

Annual General Meeting 2024

From the presentations by Dr. Markus Steilemann, CEO of Covestro AG,
and Christian Baier, CFO of Covestro AG
(Check against delivery)

Last update: April 10, 2024

Speech section by Dr. Markus Steilemann

Slide 1: Welcome



Thank you, Mr. Pott! Let me add my own warm welcome to you.

I am very pleased to see so many of our shareholders again today! I hope that you've had a good year since our last Annual General Meeting.

The period between then and now has once again been very challenging. The difficult global situation and the many problems on our own doorstep are weighing on us all.

And our own company is no exception. In a moment, my colleague Christian Baier and I would like to take you through Covestro's performance in the year 2023.

Just one thing up front: we are confident that Covestro will again master all difficulties in 2024. And we will report on many new successes on our strategic path toward the circular and climate neutral economy.



Covestro is one of the pioneers in the transformation to the circular economy. It is therefore understandable that we are attractive to many investors as well.

And this brings me to a topic that will be of particular interest to you, I expect – the discussions with Abu Dhabi National Oil Company, or Adnoc for short.

We are conducting these discussions in a constructive, open manner in accordance with our obligations under stock corporation law – in the interest of our company, our shareholders, and all other stakeholders.

As is normal, the progress and outcome of such discussions depend on the ability of both parties to find consensus on issues of which they have different views.

We will continue to report on the outcomes of our discussions – of course in accordance with our obligations under the European Market Abuse Regulation.

Talking of “report” – I’d now like to present an outline of how our company performed in the past fiscal year.

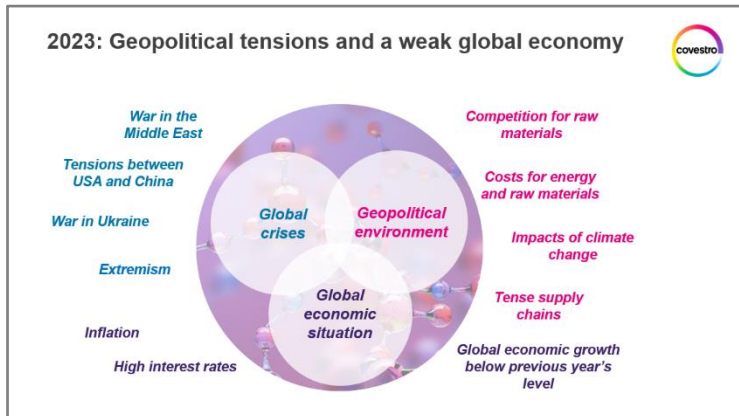
Slide 2: Challenging market environment shapes fiscal year 2023



As mentioned by Dr. Pott in his introduction: 2023 was unfortunately one of those difficult years that have weighed on Covestro as well as the chemical and plastics industry as a whole.

We again had to deal with a very challenging market environment in the past year.

Slide 3: 2023: Geopolitical tensions and a weak global economy



In the year 2023, we saw geopolitical tensions, structural challenges, and a weak global economy. The latest addition to this list is the military escalation in the Middle East.

Just two observations at this point. The world is drifting further apart, a development that is often fueled by increasing extremism and fanaticism. This is a disturbing trend that must be countered with determination.

I want to assure you that we at Covestro reject political extremism and xenophobia in the strongest terms. Our employees from more than 60 countries see themselves as a large team that represents fairness, tolerance, and diversity. We also support this conviction in society.

And this brings me to my second observation: Let's not capitulate in the face of all these large and small problems. Let's look ahead with a healthy dose of optimism.

That does of course not mean that the acute challenges will simply go away. After all, we at Covestro cannot influence the global economy. For this reason, the company again had to deal with weak global demand in its key customer industries in the past year.

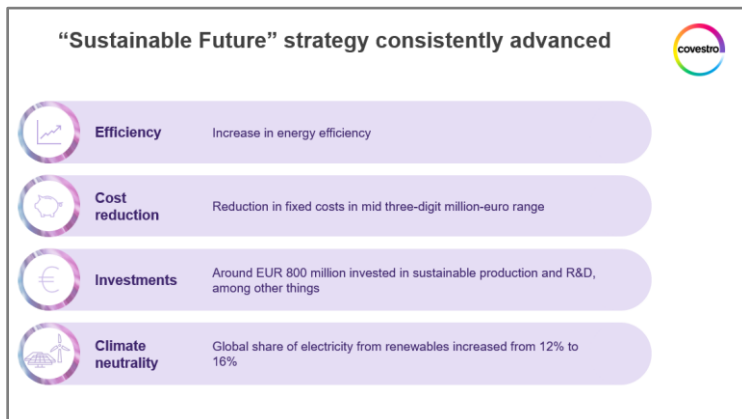
There was one exception: Our biggest sales driver, the global automotive industry, saw growth of 10 percent. And the market for electromobility, for which we develop many innovative products, expanded by as much as 30 percent.

The market environment will, however, remain challenging for Covestro in 2024.

Against this backdrop, we did above all one thing: focus on the things over which we do have control and that we can influence.

We have therefore consistently advanced our Sustainable Future strategy.

Slide 4: “Sustainable Future” strategy consistently advanced



To make Covestro even more dynamic and future-oriented, we addressed four action areas in particular.

Area number one: efficiency. This is predominantly about the energy that our company consumes – which is, as you know, a major cost and environmental factor.

