



# Operating along trough levels

Roadshow presentation

The background of the slide is a composite image. On the left, there's a cityscape with various icons overlaid, including gears, a radiation symbol, a leaf, a globe, and a recycling symbol. On the right, there's a large green circular graphic element. The overall theme is sustainability and technology.

**Covestro investment highlights**

Group financials Q2'23

Segment overview

Background information

# Covestro is diversified across geographies and end-markets



## Key performance indicators and sales split



Sales  
2022



EBITDA  
2022

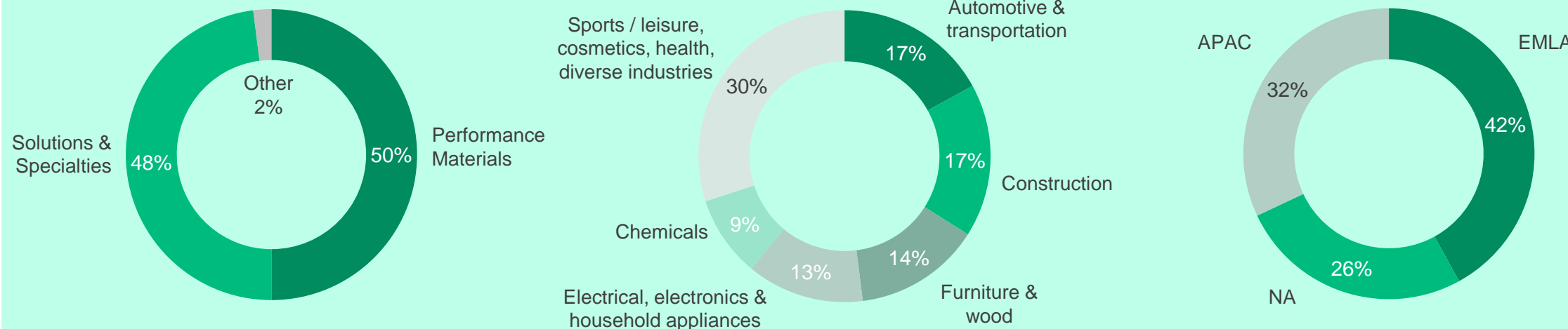


FOCF  
2022



ROCE above WACC  
2022

2022 sales

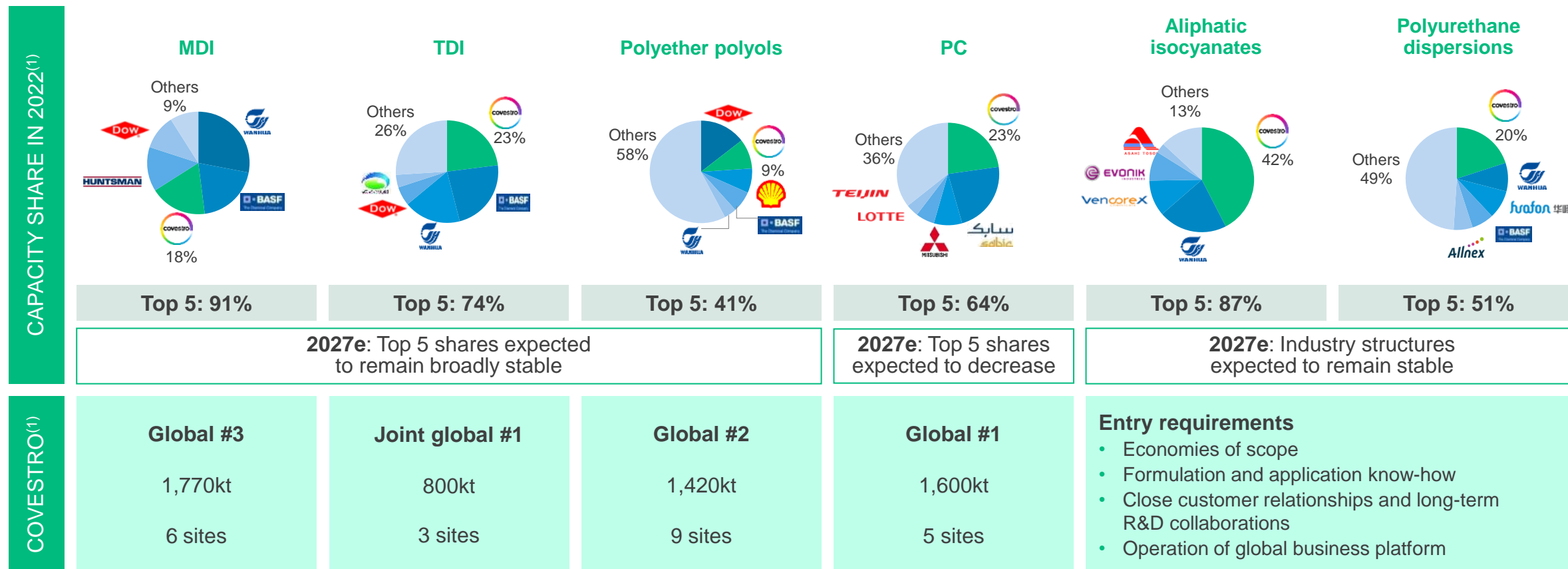


# Covestro is a global leader across its entire portfolio



## World-wide industry positions and production capacities

### #1 IN KEY MARKETS





# Our strategy – setting the path for tomorrow



## BECOME THE BEST OF WHO WE ARE



Transform the company to exploit its full potential



## DRIVE SUSTAINABLE GROWTH



Address sustainability in a profitable way



## BECOME FULLY CIRCULAR



Accelerate the transition to a fossil-free economy

ADVANCE DIGITALIZATION

EXPAND 'WE ARE 1' CULTURE

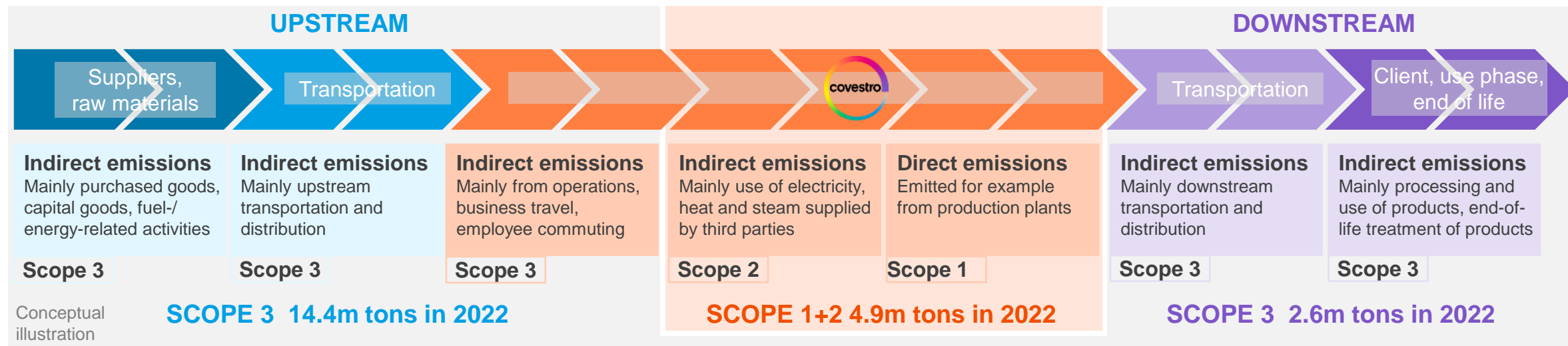
**! MILESTONE**  
LEAP transformation ongoing

**! MILESTONE**  
Integration of RFM accomplished

**! MILESTONE**  
Target climate neutrality in 2035

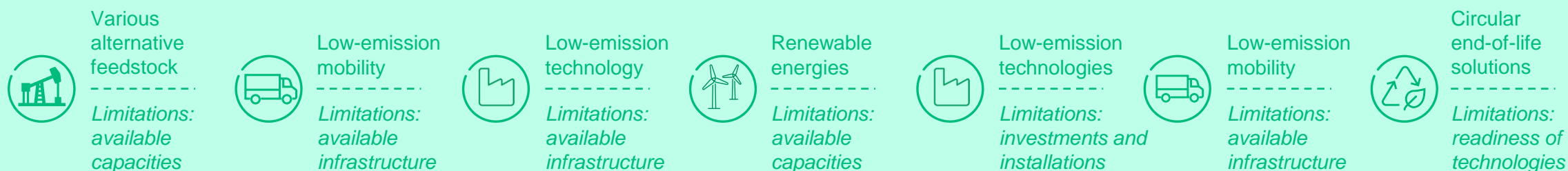
# Climate neutrality with existing technologies and assets

## Covestro greenhouse gas emissions



### EXISTING OPTIONS AND CURRENT LIMITATIONS TO REDUCE GHG EMISSIONS

Selective examples only

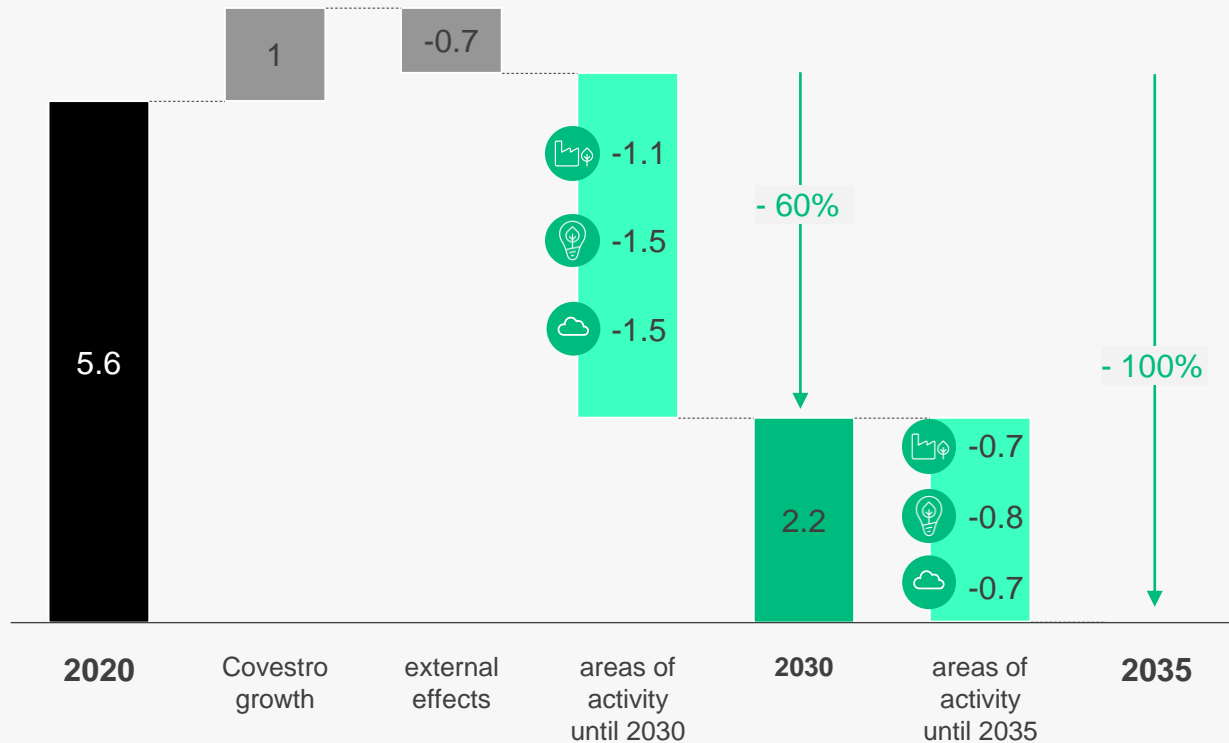


# Sustainable manufacturing and renewable energy to lead path



## Climate neutrality target for GHG emissions scope 1 and 2

GHG emissions in million metric tons, scope 1 and 2



### EMISSION REDUCTION MEASURES

- Three main levers make a vital contribution to reduce GHG emissions:
  - More sustainable manufacturing (scope 1 and 2)
  - Renewable electricity (scope 2)
  - Renewable steam (scope 2)
- Net external effects comprise known future changes in the energy mix of public grids (e.g. nuclear exit in Germany and Belgium) and in public energy allocation schemes (e.g. EEG in Germany)
- Roadmap for 2030 interim target based on identified 'lighthouse projects'
- Further roadmap until 2035 climate neutrality target in preparation based on similar key measures; no negative impact from business growth as future growth investment are required to support climate neutral growth latest by 2030

# Numerous measures effectively reduce GHG emissions



## Climate neutrality target for GHG emissions scope 1 and 2



### MORE SUSTAINABLE MANUFACTURING



Reducing nitrous oxide emissions by installation of highly efficient catalysts



Optimizing production processes to increase energy efficiency



Employing digital technologies for efficient production control



### RENEWABLE ELECTRICITY



EMEA<sup>(1)</sup>: Wind energy PPA's with ENGIE for 45% of site's power in Antwerp and with Ørsted for 10% of sites' electricity in Germany



NA: Virtual PPA with Ørsted for solar energy starting late 2024 for 12% of Baytown's electricity



APAC: Solar&wind energy, PPAs for ~45% of Shanghai site electricity with Datang Power & CGN New Energy



### RENEWABLE STEAM



Converting steam generation from fossil to renewable energy sources



Develop options to electrify steam generation based on renewable energies



Develop options to use e.g. biogas or green hydrogen as energy source to generate steam



# Continuously improving global renewable energy footprint

Baytown contract signed in Q2 2023



## MILESTONES TO RENEWABLE ENERGY SUPPLY

### EMLA

PPAs with Engie and Ørsted for 582 GWh solar and wind energy:

45% of energy for Antwerp site since 2022

10% of German sites as of 2025

### APAC

PPAs with CGN and Datang for 400 GWh solar and wind energy:

45% of energy for Shanghai site since 2023

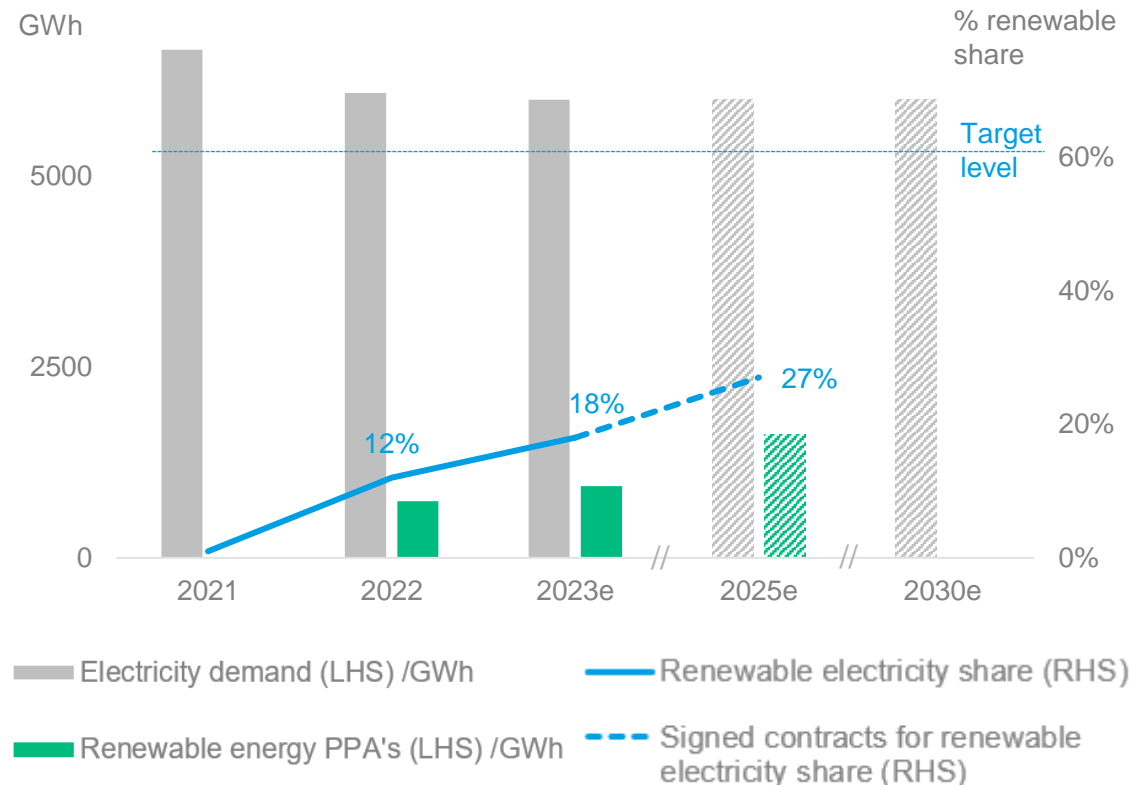
### NA

Virtual PPA with Ørsted for 200 GWh solar power:

12% of energy for Baytown site since 2023

Starting global coverage of renewable PPA's

## ENERGY TRANSFORMATION PROGRESS



Significant progress to our intermediate target of 60% GHG reduction until 2030

# Re-shaping the PU value chain for soft foams into a closed loop

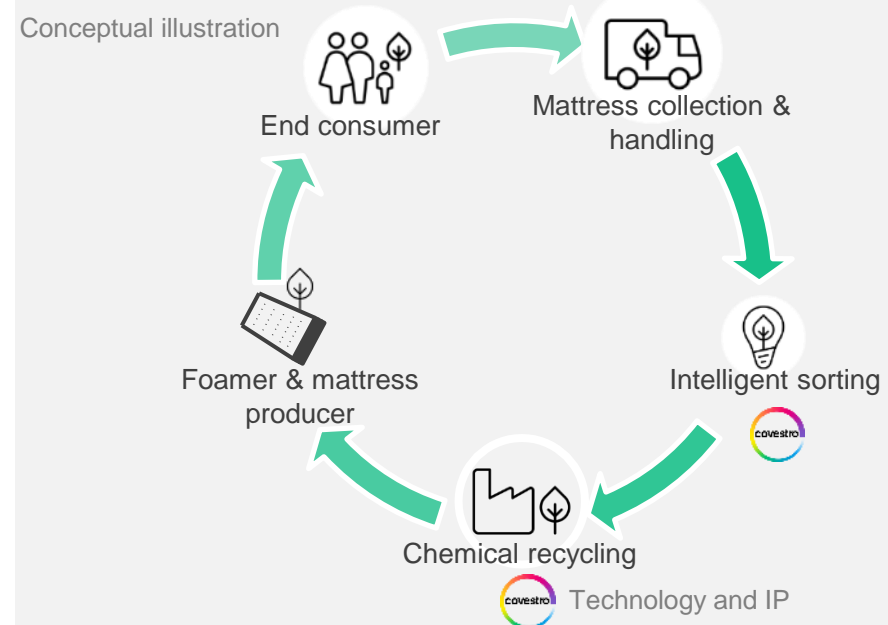


## Innovative recycling / joint solutions

### COVESTRO TECHNOLOGY

- Chemical recycling of polyurethane (PU) mattress foams
- Proprietary process for recycling *both* PU components polyol and TDA, enabling 100% recycling of these components for soft foam
- New brand label to support our customers to quickly identify circular solutions - **Evocycle® CQ Mattress** (circular intelligence)
- Significant improvement of CO2 footprint compared to fossil route (lifecycle assessment), meeting high customer and consumer demand
- Intelligent sorting solution to efficiently separate different PU foams from post-consumer mattresses

