia, Mexico, New Zealand, Northern Ireland, the Philippines, Scotland, Singapore, and Spain (Customer Care); and (ii) Database Marketing and Consulting, which provides outsourced database management, direct marketing and related customer retention services for automotive dealerships and manufacturers in North America.

Basis of Presentation. The accompanying unaudited condensed consolidated financial statements have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. (SEC) The condensed consolidated financial statements reflect all adjustments (consisting of only normal recurring entries) which, in the opinion of management, are necessary to present fairly the consolidated financial position at March 31, 2004, and the consolidated results of operations and consolidated cash flows of the Company and its subsidiaries for the three months ended March 31, 2004 and 2003. Operating results for the three months ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ended December 31, 2004.

The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company s Annual Report on Form 10-K/A for the year ended December 31, 2003. Certain 2003 amounts have been reclassified to conform to the 2004 presentation, principally reclassification of costs from selling, general and administrative expenses to costs of services to better report direct program costs.

Restatement. The consolidated financial statements have been restated for the three months ended March 31, 2004 and 2003. The restatement is discussed in Note 12 to the consolidated financial statements.

Stock Option Accounting. The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25), and related interpretations in accounting for its employee stock options including Statement No. 148, Accounting for Stock-Based Compensation Transition and Disclosures . Under APB 25, because the exercise price of the Company s employee stock options is generally equal to the market price of the underlying stock on the date of the grant, no compensation expense is recognized. Statement of Financial Accounting Standards (SFAS) No. 123, Accounting and Disclosure of Stock-Based Compensation (SFAS 123), establishes an alternative method of expense recognition for stock-based compensation awards to employees based on fair values. The Company elected not to adopt SFAS 123 for expense recognition purposes.

The following table illustrates the effect on net income (loss) and earnings (loss) per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation (in thousands except per share amounts):

Table of Contents

	Restated (see Note 12) Three Months Ended March 31,	
	2004	2003
Net income as reported	$ 1,401	$ 2,903
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	67	
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,529)	(2,312)
Pro forma net income (loss)	$ (61)	$ 591
Net income (loss) per share:		
Basic as reported	$ 0.02	$ (0.04)
Diluted as reported	$ 0.02	$ (0.04)
Basic pro forma	$ 0.00	$ (0.01)
Diluted pro forma	$ 0.00	$ (0.01)

(2) SEGMENT INFORMATION

The Company classifies its business activities into three segments: North American Customer Care, International Customer Care, and Database Marketing and Consulting. These segments are consistent with the Company s management of the business and reflect its internal financial reporting structure and operating focus. North American and International Customer Care provide comprehensive customer management services. North American Customer Care consists of customer management services provided to United States and Canadian clients while International Customer Care consists of all other countries. Database Marketing and Consulting provides outsourced database management, direct marketing and related customer retention services for automobile dealerships and manufacturers. All intercompany transactions between the reported segments for the periods presented have been eliminated.

It is a Company strategy to garner additional business through the lower cost opportunities offered by certain international countries. Accordingly, the Company provides services to certain U.S. clients from CMCs in Canada, India, Argentina, Mexico and the Philippines. Under this arrangement, while the U.S. subsidiary invoices and collects from the end client, the U.S. subsidiary also enters into a contract with the foreign subsidiary to reimburse the foreign subsidiary for their costs plus a reasonable profit. As a result, a portion of the profits from these client contracts is recorded in the U.S. while a portion is recorded in the foreign location. For U.S. clients being serviced from Canadian locations, India and the Philippines, which represent the majority of these arrangements, the profits all remain within the North American Customer Care segment. For U.S. clients being serviced from other countries, a portion of the profits is reflected in the International Customer Care segment. For the three months ended March 31, 2004 and 2003, approximately $0.7 million and $0.6 million, respectively, of income from operations in the International Customer Care segment was generated from these arrangements. There are also situations where certain foreign subsidiaries will contract with other foreign subsidiaries to service client contracts. In these situations, while the profits are partially recorded in each country, on a segment basis they are all reflected in the International Customer Care segment.

Table of Contents

In January 2004, the Company adopted the practice of allocating corporate operating expenses to segments based upon estimates of usage of corporate resources through the following methods: an hourly rate applied to services utilized, the segments respective pro rata percentage of consolidated costs of services, consolidated full-time equivalents, or consolidated headcount. In prior periods, corporate operating expenses were allocated to segments based upon the segments respective pro rata percentage of consolidated revenue. The information for the three months ended March 31, 2003 has been restated to reflect this change.

	Restated (see Note 12) Three Months Ended March 31,	
	2004	**2003**
	(in thousands)	
Revenue:		
North American Customer Care	$ 162,276	$ 165,261
International Customer Care	80,424	52,970
Database Marketing and Consulting	25,298	28,711
Total	$ 267,998	$ 246,942
Income (Loss) from Operations:		
North American Customer Care	$ 9,498	$ 12,078
International Customer Care	(4,416)	(8,209)
Database Marketing and Consulting	995	3,280
Total	$ 6,077	$ 7,149

	Restated (see Note 12) Balance as of	
	March 31, 2004	**December 31, 2003**
	(in thousands)	
Assets:		
North American Customer Care	$ 360,365	$ 349,569
International Customer Care	100,923	108,575
Database Marketing and Consulting	99,893	96,672
Total	$ 561,181	$ 554,816
Goodwill, net:		
North American Customer Care	$ 11,446	$ 11,446
International Customer Care	5,372	5,393
Database Marketing and Consulting	13,361	13,361

Total	$ 30,179	$ 30,200

The following table reflects revenue based on the geographic location in which the services are provided:

	Restated (see Note 12) Three Months Ended March 31,	
	2004	**2003**
	(in thousands)	
Revenue:		
United States	$ 129,562	$ 152,599
Canada	46,807	39,228
Europe	31,354	19,686
Asia Pacific	38,435	23,642
Latin America	21,840	11,787
Total	$ 267,998	$ 246,942

Table of Contents

(3) COMPREHENSIVE INCOME (LOSS)

The Company s comprehensive income for the three months ended March 31, 2004 and 2003 was as follows:

	Restated (see Note 12) Three Months Ended March 31,	
	2004	**2003**
	(in thousands)	
Net income for the period	$ 1,401	$ 2,903
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	(243)	624
Gain (loss) on hedging instruments	(1,241)	1,276
Other comprehensive income (loss), net of tax	(1,484)	1,900
Comprehensive income (loss)	$ (83)	$ 4,803

At March 31, 2004, accumulated comprehensive loss consisted of ($9.6) million and $1.4 million of foreign currency translation adjustments and derivatives valuation, respectively. At December 31, 2003, accumulated comprehensive loss consisted of ($9.3) million and ($2.6) million of foreign currency translation adjustments and derivatives valuation, respectively.

(4) EARNINGS (LOSS) PER SHARE

Basic earnings per share are computed by dividing the Company s net income (loss) by the weighted average number of common shares outstanding. The impact of any potentially dilutive securities is excluded. Diluted earnings per share are computed by dividing the Company s net income (loss) by the weighted average number of shares and dilutive potential common shares outstanding during the period. The following table sets forth the computation of basic and diluted earnings per share for the periods indicated:

	Three Months Ended March 31,	
	2004	**2003**
	(in thousands)	
Shares used in basic per share calculation	75,069	74,117
Effects of dilutive securities:		
Stock options	1,355	164
Restricted stock	100	250
Shares used in diluted per share calculation	76,524	74,531

For the three months ended March 31, 2004, 4.1 million options to purchase shares of common stock were outstanding but not included in the computation of diluted earnings per share because the effect would have been

anti-dilutive. For the three months ended March 31, 2003, 10.2 million options to purchase shares of common stock were outstanding but not included in the computation of diluted earnings per share because the effect would have been anti-dilutive. The Company has also excluded the impact of outstanding warrants, as the impact was anti-dilutive for all periods presented.

(5) DEBT

The Company had a revolving line of credit (the Revolver) with a syndicate of five banks. See Note 11 for discussion on termination of the Revolver. Under the terms of the Revolver, the Company could borrow up to $85.0 million with the ability to increase the borrowing limit by an additional $50.0 million, subject to lender approval, within three years from the October 2002 closing date of the Revolver. The Revolver matures on December 28, 2006, at which time a balloon

payment for the principal amount was due; however, there was no penalty for early prepayment. The Revolver bears interest at a variable rate based on the London Interbank Offered Rate (LIBOR). The interest rate also varied based on the Company s leverage ratios as defined in the agreement. At March 31, 2004, the interest rate was 3.09% per annum with $39.0 million drawn under the Revolver. A significant restrictive covenant under the Revolver required the Company to maintain a minimum fixed charge coverage ratio as defined in the agreement. The Revolver also limited the amount of share repurchases the Company may make and prohibited payment of cash dividends.

The Company also has outstanding $75.0 million of senior notes (the Senior Notes), of which $60.0 million bear interest at a rate of 8.75% per annum and $15.0 million bear interest at a rate of 9.15% per annum. Interest on the Senior Notes is payable semi-annually and the initial principal payment of $12.0 million is due October 2004 with final maturity in October 2011. A significant restrictive covenant under the Senior Notes requires the Company to maintain a minimum fixed charge coverage ratio as defined in the agreement. Additionally, in the event the Senior Notes were to be repaid in full prior to maturity, the Company would have to remit a make-whole payment to the holders of the Senior Notes as defined in the agreement, which fluctuates dependent on the current market interest rates. As of March 31, 2004, the make-whole payment was approximately $9.7 million.

The Revolver and the Senior Notes are guaranteed by all of the Company s domestic subsidiaries and are both secured by a majority of the Company s domestic assets. In addition, the Revolver and Senior Notes each contain provisions whereby a default under either agreement results in a cross-default in the other agreement. Further, the Revolver and Senior Notes are subject to an inter-creditor agreement, which includes the allocation methodology by which the proceeds would be distributed to the Revolver lenders and Senior Notes lenders in the event of default, and subsequent liquidation.

The Company was in violation of a financial covenant in the Revolver agreement as of March 31, 2004, and obtained a waiver from the lender group on April 29, 2004. See Note 11 for information regarding recent financing activities.

(6) GRANT ADVANCES

From time to time, the Company has received grants from local or state governments as an incentive to locate CMCs in their jurisdictions. The Company s policy is to account for grant monies received as deferred income and recognize into income (as a reduction of either depreciation or other income) over the life of the grant as it achieves milestones set forth in the grant. Except for the grant discussed below, generally, the Company does not receive funding under the grants until it has met the required milestones.

In 2001, the Company received a grant from Invest Northern Ireland, f/k/a the Industrial Development Board of Northern Ireland (the IDB Grant). Pursuant to the IDB Grant, the Company received approximately $11.9 million in advance of achieving the required milestones. The advance was to be earned by achieving certain milestones related to hiring and retaining employees, capital expenditures and purchasing the facility. The Company has not met all of the required milestones necessary to earn the full amount of the grant. As of December 31, 2003, the Company was not in compliance with certain components of the debt agreement; therefore, it was classified as current on the accompanying Condensed Consolidated Balance Sheets. In March 2004, the Company finalized negotiations on the terms of the IDB Grant so that the milestones can realistically be achieved. In order to induce the IDB into amending the terms of the IDB Grant, the Company agreed to repay $5.8 million of the advanced funds and $1.2 million of back rent in March 2004. As of March 31, 2004, approximately $7.4 million was outstanding under the IDB Grant and if the Company has not met all of the required milestones, the grant is not due until 2011. The balance as of March 31, 2004 is classified as long-term as the Company believes it will meet the required milestones.

(7) INCOME TAXES

The Company accounts for income taxes under the provisions of SFAS No. 109, Accounting for Income Taxes, which requires recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. When circumstances warrant, the Company assesses the likelihood that its net deferred tax assets will more likely than not be recovered from future projected taxable income. Management judgment has been used in forecasting future taxable income.

Table of Contents

Based upon assessments of recoverability of its deferred tax assets made in prior periods, the Company maintained a valuation allowance principally related to its U.S., Spain, Brazil and Argentina tax jurisdictions. As of March 31, 2004, the valuation allowance amounted to approximately $28.8 million. The Company has approximately $9.0 million and $1.1 million of net deferred tax assets as of March 31, 2004 related to certain international countries and U.S. operations, respectively. The Company believes recoverability is more likely than not based upon estimates of future taxable income.

Tax valuation allowances did not have a significant impact on the provision for income taxes prior to the second quarter of 2003, at which time the largest deferred tax asset valuation allowance was established. Accordingly, the effective tax rate of 39% reported for the quarter ended March 31, 2003 represented the customary relationship between income tax expense and pretax accounting income. However, tax valuation allowances have had a material impact on the effective tax rate for the quarter ended March 31, 2004 as shown below:

	Restated (see Note 12)	
	Income (Loss) Before Income	
Supplemental disclosure of cash flow information		
Non-cash activities:		
Additions of property, plant and equipment included in trade accounts payable and other accrued expenses	$ 9.2	$ 4.3
Additions of property, plant and equipment under a capital lease obligation	42.6	

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

4

Table of Contents

Univar Inc.

Condensed Consolidated Statements of Changes in Stockholders Equity

(Unaudited)

except share and per share data)	Common stock (shares)	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)
uary 1, 2014	**99,956,821**	**$**	**$ 1,444.0**	**$ (981.0)**	**$ (81.7)**
				(20.1)	
ency translation adjustment, net of					(118.3)
other postretirement benefits et of tax $4.6					(7.3)
nancial instruments, net of tax $0.5					(0.9)
ces	159,322		3.0		
hases	(351,351)		(7.8)	(0.2)	
exercises	324,619		6.2		
compensation	100,783		12.1		
enefit from stock-based n			0.1		
cember 31, 2014	**100,190,194**	**$**	**$ 1,457.6**	**$ (1,001.3)**	**$ (208.2)**
				19.4	
ency translation adjustment, net of					(178.8)
other postretirement benefits et of tax $3.5					(5.5)
nancial instruments, net of tax $(2.1)					3.7
ces	37,743,636		761.5		
r value of common stock to $0.01		1.4	(1.4)		
hases	(137,072)		(2.9)	(0.2)	
exercises	123,627		2.4		
compensation	35,655		5.5		
ess tax benefit from stock-based n			(0.1)		
tember 30, 2015	**137,956,040**	**$ 1.4**	**$ 2,222.6**	**$ (982.1)**	**$ (388.8)**

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

Table of Contents

Univar Inc.

Notes to Condensed Consolidated Financial Statements

As of September 30, 2015 and

For the Three and Nine Month Periods Ended September 30, 2015 and 2014

(Unaudited)

1. Nature of operations

Headquartered in Downers Grove, Illinois, Univar Inc. (the Company or Univar) is a leading global distributor of commodity and specialty chemicals. The Company s operations are structured into four operating segments that represent the geographic areas under which the Company manages its business:

Univar USA (USA)

Univar Canada (Canada)

Univar Europe, the Middle East and Africa (EMEA)

Rest of World (Rest of World)

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

Initial public offering

On June 23, 2015, the Company closed its initial public offering (IPO) in which the Company issued and sold 20.0 million shares of common stock at a public offering price of $22.00 per share. In addition, the Company completed a concurrent private placement of $350.0 million for shares of common stock (17.6 million shares) to Dahlia Investments Pte. Ltd., an indirect wholly owned subsidiary of Temasek Holdings (Private) Limited. The Company received total net proceeds of approximately $760.0 million after deducting underwriting discounts and commissions and other offering expenses of approximately $30.0 million. These expenses were recorded against the proceeds received from the IPO.