We continued to work on using energy in an even more rational and environmentally compatible manner. With success. Let me give you an example: At our Dormagen site in Germany, we have modernized a plant for the production of the foam component TDI. As a result, we consume up to 80 percent less energy compared to conventional processes. We are also reducing annual greenhouse gas emissions by 22,000 metric tons. By applying such measures, we were able to save 20 million euros in total.

Talking of “save” – this brings me to the next action area: cutting fixed costs. We successfully reduced them by a mid-three-digit euro amount.

On the other hand, we also spent money. Investments to make future growth possible: the third action area under our strategy. We invested around 800 million euros in 2023 in research and development projects and in expanding our production, among other initiatives.

Here is one example from China to illustrate this. There is great demand in China for reused polycarbonate for cars, electronics products, and many other applications. We responded to this by opening a plant at the Shanghai site for refining these kinds of recyclates.

This is because we are increasingly focusing our portfolio on circular products, which will ideally be manufactured with zero impact on the climate. This is in turn related to shifting our production toward non-fossil raw materials and renewable energy.

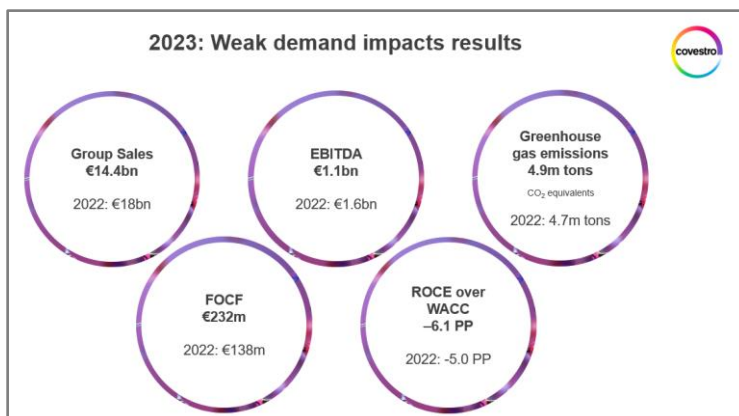
We are systematically driving their expansion, and this has brought me to action area number four: our strive for climate neutrality. I will come back to this in more detail later.

All I want to mention at this stage is that we further increased the proportion of green energy in our energy mix last year – from 12 to 16 percent.

The intention is not only to become climate-neutral, but also to make ourselves less dependent on price fluctuations in the energy market. This is because the high energy costs, especially in Europe, weighed considerably on our business last year.

And now, Ladies and Gentlemen, I want to give you a brief summary of our financial performance.

Slide 5: 2023: Weak demand impacts results



As I said earlier, Covestro continued to face a weak market environment and weak demand in all regions in 2023. Lower sales volumes and a decline in average selling prices led to a 20 percent reduction in Group sales.

This also impacted EBITDA, which was down by a third from the previous year. We did, however, meet the targets we had set for the year 2023. But Covestro was again unable to cover the cost of capital.

Positive news is that the free operating cash flow, that is our readily available funds, increased by 68 percent, largely thanks to the optimization of inventories and of receivables and liabilities.

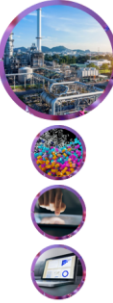

Greenhouse gas emissions rose slightly, and this is partially due to a more emission-intensive energy mix for purchased power and steam in the United States and Germany last year.

Shareholders,

Conditions will remain difficult for us this year. We are responding by continuing to drive forward the internal optimization of the company. This process focuses on four areas.

Slide 6: Four focus areas 2024

Four focus areas 2024




Production

Safe, reliable, and energy-efficient

Number one, production: We are further increasing the safety and reliability of our facilities and are working even more energy-efficiently.

Slide 7: Four focus areas 2024

Four focus areas 2024

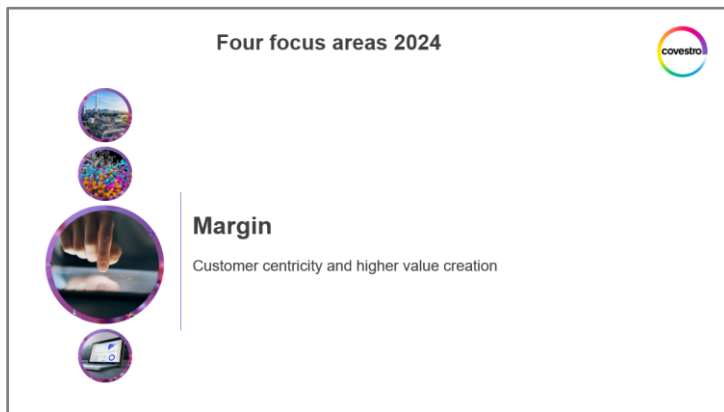


Sales

Increase output and EBITDA

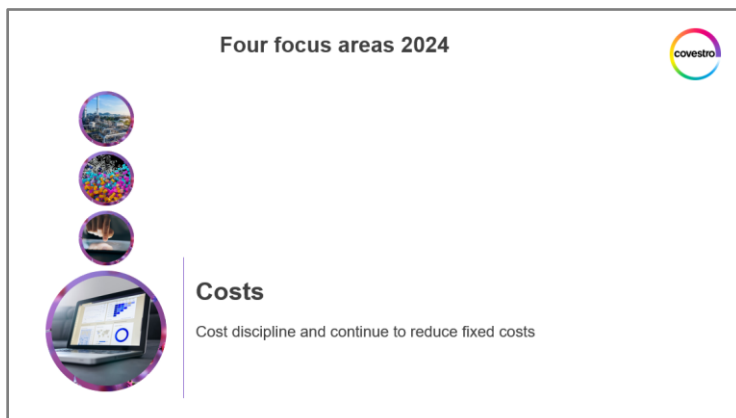
Two: increase in sales volumes. We are getting even more out of our facilities in order to improve earnings. With better capacity utilization, we want to generate significant contributions to our EBITDA.

