



# Operating along trough levels

Roadshow presentation

A large, semi-circular graphic on the left side of the slide. It features a vibrant green-to-blue gradient background. Overlaid on this is a complex digital cityscape with various icons representing sustainability and technology, such as gears, leaves, a globe, a recycling symbol, and a leaf with a drop. The icons are interconnected by glowing white lines and circles, creating a sense of a dynamic, interconnected network.

**Covestro investment highlights**

Group financials Q3'23

Segment overview

Background information

# Covestro is diversified across geographies and end-markets



## Key performance indicators and sales split



Sales  
2022



EBITDA  
2022

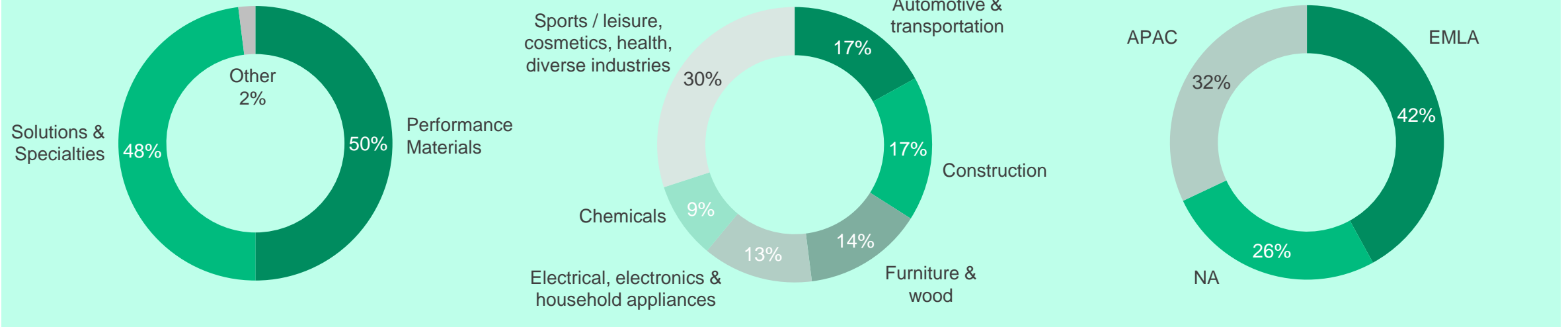


FOCF  
2022



ROCE above WACC  
2022

2022 sales



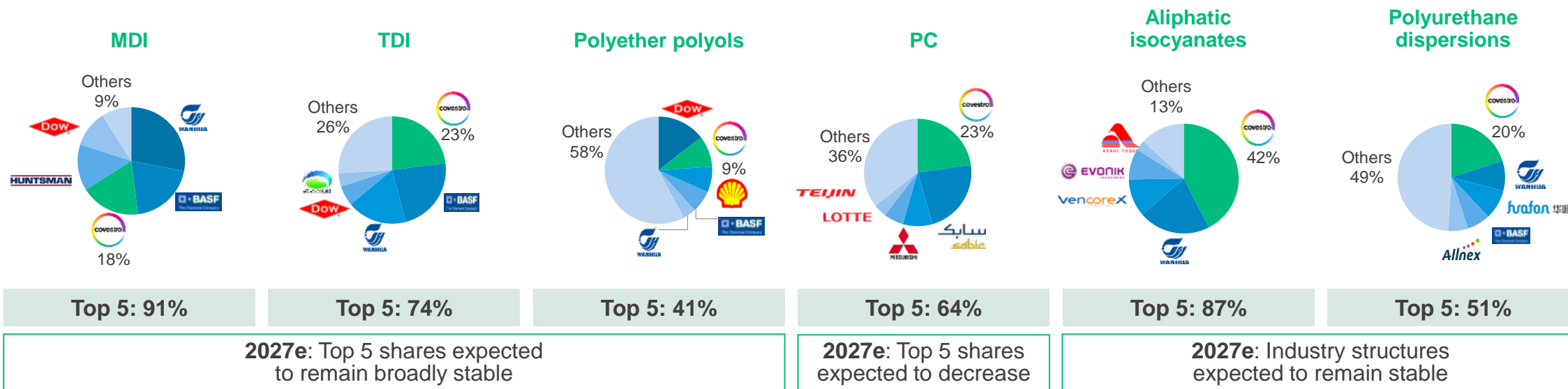
# Covestro is a global leader across its entire portfolio



## World-wide industry positions and production capacities

### #1 IN KEY MARKETS

CAPACITY SHARE IN 2022<sup>(1)</sup>



COVESTRO<sup>(1)</sup>

<b>Global #3</b>	<b>Joint global #1</b>	<b>Global #2</b>	<b>Global #1</b>	<b>Entry requirements</b> <ul style="list-style-type: none"> <li>Economies of scope</li> <li>Formulation and application know-how</li> <li>Close customer relationships and long-term R&amp;D collaborations</li> <li>Operation of global business platform</li> </ul>
1,770kt	800kt	1,420kt	1,600kt	
6 sites	3 sites	9 sites	5 sites	

# 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

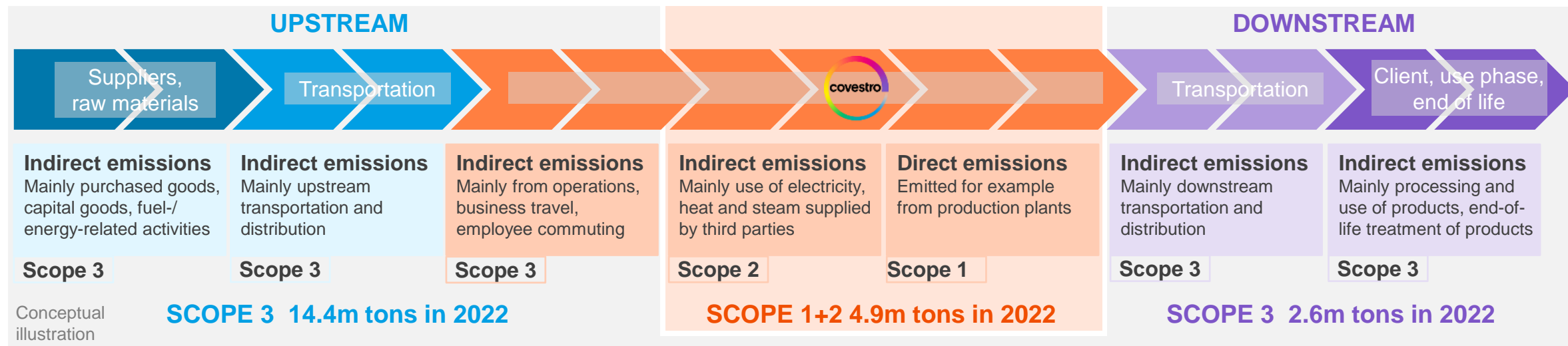
**! MILESTONE**  
LEAP transformation ongoing

**! MILESTONE**  
Integration of RFM accomplished

**! MILESTONE**  
Target climate neutrality in 2035

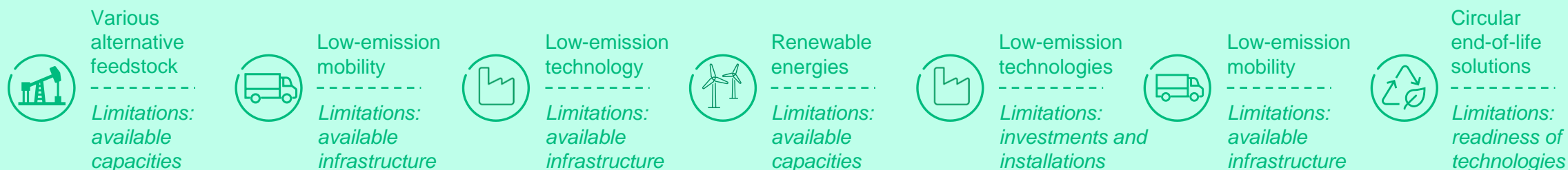
# Climate neutrality with existing technologies and assets

## Covestro greenhouse gas emissions



## EXISTING OPTIONS AND CURRENT LIMITATIONS TO REDUCE GHG EMISSIONS

Selective examples only

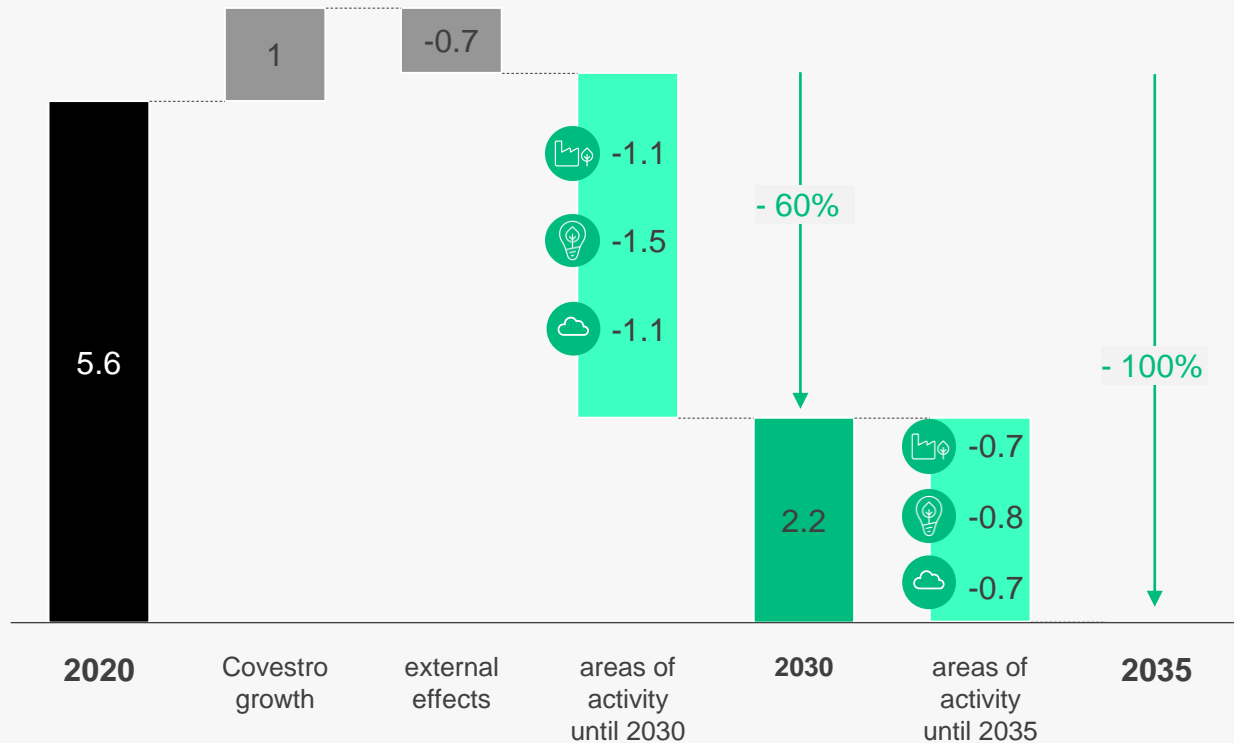


# Sustainable manufacturing and renewable energy to lead path



## 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



EMLA<sup>(1)</sup>: Wind electricity 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 electricity starting late 2024 for 12% of Baytown's electricity



APAC: Solar&wind electricity, 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 ELECTRICITY SUPPLY

**EMLA**

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

45% of electricity 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 electricity for Shanghai site since 2023

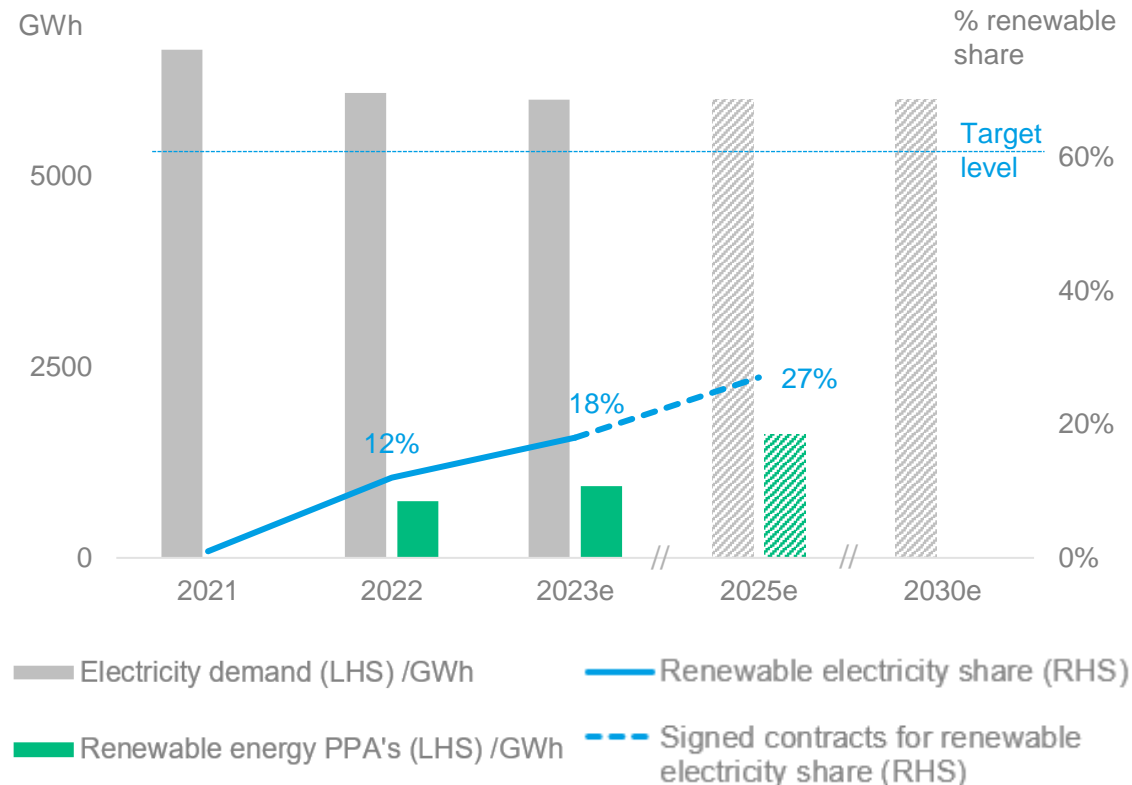
**NA**

Virtual PPA with Ørsted for 200 GWh solar power:

12% of electricity for Baytown site since 2023

Starting global coverage of renewable PPA's

## ELECTRICITY 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

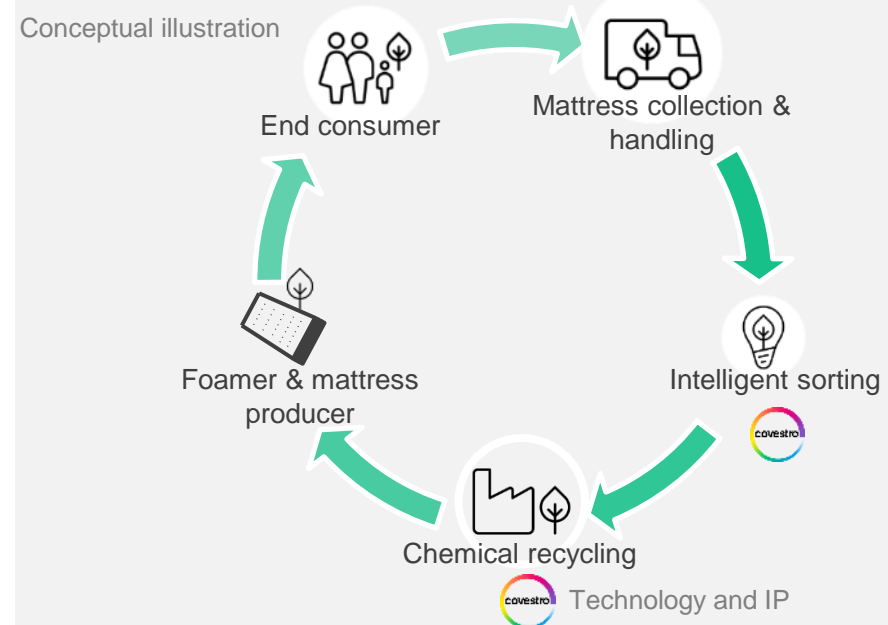


## Innovative recycling / joint solutions

### 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



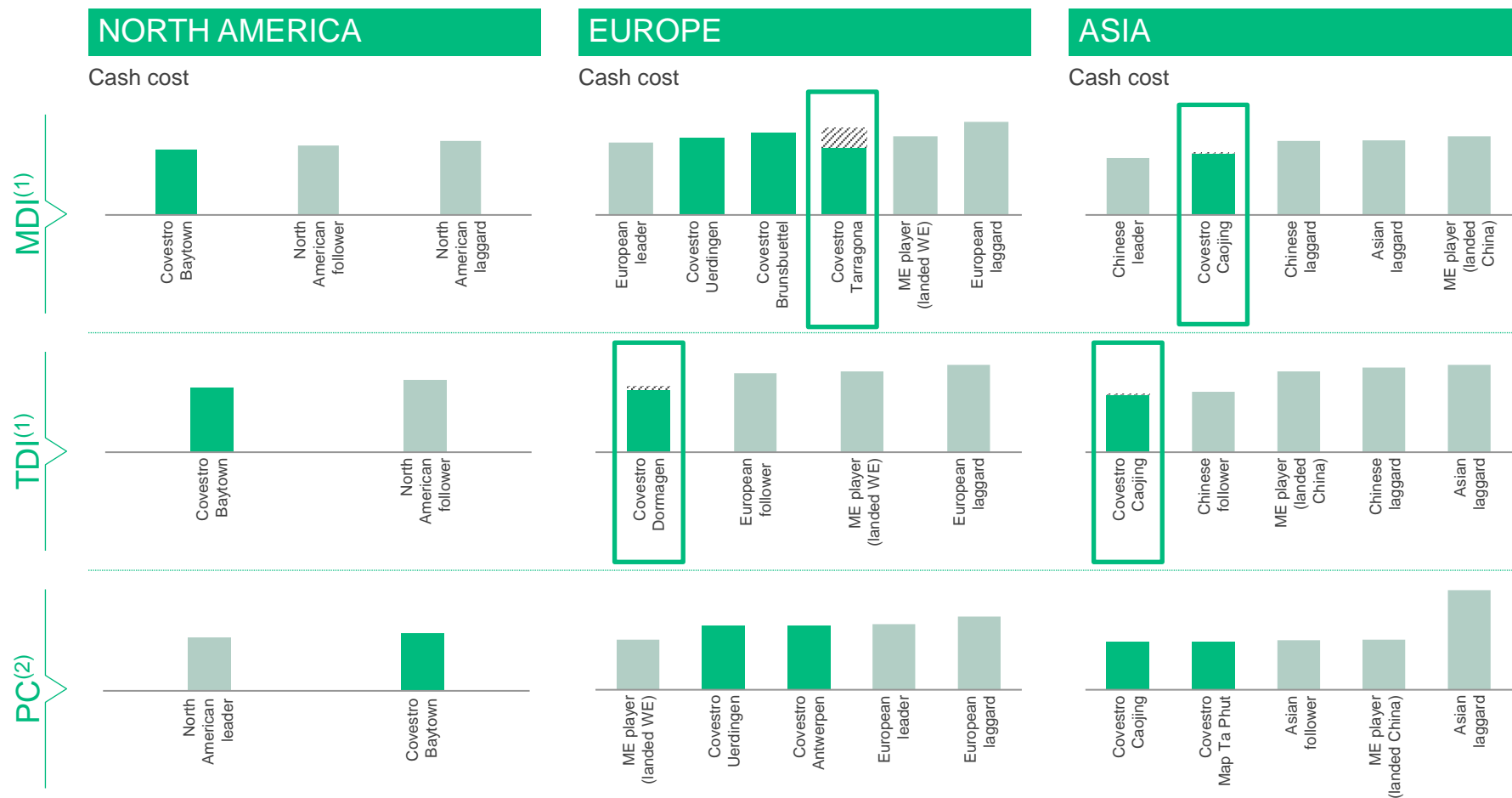
### Timeline:



# 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



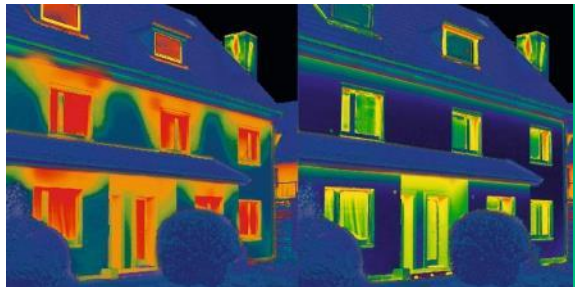
### APPLICATIONS



### 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

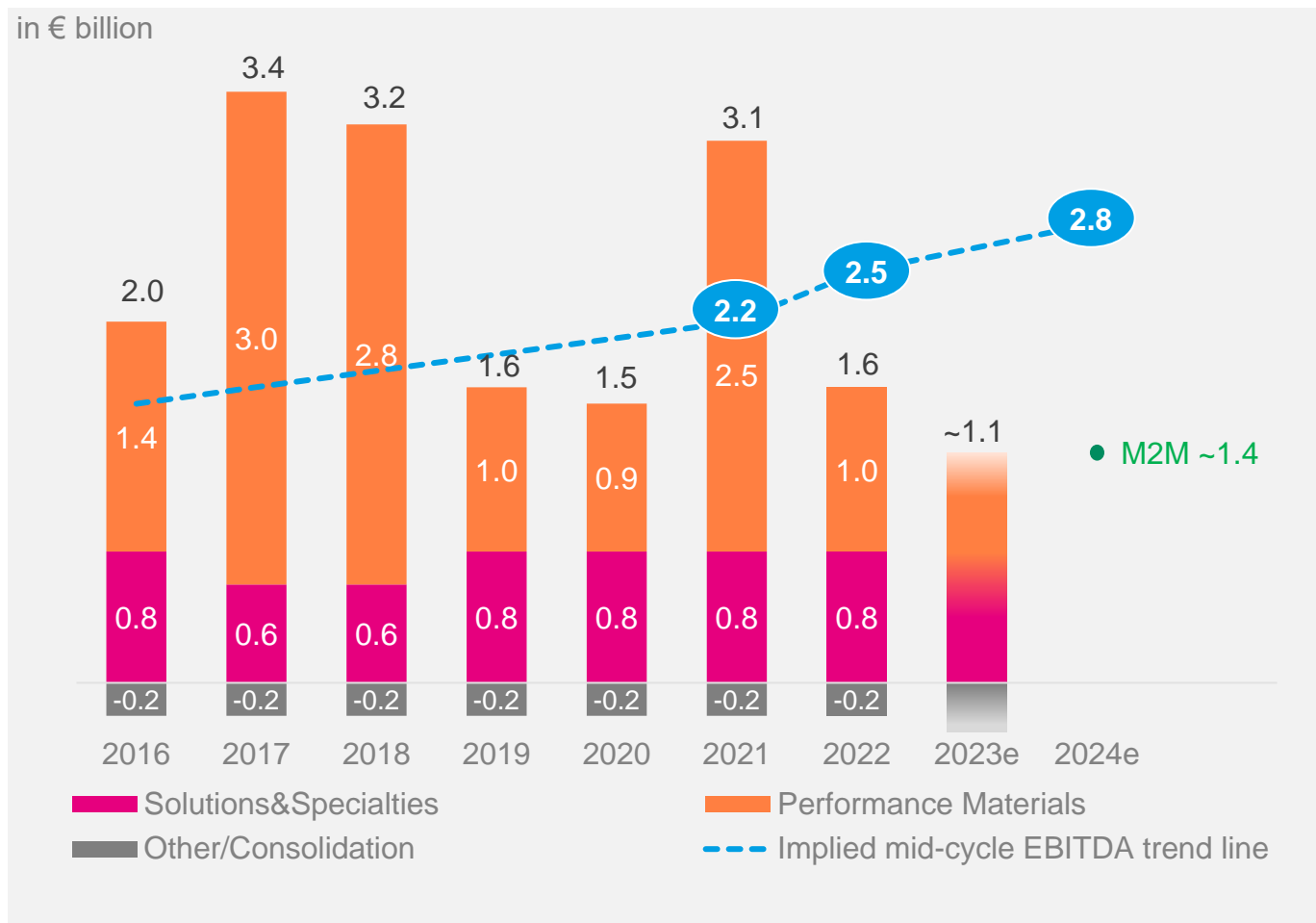
- Covestro polyurethane infusion resin contributes to 8% reduction<sup>(3)</sup> in wind blade manufacturing cost and is expected to take ~10% market share of the wind resin market dominated by epoxy resins until 2032
- Our overall wind solutions for blades will result in 30% lower maintenance and 2-year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

### COVESTRO BENEFIT

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

# FY 2023 EBITDA expected to be around €1.1bn

## EBITDA development between 2016 and 2024e



### 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 2024 around<sup>(1)</sup> €1.4bn; theoretical calculation based on September 2023 margins flat forward and preliminary budget assumptions for 2024

#### 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 narrowed around lower end of the range



## Full year guidance 2023

	FY 2022	GUIDANCE FY 2023 (as of March 2)	GUIDANCE FY2023 (as of April 28)	CURRENT GUIDANCE FY2023 (as of Oct 27)
EBITDA	€1,617m	significantly <sup>(4)</sup> below previous year	€1,100m – 1,600m	around <sup>(4)</sup> €1,100m
FOCF	€138m	significantly <sup>(4)</sup> below previous year	€0 – 500m	€0 – 200m
ROCE above WACC <sup>(1)</sup>	-5.0 pp	significantly <sup>(4)</sup> below previous year	-6 pp to -2 pp	around <sup>(4)</sup> -6 pp
GHG emissions <sup>(2)</sup>	4.7m tons	around <sup>(4)</sup> previous year	4.2m – 4.8m tons	4.2m – 4.8m tons

### Additional financial expectations

Sales	€18.0bn	No guidance	No guidance	€14.0bn – 14.5bn
D&A	€1,350	~€850m	~€900m	~€900m
Financial result	€-137m	€-160 to -200m	€-130 to -170m	€-120m to -150m
Income tax (P&L)	€411m	No guidance	€150m – 250m	€150m – 250m
Cash tax	€538m	No guidance	€200m – 300m	€300m – 400m
Capex <sup>(3)</sup>	€832m	~€800m	~€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



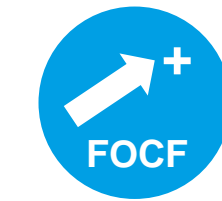
### Portfolio streamlining

- 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 most of Covestro's core industries deteriorated



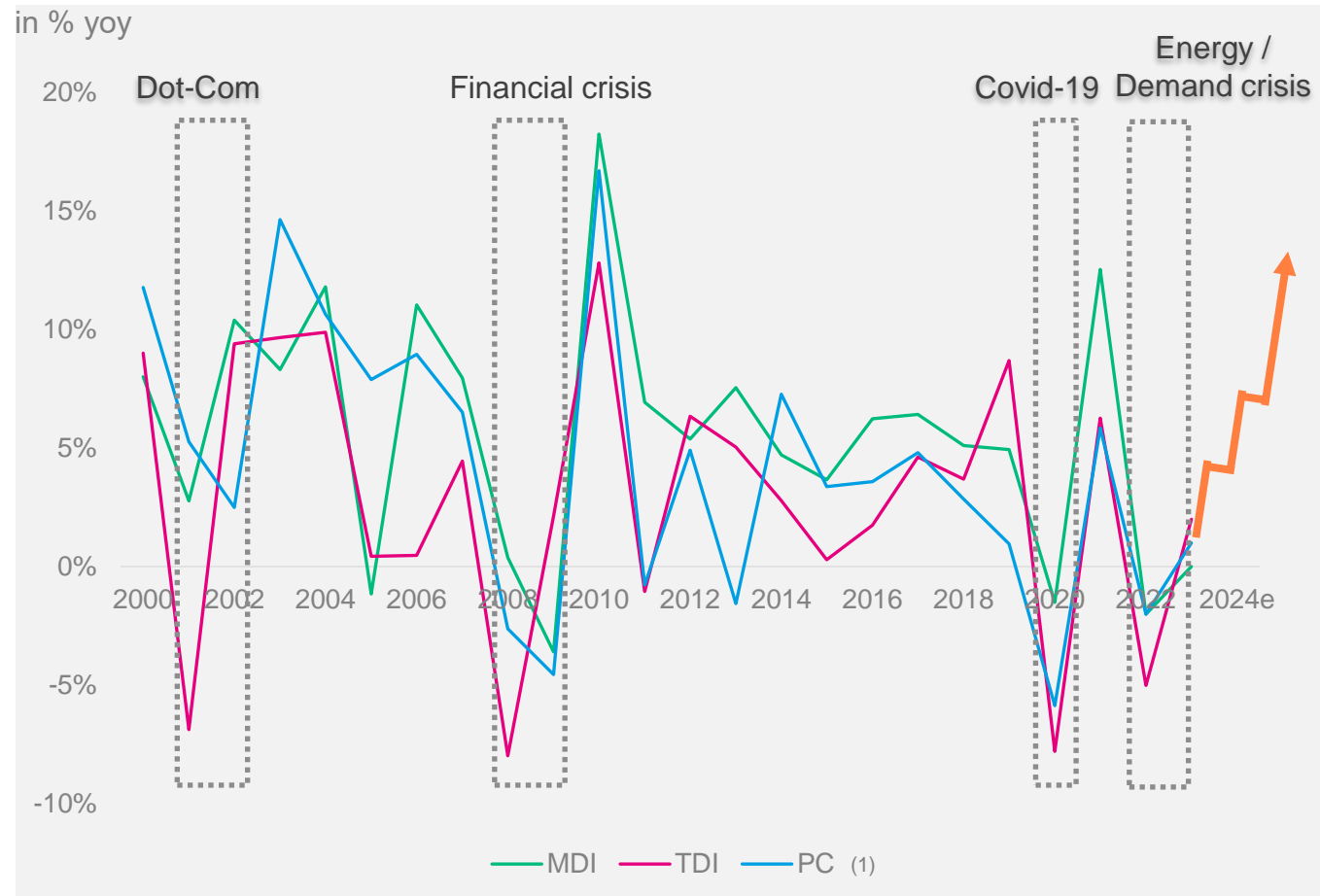
## Global demand development

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%	+2.5%
Automotive EV / BEV		+6.9% +70.1%	+4.6% +42.5%	+7.9% +35.3%
Construction Residential		+1.2% +0.8%	+0.8% -0.2%	-2.2% -4.3%
Furniture Soft furniture		-3.6% -5.2%	+0.3% +0.2%	-4.5% -4.5%
Electrical, electronics and household appliances Appliances		+4.9% +1.9%	+2.0% +3.7%	+0.4% +7.9%



# 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 context of RFM acquisition in 2020</li><li>• Share buyback of €0.2bn executed in 2022-2023</li><li>• Authorization for share buyback program for up to 10% of share capital in place until AGM 2024</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>