Certain selling stockholders sold an additional 25.3 million shares of common stock in the IPO and concurrent private placement. The Company did not receive any proceeds from the sale of these shares.

In connection with the IPO and pursuant to Rule 424(b), the Company filed its final prospectus (Final Prospectus) with the Securities and Exchange Commission on June 19, 2015.

Common stock split

On June 5, 2015, the Company effected a 1.9845 for 1 reverse stock split to stockholders of record as of June 5, 2015. All share and per share information in our condensed consolidated financial statements and notes has been retroactively adjusted to reflect this reverse stock split.

Stock-based compensation

In June 2015, the Company replaced and succeeded the Univar Inc. 2011 Stock Incentive Plan (the 2011 Stock Incentive Plan) with the Univar Inc. 2015 Omnibus Equity Incentive Plan (the 2015 Stock Incentive Plan). The 2011 Stock Incentive Plan will have no further awards granted and any available reserves under the 2011 Stock Incentive Plan were terminated and not transferred to the 2015 Stock Incentive Plan. There were no changes to the outstanding awards related to the 2011 Stock Incentive Plan. As of September 30, 2015, there were 4.9 million stock options outstanding and 0.3 million unvested shares of restricted stock under the 2011 Stock Incentive Plan.

The 2015 Stock Incentive Plan allows the Company to issue awards to employees, consultants, and directors of the Company and its subsidiaries. Awards may be made in the form of stock options, stock purchase rights, restricted stock, restricted stock units, performance shares, performance units, stock appreciation rights, dividend equivalents, deferred share units or other stock-based awards. As of September 30, 2015, there were 4.0 million awards authorized under the 2015 Stock Incentive Plan, 0.3 million stock options outstanding and 0.1 million unvested shares of restricted stock.

2. Basis of presentation

The condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) as applicable to interim financial reporting. Unless otherwise indicated, all financial data presented in these condensed consolidated financial statements are expressed in US dollars. These condensed consolidated financial statements, in the Company s opinion, include all adjustments, consisting of normal recurring accruals necessary for a fair presentation of the condensed consolidated balance sheets, statements of operations, comprehensive loss, cash flows and changes in stockholders equity. The results of operations for the periods presented are not necessarily indicative of the operating results that may be expected for the full year. These condensed consolidated financial statements should be read in conjunction with the Company s Final Prospectus.

The condensed consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are consolidated if the Company has a controlling financial interest, which may exist based on ownership of a majority of the voting interest, or based on the Company s determination that it is the primary beneficiary of a variable interest entity (VIE) or if otherwise required by US GAAP. The Company did not have any material interests in variable interest entities during the periods presented in these condensed consolidated financial statements. All intercompany balances and transactions are eliminated in consolidation.

The preparation of condensed 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. Actual results could differ materially from these estimates.

3. Significant accounting policies

In addition to the significant accounting policies disclosed in the Final Prospectus, the following accounting policies are also deemed to be significant:

Property, plant and equipment, net

Property, plant and equipment are carried at historical cost, net of accumulated depreciation. Expenditures for improvements that increase asset values and/or extend useful lives are capitalized. The Company capitalizes interest costs on significant capital projects, as an increase to property, plant and equipment. 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 property, plant 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.

Leasehold improvements are capitalized and depreciated over the lesser of the term of the applicable lease, including renewable periods if reasonably assured, or the useful life of the improvement.

Assets under capital leases where ownership transfers to the Company at the end of the lease term or the lease agreement contains a bargain purchase option are depreciated over the useful life of the asset. For remaining assets under capital leases, the assets are depreciated over the lesser of the term of the applicable lease, including renewable periods if reasonably assured, or the useful life of the asset with consideration of any expected residual value.

Leases

All leases that are determined not to meet any of the capital lease criteria are classified as operating leases. Operating lease payments are recognized as an expense in the statement of operations on a straight-line basis over the lease term.

The Company leases certain vehicles and equipment that qualify for capital lease classification. Assets under capital leases are carried at historical cost, net of accumulated depreciation and are included in property, plant and equipment, net in the consolidated balance sheet. Depreciation expense related to the capital lease assets is included in depreciation expense in the consolidated statement of operations. Refer to Note 12: Supplemental balance sheet information for further information.

The present value of minimum lease payments under a capital lease is included in current portion of long-term debt and long-term debt in the consolidated balance sheet. The capital lease obligation is amortized utilizing the effective interest method and interest expense related to the capital lease obligation is included in interest expense in the consolidated statement of operations.

Accounting pronouncements issued and adopted

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-08 Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity, which changes the criteria for reporting discontinued operations. This guidance is applied prospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. The Company adopted the standard for its year and interim periods beginning after December 15, 2014, making this change effective as of January 1, 2015. The adoption of ASU 2014-08 had no impact on our financial results or disclosures for the three and nine months ended September 30, 2015.

Accounting pronouncements issued and not yet adopted

In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) 605, Revenue Recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU 2015-14 Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date as a revision to ASU 2014-09, which revised the effective date to fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted but not prior to periods beginning after December 15, 2016 (i.e. the original adoption date per ASU 2014-09). The guidance is to be applied using one of two retrospective application methods. The Company is currently evaluating the impact of the adoption of this accounting standard update on its internal processes, operating results and financial reporting. The impact is currently not known or reasonably estimable.

In August 2014, the FASB issued ASU 2014-15 Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern. The core principle of the guidance is that an entity s management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity s ability to continue as a going concern within one year after the date that the financial statements are available to be issued. When management identifies conditions or events that raise substantial doubt about an entity s ability to continue as a going concern, management should consider whether its plans that are intended to mitigate those relevant conditions or events that will alleviate the substantial doubt are adequately disclosed in the footnotes to the financial statements. This guidance will be effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted. The Company believes the guidance will not have a material impact on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02 Amendments to the Consolidation Analysis (Topic 810). The core principle of the guidance is to provide amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying the VIE guidance. The revised consolidation guidance, among other things, modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership and modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. This guidance is effective and will be applied for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. The Company believes the guidance will not have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 Interest-Imputation of Interest (Simplifying the Presentation of Debt Issuance Costs) (Subtopic 835-30). The core principle of the guidance is that debt issuance costs related to a recognized debt liability will no longer be presented as an asset, but rather be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by the ASU. In August 2015, the FASB issued ASU 2015-15 Interest Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting as a supplement to ASU 2015-03, which provided clarification to the presentation of debt issuance costs related to line-of-credit arrangements. The ASU permits an entity to defer and present debt issuance costs related to line-of-credit arrangements as an asset and subsequently amortize the deferred issuance costs over the term of the line-of-credit arrangement regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. This guidance is effective and will be applied retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted. The guidance does not have any impact on the Company s operating results.

In April 2015, the FASB issued ASU 2015-04 Compensation-Retirement Benefits (Practical Expedient for the Measurement Date of an Employer s Defined Benefit Obligation and Plan Assets) (Topic 715). The core principle of the guidance is that it provides a practical expedient for companies to measure interim remeasurements for significant events that occur on other than a month-end date. The guidance permits entities to remeasure defined benefit plan assets and obligations using the month-end date that is closest to the date of the significant event. The decision to apply the practical expedient to interim remeasurements for significant events can be made for each significant event. This guidance is effective and will be applied prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted. The Company believes the guidance will not have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05 Intangibles-Goodwill and Other-Internal-use software (Customer s Accounting for Fees Paid in a Cloud Computing Arrangement (Subtopic 350-40). The ASU provides customers with guidance on determining whether a cloud computing arrangement contains a software license that should be accounted for as internal-use software. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This guidance is effective and will be applied for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted. An entity can elect to adopt the amendments either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. The Company believes the guidance will not have a material impact on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11 Simplifying the Measurement of Inventory (Topic 330). The core principle of the guidance is that an entity should measure inventory at the lower of cost and net realizable value and options that currently exist for market value will be eliminated. The ASU defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. This guidance will be effective and applied prospectively for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this accounting standard update on its internal processes, operating results and financial reporting. The impact is currently not known or reasonably estimable.

In September 2015, the FASB issued ASU 2015-16 Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. The core principle of the guidance is that the ASU eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. This ASU requires acquirers to recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The ASU does not change the criteria for determining whether an adjustment qualifies as a measurement-period adjustment and does not change the length of the measurement period. This guidance is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. Early adoption is permitted. The ASU is applied prospectively to adjustments to provisional amounts that occur after the effective date. That is, the ASU applies to open measurement periods, regardless of the acquisition date. The Company believes the guidance will not have a material impact on its consolidated financial statements.

4. Employee benefit plans

The following table summarizes the components of net periodic benefit cost (credit) recognized in the condensed consolidated statements of operations:

	Domestic - Defined Benefit Pension Plans			
	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2015	2014	2015	2014
Service cost	$	$	$	$
Interest cost	7.7	7.9	23.1	23.7
Expected return on plan assets	(9.0)	(8.1)	(26.9)	(24.1)
Net periodic benefit credit	$ (1.3)	$ (0.2)	$ (3.8)	$ (0.4)

	Foreign - Defined Benefit Pension Plans			
	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2015	2014	2015	2014
Service cost	$ 0.6	$ 1.7	$ 4.7	$ 5.3
Interest cost	5.1	6.0	15.3	17.9
Expected return on plan assets	(7.8)	(7.1)	(23.1)	(21.4)
Net periodic benefit (credit) cost	$ (2.1)	$ 0.6	$ (3.1)	$ 1.8

	Other Postretirement Benefits			
	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2015	2014	2015	2014
Service cost	$	$	$ 0.1	$ 0.1
Interest cost	0.1	0.2	0.2	0.3
Prior service credits	(3.0)	(3.0)	(9.0)	(9.0)
Net periodic benefit credit	$ (2.9)	$ (2.8)	$ (8.7)	$ (8.6)

On July 1, 2015, the defined benefit plan in Canada was amended, which states all remaining members accruing benefits under the defined benefit provisions will cease future accrual of credited service under the defined benefit provision. These members will commence participation under a defined contribution benefit plan for service as of July 1, 2015. Future salary increases will continue to be reflected in their legacy defined pension benefits for the foreseeable future.

There is no immediate accounting credit or charge to be recognized as a result of this amendment. The plan amendment was anticipated at the beginning of the fiscal year, and the net periodic pension cost for fiscal year 2015 reflects only the partial year accrual under the defined benefit plan.

Table of Contents

5. Other operating expenses, net

Other operating expenses, net consisted of the following activity:

(in millions)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Acquisition and integration related expenses	$ 2.4	$ 0.4	$ 3.8	$ 0.9
Stock-based compensation expense	2.1	3.9	5.5	11.5
Redundancy and restructuring	4.4	1.2	20.6	29.3
Advisory fees paid to CVC and CD&R[(1)]		1.3	2.6	4.3
Other[(2)]	1.3	0.5	24.8	8.6
Total other operating expenses, net	$ 10.2	$ 7.3	$ 57.3	$ 54.6

(1) Significant stockholders CVC Capital Partners (CVC) and Clayton, Dubilier & Rice, LLC (CD&R).
(2) In the nine months ended September 30, 2015, other is inclusive of a contract termination fee of $26.2 million related to terminating consulting agreements between the Company and CVC and CD&R related to the IPO.

6. Redundancy and restructuring

Redundancy and restructuring charges relate to the implementation of several regional strategic initiatives aimed at streamlining the Company s cost structure and improving its operations primarily within the USA and EMEA operating segments. These actions primarily resulted in workforce reductions, lease termination costs and other facility rationalization costs.

The following table summarizes activity related to accrued liabilities associated with redundancy and restructuring:

(in millions)	Jan. 1, 2015	Charge to earnings	Cash paid	Non-cash and other	Sep. 30, 2015
Employee termination costs	$ 27.8	$ 15.5	$ (15.4)	$ (1.6)	$ 26.3
Facility exit costs	20.4	2.3	(4.7)	(0.1)	17.9
Other exit costs	0.3	2.8	(3.1)		
Total	$ 48.5	$ 20.6	$ (23.2)	$ (1.7)	$ 44.2

(in millions)	Jan. 1, 2014	Charge to earnings	Cash paid	Non-cash and	Dec. 31, 2014

					other
Employee termination costs	$ 26.7	$ 25.1	$ (21.7)	$ (2.3)	$ 27.8
Facility exit costs [1]	7.8	14.9	(2.1)	(0.2)	20.4
Other exit costs	0.3	6.2	(5.9)	(0.3)	0.3
Total	$ 34.8	$ 46.2	$ (29.7)	$ (2.8)	$ 48.5

(1) During the year ended December 31, 2014, facility exit costs were increased by $8.8 million due to changes in estimated sub-lease income and are included within redundancy and restructuring charges in other operating expenses, net in the consolidated statement of operations.

Redundancy and restructuring liabilities of $29.0 million and $32.3 million were classified as current in other accrued expenses in the condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014, respectively. The long-term portion of redundancy and restructuring liabilities of $15.2 million and $16.2 million were recorded in other long-term liabilities in the condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014, respectively, and primarily consists of facility exit costs that are expected to be paid within the next five years.

While the Company believes the recorded redundancy and restructuring liabilities are adequate, revisions to current estimates may be recorded in future periods based on new information as it becomes available.

Table of Contents

7. Other (expense) income, net

Other (expense) income, net consisted of the following gains (losses):

(in millions)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Foreign currency transactions	$ (8.0)	$ 7.5	$ 0.8	$ 7.4
Undesignated foreign currency derivative instruments(1)	0.1	(0.8)	(4.0)	(3.2)
Undesignated interest rate swap contracts(1)	(0.2)		(0.2)	
Ineffective portion of cash flow hedges(1)		0.3	(0.4)	0.2
Loss due to discontinuance of cash flow hedges(1)			(7.5)	
Debt refinancing costs(2)	(16.5)		(16.5)	
Other	(1.0)	(0.7)	(3.1)	(2.0)
Total other (expense) income, net	$ (25.6)	$ 6.3	$ (30.9)	$ 2.4

(1) Refer to Note 14: Derivatives for more information.
(2) Refer to Note 11: Debt for more information.

8. Income taxes

The Company s tax provision for interim periods is determined using an estimate of the annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter, an estimate of the annual effective tax rate is updated should management revise its forecast of earnings based upon the Company s operating results. If there is a change in the estimated effective annual tax rate, a cumulative adjustment is made. The quarterly tax provision and forecast estimate of the annual effective tax rate may be subject to volatility due to several factors, including the complexity in forecasting jurisdictional earnings before tax, the rate of realization of forecasting earnings or losses by quarter, acquisitions, divestitures, foreign currency gains and losses, pension gains and losses, etc.

The income tax expense for the three and nine months ended September 30, 2015 was $7.6 million and $14.6 million, resulting in an effective tax rate of 38.6% and 42.9%, respectively. The Company s effective tax rate for the three months ended September 30, 2015 was higher than the US federal statutory rate of 35.0% primarily due to the rate of realization of actual to forecasted earnings and losses, the interim accounting treatment of year to date losses incurred in foreign jurisdictions for which a tax benefit may not be recognized, and the mix of earnings in multiple jurisdictions. The Company s effective tax rate for the nine months ended September 30, 2015 was higher than the US federal statutory rate primarily due to the rate of realization of actual to forecasted earnings and losses and losses incurred in certain foreign jurisdictions for which a tax benefit may not be recognized offset by the mix in earnings in multiple jurisdictions and non-taxable interest.