Slide 8: Four focus areas 2024



Focus area number four: higher margins. We pay even greater attention to the needs of our customers and concentrate on particularly lucrative solutions in this process.

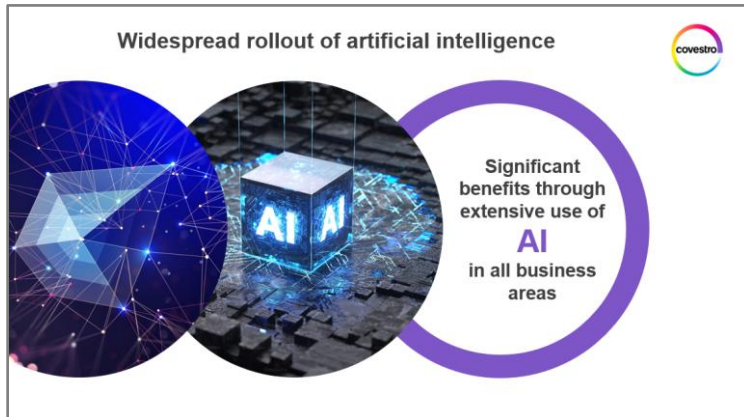
Slide 9: Four focus areas 2024



Last but not least: We continue to work on costs. We will watch expenses even more closely in all areas, while continuing to cut back on fixed costs.

All these measures are also benefiting from the advancing digitalization of our company,

Slide 10: Artificial intelligence



A process that involves the large-scale introduction of artificial intelligence. We expect this to have considerable advantages in all parts of Covestro.

We already use artificial intelligence for innovation, development, production, and administration. In administration, we are optimizing, for example, our liquidity planning with the help of artificial intelligence, which helps us analyze the huge data volumes. Through better foresight and planning, this allows our colleagues to save on interest costs, for example.

In production, we already use artificial intelligence to increase production capacities. With AI, we can successfully reduce variance in polyester manufacture, thus cutting throughput times and increasing our production capacity by 5 percent.

In addition, all employees now receive an AI-based wizard. This virtual personal assistant helps them deal with many day-to-day tasks, from composing emails to summarizing huge data volumes. We are thus taking a further step towards aligning our employees' day-to-day work with the future.

Shareholders, it is the people who make our company – our 17,500 employees around the globe. A great, diverse team that works in solidarity and to which everyone makes their own special contribution.

In persistently difficult times, they have all worked tirelessly and achieved excellent results. For this a big heartfelt thank you from all of us on the Board of Management!

We are confident that with this strong team and our powerful strategy, Covestro will continue to weather all headwinds. And stay on course for a bright future.



For more details on our expectations for the present year and business performance in 2023, I now hand the floor to my colleague Christian Baier. Over to you, Christian!

Speech section by Christian Baier

Slide 11: Strong cashflow management in weak demand environment



Thank you, Markus.

Shareholders,

I'd like to join my colleagues in welcoming you to this year's Annual General Meeting! This is my first time, and it's a great pleasure for me to guide you through the results for fiscal year 2023. After that, I will also talk about our expectations for the current year.

Slide 12: Declining selling price level affects sales development



Markus Steilemann has already said it. 2023 was another difficult year for the chemical industry. The global market environment continued to be impacted by weak demand and declining selling

prices as a result. This is reflected in our results for the year 2023. For example, in the past fiscal year, lower sales volumes led to an overall decline in volume of 6.8 percent at Group level.

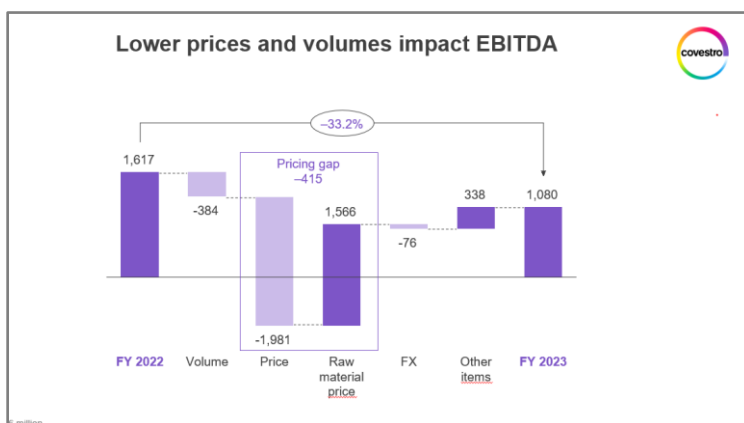
The EMLA region performed the weakest in fiscal 2023 – affected above all by the recessionary trends in Europe. The volume in the region was down around 10 percent. The main reason was the sharp contraction in the electronics industry, which could not be offset by the slight rise in the automotive sector.