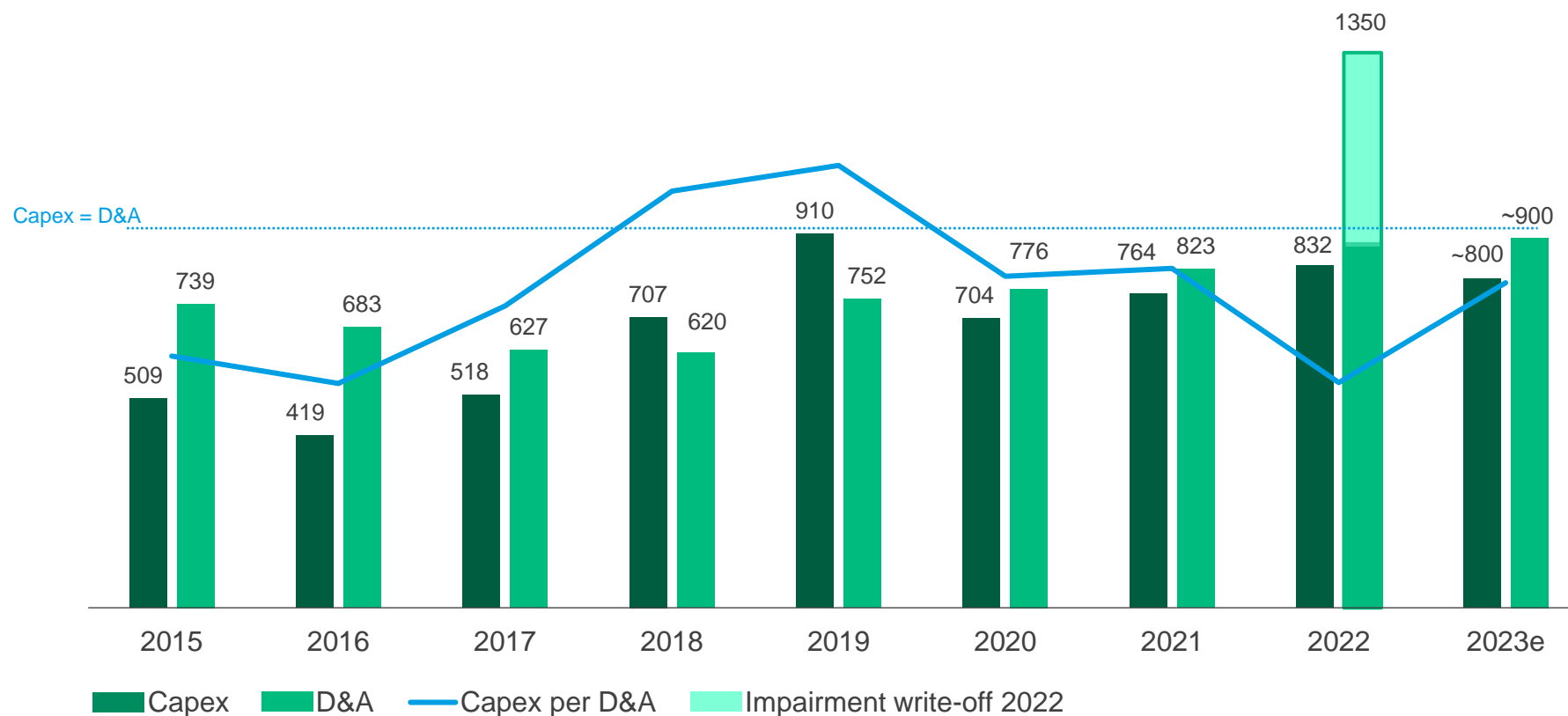
# Significant investments into growth

## Group capex and D&A



### HISTORIC AND PROJECTION

in € million

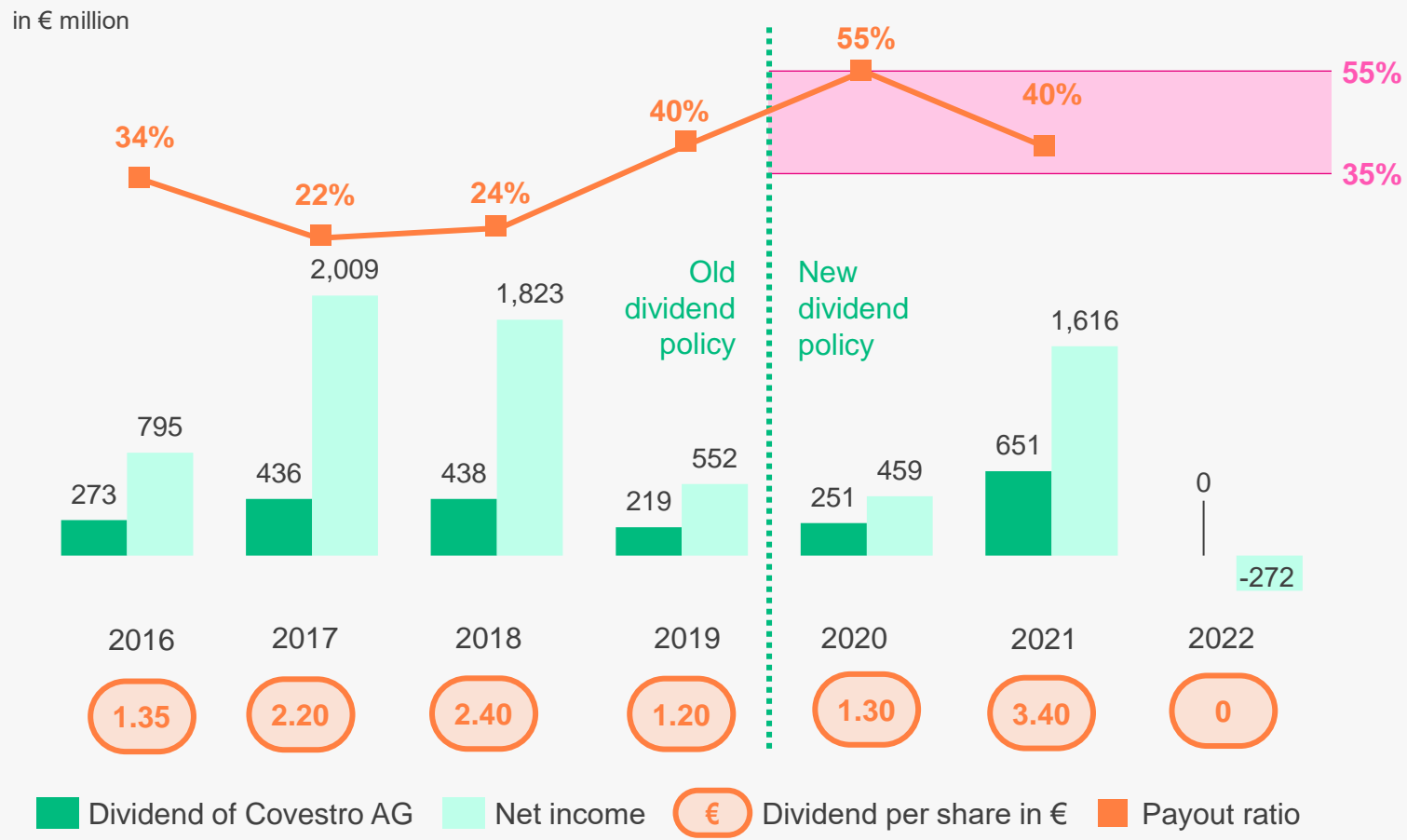


### HIGHLIGHTS

- 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

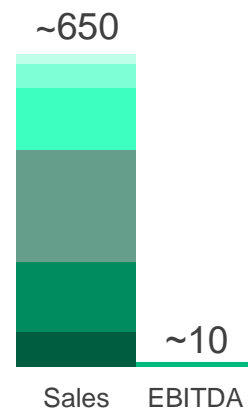
📅 August 2018

NA Polyurethanes spray foam business

📅 April 2017

📅 Closing

Cumulated, in € million



Business divested at average EV/EBITDA >20x

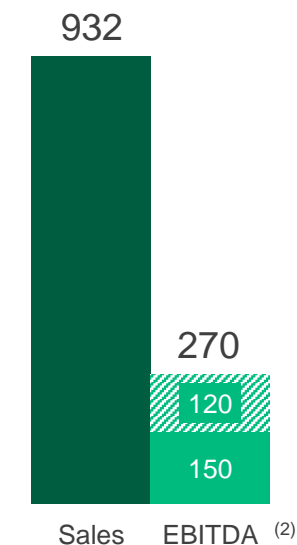
Portfolio analysis ongoing, further minor divestments possible

### ACQUISITIONS

DSM Resins & Functional Materials business

📅 April 2021

in € million



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

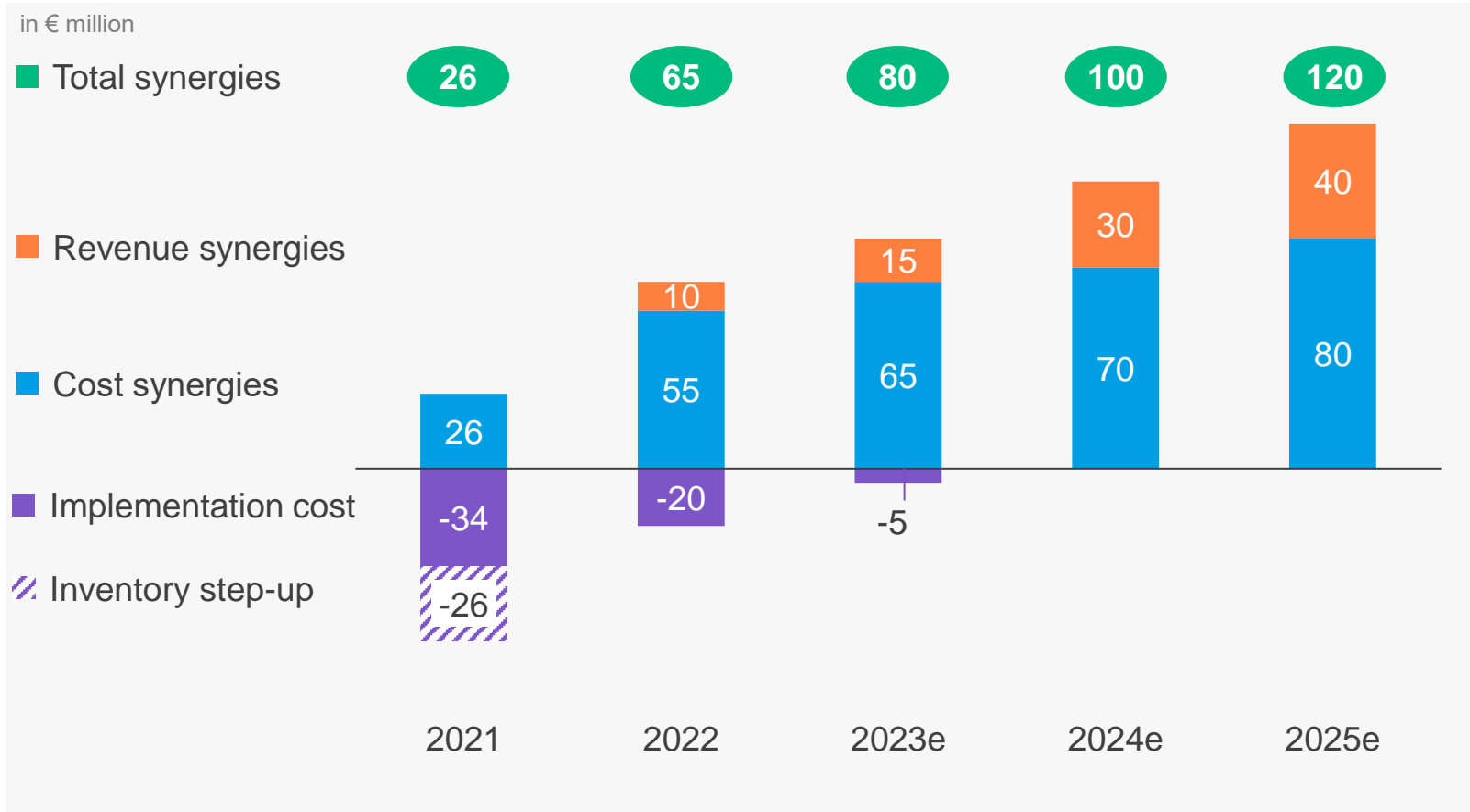
Further pursue value-enhancing bolt-on acquisition options with attractive IRR for Solutions & Specialties segment

# 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

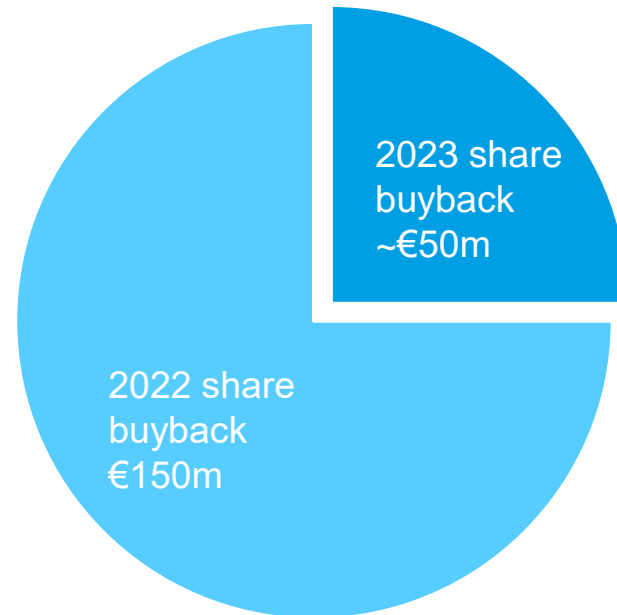
- RFM operational performance fully in line with expectations
- 94% of new employees feel welcome at Covestro

# €200m share buyback accomplished

Two-year share buyback program ended

## ACCOMPLISHMENT

February 28, 2022 to October 26, 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)

- 1.208m shares purchased, average share price €40.81

Share buyback authorization ends in April 2024

Σ: ~4.7m shares purchased at an average price of 42.50€



**NEW AUTHORIZATION FOR SHARE BUYBACK TO BE PROPOSED IN AGM 2024**

# Operating along trough levels

## Q3 2023 Highlights



1

Sales decreased to €3.6bn  
caused by lower prices, unfavorable FX and lower volumes

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2

EBITDA of €277m in line with guidance  
with positive pricing delta but burdened by FX and lower volumes

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3

FOCF strongly improved to €308m  
supported by ongoing strict working capital measures

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4

FY 2023 guidance narrowed  
with an expected EBITDA of around €1.1bn

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5

Covestro continues to invest in profitable growth  
despite the challenging environment

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- Covestro investment highlights
- **Group financials Q3'23**
- Segment overview
- Background information

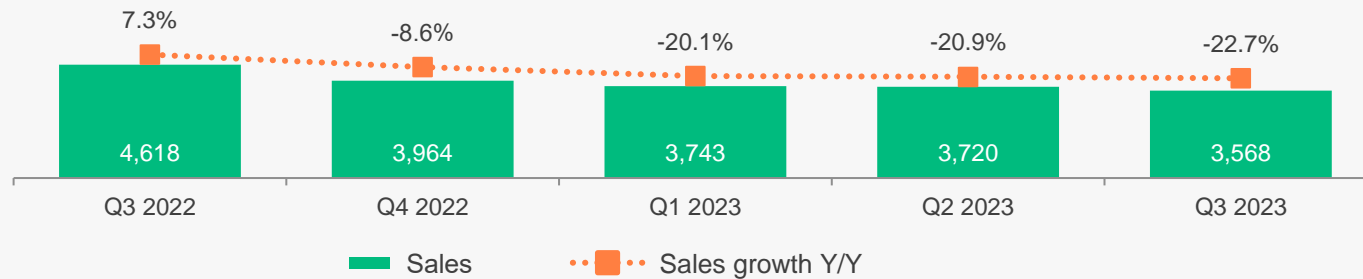
# Price pressure burdening sales and EBITDA

## Group results – Highlights Q3 2023



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

in € million / changes Y/Y

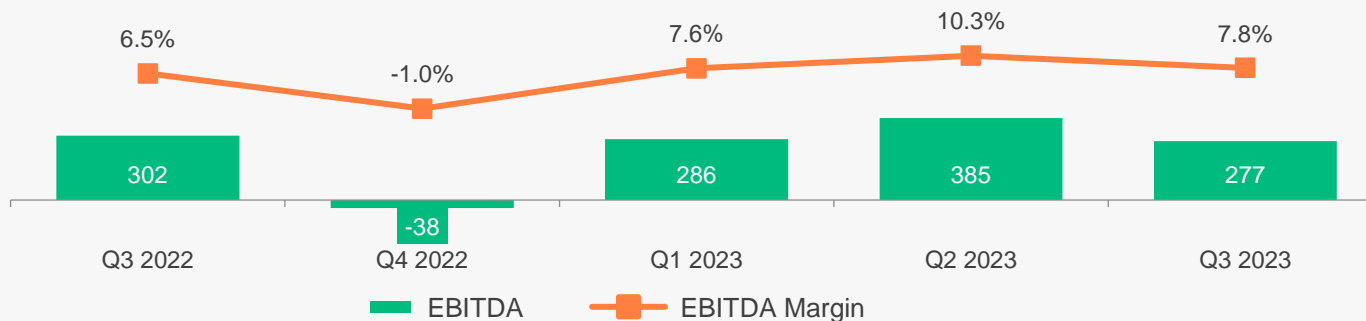


### HIGHLIGHTS

- Year-on-year sales decline (-22.7%) mainly attributable to negative pricing (-14.3%) as effect of globally weaker demand and resulting lower sales volumes
- Sequentially, declining sales development with positive volume development but negative effects of pricing and currency

### EBITDA AND MARGIN

in € million



### HIGHLIGHTS

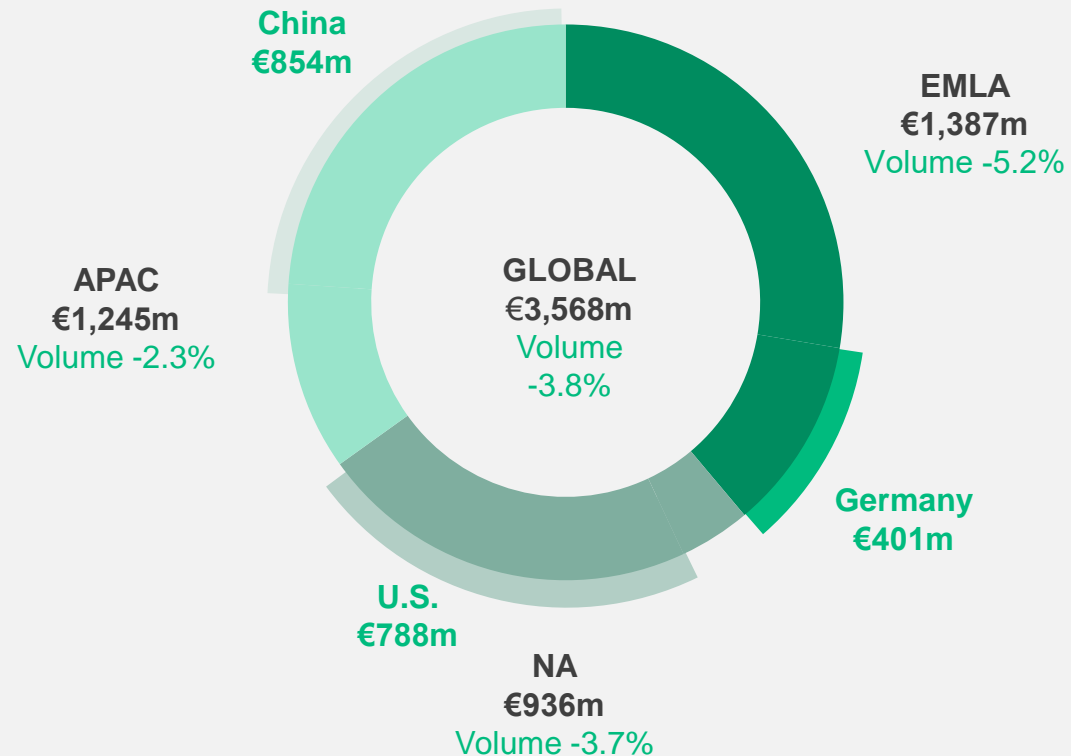
- Year-on-year EBITDA slightly declining despite positive pricing delta but negative FX, inventories and volume
- Sequentially, earnings declined due to negative pricing delta, inventories, maintenance and FX despite positive volumes
- EBITDA margin declined in Q3 2023 to 7.8% and but remains above Q3 2022 level.