### FUTURE PU SOFT FOAM LOOP



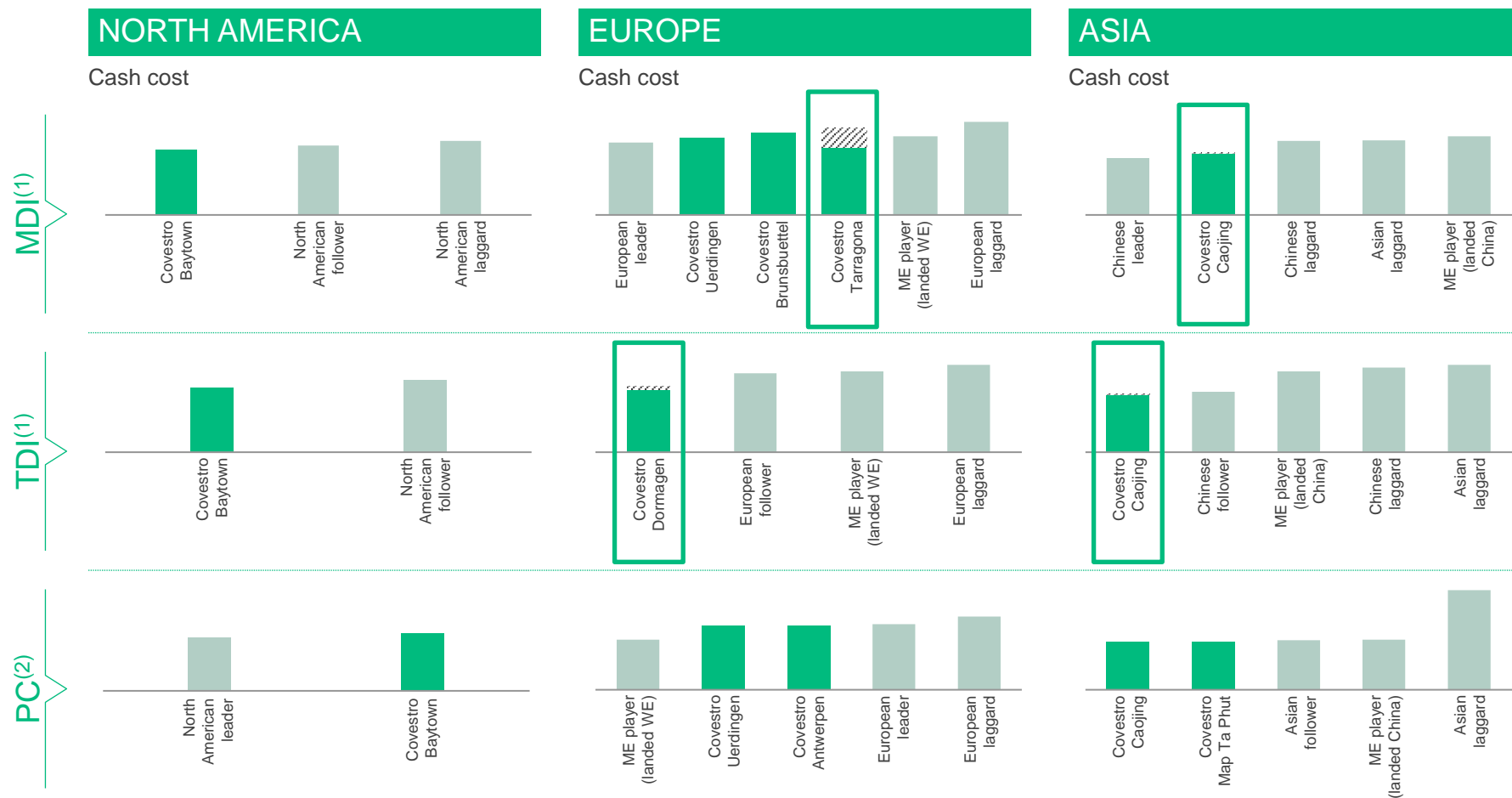
### Timeline:



# Leading cost positions across markets and regions



## Covestro cash cost positions



/// Cash cost improvements based on investment projects

## HIGHLIGHTS

- **Covestro MDI** is one of the low-cost producers. Investment in Tarragona plant will significantly further improve cost position. MDI industry with cost advantage of ~20% between the best and the average 5 least competitive plants
- **Covestro TDI** is the global cost leader with cost advantage of ~45% versus the average of 5 least competitive plants
- **Covestro Polycarbonates** is one of the joint cost leaders with cost advantage of ~60% versus the average of 5 least competitive plants

# Covestro supports future sustainable growth

## Long term product trends



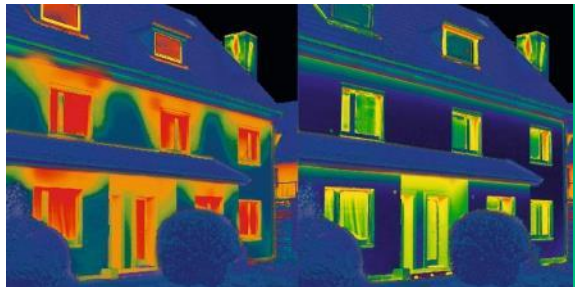
### APPLICATIONS



### INDUSTRY TRENDS

#### Electric vehicles pushing

- Battery Electric Vehicles to use 2 up to 5 times<sup>(1)</sup> more polycarbonates than conventional vehicles
- Trend to continue or accelerate for future BEV generations and increase in demand up to 1 Mio to<sup>(1)</sup> in PC grades from 2022-2026



#### Thermal Insulation

- Polyurethane-based insulation one of the best options to reach future high energy efficiency standards
- Demand increase of PU used in construction for future high-energy efficient buildings could increase global MDI growth rates by 1pp per year<sup>(2)</sup>



#### Wind energy

- Covestro polyurethane infusion resin contributes to 8% reduction<sup>(3)</sup> in wind blade manufacturing cost and is expected to take ~10% market share of the wind resin market dominated by epoxy resins until 2032
- Our overall wind solutions for blades will result in 30% lower maintenance and 2-year life-time extension<sup>(3)</sup>

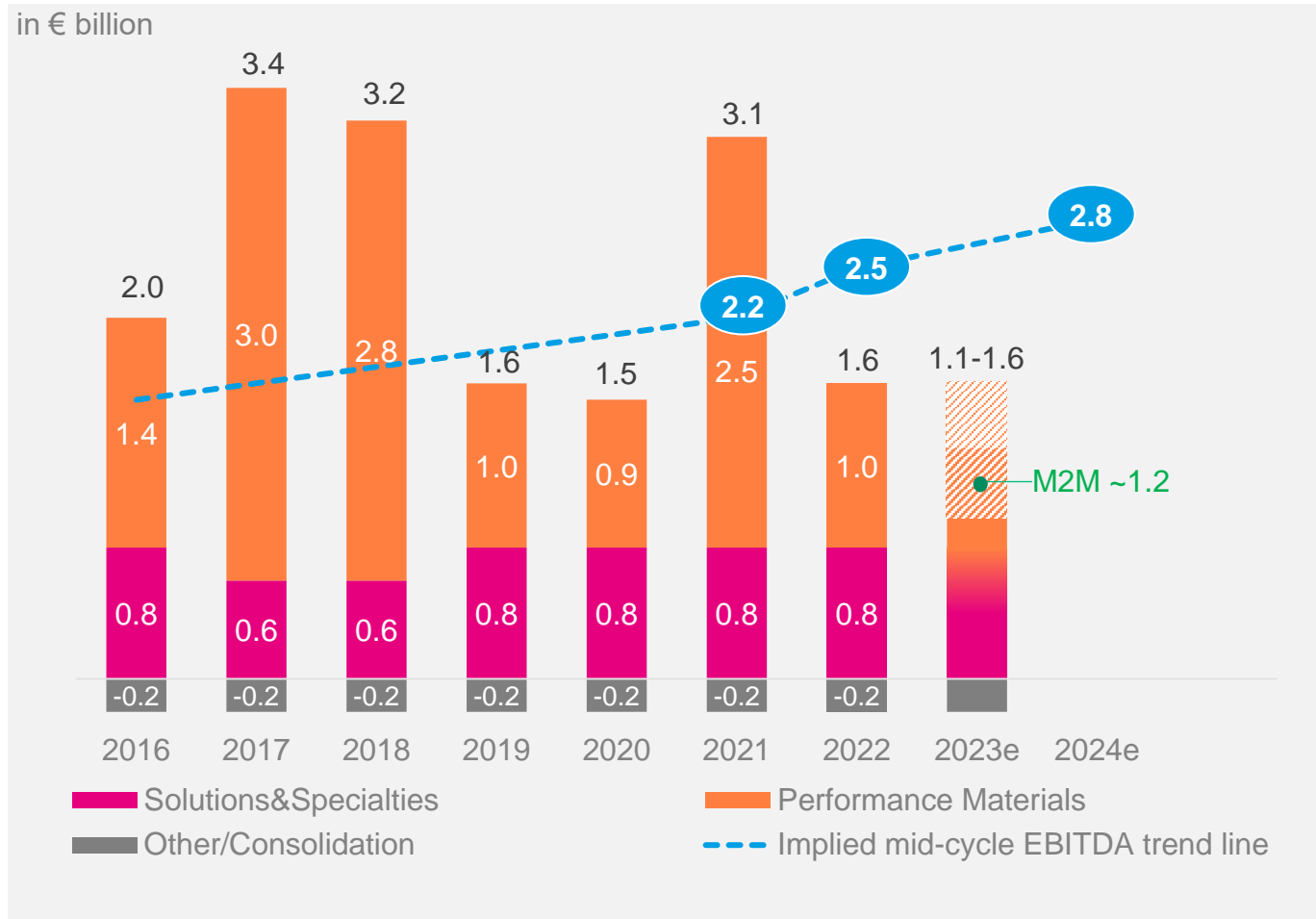
### COVESTRO BENEFIT

**Favourable mid to long term outlook for product portfolio of Covestro**



# FY 2023 EBITDA significantly below mid-cycle expectations

Mid-cycle EBITDA based on long-term average market conditions



## HIGHLIGHTS

### Mid-cycle EBITDA:

- Mid-cycle definition: Respective year's EBITDA performance under average market conditions
- Strong increase from €2.2bn to €2.5bn in 2022 realized from EBITDA impact of RFM acquisition
- Confirming mid-cycle EBITDA of €2.8bn in 2024

### Mark-to-market (M2M):

- Mark-to-market (M2M) EBITDA in FY 2023 of ~€1.2bn based on July 2023 margins flat forward

### Current 2023 FX assumptions

- €/USD around 1.10 level
- 1pp change equals  
+/- €10m for CNY/EUR  
+/- €6m for USD/EUR

### P&L Long-term tax rate

- Long-term tax rate estimated between 24-26%

# Guidance confirmed but rather at the lower half of all KPIs



## Full year guidance 2023

	FY 2022	GUIDANCE FY 2023 (as of March 2)	CURRENT GUIDANCE FY2023 (as of April 28)
EBITDA	€1,617m	significantly <sup>(3)</sup> below previous year	€1,100m – 1,600m
FOCF	€138m	significantly <sup>(3)</sup> below previous year	€0 – 500m
ROCE above WACC <sup>(1)</sup>	-5.0 pp	significantly <sup>(3)</sup> below previous year	-6.0 pp to -2.0 pp
GHG emissions (scope 1 and 2)	4.7m tons	around <sup>(3)</sup> previous year	4.2m – 4.8m tons

### Additional financial expectations

EBITDA Q3	€302m	No guidance	€240m – 340m
D&A	€1,350	~€850m	~€900m
Financial result	€-137m	€-160 to -200m	€-130m to -170m
Income tax (P&L)	€411m	No guidance	€150m to 250m
Capex <sup>(2)</sup>	€832m	~€800m	~€800m

# Covestro measures to improve financial performance

## Situational response to cost situation



### Continuous right-sizing of labor

- Labor force reduction with differentiated hiring limited to crucial key functions after jobholder departure
- Contracting freeze of temporary workers



### Improved operational savings

- Reduced FAM cost
- Savings from LEAP transformation program
- Additional long-term savings



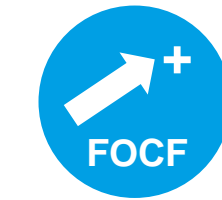
### Portfolio streamlining

- Streamlining portfolio and elimination of non-strategic, loss-making businesses (3D-Printing divested, Maezio® site closure; Swiss entity closure)
- Reduction of various negative one-time items



### Other items

- Lower underutilization costs
- Various small-scale contingencies



# Outlook for Covestro's core industries deteriorated

## Global demand development



KEY CUSTOMER INDUSTRIES		2022 Y/Y <sup>(1)</sup>	2023e Y/Y <sup>(1)</sup>	2023e Y/Y UPDATE <sup>(2)</sup>
Global GDP		+3.1%	+1.5%	+2.4%
Automotive		+6.9%	+4.6%	+6.0%
EV / BEV		+69.8%	+42.5%	+39.2%
Construction		+1.2%	+0.8%	-1.0%
Residential		+0.8%	-0.2%	-2.2%
Furniture		-3.6%	+0.3%	-2.8%
Soft furniture		-5.2%	+0.2%	-2.9%
Electrical, electronics and household appliances		+4.9%	+2.0%	+0.5%
Appliances		+1.9%	+3.7%	+2.8%

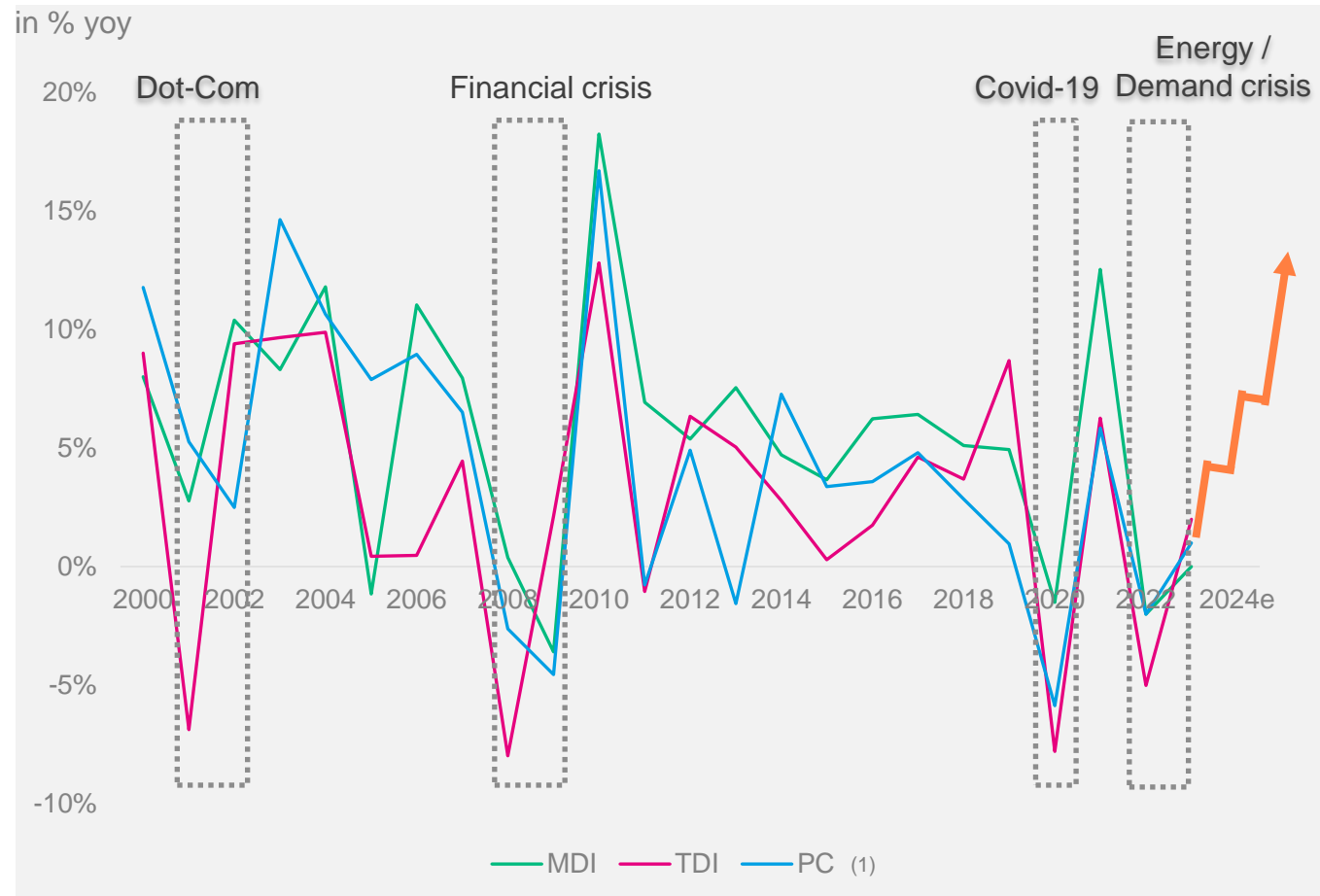
(1) as of February 2023

(2) GDP estimate by Oxford Economics as of July 2023; automotive estimate by GlobalData as of July 2023; construction estimate by B+L as of May '23; furniture estimate by CSIL as of May 2023; EE&A estimate by Oxford Economics as of June 2023 (sub-industry 'appliances' mainly include refrigerators and freezers)



# Historically fast market rebound after trough

## MDI, TDI and polycarbonate global demand curves



### HIGHLIGHTS

#### Covestro core products early indicator of recessions

- Core products MDI, TDI and PC are all affected in a recessionary environment

#### Recovery after recession

- Core products historically recovered quickly from a recession
- Rebounds also typically overshoot the historical average growth path partly compensating for the negative growth of the recession





#### Longer term outlook:

- Over the cycle core products follow individual economic trends of their respective industries
- Expected long term average growth rates are 6% for MDI, 3-4% for TDI and 4% for PC
- Growth scenarios remain unchanged for all Covestro core products
- MDI and PC benefit from trend towards more insulation, EV/BEV and growth of wind energy

# Majority of cash allocated to growth

## Balanced use of cash



<h3>CAPEX</h3> 	<h3>DIVIDEND</h3> 	<h3>PORTFOLIO</h3> 	<h3>SHARE CAPITAL</h3> 
<ul style="list-style-type: none"><li>• Covestro's industry and cost leadership make growth investment the most value-creating use of cash</li><li>• Capex above D&amp;A during the next five years</li><li>• Maintenance capex to secure safe, reliable and efficient operations</li></ul>	<ul style="list-style-type: none"><li>• Policy: 35-55% payout of net income</li></ul>	<ul style="list-style-type: none"><li>• Acquisition of DSM's Resins and Functional Material (RFM) business for EV €1.55bn with attractive high margins (~€0.9bn sales)</li><li>• Less attractive low-margin businesses divested (~€0.6bn sales)</li><li>• Further pursue options of value enhancing bolt-on acquisition for Solutions &amp; Specialties segment</li></ul>	<ul style="list-style-type: none"><li>• Share buyback of €1.5bn executed in 2017-2018</li><li>• Capital increase of €447m executed in 2020 in context of RFM acquisition</li><li>• Authorization for share buyback program for up to 10% of share capital in place</li><li>• Share buyback of €0.5bn announced on February 28, 2022, under execution since March 2022</li></ul>
<p>€4.9bn invested in capex</p>	<p>€2.3bn dividends</p>	<p>€1.5bn net investments</p>	<p>€1.2bn share capital reduced</p>

