

Press Release

Essen, August 9, 2023

Brenntag showed a solid performance in the second quarter of 2023 despite adverse market conditions – FY 23 guidance confirmed and specified

- **Solid financial results and strong free cash flow:** Gross profit* came in at 1,021 million EUR in Q2 2023 which is 9%** below the record high prior-year quarter. Operating EBITA*** normalized and reached 332 million EUR (-26%). Overall, the results are broadly in line with expectations in a continuously challenging market environment. The very high free cash flow of 432 million EUR adds up to a free cash flow of almost 900 million EUR for H1 2023 which was the highest free cash flow ever recorded in a first 6-month period and demonstrates the strong cash generation capability of the business.
- **Divisional performance effected by still low volumes:** In adverse market conditions, due to the resilient business model and global reach, the divisions showed a performance broadly in line with expectations. The results compare with an extraordinary strong prior-year quarter. Brenntag Specialties' operating EBITA stood at 145 million EUR (-33%). Brenntag Essentials performed well with an operating EBITA of 226 million EUR (-13%). In both divisions Brenntag observed a sequentially demand recovery through the year, with indications for a positive volume development continuing in the second half.
- **Cost control measures initiated:** Brenntag is executing various cost containment measures to safeguard its performance in 2023 while at the same time ensuring the execution of its growth strategy. The global measures include site network optimizations and headcount reductions.
- **Progress in strategic and transformational initiatives:** Brenntag is consequently executing its "Strategy to Win" and developing its organizational setup. This includes the recently announced redesign of the Board of Management and a new governance and steering structure for the two divisions.
- **Guidance 2023 confirmed and specified:** Brenntag expects its operating EBITA for the financial year 2023 to be between 1.3 billion to EUR 1.4 billion EUR.

"Due to our resilient business model, we saw a solid operational and financial performance of Brenntag in the second quarter of 2023. Given the continued challenging and adverse market environment and compared to the record-high levels of the prior-year quarter, the results are broadly in line with our expectations. In light of the sequential volume recovery seen since the beginning of the year as well as indications that inventory control measures on our customer side are bottoming out, we are confident that the volumes in the second half of 2023 will exceed the volumes in the first six months. Besides our operational efforts, we made good progress in implementing our strategic growth initiatives. With the new divisional setup, we create incrementally more independent, autonomous, and market-leading businesses to accelerate the implementation of our 'Strategy to Win'."

Christian Kohlpaintner, Chief Executive Officer of Brenntag SE

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Dr. Kristin Neumann, Michael Friede, Ewout van Jarwaarde
Supervisory Board Chairman: Richard Ridinger

Brenntag (ISIN DE000A1DAH0), the global market leader in chemicals and ingredients distribution, recorded a solid performance in the second quarter 2023 broadly in line with expectations. In a challenging market environment, the results of Brenntag Specialties continued to be impacted by negative volume developments in combination with falling sales prices. Brenntag Essentials performed well despite adverse conditions but also showed slower performance compared to last year, which is mainly driven by lower volumes. The results of both divisions compare to the record high quarter of the previous year. The again very high free cash flow demonstrates the strong cash generation capability of the business.

Christian Kohlpaintner, Chief Executive Officer of Brenntag SE: “Due to our resilient business model, we saw a solid operational and financial performance of Brenntag in the second quarter of 2023. Given the continued challenging and adverse market environment and compared to the record-high levels of the prior-year quarter, the results are broadly in line with our expectations. In light of the sequential volume recovery seen since the beginning of the year as well as indications that inventory control measures on our customer side are bottoming out, we are confident that the volumes in the second half of 2023 will exceed the volumes in the first six months. Besides our operational efforts, we made good progress in implementing our strategic growth initiatives. With the new divisional setup, we create incrementally more independent, autonomous, and market-leading businesses to accelerate the implementation of our ‘Strategy to Win’.”

