PrimeStone

London, 18th April, 2023

Supervisory Board of Directors - Brenntag SE
Doreen Nowotne
Richard Ridinger
Dr. Andreas Rittstieg
Stefanie Berlinger
Wijnand Donkers
Ulrich Harnacke

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

Since our first public letter aiming at stopping the acquisition of Univar, we have over the last couple of months had the opportunity to exchange privately with you on a number of topics relating to (i) strategy, (ii) operations, (iii) communication and (iv) governance. We also wrote you two letters[1] with a view notably to share our analyses and to request:

(i) Strategy

1. **A decision and clear timeline to free up Brenntag Specialties from Brenntag Essentials to break the vicious circle of underperformance it is stuck in as part of Brenntag and finally make it able to compete on equal terms with its better-performing pure-play peers.** The Management Board could be instructed to prepare without undue delay the separation of the two divisions of Brenntag by means of either a split-up pursuant to Section 123 (1) Nr. 2 German Transformation Act (*Aufspaltung*) or a spin-off pursuant to Section 123 (2) Nr. 2 German Transformation Act (*Abspaltung*), so that the shareholders' meeting may resolve upon such measures as soon as reasonably possible and at the latest at the next AGM.
2. **The end of the pursuit of "bold moves" which management keep mentioning and a focus on bolt-on acquisitions**, the proven recipe for value creation in specialty chemicals distribution.

(ii) Operations

3. **A much stronger focus by the Supervisory Board on management's performance and cost efficiency.** This is critical as the well-publicised cost savings from Project Brenntag have been offset by the rehiring of 850 employees and a substantial increase of all cost items which now puts the company in a precarious position as the tide of extraordinary profits recedes (see pages 8-9 in appendices).

(iii) Communication

4. **The end of equivocal, misleading or erroneous communications** which have affected Brenntag's leadership's credibility, particularly regarding the company's long-term strategic direction or more recently its underperformance that management attributes to mix, which is factually wrong (see pages 6-7 in appendices).

(iv) Governance

5. **A sense of urgency in doing all of the above,** which appears to elude a Supervisory Board that (i) collectively owns very few shares in the company, (ii) refuses to engage with shareholders on business matters and to clarify where it stands on the separation of BSP from BES, (iii) seems content with chronic underperformance and (iv) is protected by a staggered structure and 5-year terms.

Over four months now, you have refused to engage in a fact-based discussion on the merits of our analyses and recommendations and we have unfortunately made little progress on any of these fronts.

[1] Extracts in appendices, full letters available at https://primestonecapital.news/

This reluctance to take a clear stance on these crucial matters vis-à-vis shareholders that elected you and that you represent raises real concerns about the Board's oversight of the company. This is compounded by the numerous recent volte-faces and clumsy gestures on a range of topics.

Recent examples are worth highlighting:

- While management told investors and analysts that they were focused on bolt-on acquisitions to the tune of €400-500m a year at the CMD in November in London, you had in fact authorised a few weeks before an approach to Univar with an unsolicited offer for c.$8bn[2]. Investors were so negatively surprised by this move that Brenntag's stock declined by more than 17% over the following few weeks.
- Undeterred by this market capitalisation loss of nearly €2bn, negative shareholder feedback, and our public letter on December 20th, we know now from Univar proxy filing that Brenntag further improved the terms of its offer for Univar on December 28th. Only 5 days later, on January 2nd, without a clear explanation, you abruptly decided to walk away from the deal[1].
- After the announcement of your first ever share buyback (following pressure from shareholders), you communicated that the shares would not in fact be automatically cancelled as they could be used for acquisitions, the "bold moves" management keep referring to.
- You initially decided to support Doreen for re-election at the next AGM and incorporated this into your Corporate Governance Roadshow presentation, despite her having been on the Board for 17 years (including her BC Partners days). After our meeting on April 4th where we raised concerns about the length of her tenure and we communicated to you that we were looking to nominate new directors at the upcoming AGM, you suddenly withdrew her candidacy.
- You also presented to investors in February your decision to expand the Supervisory Board from 6 to 7 members to complement its skills. Then, again, after our meeting on April 4th, when faced with a proxy contest, you backtracked. This last change of direction will have escaped most investors as instead of making a press release and communicating transparently on your change of mind, you chose to surreptitiously remove the original presentation from your website.
- During our last meeting we mentioned that after speaking with numerous frustrated Brenntag shareholders we were looking to propose strong candidates to the Supervisory Board whom we wanted you to meet and endorse. Richard, who stands to be the next Chairman, told us he was in principle open to it. A week later you, without even knowing nor meeting our candidates, you decided that this would not be in the best interests of the company, a concerning and disappointing decision.
- After multiple ambiguous messages on the separation of BSP from BES, it appears that you have now mandated a third-party advisor to run an opinion poll among a selected group of shareholders regarding a potential separation of the divisions. These questions should be investigated by the Board themselves based on data and unbiased analyses, ideally with external independent support, and then reported transparently to shareholders. If you are unsure, getting help from an external advisor or from those who have done in-depth research like us seems a lot more appropriate than running a poll.