The automotive industry also did well in North America. But as the construction sector declined at the same time, our volumes declined by 5 percent in total in this region.

The construction sector is a key factor in the performance of the APAC region. Here, too, the automotive sector performed well. Combined with the positive development in the furniture sector, it went some way toward offsetting the decline in the construction industry. The volume in the APAC region therefore decreased by only 3 percent in 2023.

Overall, sales amounted to 14.4 billion euros in fiscal 2023, down 20 percent compared with the previous year 2022.

Slide 13: Lower prices and volumes impact EBITDA



The declining trend in volumes sold was also reflected in EBITDA, which amounted to around 1.1 billion euros in fiscal 2023, compared with 1.6 billion euros in the previous year. As you can see in the chart, the demand-based change in volume is a key factor driving this decline.

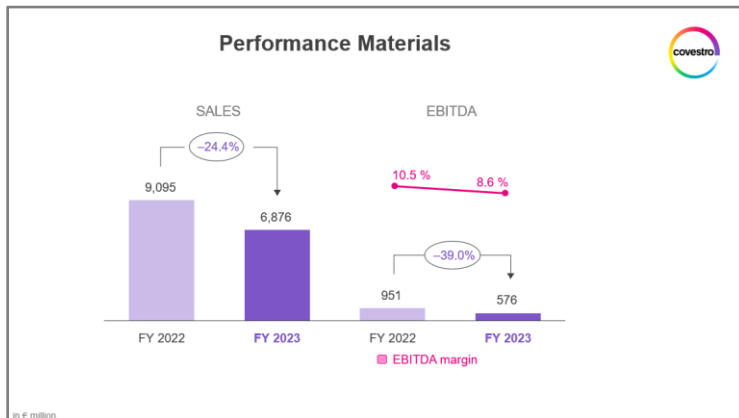
Another relevant aspect here is the pricing gap, which is the difference between selling price and raw material price trends. Although the cost of raw materials, especially energy, dropped

significantly in fiscal 2023, this was unable to offset the pressure on selling prices exerted by continuing weak global demand.

But the critical question is: What are the things over which we have control ourselves? They also include the management of our production and fixed costs. Both aspects, which have been combined here in the “Other” category, propped up our EBITDA significantly. This shows that our actions are having an effect and our systematic focus on efficiency is paying off.

Moreover, toward the end of last year, we saw the first modestly positive signs, such as a slight improvement in demand. Our sales volumes have picked up recently in all our main customer industries, and we generated positive earnings of 132 million euros in the fourth quarter of 2023. This put the quarter substantially ahead of the prior-year quarter. Most importantly, after six negative quarters in succession, we saw volume development turn positive again for the first time.

Slide 14: Performance Materials



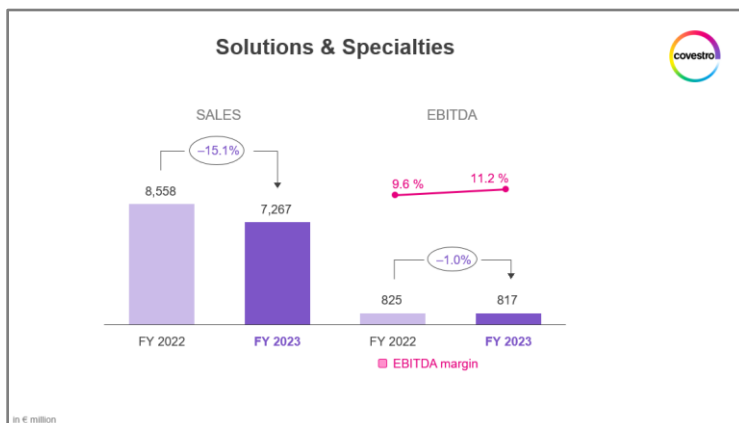
Let's now take a closer look at our two segments, Performance Materials and Solutions & Specialties. Due to their distinct business models, their performance was quite different in the past fiscal year.

Let's first turn to Performance Materials. Performance Materials is our commodity business, which is our business with standard polycarbonates, standard urethane components, and the requisite base chemicals. Our focus here is above all on reliably delivering standard products at competitive cost. This segment is strongly influenced by economic cycles. Continued weak demand has therefore impacted this segment in particular, compared to the Group as a whole. This is why we are seeing how the global market environment caused a decline in sales and EBITDA here for the past fiscal year. In total, the segment generated EBITDA of 576 million euros, giving a margin of 8.6 percent.

But there are positive signs here as well. Volumes, for example, showed a positive development in the fourth quarter of 2023. Encouragingly, this trend continued into the first quarter of the current year.

Nevertheless, given the high dependence on economic developments, we are still cautious when it comes to projected price and margin trends in first half of 2024. For the full year, we are anticipating EBITDA of between 400 and 800 million euros for the Performance Materials segment. In this context, we focus above all on key factors that we are able to shape ourselves. This includes, among other things, further improvements to the availability of our plants. This gives us control over a critical lever to meet our targets.

