



Operating along trough levels

Financial Highlights
Q2 2023



Forward-looking statements

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.

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

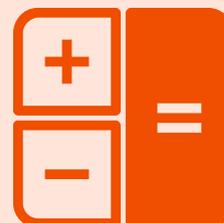
Financial highlights Q2 2023



€3.7bn
Sales



€385m
EBITDA



€-10m
FOCF



FY 2023
Guidance confirmed
rather at lower half
for all KPI's



~€50m
3rd sub-tranche of
share buyback
accomplished



Thorsten Dreier succeeds Klaus Schäfer as CTO

Changes in Board of Management



DR THORSTEN DREIER



**"Safe, sustainable, reliable –
that is our goal"**

CV

Nationality: German
Education: Chemist
With Bayer/Covestro for more than 20 years
Previous positions:

- Head of Business Entity Coating & Adhesives
- Head of Thermoplastic Polyurethanes
- Head of Specialty Films
- Head of CAS Production & Technology

AREAS OF RESPONSIBILITY

- Engineering
- Process Technology
- Group Health, Safety and Environment
- Group Procurement
- Representation of Covestro in several industry associations

Digitalization and AI pushing sustainability

Covestro on the forefront of new data-driven technologies



DIGITALIZATION DRIVING SUSTAINABILITY



- Automated calculation of environmental and carbon product footprint data through digital solutions
- Covers cradle-to-gate and will be available for about 50 000 intermediates and finished products
- Certification complete proving compliance of methodology with ISO standards and “Together for Sustainability” (TfS) guideline
- Validation of calculated values ongoing with gradual release of data until end of 2024

Digitalization drives sustainability improvement leading to a circular economy

ARTIFICIAL INTELLIGENCE RESHAPING CHEMICAL INDUSTRY



- Covestro pioneers use of Artificial Intelligence (AI) data-driven decision making
- AI could significantly simplify complex cross-divisional production planning
- Generation and dissemination of ESG data sources could be strongly supported by AI
- Co-operation of Covestro with peers like Bayer, Clariant, Shell, Wacker, Lanxess, Evonik and others on common challenges