These multiple changes of directions that come after years of underperformance, questionable historical strategic and management choices, the Univar venture and the worrying deterioration of the cost base and earnings power of Brenntag make a point very clearly: **the Supervisory Board needs to be strengthened**. It may lack digital expertise as you suggest, but more importantly it lacks judgment and decisiveness.

Announcing that you will "*consider potentially*" the composition of the Supervisory Board next year, when shareholders will have absolutely no say since no existing Board member's term comes to an end in 2024, makes another point: **there is no sense of urgency.**

Both of these things need to change quickly if they are to change at all. We look forward to making these points clear to our fellow shareholders over the coming weeks.

That is why we will propose to amend the upcoming AGM notice so as to strengthen the Supervisory Board and make its existing and future members more accountable of their decisions.

Yours respectfully,

PrimeStone

[2] Univar Proxy Statement April 13th 2023 https://d18rn0p25nwr6d.cloudfront.net/CIK-0001494319/24430c3b-92b8-4a4e-9582-cf581ffa4bc3.pdf

Appendices

- Email from Brenntag to PrimeStone April 11th, 2023

- Slides before and after meeting with PrimeStone on April 4th and U-turn on decision to expand the Supervisory Board

- Extracts from letter from PrimeStone to Supervisory Board and CEO March 24th, 2023

- Extracts from letter from PrimeStone to Supervisory Board March 2nd, 2023

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Links to letters exchanged with Supervisory Board

- Letter from PrimeStone to Supervisory Board and CEO March 24th, 2023
- Letter from PrimeStone to Supervisory Board March 2nd, 2023
  https://primestonecapital.news/

Email from Brenntag to PrimeStone April 11th, 2023

Dear Franck, dear Benjamin,

During our recent meeting at the annual Governance Roadshow with our Supervisory Board Chair, we promised to keep you informed about strategic considerations and further governance subjects of Brenntag.

In this context, we would like to share the following update with you:

- In November 2022, the Board of Management and the Supervisory Board decided on the next phase of Brenntag's comprehensive transformation Journey – "Horizon 2: Strategy to Win" – with the aim of fostering the increasing independence of the company's two global divisions Brenntag Essentials (BES) and Brenntag Specialties (BSP). The Board of Management informed the capital market accordingly on the Capital Markets Day in November 2022. This strategy is guided by the conviction that both divisions require differentiated steering and dedicated strategies tailored to the respective markets they are operating in, to accelerate sustainable growth above industry and to further expand their respective leading market positions. Supported by a strong focus on digital, data and excellence, Brenntag has communicated industry leading medium term financial targets to underline this ambition.

- The Board of Management intends to hold a Capital Markets Day in autumn of this year. In this context the Board of Management will update the capital market on the progress of Horizon 2 and provide further details on the incrementally independent and differentiated organizational setup of the two global divisions. The Supervisory Board is deeply involved in these strategic considerations and will continue to closely accompany its implementation.