The income tax expense for the three and nine months ended September 30, 2014 was $2.2 million and $17.4 million, resulting in an effective tax rate of 4.6% and 21.8%, respectively. The Company s effective tax rate for the three

months ended September 30, 2014 was lower than the US federal statutory rate primarily due to the mix in earnings in multiple jurisdictions. The Company s effective tax rate for the nine months ended September 30, 2014 was lower than the US federal statutory rate primarily due to non-taxable interest and the lower rates in foreign jurisdictions, offset by losses incurred in certain foreign jurisdictions for which a tax benefit may not be recognized.

In 2007, the outstanding shares of Univar N.V., the ultimate parent of the Univar group, were acquired by investment funds advised by CVC. To facilitate the acquisition of Univar N.V. by CVC, a Canadian restructuring was completed. In February 2013, the Canada Revenue Agency (CRA) issued a Notice of Assessment for withholding tax of $29.4 million (Canadian). The Company filed its Notice of Objection to the Assessment in April 2013 and its Notice of Appeal of the Assessment in July 2013. In November 2013, the CRA s Reply to the Company s Notice of Appeal was filed with the Tax Court of Canada and litigated in June 2015. The Company has not yet received the Tax Court of Canada s decision on the matter.

In September 2014, the CRA issued the 2008 and 2009 Notice of Reassessments for federal corporate income tax liabilities of $11.9 million (Canadian) and $11.0 million (Canadian), respectively, and a departure tax liability of $9.0 million (Canadian). The Company filed its Notice of Objection to the Reassessments in September 2014. In April 2015 the Company received the 2008 and 2009 Alberta Notice of Reassessments of $6.0 million (Canadian) and $5.8 million (Canadian), respectively. The Company filed its Notice of Objection to the Alberta Reassessments in June 2015. The Reassessments reflect the additional tax liability and interest relating to those tax years should the CRA be successful in its assertion of the General Anti-Avoidance Rule relating to the Canadian restructuring described above. At September 30, 2015, the total federal and provincial tax liability assessed to date, including interest of $32.0 million (Canadian), is $105.1 million (Canadian). In August 2014, the Company remitted a required deposit on the February 2013 Notice of Assessment relating to the Company s 2007 tax year by issuing a Letter of Credit in the amount of $44.7 million (Canadian). The Letter of Credit amount reflects the proposed assessment of $29.4 million (Canadian) and accrued interest, and will expire in August 2016.

Table of Contents

In February 2015, the CRA notified the Company it will be required to remit a cash deposit of approximately $21.5 million (Canadian) in March 2015, representing one-half of the September 2014 Notice of Assessment tax liability relating to tax years 2008 and 2009, plus interest. In March 2015, the Company requested a judicial review of this additional cash deposit requirement at the Federal Court (Canada). The CRA subsequently advised that its decision was not final and requested the Company to withdraw its request for judicial review. The Company subsequently withdrew its request and provided the CRA with its submission to hold the collection of the assessments relating to tax years 2008 and 2009 in abeyance pending the outcome of the Tax Court of Canada s decision on the General Anti-Avoidance Rule matter.

The Company has not recorded any liabilities for these matters in its financial statements, as it believes it is more likely than not that the Company s position will be sustained.

9. Earnings per share

The following table presents the basic and diluted earnings per share computations:

(in millions, except share and per share data)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Basic:				
Net income	$ 12.1	$ 45.8	$ 19.4	$ 62.5
Weighted average common shares outstanding	137,585,461	99,739,584	113,579,729	99,699,426
Basic income per common share	$ 0.09	$ 0.46	$ 0.17	$ 0.63
Diluted:				
Net income	$ 12.1	$ 45.8	$ 19.4	$ 62.5
Weighted average common shares outstanding	137,585,461	99,739,584	113,579,729	99,699,426
Effect of dilutive securities:				
Stock compensation plans(1)	798,172	808,257	659,056	494,287
Weighted average common shares outstanding diluted	138,383,633	100,547,841	114,238,785	100,193,713
Diluted income per common share	$ 0.09	$ 0.46	$ 0.17	$ 0.62

(1) Stock options to purchase 1.7 million and 1.5 million shares of common stock and restricted stock of 0.1 million and 0.0 million were outstanding during the three months ended September 30, 2015 and 2014, respectively, but were not included in the calculation of diluted income per share as the impact of these stock options and restricted stock would have been anti-dilutive. Stock options to purchase 1.7 million and

1.9 million shares of common stock were outstanding during the nine months ended September 30, 2015 and 2014, respectively, but were not included in the calculation of diluted income per share as the impact of these stock options would have been anti-dilutive.

Table of Contents

10. Accumulated other comprehensive loss

The following tables present the changes in accumulated other comprehensive loss by component, net of tax:

(in millions)	Cash flow hedges	Defined benefit pension items	Currency translation items	Total
Balance as of December 31, 2014	$ (3.7)	$ 10.3	$ (214.8)	$ (208.2)
Other comprehensive loss before reclassifications	(3.0)		(178.8)	(181.8)
Amounts reclassified from accumulated other comprehensive loss	6.7	(5.5)		1.2
Net current period other comprehensive gains (losses)	3.7	(5.5)	(178.8)	(180.6)
Balance as of September 30, 2015	$	$ 4.8	$ (393.6)	$ (388.8)
Balance as of December 31, 2013	$ (2.8)	$ 17.6	$ (96.5)	$ (81.7)
Other comprehensive loss before reclassifications	(3.0)		(70.7)	(73.7)
Amounts reclassified from accumulated other comprehensive loss	2.8	(5.5)		(2.7)
Net current period other comprehensive losses [1]	(0.2)	(5.5)	(70.7)	(76.4)
Balance as of September 30, 2014	$ (3.0)	$ 12.1	$ (167.2)	$ (158.1)

(1) The losses on cash flow hedges are net of a tax benefit of $0.1 million and currency translation items are net of a tax expense of $0.1 million.

The following is a summary of the amounts reclassified from accumulated other comprehensive loss to net income:

(in millions)	Three months ended September 30, 2015 [1]	Three months ended September 30, 2014 [1]	Location of impact on statement of operations
Amortization of defined benefit pension items:			
Prior service credits	$ (3.0)	$ (3.0)	Warehousing, selling and administrative
Tax expense	1.2	1.2	Income tax expense

Net of tax	(1.8)	(1.8)	
Cash flow hedges:			
Interest rate swap contracts		1.5	Interest expense
Tax benefit		(0.5)	Income tax expense
Net of tax		1.0	
Total reclassifications for the period	$ (1.8)	$ (0.8)	

(in millions)	**Nine months ended September 30, 2015** [(1)]	**Nine months ended September 30, 2014** [(1)]	**Location of impact on statement of operations**
Amortization of defined benefit pension items:			
Prior service credits	$ (9.0)	$ (9.0)	Warehousing, selling and administrative
Tax expense	3.5	3.5	Income tax expense
Net of tax	(5.5)	(5.5)	
Cash flow hedges:			
Interest rate swap contracts	3.1	4.3	Interest expense
Interest rate swap contracts loss due to discontinuance of hedge accounting	7.5		Other (expense) income, net
Tax benefit	(3.9)	(1.5)	Income tax expense
Net of tax	6.7	2.8	
Total reclassifications for the period	$ 1.2	$ (2.7)	

(1) Amounts in parentheses indicate credits to net income in the consolidated statement of operations.

Refer to Note 4: Employee benefit plans for additional information regarding the amortization of defined benefit pension items and Note 14: Derivatives for cash flow hedging activity.

Table of Contents

Foreign currency gains and losses relating to intercompany borrowings that are considered a part of the Company s investment in a foreign subsidiary are reflected in accumulated other comprehensive loss. Total foreign currency losses related to such intercompany borrowings were $7.8 million and $9.3 million for the three month periods ended September 30, 2015 and 2014, respectively. Total foreign currency (losses) gains related to such intercompany borrowings were $(6.4) million and $0.5 million for the nine month periods ended September 30, 2015 and 2014, respectively.

11. Debt

Short-term financing

Short-term financing consisted of the following:

(in millions)	September 30, 2015	December 31, 2014
Amounts drawn under credit facilities	$ 14.4	$ 32.7
Bank overdrafts	18.3	28.4
Total short-term financing	$ 32.7	$ 61.1

The weighted average interest rate on short-term financing was 2.4% and 2.7% as of September 30, 2015 and December 31, 2014, respectively.

As of September 30, 2015 and December 31, 2014, the Company had $185.6 million and $184.7 million in outstanding letters of credit and guarantees, respectively.

Table of Contents

Long-term debt

Long-term debt consisted of the following:

(in millions)	September 30, 2015	December 31, 2014
Senior Term Loan Facilities:		
Term B Loan due 2022, variable interest rate of 4.25% at September 30, 2015	$ 2,050.0	$
Euro Tranche Term Loan due 2022, variable interest rate of 4.25% at September 30, 2015	279.5	
Term B Loan due 2017, variable interest rate of 5.00% at December 31, 2014 (terminated July 2015)		2,683.2
Euro Tranche Term Loan due 2017, variable interest rate of 5.25% at December 31, 2014 (terminated July 2015)		154.6
Asset Backed Loan (ABL) Facilities:		
North American ABL Facility due 2020, variable interest rate of 1.73% at September 30, 2015	280.0	
North American ABL Term Loan due 2018, variable interest rate of 3.08% at September 30, 2015	100.0	
European ABL Facility due 2019 (Euro ABL due 2019), variable interest rate of 2.01% at December 31, 2014		36.3
North American ABL Facility due 2018, variable interest rate of 2.10% at December 31, 2014 (terminated July 2015)		266.0
North American ABL Term Loan due 2016, variable interest rate of 3.51% at December 31, 2014 (terminated July 2015)		50.0
Unsecured Notes:		
Unsecured Notes due 2023, fixed interest rate of 6.75% at September 30, 2015	400.0	
Senior Subordinated Notes:		
Senior Subordinated Notes due 2017, fixed interest rate of 10.50% at December 31, 2014 (terminated June 2015)		600.0
Senior Subordinated Notes due 2018, fixed interest rate of 10.50% at December 31, 2014 (terminated June 2015)		50.0
Capital lease obligations	34.9	2.6
Total long-term debt before discount	3,144.4	3,842.7
Less: discount on debt	(22.7)	(22.5)
Total long-term debt	3,121.7	3,820.2
Less: current maturities	(40.8)	(80.7)
Total long-term debt, excluding current maturities	$ 3,080.9	$ 3,739.5

On July 28, 2015, the Company entered into a new five year $1.4 billion North American Asset Backed Loan Facility (new NA ABL Facility) and terminated its existing $1.4 billion North American ABL Facility including the

repayment of the existing $25.0 million North American ABL Term Loan. The new NA ABL Facility has a $1.0 billion revolving loan tranche available to certain US subsidiaries, a $300.0 million revolving loan tranche for certain Canadian subsidiaries and a $100.0 million ABL Term Loan (new ABL Term Loan). The Company may elect to allocate the total $1.3 billion in revolving tranches between the US and Canadian borrowers. Under the two revolving tranches, the borrowers may request loan advances and make loan repayments until the maturity date of July 28, 2020. The new ABL Term Loan and each revolving loan advance under the facility has a variable interest rate based on the current benchmark rate elected by the borrower plus a credit spread. The credit spread is determined by the elected benchmark rate and the average availability of the facility. The assets pledged as collateral under the repaid North American ABL Facility have been pledged as collateral under the new NA ABL Facility and the availability of the $1.3 billion revolving tranches is similarly determined based on the periodic reporting of defined available qualifying collateral. The unused line fee for the revolver tranches under the new NA ABL Facility ranges from 0.25% to 0.375% per annum for the US and Canadian borrowers depending on the average daily outstanding amount. The new NA ABL Term Loan is payable in installments of $16.7 million per quarter commencing December 31, 2016 with a final maturity date of July 28, 2018.

On July 1, 2015, the Company entered into a new Senior Term B loan agreement with a US dollar denominated tranche of $2,050.0 million and a new euro denominated tranche of 250.0 million. In addition, on July 1, 2015, the Company issued $400.0 million in unsecured notes (Unsecured Notes). The proceeds from the new Senior Term B loan agreement and Unsecured Notes as well as additional borrowings under the Company s North American ABL Facility were used to repay in full the existing $2,669.2 million US dollar denominated Term B Loan and 126.8 million ($141.2 million) euro denominated Term B Loan.

Table of Contents

The new Senior Term B loan agreement has a $2,050.0 million US dollar loan tranche and a 250.0 million euro loan tranche. Both tranches have a variable interest rate based on LIBOR with a LIBOR floor of 1.00% and a credit spread of 3.25%. The US dollar tranche and euro tranche are payable in installments of $5.1 million and 0.6 million per quarter, respectively, commencing December 31, 2015 with the remaining balances due on the maturity date of July 1, 2022. The Company can prepay either loan tranche in whole or part without penalty after January 1, 2016. The assets pledged under the repaid Senior Term Loan Facilities have been pledged as collateral under the new Senior Term B loan agreement.

The new $400.0 million issuance of Unsecured Notes has a fixed interest rate of 6.75% payable semi-annually. Principal is due upon the maturity date of July 15, 2023. The Company can prepay the Unsecured Notes in whole or part at a premium above par on or after July 15, 2018 and without a premium on or after July 15, 2020.

As a result of the July 2015 debt refinancing activity, the Company recognized debt refinancing costs of $16.5 million in other (expense) income, net in the condensed consolidated statements of operations during the three and nine months ended September 30, 2015. Refer to Note 7: Other (expense) income, net for further information. In addition, the Company recognized a loss on extinguishment of debt of $4.8 million in the three months ended September 30, 2015.

On June 23, 2015, as part of the use of proceeds from the IPO and concurrent private placement discussed in Note 1, the Company paid the remaining principal balance of $650.0 million related to the Senior Subordinated Notes. As a result, the Company recognized a loss on extinguishment of debt of $7.3 million related to the unamortized debt discount and debt issuance costs in the condensed consolidated statements of operations.

On March 24, 2014, certain of the Company s European subsidiaries (the Borrowers) entered into a five year 200.0 million Euro ABL Credit facility. The Euro ABL is a revolving credit facility pursuant to which the Borrowers may request loan advances and make loan repayments until the maturity date of March 22, 2019. Loan advances may be made in multiple currencies. Each loan advance under this facility has a variable interest rate based on the current benchmark rate (IBOR) for that currency plus a credit spread. The credit spread is determined by a pricing grid that is based on average availability of the facility.

Simultaneously with the execution of the Euro ABL due 2019, certain of the Company s European subsidiaries terminated a 68.0 million secured asset-based lending credit facility maturing December 31, 2016. As a result of this termination, the Company recognized a loss on extinguishment of $1.2 million in the condensed consolidated statements of operations during the nine months ended September 30, 2014.