Covestro pushes for use of AI both internally and in the chemical industry

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

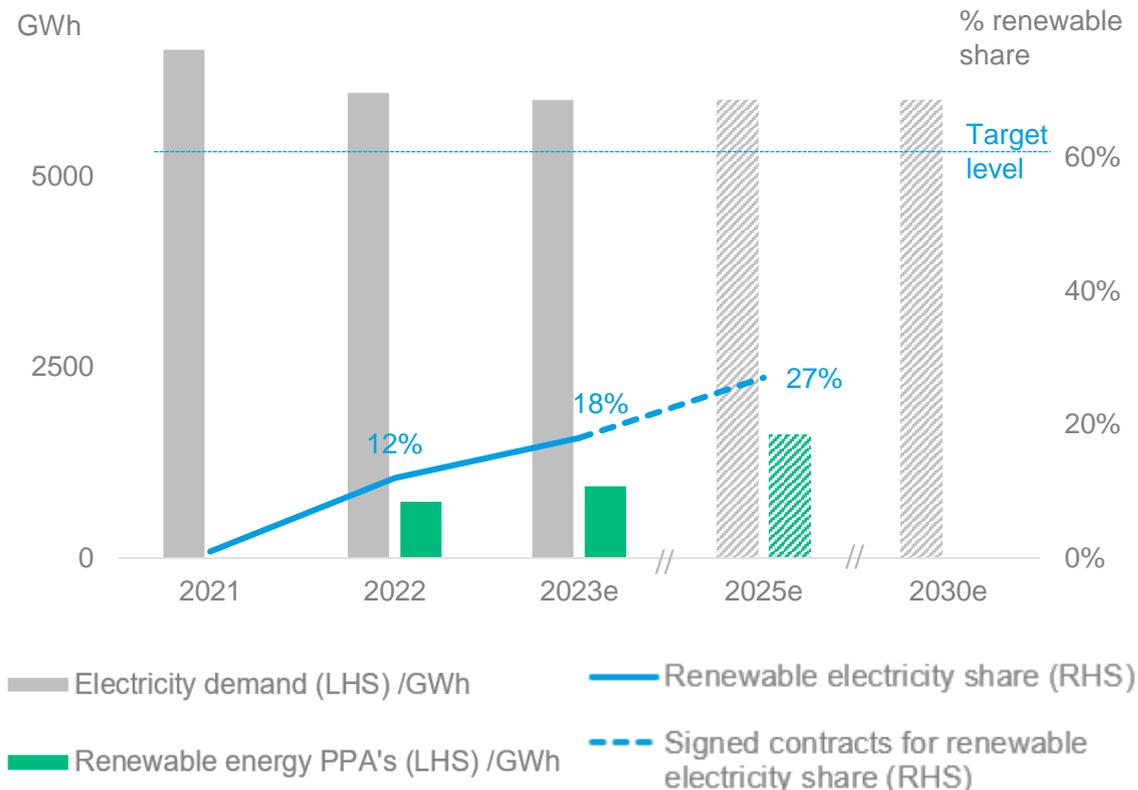
NA

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



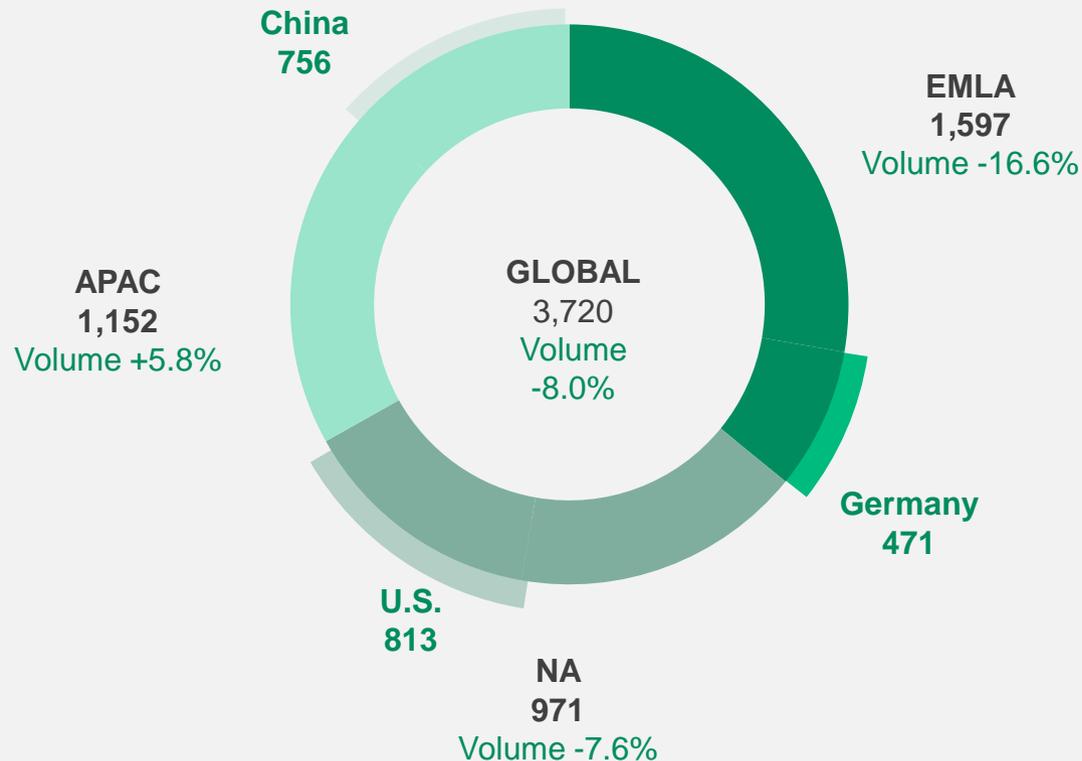
Significant progress to our intermediate target of 60% GHG reduction until 2030