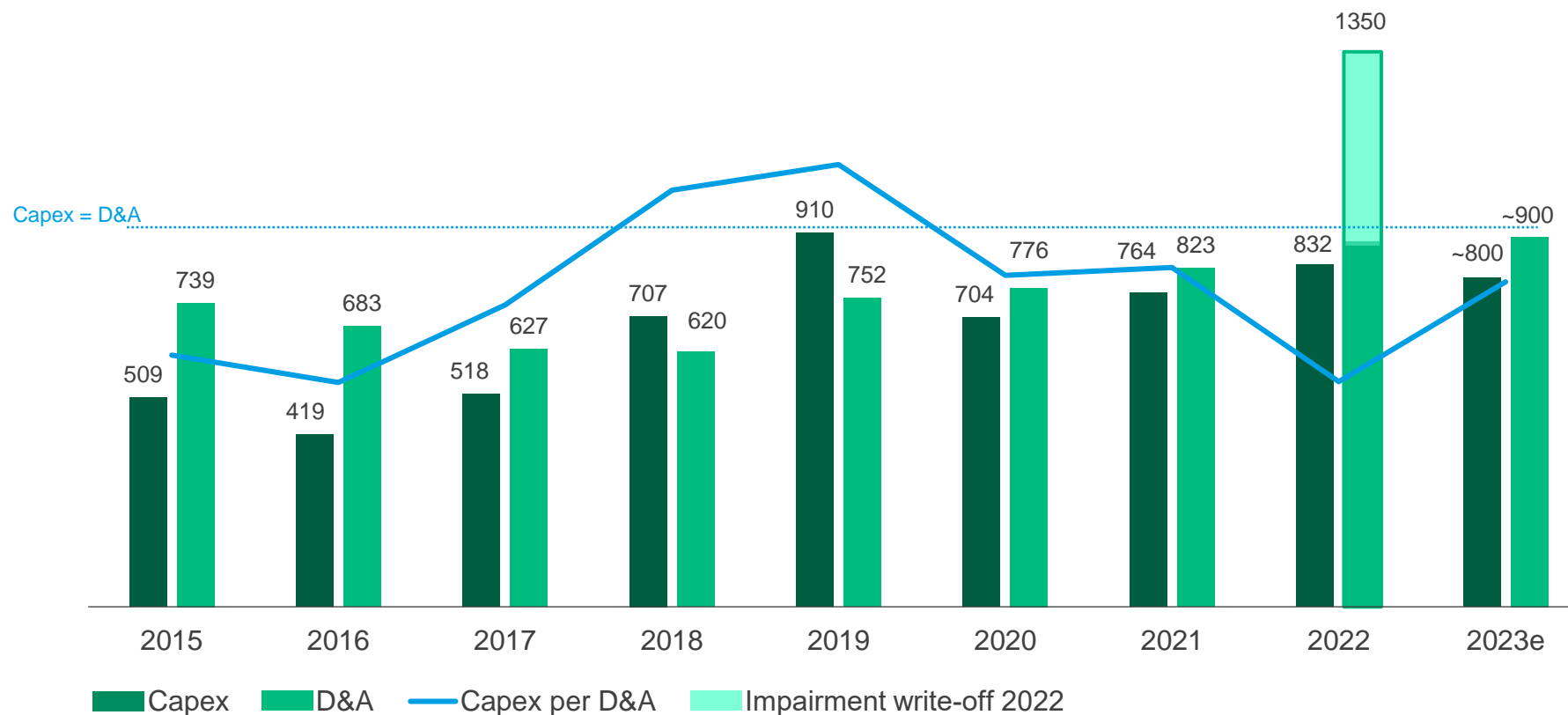
# Significant investments into growth

## Group capex and D&A



### HISTORIC AND PROJECTION

in € million



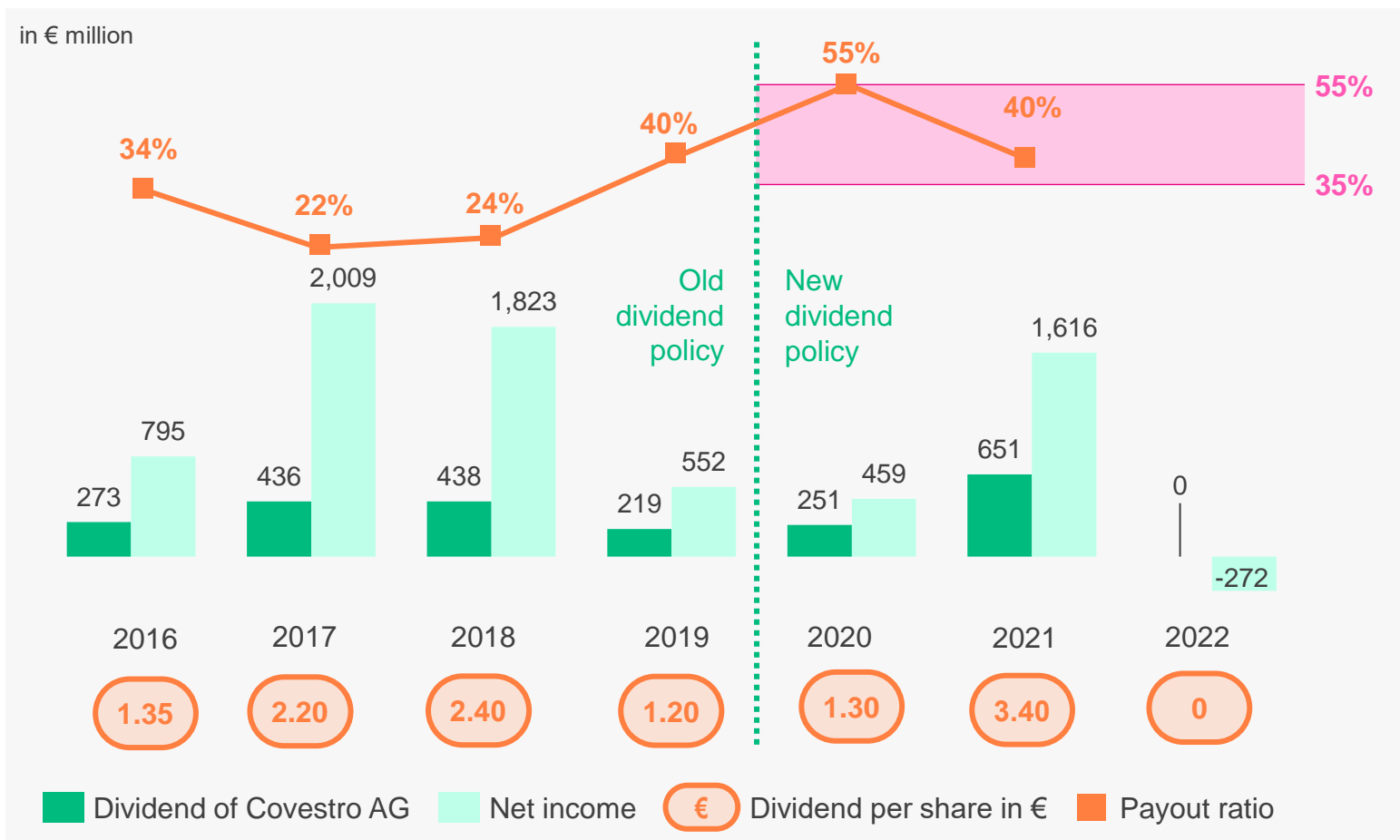
### HIGHLIGHTS

- Growth capex of around €2.8bn from 2015 to 2023e
- D&A 2022 included impairment write-off of €463m
- Maintenance capex around €450m in FY'23e
- Planned investments in Circular Economy projects of almost €1bn between 2021 and 2030

# Dividend based on net income payout ratio



## Dividend development



### HIGHLIGHTS

- Net income determining factor for the dividend
- Committed to a payout ratio of 35% to 55%, related to dividend over net income
  - Higher payout intended in years with peak earnings, while ratio towards lower end
  - Lower payout intended in years with trough earnings, while ratio towards upper end
- For FY 2022, dividend suspension in line with negative net income (€-272m) burdened by extraordinary depreciation and by adjustments of deferred tax assets



# Ongoing shift to high-margin business

## Portfolio management



### DIVESTMENTS

Additive Manufacturing business

📅 April 2023

Dubai system house<sup>(1)</sup>

📅 July 2021

Europe Polycarbonates sheets business

📅 September 2019

Europe system houses

📅 June 2019

USA Polycarbonates sheets business

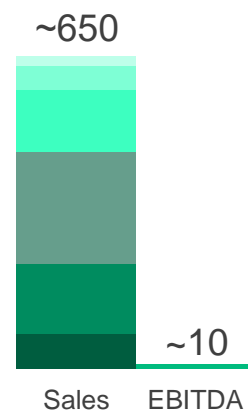
📅 August 2018

NA Polyurethanes spray foam business

📅 April 2017

📅 Closing

Cumulated, in € million



Business divested at average EV/EBITDA >20x

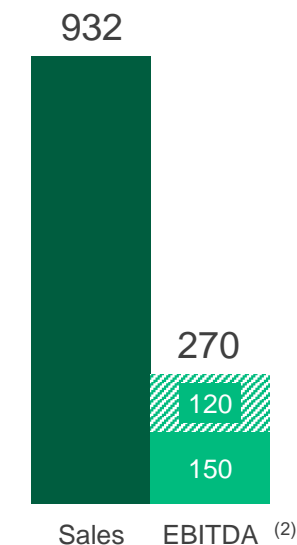
Portfolio analysis ongoing, further minor divestments possible

### ACQUISITIONS

DSM Resins & Functional Materials business

📅 April 2021

in € million



Highly complementary business acquired at EV/EBITDA<sup>(2)</sup> of 6x

Further pursue value-enhancing bolt-on acquisition options with attractive IRR for Solutions & Specialties segment

(1) Covestro with 51% joint venture share

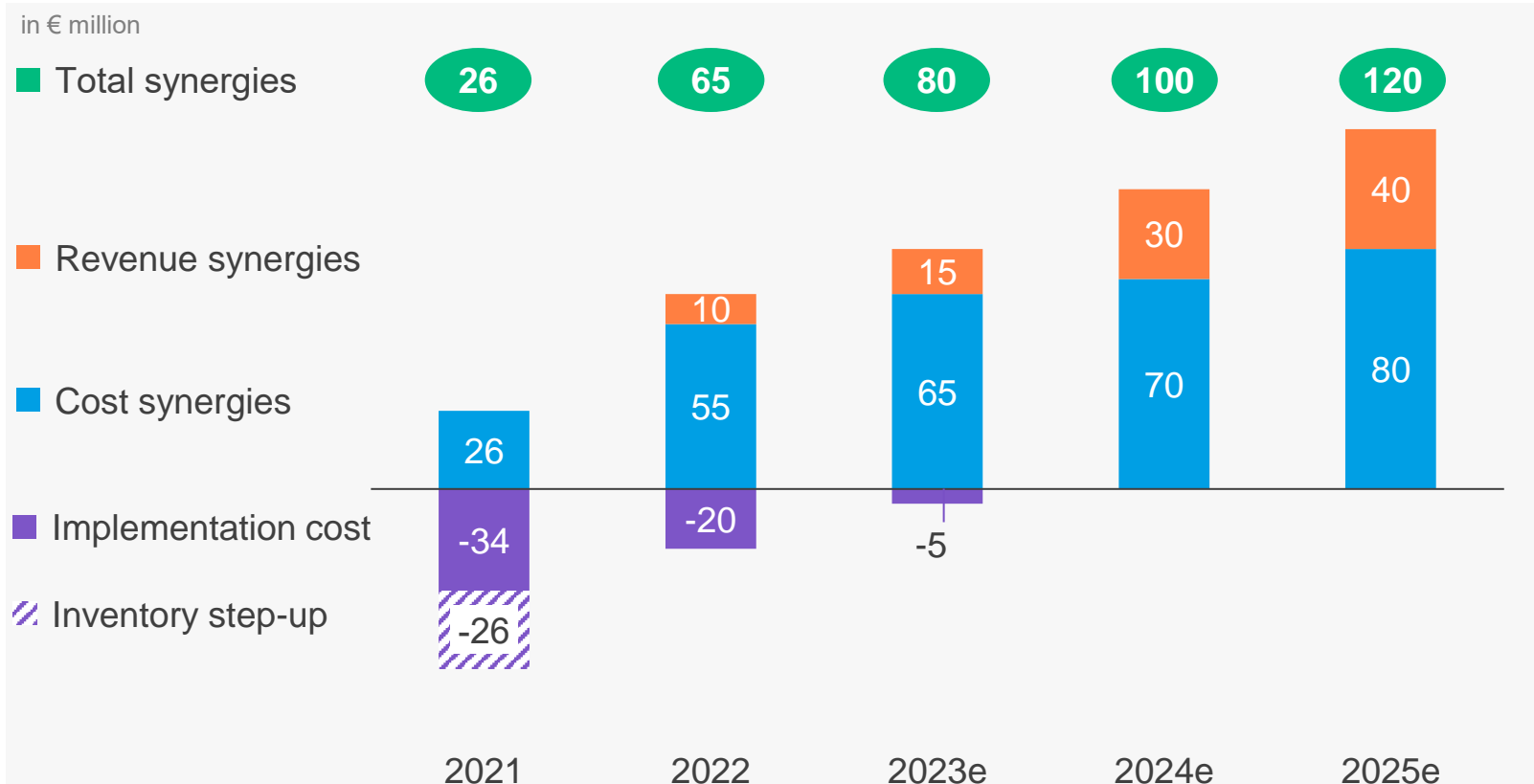
(2) Based on 2020 sales / approximate stand-alone EBITDA in 2021 (€150m) and full synergies (€120m)  
Listed transactions with materiality; All sales and EBITDA refer to the last fiscal year prior to closing  
IRR: Internal rate of return

# Synergies fully confirmed and ahead of plan at lower cost



## RFM synergies and implementation cost

### EBITDA IMPACT



### HIGHLIGHTS

#### SYNERGIES

- Confirming identified synergies of €120m or 12% of RFM sales
- Positive EBITDA impact of €80m from cost and €40m from revenues
- Initial synergy potentials successfully detailed and validated
- Realization of synergies ahead of initial plan (initially €10m in 2021 and 55m€ in 2022)
- Implementation cost incl inventory step-up of €85m (initially €155m, reduced from lower severance need)

#### OPERATIONS

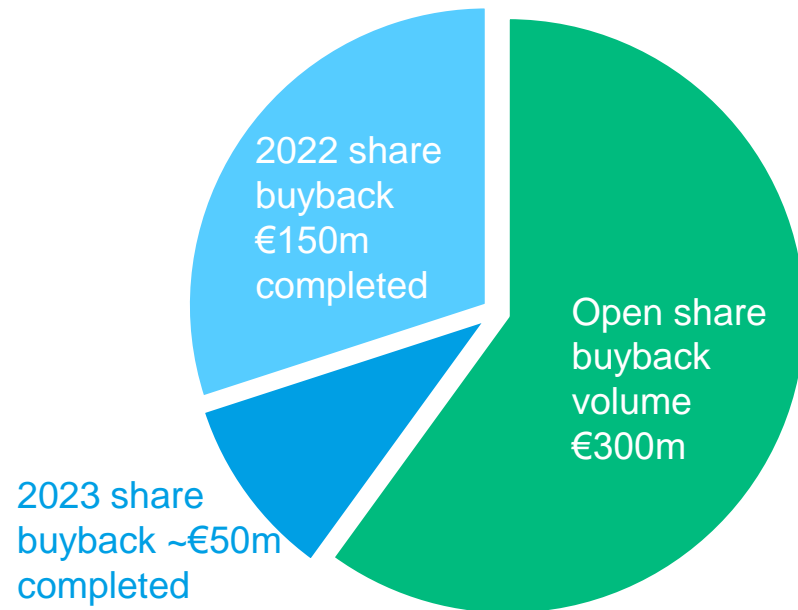
- RFM operational performance fully in line with expectations
- 94% of new employees feel welcome at Covestro

# Third sub-tranche of share buyback accomplished

Two-year €500M share buyback program until February 2024

## CURRENT STATUS

February 28, 2022 to June 30, 2023



## 2022/2023 SHARE BUYBACK TRANCHEs

### First sub-tranche details (€75m)

- 1.606m shares purchased, average share price €46.70

### Second sub-tranche details (€75m)

- 1.874m shares purchased, average share price €39.97

### Third sub-tranche details (€49m<sup>1</sup>)

- 1.208m shares purchased, average share price €40.81

**Σ: ~4.7m shares purchased at an average price of 42.45€**



## 2023-2024 CONTINUATION OF SHARE BUYBACK

- Speed of further execution depending on share price development and own cash generation

## CONTINUATION OF SHARE BUYBACK UNDER CERTAIN CONDITIONS

# Operating along trough levels

## Q2 2023 Highlights



- 1** Sequentially continuously low sales of €3.7bn with price decline compensated by volume increase
- 2** EBITDA of €385m slightly above mid-point of guidance driven by sequentially positive volume and pricing delta
- 3** Despite seasonally higher WoC on track for a full year positive FOCF helped by ongoing strict working capital measures and cost savings program
- 4** FY 2023 guidance confirmed but rather at the lower half for all KPIs due to expected sequentially negative pricing delta despite improving volumes in H2 2023
- 5** Third sub-tranche of share buyback accomplished with ~€50m speed of continuation depending on share price development and cash generation





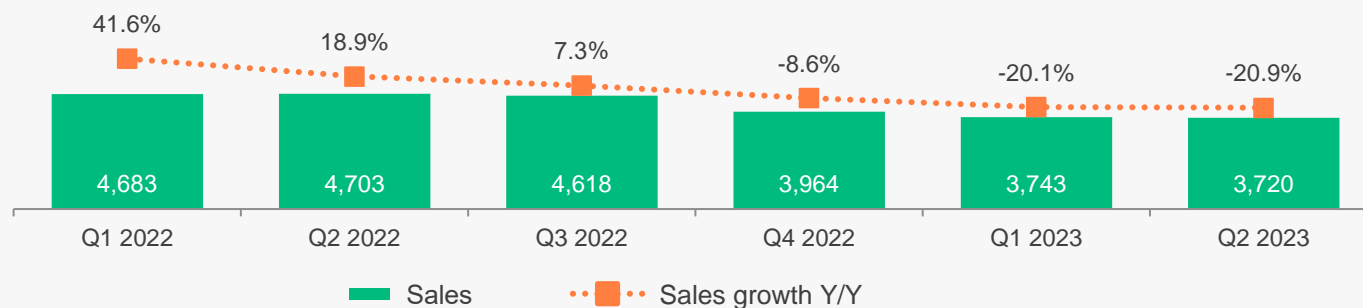
# Sequential EBITDA increase confirmed

## Group results – Highlights Q2 2023



### SALES<sup>(1)</sup>

in € million / changes Y/Y

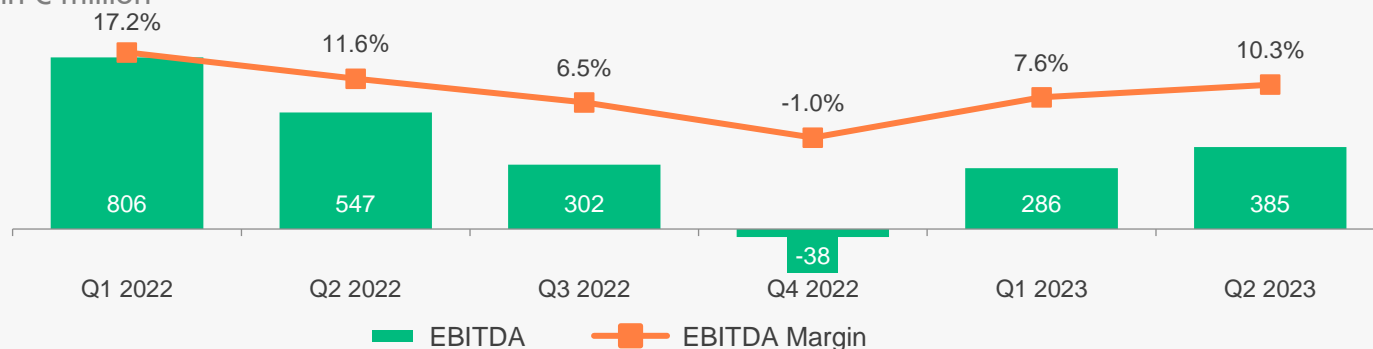


### HIGHLIGHTS

- Year-on-year sales decline mainly attributable to globally weaker demand with resulting lower sales volumes and negative pricing
- Sequentially, flattish sales development with positive volume development but negative effects of pricing and currency

### EBITDA AND MARGIN

in € million



### HIGHLIGHTS

- Year-on-year EBITDA declining based on negative volume and pricing delta but positive fixed cost and others
- Sequentially, earnings increased on back of higher volumes and a positive pricing delta
- EBITDA margin improved from trough level in Q4 2022 to 10.3% in Q2 2023

