Understanding the value chains of the Paint & Coatings industry in CEE - A chemical distributor’s perspective

CEPE Plenary Session

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AGENDA

- Introduction
- Value Chain Position
- Brenntag The Leading Chemical Distributor
- Brenntag in CEE
AGENDA

Introduction

Value Chain Position

Brenntag  The Leading Chemical Distributor

Brenntag in CEE
BRENNTAG

Introduction

Understanding the value chains of the Paint & Coatings industry in CEE
- A chemical distributor’s perspective ...

What is the role of a distributor in today’s market and in the future?

We intend to explore this role and explain our offering to the Coatings Industry
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BRENNTAG'S STRATEGIC PARTNERSHIP APPROACH

...providing tailor-made solutions within the Value Chain

![Diagram showing the relationship between Supplier, BRENNTAG, and Coatings Customer]

Relationships based on trust, creating value

**Benefits for supplier**
- Growth potential based on full-line product portfolio and broad market access
- Better cost efficiency
- Reduced complexity and increased focus
- Higher customer satisfaction
- Quick response to market changes
- Agreed business reporting

**Benefits for Coatings Customers**
- Reduced Raw Material spend
- Strengthening of core competences
- Working capital optimization
- Complexity reduction (Reduced cost and time of supplier management)
- Improved HSE protection
- Easier compliance reporting
- Application support
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FACTS AND FIGURES

Brenntag is the leading global chemical distributor

Sales of €9.7bn in 2012

13,000 employees, thereof more than 4,800 dedicated local sales and marketing employees

Full-line portfolio of over 10,000 products to more than 170,000 customers globally

Network of 450+ locations across more than 70 countries worldwide

3.5 million usually less-than-truckload deliveries annually with average value of €2,000
VALUE-ADDED SERVICES

Brenntag is at your service…

- Marketing & Sales
- Technical Services
- Mixing & Blending
- Single Sourcing
- Supply Chain Excellence
- Online Services
- Concern for our environment: Responsible Care
- Commitment to Safe Operations
- Formulation Advice
TWO CHANNELS TO MARKET

Full-line product portfolio & dedicated industry approach

Industrial Chemicals
- Polymers
- Adhesives
- Construction Chem.
- Food & Nutrition
- Cleaning
- Personal Care

Major industries
- Coatings
- Water Treatment
- Oil & Gas
- Chemical Synthesis
- Metal Working
- Pharma

Specialty Chemicals
- Electronics
- Agriculture
- Pulp & Paper
- Printing & Publishing
- Textile & Leather
- Animal Nutrition
COMPLEMENTARY MARKET APPROACH

**Industrial Chemicals**
- Alternative
- Product/ logistics
- Commercial
- Market
- Cyclical
- Product driven

**Specialty Chemicals**
- Long-term partnerships/ Exclusivity
- Application knowledge/ product performance/ marketing
- Techno-commercial
- Intense knowledge exchange
- Less cyclical
- Industry focused
BRENNTAG’S HSE PRINCIPLES

Brenntag is clearly committed to meet HSE standards

Health, safety and environmental protection, are all paramount for Brenntag and for preserving natural resources for the long-term. If it cannot be done safely, Brenntag will not undertake it.

In recognition of the Responsible Care / Responsible Distribution program of the International Council of Chemical Trade Associations, Brenntag affirms its commitment to sustainable development and to the eight guiding principles outlined in this worldwide initiative.

As a global company with more than 300 locations worldwide, Brenntag is conscious of its obligation towards the health and safety of its employees and the environment.

These principles are enforced by policies which ensure compliance to the highest standards of safety, product stewardship, care for the environment and quality.
Brenntag is the leading European chemical distributor

Brenntag Europe sales 2012: € 4.3 billion
DRIVING SUCCESS WITH INDUSTRY EXPERTISE

- Extension of supplier’s strategy into the distribution sector
- Regular and detailed market reporting
- Electronic linkage
- Flexible logistics and coordination
- Techno-Commercial (engineers and specialists)
- Dedicated teams focused on specific industries
- Long term partnership with knowledge exchange
- Joint development and implementation of marketing concepts

Shared Values-Shared Success
WE PROMOTE QUALITY BRANDS

We promote products according to supplier’s strategy
We recognize the value of suppliers’ investment in branding
We are eager to develop strategies with suppliers
We have a strong track record in executing branding strategies

We encourage a collaborative European culture whereby our market dedicated experts work in close partnership with our customers and suppliers to generate sustainable profitable growth.
Coatings at the centre of what we do

SPECIALTY INDUSTRY SEGMENTS

FOOD & NUTRITION
PHARMA
PERSONAL CARE

ANIMAL NUTRITION
COATINGS & CONSTRUCTION
POLYMERS

CLEANING
WATER TREATMENT
OIL & GAS
Brenntag Coatings & Construction Europe offers you unparalleled knowledge, service and solutions in the adhesives, coatings and construction industries.

Brenntag Coatings & Construction Europe develops and provides new ideas and perspectives to create solutions by recommending the right products and guidance.

Brenntag Coatings & Construction Europe offers a comprehensive package of services, alongside access to specialty products from world-class manufacturers.