# Still recessionary trends despite slow demand recovery



## Q3 2023 – Regional split

Sales volume Y/Y



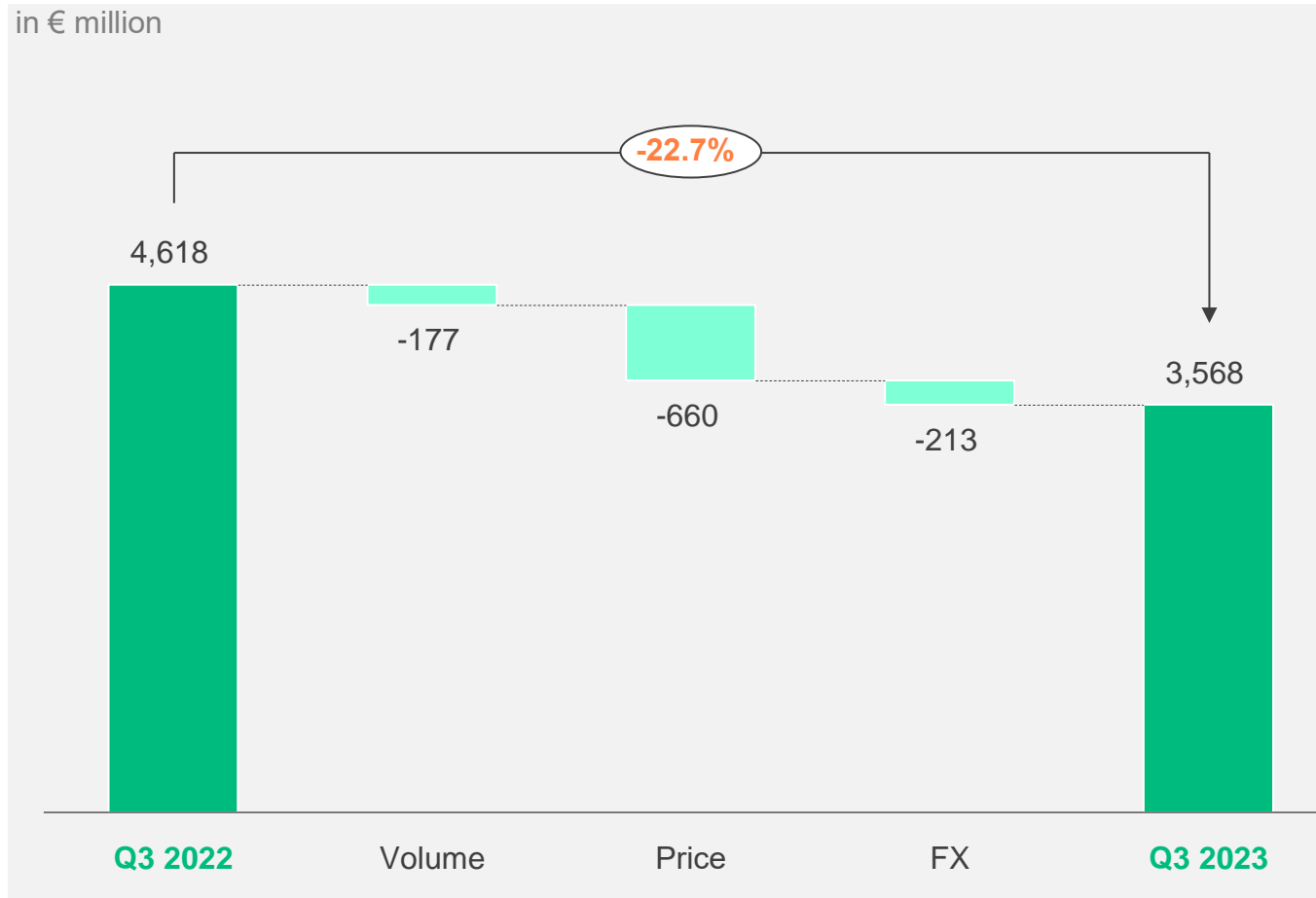
### HIGHLIGHTS

- Year-over-year mixed volume development in the different industries:
  - Furniture/wood mid-single-digit % increase
  - Auto low single-digit % increase
  - Electro flat
  - Construction mid-single-digit % decline
- **EMLA:** Gradually improving chlorine supply leading to increased production rates in Q3 2023 with significant increase in furniture, slight increase in construction and auto while electro still with slight decline
- **NA:** Furniture/wood flat, electro and auto with slight increase while construction with ongoing significant decline
- **APAC:** Furniture and auto exhibiting slight growth, electro flat while construction still with significant decline

# Sales decrease due to pricing pressure and unfavorable FX



## Q3 2023 – Sales bridge



### HIGHLIGHTS

#### Volume negative

- Volume decline of 3.8% Y/Y

#### Pricing negative

- Performance Materials strongly affected (-19.9% Y/Y) and Solutions & Specialties only with slight decline (-8.9% Y/Y)

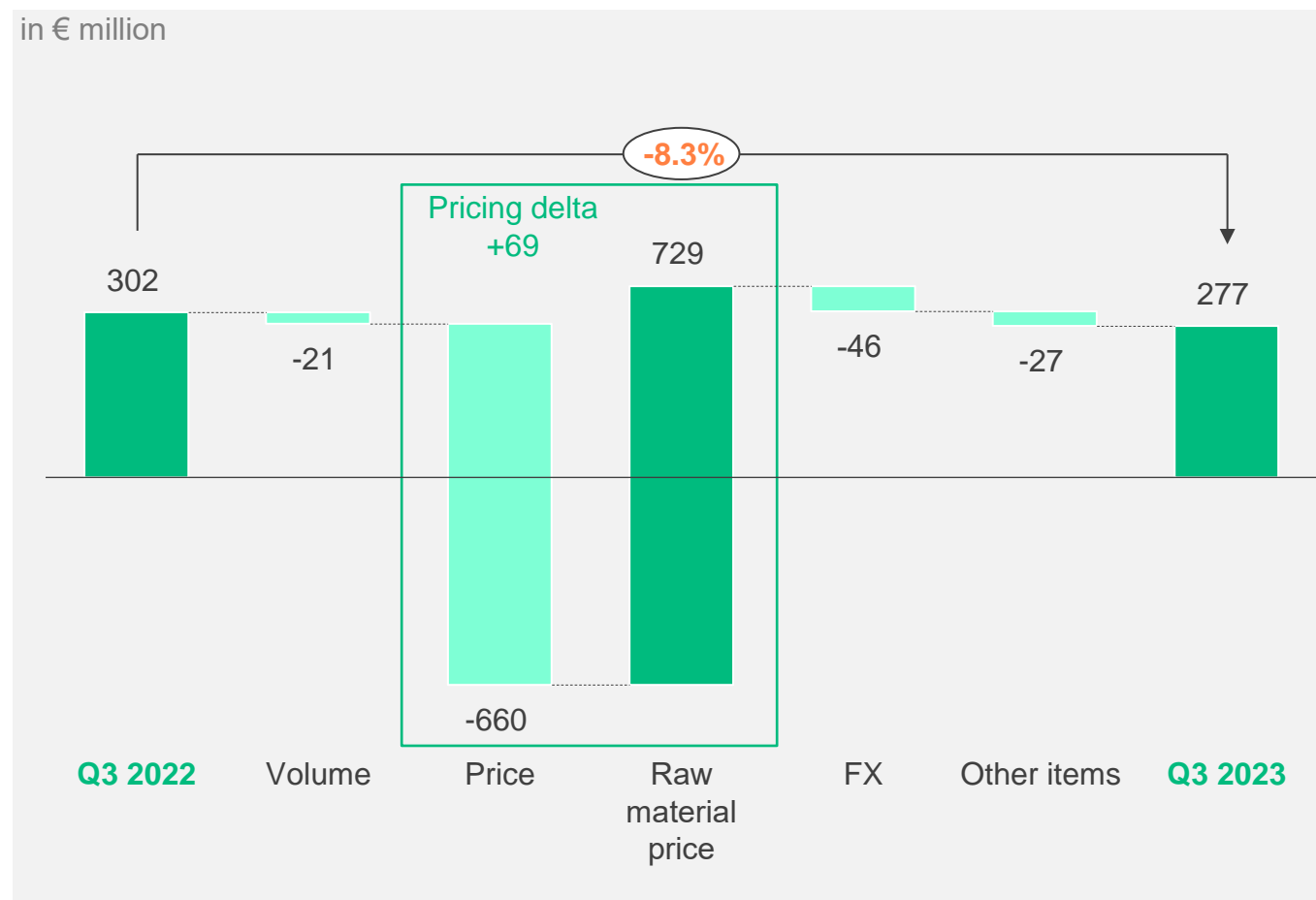
#### FX negative

- FX affected sales by -4.6% Y/Y mainly driven by RMB, USD, INR and JPY

# Positive pricing delta but lower volumes and negative FX



## Q3 2023 – EBITDA bridge



### HIGHLIGHTS

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

- Volume leverage of 12%
- Volume leverage below long-term average due to product mix effects

#### Slightly positive pricing delta

- Raw material and energy prices significantly down compared to “energy crisis” in Q3 2022
- Strongly declining prices due to the usual “pass through” mechanism and ongoing weak demand

#### Other items driven by:

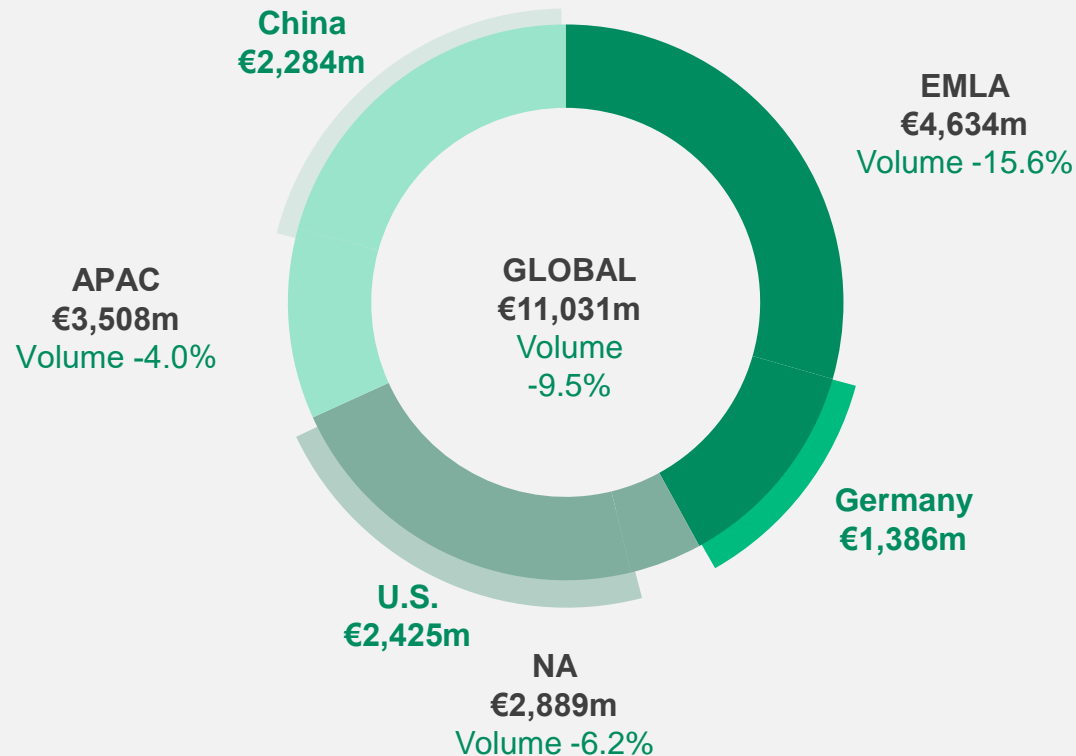
- Significantly lower operational cost
- Reduction of inventories
- Higher provisions for variable compensation of €98m

# Strong volume decline amidst global demand weakness



## 9M 2023 – Regional split

Sales Volume Y/Y



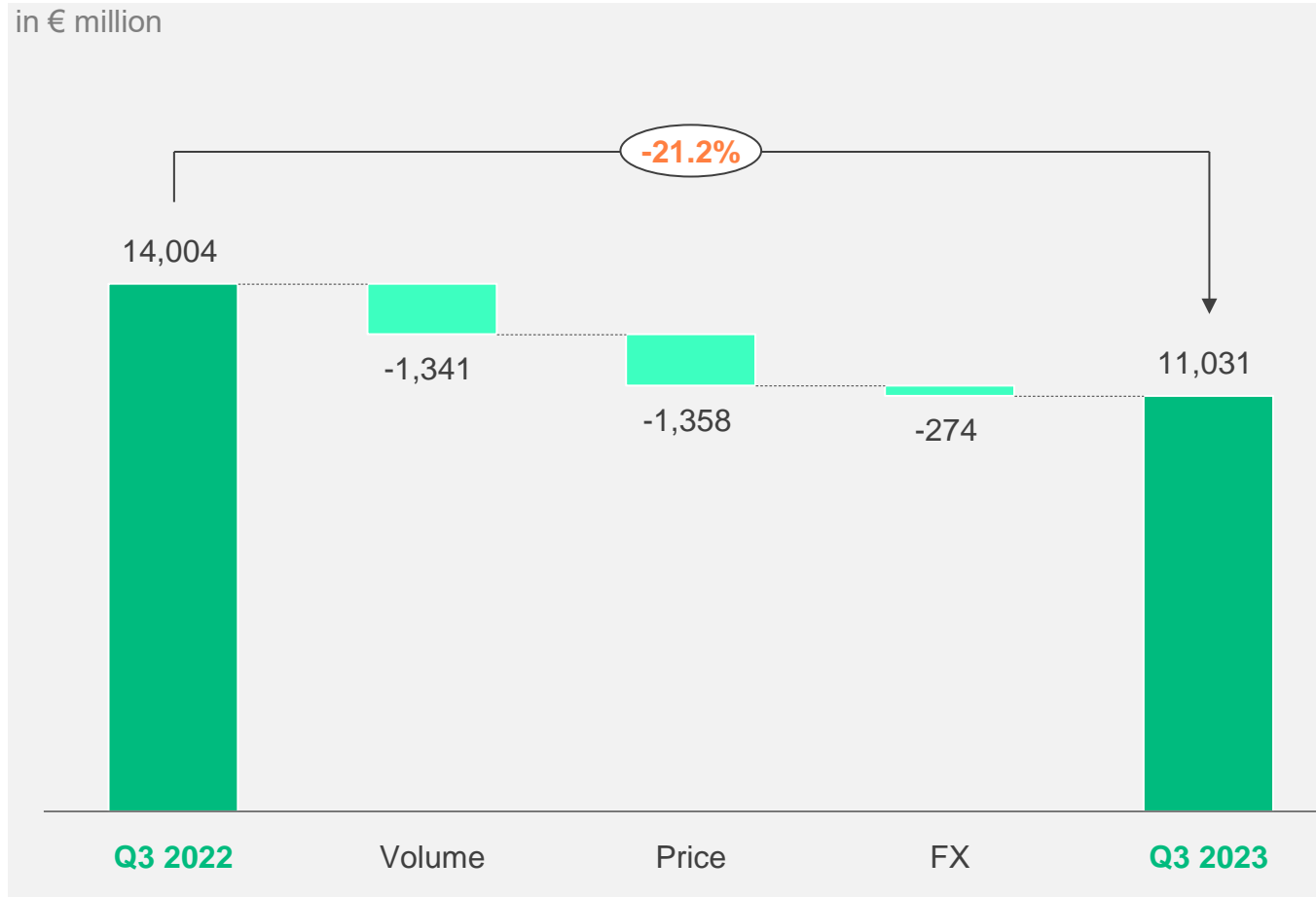
### HIGHLIGHTS

- Year-over-year mixed volume development in the different industries:
  - Auto mid-single-digit % increase
  - Furniture/wood low single-digit % decline
  - Electro mid-single-digit % decline
  - Construction mid-teens % decline
- **EMLA:** Ongoing demand weakness with significant decline in electro, construction and furniture, decline partially caused by temporary technical limitations; auto with slight increase
- **NA:** Slight increase in auto, furniture and electro with slight decline but construction still showing significant decline
- **APAC:** Furniture and auto exhibiting slight growth, whereas electro with minor and construction even with strong decline

# Sales decrease due to strong price and volume decline



## 9M 2023 – Sales bridge



### HIGHLIGHTS

#### Volume negative

- Volume decline of 9.5% Y/Y

#### Pricing negative

- Performance Materials strongly affected (-14.1% Y/Y) and Solutions & Specialties only with slight decline (-5.3% Y/Y)

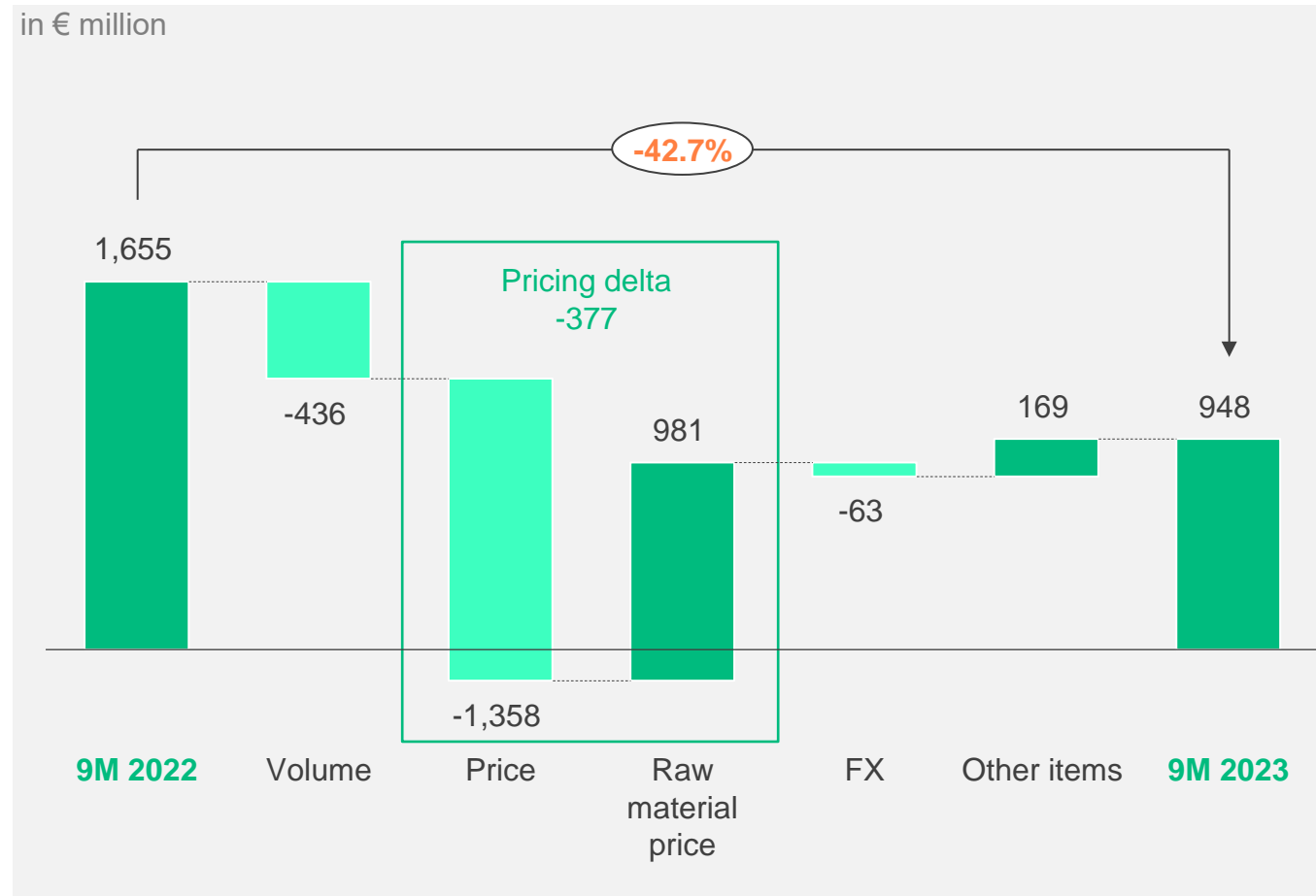
#### FX negative

- FX affected sales by -2.0% Y/Y mainly driven by RMB, USD, INR and JPY

# Earnings burdened by lower volumes and negative pricing delta



## 9M 2023 – EBITDA bridge



### HIGHLIGHTS

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

- Volume leverage of 32%
- Volume leverage below long-term average due to product mix effects