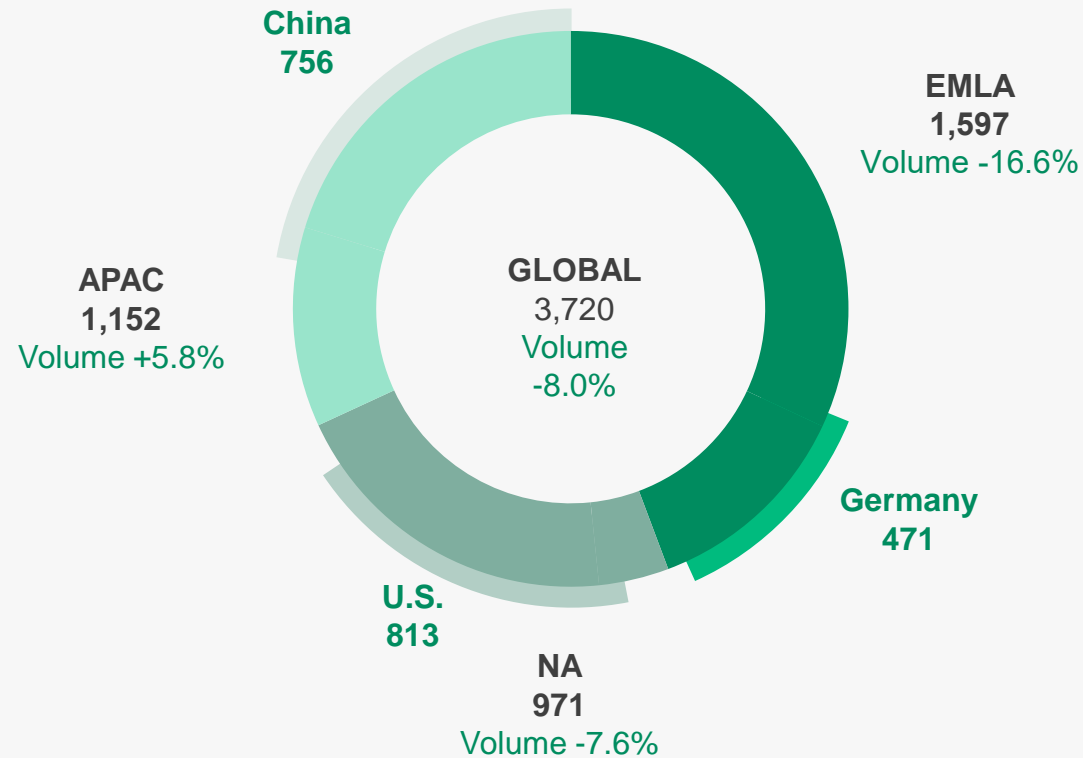


# Weak environment but helped by China and Auto



## Q2 2023 – Regional split

Sales in € million  
Volume Y/Y



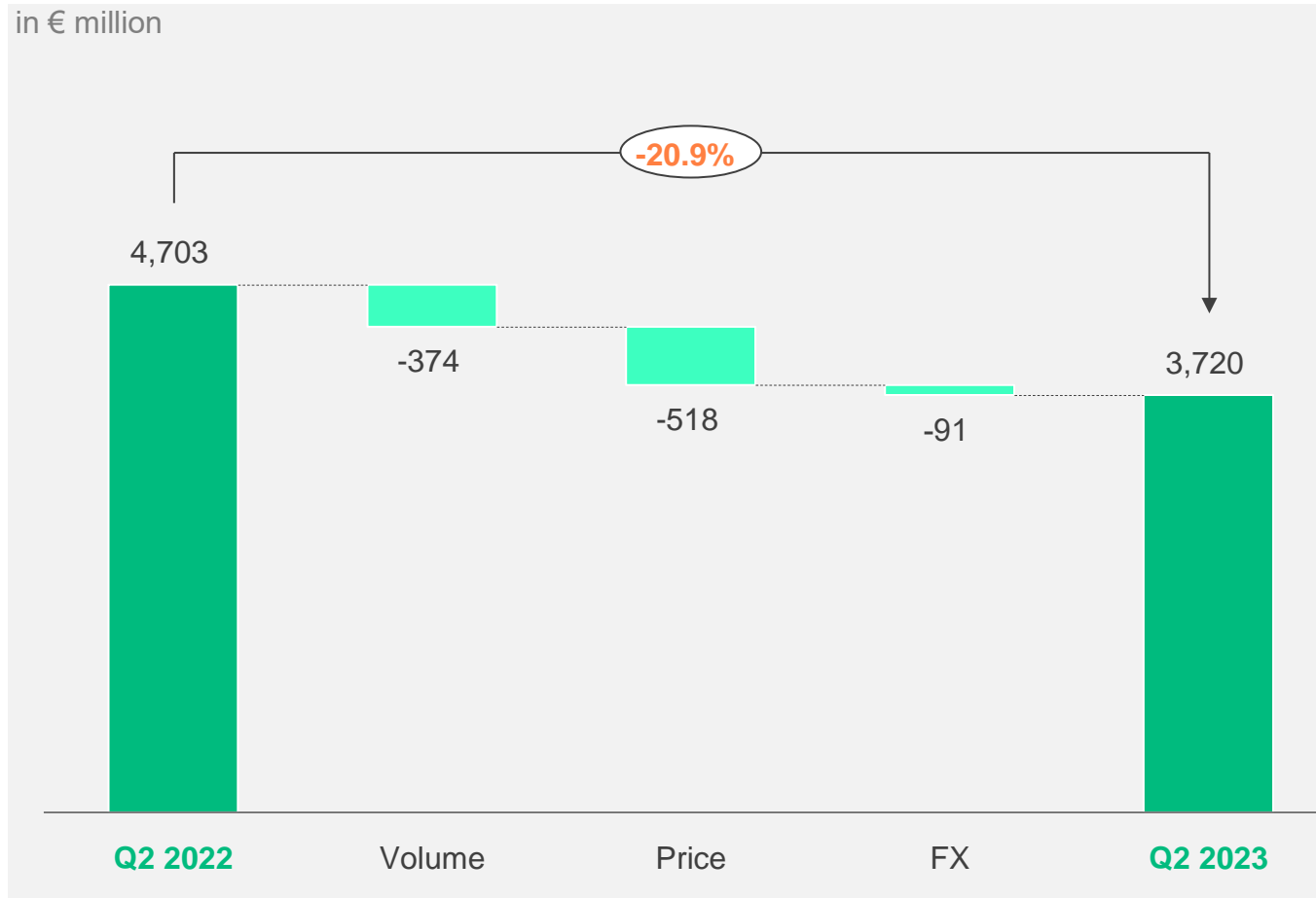
### HIGHLIGHTS

- Year-over-year mixed volume development in the different industries:
  - Auto mid-teens % increase
  - Electro low single-digit % increase
  - Furniture/wood low to mid-single-digit % decline
  - Construction low teens % decline
- **EMLA:** Unchanged demand weakness with significant decline in electro, construction and furniture, decline partly caused by temporary technical limitations; auto with significant increase
- **NA:** Construction showing significant decline, electro and furniture wood with slight decline, significant increase in auto
- **APAC:** Auto, furniture/wood and electro exhibiting significant increase caused by low comparison base of Q2 2022 (Covid lockdowns), despite that construction with slight decline

# Sales decrease due to strong price and volume decline



## Q2 2023 – Sales bridge



### HIGHLIGHTS

#### Volume negative

- Volume decline of -8.0% Y/Y

#### Pricing negative

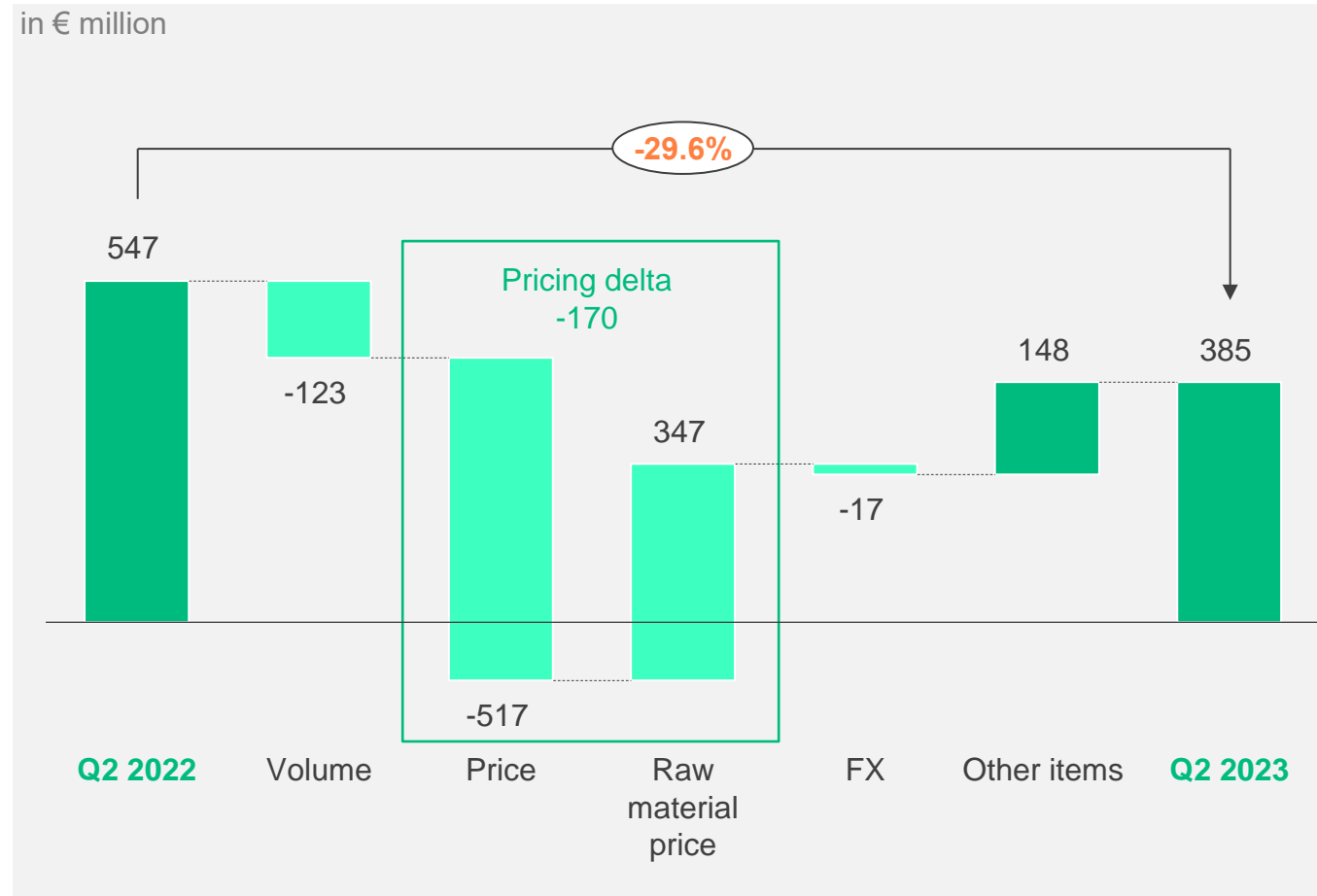
- Performance Materials strongly affected (-15.3% Y/Y) whereas Solutions & Specialties with only slight decline (-6.6% Y/Y)

#### FX negative

- FX affected sales by -1.9% Y/Y mainly driven by USD and RMB

# Earnings driven by negative pricing delta and lower volumes

## Q2 2023 – EBITDA bridge



### HIGHLIGHTS

#### Negative volume leverage<sup>(1)</sup>

- Volume leverage of 33%
- Volume leverage below long-term average due to product mix effects

#### Negative pricing delta

- Strong decline in prices due to unfavorable supply-demand situation partly counterbalanced by positive raw material and energy price development

#### Other items driven by:

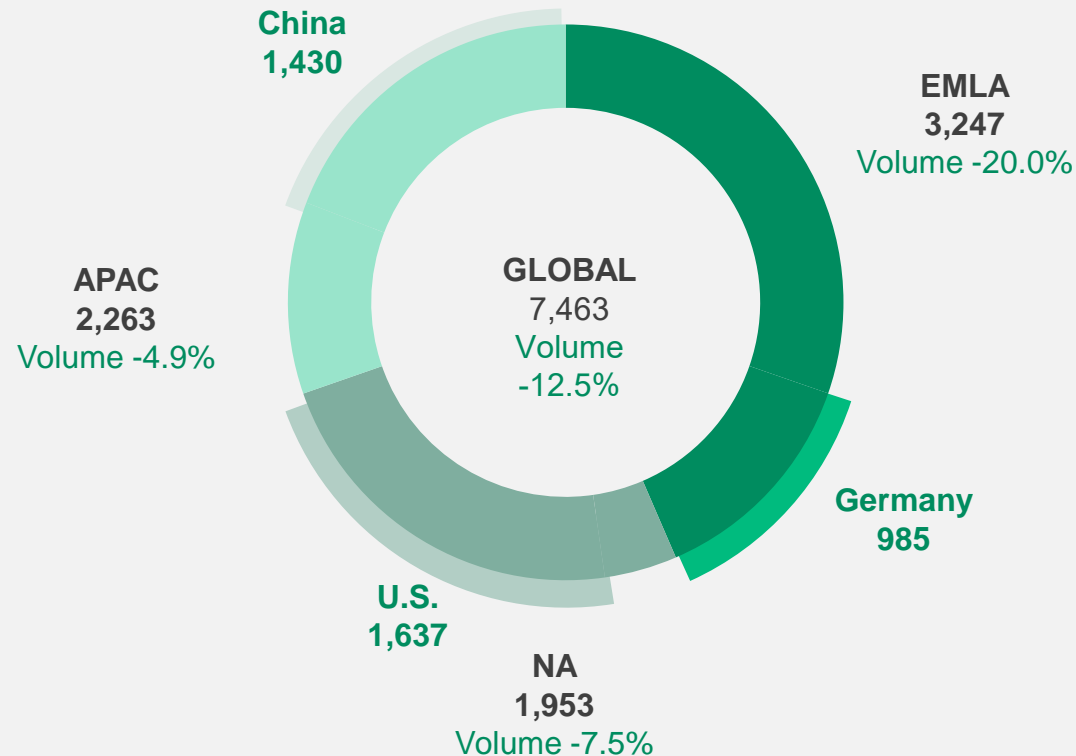
- Significantly lower operational cost
- Book gains from the divestment of the Additive Manufacturing business of €35m
- Provisions for closure of our Swiss entity of €14m
- Higher provisions for variable compensation of €34m

# Volumes hit by ongoing global demand weakness & destocking



## H1 2023 – Regional split

Sales in € million  
Volume Y/Y



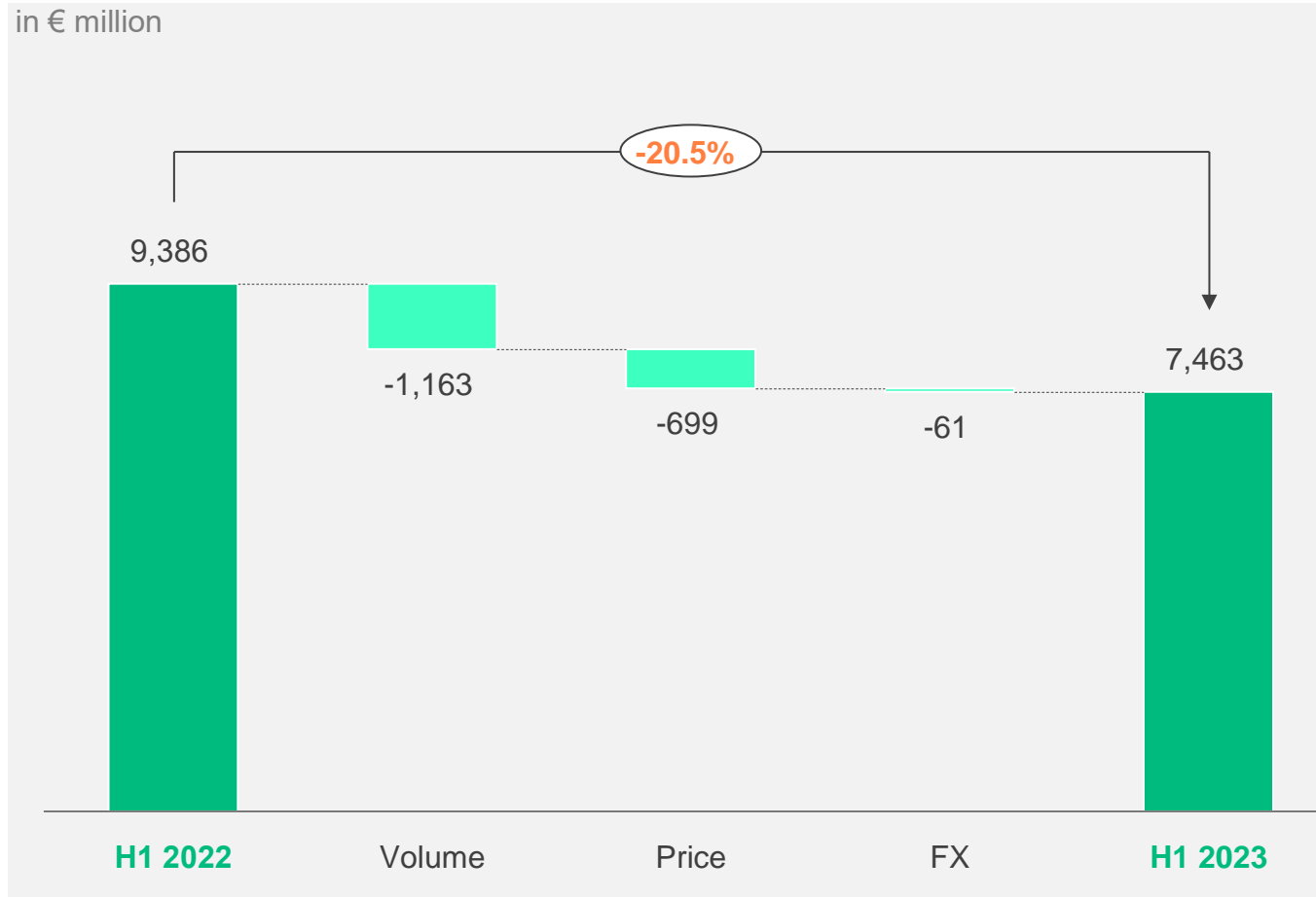
### HIGHLIGHTS

- Ongoing trend of declining volumes year-over-year driven by European recessionary environment and ongoing customer destocking:
  - Auto/transport mid-single-digit % increase
  - Furniture/wood high single-digit % decline
  - Electro high single-digit % decline
  - Construction high teens % decline
- EMLA: Ongoing demand weakness with significant decline in electro, construction and furniture, decline partly caused by temporary internal technical limitations; auto/transport with slight increase
- NA: Construction with significant decline, electro and furniture/wood showing with slight decline, auto/transport with slight increase
- APAC: Furniture/wood and auto/transport exhibiting slight increase, electro and construction still with slight decline

# Sales decrease due to strong volume and price decline



## H1 2023 – Sales bridge



### HIGHLIGHTS

#### Volume negative

- Volume decline of -12.5% Y/Y

#### Pricing negative

- Performance Materials (-11.2% Y/Y) strongly affected, decline only minor in Solutions & Specialties (-3.5 % Y/Y)
- Solutions & Specialties price effect ~70% lower compared to Performance Materials

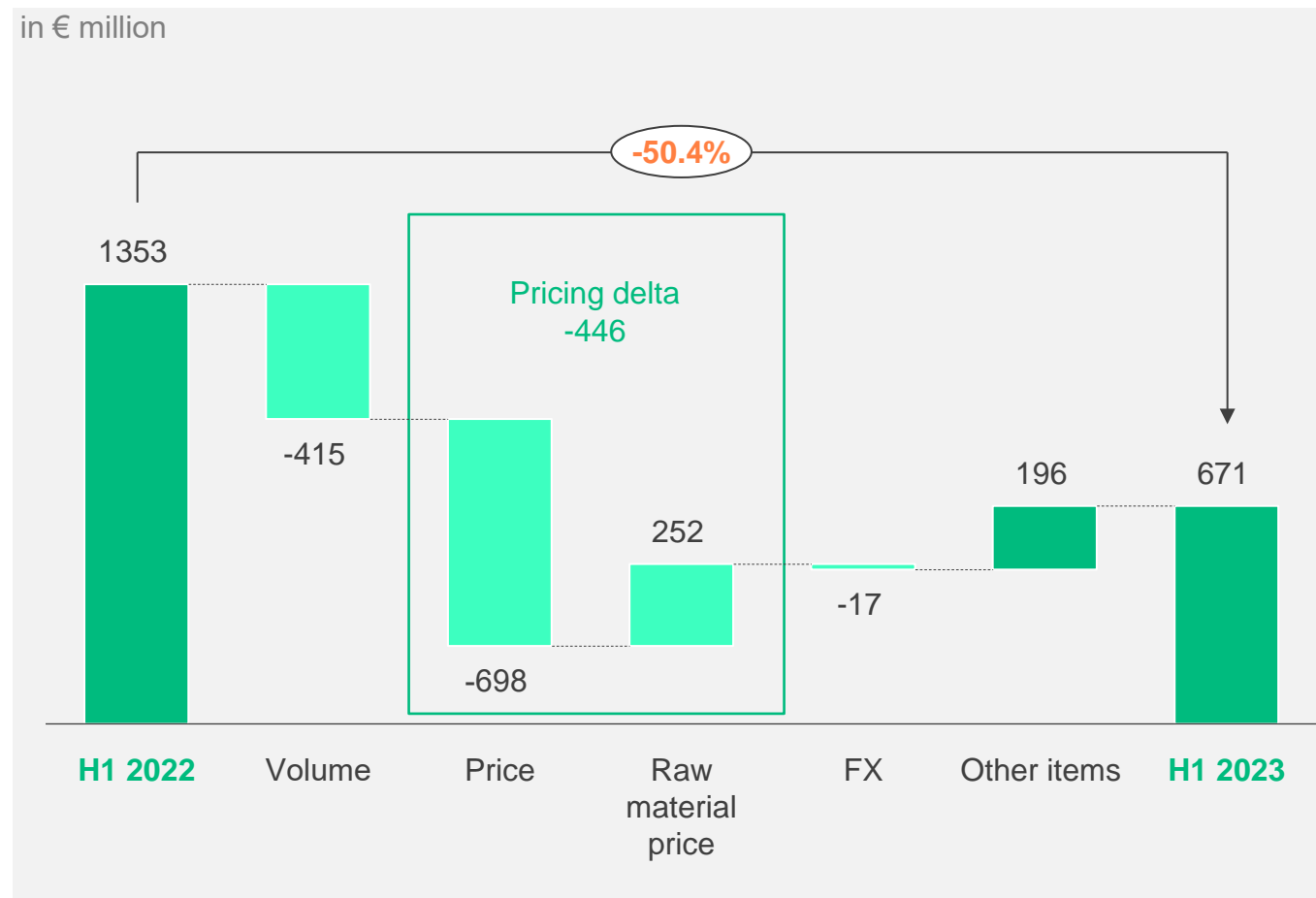
#### FX negative

- FX affected sales to minor extend of -0.6% Y/Y mainly driven by USD and RMB

# Earnings impacted by lower volumes and negative pricing delta



## H1 2023 – EBITDA bridge



### HIGHLIGHTS

#### Positive volume leverage<sup>(1)</sup>

- Negative volume leverage of 36%
- Volume leverage below long-term average due to product mix effects