Slide 15: Solutions & Specialties



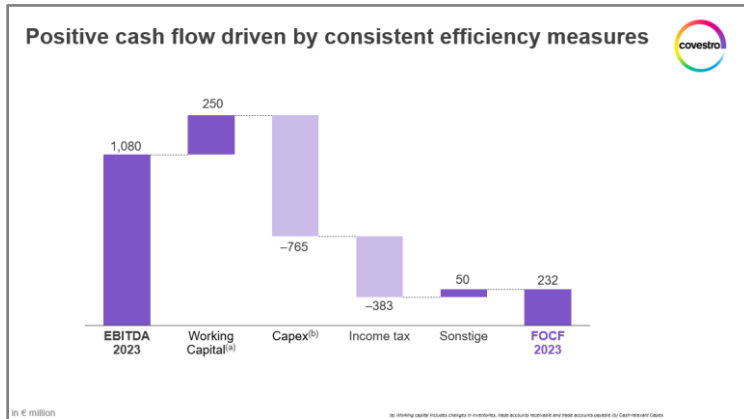
Let us now look at our Solutions & Specialties segment, where, in very close collaboration with our customers, we develop highly specialized products and tailor-made innovations.

Despite numerous challenges, the segment proved very stable in the past fiscal year. Although a drop in selling prices and volumes meant that sales were lower, we generated stable EBITDA of 817 million euros.

This stability is proof of the resilience of this segment. We manage our product portfolio in conjunction with our customers in such a way that it performs well, even in challenging economic situations. Our highly attractive products as well as rigorous efficiency and cost measures helped us raise the segment's margin to as much as 11.2 percent.

For 2024, we forecast that the Solutions & Specialties segment's EBITDA will range considerably above the 2023 figure. This segment will therefore remain a central pillar of Covestro's future success.

Slide 16: Positive cash flow driven by consistent efficiency measures

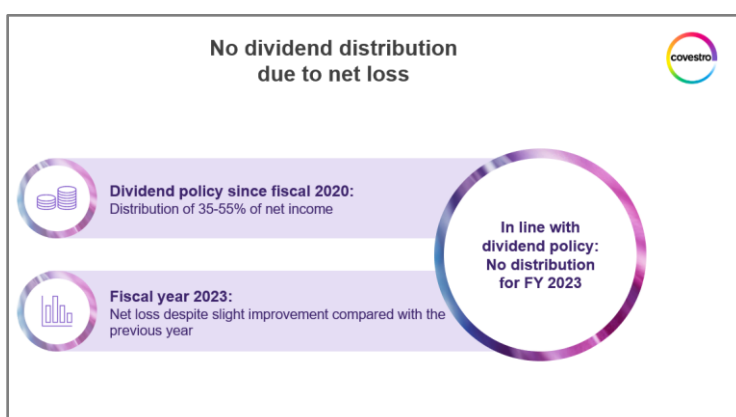


Let me make this point again: Especially in a challenging global environment, our focus is above all on areas that we can influence ourselves: Firstly, to invest systematically in the sustainability of our already progressive production facilities. Secondly, to strengthen the future viability of our company. And thirdly, to ensure an efficient capital structure.

For us that means that, in a difficult fiscal year with low profitability, our focus is on free operating cash flow. Despite the significant drop in EBITDA, we successfully generated a positive figure of 232 million euros in 2023. We thus exceeded our own forecast – even though profitability was under particularly intense pressure in the year 2023.

An important aspect here was above all the focused measures we took on the working capital side. And it was achieved without impacting on goods availability for our customers on the other side. To manage that balance is a challenging task, which the team mastered very well together.

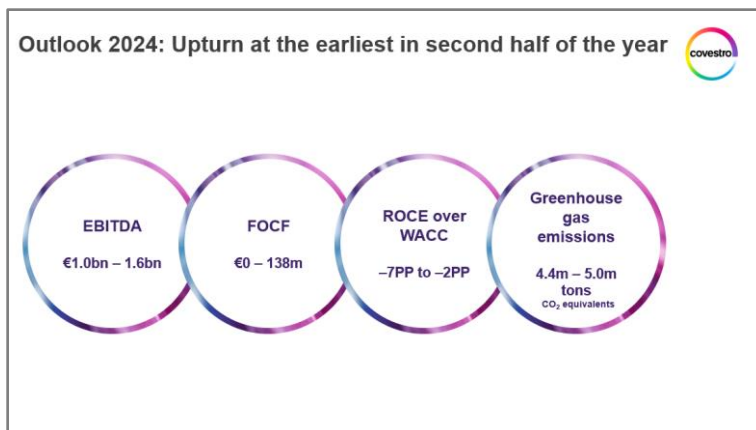
Slide 17: No dividend distribution due to net loss



Nevertheless, due to the numerous global challenges, we generated negative net income of 198 million euros for fiscal 2023 overall.

In light of this result, we, the Board of Management, decided not to propose any dividend for fiscal 2023. This is in accordance with our dividend policy: Since 2020, we have linked our dividend more closely to the financial situation of the company. In principle, the intention is to distribute a dividend of 35-55 percent of net income, if this is positive. In fiscal 2023, our net income was again negative, despite a slight improvement from the previous year.

Slide 18: 2024: Upturn at the earliest in second half of the year



Shareholders,

Let's now look ahead and consider our forecast for the current fiscal year.

The year 2024 will remain challenging, especially the first half of the year. We expect that the conditions will remain challenging and the pressure on margins will ease only in the second half of the year.

But let me remind you that our company will focus on those levers over which we have control. We will reduce costs, leverage efficiency, and make sure our plants are reliable. But at the same time, we continue to invest systematically in a successful, sustainable future for Covestro.