Weak economic environment but helped by China and Auto



Q2 2023 – Regional split

Sales in € million
Volume Y/Y



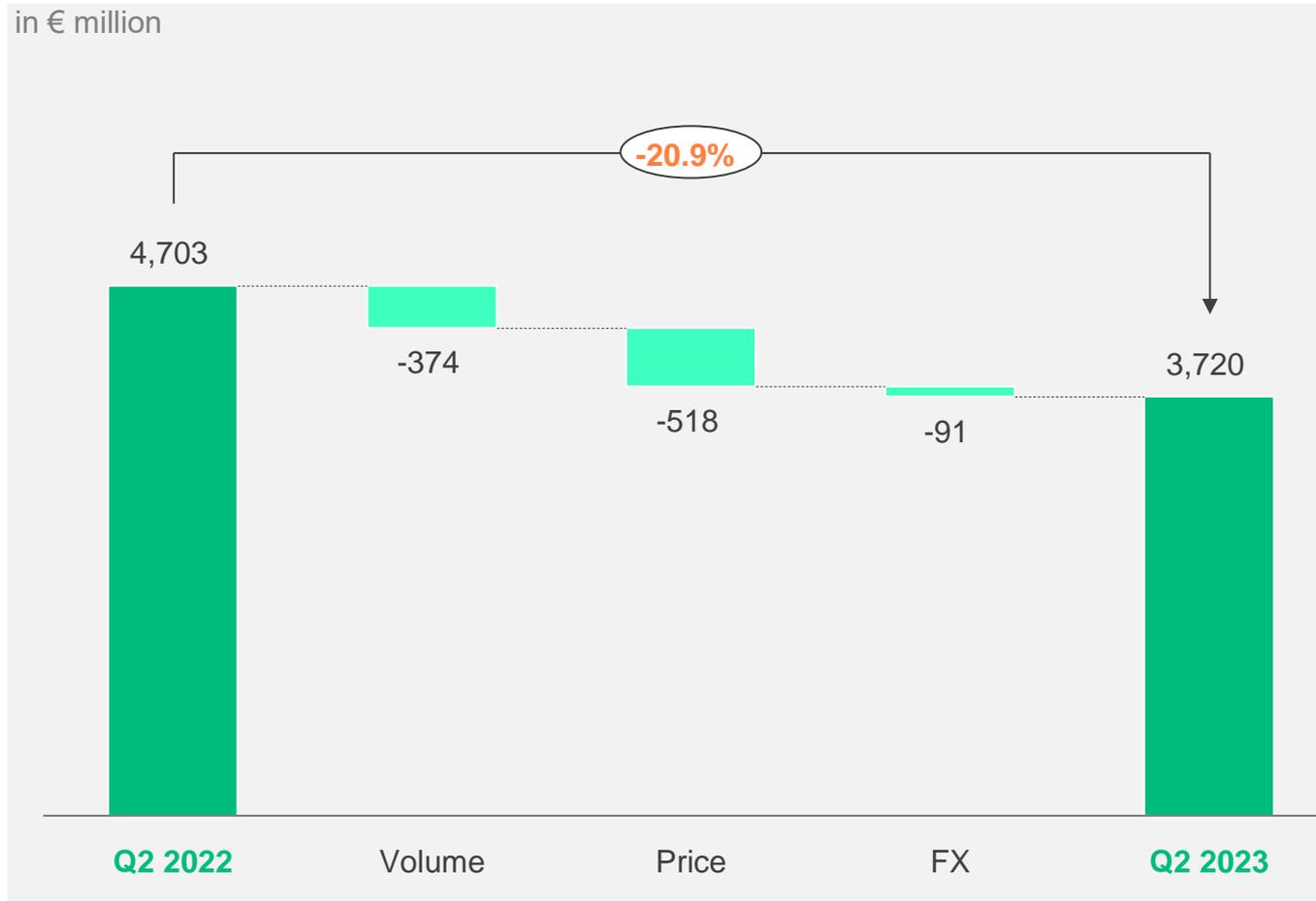
HIGHLIGHTS

- 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 partially 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