- At this important moment for Brenntag, the Supervisory Board is convinced that it doesn't serve the company's best interest to significantly reshuffle the Supervisory Board before the aforementioned strategic considerations have been fully elucidated. Nevertheless, it will propose at the upcoming Annual General Meeting that the current competence profile of the Supervisory Board should be complemented in the areas of supply chain and data/digitalization. Apart from that, its composition should however remain unchanged while maintaining its gender diversity at the same time. Therefore, the Supervisory Board will propose an internationally experienced female candidate as successor to Ms. Doreen Nowotne to the 2023 Annual General Meeting. With the end of Ms. Nowotne's term as Member and Chair of the Supervisory Board at the Annual General Meeting 2023 and after having completed all preparations to ensure a proper transition of her office, Ms. Nowotne will step down from the Supervisory Board. As previously communicated, it is intended that she will pass the baton to Mr. Richard Ridinger to take over as Chair of the Supervisory Board after the election in the upcoming Annual General Meeting.

- Taking into account the results of the aforementioned strategy process, the Supervisory Board will consider potentially expanding the number of its members and their competence profile. Proposals to this effect will be submitted to the 2024 Annual General Meeting.

Please do not hesitate to contact me should you have any further questions.

Kind regards
Thomas Altmann

Thomas Altmann
Senior Vice President Corporate Investor Relations
Corporate Investor Relations