#### Negative pricing delta

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

#### Other items driven by:

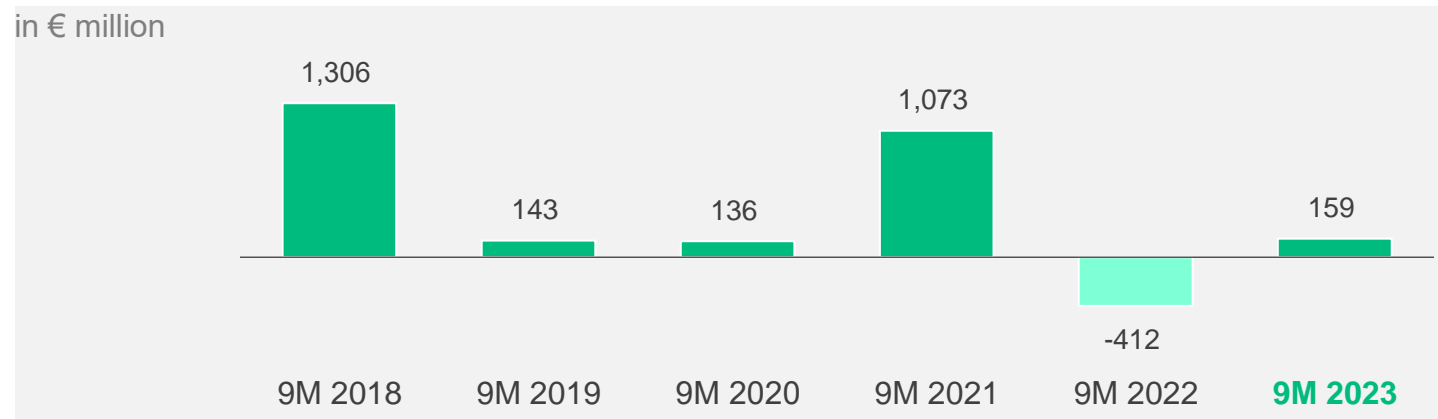
- Significantly lower operational cost
- Book gains from the divestment of the Additive Manufacturing business of €35m
- Provisions for closure of our Swiss entity of €14m
- Higher provisions for variable compensation of €107m



# Strongly positive FOCF development in Q3 2023



## Historical FOCF development



<b>EBITDA</b>	+2,907	+1,326	+835	+2,422	+1,655	<b>+948</b>
<b>Changes in working capital<sup>(1)</sup></b>	-568	+11 <sup>(4)</sup>	-119 <sup>(4)</sup>	-936	-571	<b>-85</b>
<b>Capex<sup>(2)</sup></b>	-429	-603	-463	-472	-543	<b>-461</b>
<b>Income tax paid</b>	-505	-265	-115	-309	-446	<b>-247</b>
<b>Other effects<sup>(4)</sup></b>	-99	-326 <sup>(4)</sup>	-2 <sup>(4)</sup>	+368	-507	<b>+4</b>

### HIGHLIGHTS

- Q3 2023 FOCF €308m significantly up vs Q3 2022 with €33m
- 9M 2023 FOCF improved to €159m, year-on-year increase driven by stringent working capital management despite declining EBITDA
- Working capital to sales ratio<sup>(3)</sup> decreased to 18.7% (20.6% at end of 9M 2022), driven by lower inventory levels and lower accounts receivable; lower accounts payable due to lower purchase volumes
- 9M 2023 capex of €461m on budget and in line with FY 2023 guidance
- Income taxes in 9M 2023 mainly driven by payments in Germany and China. Tax payments in Germany include a settlement of German tax audit for fiscal years 2016-18
- Other effects: 9M 2022 included bonus payout of €475m for FY 2021

# 9M 2023 net income affected by impairments and DTA adjustments



## P&L statement 9M 2023

	in million €	9M 2022	9M 2023	% of 9M '23 sales	Δ Y/Y
Sales		14,004	11,031	100%	-21.2%
<b>EBITDA</b>		1,655	948	8.6%	-42.7%
D&A excl. impairments		-670	-634	-5.7%	-5.4%
Impairments		-23	-38	-0.3%	65.2%
<b>EBIT</b>		962	276	2.5%	-71.3%
Financial result		-112	-100	-0.9%	-10.7%
<b>EBT</b>		850	176	1.6%	-79.3%
Income taxes excl. DTA adjustments		-224	-59	-0.5%	-73.7%
DTA adjustments		0	-130	-1.2%	-
<b>Net income<sup>(1)</sup></b>		<b>627</b>	<b>-11</b>	-0.1%	-101.8%
Earnings per share (in €) <sup>(2)</sup>		3.28	-0.06	-	-

### HIGHLIGHTS

#### Impairments

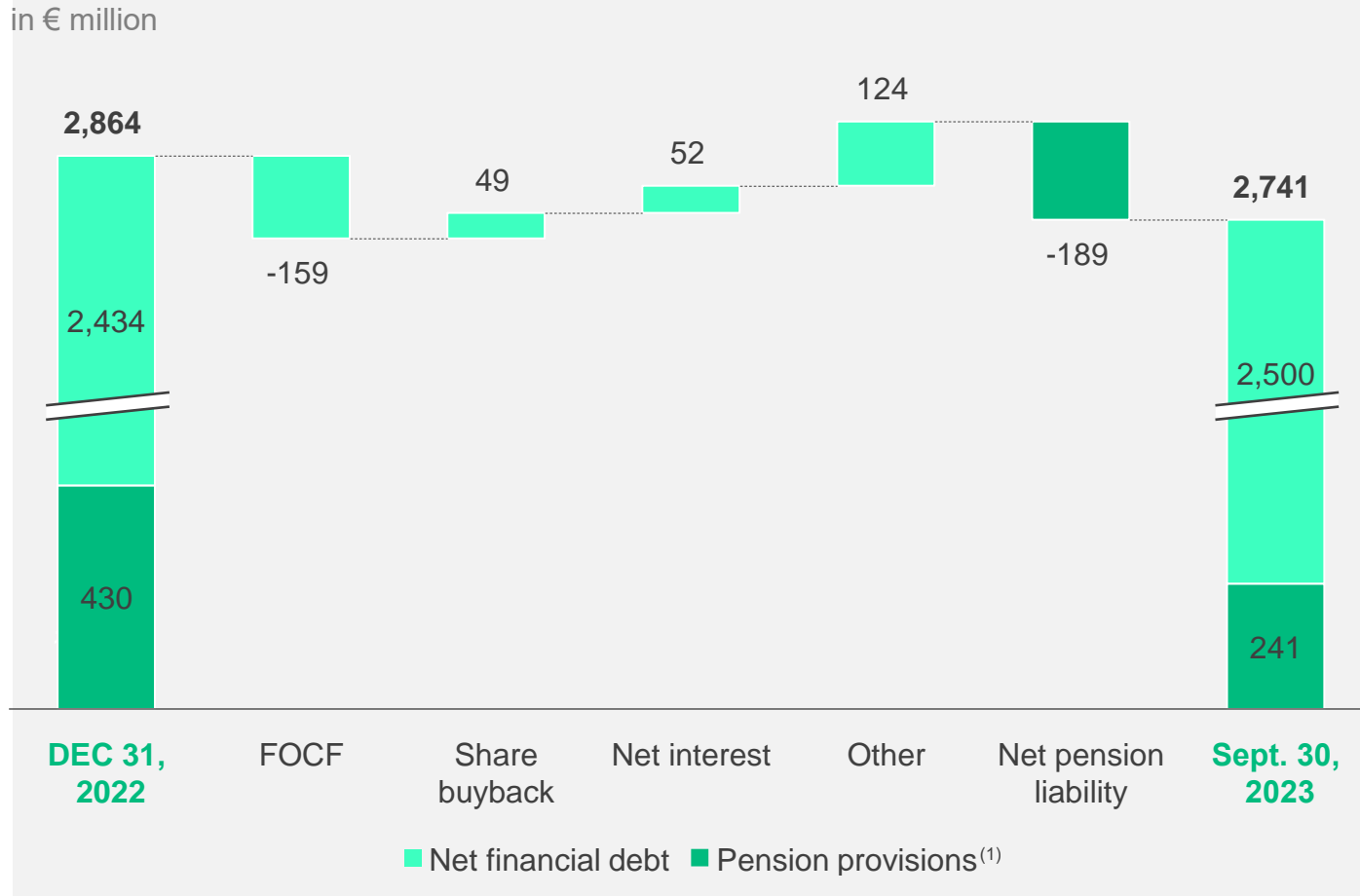
- Impairment loss of €30m due to discontinuation of Maezio<sup>®</sup> product line and related site closure in Q1 2023

#### Deferred tax assets (DTA)

- DTA adjustments of €130m in 9M 2023 due to negative earnings mainly in Germany and Switzerland
- DTA on tax loss carry-forwards cannot be recognized under IFRS any longer
- Tax loss carry-forwards in Germany do not expire, in Switzerland expiration after 7 years

# Total net debt slightly decreasing

September 30, 2023 – Total net debt



## HIGHLIGHTS

- Total net debt to EBITDA ratio<sup>(2)</sup> of 3.0x at the end of 9M 2023 compared to 1.4x at the end of 9M 2022
- Higher net debt to EBITDA ratio reflects the cyclical nature of Covestro's business and is expected to be only temporary
- Others mainly driven by finance lease contracts
- No financial covenants in place
- Solid investment grade rating of Baa2 with stable outlook confirmed by Moody's in June 2023



- Covestro investment highlights
- Group financials Q3'23
- **Segment overview**
- Background information

# Standard products with reliable supply and lowest cost

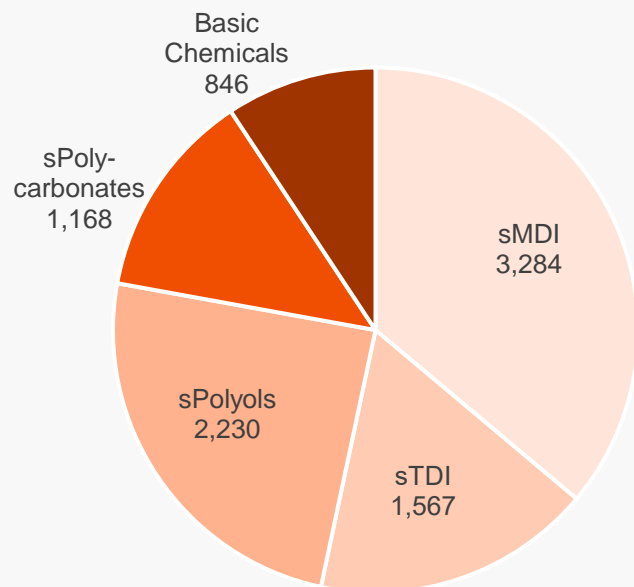


## Performance Materials

### 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

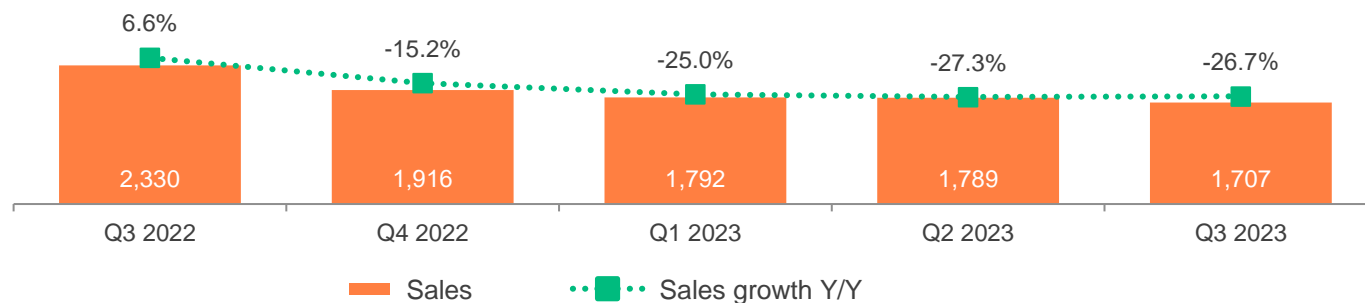
# Performance Materials – operating along trough levels



## Segment results – Highlights Q3 2023

### SALES

in € million / changes Y/Y

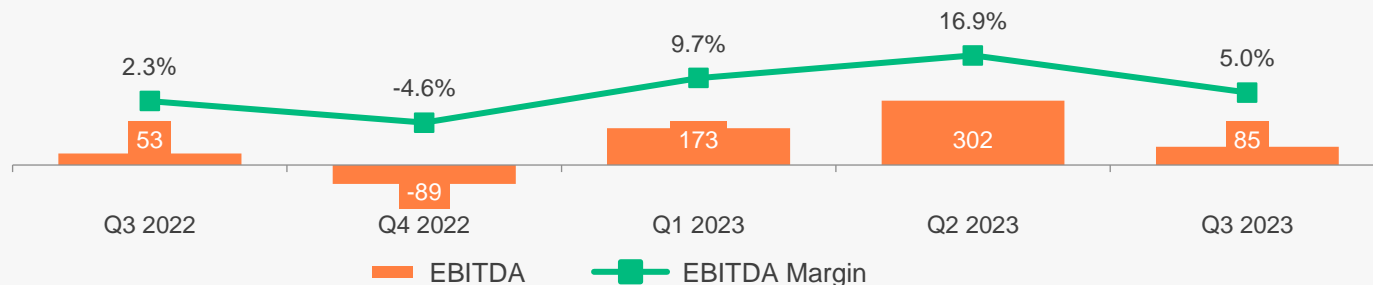


### HIGHLIGHTS

- Sales decreased by 26.7% Y/Y driven by price (-19.9%), FX effect (-4.4%) and to a minor extent volume (-2.4%)
- Quarter-over-quarter, strong sales decline in EMLA and slight decline in NA while APAC with slight increase; sequentially positive volume growth in all regions, most prominently in APAC, followed by NA and EMLA

### EBITDA AND MARGIN

in € million / margin in percent



### HIGHLIGHTS

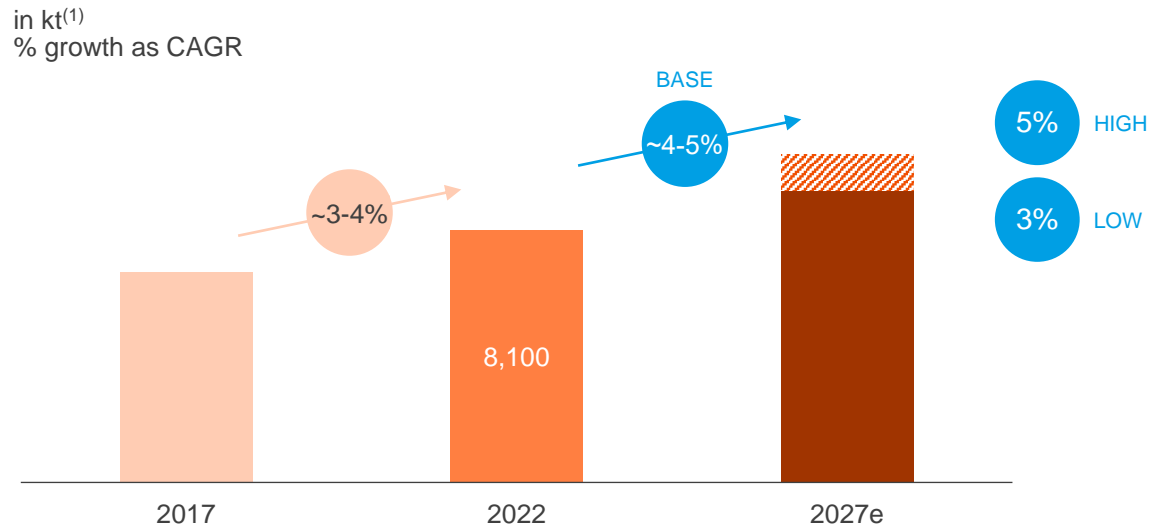
- Compared to prior year, EBITDA increased on the back of lower raw material and energy prices leading to a positive pricing delta burdened by lower volumes and FX
- Quarter-over-quarter, EBITDA decrease despite higher volumes due to negative pricing delta and a Q2 one-time insurance reimbursement<sup>(1)</sup>

# MDI market balanced

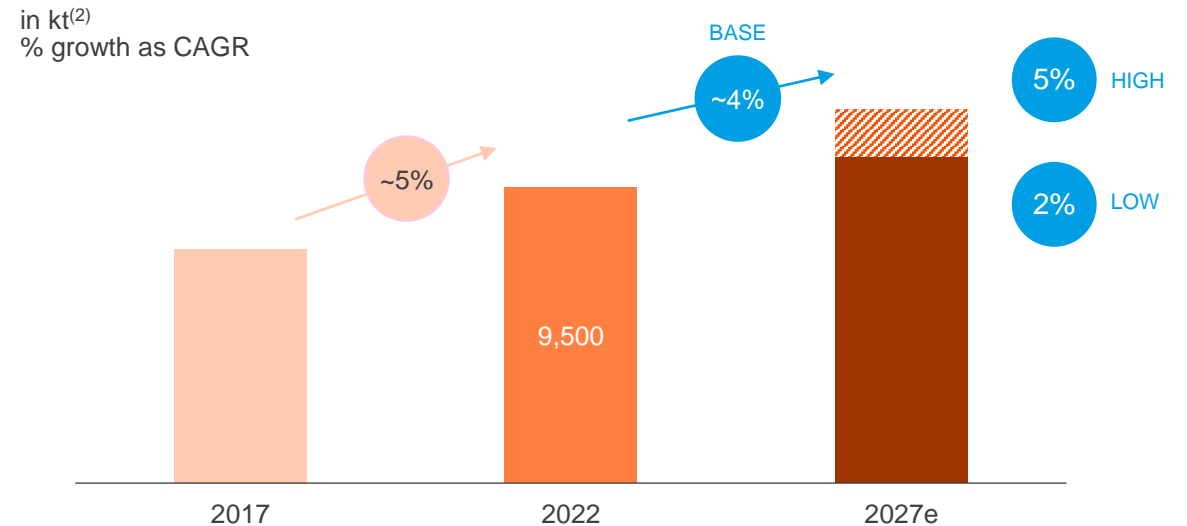
## Performance Materials: MDI industry demand and supply