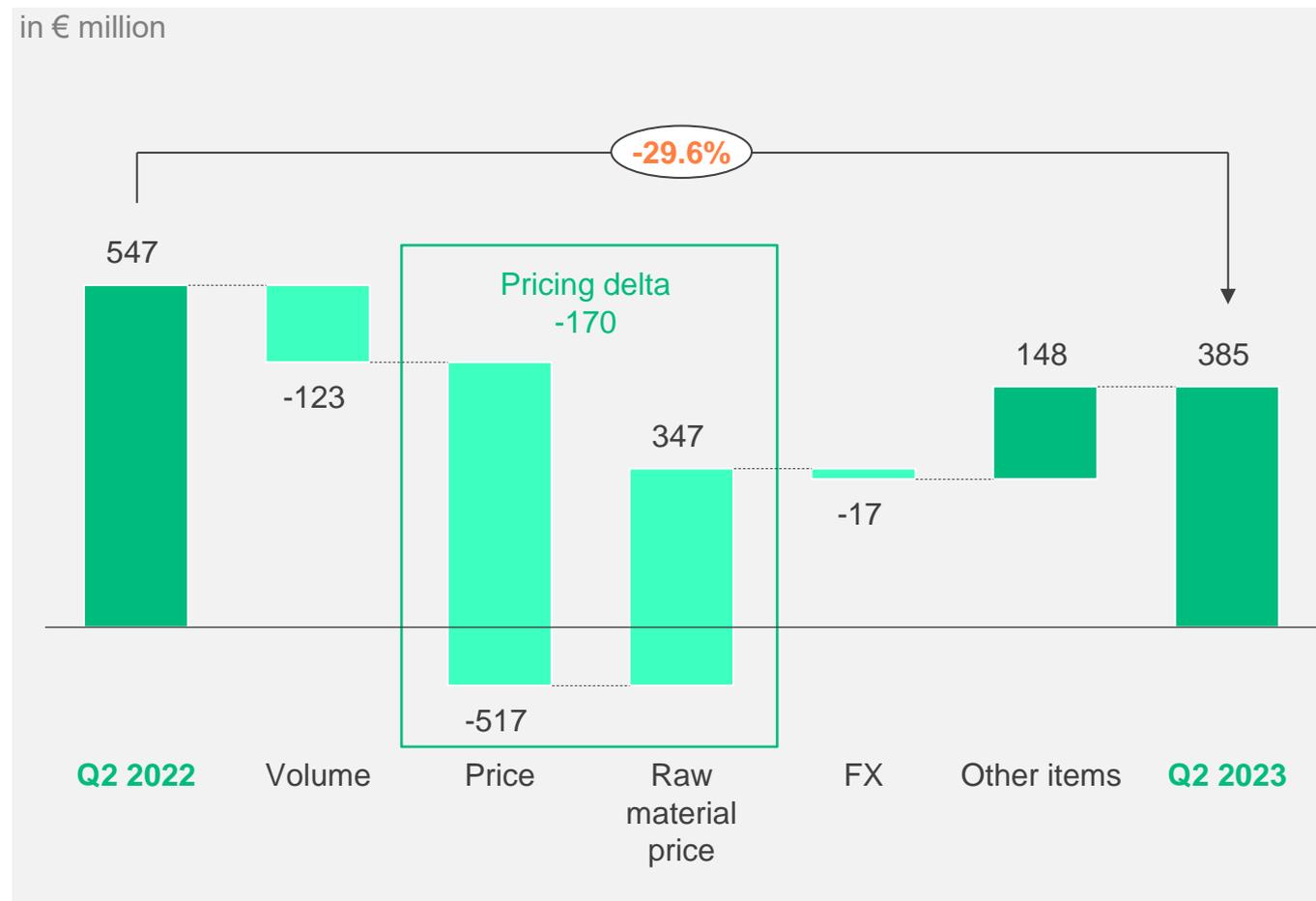
- Performance Materials strongly affected (-15.3% Y/Y) whereas Solutions & Specialties with only slight decline (-6.6% Y/Y)

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⁽¹⁾

- 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 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 €34m

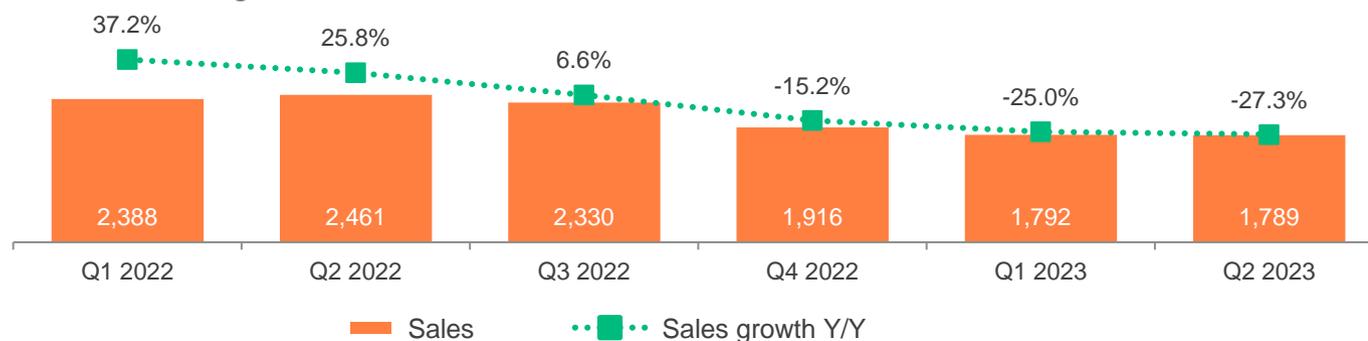
Performance Materials – EBITDA continues to rebound