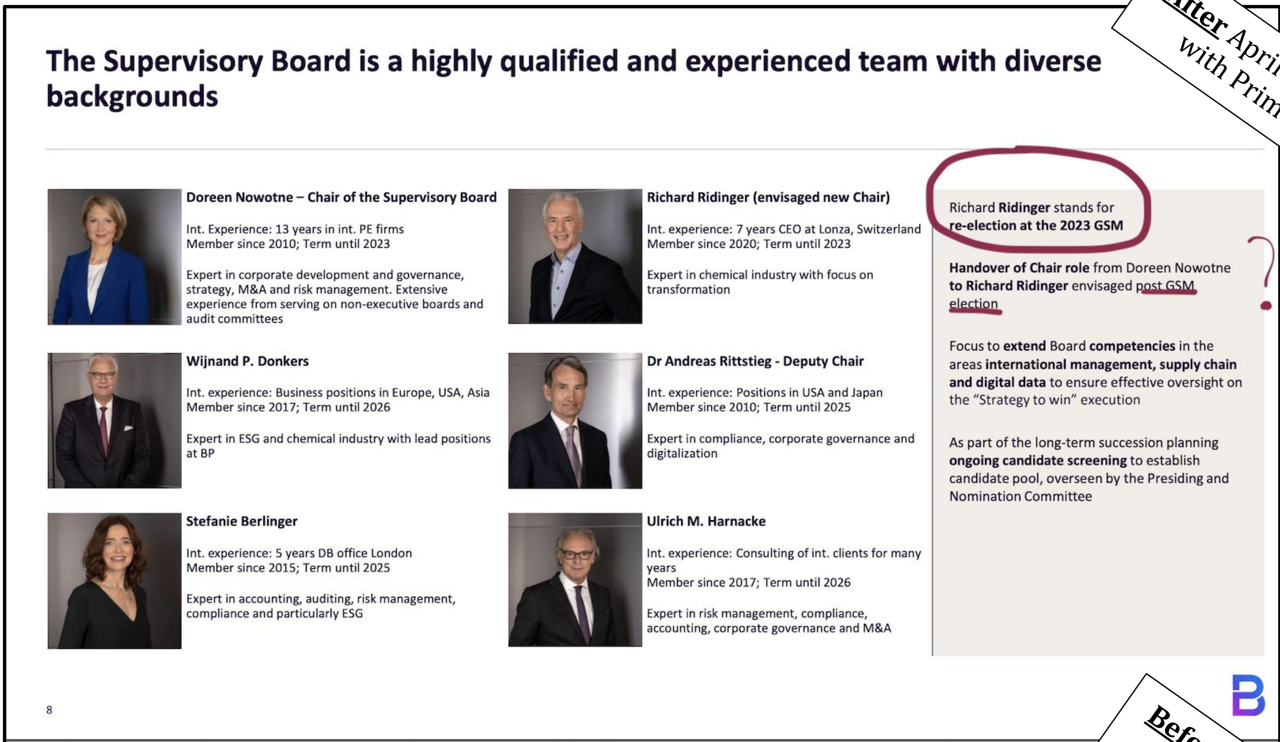
BRENNTAG

Brenntag SE
Messeallee 11
45131 Essen
Germany

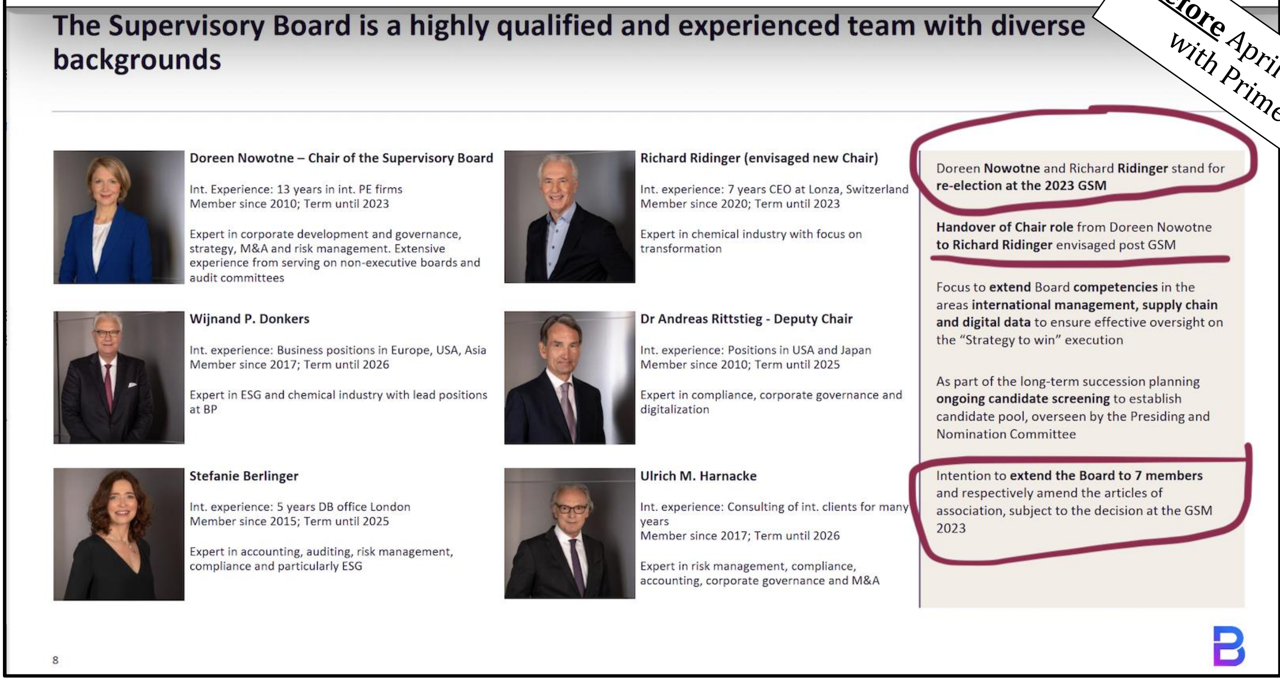
Phone: +49 201 6496 2100
E-mail: Thomas.Altmann@brenntag.de
www.brenntag.com
LinkedIn · Facebook · Twitter · YouTube

Amended slide 8 of Corporate Governance Roadshow
before and after U-turn on decision to expand the Supervisory Board

After April 4th meeting with PrimeStone



Before April 4th meeting with PrimeStone



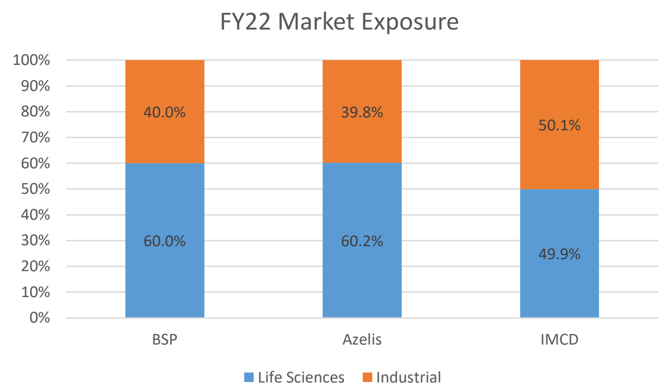
Letter to Supervisory Board March 24th - Appendix I