12. Supplemental balance sheet information

Property, plant and equipment, net

(in millions)	September 30, 2015	December 31, 2014
Property, plant and equipment, at cost	$ 1,746.4	$ 1,677.1
Less: accumulated depreciation	(710.6)	(644.8)
Property, plant and equipment, net	$ 1,035.8	$ 1,032.3

Capital lease assets, net

Included within property, plant and equipment, net are assets related to capital leases where the Company is the lessee. The below table summarizes the cost and accumulated depreciation related to these assets:

(in millions)	September 30, 2015	December 31, 2014
Capital lease assets, at cost	$ 42.5	$ 2.6
Less: accumulated depreciation	(8.4)	
Capital lease assets, net	$ 34.1	$ 2.6

Intangible assets, net

The gross carrying amounts and accumulated amortization of the Company s intangible assets were as follows:

	September 30, 2015			December 31, 2014		
(in millions)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets:						
Customer relationships	$ 902.4	$ (431.1)	$ 471.3	$ 930.7	$ (390.8)	$ 539.9
Other	167.6	(133.2)	34.4	161.6	(126.6)	35.0
Total intangible assets	$ 1,070.0	$ (564.3)	$ 505.7	$ 1,092.3	$ (517.4)	$ 574.9

Other intangible assets consist of intellectual property trademarks, trade names, supplier relationships, non-compete agreements and exclusive distribution rights.

Other accrued expenses

Other accrued expenses that were greater than five percent of total current liabilities consisted of customer prepayments and deposits, which were $23.5 million and $83.2 million as of September 30, 2015 and December 31, 2014, respectively. The decrease of $59.7 million primarily relates to a decrease in customer prepayments related to the seasonality of the Canadian agriculture business.

13. Fair value measurements
Items measured at fair value on a recurring basis

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps 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. Based on these valuation methodologies, these derivative contracts are classified as level 2 in the fair value hierarchy.

Derivative financial instruments are recorded in the consolidated balance sheet as either an asset or liability at fair value. For derivative contracts with the same counterparty where the Company has a master netting arrangement with the counterparty, the fair value of the asset/liability is presented on a net basis within the consolidated balance sheet. The net amounts included in prepaid and other current assets were $0.7 million and $0.1 million and included in other accrued expenses were $0.1 million and $0.5 million as of September 30, 2015 and December 31, 2014, respectively. The gross values related to forward currency contracts in an asset position were $1.0 million and $0.5 million and in a liability position were $0.4 million and $0.9 million as of September 30, 2015 and December 31, 2014, respectively.

Financial instruments not carried at fair value

The estimated fair value of financial instruments not carried at fair value in the condensed consolidated balance sheets were as follows:

	September 30, 2015		December 31, 2014	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:				
Long-term debt including current portion (Level 2)	$ 3,121.7	$ 3,088.9	$ 3,820.2	$ 3,780.4

The fair values of the long-term debt, including the current portions, were based on current market quotes for similar borrowings and credit risk adjusted for liquidity, margins and amortization, as necessary.

Fair value of other financial instruments

The carrying value of cash and cash equivalents, trade accounts receivable, net, trade accounts payable and short-term financing included in the condensed consolidated balance sheets approximate fair value due to their short-term nature.

14. Derivatives

Interest rate swaps

At September 30, 2015 and December 31, 2014, the Company had interest rate swap contracts in place with a total notional amount of $2.0 billion, whereby a fixed rate of interest (weighted average of 1.64%) is paid and a variable rate of interest (greater of 1.25% or three-month LIBOR) is received on the notional amount.

The objective of the interest rate swap contracts was to offset the variability of cash flows in three-month LIBOR indexed debt interest payments, subject to a 1.50% floor, attributable to changes in the aforementioned benchmark interest rate related to the Term B Loan due 2017. The interest rate floor related to the Term B Loan due 2017 (1.50%) is not identical to the interest rate floor of the interest rate swap contracts (1.25%), which resulted in hedge ineffectiveness.

Upon initiation of the interest rate swap contracts, changes in the cash flows of each interest rate swap were expected to be highly effective in offsetting the changes in interest payments on a principal balance equal to the notional amount of the derivative, attributable to the hedged risk. The effective portion of the gains and losses related to the interest rate swap contracts were initially recorded in accumulated other comprehensive loss and then reclassified into earnings consistent with the underlying hedged item (interest payments). As of September 30, 2015, the interest rate swap contracts no longer qualify for hedge accounting because the forecasted transactions as originally contemplated are not probable of occurring due to the July 1, 2015 Senior Term Loan Facility refinancing transactions. The forecasted transactions represented debt with interest payments with a variable interest rate based on three-month LIBOR and a credit spread of 3.50%, with a LIBOR floor of 1.50% whereas the new debt has interest payments with a variable interest rate based on LIBOR and a credit spread of 3.25% with a LIBOR floor of 1.00%. Refer to Note 11: Debt for more information related to the refinancing transactions.

As a result of discontinuing hedge accounting, a net loss of $4.7 million, net of tax of $2.8 million, related to the interest rate swaps included in accumulated other comprehensive loss was recognized in other (expense) income, net and income tax expense in the condensed consolidated statements of operations for the nine months ended September 30, 2015. Future changes in fair value of the interest rate swap contracts are recognized directly in other (expense) income, net in the consolidated statement of operations. Refer to Note 7: Other (expense) income, net for additional information.

The fair value of interest rate swaps is recorded either in prepaids and other current assets, other assets, other accrued expenses or other long-term liabilities in the condensed consolidated balance sheets. As of September 30, 2015 and December 31, 2014, the current liability of $6.5 million and $7.3 million was included in other accrued expenses, respectively. As of September 30, 2015, the noncurrent liability of $1.6 million was included in other long-term liabilities and as of December 31, 2014, the noncurrent asset of $1.6 million was included in other assets.

Foreign currency derivatives

The Company uses forward currency contracts to hedge earnings from the effects of foreign exchange relating to certain of the Company s intercompany and third-party receivables and payables denominated in a foreign currency. These derivative instruments are not formally designated as hedges by the Company and the terms of these instruments range from one to eight months. Forward currency contracts are recorded at fair value in either prepaid expenses and other current assets or other accrued expenses in the consolidated balance sheet, reflecting their short-term nature. The fair value adjustments and gains and losses are included in other (expense) income, net within the condensed consolidated statements of operations. Refer to Note 7: Other (expense) income, net for more information. The total notional amount of undesignated forward currency contracts were $118.8 million and $127.4 million as of September 30, 2015 and December 31, 2014, respectively.

Cash flows associated with derivative financial instruments are recognized in the operating section of the consolidated statement of cash flows.

15. Commitments and Contingencies
Litigation

In the ordinary course of business the Company is subject to pending or threatened claims, lawsuits, regulatory matters and administrative proceedings from time to time. Where appropriate the Company has recorded provisions in the consolidated financial statements for these matters. The liabilities for injuries to persons or property are in some instances covered by liability insurance, subject to various deductibles and self-insured retentions.

The Company is not aware of any claims, lawsuits, regulatory matters or administrative proceedings, pending or threatened, that are likely to have a material effect on its overall financial position, results of operations or cash flows. However, the Company cannot predict the outcome of any claims or litigation or the potential for future claims or litigation.

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 Univar USA Inc. 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 also a defendant in a small number of asbestos claims. As of September 30, 2015, there were fewer than 177 asbestos-related claims for which the Company has liability for defense and indemnity pursuant to the indemnification obligation. Historically, the vast majority of the claims against both McKesson and Univar USA have been dismissed 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 position, results of operations or cash flows. However, the Company cannot predict the outcome of any present or future claims or litigation and adverse developments could negatively impact earnings or cash flows in a particular future period.

Table of Contents

Environmental

The Company is subject to various federal, state and local environmental laws and regulations that require environmental assessment or remediation efforts (collectively environmental remediation work) at approximately 133 locations, some that are now or were previously Company-owned/occupied and some that were never Company-owned/occupied (non-owned sites).

The Company s environmental remediation work at some sites is being conducted pursuant to governmental proceedings or investigations, while the Company, with appropriate state or federal agency oversight and approval, is conducting the environmental remediation work at other sites voluntarily. The Company is currently undergoing remediation efforts or is in the process of active review of the need for potential remediation efforts at approximately 106 current or formerly Company-owned/occupied sites. In addition, the Company may be liable for a share of the clean-up of approximately 27 non-owned sites. These non-owned sites are typically (a) locations of independent waste disposal or recycling operations with alleged or confirmed contaminated soil and/or groundwater to which the Company may have shipped waste products or drums for re-conditioning, or (b) contaminated non-owned sites near historical sites owned or operated by the Company or its predecessors from which contamination is alleged to have arisen.

In determining the appropriate level of environmental reserves, the Company considers several factors such as information obtained from investigatory studies; changes in the scope of remediation; the interpretation, application and enforcement of laws and regulations; changes in the costs of remediation programs; the development of alternative cleanup technologies and methods; and the relative level of the Company s involvement at various sites for which the Company is allegedly associated. The level of annual expenditures for remedial, monitoring and investigatory activities will change in the future as major components of planned remediation activities are completed and the scope, timing and costs of existing activities are changed. Project lives, and therefore cash flows, range from approximately 2 to 30 years, depending on the specific site and type of remediation project.

On December 9, 2014, the Company was issued a violation notice from the Pollution Control Services Department of Harris County, Texas (PCS). The notice relates to claims that the Company s facility on Luthe Road in Houston, Texas operated with inadequate air emissions controls and improperly discharged certain waste without authorization. On March 6, 2015, PCS notified the Company that the matter was forwarded to the Harris County District Attorney s Office with a request for an enforcement action. No such action has commenced. The Company continues to investigate and evaluate the claims.

In April 2015, the Company s subsidiary Magnablend Inc. (Magnablend) was advised that the United States Environmental Protection Agency (EPA) was considering bringing an enforcement action against Magnablend. The matter relates to a January 26, 2015 incident at Magnablend s Waxahachie, Texas facility at which a 300 gallon plastic container of sodium chlorite burst as a result of a chemical reaction. The incident did not result in any injuries. Magnablend is cooperating with the EPA s investigation. Magnablend has not been provided with the details of an enforcement action.

As of September 30, 2015, the Company has not recorded a liability related to either the PCS or EPA investigations described in the preceding paragraphs as any potential loss is neither probable nor estimable at this stage in either investigation.

Although the Company believes that its reserves are adequate for environmental contingencies, it is possible, due to the uncertainties noted above, that additional reserves could be required in the future that could have a material effect on the overall financial position, results of operations or cash flows in a particular period. This additional loss or range

of losses cannot be recorded at this time, as it is not reasonably estimable.

Changes in total environmental liabilities are as follows:

	Nine months ended September 30,			
(in millions)		**2015**		**2014**
Environmental liabilities at beginning of period	$	120.3	$	137.0
Revised obligation estimates		6.2		3.7
Environmental payments		(11.7)		(13.6)
Foreign exchange		(0.4)		(0.7)
Environmental liabilities at end of period	$	114.4	$	126.4

Environmental liabilities of $30.0 million and $31.1 million were classified as current in other accrued expenses in the condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014, respectively. The long-term portion of environmental liabilities is recorded in other long-term liabilities in the condensed consolidated balance sheets.

Customs and International Trade Laws

In April 2012, the US Department of Justice (DOJ) issued a civil investigative demand to the Company 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 from 2002 through 2012. The Company also became aware in 2010 of an investigation being conducted by US Customs and Border Patrol (CBP) into the Company s importation of saccharin. Finally, the Company learned that a civil plaintiff had sued the Company and two other defendants in a Qui Tam proceeding, such filing having been made under seal in 2012, and this plaintiff had requested that the DOJ intervene in its lawsuit.

The US government, through the DOJ, declined to intervene in the Qui Tam proceeding in November 2013 and, as a result, the DOJ s inquiry related to the Qui Tam lawsuit and its initial investigation demand are now finished. On February 26, 2014, the Qui Tam plaintiff also voluntarily dismissed its lawsuit against the Company. CBP, however, continued its investigation on the importation of saccharin by the Company s subsidiary, Univar USA Inc. On July 21, 2014, CBP sent the Company a Pre-Penalty Notice indicating the imposition of a penalty against Univar USA Inc. in the amount of approximately $84.0 million. Univar USA Inc. responded to CBP that the proposed penalty was not justified. On October 1, 2014, the CBP issued a penalty notice to Univar USA Inc. for $84.0 million and has reaffirmed this penalty notice. On August 6, 2015, the DOJ filed a complaint on CBP s behalf against Univar USA Inc. in the Court of International Trade seeking approximately $84.0 million in allegedly unpaid duties, penalties, interest, costs and attorneys fees. The Company continues to defend this matter vigorously. Univar USA Inc. has not recorded a liability related to this investigation as the Company believes a loss is not probable.

16. Segments

Management monitors the operating results of its operating 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 defined as consolidated net income, plus the sum of: interest expense, net of interest income; income tax expense; depreciation; amortization; other operating expenses, net; impairment charges; loss on extinguishment of debt; and other (expense) income, net.

Transfer prices between operating 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 reasonably 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.

Table of Contents

Financial information for the Company s segments is as follows:

(in millions)	USA	Canada	EMEA	Rest of World	Other/ Eliminations	Consolidated
Three Months Ended September 30, 2015						
Net sales:						
External customers	$ 1,364.6	$ 290.7	$ 433.2	$ 117.8	$	$ 2,206.3
Inter-segment	34.4	2.2	1.1	0.1	(37.8)	
Total net sales	1,399.0	292.9	434.3	117.9	(37.8)	2,206.3
Cost of goods sold (exclusive of depreciation)	1,118.3	240.0	341.7	93.6	(37.8)	1,755.8
Gross profit	280.7	52.9	92.6	24.3		450.5
Outbound freight and handling	55.6	9.0	14.6	2.2		81.4
Warehousing, selling and administrative	121.7	20.3	56.7	12.3	1.9	212.9
Adjusted EBITDA	$ 103.4	$ 23.6	$ 21.3	$ 9.8	$ (1.9)	$ 156.2
Other operating expenses, net						10.2
Depreciation						34.3
Amortization						22.0
Interest expense, net						39.6
Loss on extinguishment of debt						4.8
Other expense, net						25.6
Income tax expense						7.6
Net income						$ 12.1
Total assets	$ 4,274.9	$ 1,769.1	$ 1,004.4	$ 246.0	$ (1,474.3)	$ 5,820.1

(in millions)	USA	Canada	EMEA	Rest of World	Other/ Eliminations	Consolidated
Three Months Ended September 30, 2014						
Net sales:						
External customers	$ 1,578.3	$ 339.7	$ 546.5	$ 144.4	$	$ 2,608.9
Inter-segment	33.3	2.6	1.4		(37.3)	
Total net sales	1,611.6	342.3	547.9	144.4	(37.3)	2,608.9
	1,312.1	278.2	439.1	123.7	(37.3)	2,115.8

Cost of goods sold (exclusive of depreciation)						
Gross profit	299.5	64.1	108.8	20.7		493.1
Outbound freight and handling	59.8	11.3	19.0	2.7		92.8
Warehousing, selling and administrative	124.6	24.3	67.9	13.6	(0.7)	229.7
Adjusted EBITDA	$ 115.1	$ 28.5	$ 21.9	$ 4.4	$ 0.7	$ 170.6
Other operating expenses, net						7.3
Depreciation						33.9
Amortization						23.9
Interest expense, net						63.8
Other income, net						(6.3)
Income tax expense						2.2
Net income						$ 45.8
Total assets	$ 4,223.0	$ 2,011.7	$ 1,163.6	$ 273.0	$ (1,373.0)	$ 6,298.3