Brenntag Coatings & Construction Europe - Building a brighter World
BRENNTAG SPECIALTIES EUROPE: C & C PRODUCT PORTFOLIO

Adhesives & Sealants
- Acrylic Resins
- Epoxy Hardeners
- Epoxy Resins
- Plasticisers
- Polyurethanes
- Tackifiers

Coatings
- Acrylic Emulsions
- Acrylic Resins
- Epoxy Curing Agents
- Epoxy Resins
- Film Formation Additives
- Pigments
- Polyurethane systems

Construction Chemicals
- Accelerators
- Acrylic Emulsions
- Acrylic Resins
- Pigments
- Retarders
- Super Plasticisers

Inks
- Acrylic Resins
- Dyes
- Pigments
- Polyvinyl Butyrals
- Solvents
- Surfactants

Elastomers
- Acrylic Resins
- Plasticizers
- Polysulphides
- PU Elastomers
- Silicone Fluids
- Silicone Resins

Other Raw Materials
- Acrylic Monomers
- Curing Agents
- Epoxy Resins
- Fumed Silica
- Molecular Sieves
- Reactive Diluents
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<tr>
<td><strong>External sales 2012:</strong></td>
<td>Total € 702 million, Specialties € 281 million</td>
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<td><strong>Technical sales force:</strong></td>
<td>74</td>
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Integrated European strategy

Infrastructure with similar business unit structure in all countries

Industry experts

Know-how exchange

Multi-country contracts with suppliers

European product management

Large techno-commercial sales force by industry segment

European supply chain management

Coordinated key account business

Full compliance with EU regulations
EUROPEAN APPLICATION CENTRES

Application Centres as integral part of our marketing & sales activities

Brenntag operates 25 Application Centres throughout Europe and provides

- Customer specific projects on product improvement or product innovation
- Development of concepts and pro-active marketing toolboxes
- Individual trainings for our customers
- Internal Brenntag training and workshops with our principals
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### LONGSTANDING HISTORY OF MORE THAN 140 YEARS

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tr>
<td>1874</td>
<td>Philipp Mühsam founds the business in Berlin</td>
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<td>1912</td>
<td>Entry into chemical distribution business</td>
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<td>1966</td>
<td>Brenntag becomes international, acquiring Balder in Belgium</td>
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<td>1970-1979</td>
<td>US business established; continued acquisitions in European and North American chemicals distribution business</td>
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<td>1980-1989</td>
<td>Further expansion in North America</td>
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<td>1990-2000</td>
<td>Expansion in Europe via acquisitions; takeover of Neuber Group in Austria establishes foothold in Central and Eastern Europe</td>
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<td>2000</td>
<td>Acquisition of Holland Chemical International, at the time the fifth largest chemical distributor worldwide, providing global scale and a leading position in Latin America</td>
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<td>2000-2008</td>
<td>Becoming global market leader; acquisition of LA Chemicals (US, 2006), Schweizerhall (Switzerland, 2006) and Albion (UK and Ireland, 2006)</td>
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<td>2008</td>
<td>Acquisition of Rhodia’s distribution activities in 8 countries, establishing Asia Pacific platform</td>
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<td>2010</td>
<td>IPO; acquisition of EAC Industrial Ingredients, substantially strengthening presence in Asia Pacific</td>
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<td>2011</td>
<td>Market entry in China</td>
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<td>2012</td>
<td>The free float of the Brenntag AG share reached 100% of the share capital, after final placement of Brachem Acquisition S.C.A.</td>
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Brenntag in the CEE Market

Market Leader in Full-line Chemical Distribution

- CEE leader with approx. 6% market share (excl. Russia)
- Over 1,450 employees with more than 600 dedicated local sales employees
- Full-line portfolio of over 30,000 products to more than 26,000 customers
- Network of 40 distribution facilities across 15 countries

Commercial Track Record

![Bar chart showing external quantities and sales over years 2008 to 2012.]

- External Quantities (in tons)
- External Sales (in EUR)
- External Quantities - Warehouse (in tons)
CEE Market Coverage

Central North
Sales Offices: 18
Employees: ~750
Customer: ~15,000

Central
Sales Offices: 12
Employees: ~490
Customer: ~7,500

East
Sales Offices: 9
Employees: ~90
Customer: ~1,500

South East
Sales Offices: 6
Employees: ~85
Customer: ~2,000
Brenntag in the Value Chain

Purchase, logistics and storage of full-line range of specialties and industrial chemicals

- Broad and complimentary supplier partnerships with more than 5,000 suppliers
- Full-line product portfolio of more than 30,000 industrial and specialty products
- Network of 40 warehouses
Our Value-Adding Function in the Supply Chain

- Filling, labelling, bar-coding and palletizing
- Re-packing from large into smaller quantities
- Blending and formulation according to customer specific requirements
- Formulating and technical support from dedicated application laboratories
- Techno-commercial sales force
Our Value-Adding Function in the Supply Chain

- Providing just-in-time delivery
- Vendor-managed inventory service
- Product stewardship & Responsible Care
- Supply chain solutions
- Return services for packing material
We service more than 26,000 customers covering a broad range of industries including 2,286 Coatings & Construction producers.
We represent broad and complimentary supplier relationships with more than 5,000 suppliers and over 30,000 products for all industries.
Specific Application Centres

Zgierz (Poland)
Food & Animal Nutrition

Kedzierzyn (Poland)
Coatings & Construction

Budapest (Hungary)
Coatings

Guntramsdorf (Austria)
Food & Material Science
Customer Days / Seminars

Customer days are key to understanding needs and bringing our suppliers and customers together!

Coating & Construction Seminar in Hungary  Spring 2013
Shared Values – Shared Success