#### Negative pricing delta

- Strongly declining prices due to unfavorable supply-demand situation
- Minor compensation by lower energy and raw material prices

#### Other items driven by:

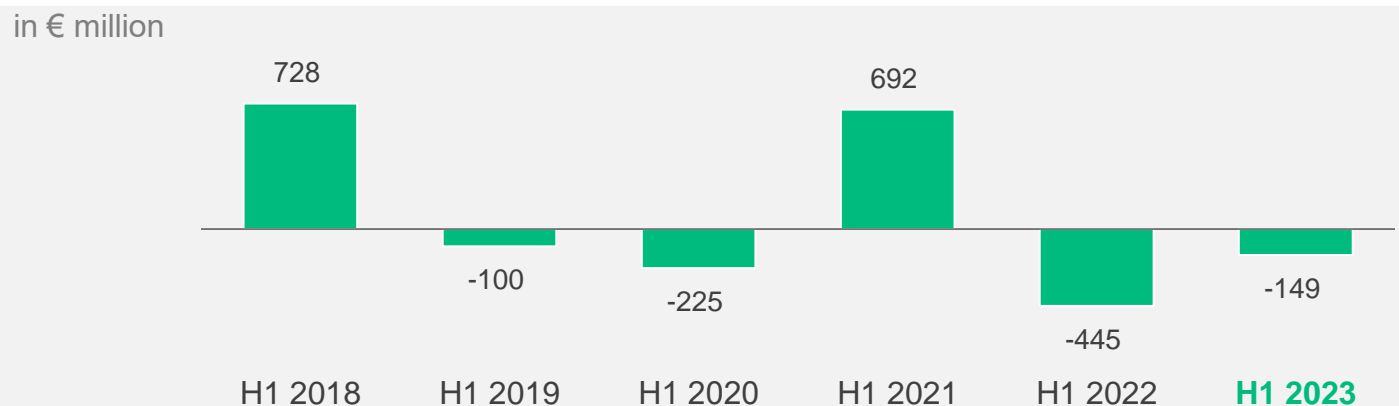
- Significantly lower operational cost
- Book gains from the divestment of the Additive Manufacturing business of €35m
- Provisions for restructuring of our Swiss entity of €14m
- Higher provisions for variable compensation of €7m



# Despite seasonally higher WoC on track for full year positive FOCF



## Historical FOCF development



<b>EBITDA</b>	+2,048	+901	+379	+1,560	+1,353	<b>+671</b>
<b>Changes in working capital<sup>(1,4)</sup></b>	-625	-98	-187	-580	-695	<b>-417</b>
<b>Capex<sup>(2)</sup></b>	-241	-384	-286	-289	-330	<b>-279</b>
<b>Income tax paid</b>	-335	-223	-102	-176	-360	<b>-117</b>
<b>Other effects<sup>(4)</sup></b>	-119	-296	-29	+177	-413	<b>-7</b>

### HIGHLIGHTS

- Q2 2023 FOCF improved to €-10m, year-on-year increase mainly driven by stringent trade working capital management despite declining EBITDA
- Working capital to sales ratio<sup>(3)</sup> decreased to 19.4% (21.3% at end of H1 2022), driven by lower inventory levels and lower receivables; lower accounts payable due to lower purchase volumes
- Capex of €-279m on budget and in line with FY 2023 guidance
- Income taxes in H1 2023 mainly driven by payments in China
- Other effects: H1 2022 include bonus payout €475m for FY2021



# Net income affected by impairments and DTA adjustments

## P&L statement H1 2023

in million €	H1 2022	H1 2023	% of H1 '23 sales	Δ Y/Y
Sales	9,386	7,463	100%	-20.5%
EBITDA	1,353	671	9.0%	-50.4%
D&A excl. impairments	-435	-429	-5.7%	-1.4%
Impairments	-22	<b>-37</b>	-0.5%	68.2%
EBIT	896	205	2.7%	-77.1%
Financial result	-72	-65	-0.9%	-9.7%
EBT	824	140	1.9%	-83.0%
Income taxes excl. DTA adjustments <sup>(1)</sup>	-209	-12	0.2%	-94.3%
DTA <sup>(1)</sup> adjustments	0	<b>-110</b>	-1.5%	-
<b>Net income</b>	<b>615</b>	<b>20<sup>(2)</sup></b>	0.3%	-96.7%
Earnings per share (in €) <sup>(3)</sup>	3.20	0.11	-	-96.6%

### HIGHLIGHTS

#### Impairments

- Impairment loss of €30m due to discontinuation of Maezio<sup>®</sup> product line and related site closure

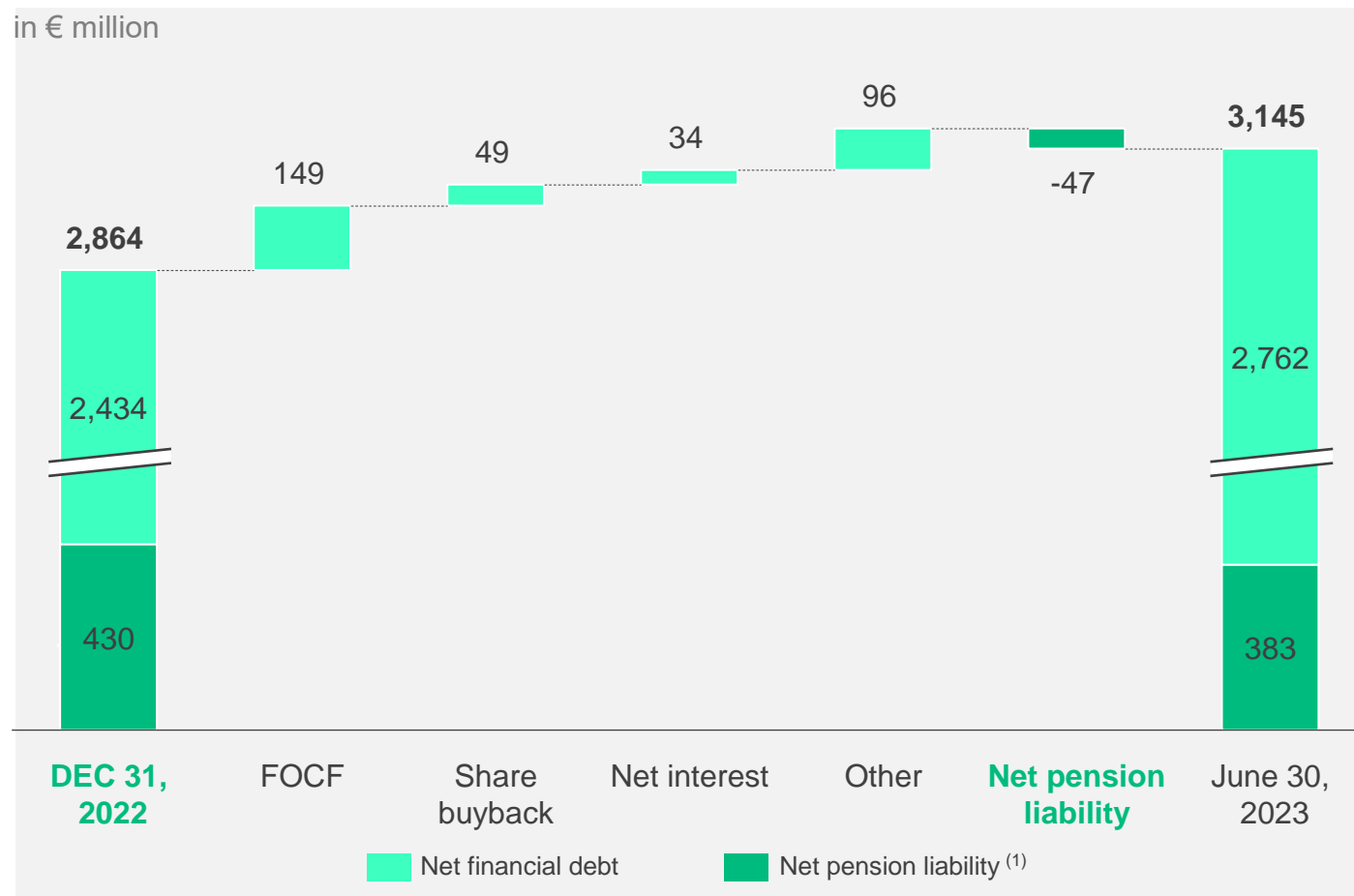
#### Deferred tax assets (DTA)

- DTA adjustments of €110m in H1 2023 due to negative earnings in Switzerland and Germany
- Resulting tax loss carry-forwards cannot any longer be accounted under IFRS
- Tax loss carry-forwards in Germany do not expire, in Switzerland expiration after 7 years

# Moody's confirms Baa2 rating with stable outlook



June 30, 2023 – Total net debt



## HIGHLIGHTS

- Total net debt to EBITDA ratio<sup>(2)</sup> of 3.0x at the end of H1 2023 compared to 1.0x at the end of H1 2022
- Higher net debt to EBITDA ratio reflects the cyclical nature of Covestro's business and is expected to be temporary
- Others mainly driven by finance lease contracts
- No financial covenant in place
- Solid investment grade rating of BAA2 with stable outlook confirmed by Moody's in June 2023



- Covestro investment highlights
- Group financials Q2'23
- **Segment overview**
- Background information

# Standard products with reliable supply and lowest cost

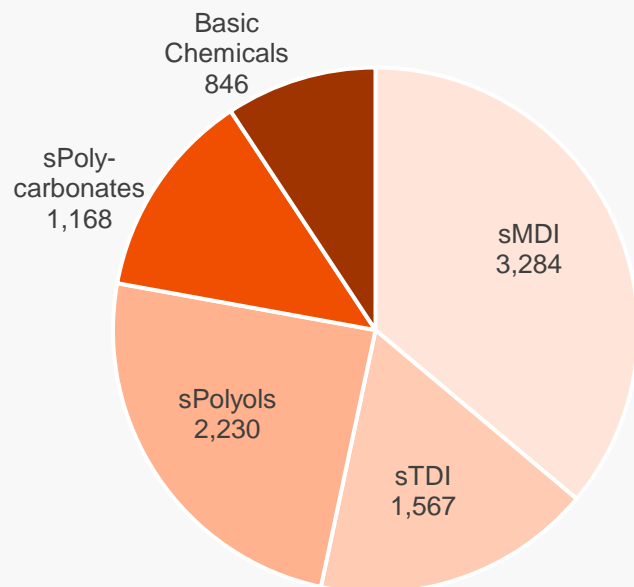


## Performance Materials

### PRODUCTS

Polyurethane and polycarbonate standard products as well as basic chemicals

**SALES 2022** (in € million)



### SUCCESS FACTORS

#### Ensure high asset utilization

Integrated end-2-end planning and steering of entire supply chain and large-scale production to optimize output



#### Supply customers reliably

to be customers' preferred supplier



#### Strengthen superior cost position

Standardized offerings and lean order management for focused customer and product portfolio



Customer centricity for standard products

### BENEFITS FOR GROUP

- Maintain leadership in Covestro core industries
- Implement growth strategy while building on vision of full circularity
- Create critical mass for Covestro in standard product offerings
- Supply downstream Business Entities at market-based prices



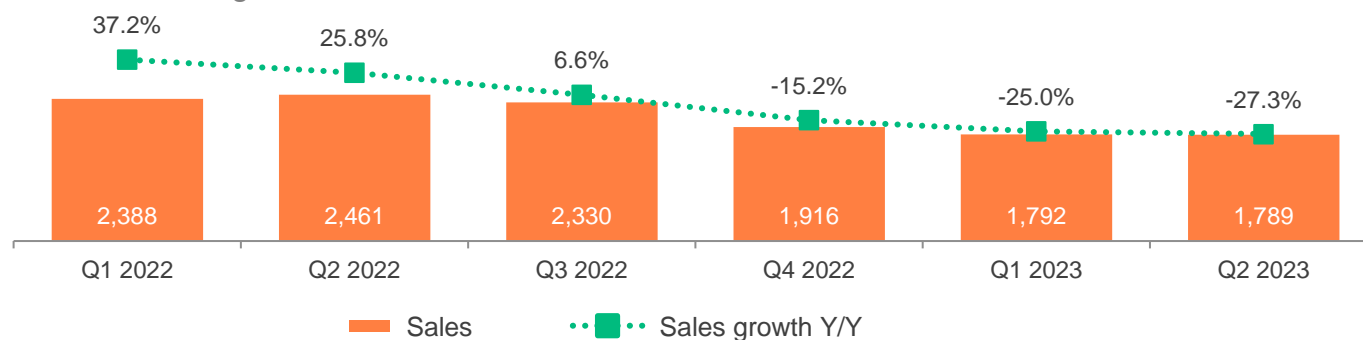
# Performance Materials – EBITDA continues to rebound



## Segment results – Highlights Q2 2023

### SALES

in € million / changes Y/Y

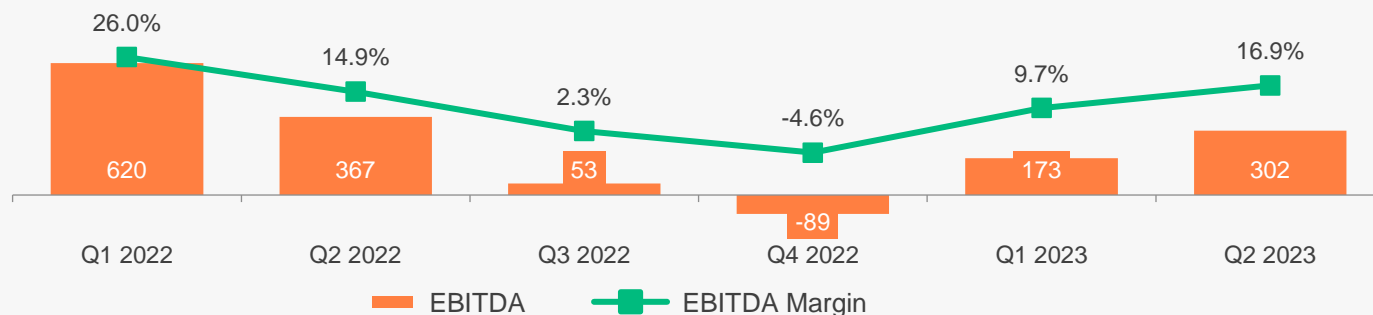


### HIGHLIGHTS

- Sales decreased by 27.3% Y/Y driven by price (-15.3%), volume (-10.3%) and small FX effect (-1.7%)
- Sequentially, slight sales decline in EMLA and NA but sales increase in APAC after Covid-wave and Chinese New Year in Q1 2023

### EBITDA AND MARGIN

in € million / margin in percent



### HIGHLIGHTS

- Compared to prior year, EBITDA decrease mainly driven by significantly negative pricing delta and strong volume decline, partly counterbalanced by positive others
- Quarter-over-quarter, EBITDA increase driven by positive pricing delta and higher volumes
- Includes insurance reimbursement of €75m<sup>(1)</sup>

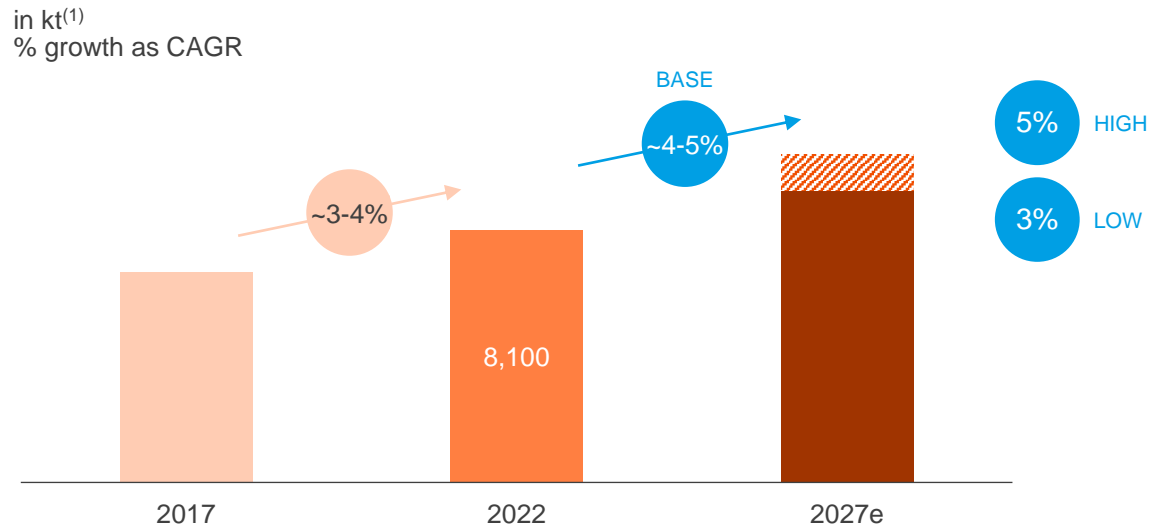


# MDI market balanced

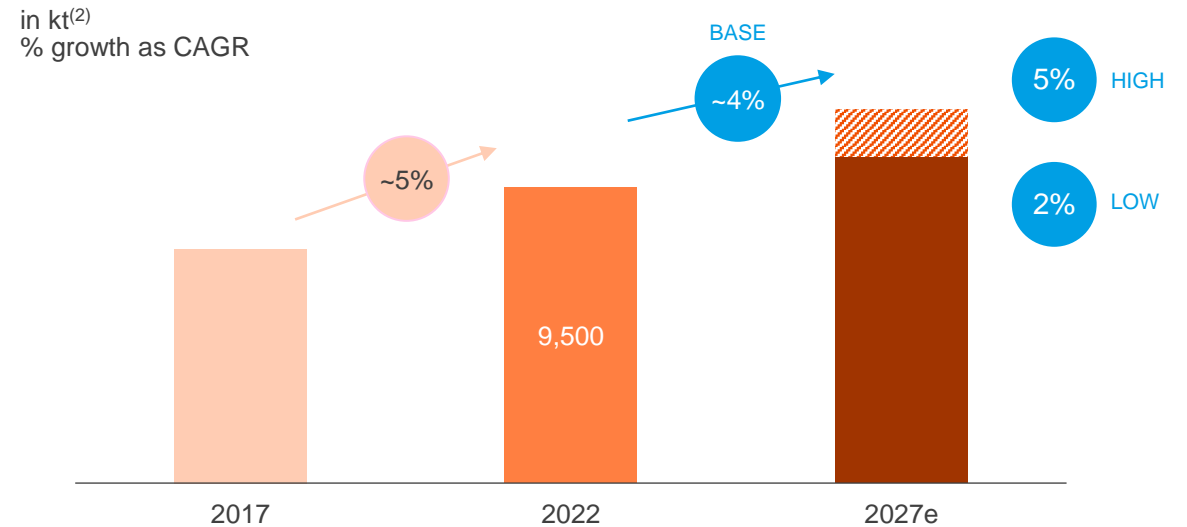
## Performance Materials: MDI industry demand and supply