Table of Contents

(in millions)	USA	Canada	EMEA	Rest of World	Other/ Eliminations	Consolidated
Nine Months Ended September 30, 2015						
Net sales:						
External customers	$ 4,148.8	$ 1,118.5	$ 1,377.0	$ 371.2	$	$ 7,015.5
Inter-segment	83.9	6.3	2.9	0.1	(93.2)	
Total net sales	4,232.7	1,124.8	1,379.9	371.3	(93.2)	7,015.5
Cost of goods sold (exclusive of depreciation)	3,386.0	955.6	1,086.9	300.9	(93.2)	5,636.2
Gross profit	846.7	169.2	293.0	70.4		1,379.3
Outbound freight and handling	165.1	29.8	45.7	6.8		247.4
Warehousing, selling and administrative	375.5	64.9	171.7	39.5	9.8	661.4
Adjusted EBITDA	$ 306.1	$ 74.5	$ 75.6	$ 24.1	$ (9.8)	$ 470.5
Other operating expenses, net						57.3
Depreciation						104.0
Amortization						66.3
Interest expense, net						165.9
Loss on extinguishment of debt						12.1
Other expense, net						30.9
Income tax expense						14.6
Net income						$ 19.4
Total assets	$ 4,274.9	$ 1,769.1	$ 1,004.4	$ 246.0	$ (1,474.3)	$ 5,820.1

(in millions)	USA	Canada	EMEA	Rest of World	Other/ Eliminations	Consolidated
Nine Months Ended September 30, 2014						
Net sales:						
External customers	$ 4,591.0	$ 1,246.9	$ 1,741.2	$ 407.6	$	$ 7,986.7
Inter-segment	88.9	7.7	3.5		(100.1)	
Total net sales	4,679.9	1,254.6	1,744.7	407.6	(100.1)	7,986.7
Cost of goods sold (exclusive of depreciation)	3,801.9	1,063.6	1,406.2	349.1	(100.1)	6,520.7
Gross profit	878.0	191.0	338.5	58.5		1,466.0
Outbound freight and handling	172.8	35.6	58.4	7.4		274.2

Warehousing, selling and administrative	372.7	72.7	212.1	38.3	3.4	699.2
Adjusted EBITDA	$ 332.5	$ 82.7	$ 68.0	$ 12.8	$ (3.4)	$ 492.6
Other operating expenses, net						54.6
Depreciation						95.1
Amortization						71.7
Interest expense, net						192.5
Loss on extinguishment of debt						1.2
Other income, net						(2.4)
Income tax expense						17.4
Net income						$ 62.5
Total assets	$ 4,223.0	$ 2,011.7	$ 1,163.6	$ 273.0	$ (1,373.0)	$ 6,298.3

17. Subsequent events

On October 2, 2015, the Company completed an acquisition of 100% of the equity interest in Future Transfer Co., Inc.; BlueStar Distribution Inc.; and BDI Distribution West Inc. (Future/BlueStar). Future/BlueStar specializes in logistics, warehousing, packaging, and formulation services to the agriculture industry in Canada. The acquisition is not material and is not expected to have a significant impact on the consolidated financial statements of the Company.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Our operations are structured into four operating segments that represent the geographic areas under which we operate and manage our business. These segments are Univar USA (USA), Univar Canada (Canada), Univar Europe and the Middle East and Africa (EMEA), and Rest of World (Rest of World), which includes developing businesses in Latin America (including Brazil and Mexico) and the Asia-Pacific region.

We monitor the results of our operating segments separately for the purposes of making decisions about resource allocation and performance assessment. We evaluate performance on the basis of Adjusted EBITDA, which we define as our consolidated net income, plus the sum of interest expense, net of interest income, income tax expense, depreciation, amortization, other operating expenses, net (which primarily consists of pension mark to market adjustments, acquisition and integration related expenses, employee stock-based compensation expense, redundancy and restructuring costs, advisory fees paid to stockholders, and other unusual or non-recurring expenses), impairment charges, loss on extinguishment of debt and other (expense) income, net (which consists of gains and losses on foreign currency transactions and undesignated derivative instruments, ineffective portion of cash flow hedges, debt refinancing costs, and other nonoperating activity). We believe that Adjusted EBITDA is an important indicator of operating performance because:

- 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;

- we use Adjusted EBITDA in setting performance incentive targets;

- we consider 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 our results.

We set transfer prices between operating segments on an arms-length basis in a similar manner to transactions with third parties. We allocate corporate operating expenses that directly benefit our operating segments on a basis that reasonably 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, we discuss operating segment results for the current reporting period following our consolidated results of operations period-to-period comparison.

The following is management s discussion and analysis of the financial condition and results of operations for the three and nine months ended September 30, 2015 as compared to the corresponding periods in the prior year. This discussion should be read in conjunction with the condensed consolidated financial statements, including the related notes, set forth in this report under Financial Statements and our Final Prospectus.

Table of Contents

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.

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

	Three Months Ended						
(in millions)	**September 30, 2015**		**September 30, 2014**		**Favorable (unfavorable)**	**% Change**	**Impact of currency***
Net sales	$ 2,206.3	100.0%	$ 2,608.9	100.0%	$ (402.6)	(15.4)%	(7.0)%
Cost of goods sold (exclusive of depreciation)	1,755.8	79.6%	2,115.8	81.1%	360.0	17.0%	6.9%
Gross profit	450.5	20.4%	493.1	18.9%	(42.6)	(8.6)%	(7.3)%
Operating expenses:							
Outbound freight and handling	81.4	3.7%	92.8	3.6%	11.4	12.3%	5.6%
Warehousing, selling and administrative	212.9	9.6%	229.7	8.8%	16.8	7.3%	8.7%
Other operating expenses, net	10.2	0.5%	7.3	0.3%	(2.9)	(39.7)%	4.1%
Depreciation	34.3	1.6%	33.9	1.3%	(0.4)	(1.2)%	6.8%
Amortization	22.0	1.0%	23.9	0.9%	1.9	7.9%	5.9%
Total operating expenses	360.8	16.4%	387.6	14.9%	26.8	6.9%	7.6%
Operating income	89.7	4.1%	105.5	4.0%	(15.8)	(15.0)%	(6.5)%
Other (expense) income:							
Interest income	1.2	0.1%	1.8	0.1%	(0.6)	(33.3)%	(11.1)%
Interest expense	(40.8)	(1.8)%	(65.6)	(2.5)%	24.8	37.8%	1.2%
Loss on extinguishment of debt	(4.8)	(0.2)%		%	(4.8)	(100.0)%	0.0%
Other (expense) income, net	(25.6)	(1.2)%	6.3	0.2%	(31.9)	N/M	N/M
Total other expense	(70.0)	(3.2)%	(57.5)	(2.2)%	(12.5)	(21.7)%	2.6%
Income before income taxes	19.7	0.9%	48.0	1.8%	(28.3)	(59.0)%	(11.3)%
Income tax expense	7.6	0.3%	2.2	0.1%	(5.4)	N/M	N/M
Net income	$ 12.1	0.5%	$ 45.8	1.8%	(33.7)	(73.6)%	9.8%

*Foreign currency translation is included in the percentage change. Unfavorable impacts from foreign currency translation are designated with parentheses.

Net sales

Net sales were $2,206.3 million in the three months ended September 30, 2015, representing a decrease of $402.6 million, or 15.4%, from the three months ended September 30, 2014. Foreign currency translation decreased net sales by 7.0% when compared to the three months ended September 30, 2014, due to the US dollar strengthening against all major currencies. Net sales decreased 4.9% due to a decrease in reported sales volumes resulting from decreases in the USA, EMEA and Rest of World segments partially offset by an increase in the Canada segment. Net sales decreased 3.5% as a result of changes in sales pricing and product mix resulting from a decrease in the USA segment partially offset by increases in the Canada, EMEA and Rest of World segments. Refer to the Segment results for the three months ended September 30, 2015 discussion for additional information.

Gross profit

Gross profit decreased $42.6 million, or 8.6%, to $450.5 million for the three months ended September 30, 2015. Foreign currency translation accounted for 7.3% of the decrease reflecting the strengthening of the US dollar against all major currencies, especially the euro, Canadian dollar and Brazilian real. Excluding the impact of foreign currency translation, gross profit decreased 1.3% as gains from higher gross margins, which we define as gross profit divided by net sales, were offset by lower volumes, primarily in the upstream oil and gas market. Gross margin increased to 20.4% in the three months ended September 30, 2015 from 18.9% in the three months ended September 30, 2014. The increase in margin reflects favorable product mix, our EMEA restructuring program and productivity initiatives. Refer to the Segment results for the three months ended September 30, 2015 discussion for additional information.

Outbound freight and handling

Outbound freight and handling expenses decreased $11.4 million, or 12.3%, to $81.4 million for the three months ended September 30, 2015. Foreign currency translation decreased outbound freight and handling expense by 5.6% or $5.2 million. On a constant currency basis, outbound freight and handling expenses decreased 6.7% or $6.2 million, which was primarily attributable to lower reported sales volumes as well as lower diesel fuel costs. Refer to the Segment results for the three months ended September 30, 2015 discussion for additional information.

Warehousing, selling and administrative

Warehousing, selling and administrative expenses decreased $16.8 million, or 7.3% to $212.9 million for the three months ended September 30, 2015. Foreign currency translation decreased warehousing, selling and administrative expenses by 8.7% or $20.0 million. On a constant currency basis, there was an increase of $3.2 million or 1.4% attributable to higher personnel expenses of $5.7 million primarily due to annual compensation increases and increases in information technology expenses of $2.8 million related to internal projects focused on improving operations. These increases were partially offset by lower operating lease expense of $4.1 million primarily due to certain operating leases being replaced by purchased assets as well as capital leases. The remaining $1.2 million decrease related to several insignificant components. Refer to the Segment results for the three months ended September 30, 2015 discussion for additional information.

Other operating expenses, net

Other operating expenses, net increased $2.9 million, or 39.7%, to $10.2 million for the three months ended September 30, 2015. The increase was primarily related to higher acquisition and integration expenses of $2.0 million in the three months ended September 30, 2015. The increase primarily related to the July 2015 Chemical Associates acquisition and due diligence related to the October 2015 Future/BlueStar acquisition. Foreign currency translation decreased other operating expenses, net by 4.1% or $0.3 million. The remaining $1.2 million increase related to several insignificant components. Refer to Note 5: Other operating expenses, net in our condensed consolidated financial statements for additional information.

Depreciation and amortization

Depreciation expense increased $0.4 million, or 1.2%, to $34.3 million for the three months ended September 30, 2015. Foreign currency translation decreased depreciation expense by 6.8% or $2.3 million. On a constant currency basis, the increase was primarily related to increased purchases of property, plant and equipment and capital lease asset additions during the three months ended September 30, 2015.

Amortization expense decreased $1.9 million, or 7.9%, to $22.0 million for the three months ended September 30, 2015. Amortization expense decreased 5.9% or $1.4 million due to foreign currency translation and the additional decrease relates to the lower amortization levels of existing customer relationship intangibles. Customer relationship intangible assets are amortized on an accelerated basis to mirror the economic pattern of benefit from such relationships.

Interest expense

Interest expense decreased $24.8 million, or 37.8%, to $40.8 million for the three months ended September 30, 2015 primarily due to paying the remaining principal balance related to the Senior Subordinated Notes during June 2015 and lower interest rates on our long-term debt as a result of the July 2015 debt refinancing transactions. Foreign

currency translation decreased interest expense by 1.2% or $0.8 million. Refer to Note 11: Debt in our condensed consolidated financial statements for additional information.

Loss on extinguishment of debt

The $4.8 million loss on extinguishment of debt in the three months ended September 30, 2015 related to the July 2015 debt refinancing transactions. Refer to Note 11: Debt in our condensed consolidated financial statements for additional information.

Other (expense) income, net

Other (expense) income, net increased $31.9 million from income of $6.3 million for the three months ended September 30, 2014 to an expense of $25.6 million for the three months ended September 30, 2015. The increase was primarily driven by debt refinancing costs of $16.5 million during the three months ended September 30, 2015. Refer to Note 11: Debt in our condensed consolidated financial statements for additional information. In addition, there was an increase of $15.5 million of foreign currency transaction losses in the three months ended September 30, 2015 when compared to the three months ended September 30, 2014. The primary driver for the increase in the foreign currency transaction losses was due to the revaluation of the Euro Tranche Term Loan, which resulted in losses during the three months ended September 30, 2015 compared to gains in the three months ended September 30, 2014. Refer to Note 7: Other (expense) income, net in our condensed consolidated financial statements for additional information.

Income tax expense

Income tax expense increased $5.4 million to $7.6 million for the three months ended September 30, 2015 primarily due to changes in the mix of earnings in multiple tax jurisdictions, the rate of realization of actual to forecasted earnings and losses, and the interim accounting treatment of year to date losses incurred in foreign jurisdictions for which a tax benefit may not be recognized.

Table of Contents

Segment results

Our Adjusted EBITDA by operating segment and in aggregate is summarized in the following tables:

(in millions)	USA	Canada	EMEA	Rest of World	Other/ Elimin- ations [1]	Consolidated
	Three Months Ended September 30, 2015					
Net sales:						
External customers	$ 1,364.6	$ 290.7	$ 433.2	$ 117.8	$	$ 2,206.3
Inter-segment	34.4	2.2	1.1	0.1	(37.8)	-
Total net sales	1,399.0	292.9	434.3	117.9	(37.8)	2,206.3
Cost of goods sold (exclusive of depreciation)	1,118.3	240.0	341.7	93.6	(37.8)	1,755.8
Gross profit	280.7	52.9	92.6	24.3		450.5
Outbound freight and handling	55.6	9.0	14.6	2.2		81.4
Warehousing, selling and administrative (operating expenses)	121.7	20.3	56.7	12.3	1.9	212.9
Adjusted EBITDA	$ 103.4	$ 23.6	$ 21.3	$ 9.8	$ (1.9)	$ 156.2
Other operating expenses, net						10.2
Depreciation						34.3
Amortization						22.0
Interest expense, net						39.6
Loss on extinguishment of debt						4.8
Other expense, net						25.6
Income tax expense						7.6
Net income						$ 12.1

(in millions)	USA	Canada	EMEA	Rest of World	Other/ Elimin- ations [1]	Consolidated
	Three Months Ended September 30, 2014					
Net sales:						
External customers	$ 1,578.3	$ 339.7	$ 546.5	$ 144.4	$	$ 2,608.9
Inter-segment	33.3	2.6	1.4		(37.3)	

Total net sales	1,611.6	342.3	547.9	144.4	(37.3)	2,608.9
Cost of goods sold (exclusive of depreciation	1,312.1	278.2	439.1	123.7	(37.3)	2,115.8
Gross profit	299.5	64.1	108.8	20.7		493.1
Outbound freight and handling	59.8	11.3	19.0	2.7		92.8
Warehousing, selling and administrative (operating expenses)	124.6	24.3	67.9	13.6	(0.7)	229.7
Adjusted EBITDA	$ 115.1	$ 28.5	$ 21.9	$ 4.4	$ 0.7	$ 170.6
Other operating expenses, net						7.3
Depreciation						33.9
Amortization						23.9
Interest expense, net						63.8
Other income, net						(6.3)
Income tax expense						2.2
Net income						$ 45.8

(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.

