PrimeStone

London, March 2nd, 2023

Supervisory Board of Directors
Brenntag SE

Dear Doreen, Dear Richard,
Dear Members of the Supervisory Board,

PrimeStone Capital LLP ("PrimeStone" or "we"), through the funds we advise, today owns 2.1% of Brenntag SE. For the avoidance of doubt, at the time of its writing, this letter is intended to be private.

As previously stated, we focus on making long-term investments in quality companies that can be improved and expanded. Our team has extensive experience investing in and sitting on boards of both private and publicly-listed companies. We have a long history of following and investing in the chemical distribution industry as private equity investors in our previous career at Carlyle and as public market investors at PrimeStone. In relation to our investment in Brenntag, we have now conducted close to a 100 meetings and calls with management teams, owners, industry experts, investors, customers, suppliers and competitors. We have also analysed the employment data publicly available for the company and its peers and conducted multiple surveys.

Since our letter from December 20th, we have met respectively with Christian on January 16th, Doreen on February 2nd, Kristin on February 3rd and finally with both Doreen and Richard on February 24th. We have also conducted significant work to further test our views and interacted with many Brenntag stakeholders and analysts to get feedback and exchange constructively regarding our analyses as well as the company's performance, leadership and future. We have now heard all arguments against the proposed full separation over the next 18-24 months of Brenntag Specialty (BSP) and Brenntag Essentials (BES) as well as important concerns we would like to share with you.

As a summary of what follows:

- Since 2003, Brenntag was led by 2 world-class Private Equity firms, has been listed for 13 years, has been led by Supervisory Board members who, excluding Richard, have over 9 years of average tenure. The company is, if not performing as well as it should, at least with strong foundations. If this is not the case, something went really wrong along the way and investors need explanations from you. If it is not the case, how could one justify the company's pursuit of Univar.
- The right thing to do for BSP is unquestionably to set it free from Brenntag so that it can thrive. It has to improve and it has the best chance to do so as an independent business. If not, it will underexploit its potential and lose ground that it can never recoup. It has already missed major opportunities in a sector being transformed by focused aggressive competitors. In short, waiting is losing, waiting is wasting. This cannot go on for another 4 years. Shareholders will not stand it.
- Management are not embracing the right strategy, are pursuing wrong opportunities and are proving to be driven by the wrong considerations. You should reassess with proper objectivity and independently of your past decisions whether the company has the right leadership. The sooner the better.
- To help you make the critical decisions ahead of you, we are proposing to share with you details from our due diligence and in particular calls we had with market participants. Having been in your shoes, we acknowledge that the Supervisory Board does not have the resources we have to conduct such research and is mostly reliant on management. This is an opportunity for you to further your understanding of the business you have the duty to supervise. We hope you seize it.
- Finally, we ask you to analyse the situation as objectively as possible leaving your past decisions and emotions aside, to engage with us on facts rather than avoid the debate, and to convince management, who until recently claimed to be open to it, to announce and start working as soon as possible on the separation of BSP so that in 18-24 months it is finally able to compete on equal terms with its peers.

Having said this, and following our interactions and in-depth work, here is the way we can summarise the current situation:

I. Strategic and Shareholders Considerations

Brenntag has underperformed significantly its relevant peers over a long period of time under a multitude of formations: "one stop shop" with Specialty separated from Essentials, then under an integrated model in Europe, followed by a new separation announced in 2018 and implemented in the last few years. We estimate that Brenntag Specialties grows organically its gross profit at a pace c.300bps p.a. slower than peers, and its EBITDA at least c.800bps p.a. slower. The compounding effect over time is dramatic: since 2015, Brenntag's TSR is 7.7% vs 23.9% for IMCD. The difference is staggering: €100 invested in Brenntag then is now worth €183; the same amount invested in IMCD is worth €574 or 3.1x more. The current valuation delta between the two firms is also telling and reflects the difference in expected prospects for both companies: 13xPE vs 23xPE (source: Bloomberg). This means investors are not differentiating Essentials and Specialties despite their different economic attributes.