In terms of financials, we expect EBITDA of between 1.0 and 1.6 billion euros in 2024. We also anticipate that free operating cash flow will remain positive at between 0 and 300 million euros. This will result in ROCE above WACC of -7 to -2 percentage points. We are also working to further reduce our greenhouse gas emissions, which we project to be in a range between 4.4 and 5.0 million metric tons of CO₂ equivalents in 2024.



Sustainability is particularly key to our future. We are therefore making significant investments both in our vision of becoming fully circular and in the climate neutrality of our company.

For more about our plans in this area, I now hand the floor back to Markus Steilemann. In the next few minutes, he will give you further details on the progress we have made on the way to a circular economy and on our climate neutrality targets. Thank you.

Speech section by Dr. Markus Steilemann

Slide 19: Covestro consistently committed to the Circular Economy



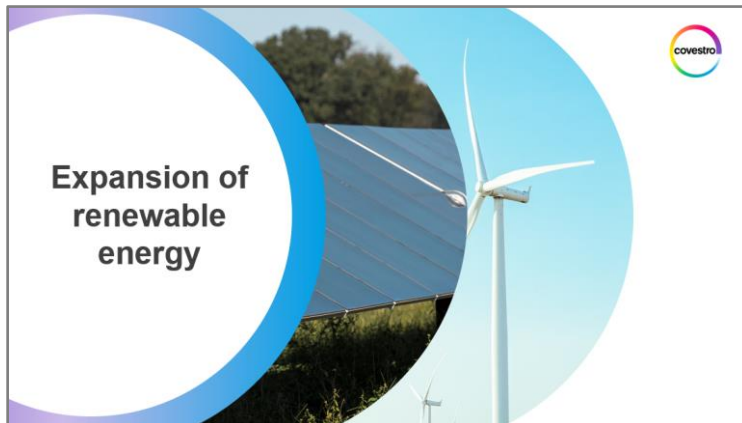
Thanks, Christian, I'm very happy to carry on from here.

As you know, the circular economy is our major goal, the vision to which we have committed ourselves. We aim to comprehensively entrench it within our company. And we want to contribute to making circularity the guiding principle in the economy and society around the world.

We are doing so in two ways. By switching production to non-fossil raw materials, renewable energy, and innovative recycling. And by developing and manufacturing circular, climate-neutral products for key issues of our time: for clean mobility, for the energy transition, for sustainable building and living, and many others.

We reached other important milestones in this regard in 2023.

Slide 20: Expansion of renewable energy



I touched on this earlier: Our company buys an increasing amount of energy from renewable sources. Its share is now 16 percent. And we are progressing with great strides. Our aim is to get to at least 25 percent by 2025.

A proven method in this context is direct long-term agreements with energy suppliers. In 2023, we also entered into the first major agreement of this kind in the United States; this is to buy solar power for our Baytown site in Texas, Covestro's third largest worldwide. Together with Europe and Asia, this brings us to five large-volume supply agreements for renewable energy; four more are in the planning.

Recycling is another building block of our circular economy and climate strategy.

Slide 21: Further development of recycling technologies



According to a study from 2024, the global circular economy is only at seven percent. And only nine percent of global plastic waste is actually recycled.

That will have to change, and we want to contribute by promoting innovative technologies.

Especially for chemical recycling, which is very promising, but still in its infancy. In this process, polymers are broken down into their chemical components and subsequently reconstituted.

Sounds simple, but is in fact technologically demanding.

We are working on several projects in this regard at Covestro. Our latest successes include a new process for chemically recycling plastic waste containing polycarbonate. We began technical implementation on a pilot scale last year. This allows us to produce raw materials that are in demand from plastic waste.

Less waste, more circularity. This is a method for recovering alternative raw materials.

Another lever is changing the raw material base.

Slide 22: Alternative raw materials



Ladies and gentlemen,

We have to move away from fossil resources such as crude oil, whose processing and use releases CO₂ and accelerates climate change. We have to embrace raw materials from renewable sources such as biomass.

In many cases, we are currently using raw material blends containing fossil and non-fossil carbon. The proportion of renewable carbon is calculated and allocated by way of mass balancing to the polymers created in this process.

These types of mass-balanced products are very popular with our customers. To advance the circular economy further, we aim to engage in cross-sector collaboration based on strong partnerships.

Slide 23: Partnerships



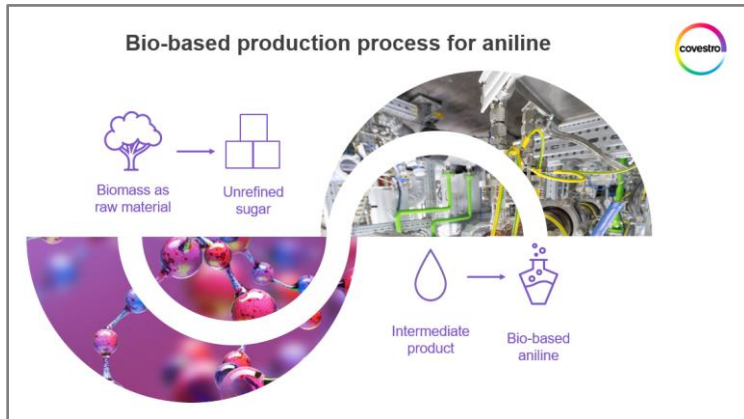
One example is the joint development of solutions in the construction sector. Here, the Selena Group, a Polish provider of construction chemicals, uses mass-balanced MDI from Covestro to produce particularly sustainable and efficient insulation foam for windows and doors.