USA. External sales in the USA segment were $1,364.6 million, a decrease of $213.7 million, or 13.5%, in the three months ended September 30, 2015. External sales dollars decreased 4.0% as a result of a decrease in reported sales volumes due to a reduction in sales of oil and gas products. Sales pricing and product mix decreased external sales dollars by 9.5% primarily resulting from lower average selling prices driven primarily by oil and gas products. Gross profit decreased $18.8 million, or 6.3%, to $280.7 million in the three months ended September 30, 2015. Gross profit decreased by 4.0% due to decreases in reported sales volumes. Gross profit also decreased 2.3% due to sales pricing, product costs and other adjustments primarily due to lower gross margin rates on sales of oil and gas products in the three months ended September 30, 2015. Gross margin increased from 19.0% in the three months ended September 30, 2014 to 20.6% during the three months ended September 30, 2015 primarily due to growth in the gross margin rates on several of our industrial chemicals and value-add offerings and the successful implementation of productivity initiatives. Outbound freight and handling expenses decreased $4.2 million, or 7.0%, to $55.6 million in the three months ended September 30, 2015 primarily due to lower reported sales volumes as well as lower diesel fuel costs. Operating expenses decreased $2.9 million, or 2.3%, to $121.7 million in the three months ended September 30, 2015 due to lower lease expense of $2.7 million primarily due to certain operating leases being replaced by purchased assets as well as capital leases. Operating expenses also decreased $1.0 million due to lower bad debt expense. The decrease was partially offset by higher personnel expenses of $3.9 million primarily due to resource investments in growth areas. The remaining $3.1 million decrease related to several insignificant components. Operating expenses as a percentage of external sales increased from 7.9% in the three months ended September 30, 2014 to 8.9% in the three months ended September 30, 2015.

Adjusted EBITDA decreased by $11.7 million, or 10.2%, to $103.4 million in the three months ended September 30, 2015. Adjusted EBITDA margin increased from 7.3% in the three months ended September 30, 2014 to 7.6% in the three months ended September 30, 2015 primarily as a result of improved gross margin partially offset by higher operating expenses as a percentage of external net sales.

Canada. External sales in the Canada segment were $290.7 million, a decrease of $49.0 million, or 14.4%, in the three months ended September 30, 2015. Foreign currency translation decreased external sales dollars by 19.2% as the US dollar strengthened against the Canadian dollar when comparing the three months ended September 30, 2015 to the three months ended September 30, 2014. On a constant currency basis, external sales dollars increased $16.2 million or 4.8%. External sales dollars increased 3.3% as a result of an increase in reported sales volumes primarily due to increases in our core industrial chemical end markets as well as increased herbicide sales within the agriculture business. Sales pricing and product mix increased external sales dollars by 1.5% due to increased average selling prices across several industry sectors. Gross profit decreased $11.2 million, or 17.5%, to $52.9 million in the three months ended September 30, 2015. Foreign currency translation decreased gross profit by 17.2%. Gross profit increased 3.3% due to increases in reported sales volumes. Gross profit decreased due to a decrease of 3.6% from changes in sales pricing, product costs and other adjustments primarily due to lower margins within our agriculture business driven by lower supplier rebates resulting from timing differences in purchases that are expected to offset later in the year as well as dryer weather conditions creating a change in the agriculture product mix during the three months ended September 30, 2015 partially offset by positive impacts from increased average selling prices discussed above. Gross margin decreased from 18.9% in the three months ended September 30, 2014 to 18.2% in the three months ended September 30, 2015 primarily due to the factors discussed above. Outbound freight and handling expenses decreased $2.3 million, or 20.4% to $9.0 million primarily due to foreign currency translation. On a constant currency basis, outbound freight and handling expenses decreased $0.4 million, or 3.5%, despite the overall increases in volumes due to optimization of our contracted fleet as well as improved freight rates during the three months ended September 30, 2015. Operating expenses decreased by $4.0 million, or 16.5% to $20.3 million in the three months ended September 30, 2015 and decreased as a percentage of external sales from 7.2% in the three months ended September 30, 2014 to 7.0% in the three months ended September 30, 2015. Foreign currency translation decreased operating expenses by 17.7% or $4.3 million. On a constant currency basis, operating expenses increased $0.3 million,

or 1.2%, and the increase primarily relates to increased personnel expenses of $1.6 million primarily driven by increased headcount and annual compensation increases. The increase is partially offset by lower pension expense of $1.4 million in the three months ended September 30, 2015 due to the July 1, 2015 pension plan amendment. Refer to Note 4: Employee benefit plans in our condensed consolidated financial statements for additional information regarding the plan amendment. The remaining $0.1 million increase related to several insignificant components.

Adjusted EBITDA decreased by $4.9 million, or 17.2%, to $23.6 million in the three months ended September 30, 2015. Foreign currency translation decreased Adjusted EBITDA by 16.8% or $4.8 million. On a constant currency basis, Adjusted EBITDA decreased $0.1 million, or 0.4%. Adjusted EBITDA margin decreased from 8.4% in the three months ended September 30, 2014 to 8.1% in the three months ended September 30, 2015 primarily due to lower gross margin.

EMEA. External sales in the EMEA segment were $433.2 million, a decrease of $113.3 million, or 20.7%, in the three months ended September 30, 2015. Foreign currency translation decreased external sales dollars by 14.5% primarily resulting from the US dollar strengthening against the euro and British pound when comparing the three months ended September 30, 2015 to the three months ended September 30, 2014. External sales dollars decreased 13.2% as a result of a decrease in reported sales volumes primarily driven by us continuing to exit lower margin business as well as reduced demand for oil and gas products. Changes in sales pricing and product mix increased external sales dollars by 7.0% resulting from a shift in product mix towards products with higher average selling prices. Gross profit decreased $16.2 million, or 14.9%, to $92.6 million in the three months ended September 30, 2015.

Foreign currency translation decreased gross profit by 15.3% primarily as a result of the US dollar strengthening against the euro and British pound when comparing the three months ended September 30, 2015 to the three months ended September 30, 2014. Gross profit decreased 13.2% due to decreases in reported sales volumes. Gross profit increased 13.6% due to sales pricing, product costs, and other adjustments primarily resulting from our decision to not renew lower margin contracts as well as implementing company initiatives to increase volumes of higher margin products. Gross margin increased from 19.9% in the three months ended September 30, 2014 to 21.4% in the three months ended September 30, 2015 primarily due to the factors impacting gross profit discussed above. Outbound freight and handling expenses decreased $4.4 million, or 23.2%, to $14.6 million primarily due to foreign currency translation and lower reported sales volumes. Operating expenses decreased $11.2 million, or 16.5%, to $56.7 million in the three months ended September 30, 2015 and increased as a percentage of external sales from 12.4% in the three months ended September 30, 2014 to 13.1% in the three months ended September 30, 2015. Foreign currency translation decreased operating expenses by 16.6% or $11.3 million. The remaining $0.1 million increase related to several insignificant components.

Adjusted EBITDA decreased by $0.6 million, or 2.7%, to $21.3 million in the three months ended September 30, 2015. Foreign currency translation decreased Adjusted EBITDA by 12.3% or $2.7 million. On a constant currency basis, Adjusted EBITDA increased $2.1 million, or 9.6%, primarily due to lower outbound transportation expenses as well as higher gross profit. Adjusted EBITDA margin increased from 4.0% in the three months ended September 30, 2014 to 4.9% in the three months ended September 30, 2015 primarily as a result of the increase in gross margin.

Rest of World. External sales in the Rest of World segment were $117.8 million, a decrease of $26.6 million, or 18.4%, in the three months ended September 30, 2015. Foreign currency translation decreased external sales dollars by 25.7% or $37.1 million when comparing the three months ended September 30, 2015 to the three months ended September 30, 2014 primarily due to the US dollar strengthening against the Mexican peso and Brazilian real. In November 2014, the Company acquired D Altomare, a Brazilian chemical distributor, which contributed external sales dollars of $12.1 million in the three months ended September 30, 2015. Excluding the impact of D Altomare and foreign currency, external sales dollars decreased 1.9% due to a decrease in reported sales volumes, which was primarily attributable to decreases in the Asia Pacific region partially offset by increases in Mexico. Excluding the impact of D Altomare and foreign exchange, external sales dollars increased by 0.7% as a result of changes in sales pricing and product mix due to increased average selling prices. Gross profit increased $3.6 million, or 17.4%, to $24.3 million in the three months ended September 30, 2015. D Altomare contributed gross profit of $4.7 million in the three months ended September 30, 2015. Foreign currency translation decreased gross profit by 41.1% or $8.5 million. Excluding the impact of D Altomare and foreign exchange, gross profit decreased by 1.9% due to a decrease in reported sales volumes. Gross profit increased 37.7% due to changes in sales pricing, product costs and other adjustments primarily due to our legacy Brazilian operations obtaining new higher margin business. Gross margin increased from 14.3% in the three months ended September 30, 2014 to 20.6% in the three months ended September 30, 2015 (18.5% excluding D Altomare in the three months ended September 30, 2015). D Altomare provides value-add offerings such as blending and sells specialty chemicals and ingredients, which contributed to the higher gross margin in the three months ended September 30, 2015. Outbound freight and handling expenses decreased $0.5 million, or 18.5%, to $2.2 million in the three months ended September 30, 2015 primarily related to foreign exchange translation partially offset by the increase from D Altomare of $0.2 million. Operating expenses decreased $1.3 million, or 9.6%, to $12.3 million in the three months ended September 30, 2015 and increased as a percentage of external sales from 9.4% in the three months ended September 30, 2014 to 10.4% in the three months ended September 30, 2015. D Altomare contributed operating expenses of $2.1 million in the three months ended September 30, 2015. Foreign currency translation decreased operating expenses by 32.4% or $4.4 million. Excluding the impact of D Altomare and foreign currency, operating expenses increased $1.0 million due to several insignificant components.

Adjusted EBITDA increased by $5.4 million, or 122.7%, to $9.8 million in the three months ended September 30, 2015. D Altomare contributed Adjusted EBITDA of $2.4 million in the three months ended September 30, 2015. Foreign currency translation decreased Adjusted EBITDA by 79.5% or $3.5 million. Adjusted EBITDA margin increased from 3.0% in the three months ended September 30, 2014 to 8.3% in the three months ended September 30, 2015 (7.1% excluding D Altomare in the three months ended September 30, 2015). The increase is primarily a result of the increase in gross margin.

Table of Contents

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

	Nine Months Ended				Favorable		Impact of
(in millions)	September 30, 2015		September 30, 2014		(unfavorable)	% Change	currency*
Net sales	$ 7,015.5	100.0%	$ 7,986.7	100.0%	$ (971.2)	(12.2)%	(6.6)%
Cost of goods sold (exclusive of depreciation)	5,636.2	80.3%	6,520.7	81.6%	884.5	13.6%	6.6%
Gross profit	1,379.3	19.7%	1,466.0	18.4%	(86.7)	(5.9)%	(7.0)%
Operating expenses:							
Outbound freight and handling	247.4	3.5%	274.2	3.4%	26.8	9.8%	5.7%
Warehousing, selling and administrative	661.4	9.4%	699.2	8.8%	37.8	5.4%	5.7%
Other operating expenses, net	57.3	0.8%	54.6	0.7%	(2.7)	(4.9)%	5.1%
Depreciation	104.0	1.5%	95.1	1.2%	(8.9)	(9.4)%	8.0%
Amortization	66.3	0.9%	71.7	0.9%	5.4	7.5%	5.0%
Total operating expenses	1,136.4	16.2%	1,194.8	15.0%	58.4	4.9%	7.3%
Operating income	242.9	3.5%	271.2	3.4%	(28.3)	(10.4)%	(5.5)%
Other (expense) income:							
Interest income	3.9	0.1%	6.7	0.1%	(2.8)	(41.8)%	(6.0)%
Interest expense	(169.8)	(2.4)%	(199.2)	(2.5)%	29.4	14.8%	1.4%
Loss on extinguishment of debt	(12.1)	(0.2)%	(1.2)	%	10.9	N/M	N/M
Other (expense) income, net	(30.9)	(0.4)%	2.4	%	(33.3)	N/M	N/M
Total other expense	(208.9)	(3.0)%	(191.3)	(2.4)%	(17.6)	(9.2)%	2.4%
Income before income taxes	34.0	0.5%	79.9	1.0%	(45.9)	(57.4)%	(13.1)%
Income tax expense	14.6	0.2%	17.4	0.2%	2.8	16.1%	11.5%
Net income	$ 19.4	0.3%	$ 62.5	0.8%	(43.1)	(69.0)%	(13.6)%

*Foreign currency translation is included in the percentage change. Unfavorable impacts from foreign currency translation are designated with parentheses.

Net sales

Net sales were $7,015.5 million in the nine months ended September 30, 2015, representing a decrease of $971.2 million, or 12.2%, from the nine months ended September 30, 2014. Foreign currency translation decreased net sales by 6.6% when compared to the nine months ended September 30, 2014, due to the US dollar strengthening against all major currencies. Net sales decreased 5.7% due to a decrease in reported sales volumes as the result of decreases in the USA, Canada and EMEA segments partially offset by an increase in the Rest of World segment. Net sales increased 0.1% as a result of changes in sales pricing and product mix resulting from increases in the Canada, EMEA and Rest of World segments partially offset by a decrease in the USA segment. Refer to the Segment results for the nine months ended September 30, 2015 discussion for additional information.

Gross profit

Gross profit decreased $86.7 million, or 5.9%, to $1,379.3 million for the nine months ended September 30, 2015. Foreign currency translation accounted for 7.0% of the decrease reflecting the strengthening of the US dollar against all major currencies, especially the euro, Canadian dollar and Brazilian real. Excluding the impact of foreign currency translation, gross profit increased 1.1% as gains from higher gross margins more than offset lower volumes which were primarily in the upstream oil and gas market. Gross margin increased to 19.7% in the nine months ended September 30, 2015 from 18.4% in the nine months ended September 30, 2014 due to favorable product mix, our EMEA restructuring program and productivity initiatives. Refer to the Segment results for the nine months ended September 30, 2015 discussion for additional information.

Outbound freight and handling

Outbound freight and handling expenses decreased $26.8 million, or 9.8%, to $247.4 million for the nine months ended September 30, 2015. Foreign currency translation decreased outbound freight and handling expense by 5.7% or $15.7 million. On a constant currency basis, outbound freight and handling expenses decreased 4.1% or $11.1 million, which was primarily attributable to lower reported sales volumes as well as lower diesel fuel costs. Refer to the Segment results for the nine months ended September 30, 2015 discussion for additional information.

Table of Contents

Warehousing, selling and administrative

Warehousing, selling and administrative expenses decreased $37.8 million, or 5.4%, to $661.4 million for the nine months ended September 30, 2015. Foreign currency translation decreased warehousing, selling and administrative expenses by 5.7% or $57.8 million. On a constant currency basis, there was an increase of $20.0 million attributable to higher personnel expenses of $17.7 million primarily due to annual compensation increases, higher consulting fees of $6.7 million and increases in information technology expenses of $5.7 million related to internal projects focused on improving operations. These increases were partially offset by lower operating lease expense of $10.1 million primarily due to certain operating leases being replaced by purchased assets as well as capital leases. Refer to the Segment results for the nine months ended September 30, 2015 discussion for additional information.