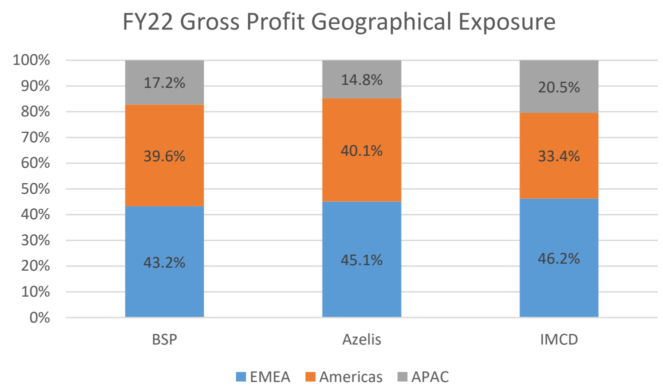
BSP continues to underperform and not for the reasons communicated

You acknowledge the difference in performance between BSP and its peers. On the results calls and in the press, you have been justifying it citing business mix (BSP having less Life Sciences and more Asia than peers), as well as lower skills and capabilities.

- Extract from FY 2022 earnings call's Bloomberg transcript: *"Thanks for the question, because I think it's a highly relevant one. And I mean, it's clear that we fully recognize that -- the performance gap... **So our exposure towards life sciences is less**...**The regional exposure we should not forget. We have quite an exposure in Asia...to be fair that the second half in Asia was really difficult business wise**."*
- *Extract from FAZ article:*
    - FAZ: *Can the specialty business survive on its own? The split-up demands also come from the fact that your competitors are growing much faster there.*
    - CK: *We are not deaf to the arguments. However, **the somewhat weaker performance at Brenntag Specialties in comparison has primarily to do with the portfolio, i.e. the high exposure to Asia, and the fact that we are still less focused on life sciences than others**. Topics are also our price and margin management. However, I see no reason why our specialties business should not develop at the same level as that of our competitors. We just have to strengthen it consistently.*

As we had already discussed, this argument does not stand scrutiny. BSP's industry and regional mix is very similar to that of its Specialties peers. In fact, IMCD have more Asia and more Industrial chemicals than BSP and they perform a lot better.





Source: Company Reports

As for the supposedly lower skills or capabilities, given the key success factors in Specialties distribution, we assume it is referred to formulation engineering and selling skills, which have literally nothing to do with BES and can be improved as the BSP is separated and continuously thereafter, as suggested by Christian to FAZ.

To build these skills further, one needs to train and equip our workforce well but also to make sure we can attract and retain talent. We showed in our previous correspondence that Brenntag was far less attractive than pure-play peers for talented Specialties sales persons and that the flows were in favour of the latter by a ratio of 7 to 1.

We had also hinted at the fact that we had knowledge of some people currently leaving Brenntag Specialties for pure-play peers because they felt, like us, that BSP was at a competitive disadvantage and did not make their job easy. As an example, Brenntag just lost a very experienced (15 years) Food Sales Leader in a key European market to Caldic this month. This is anecdotal but the statistics mentioned above are pointing in the same direction: in absence of becoming a true pure-play distributor, BSP will keep struggling to attract and retain talent without overpaying, particularly in verticals it wants to grow into and where it has to compete with more aggressive and successful peers.

Letter to Supervisory Board March 24th - Appendix II

Communication is extremely ambiguous and verges on misleading

We have been critical of ambiguous communication in the past and remain so. On one hand, management assert their preference for a strategy "under one roof", highlighting synergies that the businesses benefit from in HR, finance, IT and more recently indirect purchasing. At the same time, they acknowledge that they are taking into account the potential separation in all structural decisions, such as in the DiDex implementation, in the formation of 2 legal entities in the US, or the design of "splitable" shared service centres. They also recognise that Brenntag is a "commodity" brand and that choosing a new name for BSP will be a "defining moment".