### MDI DEMAND DEVELOPMENT (2017 - 2027e)



### MDI SUPPLY DEVELOPMENT (2017 - 2027e)



### HIGHLIGHTS

- In 2022, solid Industry Utilization Rate of 85%; industry usually fully utilized in the low nineties
- Demand CAGR of 4-5% between 2022 and 2027e includes flattish demand growth in 2023e and an acceleration of growth toward 2027e; long-term, demand growth CAGR of ~6% expected, leading to increasing industry utilization rate
- Covestro with further debottlenecks after 2027e

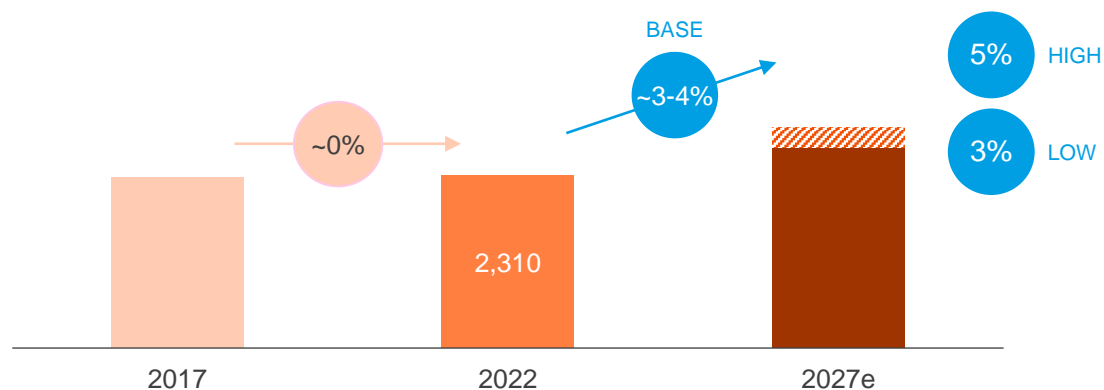
# TDI market moving towards balance



## Performance Materials: TDI industry demand and supply

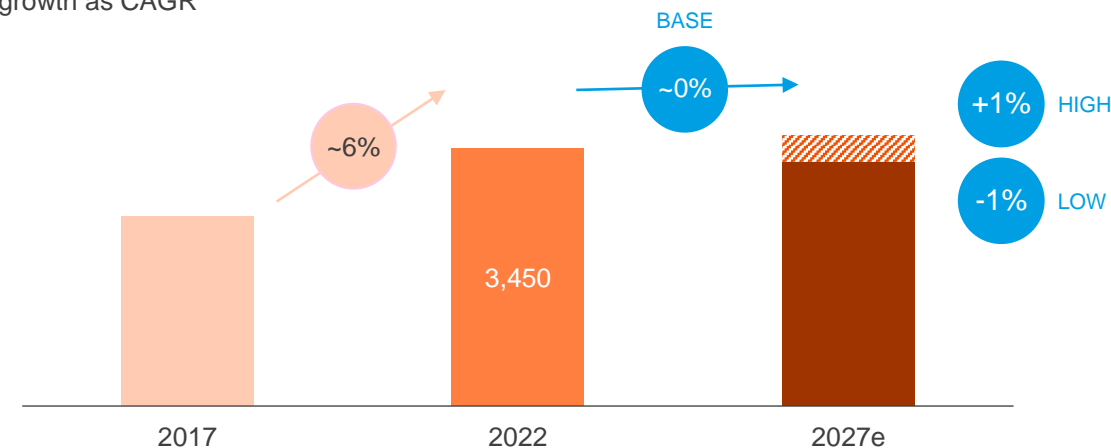
### TDI DEMAND DEVELOPMENT (2017 - 2027e)

in kt<sup>(1)</sup>  
% growth as CAGR



### TDI SUPPLY DEVELOPMENT (2017 - 2027e)

in kt<sup>(2)</sup>  
% growth as CAGR



### HIGHLIGHTS

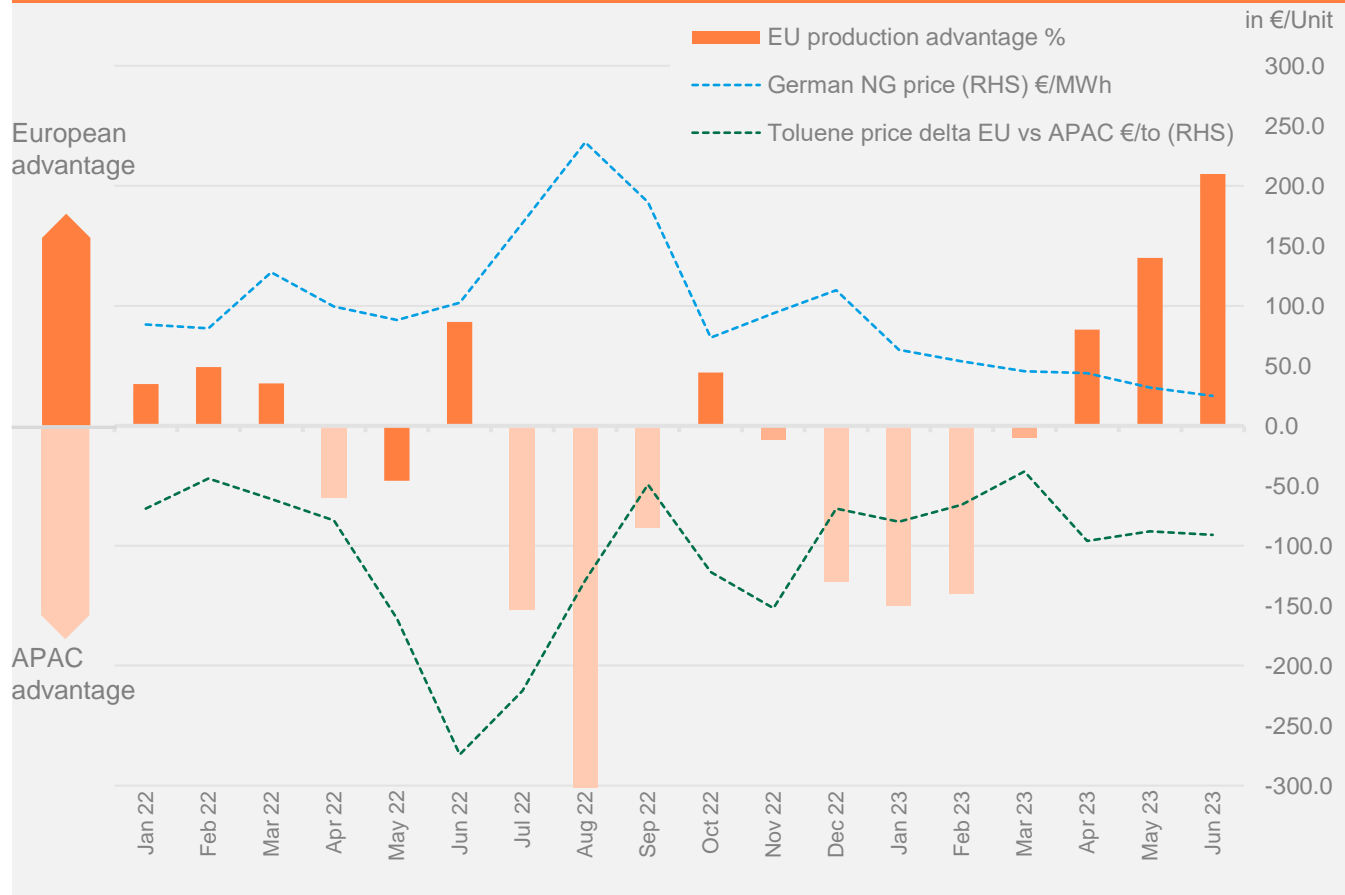
- Global demand declined by 8% in 2022, heavily influenced by destocking
- In 2022, low Industry Utilization Rate of 67%; industry usually fully utilized in the high eighties
- In 2023, Wanhua-Fujian ramp-up (+125kt) and BASF Ludwigshafen closure (-300kt).
- Based on normal demand growth capacity reductions should lead to strong increase of industry utilization rate near-term
- Favorable cash cost position puts Covestro into strong competitive position even under low cycle conditions

# European TDI production regained competitiveness



## European TDI market

### EUROPEAN TDI PRODUCTION COSTS COMPARED TO ASIAN<sup>(1)</sup>



### HIGHLIGHTS

#### TDI imports from APAC

- In Q3 2022, energy price hike led to increasing export activities from Asia
- Imports into Europe from Korea of 54kt and China 50kt in FY 2022; Jan-May 23 22.5kt from China and 31kt from Korea<sup>(2)</sup>

#### Logistic cost & duties

- Logistic cost are between €350-600/t
- Duties are 6.5% from China; no duties from Korea

#### Mid-term outlook:

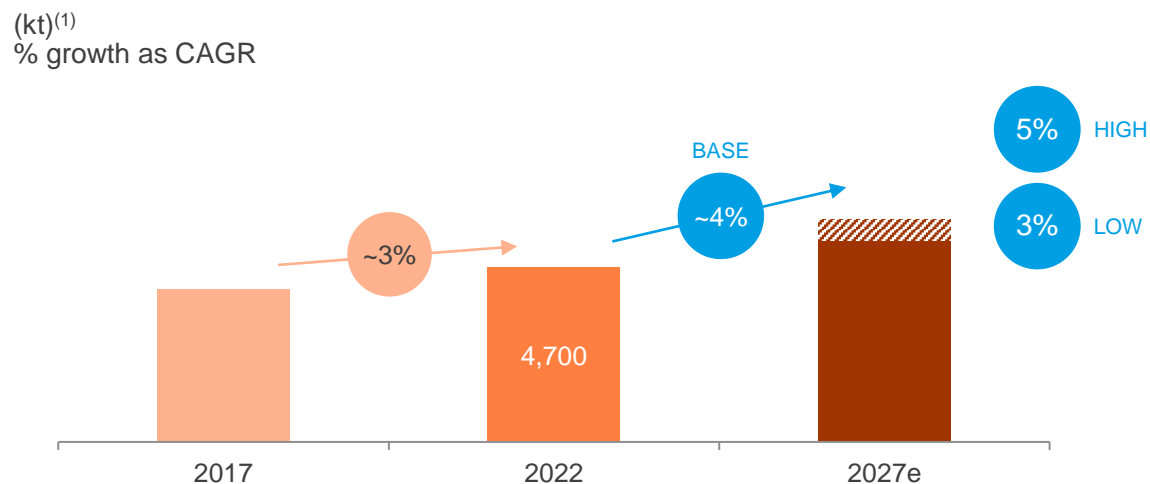
- With closure of BASF TDI 300kt unit European market demand exceeds available capacity and requires increasing imports
- With European energy prices at current levels TDI imports are since the last quarter no longer cheaper compared to European production

# Execution risks may limit future capacity additions

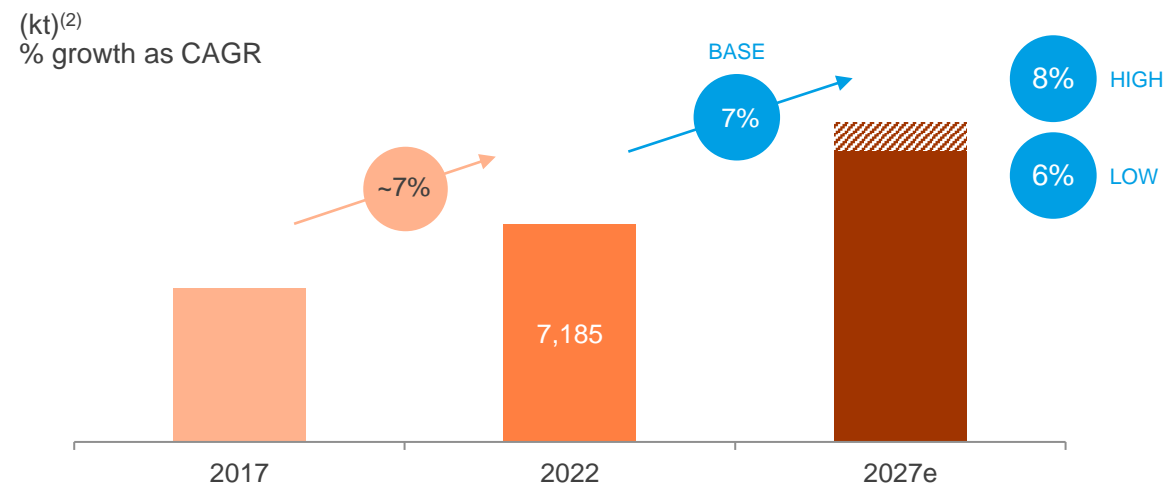


## Performance Materials: Polycarbonates (PC) industry demand and supply

### PC DEMAND DEVELOPMENT (2017 - 2027e)



### PC SUPPLY DEVELOPMENT (2017 - 2027e)



### HIGHLIGHTS

- In 2022, low Industry Utilization Rate of 65% after recent supply additions; industry usually fully utilized in the low eighties
- No major additions<sup>(3)</sup> expected until 2025, followed by numerous announced projects with uncertainties regarding timing and scope
- Covestro focus on differentiated business with increasing use of standard-polycarbonates as captive feedstock

# Differentiation based on customer proximity and innovation

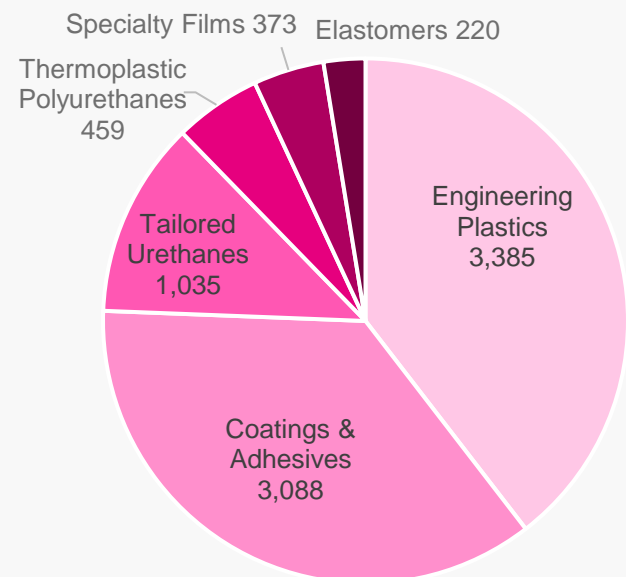


## Solutions & Specialties

### PRODUCTS

Differentiated polymer products

**SALES 2022** (in € million)



### SUCCESS FACTORS

#### Implement a pull supply chain

Use deep customer understanding to deliver unique value to customers



#### Lead in innovation

Continuously innovate products and applications in order to maximize value proposition to customers



#### Manage complexity

Efficiently steer customers and products at a small scale and balance cost of each solution against value for the customer



**Customer centricity** for solutions and specialty products

### BENEFITS FOR GROUP

- Maintain leadership in differentiated niche applications
- Implement growth strategy while building on vision of full circularity
- Improve earnings margin from relatively low starting point

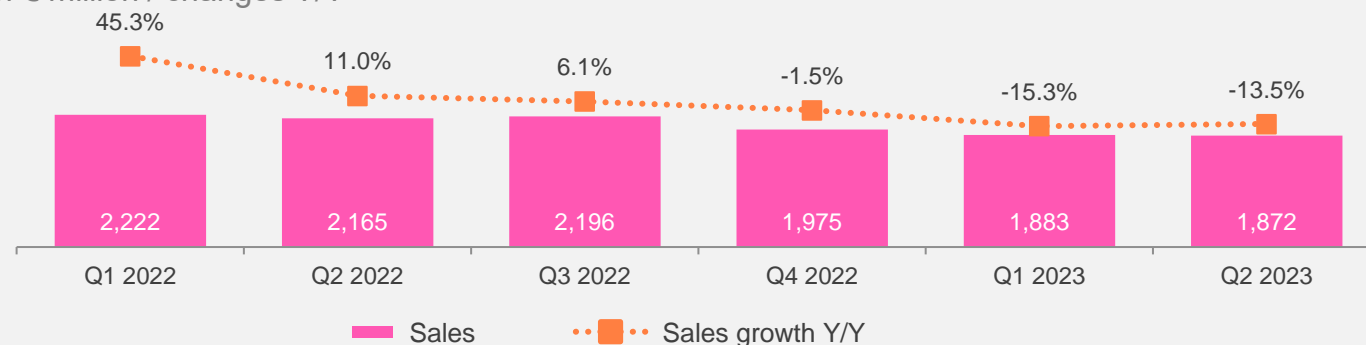
# Solutions & Specialties – EBITDA up compared to prior year



## Segment results – Highlights Q2 2023

### SALES

in € million / changes Y/Y

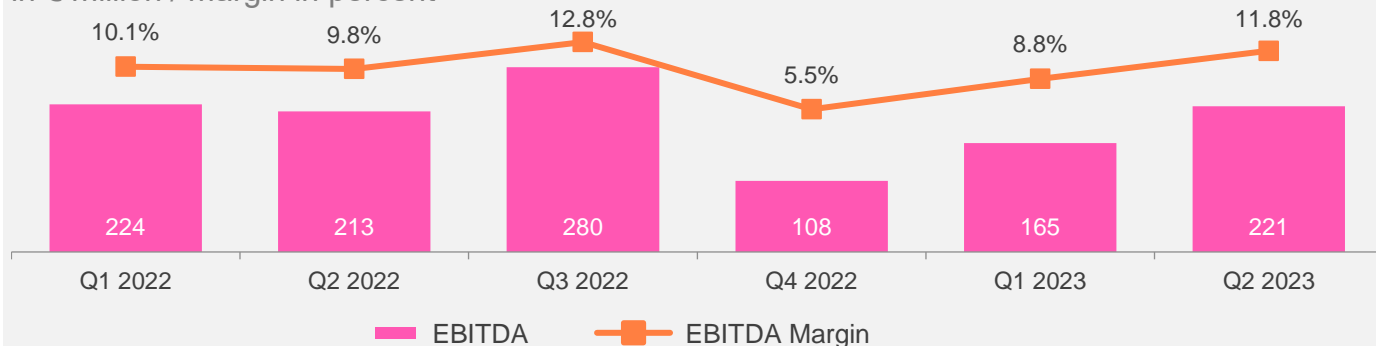


### HIGHLIGHTS

- Sales declined by 13.5% Y/Y, mainly driven by decline in prices (-6.6%), volume (-4.7%) and FX (-2.2%)
- Sequentially, sales only declined slightly in EMLA with NA being stable and APAC exhibiting a slight increase in sales mainly caused by higher volumes

### EBITDA AND MARGIN<sup>(1)</sup>

in € million / margin in percent



### HIGHLIGHTS

- Compared to prior year, EBITDA increases slightly on the back of neutral pricing delta, negative volume but positive others due to lower fixed cost
- Quarter-over-quarter higher EBITDA due to improved volumes and positive others, burdened by negative pricing delta
- EBITDA margin improved to 11.8% in Q2 2023



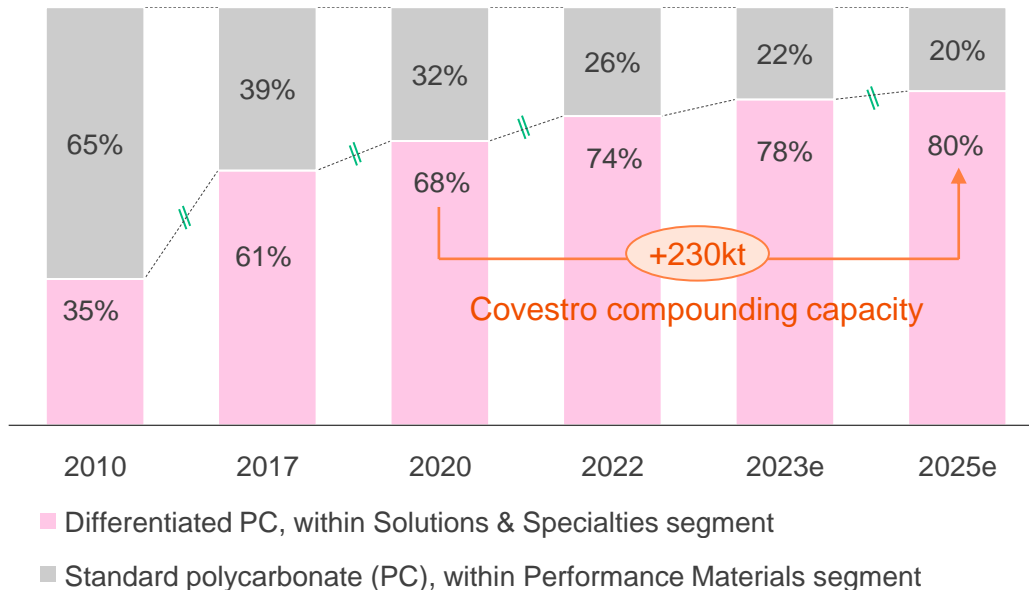
# Shifting from standard to differentiated polycarbonate