Other operating expenses, net

Other operating expenses, net increased $2.7 million, or 4.9%, to $57.3 million for the nine months ended September 30, 2015. The increase was primarily due to a contract termination fee of $26.2 million related to terminating consulting agreements between us and CVC and CD&R related to the IPO. The increases were partially offset by a reduction of $8.7 million in redundancy and restructuring charges in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014, which primarily related to higher facility exit costs in the nine months ended September 30, 2014 largely due to changes in estimated sublease income. Refer to Note 6: Redundancy and restructuring in our condensed consolidated financial statements for additional information. Also contributing to the offset was $6.0 million of lower stock-based compensation expense in the nine months ended September 30, 2015 due to a majority of outstanding options vesting in 2014 with fewer grants in the nine months ended September 30, 2015. The decrease is also attributable to $4.4 million of lower consulting fees in the nine months ended September 30, 2015, which fees were associated with the implementation of several regional initiatives aimed at streamlining our cost structure and improving our operations. Foreign currency translation decreased other operating expenses, net by 5.1% or $2.8 million. The remaining $1.6 million decrease related to several insignificant components. Refer to Note 5: Other operating expenses, net in our condensed consolidated financial statements for additional information.

Depreciation and amortization

Depreciation expense increased $8.9 million, or 9.4%, to $104.0 million for the nine months ended September 30, 2015. Foreign currency translation decreased depreciation expense by 8.0% or $7.6 million. On a constant currency basis, the increase was primarily related to increased purchases of property, plant and equipment, capital lease asset additions and accelerated depreciation on various sites which were undergoing restructuring initiatives during the nine months ended September 30, 2015.

Amortization expense decreased $5.4 million, or 7.5%, to $66.3 million for the nine months ended September 30, 2015. Amortization expense decreased 5.0% or $3.6 million due to foreign currency translation and the additional decrease relates to the lower amortization levels of existing customer relationship intangibles partially offset by amortization related to 2015 business acquisitions. Customer relationship intangible assets are amortized on an accelerated basis to mirror the economic pattern of benefit from such relationships.

Interest expense

Interest expense decreased $29.4 million, or 14.8%, to $169.8 million for the nine months ended September 30, 2015 primarily due to lower average borrowings under short-term financing agreements, paying the remaining principal balance related to the Senior Subordinated Notes during June 2015 and lower interest rates on our long-term debt as a

result of the July 2015 debt refinancing transactions. Foreign currency translation decreased interest expense by 1.4% or $2.8 million. These decreases were partially offset by increased interest expense from capital lease obligations. Refer to Note 11: Debt in our condensed consolidated financial statements for additional information.

Loss on extinguishment of debt

Loss on extinguishment of debt increased $10.9 million to $12.1 million for the nine months ended September 30, 2015. The $12.1 million loss in the nine months ended September 30, 2015 related to the July 2015 debt refinancing transactions and the write off of unamortized debt issuance costs and debt discount related to the payment of the principal balance related to the Senior Subordinated Notes during June 2015. The $1.2 million loss in the nine months ended September 30, 2014 related to the write off of unamortized debt issuance costs related to the closure of the 2016 European ABL facility during March 2014. Refer to Note 11: Debt in our condensed consolidated financial statements for additional information.

Other (expense) income, net

Other (expense) income, net increased $33.3 million from income of $2.4 million for the nine months ended September 30, 2014 to an expense of $30.9 million for the nine months ended September 30, 2015. The increase was primarily driven by debt refinancing costs of $16.5 million and the discontinuance of cash flow hedges of $7.5 million. Refer to Note 11: Debt and Note 14: Derivatives in our condensed consolidated financial statements for additional information, respectively. In addition, there was a $6.6 million reduction in gains related to foreign currency transactions in the nine months ended September 30, 2015 when compared to the nine months ended September 30, 2014 primarily driven by the revaluation of the Euro Tranche Term Loan creating larger gains during the nine months ended September 30, 2014. Refer to Note 7: Other (expense) income, net in our condensed consolidated financial statements for additional information.

Table of Contents

Income tax expense

Income tax expense decreased $2.8 million, or 16.1%, to $14.6 million for the nine months ended September 30, 2015 primarily due to changes in the mix of earnings in multiple tax jurisdictions, the rate of realization of actual to forecasted earnings and losses, and the interim accounting treatment of year to date losses incurred in foreign jurisdictions for which a tax benefit may not be recognized.

Table of Contents

Segment results

Our Adjusted EBITDA by operating segment and in aggregate is summarized in the following tables:

(in millions)	USA	Canada	EMEA	Rest of World	Other/ Elimin- ations(1)	Consolidated
	Nine Months Ended September 30, 2015					
Net sales:						
External customers	$ 4,148.8	$ 1,118.5	$ 1,377.0	$ 371.2	$	$ 7,015.5
Inter-segment	83.9	6.3	2.9	0.1	(93.2)	
Total net sales	4,232.7	1,124.8	1,379.9	371.3	(93.2)	7,015.5
Cost of goods sold (exclusive of depreciation)	3,386.0	955.6	1,086.9	300.9	(93.2)	5,636.2
Gross profit	846.7	169.2	293.0	70.4		1,379.3
Outbound freight and handling	165.1	29.8	45.7	6.8		247.4
Warehousing, selling and administrative (operating expenses)	375.5	64.9	171.7	39.5	9.8	661.4
Adjusted EBITDA	$ 306.1	$ 74.5	$ 75.6	$ 24.1	$ (9.8)	$ 470.5
Other operating expenses, net						57.3
Depreciation						104.0
Amortization						66.3
Interest expense, net						165.9
Loss on extinguishment of debt						12.1
Other expense, net						30.9
Income tax expense						14.6
Net income						$ 19.4

(in millions)	USA	Canada	EMEA	Rest of World	Other/ Elimin- ations(1)	Consolidated
	Nine Months Ended September 30, 2014					
Net sales:						
External customers	$ 4,591.0	$ 1,246.9	$ 1,741.2	$ 407.6	$	$ 7,986.7
Inter-segment	88.9	7.7	3.5		(100.1)	
Total net sales	4,679.9	1,254.6	1,744.7	407.6	(100.1)	7,986.7
	3,801.9	1,063.6	1,406.2	349.1	(100.1)	6,520.7

Cost of goods sold (exclusive of depreciation)						
Gross profit	878.0	191.0	338.5	58.5		1,466.0
Outbound freight and handling	172.8	35.6	58.4	7.4		274.2
Warehousing, selling and administrative (operating expenses)	372.7	72.7	212.1	38.3	3.4	699.2
Adjusted EBITDA	$ 332.5	$ 82.7	$ 68.0	$ 12.8	$ (3.4)	$ 492.6
Other operating expenses, net						54.6
Depreciation						95.1
Amortization						71.7
Interest expense, net						192.5
Loss on extinguishment of debt						1.2
Other income, net						(2.4)
Income tax expense						17.4
Net income						$ 62.5

(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.

USA. External sales in the USA segment were $4,148.8 million, a decrease of $442.2 million, or 9.6%, in the nine months ended September 30, 2015. External sales dollars decreased 5.5% as a result of a decrease in reported sales volumes primarily due to a reduction in sales of oil and gas products. Sales pricing and product mix decreased external sales dollars by 4.1% primarily resulting from lower average selling prices. Gross profit decreased $31.3 million, or 3.6%, to $846.7 million in the nine months ended September 30, 2015. Gross profit decreased by 5.5% due to decreases in reported sales volumes. This was partially offset by a 1.9% increase in gross profit due to sales pricing, product costs and other adjustments primarily due to growth in the gross margin rates on several of our industrial chemicals and value-add offerings and the successful implementation of productivity initiatives in the nine months ended September 30, 2015. Gross margin increased from 19.1% in the nine months ended September 30, 2014 to 20.4% during the nine months ended September 30, 2015. Outbound freight and handling expenses decreased $7.7 million, or 4.5%, to $165.1 million in the nine months ended September 30, 2015 primarily due to lower reported sales volumes as well as lower diesel fuel costs. Operating expenses increased $2.8 million, or 0.8%, to $375.5 million in the nine months ended September 30, 2015 due to higher personnel expenses of $11.4 million primarily due to annual compensation increases and higher consulting fees of 5.1 million related to internal projects focused on improving operations. These increases were partially offset by lower lease expense of $7.5 million primarily due to certain operating leases being replaced by purchased assets as well as capital leases. The remaining $6.2 million decrease related to several insignificant components. Operating expenses as a percentage of external sales increased from 8.1% in the nine months ended September 30, 2014 to 9.1% in the nine months ended September 30, 2015.

Adjusted EBITDA decreased by $26.4 million, or 7.9%, to $306.1 million in the nine months ended September 30, 2015. Adjusted EBITDA margin increased from 7.2% in the nine months ended September 30, 2014 to 7.4% in the nine months ended September 30, 2015 primarily as a result of improved gross margin partially offset by higher operating expenses as a percentage of external net sales.

Canada. External sales in the Canada segment were $1,118.5 million, a decrease of $128.4 million, or 10.3%, in the nine months ended September 30, 2015. Foreign currency translation decreased external sales dollars by 13.6% as the US dollar strengthened against the Canadian dollar when comparing the nine months ended September 30, 2015 to the nine months ended September 30, 2014. On a constant currency basis, external sales dollars increased $41.2 million or 3.3%. External sales dollars decreased 1.7% as a result of a decrease in reported sales volumes primarily due to decreases in sales of oil and gas products mostly driven by lower oil prices and lower methanol sales due to warmer weather conditions. These decreases were partially offset by increases in agricultural sales, which were primarily driven by favorable weather conditions, increases in mining driven by the stabilization of mineral and gold prices and increased sales to commodity and manufacturing based end markets, driven by the strengthening of the US dollar against the Canadian dollar increasing manufacturing activity within Canada s eastern region. Sales pricing and product mix increased external sales dollars by 5.0% primarily due to higher average selling prices. Gross profit decreased $21.8 million, or 11.4%, to $169.2 million in the nine months ended September 30, 2015. Foreign currency translation decreased gross profit by 13.4%. Gross profit decreased 1.7% due to decreases in reported sales volumes. Gross profit increased due to an increase of 3.7% from changes in sales pricing, product costs and other adjustments primarily due to the positive impacts from increased average selling prices across several industry sectors during the nine months ended September 30, 2015. Gross margin decreased from 15.3% in the nine months ended September 30, 2014 to 15.1% in the nine months ended September 30, 2015 primarily due to higher sales of lower margin products. Outbound freight and handling expenses decreased $5.8 million, or 16.3%, to $29.8 million primarily due to foreign currency translation and lower reported sales volumes. Operating expenses decreased by $7.8 million, or 10.7%, to $64.9 million in the nine months ended September 30, 2015 and remained at 5.8% as a percentage of external sales in the nine months ended September 30, 2015. Foreign currency translation decreased operating expenses by 13.6% or $9.9 million. On a constant currency basis, operating expenses increased $2.1 million, or 2.9%, and the increase primarily relates to increased personnel expenses of $3.3 million primarily driven by annual compensation increases and higher headcount. The remaining $1.2 million decrease related to several insignificant components.

Adjusted EBITDA decreased by $8.2 million, or 9.9%, to $74.5 million in the nine months ended September 30, 2015. Foreign currency translation decreased Adjusted EBITDA by 13.7% or $11.3 million. On a constant currency basis, Adjusted EBITDA increased $3.1 million, or 3.8%, primarily due to increased external sales generating increased gross profit. Adjusted EBITDA margin increased from 6.6% in the nine months ended September 30, 2014 to 6.7% in the nine months ended September 30, 2015 primarily due to lower transportation costs as a percentage of external net sales.

EMEA. External sales in the EMEA segment were $1,377.0 million, a decrease of $364.2 million, or 20.9%, in the nine months ended September 30, 2015. Foreign currency translation decreased external sales dollars by 16.0% primarily resulting from the US dollar strengthening against the euro and British pound when comparing the nine months ended September 30, 2015 to the nine months ended September 30, 2014. External sales dollars decreased 7.8% as a result of a decrease in reported sales volumes primarily driven by us continuing to exit lower margin business as well as reduced volumes of caustic soda given tighter supply of the product. Changes in sales pricing and product mix increased external sales dollars by 2.9% primarily due to a shift in product mix towards products with higher average selling prices. Gross profit decreased $45.5 million, or 13.4%, to $293.0 million in the nine months ended September 30, 2015. Foreign currency translation decreased gross profit by 17.5% primarily as a result of the US dollar strengthening against the euro and British pound when comparing the nine months ended September 30, 2015 to the nine months ended September 30, 2014. Gross profit decreased 7.8% due to decreases in reported sales volumes. Gross profit increased 11.9% due

to sales pricing, product costs, and other adjustments primarily resulting from electing to not renew lower margin business as well as implementing company initiatives to increase volumes of higher margin products. Gross margin increased from 19.4% in the nine months ended September 30, 2014 to 21.3% in the nine months ended September 30, 2015 primarily due to the factors impacting gross profit discussed above. Outbound freight and handling expenses decreased $12.7 million, or 21.7%, to $45.7 million primarily due to foreign currency translation and lower reported sales volumes. Operating expenses decreased $40.4 million, or 19.0%, to $171.7 million in the nine months ended September 30, 2015, but increased as a percentage of external sales from 12.2% in the nine months ended September 30, 2014 to 12.5% in the nine months ended September 30, 2015. Foreign currency translation decreased operating expenses by 18.1% or $38.4 million. On a constant currency basis, operating expenses decreased $2.0 million, or 0.9%, which was primarily related to lower lease expense of $1.2 million due to certain operating leases being replaced by capital leases and lower personnel expenses of $1.0 million due to reduced headcount from redundancy and restructuring initiatives. The remaining $0.2 million increase related to several insignificant components.

Adjusted EBITDA increased by $7.6 million, or 11.2%, to $75.6 million in the nine months ended September 30, 2015. Foreign currency translation decreased Adjusted EBITDA by 16.3% or $11.1 million. On a constant currency basis, Adjusted EBITDA increased $18.7 million, or 27.5%, due to increased gross profit as well as slight reductions in operating expenses. Adjusted EBITDA margin increased from 3.9% in the nine months ended September 30, 2014 to 5.5% in the nine months ended September 30, 2015 primarily as a result of the increase in gross margin.