Here is what everyone could read in the FAZ last week:

- "*CEO Christian Kohlpaintner explains why the Essen-based chemical distributor Brenntag should not be broken up*"

And slightly further:

- "*The industry around us has already largely been sorted into two blocks of Industrial chemicals and Specialty Chemicals…we are gradually making these two businesses more and more independent of each other.*"

Investors deserve clarity. So do employees, suppliers and customers. They can all read "the writing on the wall". It is counterproductive to say that the businesses should be managed as separately as possible, let them think they are going to be separated and go out in the press to say the exact opposite. This is inefficient and reflects either a lack of strategic direction and clarity, the inability to make the necessary decisions or the willingness to delay the inevitable for no valid reason.

Similarly, after the Horizon 2 presentation that insisted on bolt-on acquisitions and said nothing about larger acquisitions, followed by the Univar venture that drove the 18% share price decline wiping out close to €2bn of shareholder value, we do not understand why management keep saying that "bold moves" are still on the agenda. Management's duty is not to explore everything that might create value, it is to allocate resources (including their and their team's time) in the most efficient way possible and not waste them. As we told Christian, note that the largest acquisitions by pure-play Specialties distributors typically have very limited overlap and potential dis-synergies with their existing business and are thus limited in size. Despite having very easy access to capital, Azelis and IMCD have only completed bolt-on acquisitions with at most respectively $130m and $300m in revenues. Caldic has completed a few larger acquisitions but mostly by absorbing companies with complementary geographic coverage ie. with very limited overlap, which it is finding harder to do now that its scope has expanded so much.

The contrast between these two quotes illustrates our point clearly:

- Extract from Brenntag FY 2022 earnings call's Bloomberg transcript: "*We will also continue to explore bolder moves when the opportunity arises*" – Brenntag CEO

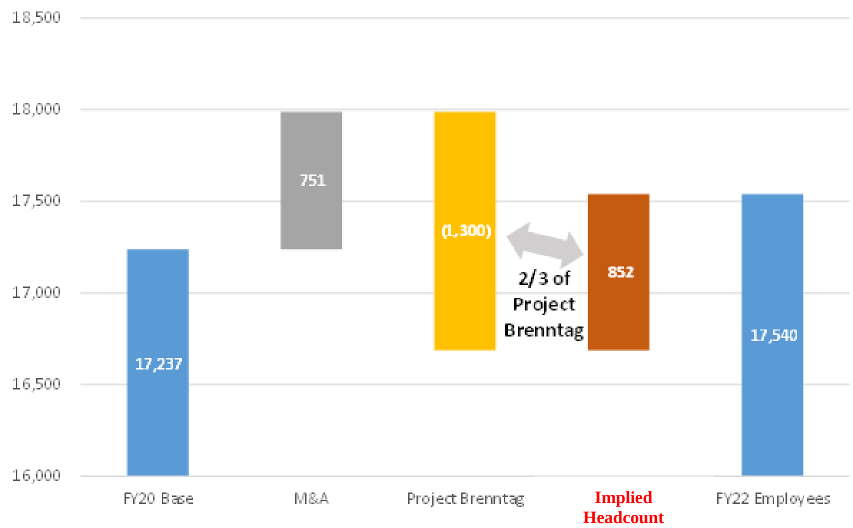
- Extract from Azelis FY 2022 earnings call's Bloomberg transcript: "*And then on […] large-scale M&A […] I feel we will continue just what we have been doing, We'll follow our strategy to move into markets where we feel we still can strengthen the lateral value chain, either with a smaller asset we acquire, with principals we work with elsewhere, or maybe like, for example, when you look into ROCSA, we do a little bit of a bigger one, where we feel we don't have the market presence and we need a springboard to further grow then in this market. So, that will be our path forward and an industry combination of some of the behemoths, I don't see that being beneficial for anybody.*" – Azelis CEO