### 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

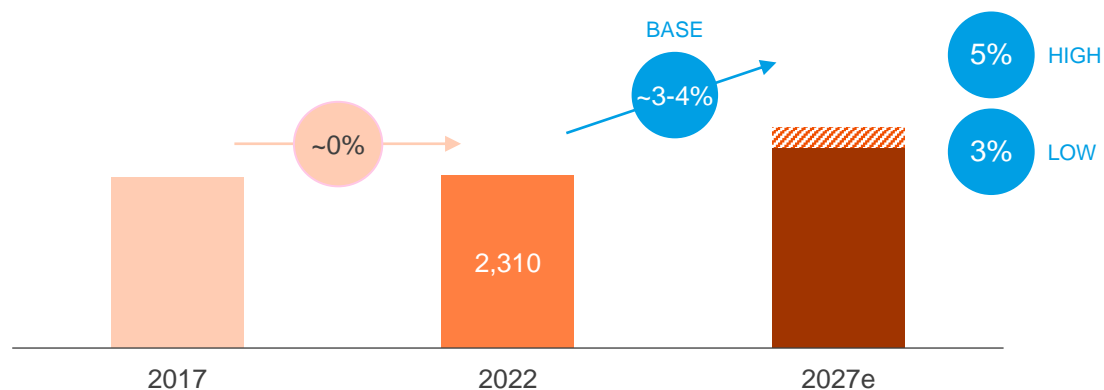
# TDI market moving towards balance



## Performance Materials: TDI industry demand and supply

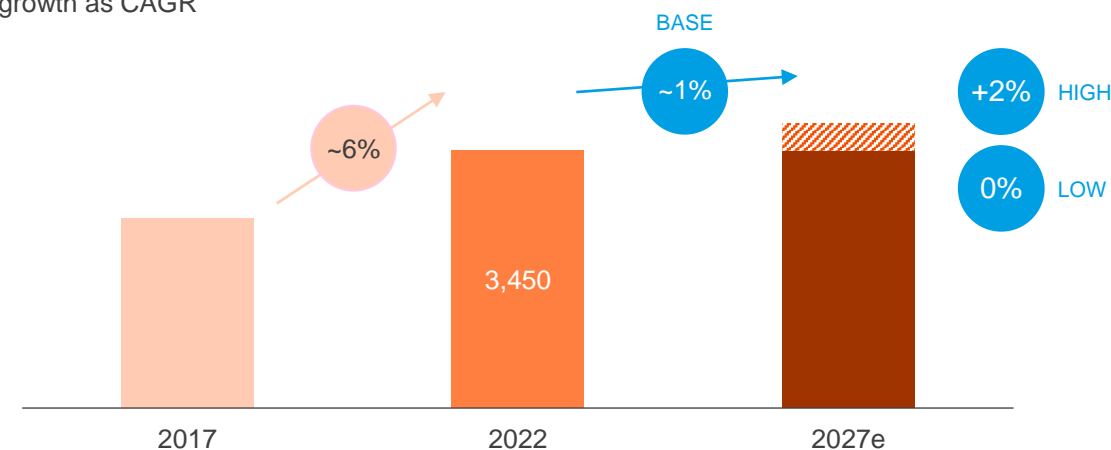
### TDI DEMAND DEVELOPMENT (2017 - 2027e)

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

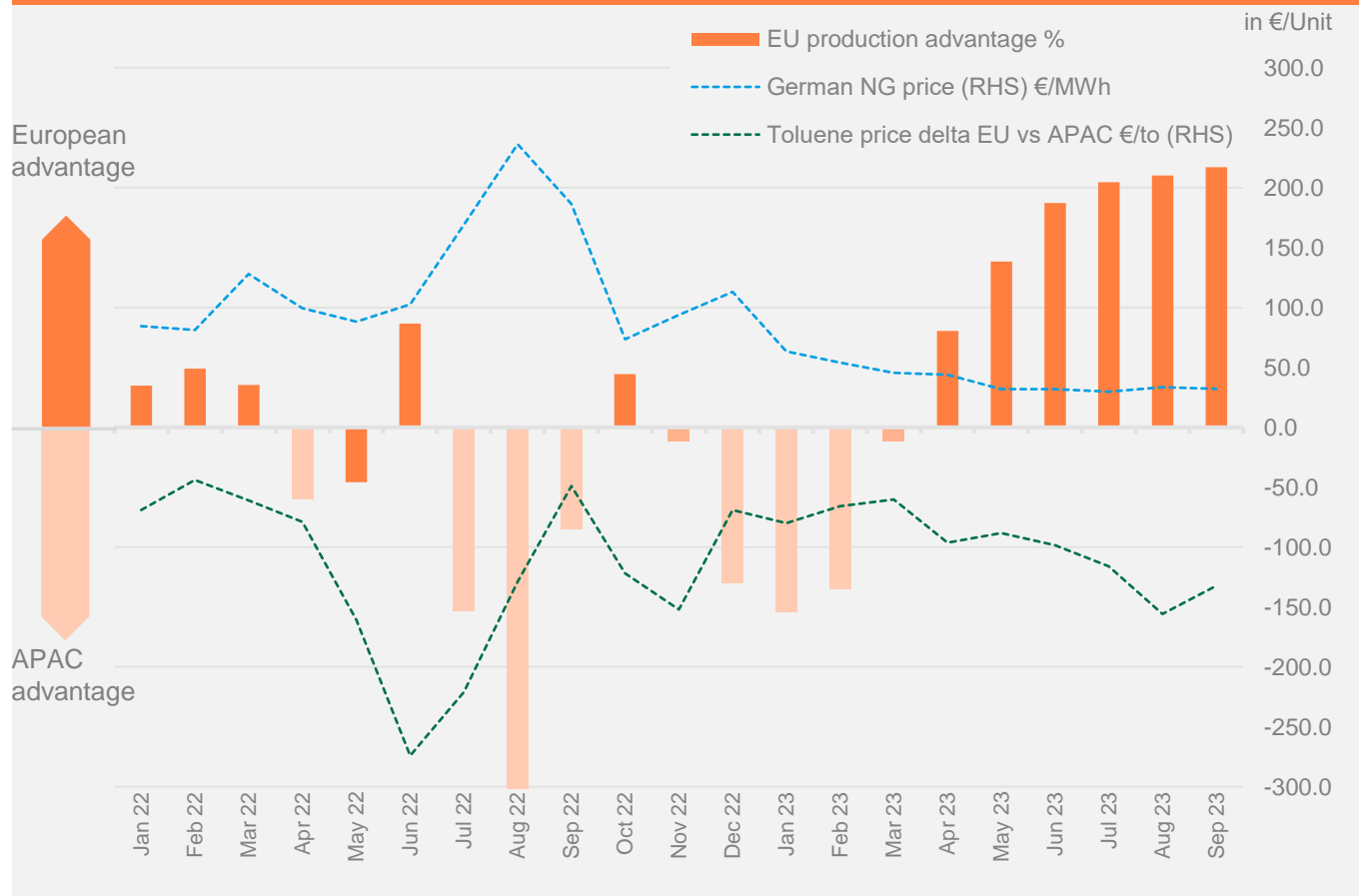


# European TDI production regained competitiveness



## 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-July 23 31.5kt from China and Jan-Aug 45kt 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

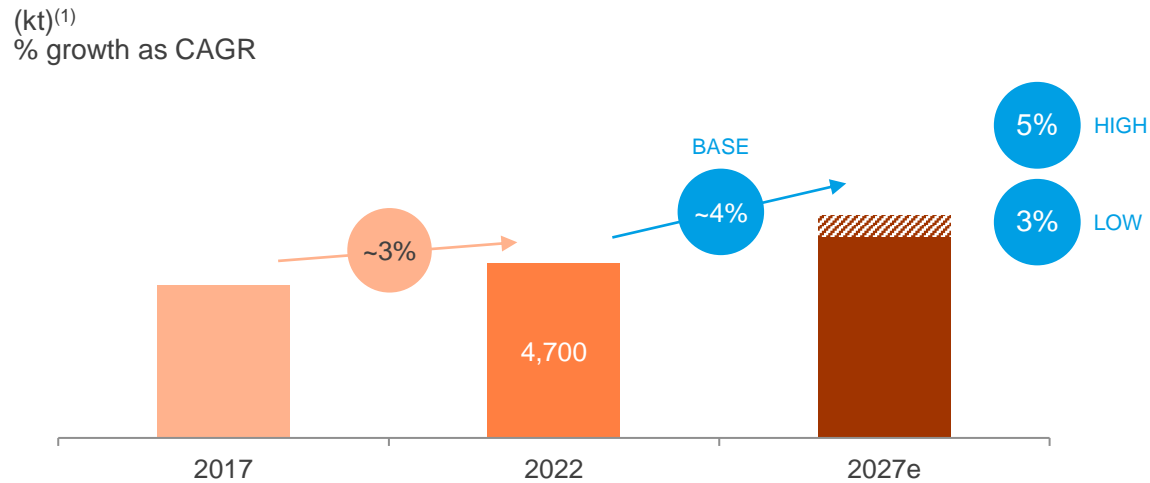
#### Mid-term outlook:

- 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

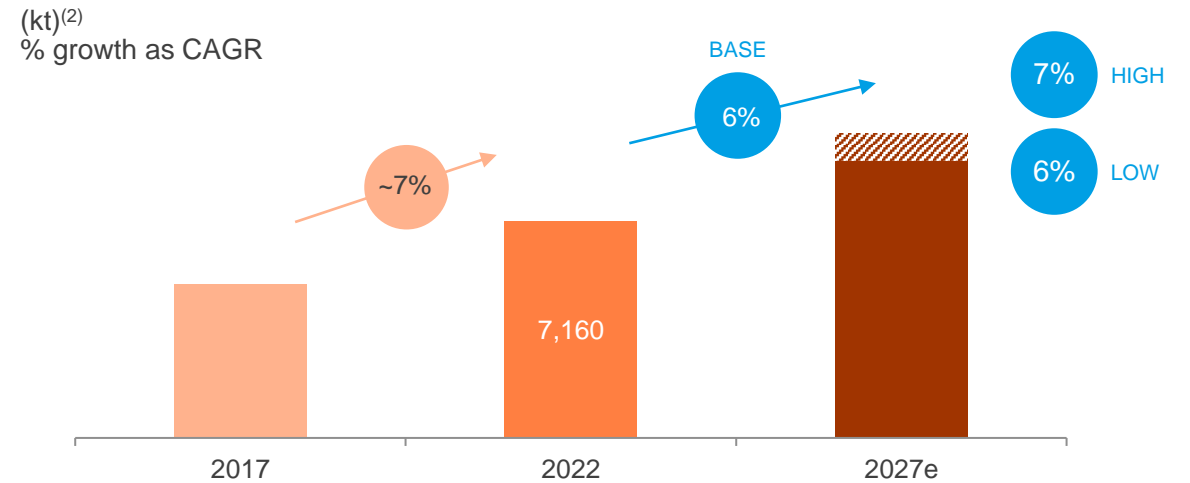
# Execution risks may limit future capacity additions

## 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 66% after recent supply additions; industry usually fully utilized in the low eighties
- Sabc Cartagena closure end-2023 while 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

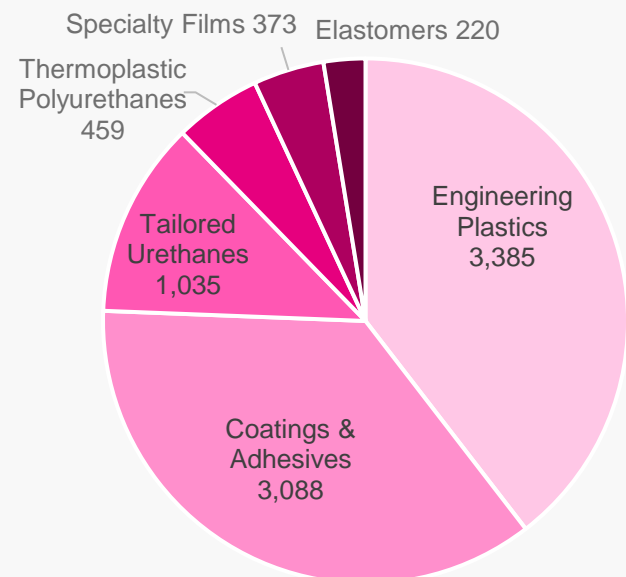


## Solutions & Specialties

### 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

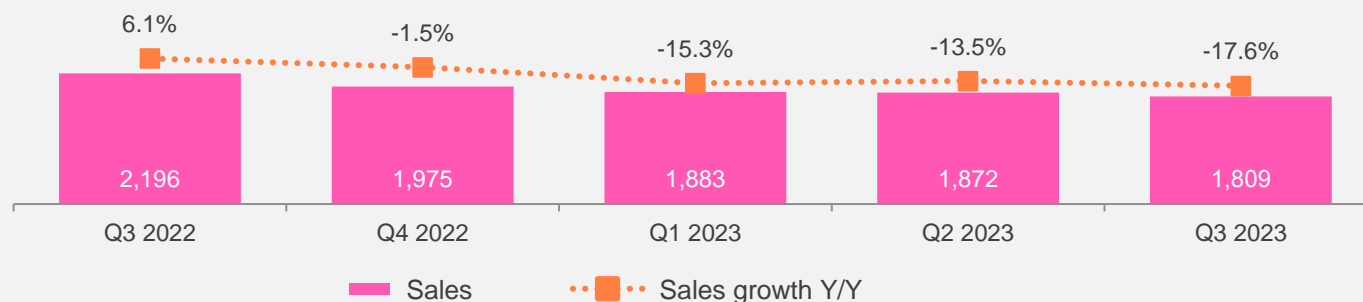
# Solutions & Specialties – EBITDA again sequentially up



## Segment results – Highlights Q3 2023

### SALES

in € million / changes Y/Y

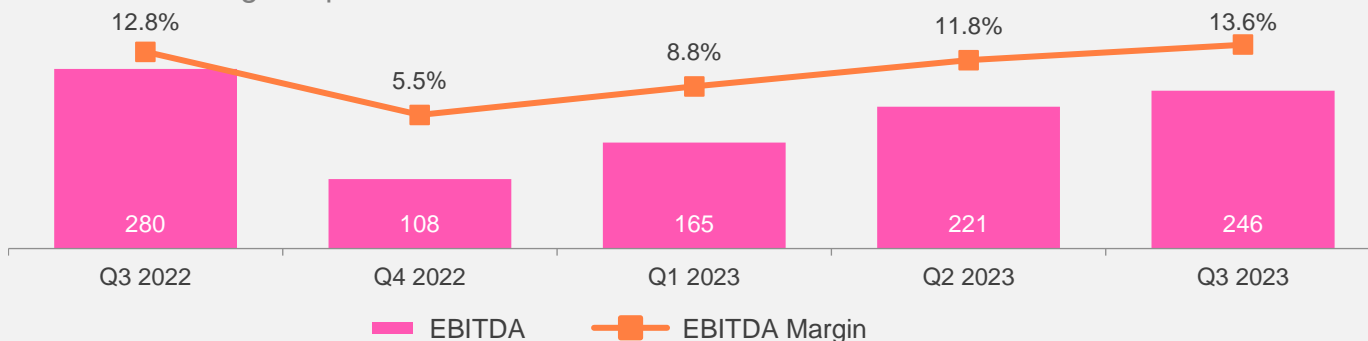


### HIGHLIGHTS

- Sales declined by 17.6% Y/Y, mainly driven by lower prices (-8.9%), unfavorable FX (-5.0%) and lower volumes (-3.7%)
- Sequentially, sales declined strongly in EMLA while NA saw a slight decline and APAC exhibited a slight increase mainly caused by strong volume development

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

in € million / margin in percent



### HIGHLIGHTS

- Compared to prior year, EBITDA decreased from negative volume and FX despite lower fixed cost and almost neutral pricing delta but
- Quarter-over-quarter higher EBITDA due to positive pricing delta and lower fixed cost, burdened by volume decline and other items
- EBITDA margin improved to 13.6% in Q3 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</b> €373m	<b>CAGR</b> 2022-2027e ~12%
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