Financial performance

In the second quarter 2023, Brenntag generated sales of 4,256.6 million EUR which is 13.7% below the Q2 2022 results. Operating gross profit reached 1,020.8 million EUR, 8.5% below the record high prior year quarter. Operating EBITA came in at 332.2 million EUR, a decline of 25.8% compared to Q2 2022. The free cash flow was very high with 431.7 million EUR (Q2 2022: 157.6 million EUR, +173.9%). This adds up to almost 900 million EUR of free cash flow for the first half of 2023, the highest free cash flow ever recorded in a first 6-month period, and again demonstrates the strong cash generation capability of the business. Earnings per share stood at 1.23 EUR (Q2 2022: 1.86 EUR).

Global business divisions perform broadly in line with expectations

In an again challenging macroeconomic environment of Q2 2023 with ongoing political uncertainties and strong inflationary trends, the Brenntag divisions could not replicate the record high results of the previous-year quarter and showed a performance broadly in line with the expectations. The business was affected by continued destocking and sluggish demand in various end markets in combination with normalized supply chains and declines in chemical prices globally.

Brenntag Specialties, the global go-to service partner for innovative and sustainable solutions for specialty chemicals and ingredients, reported an operating gross profit of 374.8 million EUR (-15.9%). Operating EBITA reached 144.7 million EUR, a decrease of 32.6% compared to Q2 2022. The Pharma and Water Treatment industries performed very well, which, however, could not compensate for subdued demand in other segments. Nutrition and Personal Care / HI&I could not repeat the exceptionally strong prior year results. The performance of the Material Science business continued to be negatively impacted by muted construction activity. In addition, an overall weaker performance in the APAC region

impacted the Specialties results in Q2 2023. While consequently implementing its divisional growth strategy, Brenntag Specialties will accelerate the implementation of its measures to close the relative performance gap to pure-play peers. The measures include a detailed review and optimization of its industry product portfolio, new collaboration with strategic suppliers, and the expansion of the value-added services offering.

Brenntag Essentials, the market leader in industrial chemicals distribution across a wide range of industries, showed its resilience in the adverse market conditions and delivered good results in Q2 2023. Compared to Q1 2023, the division saw a volume growth, however, total volumes were still below the previous year's quarter. The operating gross profit came in at 638.3 million EUR, which is 3.1% below prior-year quarter. Operating EBITA reached 225.5 million EUR (-12.7%). The EMEA as well as the North America region showed a solid performance. The APAC segment was impacted by a weaker demand in China. The Latin America region continues to be impacted by low demand.

Cost control measures

Kristin Neumann, Chief Financial Officer of Brenntag SE: "As the market environment remains challenging and we are experiencing continued top-line pressure for both divisions, we keep a close eye at our cost development to safeguard our results in 2023 without jeopardizing our stringent strategy execution. Therefore, we have been reviewing our cost base and initiated several cost containment measures which we will implement and intensify in the second half of 2023."

The measures include the reduction of our headcount by 300 across the organization in the second half of 2023 in a socially responsible manner, mainly by using global hiring control measures and natural fluctuation. As part of the continued optimization of its global site network, Brenntag has identified additional 25 sites to be closed worldwide until the end of the year. In addition, the company will reduce discretionary expenses and other costs in the field of travel, consulting, third-party contractors and indirect spend.

Execution of strategy and transformational initiatives continued

Brenntag continued executing its "Strategy to Win" with various milestones and proof points in Q2 2023. For Brenntag Specialties these include the establishment of a new regulatory team for Pharma in EMEA, the partnership with Qualifyze to enhance pharmaceutical audit offering, the signing of the acquisition of Saifu Chemicals to increase the Life Science presence in China, and portfolio quality enhancements like the partnership with Royal Avebe. In recent months, Brenntag Essentials has successfully strengthened its presence and flexibility at the local level by opening new sites in Brazil, Argentina, and North America. For a new major site in China, the required license to start operations has been granted. The acquisition of Aik Moh creates a strong platform for regional growth in Asia Pacific, the strongest growth region for the Essentials division.