## Solutions & Specialties: high-growth contributor Engineering Plastics

### POLYCARBONATE 2022 SALES €4.6bn

Covestro polycarbonate volume split by segment



Refining standard polycarbonate from Performance Materials into differentiated grades in Solutions & Specialties

### ENGINEERING PLASTICS (EP) INDUSTRY +8% CAGR 2022-2027e

#### CUSTOMER INDUSTRIES



##### Auto & transport

EP sales share 2022: 45%  
CAGR 2022-2027e: 9%



##### Electro

EP sales share 2022: 40%  
CAGR 2022-2027e: 7%



##### Healthcare

EP sales share 2022: 11%  
CAGR 2022-2027e: 8%

#### GROWTH DRIVERS

- Global trends towards BEV boost total LV production
- Number of produced BEV expected to grow strongly, with higher PC content per unit compared to conventional LV
- Strong demand in communication infrastructure, audio, LED, power supply and small appliances
- New opportunities from 5G, intelligent connectivity and electrical integration
- Aging population with increasing healthcare access in emerging markets
- Trend towards home healthcare devices and wearable monitor devices

Strong demand for differentiated polycarbonate grades across several customer industries

# Doubling sales by 2025

## Solutions & Specialties: high-growth contributor Specialty Films



SPECIALTY FILMS		
	<b>Total Sales 2022 €373m</b>	<b>CAGR 2022-2027e ~12%</b>
TARGET	<ul style="list-style-type: none"><li>• Doubling sales by 2025e versus Sales 2020 of €240m</li></ul>	
APPROACH	<ul style="list-style-type: none"><li>• Elevating market share from differentiation via quality and service with customer-tailored applications</li><li>• Strong competitive advantage from technical expertise and filled innovation pipeline</li><li>• Excellent customer relationships promoting joint developments with long-term contracts</li></ul>	
INVESTMENT	<ul style="list-style-type: none"><li>• Enabling growth with investment of almost €100m from 2023e till 2025e</li></ul>	

### BUILD AGGRESSIVELY MEDICAL BUSINESS



Making use of IP portfolio to outgrow the industry with more than 20% sales growth per year

### DEVELOP AUGMENTED REALITY BUSINESS



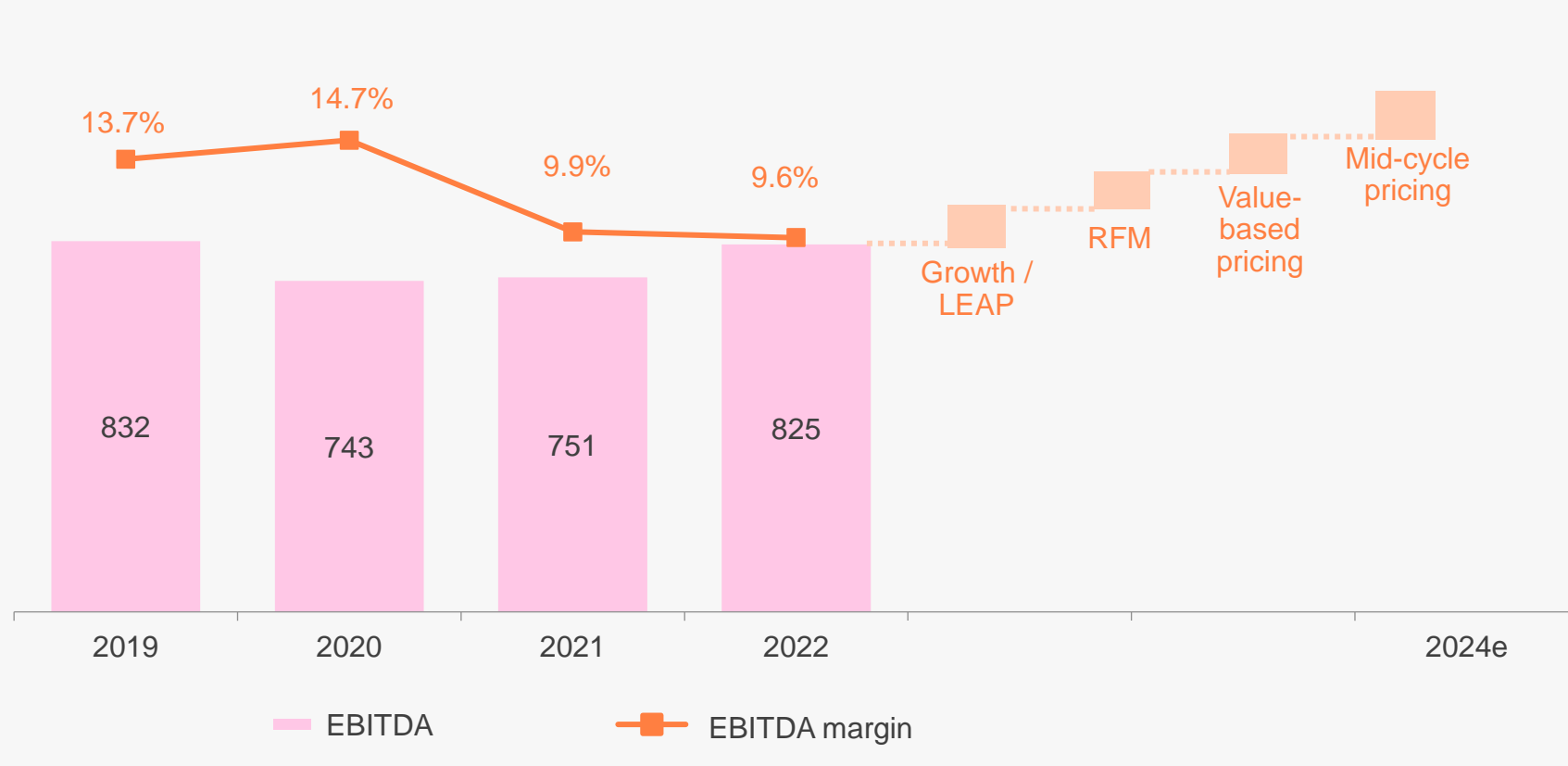
Growing within emerging market of holographic light guiding: accelerating markets of virtual displays in glasses and head-up displays in vehicles

# EBITDA margin to grow

## Solutions & Specialties segment target

### EBITDA AND MARGIN – SOLUTIONS & SPECIALTIES





in € million



### TARGET MARGIN

- EBITDA margin 2022 burdened by inflated sales but benefited from significantly higher EBITDA Y/Y
- In 2023, expecting EBITDA around 2022 level<sup>(1)</sup>
- EBITDA margin growth driven by:
  - fixed cost dilution due to strong growth, LEAP transformation
  - RFM integration and synergies
  - Focus on value-based pricing
 Based on mid-cycle inter-segment charges and excluding raw material price-indicated sales inflation



-  Covestro investment highlights
-  Group financials Q2'23
-  Segment overview
-  **Background information**



# Led by a diverse, international management team

Covestro senior management as of September 1, 2023



## BOARD OF MANAGEMENT



### Chief Executive Officer<sup>1</sup>

Dr Markus Steilemann  
Nationality: German



### Chief Financial Officer<sup>2</sup>

Christian Baier  
Nationality: German



### Chief Commercial Officer

Sucheta Govil  
Nationality: British  
with Indian origin



### Chief Technology Officer

Dr Thorsten Dreier  
Nationality: German

## BUSINESS ENTITIES



### Performance Materials

Hermann-Josef Dörholt  
Nationality: German  
Based in Leverkusen,  
Germany



### Tailored Urethanes

Christine Bryant  
Nationality: US-American  
Based in Pittsburgh,  
USA



### Coatings and Adhesives

Dr Thomas Römer  
Nationality: German  
Based in Leverkusen,  
Germany



### Engineering Plastics

Lily Wang  
Nationality: Chinese  
Based in Shanghai,  
P.R. China



### Specialty Films

Dr Aleta Richards  
Nationality: US-American  
Based in Dormagen,  
Germany



### Elastomers

Dr Thomas Braig  
Nationality: German  
Based in Romans-sur-Isère,  
France



### Thermoplastic Polyurethanes

Dr Andrea Maier-Richter  
Nationality: German  
Based in Dormagen, Germany

# Covestro ESG rating results and index membership

As of July 2023



ESG Ratings & Indices	Scoring Range (Worst → Best)	2016	2017	2018	2019	2020	2021	2022	2023	Distinction	
CDP CLIMATE	D- to A	-	-	-	-	-	A-	A-	Exp. in Q4	Leadership Level (1)	
ecoVadis SUPPLIER SUSTAINABILITY RATINGS	0 to 100	73				80		72	Next update in 2025	(2)	
MSCI ESG	CCC to AAA	BBB	BBB	A	A	A	A	AA		(3)	
SUSTAINALYTICS	100 to 0	74	75		80	23.3	20.0	18.3	21.1	20.1	(4)
FTSE Russell	Excluded / Listed	Listed	Listed	Listed	Listed	Listed	Listed	Listed	Exp. in Q3	FTSE4Good	

Notes:

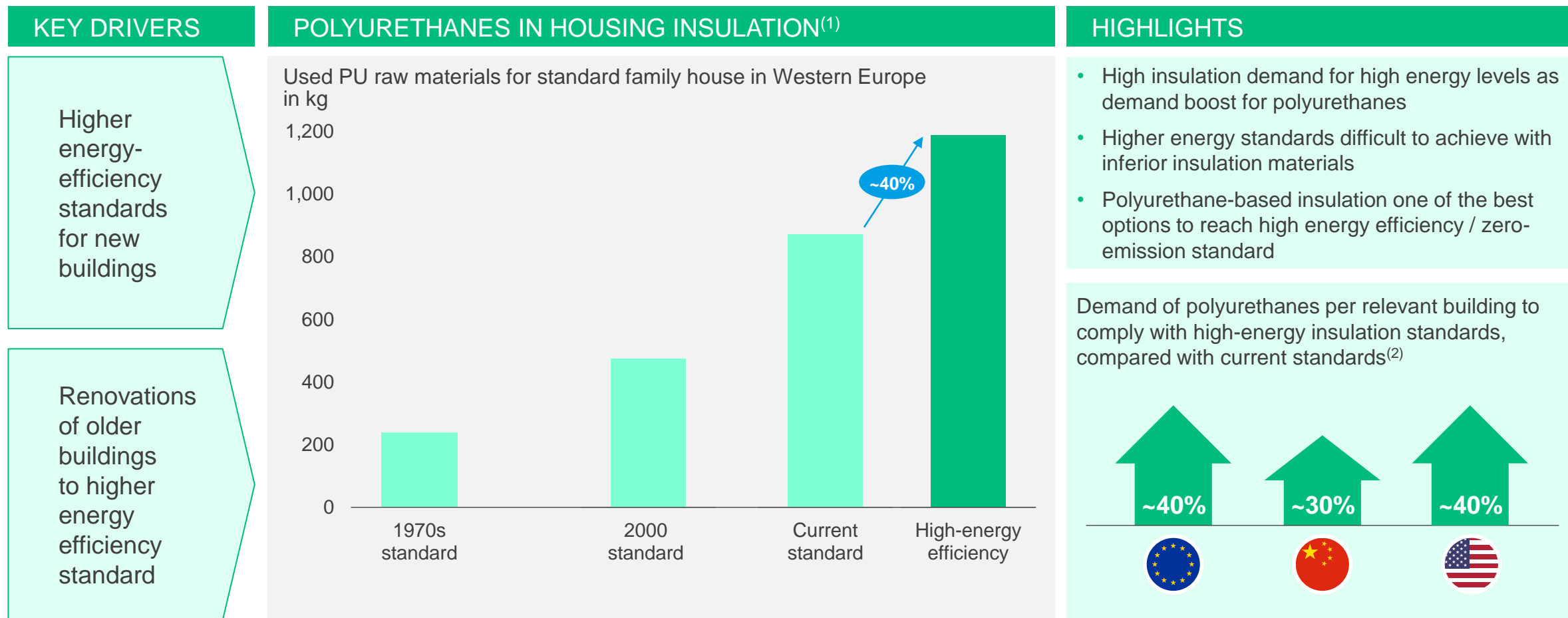
- (1) Leading within the chemical industry in managing the most significant climate related questions.
- (2) Covestro belongs to the Top 5% within the chemical industry.
- (3) Covestro belongs to the Top 23% within specialty chemicals.
- (4) Covestro is identified as a TOP ESG performer of Sustainalytics' ESG Risk Ratings out of more >4,000 comprehensive companies. Covestro belongs to the Top 5% within the chemical industry.



# Higher insulation standards increase demand for polyurethanes



## Building insulation market outlook



# Increasing BEV share boosts demand

## Global electric vehicle market outlook



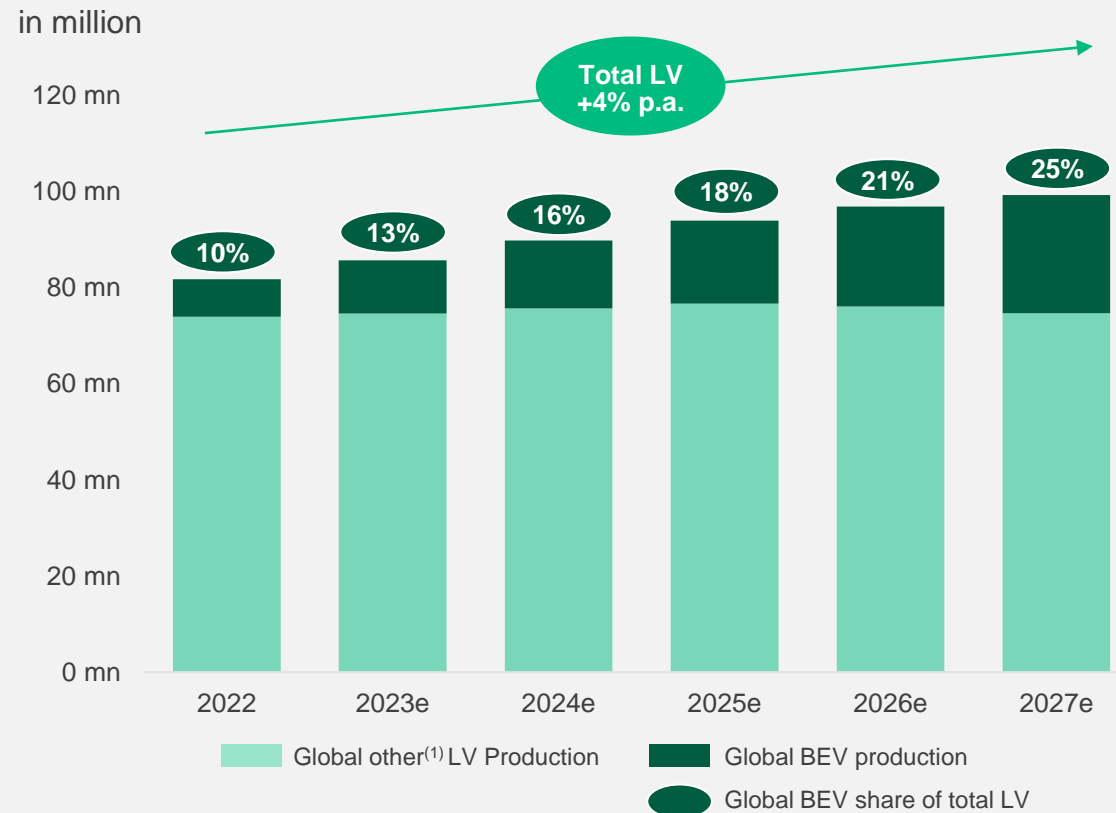
### KEY DRIVERS

Carbon neutrality targets

Rising fuel prices

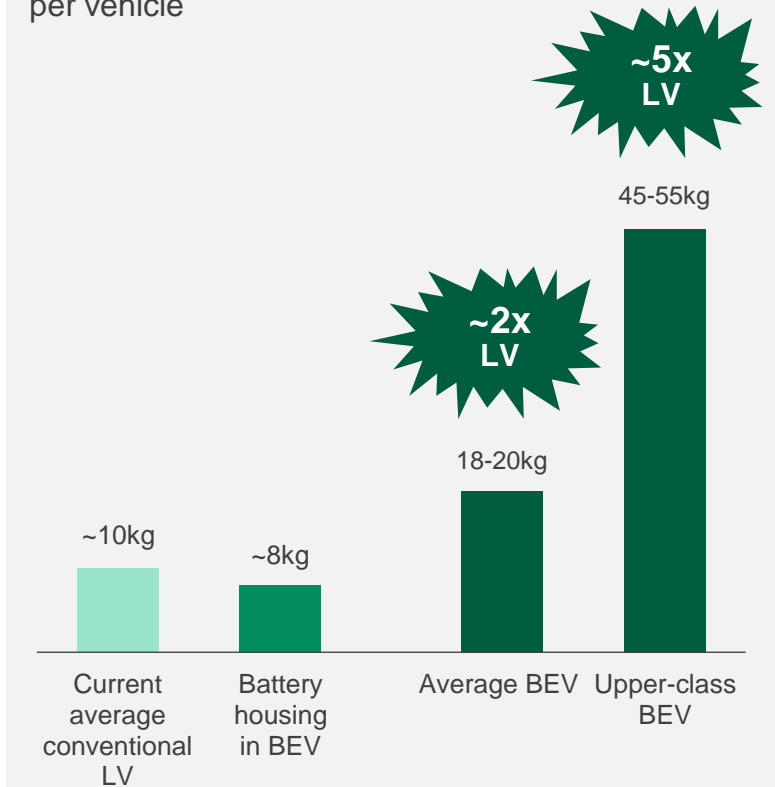
Stringent emission regulations

### DEVELOPMENT OF AUTOMOTIVE INDUSTRY



### USE OF POLYCARBONATES IN BEV

per vehicle



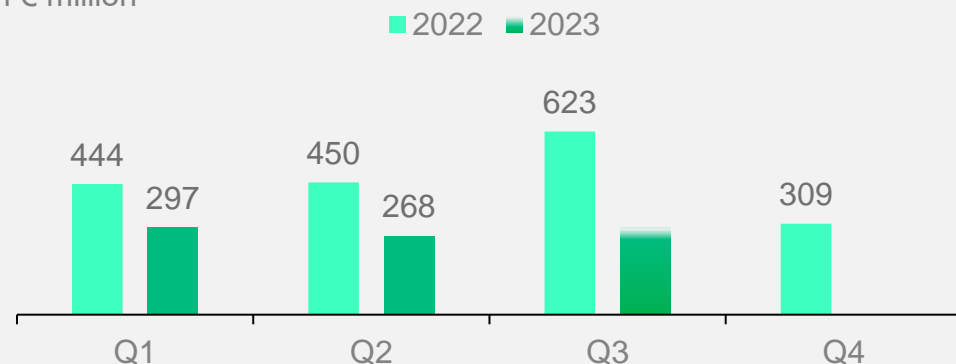
# Global energy prices normalizing after tripling within two years