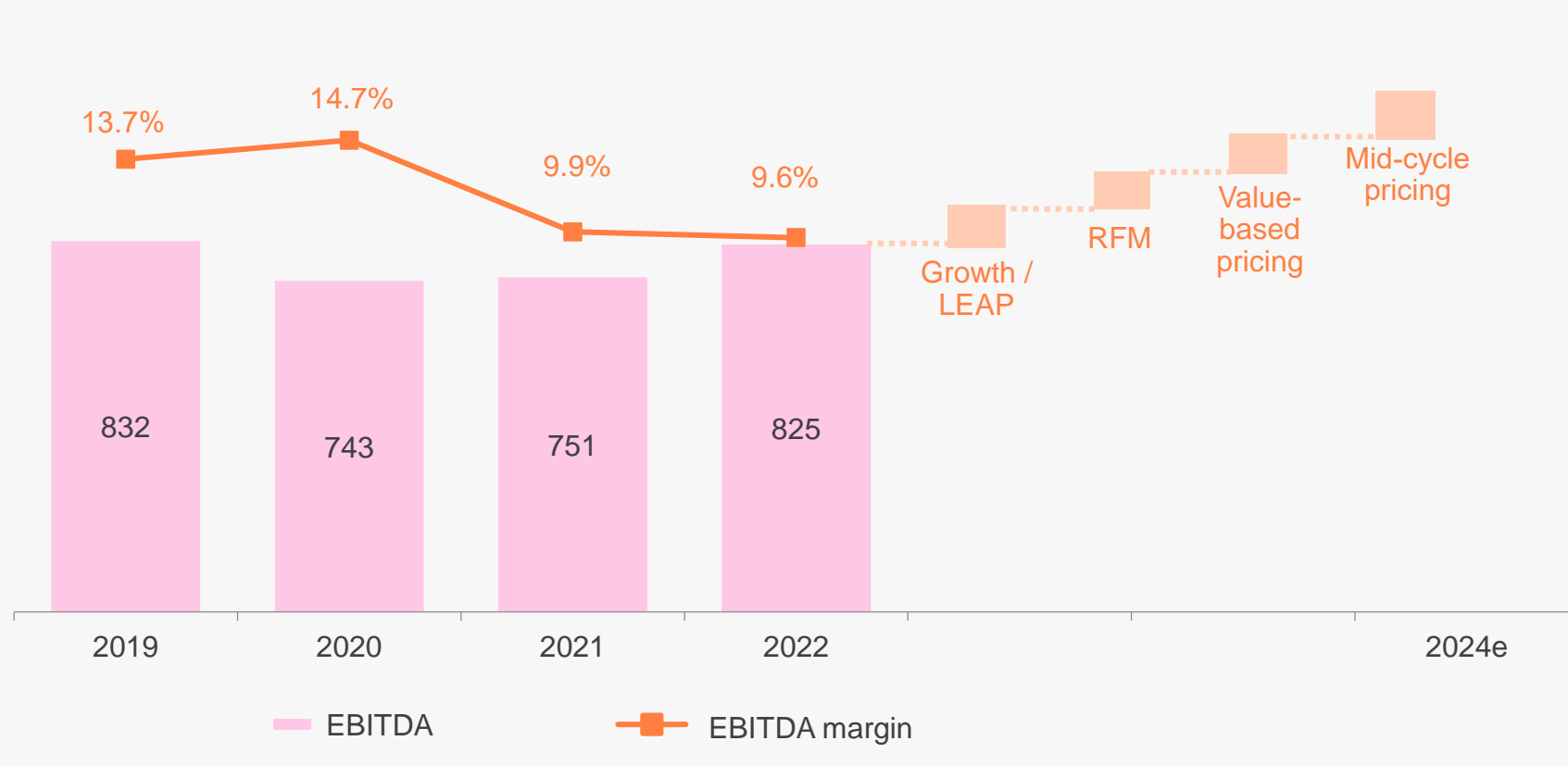
Growing within emerging market of holographic light guiding: accelerating markets of virtual displays in glasses and head-up displays in vehicles

# 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 Q3'23
- Segment overview
- **Background information**



# Led by a diverse, international management team

Covestro senior management as of October 1, 2023



## BOARD OF MANAGEMENT



### Chief Executive Officer

Dr Markus Steilemann  
Nationality: German



### Chief Financial Officer

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 October 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 <sup>(1)</sup>	
ecoVadis SUPPLIER SUSTAINABILITY RATINGS	0 to 100	73				80		72	Next update in 2025	<sup>(2)</sup>	
MSCI ESG	CCC to AAA	BBB	BBB	A	A	A	A	AA		<sup>(3)</sup>	
SUSTAINALYTICS	100 to 0	74	75		80	23.3	20.0	18.3	21.1	20.1	<sup>(4)</sup>
FTSE Russell	Excluded / Listed	Listed	Listed	Listed	Listed	Listed	Listed	Listed	Listed	Listed	

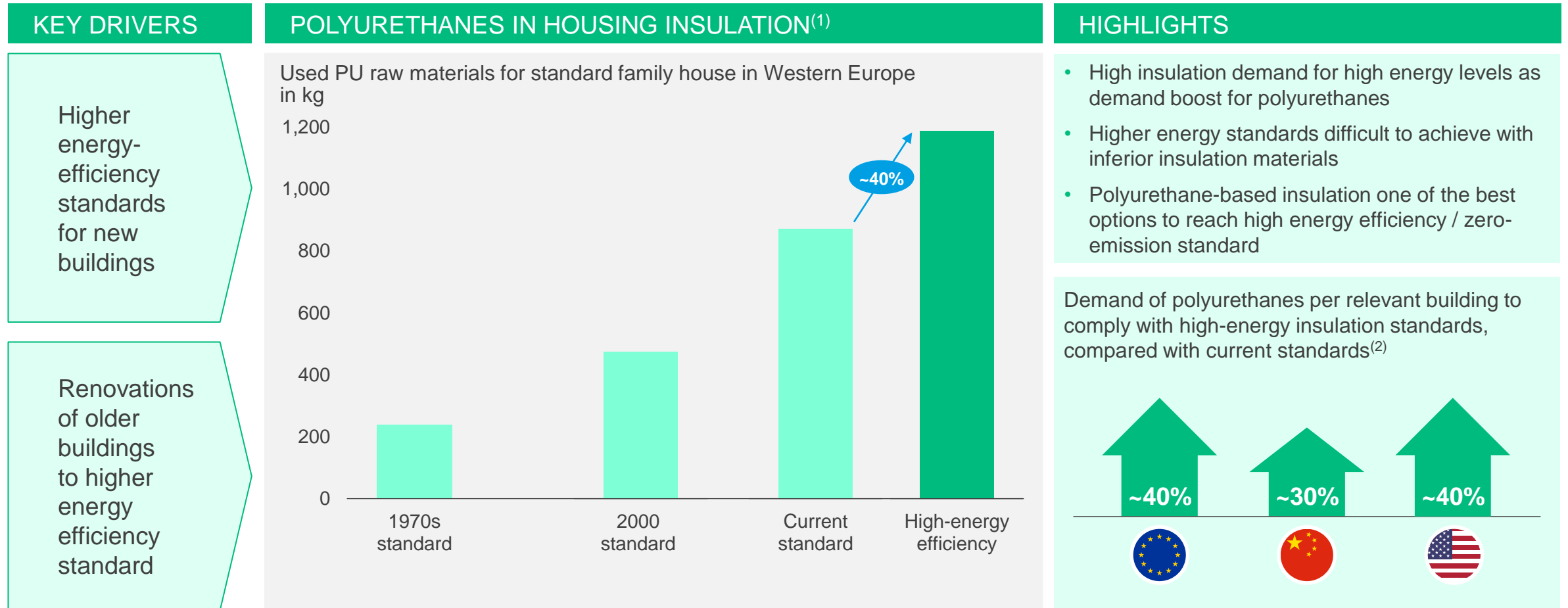
Notes:

- (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



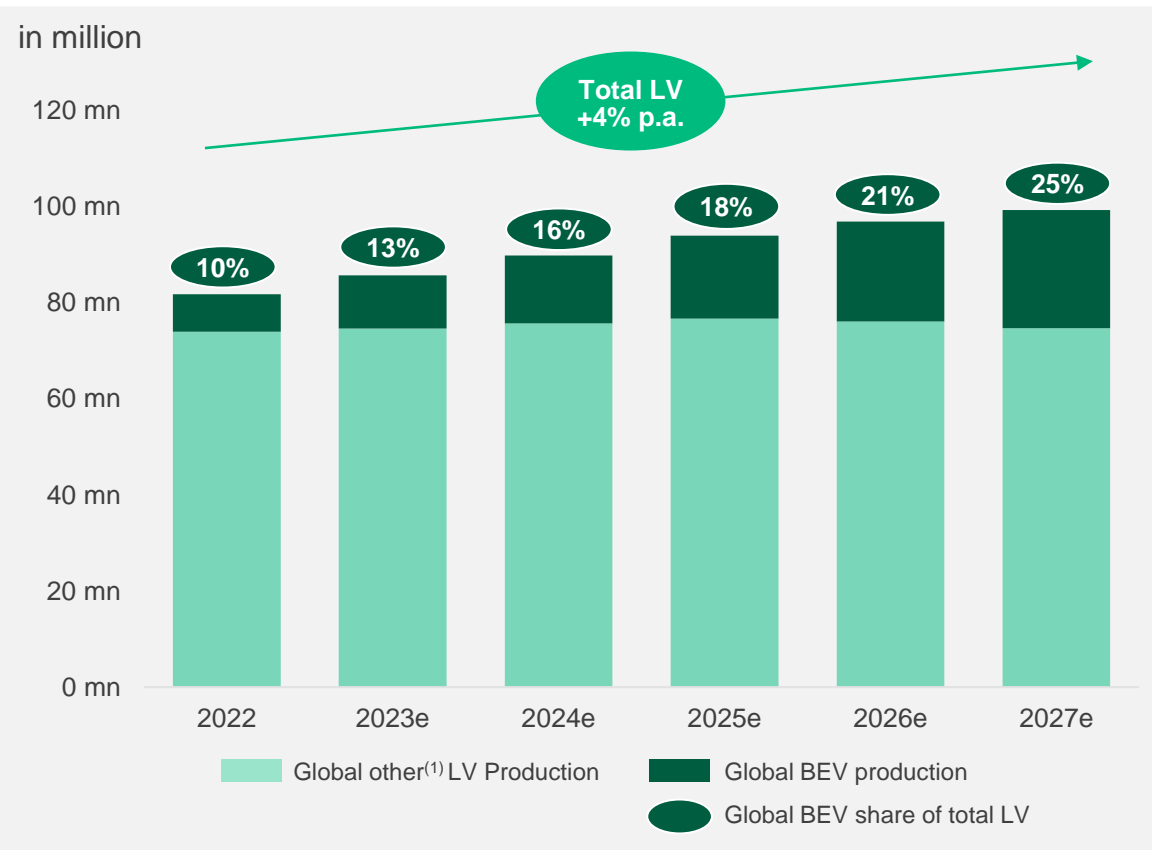
### KEY DRIVERS

Carbon neutrality targets

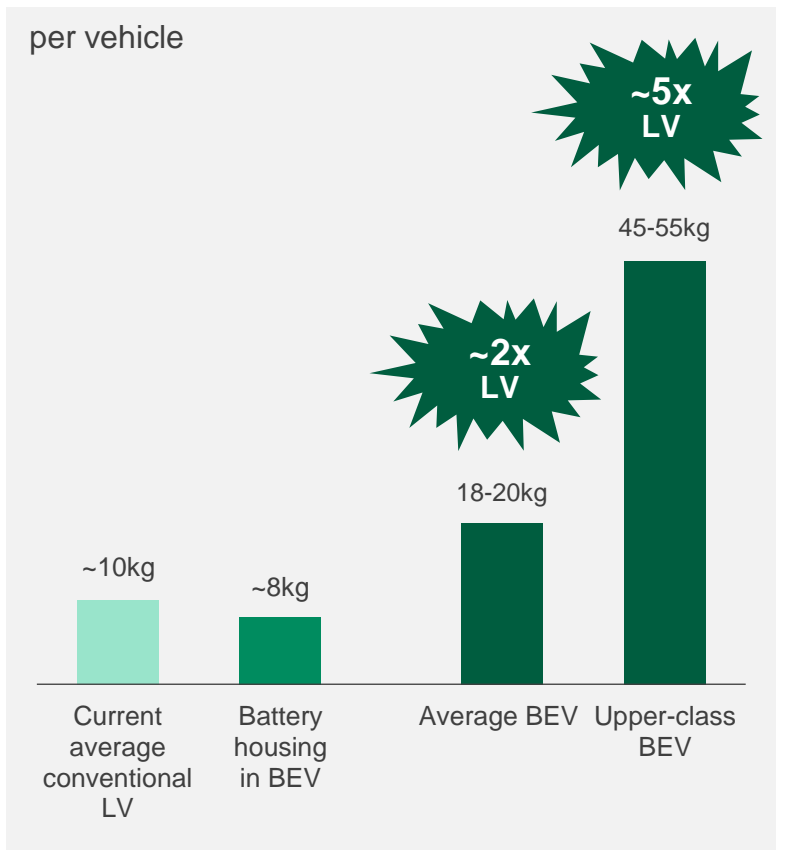
Rising fuel prices

Stringent emission regulations

### DEVELOPMENT OF AUTOMOTIVE INDUSTRY



### USE OF POLYCARBONATES IN BEV

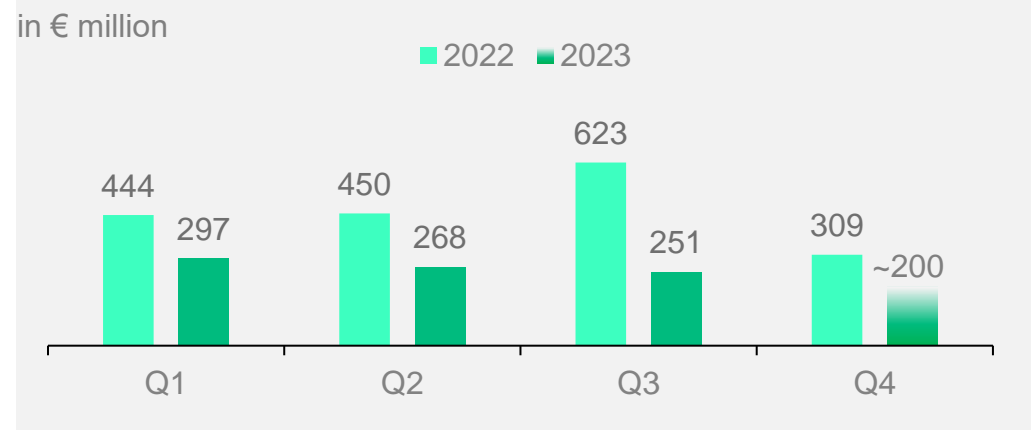


# Global energy prices normalizing after tripling within two years

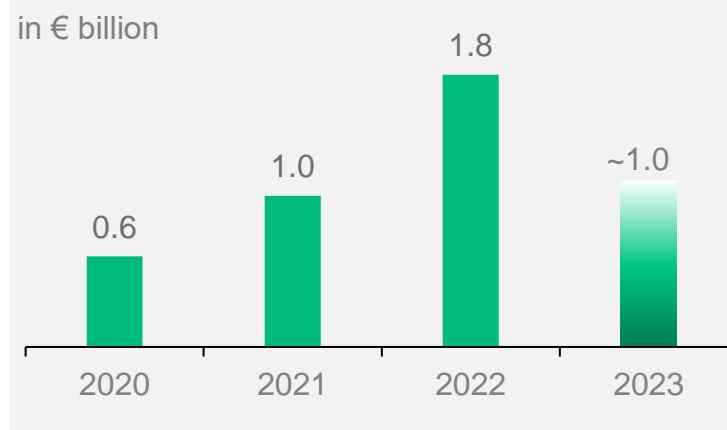
## Energy cost development



### QUARTERLY ENERGY COST DEVELOPMENT



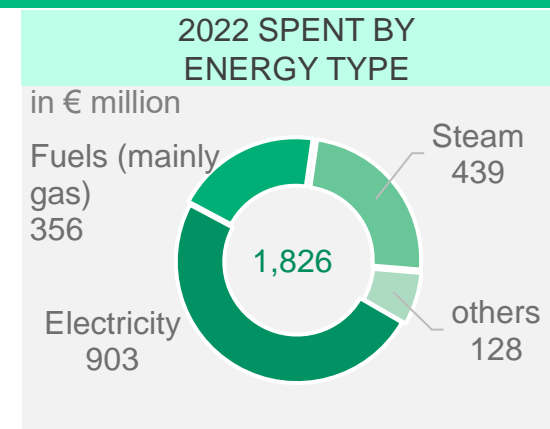
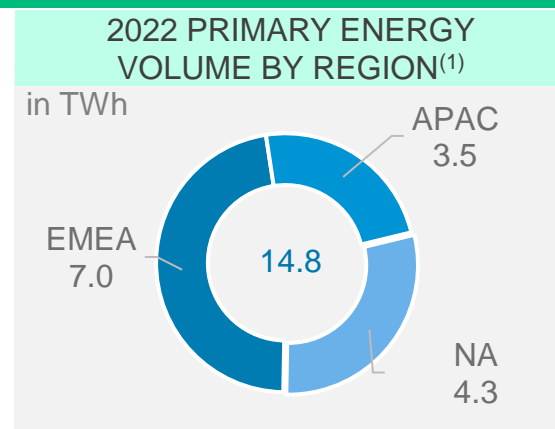
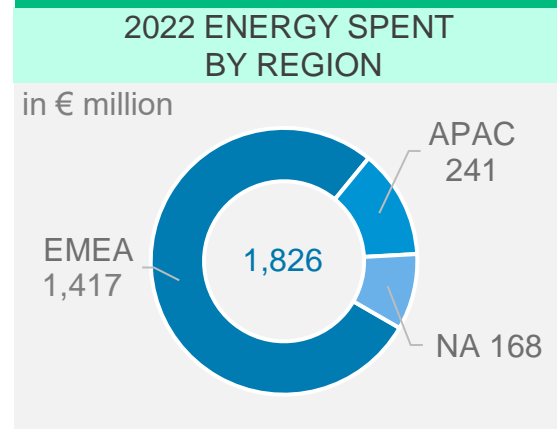
### GLOBAL ENERGY COST



### HIGHLIGHTS

- Global energy bill in FY 2022 of €1.8bn, energy demand reduced by ~7% vs FY2021
- Q3 2023 global energy cost of €251m, declined vs Q2 2023 from lower volumes and lower prices
- Expecting Q4 2023 global energy cost down versus Q3 2023 due to seasonally lower volumes
- Global energy bill in FY 2023 expected around €1bn