To secure the successful strategy execution, Brenntag is developing its governance and organizational structures, both for the Group and the two divisions. Since August 1, 2023, the redesigned Management Board of Brenntag SE consist of four members. Ewout van Jarwaarde leads the Essentials division as CEO Brenntag Essentials, and Michael Friede leads the Specialties division as CEO Brenntag Specialties. A new governance and steering model will be introduced for both global divisions effective as of January 2024. The evolved

divisional setup supports the creation of incrementally more independent, autonomous, and market-leading businesses to accelerate the implementation of “Strategy to Win”. Brenntag will present its conclusions on the strategic options and the future path for the company and its divisions at the Capital Markets Day that is planned for December 5, 2023.

Guidance FY 2023 confirmed and specified

In March 2023, Brenntag presented a guidance range for the full year of 1.3 billion EUR to 1.5 billion EUR for operating EBITA. As 2023 is further progressed, the company confirms this guidance and specifies it more precisely at 1.3 billion EUR to 1.4 billion EUR of operating EBITA for the full year 2023, thus being at the lower range of the original guidance, driven by overall highly challenging market environment and unfavorable foreign exchange effects.

For the second half of 2023, Brenntag expects a continuously tough operating environment, characterized by geo-political concerns, macroeconomic challenges but also a sequentially recovering demand. Due to the sequential volume recovery seen since the beginning of the year as well as indications that inventory control measures on customer side are bottoming out, the company is confident that the second half of 2023 will generate volumes exceeding the first six months of the year.

Financial Results at a glance – Q2 2023

(in EUR m)	Q2 2023	Q2 2022	Δ as reported	Δ fx adjusted
Brenntag Group				
Sales	4,256.6	5,061.2	-15.9%	-13.7%
Operating gross profit*	1,020.8	1,144.8	-10.8%	-8.5%
Operating EBITA**	332.2	462.4	-28.2%	-25.8%
Operating EBITA/ Operating gross profit (in %)	32.5%	40.4%		
Profit before tax	258.8	403.4		
Profit after tax	189.1	294.1		
<i>Attributable to Brenntag shareholders</i>	<i>186,9</i>	<i>287,5</i>		
Earnings per share (in EUR)	1.23	1.86		
Free cash flow	431.7	157.6		
	June 30, 2023	Mar 31, 2023		
Working capital	2,322.3	2,452.9		
Net financial liabilities	2,326.5	2,283.3		
(in EUR m)	Q2 2023	Q2 2022	Δ as reported	Δ fx adjusted
Brenntag Specialties				
Operating gross profit	374.8	461.4	-18.8%	-15.9%
Operating EBITA	144.7	223.7	-35.3%	-32.6%
Brenntag Essentials				
Operating gross profit	638.3	672.6	-5.1%	-3.1%
Operating EBITA	225.5	264.0	-14.6%	-12.7%
All other Segments				
Operating gross profit	7.7	10.8	-28.7%	-28.7%
Operating EBITA	-38.0	-25.3	50.2%	50.2%

*Operating gross profit is defined as sales less cost of goods sold.

**Unless indicated otherwise, growth rates are on a constant currency basis.

***As of 2023 Brenntag uses operating EBITA as lead KPI.

About Brenntag:

Brenntag is the global market leader in chemicals and ingredients distribution. The company holds a central role in connecting customers and suppliers of the chemical industry. Headquartered in Essen, Germany, Brenntag has more than 17,500 employees worldwide and operates a network of about 600 sites in 72 countries. In 2022, Brenntag generated sales of around 19.4 billion EUR. The two global divisions, Brenntag Essentials and Brenntag Specialties, provide a full-line portfolio of industrial and specialty chemicals and ingredients as well as tailor-made application, marketing and supply chain solutions, technical and formulation support, comprehensive regulatory know-how, and digital solutions for a wide range of industries. In the field of sustainability, Brenntag pursues specific goals and is committed to sustainable solutions in its own sector and the industries served. Brenntag shares have been listed at the Frankfurt Stock Exchange since 2010, in the DAX since September 2021. In addition, the Brenntag SE shares are listed in the DAX 50 ESG and DAX ESG Target. For more information, visit www.brenntag.com.

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