Segment results – Highlights Q2 2023

SALES

in € million / changes Y/Y

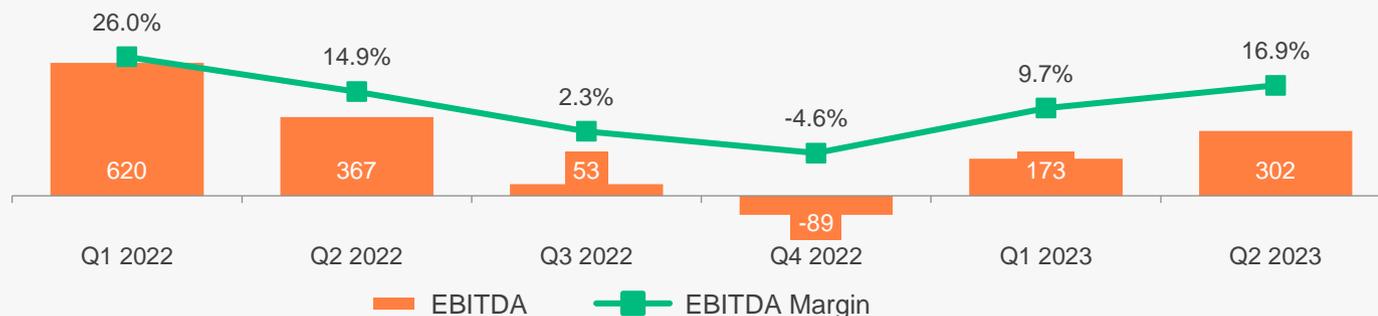


HIGHLIGHTS

- 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⁽¹⁾

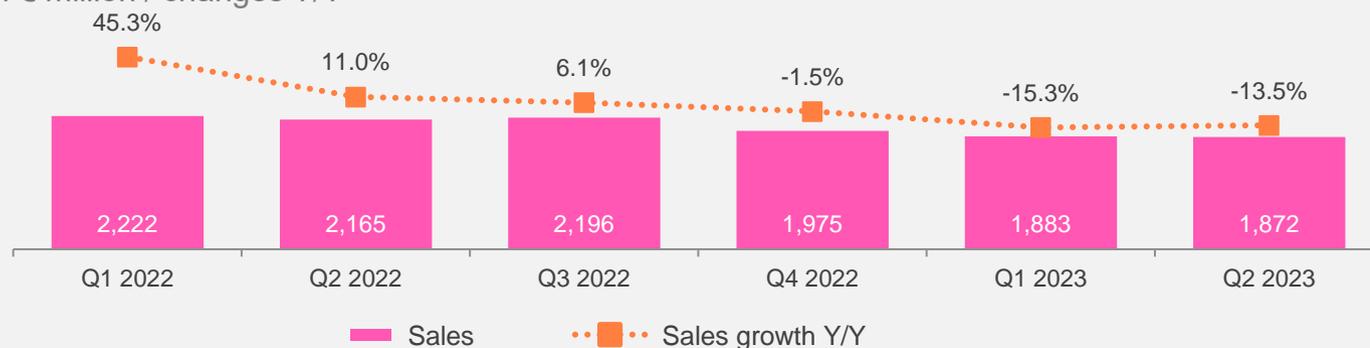
Solutions & Specialties – EBITDA up compared to prior year