The company is unfortunately stuck in a vicious circle that it needs to break out of in order for BSP to finally compete on equal terms with its pure-play peers and perform

- Brenntag cannot attract the best Specialties suppliers, talents, acquisition targets and is not seen by customers as a true Specialties distributor, partly because of its long and successful heritage as the largest and best commodity distributor in the world
- As a result, it grows slower than pure play Specialties distributors, which in turns makes it less likely to attract the best suppliers, talents and targets, all reluctant to engage with a slower-growing distributor perceived as unfocused as opposed to a fast-growing focused partner
- Beyond perception, anecdotes suggest there are quite a few interferences on a day-to-day between the two businesses and the culture is still very "commodities"

Our letter from December 20th, 2022 detailed the dynamics at work behind this vicious circle. You will find in Appendix I an interesting complementary analysis that tends to validate that Brenntag Specialties is disadvantaged to actually attract and retain talents as, given the choice, they prefer working for leading pure-play Specialties distributors by a factor of about 7 to 1.

As reflected in the company's valuation versus peers, Horizon 2 does absolutely nothing to break this vicious circle and the split under one roof of BSP and BES passes in the chemical distribution industry as an "ineffective trick", "as a desperate attempt to differentiate" the two businesses[1]. We have very recent evidence of Brenntag being dismissed as a partner by major fast-growing food ingredient suppliers, as an acquirer by contested life science targets and as an employer by key talent going to competition despite the separation of BSP and BES and for the reasons we explained hereby and in our first letter. They all tell the same story: the separation under one roof does not solve anything.

None of the arguments against the separation which shareholders and analysts have heard recently withstands scrutiny. There are no material cost synergies. BSP's performance improvement is not dependent on being tied to BES; on the contrary, it will be easier to improve on a standalone basis and even as soon as a separation is announced as an exciting perspective can be communicated to all (for instance when recruiting or competing for suppliers and acquisitions). Worst argument of all coming from a team who seriously considered an acquisition of Univar (which would have been the "Mother of all Disruptions" involving thousands of layoffs and significant supplier losses), a separation would not create anxiety and an unwanted distraction but on the contrary a sense of focus and urgency, a wind of independence and freedom.

Accordingly, the overwhelming majority of investors we spoke to is clear that BSP needs to be freed from Brenntag to perform: a full split really needs to be implemented. This is also what many former Brenntag leaders and board members think, even when they supported a different model in the past. If you do not believe in the clear signal sent by financial markets when valuing Brenntag and its peers so differently, we really encourage you to seek investors' views proactively on the matter.

[1] Sources: Caldic top management; IMCD's CEO https://www.youtube.com/watch?v=7FbE0NFng3E

Many shareholders and analysts actually thought that the full separation was what the current management and the Supervisory Board wanted to do. This is what they were led to believe. The presentation of Horizon 2 in November made them doubt since nothing new about the separation was said. The subsequent pursuit of Univar, which recently told investors they had received an unsolicited approach from Brenntag, then put a huge dent into such expectations. It is now feared that absent a change of course, nothing will happen until 2026, and investors are thus left hoping that Horizon 3 (2026-2030?) will envisage the split. This is an unacceptable perspective.

As Brenntag waits or refuses to free BSP, it loses ground that can never be recouped. During that time, aggressive focused competitors either publicly-listed or owned by Private Equity investors, are changing the industry and aggressively growing. Think about the industry 3, 5, 8 years ago and how much and how fast it has changed. Note for instance how IMCD, Azelis or Caldic are expanding geographically in attractive segments notably by grabbing fast-growing highly-profitable life science targets that Brenntag cannot even compete for (eg. Signet in India, Brand Nu / BNL in the US and Ireland, both c.$150m in revenues and 25% margin). Look at how pure-play distributors are signing regional partnerships with winning suppliers that Brenntag is not seriously considered: for instance Kerry with Caldic and Azelis for EMEA last week[2] about which a Caldic senior manager told us *"We recently won a large deal with Kerry for Europe alongside Azelis. Brenntag was not even invited as the Kerry decision maker told me: 'they don't understand our business, they are not going to boost our sales'".* You need to perceive the sense of urgency: some of these opportunities, particularly acquisitions, will never be available again.

II. Governance and Management Considerations

We now understand that management are not actively working towards a split but are actually taking decisions that make it more difficult: Horizon 2 as presented at the CMD has no details on further separation, shared functions and service centres are planned or being built and the new rebranding puts both businesses under the same brand when perception is actually a crucial problem.