Rest of World. External sales in the Rest of World segment were $371.2 million, a decrease of $36.4 million, or 8.9%, in the nine months ended September 30, 2015. Foreign currency translation decreased external sales dollars by 20.0% when comparing the nine months ended September 30, 2015 to the nine months ended September 30, 2014 primarily due to the US dollar strengthening against the Mexican peso and Brazilian real. In November 2014, the Company acquired D Altomare, a Brazilian chemical distributor, which contributed external sales dollars of $37.3 million in the nine months ended September 30, 2015. Excluding the impact of D Altomare and foreign currency translation, external sales dollars increased 1.6% due to an increase in reported sales volumes, which was primarily attributable to increases in Mexico partially offset by decreases in the Asia Pacific region. Excluding the impact of D Altomare and foreign currency translation, external sales dollars increased 0.3% as a result of changes in sales pricing and product mix due to higher average selling prices. Gross profit increased $11.9 million, or 20.3%, to $70.4 million in the nine months ended September 30, 2015. D Altomare contributed gross profit of $14.1 million in the nine months ended September 30, 2015. Foreign currency translation decreased gross profit by 29.9%. Excluding the impact of D Altomare and foreign currency translation, gross profit increased by 1.6% due to an increase in reported sales volumes. Gross profit increased 24.5% due to changes in sales pricing, product costs and other adjustments primarily due to average selling prices increasing at a faster rate than average purchasing costs. Gross margin increased from 14.4% in the nine months ended September 30, 2014 to 19.0% in the nine months ended September 30, 2015 (16.9% excluding D Altomare in the nine months ended September 30, 2015) primarily due to the factors impacting gross profit discussed above. Outbound freight and handling expenses decreased $0.6 million, or 8.1%, to $6.8 million in the nine months ended September 30, 2015. Foreign currency translation decreased outbound freight and handling expenses by 21.6% or $1.6 million. On a constant currency basis, outbound freight and handling expenses increased $1.0 million or 13.5%, which was due to the increase in reported sales, a $0.7 million increase from D Altomare, as well as higher gasoline prices in Brazil. Operating expenses increased $1.2 million, or 3.1%, to $39.5 million in the nine months ended September 30, 2015 and increased as a percentage of external sales from 9.4% in the nine months ended September 30, 2014 to 10.6% in the nine months ended September 30, 2015. D Altomare contributed operating expenses of $7.0 million in the nine months ended September 30, 2015. Foreign currency translation decreased operating expenses by 24.5% or $9.4 million. Excluding the impact of D Altomare and foreign currency translation, operating expenses increased $3.6 million primarily due to higher personnel expenses of $2.0 million driven by annual compensation increases and higher variable compensation. The remaining $1.6 million increase related to several

insignificant components.

Adjusted EBITDA increased by $11.3 million, or 88.3%, to $24.1 million in the nine months ended September 30, 2015. D Altomare contributed Adjusted EBITDA of $6.4 million in the nine months ended September 30, 2015. Foreign currency translation decreased Adjusted EBITDA by 51.6% or $6.6 million. On a constant currency basis and excluding D Altomare, Adjusted EBITDA increased $11.5 million primarily due to increased gross profit. Adjusted EBITDA margin increased from 3.1% in the nine months ended September 30, 2014 to 6.5% in the nine months ended September 30, 2015 (5.3% excluding D Altomare in the nine months ended September 30, 2015). The increase is a result of the increase in gross margin.

Liquidity and Capital Resources

Our primary source of liquidity is cash generated from our operations as well as borrowings under our credit facilities. As of September 30, 2015, we had $687.4 million available under our credit facilities.

We are in compliance with all of our covenant ratios and believe there is adequate margin between the covenant ratios and the actual ratios given the current trends of the business.

Our primary liquidity and capital resource needs are to service our debt and to finance working capital, capital expenditures, other liabilities and cost of acquisitions. We believe that funds provided by these sources will be adequate to meet the liquidity and capital resource needs for at least the next 12 months under current operating conditions. We will continue to balance our focus on sales and earnings growth with continuing efforts in cost control and working capital management.

On July 1, 2015, we refinanced our Senior Term Loan Facilities. On July 28, 2015, we refinanced our North American ABL Facility and North American ABL Term Loan. The completion of the refinancing transactions enhances our liquidity position by eliminating the need to refinance in the near term and decreases future interest expense and related cash outflows. Refer to Note 11: Debt within the condensed consolidated financial statements for more information.

Cash Flows

The following table presents a summary of our cash flow activity for the periods set forth below:

	Nine Months Ended	
	September 30, 2015	**September 30, 2014**
Net cash provided (used) by operating activities	$ 191.2	$ (21.9)
Net cash (used) by investing activities	(153.1)	(71.7)
Net cash (used) provided by financing activities	(14.2)	80.5

Cash Provided (Used) by Operating Activities

Cash provided by operating activities increased $213.1 million from cash used by operating activities of $21.9 million for the nine months ended September 30, 2014 to $191.2 million of cash provided by operating activities for the nine months ended September 30, 2015. The increase in cash provided by operations was primarily due to an increase of $242.5 million due to changes in trade accounts receivables, net, inventories and trade accounts payable. In the nine months ended September 30, 2015, trade accounts receivables, net, inventories and trade accounts payable provided cash because net sales during the three months ended September 30, 2015 were lower than net sales during the three months ended December 31, 2014 primarily due to sales declines within the oil and gas markets. In addition, inventory levels were higher than normal as of December 31, 2014 to support our customer driven initiative related to improving on-time delivery.

The increase in cash provided by operations also related to accrued interest expenses increasing $22.3 million in the nine months ended September 30, 2015 compared to a decrease of $1.7 million in the nine months ended September 30, 2014, which is a net increase of $24.0 million. The increase in accrued interest expenses is due to the July 2015 debt refinancing transactions altering the timing of interest payments.

The increase is also related to an increase in other payables of $9.5 million in the nine months ended September 30, 2015 compared to a decrease of $12.5 million in the nine months ended September 30, 2014, which is a net increase of $22.0 million. The increase relates to more in-progress productivity projects during the nine months ended September 30, 2015 when compared to the nine months ended September 30, 2014.

The increase in cash provided by operations was partially offset by changes in redundancy and restructuring liabilities. The redundancy and restructuring liabilities increased $21.2 million during the nine months ended September 30, 2014, which was primarily due to higher facility exit costs and employee termination costs. In the nine months ended September 30, 2015, the redundancy and restructuring liabilities decreased $4.3 million as payments were higher than new charges. As a result, cash provided by operating activities decreased by $25.5 million in the nine months ended September 30, 2015. Another factor offsetting the higher cash provided by operating activities was the decrease of $48.8 million in net income exclusive of non-cash items in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. Refer to Results of Operations above for additional information. The remaining decrease of $1.1 million related to several insignificant components.

Cash (Used) by Investing Activities

Cash used by investing activities increased $81.4 million from $71.7 million for the nine months ended September 30, 2014 to $153.1 million for the nine months ended September 30, 2015. The increase primarily related to the April 2015 and July 2015 acquisitions of Key Chemical, Inc. and Chemical Associates, Inc. for $50.6 million, net of cash acquired. In addition, there was higher spending on capital expenditures of $29.2 million in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. The increases in capital expenditures primarily related to purchasing assets that replaced operating leases and increased information technology spend related to internal projects focused on improving operations.

Cash (Used) Provided by Financing Activities

Cash used by financing activities increased $94.7 million from cash provided of $80.5 million for the nine months ended September 30, 2014 to cash used of $14.2 million for the nine months ended September 30, 2015. The increase in cash used by financing activities was primarily due to the July 2015 debt refinancing of the Senior Term Loan Facility. As part of the refinance activity, the former Senior Term Loan Facilities were paid in full and replaced with a new Senior Term Loan Facility and Unsecured Notes. The pay-off amount related to the former facility was $80.9 million more than the new debt balance related to the new Senior Term Loan Facility and Unsecured Notes. Furthermore, financing fees paid increased by $23.4 million due to the July 2015 debt refinancing activity in the nine months ended September 30, 2015 being more significant than the March 2014 debt refinancing activity.

Also contributing to the increase in cash used by financing activities was an $88.5 million smaller increase in our outstanding balances within our ABL facilities during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. The reduced increase in the ABL balances during the nine months ended September 30, 2015 primarily related to improved cash flows from operations in the nine months ended September 30, 2015 compared to September 30, 2014.

The increase in cash used by financing activities was partially offset by closing our IPO and a concurrent private placement during the nine months ended September 30, 2015. The proceeds, net of fees, related to the IPO and concurrent private placement were $763.6 million. Concurrent with the IPO and private placement, we paid the remaining principal balance of $650.0 million related to the Senior Subordinated Notes. This resulted in a net cash inflow from financing activities of $113.6 million. The remaining increase of $15.5 million related to several insignificant components.

Contractual Obligations and Commitments

The following table summarizes material changes to our contractual obligations as of December 31, 2014, resulting from the changes in our long term debt through September 30, 2015. These changes primarily resulted from us paying the remaining principal balance of $650.0 million related to our Senior Subordinated Notes and our July 2015 debt refinancing transactions discussed in Note 11: Debt of our condensed consolidated financial statements.

	Payment Due by Period (in millions)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt, including current maturities(1)	$ 3,109.4	$ 5.8	$ 129.9	$ 63.3	$ 2,910.4
Interest (2)	950.2	37.3	284.6	266.2	362.1

(1) See Note 11: Debt in our condensed consolidated financial statements for additional information.
(2) Interest payments on debt are calculated for future periods using interest rates in effect at September 30, 2015. Projected interest payments include the related effects of interest rate swap agreements. Certain of these projected interest payments may differ in the future based on changes in floating interest rates, foreign currency fluctuations or other factors or events. The projected interest payments only pertain to obligations and agreements outstanding at September 30, 2015. See Note 11: Debt and Note 14: Derivatives in our condensed consolidated financial statements for further information regarding our debt instruments and related interest rate swap agreements, respectively.

Critical Accounting Estimates

There were no material changes in our critical accounting estimates since the filing of Final Prospectus.

Recently Issued and Adopted Accounting Pronouncements

See Note 3: Significant Accounting Policies in the notes to the condensed consolidated financial statements.

Accounting Pronouncements Issued But Not Yet Adopted

See Note 3: Significant Accounting Policies in the notes to the condensed consolidated financial statements.

Forward looking statements and information

This Quarterly Report on Form 10-Q contains forward-looking statements. Some of the forward-looking statements can be identified by the use of forward-looking terms such as believes, expects, may, will, should, could intends, plans, estimates, anticipates or other comparable terms. These forward-looking statements include all mat that are not historical facts. They appear in a number of places throughout this Quarterly Report on Form 10-Q and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth strategies and the industries in which we operate and including, without limitation, statements relating to our estimated or anticipated financial performance or results. Forward-looking statements are subject to known and unknown risks and uncertainties, many of which may be beyond our control. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industries in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Quarterly Report on Form 10-Q. In addition, even if our results of operations, financial condition and liquidity, and the development of the industries in which we operate are consistent with the forward-looking statements contained in this Quarterly Report on Form 10-Q, those results or developments may not be indicative of results or developments in subsequent periods. A number of important factors could cause actual results to differ materially from those contained in or implied by the forward-looking statements, including those reflected in forward-looking statements relating to our operations and business and the risks and uncertainties discussed in

Table of Contents

Risk Factors. Factors that could cause actual results to differ from those reflected in forward-looking statements relating to our operations and business include:

- general economic conditions, particularly fluctuations in industrial production;
- disruption in the supply of chemicals we distribute or our customers operations;
- termination of contracts or relationships by customers or producers on short notice;
- the price and availability of chemicals, or a decline in the demand for chemicals;
- our ability to pass through cost increases to our customers;
- trends in oil and gas prices;
- our ability to execute strategic investments, including pursuing acquisitions and/or dispositions, and successfully integrating and operating acquired companies;
- challenges associated with international operations, including securing producers and personnel, compliance with foreign laws and changes in economic or political conditions;
- our ability to effectively implement our strategies or achieve our business goals;
- exposure to interest rate and currency fluctuations;
- competitive pressures in the chemical distribution industry;
- our ability to implement and efficiently operate the systems needed to manage our operations;
- the risks associated with security threats, including cybersecurity threats;
- increases in transportation costs and changes in our relationship with third party carriers;
- the risks associated with hazardous materials and related activities;
- accidents, safety failures, environmental damage, product quality issues, major or systemic delivery failures involving our distribution network or the products we carry or adverse health effects or other harm related to the materials we blend, manage, handle, store, sell or transport;
- evolving laws and regulations relating to hydraulic fracturing;
- losses due to potential product liability claims and recalls and asbestos claims;
- compliance with extensive environmental, health and safety laws, including laws relating to the investigation and remediation of contamination, that could require material expenditures or changes in our operations;
- general regulatory and tax requirements;
- operational risks for which we may not be adequately insured;
- ongoing litigation and other legal and regulatory actions and risks;
- potential impairment of goodwill;
- inability to generate sufficient working capital;
- loss of key personnel;
- labor disruptions and other costs associated with the unionized portion of our workforce;
- negative developments affecting our pension plans;
- the impact of labeling regulations;
- consolidation of our competitors; and
- our substantial indebtedness and the restrictions imposed by our debt instruments and indenture.

You should read this Quarterly Report on Form 10-Q, including the uncertainties and factors discussed under Risk Factors in our Final Prospectus completely and with the understanding that actual future results may be materially different from expectations. All forward-looking statements made in this Quarterly Report on Form 10-Q are qualified by these cautionary statements. These forward-looking statements are made only as of the date of this Quarterly Report on Form 10-Q and we do not undertake any obligation, other than as may be required by law, to update or revise any forward-looking or cautionary statements to reflect changes in assumptions, the occurrence of events, unanticipated or otherwise and changes in future operating results over time or otherwise.

Comparisons of results between current and prior periods are not intended to express any future trends, or indications of future performance, unless expressed as such, and should only be viewed as historical data.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The interest rates related to our long-term debt decreased since December 31, 2014 due to the July 2015 debt refinancing. Refer to Note 11: Debt for additional information. As a result, the impact on our earnings before taxes has materially changed when considering a change in variable interest rates. The following table illustrates the sensitivity of both a 100 basis point and 200 basis point increase in variable interest rates (including the impact of derivatives), with other variables held constant on our earnings before taxes as of September 30, 2015.

(in millions)	Effect on income
100 basis point increase in variable interest rates	$ (9.3)
200 basis point increase in variable interest rates	(16.7)

Foreign currency denominated debt has increased since December 31, 2014 due to the July 2015 debt refinancing. Refer to Note 11: Debt for additional information. As a result, the impact on our consolidated earnings and accumulated other comprehensive loss, net of foreign currency derivative instruments, before income taxes has materially changed when considering a change in foreign currency rates. The following table illustrates the sensitivity of our consolidated earnings and accumulated other comprehensive loss, net of foreign currency derivative instruments, before income taxes as of September 30, 2015.

	Effect on income	Effect on accumulated other comprehensive loss
	(in millions)	
10% strengthening of U.S. dollar	$ 18.4	$ (19.8)
10% strengthening of euro	(27.7)	-
10% strengthening of British pound	2.6	17.3

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation as of September 30, 2015 of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2015.

PART II.

OTHER INFORMATION

Item 1. Legal Proceedings

Information pertaining to legal proceedings can be found in Note 15 to the interim condensed consolidated financial statements included in Part I, Financial Statements of this report.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Part I, Item 1A of our Final Prospectus.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Table of Contents

Item 6. Exhibits.

Exhibit Number	Exhibit Description
31.1*	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1*	Interactive Data File

* Filed herewith

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Univar Inc.

(Registrant)

By: /s/ J. Erik Fyrwald
J. Erik Fyrwald

President, Chief Executive Officer, Director

Date: November 3, 2015

By: /s/ Carl J. Lukach
Carl J. Lukach

Executive Vice President, Chief Financial Officer

Date: November 3, 2015

41