But our dealings with Selena are more than just a supplier relationship. Our two companies have formed a strategic alliance for pooling knowledge and promoting transformation in the construction sector, which will have to become carbon-neutral in the European Union by 2050.

We pursue these kinds of partnerships under our circular economy strategy at all levels and at all stages of the value cycle. In this, we are driven by the conviction that this is the best way to get to innovative technologies, products, and business models.

Cooperation was and still is the key to success in a ground-breaking new process.

Slide 24: Bio-based production process for aniline



I had reported on this earlier: Together with academic partners, we managed for the first time to produce the important chemical aniline exclusively from plant biomass. That is without any crude oil.

An all-new complex process in which biotechnology also plays a key role. After many successes in the laboratory, we have now arrived at a point where we want to test it on a larger scale. To this end, we recently opened a pilot plant at the company's headquarters in Leverkusen, the first of its kind in the world.

Compared to conventional technology, the new process achieved a significantly improved carbon footprint for the aniline.

Slide 26: Climate neutrality targets completed by adding scope 3



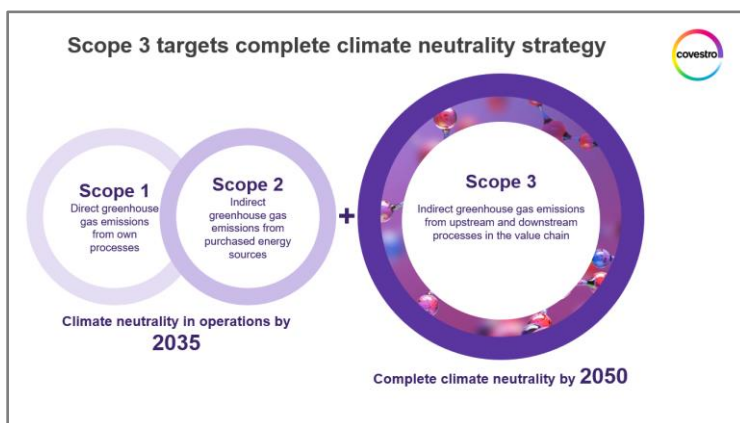
As you can see, we want to manufacture our products increasingly without fossil raw materials.

This also has a tremendous impact on the emission of greenhouse gases, as raw materials make up by far the largest part of the emissions included in our climate footprint.

These kinds of emissions are part of Scope 3, one of three internationally recognized categories, which comprises greenhouse gases affecting companies indirectly in upstream and downstream processes. For example through transport, business travel, waste disposal – and, as I've just said, in purchased raw materials, which already come with a carbon footprint.

We now aim to become climate-neutral in this Scope 3 as well. To this end, we have set ourselves an ambitious target, which completes our climate neutrality strategy. Let me introduce it to you now.

Slide 26: Scope 3 targets complete climate neutrality



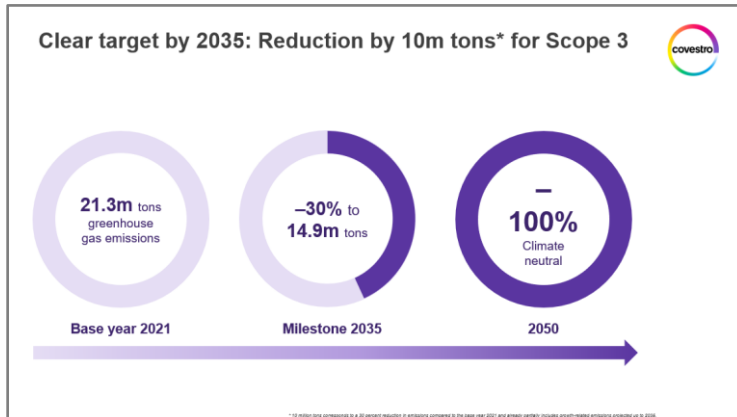
You may remember: In a first step in 2022, we had announced targets and actions to make Covestro climate-neutral at the operational level.

This target, which we aim to achieve by 2035, applies to Scope 1 and Scope 2. Scope 1 covers all direct emissions coming from our production facilities. Scope 2 is for energy that we purchase. This covers the indirect emissions that arise in the production of these sources of energy and are allocated to us.

And now we will also have Scope 3, which contributes the lion's share of emissions. In total, our company is to become completely climate-neutral by 2050.

We have carefully planned the long road to the middle of the century and set ourselves clear targets.

Slide 27 Clear target by 2035: Reduction by 10 million metric tons for Scope 3



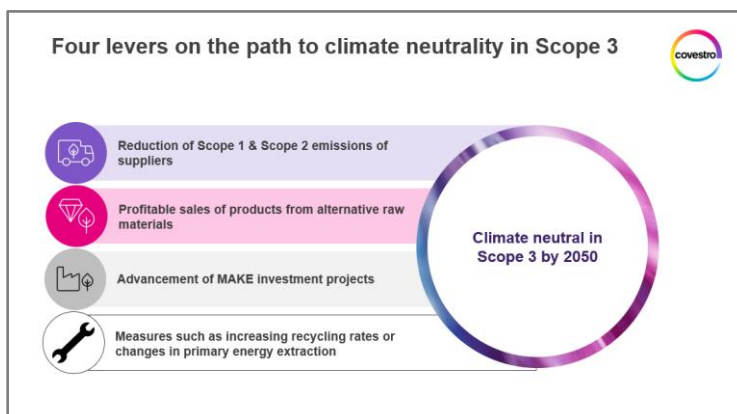
A major milestone is scheduled for 2035, which is just 11 years from now.