Management also struggle in their M&A strategy by wasting precious time and resources on the wrong targets and having a hard time competing for many attractive ones

- Beyond pursuing Univar and having the ambition to one day acquire IMCD or Azelis, management claim they keep looking at large targets. This is not a good allocation of resources: they cannot buy them because of dis-synergies and due to competition from Private Equity investors able to pay Specialties acquisition multiples well in excess of those of Brenntag. The lost auction for Caldic is a prime example: Brenntag had no chance from the get-go, but it still spent considerable amount of resources to chase it…to Caldic's senior management's great astonishment
- On small acquisitions, Brenntag is often dismissed by sellers in favour of pure-play Specialties distributors whose culture is better aligned with that of the target as we showed in our first letter. Since writing it we have come across other examples and notably that of the Founder and CEO of a prime Specialties asset courted by all large industry players including Brenntag who said "*me alive, the business will never be sold to Brenntag*". A standalone BSP would have a better chance.

Management's surprising behaviour affects their credibility and is causing investor concerns. Just to name a few examples on top of shareholders' mind:

- the Univar disaster followed by vague explanations on why this was pursued and abandoned despite most obstacles being known or knowable by management beforehand,
- the evidence and numerous claims that management look at other large deals far away from the proven recipe in the industry of smaller bolt-ons,
- the increasing number of baseless comments to justify the "synergies" between BSP and BES after explaining clearly, many times and again recently that they were very different and distinct.
- the vagueness of terms like "we need to sharpen our profile", "we need to build capabilities", "we need to strengthen our system" to explain what needs to be done before a split can be envisaged

[2] Kerry announces new partnerships to consolidate distribution network in Europe https://www.kerry.com/about/our-company/news-and-media/2023/kerry-announces-new-partnerships

Even more concerning to us is the dwelt-upon "full alignment" between Supervisory Board and Management Board on all matters. If true, it reveals a misplaced loyalty. The Supervisory Board owes its loyalty to shareholders, not to the Management Board. It is important for you as a board to keep an appropriate distance so as to properly fulfil your fiduciary duty. We know this is sometimes difficult as the information you get is prepared and sometimes filtered by management himself, like at all companies. That is why a regular and substantive dialogue with investors, especially with those like us who conduct in-depth due diligence and do not hesitate to share their findings openly, can be useful to boards. For instance, before you approved the approach made to Univar, we doubt management nor any of their advisors presented you with analyses like the ones we eventually published in our letter regarding the disastrous Nexeo acquisition. Your decision may have been different. The only thing you owe management is engagement and support, but only for as long as they are transparent with you, act in shareholders' best interests and deliver. Management's behaviour and performance can change. The Supervisory Board needs to be the guardian of shareholders' interests in all circumstances.

Management should not control the Supervisory Board whose Members are elected by and respond to shareholders. As Doreen knows, our request to meet her was blocked by management for a full month (see Appendix II). This is highly unusual. It is only after we resolved ourselves to reaching out directly that we quickly had the opportunity and the pleasure to meet her. Together with recent equally unusual insistent claims of alignment between the two boards at our meetings and in the Governance Roadshow presentation, we fear that you are being asked by management to back them regardless of the situation. This would not be proper. As a side note, in our experience, having a representative of management (here, the Head of IR) in Chairwoman/Chairman-shareholders meetings is unusual because as you will appreciate it affects consciously or unconsciously the feedback you are getting from shareholders and what you tell them. We suggest you envisage a change in the company's practice.

All this leads us to encourage you to reflect on whether the company still has the right CEO. This has nothing to do with whether he has delivered on Project Brenntag and all to do with whether, given all that has happened, he still has the competence, mindset but also attitude and motivation to create shareholder value going forward and implement the separation that makes sense as diligently as possible. As we said during last Friday's meeting, we believe that the Univar experience, its aftermath and the current exchanges on the separation, a strategy many thought was that of management themselves, have revealed management's true colour. So, to be transparent, we have our doubts. They happen to be shared by several large shareholders we have spoken to. We would of course be happy if such doubts dissipated. But in any case, the CEO position at Brenntag is extremely attractive, it needs to be held by the best Brenntag can afford. If you come to the conclusion that you need to change leader, we do not doubt that you will find a very strong one easily nor that the business is strong enough and can weather such a change, especially now that it is structured as two businesses under one roof with two CEOs.