Letter to Supervisory Board March 24th - Appendix III

Project Brenntag's bottom line impact is nowhere to be seen and costs are out of control

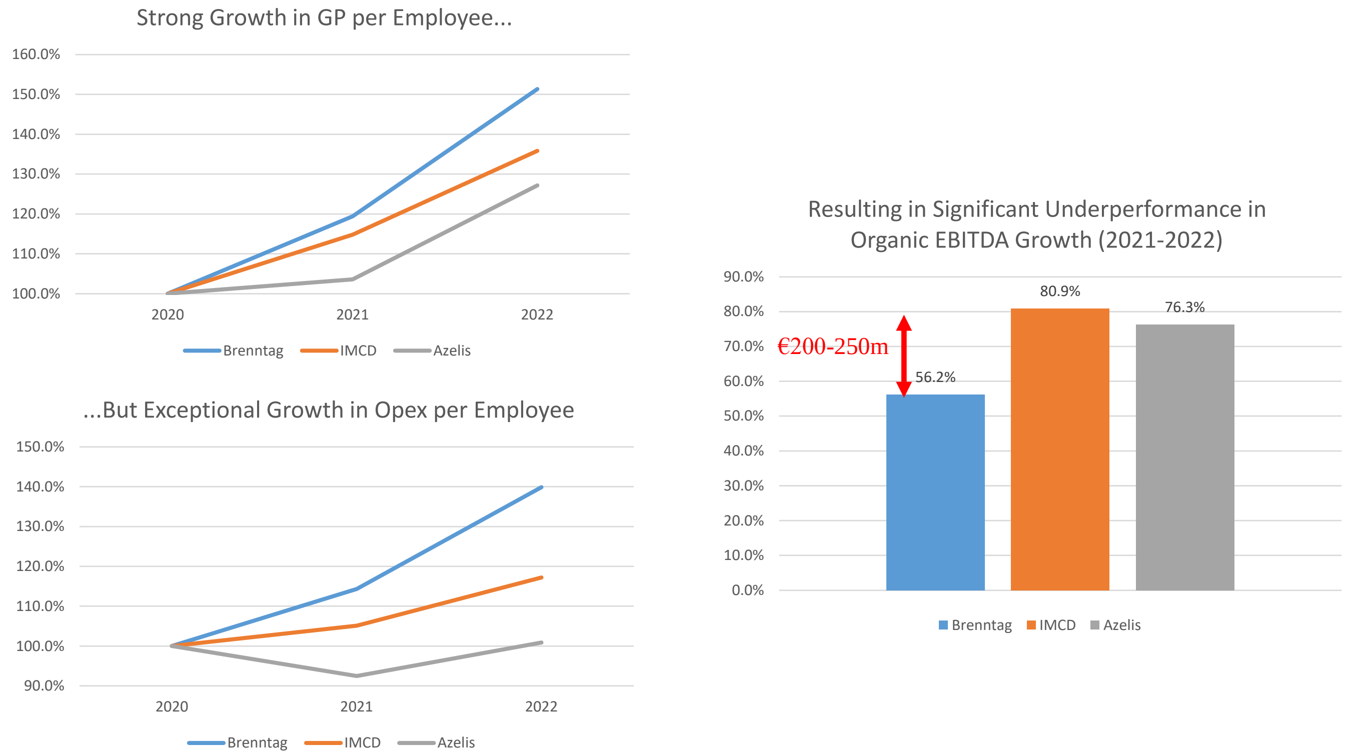
Project Brenntag has involved the closure of 100 sites and the reduction of 1,300 positions in the workforce. The benefits have been tracked and communicated in detail to the market. The problem is that the results are nowhere to be seen. During a period in which management acknowledge volumes have been rather flat, it looks as if they have hired a total of 850 FTE, wiping out 65% of Project Brenntag's claimed reduction. Brenntag has been very precise on the Project Brenntag savings, but very vague on the reinvestments