## Energy cost development

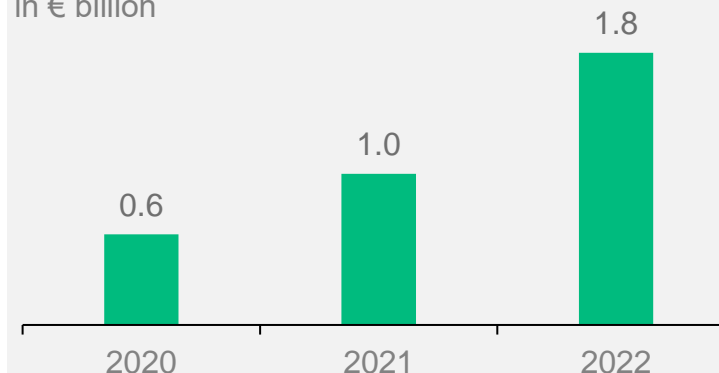
### QUARTERLY ENERGY COST DEVELOPMENT

in € million



### GLOBAL ENERGY COST

in € billion



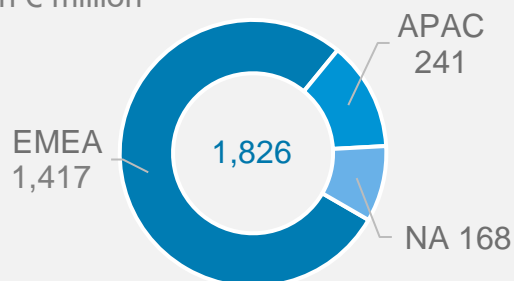
### HIGHLIGHTS

- Global energy bill in FY 2022 of €1.8bn, energy demand reduced by ~7% vs FY2021
- Q1 2023 flat vs Q4 2022 with lower energy prices offsetting additional energy need for new Tarragona chlorine plant
- Q2 2023 global energy cost of €268m, declined vs Q1 2023 from lower volumes and lower prices
- Expecting Q3 2023 global energy cost slightly up versus Q2 2023 from planned higher volumes
- In general, Covestro does not hedge its energy purchases

### ENERGY BREAKDOWN

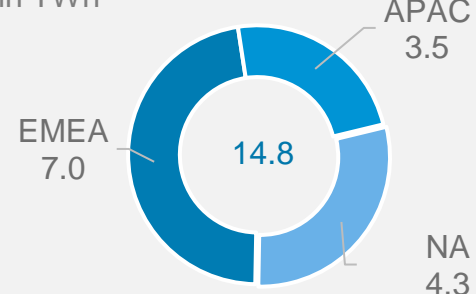
#### 2022 ENERGY SPENT BY REGION

in € million



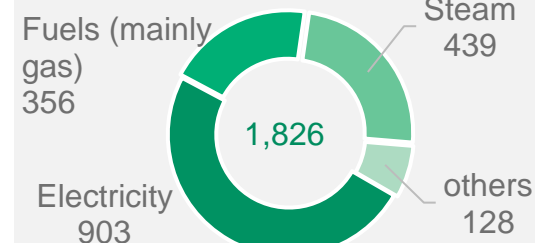
#### 2022 PRIMARY ENERGY VOLUME BY REGION<sup>(1)</sup>

in TWh



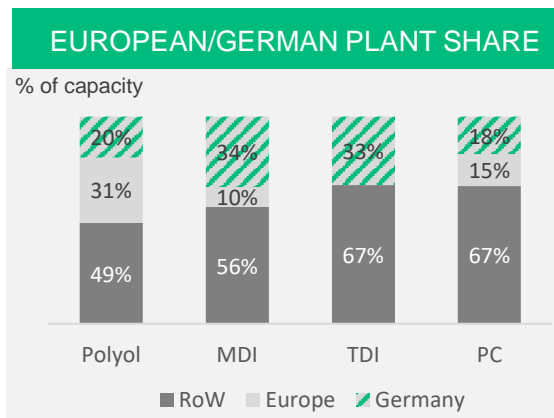
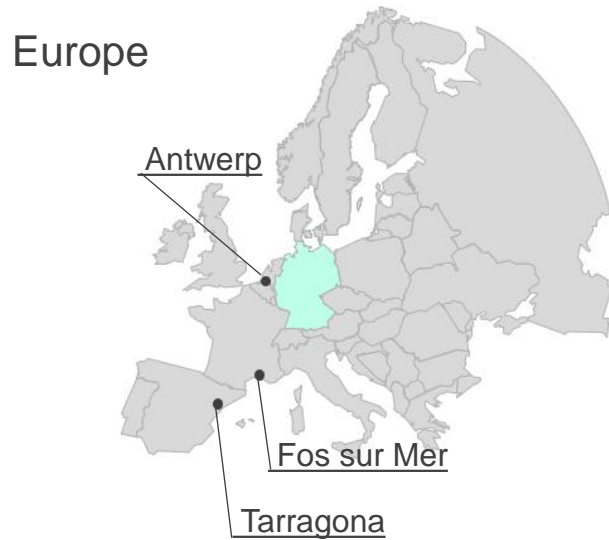
#### 2022 SPENT BY ENERGY TYPE

in € million



# European major sites locations

## Asset footprint



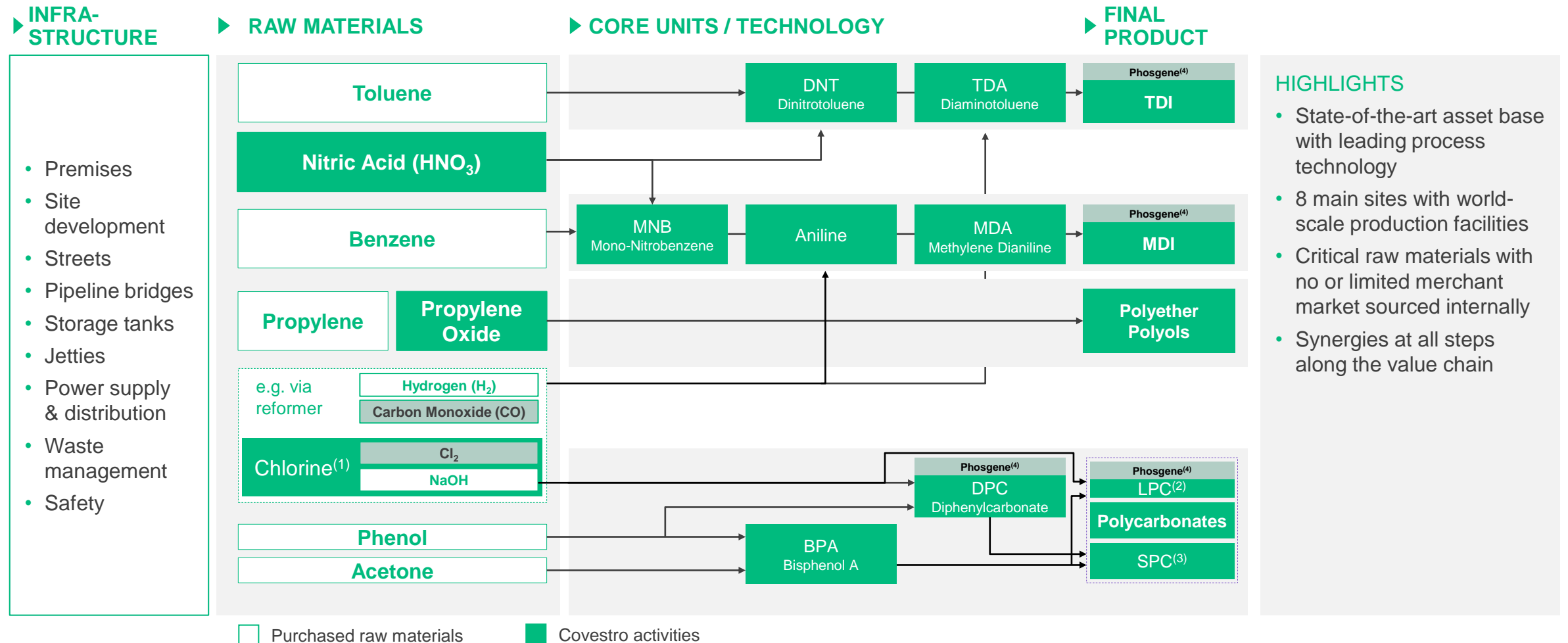
### HIGHLIGHTS

- Covestro runs multiple large production sites for its core products in Europe
- Covestro sites in Germany represent ~25% of global Covestro production capacity in Covestro core products
- Covestro plants have at all times been fully supplied with natural gas

# Synergies in scale, process technology and chemical know-how



## One chemical backbone across all segments



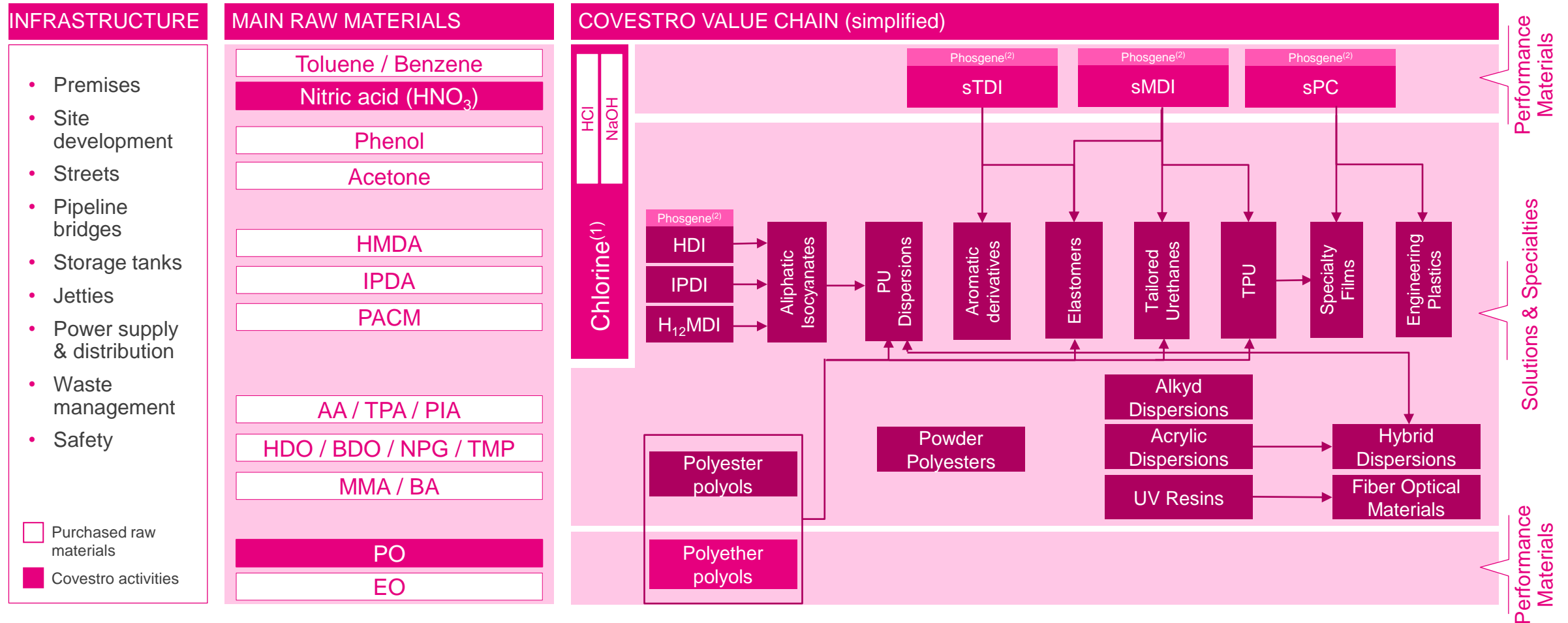
### HIGHLIGHTS

- State-of-the-art asset base with leading process technology
- 8 main sites with world-scale production facilities
- Critical raw materials with no or limited merchant market sourced internally
- Synergies at all steps along the value chain

# Synergies from chemical backbone and complementary technologies



## Solutions & Specialties backward integration and value chain



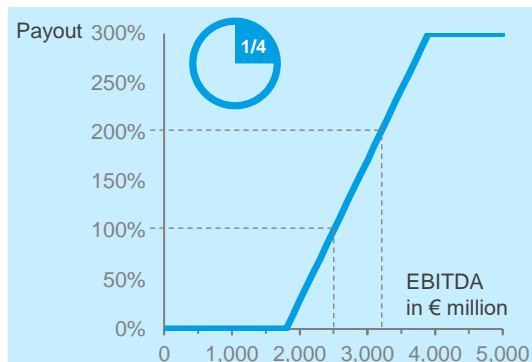


# Entire organization aligned for performance and sustainability

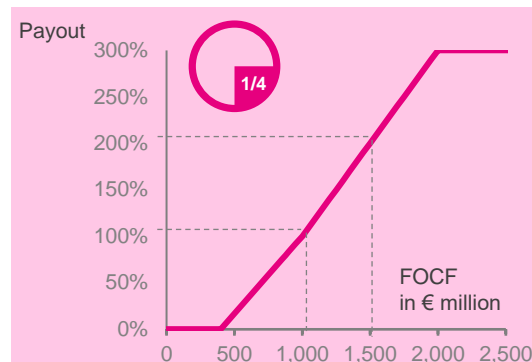


## Group Profit Sharing Plan (PSP) as of 2022

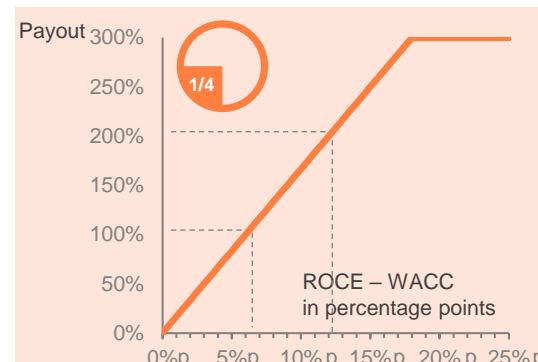
### UNIFORM BONUS SYSTEM



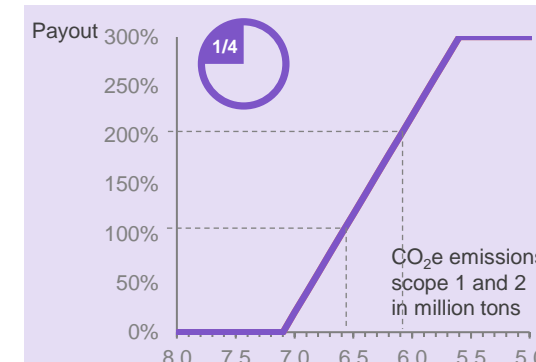
EBITDA (€ mio)				
Value	1,800	2,500	3,200	3,900
Payout	0%	100%	200%	300%



FOCF (€ mio)				
Value	400	1,000	1,500	2,000
Payout	0%	100%	200%	300%



ROCE above WACC (pp.)				
Value	0	6	12	18
Payout	0%	100%	200%	300%



Absolute CO <sub>2</sub> emissions Scope 1&2 (mt)				
Value	7.1	6.6	6.1	5.6
Payout	0%	100%	200%	300%

### HIGHLIGHTS

- Full alignment of all employees (including Board) along the same KPIs
- Criteria with full focus on performance, shareholder value creation and sustainability
- 100% payout, as percentage of annual base salary, linked to hierarchy level
- Total payout at Group level for 0%, 100% and 250% achievement is €0m, ~€0.2bn and ~€0.5bn
- Max. payout capped at 250%

# High accumulated free operating cash flow

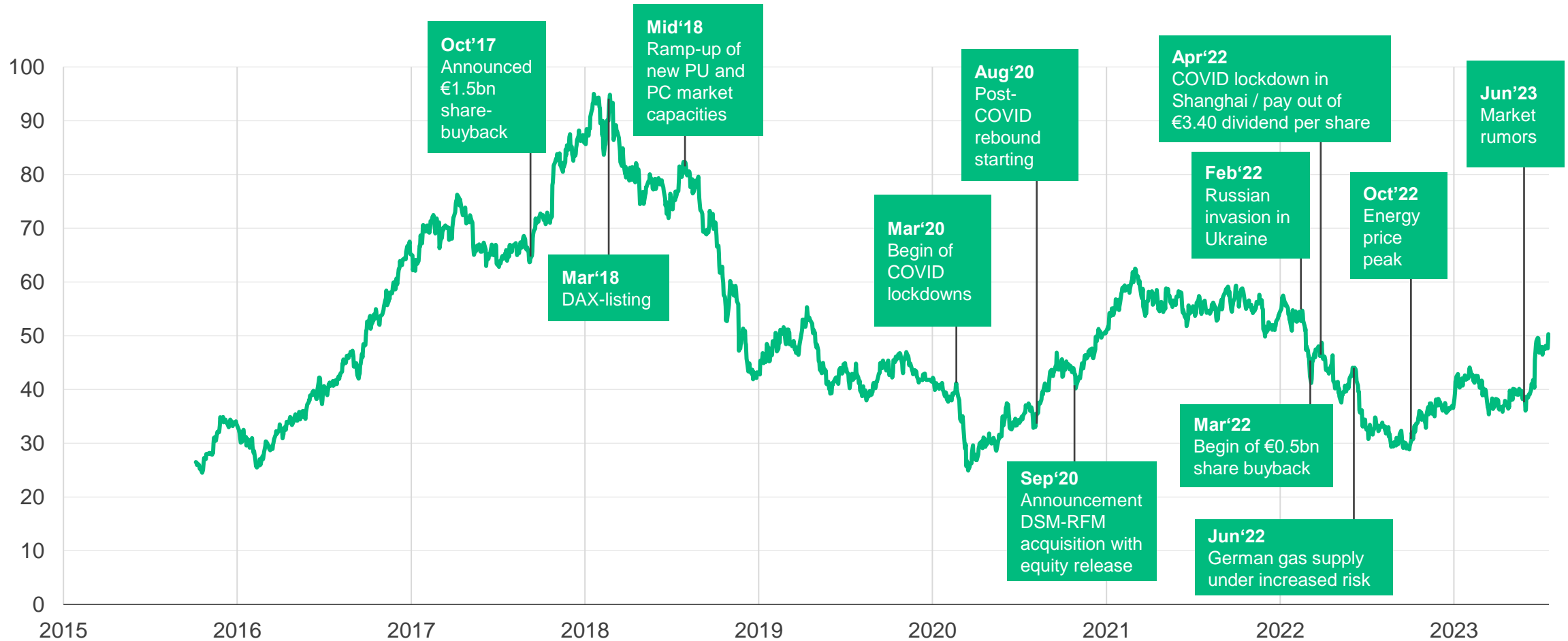
## Development of last five years



		2018	2019	2020	2021	2022
<b>Sales</b>	(€ million)	14,616	12,412	10,706	15,903	17,903
• <i>Volume y/y</i>	(%)	+2.3	+0.8	-5.1	+6.5	-5.0
• <i>Price y/y</i>	(%)	+4.5	-17.3	-5.7	+34.7	+10.1
• <i>FX y/y</i>	(%)	-3.0	+1.9	-1.6	-0.8	+5.9
• <i>Portfolio y/y</i>	(%)	-0.4	-0.5	-1.3	+8.1	+2.0
<b>EBITDA</b>	(€ million)	3,200	1,604	1,472	3,085	1,617
• <i>Performance Materials</i>		2,825	942	896	2,572	951
• <i>Solutions &amp; Specialties</i>		585	832	743	751	825
<b>Earnings per Share</b>	(€)	9.46	3.02	2.48	8.37	-1.42
<b>Capex</b>	(€ million)	707	910	704	764	832
<b>Free operating cash flow (FOCF)</b>	(€ million)	1,669	473	530	1,429	138
<b>ROCE above WACC</b>	(%points)	22.8	1.6	-0.3	12.9	-5.0
<b>Total net debt <sup>(1)</sup></b>	(€ million)	1,793	2,954	2,479	2,604	2,920
<b>Employees <sup>(2)</sup></b>	(FTE)	16,770	17,201	16,501	17,909	17,985

# Historical share price performance

## Covestro € share price since IPO



# Upcoming IR events



Find more information on [covestro.com/en/investors](https://covestro.com/en/investors)

## REPORTING DATES

- |                     |                             |
|---------------------|-----------------------------|
| • October 27, 2023  | Q3 2023 Quarterly Statement |
| • February 29, 2024 | 2023 Annual Report          |
| • April 30, 2024    | Q1 2024 Quarterly Statement |

## ANNUAL GENERAL MEETING

- |                  |                        |
|------------------|------------------------|
| • April 17, 2024 | Annual General Meeting |
|------------------|------------------------|

## BROKER CONFERENCES

- |                      |  |
|----------------------|--|
| • September 5, 2023  | Commerzbank and ODDO BHF Corporate Conference, Frankfurt                 |
| • September 6, 2023  | Jefferies 2023 Industrials Conference, New York                          |
| • September 18, 2023 | Berenberg & Goldman 12 <sup>th</sup> German Corporate Conference, Munich |
| • September 19, 2023 | Baader Investment Conference, Munich                                     |
| • September 19, 2023 | J.P. Morgan CEO Series Call, virtual                                     |



# Disclaimer

This presentation may contain forward-looking statements based on current assumptions and forecasts made by Covestro AG.

Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Covestro's public reports, which are available on the Covestro website at [www.covestro.com](http://www.covestro.com).

The company assumes no liability whatsoever to update these forward-looking statements or to adjust them to future events or developments.