Finally, we are concerned that the issue of separating BSP and BES is now being politicised and shareholders' interests are being overridden/overlooked because of egos. Management had led us and many others to believe that they agreed BES and BSP did not belong together and that they would be separated for their own good. As Christian had told us: "I see no opposition to that path [of share buy-back and split]". They now appear to change their mind, to work against a separation and to call on speculative arguments to justify their new position. As for the Supervisory Board, you are so far refusing to discuss our evidenced-based arguments, you redirect us to management and only claim your full alignment with the Management Board, as if trying to protect the latter and prioritizing "face saving" over objective fact-based business debate and analysis. This is rather unusual and disappointing. You are acting as if you were "under attack", "circling the wagons". Please remember that we wrote our first letter after a leak we had nothing to do with (but that we are grateful for) and that revealed an initiative whose sole prospect made investors lose close to €2bn in a matter of weeks. We were forced to act and go public. We did not attack anyone. Today, we aim at working with you to maximise shareholder value and we are bringing a lot of research to the table. The least we are entitled to is a constructive, open and fact-based debate, not political gesticulations aiming at protecting protagonists afraid of such a debate.

III. Looking ahead

We all agree that BSP's performance must and can improve, but this is not a good reason to postpone the work on a separation, it is a reason to accelerate it. This business is not in a turnaround situation; it is actually doing ok. After two decades of professional oversight, it has strong foundations. It is just significantly underperforming peers and its true potential. We are convinced based on our extensive due diligence that BSP has the best chance to improve and succeed if it is freed from BES as soon as possible. Until then, it is set to lag: its structural competitive disadvantage vis a vis pure play Specialties distributors is just too big. An overwhelming majority of stakeholders agrees. Today, shareholders own both BSP and BES. For the next 18-24 months they will keep owning both in all cases. So the only question at hand for them is whether they are better off with BSP free in 18-24 months or not. The answer is crystal clear and goes well-beyond sum-of-the-parts valuation considerations.

We really wish you had listened to all the calls with customers, suppliers, owners of targets and competitors we have completed. We have tried to share them with you synthetically in our first letter and added a few extract in this letter. If you had, you would be as convinced as we are that the issue at hand is extremely serious though simple: there is only one way forward, setting BSP free.

As we have done it in past circumstances, we would be happy to spend some time with all or a subset of you to go through our analyses and call notes, and even potentially organise joint calls so that you can benefit from our work but hear the message from the "horse's mouth". After all, as Supervisory Board members, the only information you get on the industry and company is from management who can at times be biased or wrong. This is an opportunity for you to further your understanding of the industry.

Having been in your shoes at other companies faced with a decision to split or not, we understand that announcing a separation is a difficult decision to make: it is bold and irreversible. Also because you do not own much in Brenntag shares, you have little to gain if it works out and a lot to lose if it does not. You should be reassured by the fact that:

- Long-term investors like us with a material personal investment in Brenntag, having experience investing in this industry for years and having conducted significant independent research are overwhelmingly in favour of a split
- Such a split at scale has been done by others before, including in Germany, for very similar reasons and against very similar objections than the ones we are now facing from management (eg. Daimler Cars / Trucks)
- The business model that works in the Specialties distribution industry is clearly identified and is that of pure-play distributors. This is where a split would lead us
- The company has already done 80% of the work by separating its salesforce and logistics, the rest is much easier (HR, IT, Finance)
- Brenntag is a very strong business and has the scale, resources and talent to get such a project done if it is handled willingly and professionally. It can also be supported as is customary for this type of initiatives by a world-class consulting partner with relevant experience
- A split will be applauded by long-term shareholders who will back you and support you during what they know will be a transitional period to the right set-up for the future

We urge you to leave your past decisions, declarations, emotions and face-saving considerations aside and be objective. Please focus on the facts rather than on gutfeel and your understandable sense of loyalty to management. The 18,000 employees of Brenntag and your shareholders deserve it. Separating BSP and BES is the logical conclusion of the strategy initiated 3 years ago. It is supported by strong evidence. It has huge support. You and management can still embrace it, because it is consistent with what you have been doing and have been telling investors for the last three years. If you are convinced like many of us that this is the right objective for the company, we ask you to do your best to convince management so that they announce and start working on the separation as soon as possible with a target deadline in 18-24 months. Then, Brenntag Specialties will finally be able to fight on equal terms with its pure-play peers.

If you have strong arguments against the separation that we have not heard so far, please come forward, engage with us. Let's have a constructive debate. We pride ourselves for staying open-minded and fact-based in all circumstances. We will approach such a discussion with the same mindset. The opportunity to create value is too big for us all to ignore. The risk of continuous underperformance is also too big for us not to work together and do what is in the best interests of the company and its shareholders.