Segment results – Highlights Q2 2023

SALES

in € million / changes Y/Y

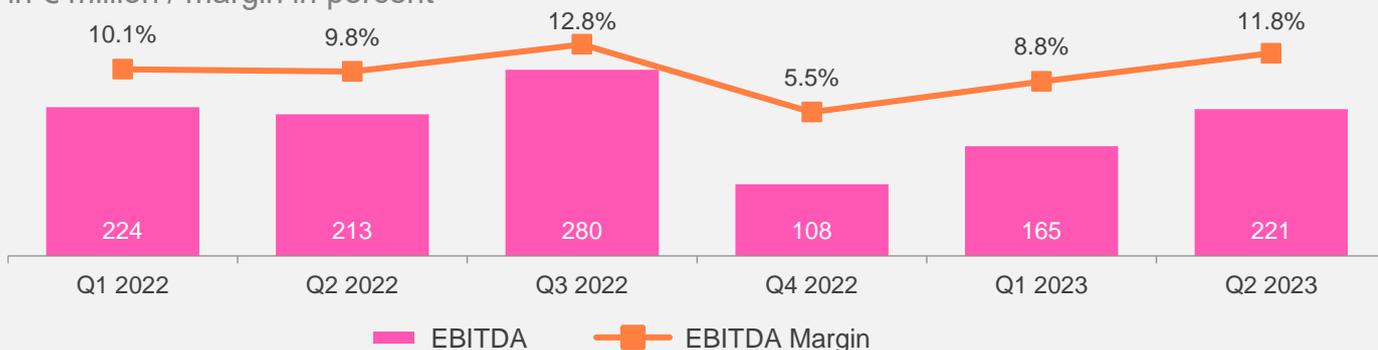


HIGHLIGHTS

- 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 while NA was stable, and APAC exhibited a slight increase in sales mainly caused by higher volumes

EBITDA AND MARGIN⁽¹⁾

in € million / margin in percent



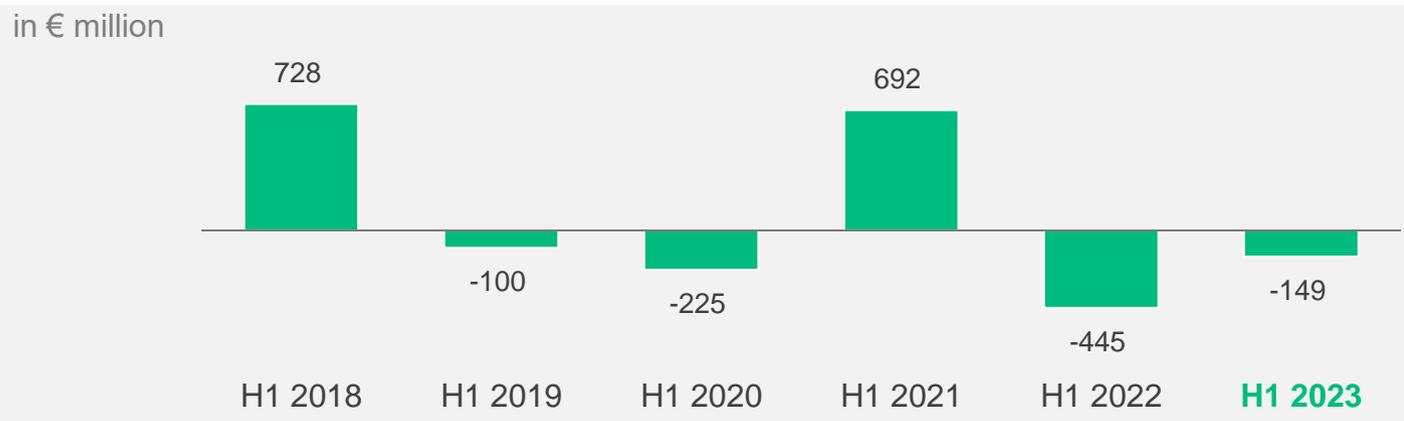
HIGHLIGHTS

- 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

Despite seasonally higher WoC on track for full year positive FOCF



Historical FOCF development



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

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⁽³⁾ decreased to 19.4% (21.3% at end of H1 2022), driven by lower inventory levels and lower accounts 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 included bonus payout of €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	-37	-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 ⁽¹⁾	-209	-12	0.2%	-94.3%
DTA ⁽¹⁾ adjustments	0	-110	-1.5%	-
Net income	615	20⁽²⁾	0.3%	-96.7%
Earnings per share (in €) ⁽³⁾	3.20	0.11	-	-96.6%

HIGHLIGHTS

Impairments

- Impairment loss of €30m due to discontinuation of Maezio[®] product line and related site closure