### ENERGY BREAKDOWN

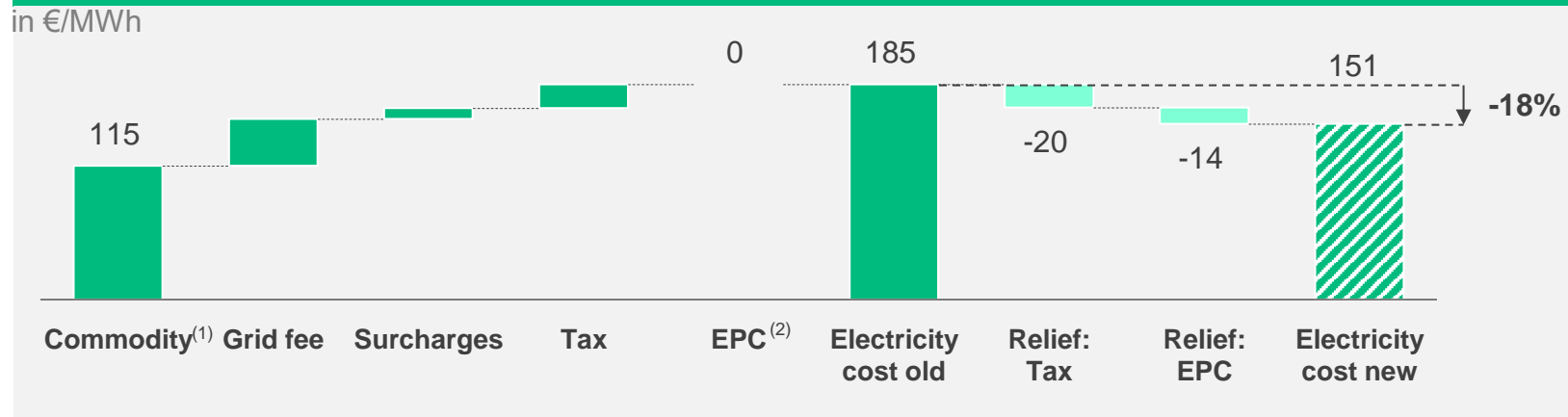


# Electricity price package with marginal impact for Covestro

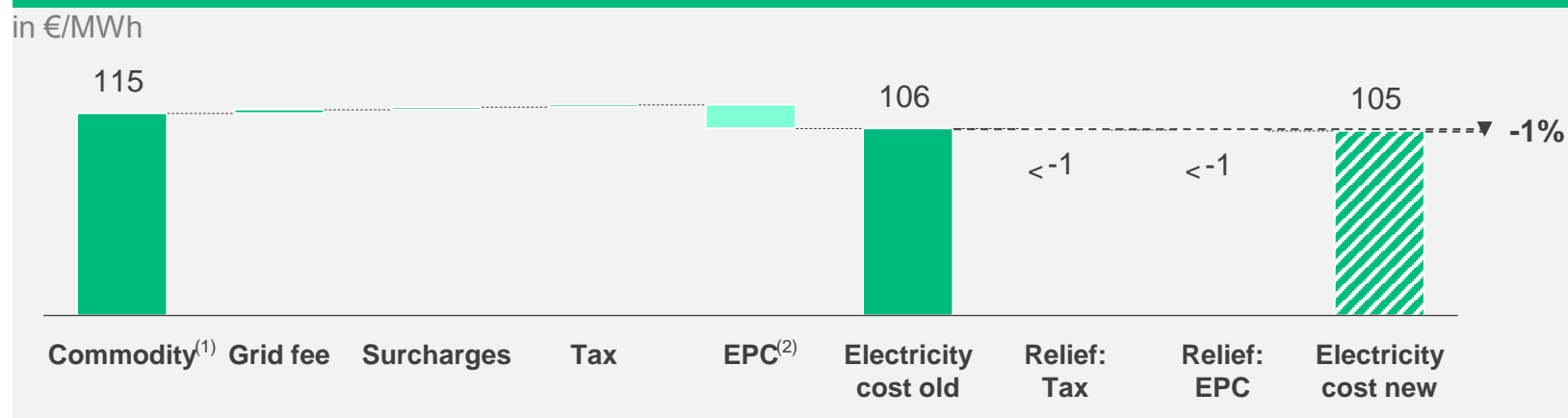
## Electricity pricing after German government decision until 2030



### ELECTRICITY PRICE RELIEF FOR NON-ENERGY INTENSIVE INDUSTRIAL CONSUMERS



### ELECTRICITY PRICE RELIEF FOR COVESTRO GERMAN LEGAL ENTITIES IN 2024



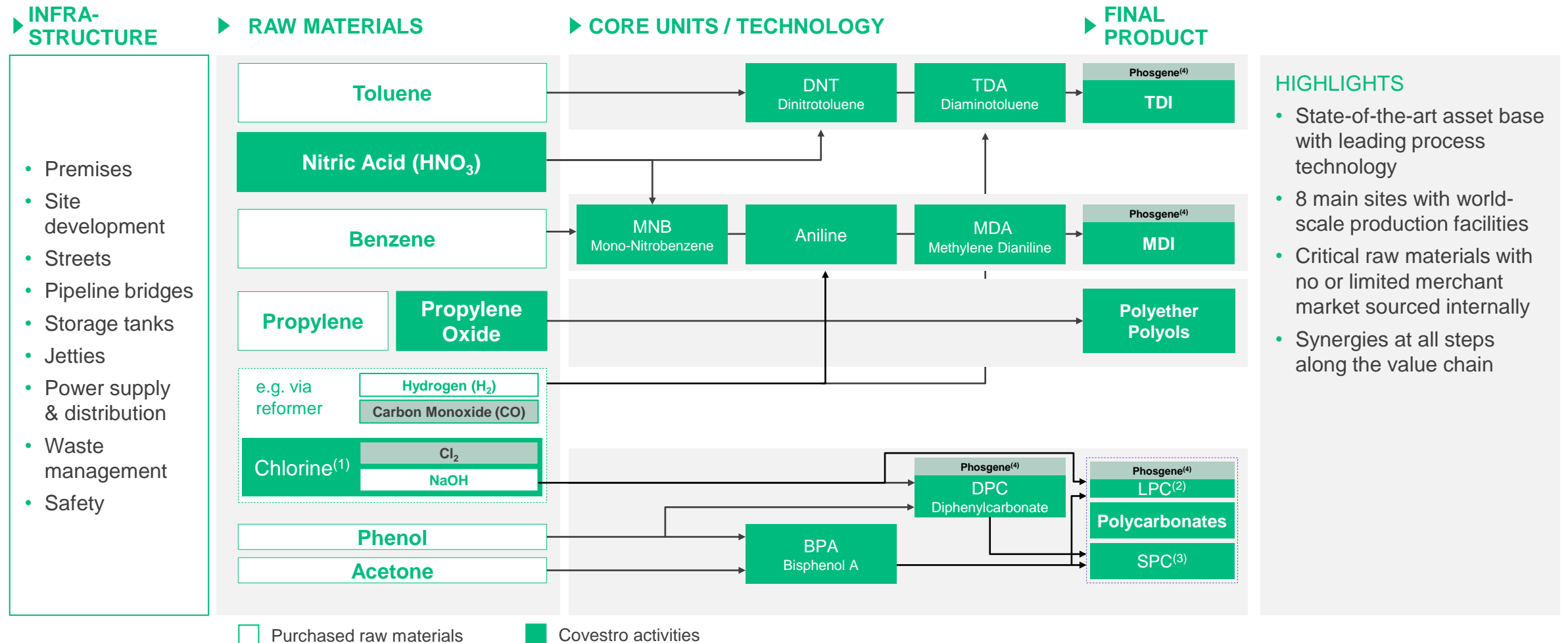
### HIGHLIGHTS

- Electricity price package mainly prolongs existing measures for energy intensive companies like Covestro
- Covestro's German electricity consumption of ~3TWh
- Covestro expects to benefit from single-digit € million cost reduction; limited effect due to existing tax exemption and only marginal extension of EPC<sup>(2)</sup>
- For non energy intensive entities, net reduction of costs up to ~20%
- Grid fees will be stabilized which were set to significantly increase otherwise due to modernization needs for the German energy transition

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



## One chemical backbone across all segments



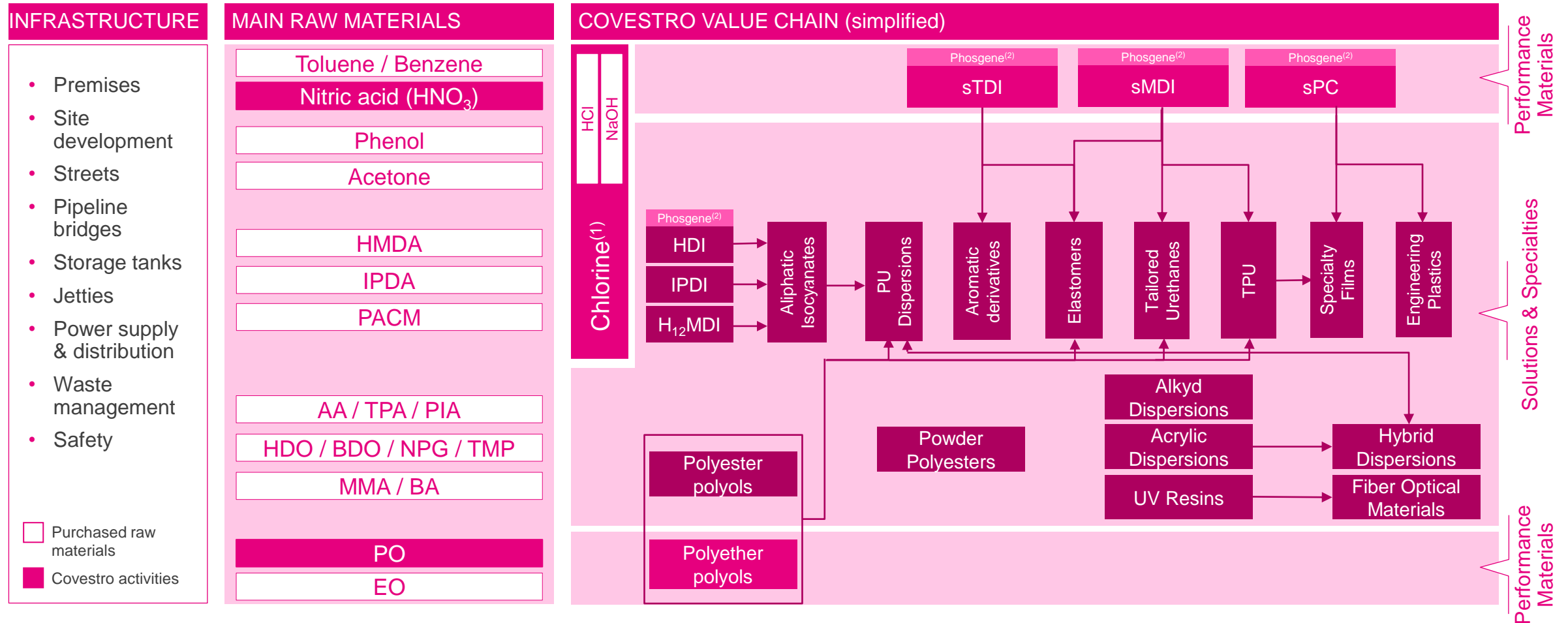
### HIGHLIGHTS

- 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



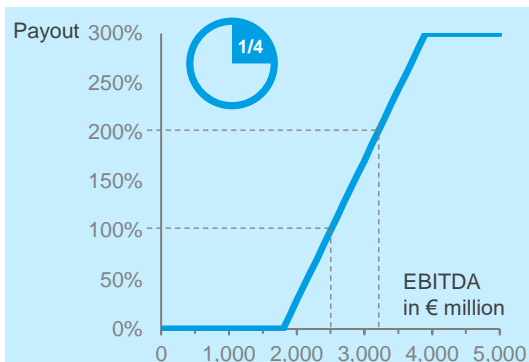


# Entire organization aligned for performance and sustainability

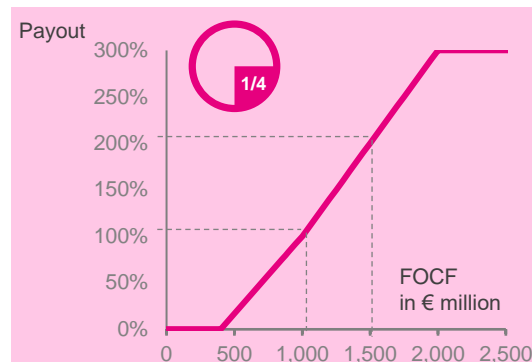


## Group Profit Sharing Plan (PSP) as of 2022

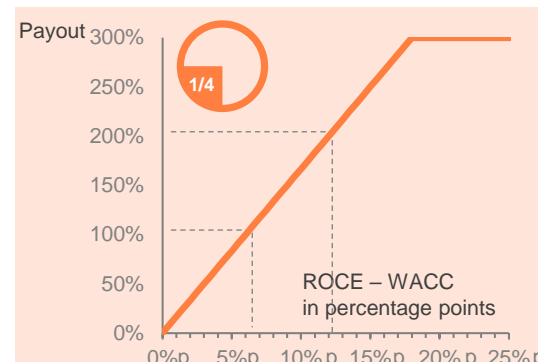
### UNIFORM BONUS SYSTEM



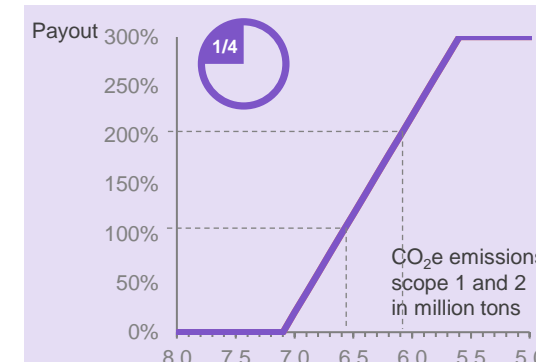
EBITDA (€ mio)				
Value	1,800	2,500	3,200	3,900
Payout	0%	100%	200%	300%



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> e 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

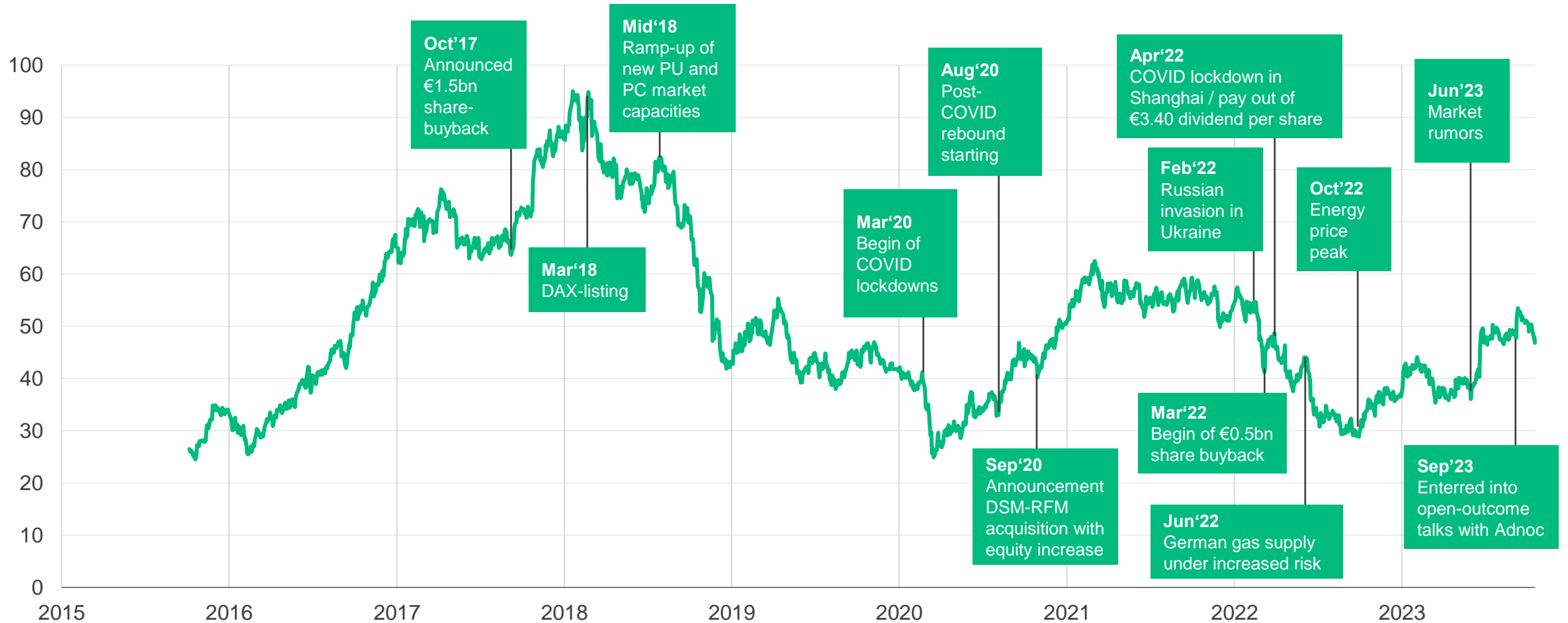
## Development of last five years



		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

- |                     |                                 |
|---------------------|---------------------------------|
| • February 29, 2024 | 2023 Annual Report              |
| • April 30, 2024    | Q1 2024 Quarterly Statement     |
| • July 30, 2024     | 2024 Half-Year Financial Report |

## ANNUAL GENERAL MEETING

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

## BROKER CONFERENCES

- |                     |                                                                                           |
|---------------------|-------------------------------------------------------------------------------------------|
| • November 7, 2023  | Societe Generale European ESG Conference, Paris                                           |
| • November 14, 2023 | UBS European Conference 2023, London                                                      |
| • November 16, 2023 | HSBC Luxembourg Day, Luxembourg                                                           |
| • November 28, 2023 | BofA European Materials Conference 2023, London                                           |
| • November 30, 2023 | Societe Generale, The Premium Review Conference, Paris                                    |
| • December 4, 2023  | Berenberg European Conference 2023, Surrey                                                |
| • January 9, 2024   | Commerzbank & ODDO BHF German Investment Seminar 2024, New York                           |
| • January 11, 2024  | Baader Helvea, German Corporate Day, Toronto                                              |
| • January 16, 2024  | UniCredit & Kepler Cheuvreux 23 <sup>rd</sup> German Corporate Conference 2024, Frankfurt |



# 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.