Yours respectfully,

Franck Falézan

Benjamin Devaux

Appendix I

Interviews and data converge to show that BSP is not as attractive as pure-play Specialties competitors

Given the high level of competence involved in selling Specialties, attracting and retaining the best talent is a key component of generating organic growth and gaining market share. With Brenntag's legacy as a full-liner, and notably with an image as the leading Essentials distributor, the company is at a competitive disadvantage to attract and retain the best talent. When it comes to salespeople, they tend to gravitate towards companies where selling is easier and where growth provides a welcome tailwind, which does not favour Brenntag given that pure-play peers grow much faster.

Executives in the industry mention this qualitatively, which led us to the scraping of all data available on LinkedIn. Though imperfect and incomplete by nature, an analysis of the flows of people between Brenntag on one hand, and IMCD and Azelis on the other hand validated their claims. Brenntag is challenged.

Source: PrimeStone analysis of Linkedin profiles.

This is all the more important for the company as expectedly, in some cases, salespeople leaving a company manage to attract the supplier relationship to their new employer. Brenntag may also have managed to do so but the flows are at his disadvantage. Among the examples we were given, the product manager in charge of flavours at Brenntag left for IMCD in May 2016 and Givaudan transferred its flavour relationship across Western Europe to IMCD in August 2017[3].

[3] https://www.newfoodmagazine.com/news/43514/givaudan-distribution-partnership-imcd/

Appendix II

Extract from letter to Christian Kohlpaintner dating January 19th, 2023:

Finally, as we again mentioned at the end of our meeting, we are eager to meet with Doreen Nowotne as the Chairwoman of the Supervisory Board. We have been patient but over the last month we have grown rather frustrated. The summary of our exchanges with you and Thomas below probably best explains why:

- We asked for a meeting with her on December 21st after sending our letter and were written: "*We are in the process of carefully reviewing the points laid out in your letter together with our Management Board and Supervisory Board. As you can imagine, it will take some time to properly analyse and review your comments*"

- then we asked again on January 3rd when you walked away from Univar and we received the following reply: "*Regarding Doreen, could you please let me know which topics you would like to discuss with her? She does not typically talk about operational or business related topics when meeting with investors so it would be very helpful to understand the agenda for a potential call or meeting.*"

- Then again on January 11th after insisting, we were written: "*Let me reach out to Doreen to discuss your meeting idea with her*"

- Then again on January 16th we were told regarding the meeting: "*I'll bring it up with her*"

Nature of Statements and Information.

Any statements made in this letter are the author's opinions, which have been based upon publicly available facts, information, and analysis, and are not statements of fact. This letter is not, and should not be regarded as investment advice or as a recommendation regarding any particular security. PrimeStone, its members, employees, affiliates and clients may, as at the date of publication, have long or short positions in the securities referenced in this letter. We intend to continue trading in these securities and may at any time be long, short or neutral these securities (or any other securities of the same issuer) or any related investments, regardless of the position or views expressed in this letter.

Cautionary Statements Regarding Forward-Looking Statements

This letter contains forward-looking statements. All statements contained in this letter that are not clearly historical in nature or that necessarily depend on future events are forward-looking, and the words "anticipate," "believe," "expect," "potential," "could," "opportunity," "estimate," "plan," and similar expressions are generally intended to identify forward-looking statements. The projected results and statements contained in this letter that are not historical facts are based on current expectations, speak only as of the date of this letter and involve risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such projected results and statements. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of PrimeStone Although PrimeStone believes that the assumptions underlying the projected results or forward-looking statements are reasonable as of the date of this letter, any of the assumptions could be inaccurate and therefore, there can be no assurance that the projected results or forward-looking statements included in this letter will prove to be accurate and therefore actual results could differ materially from those set forth in, contemplated by, or underlying those forward-looking statements. In light of the significant uncertainties inherent in the projected results and forward-looking statements included in this letter, the inclusion of such information should not be regarded as a representation as to future results or that the objectives and strategic initiatives expressed or implied by such projected results and forward-looking statements will be achieved. PrimeStone will not undertake and specifically disclaims any obligation to disclose the results of any revisions that may be made to any projected results or forward-looking statements in this letter to reflect events or circumstances after the date of such projected results or statements or to reflect the occurrence of anticipated or unanticipated events.