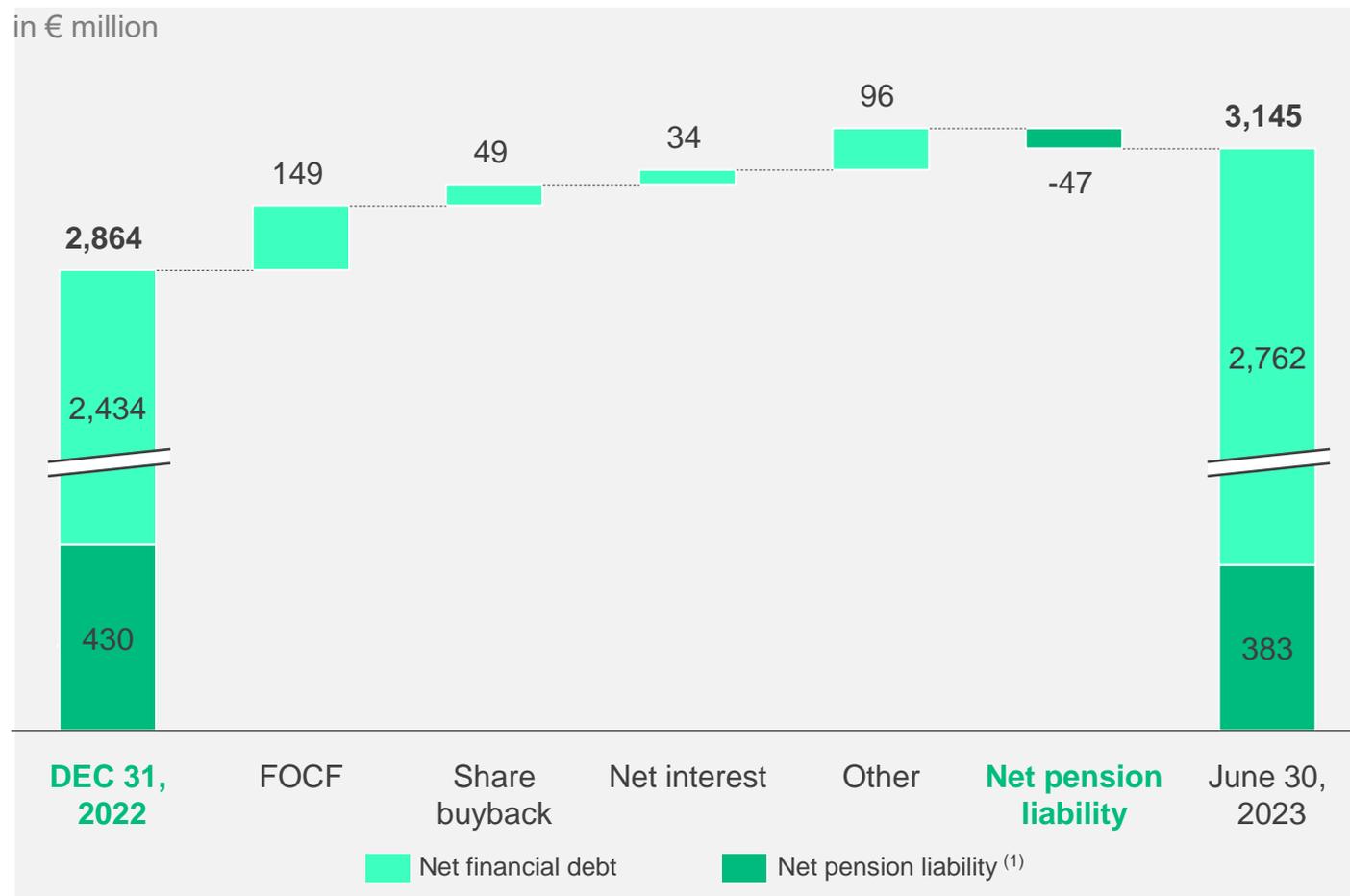
Deferred tax assets (DTA)

- 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⁽²⁾ 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 only 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