Brenntag FTE bridge

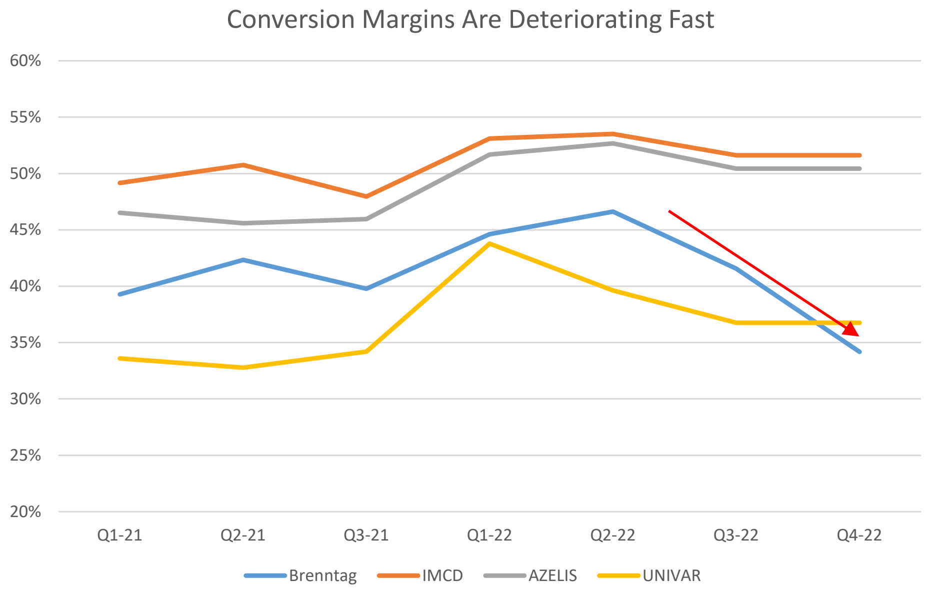


Source: Annual Reports

This has transpired very clearly in financial performance: while Brenntag has beaten its peers in growing its gross profit per employee in 2021-22, its operating expenses have literally ballooned, such that the organic EBITDA growth is 20%+ behind its peers (an EBITDA gap of more than €200m).



This has become even more apparent in the second half of 2022, where the savings of Project Brenntag are fading away, and one is left to see a dramatic erosion in conversion margins.



The details of cost items is scary:

	2020	2021	2022	CAGR
Personnel Expenses	1,107	1,205	1,380	11.7%
D&A and Impairments	298	374	406	16.9%
Outwards Transportation	232	272	324	18.1%
Property Related and other	38	36	42	5.8%
Maintenance and energy costs	164	183	257	25.2%
Audit and advisory fees	56	60	132	53.3%
Lease expenses	49	52	76	24.4%
Other service	37	44	59	25.8%
Insurance expenses	34	51	52	22.7%
Miscelaneous	182	226	286	25.2%
Operating Expenses	**2,197**	**2,503**	**3,014**	**17.1%**

These progressions, although they include acquisitions for an estimated c.4%, are worryingly impressive. For instance, we fail to understand how one could spend close to €250m in Audit and Advisory Fees over the last three years and €132m in 2022 only. We would welcome a detailed explanation.

Unsurprisingly, analysts fear that the margin normalisation combined with the surge in costs may provoke a margin squeeze.

This is what JPMorgan analyst had to say when he downgraded the shares post results:

> ***No visible P&L benefit from ongoing cost efficiency programs:*** *BNR has indicated that it has achieved ~€169m cost reduction vs. 2019 base from its Project Brenntag through site network optimization (100 sites closed) and >1,300 job cuts.* ***As we have consistently highlighted, the benefit from these cost takeouts over past two years has been difficult to parse in the P&L as opex has grown ~12% CAGR organically from 2019 to 2022 even with no volume growth****. Some reinvestments from cost cuts might aid future growth but in the near-term a more sticky cost-base raises the downside risk if the normalization in GP/unit is worse than expected. Further, in the past two years BNR's opex ex. D&A intensity has worsened vs. IMCD and Azelis (Figure) which might raise further questions on the benefit of the current company structure vs. a potential split into two independent commodity and specialty businesses.*

Letter to Supervisory Board March 2nd - 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/

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.

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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.