By then, we aim to reduce Scope 3 greenhouse gas emissions by ten million metric tons net compared with our base year of 2021. This corresponds to a reduction by 30 percent and includes some of the growth-related emissions projected up to 2035.

Ladies and gentlemen,

We have not only clear targets for Scope 3, we also have clear ideas of how we intend to meet them. Let's look at the four levers that will contribute to our meeting our ambitious targets.

Slide 28: Four levers on the path to climate neutrality in Scope 3



The first lever we use is applied at our suppliers. If they reduce their Scope 1 and Scope 2 emissions, that will benefit our Scope 3 numbers.

Secondly, we are investing in new processes for alternative and recycled raw materials – our MAKE projects. This includes platform technology for innovative recycling of foam precursors. The first step we want to take is to chemically recover the components of flexible foam used in mattresses.

We are also planning to drive profitable sales of products based on alternative raw materials.

This is complemented by a large number of supporting measures to reach the Scope 3 targets. They include recycling more of our own waste so that less of it is incinerated and emissions are lowered accordingly.

Step by step we are therefore implementing our master plan for climate neutrality and the circular economy. And we have made further progress so far this year:

Slide 29: Progress made on the way to a Circular Economy



In terms of raw materials, energy, products, and collaborations. Let me tell you about a few highlights.

Slide 30: Alternative raw materials: Encina



We made an early start in January, when we announced an important agreement with the raw material producer Encina. From 2027, this company, which is based in the United States, will supply us with raw materials recovered from recycled used plastics on a long-term basis. We will then use them to make TDI and MDI – the components of flexible and rigid polyurethane foam.

Slide 31: Renewable energy: RWE



Another strategic agreement followed in February, this time with the energy company RWE. It will supply power and guarantees of origin from offshore wind turbines in the North Sea to our Belgian site in Antwerp from 2026 onward. This will allow us to cover as much as 60 percent of the plant's energy demand from renewables.

Slide 32: Partnership with Henkel



I've now given you the latest on shifting our production activities to circular economy and climate neutrality. But we also have news about corresponding products.

For example, for our customer Henkel, we provide specific components for adhesives made from raw materials containing a certain percentage of biomass. In turn, Henkel uses these components to manufacture adhesives for wooden components in buildings. In this way, we are jointly driving the transformation of the construction industry toward sustainability.

I'd like to close off with another current example from our expanding range of sustainable products.

Slide 33: Makrolon RE



Different sector, different customer. I am now talking about the technology group ABB. And the area of application is electrical engineering, where we supply the company with polycarbonate

made from recycled mass-balanced organic waste. This is now being used for the first time in the manufacture of switches, connectors, and multimedia outlets.

Ladies and Gentlemen,

This brings me to the end of my presentation. I hope Christian Baier and I have been able to give you some idea of where our company stands, what challenges it has to overcome, and what opportunities lie ahead. Here's a brief summary.

Slide 34: Ambitious climate goals & focus on profitability and growth



In my opinion, Covestro's position is absolutely fit for the future in terms of both strategy and operations.

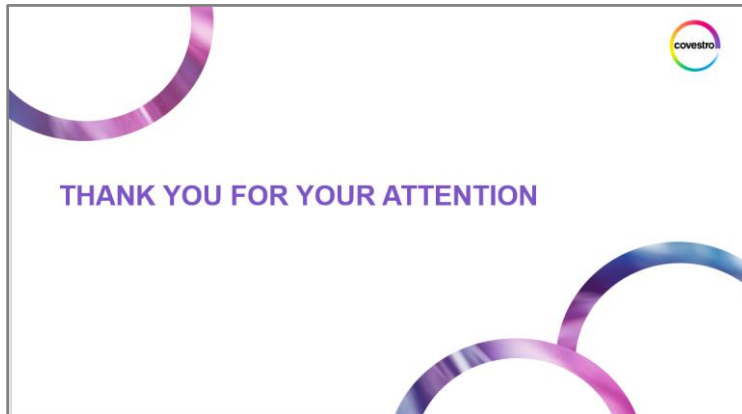
Strategically, we are staying on course for the circular economy, the major worldwide project for the 21st century. This goes hand in hand with orienting the entire company toward climate neutrality.

This helps not only us, but also our customers in many key sectors. And I'm sure it will ultimately also find its way into products that make life better and more sustainable for you, our shareholders.

From an operational perspective, we continue to work on improving our performance and competitive position. I'm sure you have an idea by now of the many levers and controls at our disposal in this context.

In summary, this means that we continue systematically to implement our corporate strategy. The right mix to navigate Covestro safely through choppy waters. And to reach the promising goals on the horizon.

Slide 35: Thank you!



I hope you will support our company on this journey. It will absolutely be worth it. And Covestro is already among the shapers and winners of the world as a brighter place.

On behalf of the whole Board of Management, thank you for your attention! I now hand the floor back to the Chairman of our Supervisory Board, Dr. Richard Pott.