Outlook for Covestro's core industries deteriorated

Global demand development

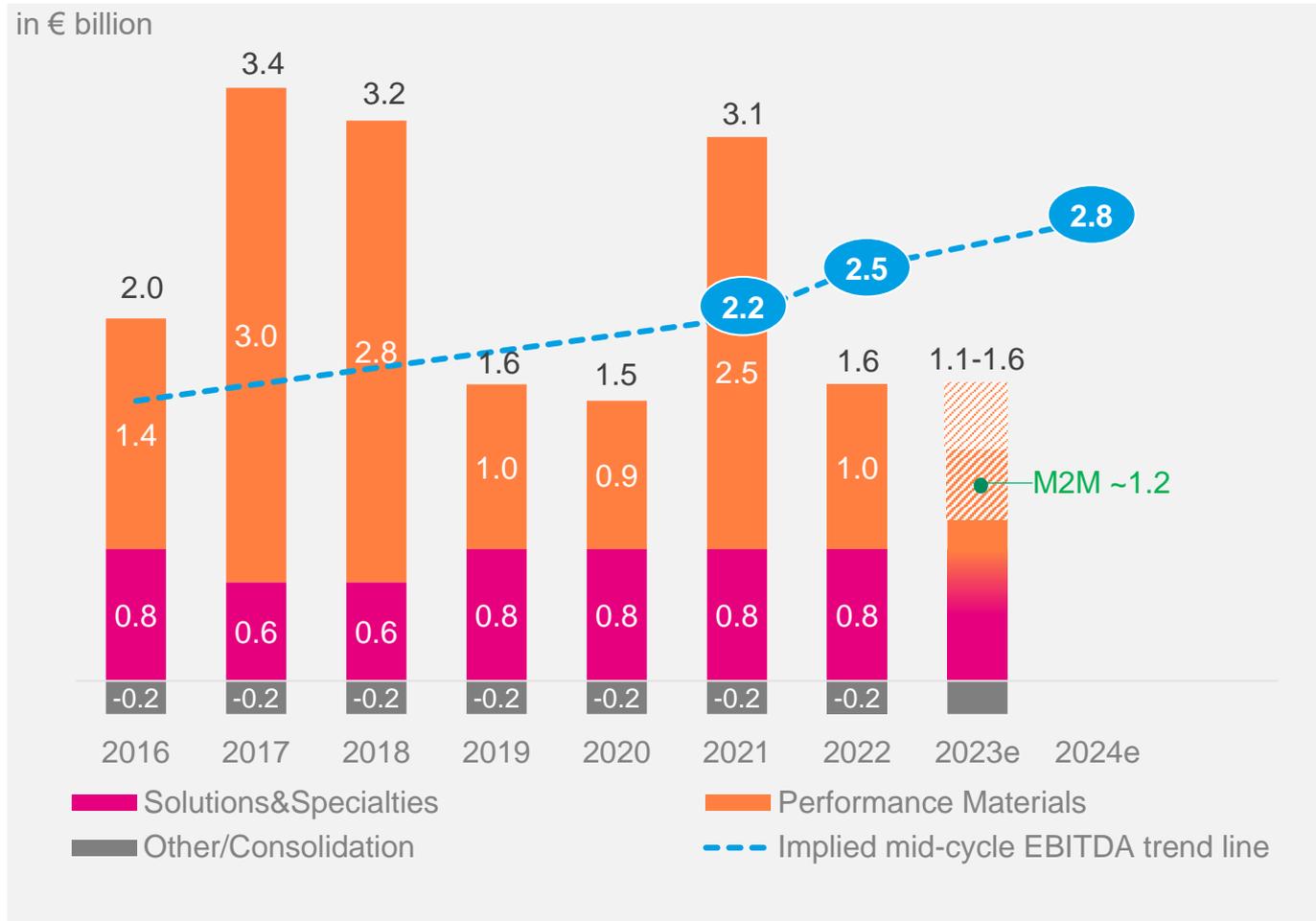


KEY CUSTOMER INDUSTRIES		2022 Y/Y ⁽¹⁾	2023e Y/Y ⁽¹⁾	2023e Y/Y UPDATE ⁽²⁾
Global GDP		+3.1%	+1.5%	+2.4%
Automotive		+6.9%	+4.6%	+6.0%
EV / BEV		+69.8%	+42.5%	+39.2%
Construction		+1.2%	+0.8%	-1.0%
Residential		+0.8%	-0.2%	-2.2%
Furniture		-3.6%	+0.3%	-2.8%
Soft furniture		-5.2%	+0.2%	-2.9%
Electrical,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

FY 2023 EBITDA expected to be rather at lower half of the range



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 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 ⁽³⁾ below previous year	€1,100m – 1,600m
FOCF	€138m	significantly ⁽³⁾ below previous year	€0 – 500m
ROCE above WACC ⁽¹⁾	-5.0 pp	significantly ⁽³⁾ below previous year	-6.0 pp to -2.0 pp
GHG emissions (scope 1 and 2)	4.7m tons	around ⁽³⁾ 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 ⁽²⁾	€832m	~€800m	~€800m

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 weaker development of our core industries

5

Third sub-tranche of share buyback accomplished with ~€50m
speed of continuation depending on share price development and cash generation

Questions & Answers

Q2 2023 Earnings Call

Remarks:

- Please use hand raise function to verbally ask questions
- For posted questions, please use the „Q&A“ / „F&A“ tab

Upcoming IR events



Find more information on 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 th German Corporate Conference, Munich |
| • September 19, 2023 | Baader Investment Conference, Munich |
| • September 19, 2023 | J.P. Morgan CEO Series Call, virtual |