



Transform to perform

Financial Highlights
Q4/FY 2023



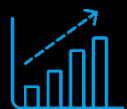
Forward-looking statements

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.

FY 2023 Highlights



FINANCIAL HIGHLIGHTS

Sales



€14.4bn

FOCF



€232m

EBITDA



€1.1bn

Share buyback ended⁽³⁾



~€200m



NON-FINANCIAL HIGHLIGHTS

GHG emissions
(Scope 1 & 2)



-8.4%⁽¹⁾

4.9m tons

Power purchase agreement
(PPA)



virtual PPA for 90 MW / ~12%
of Baytown site starting 2024

Renewable
Electricity



16% of renewable
electricity share

Digitalization



AI⁽²⁾ tools roll-out
across Covestro

Circularity

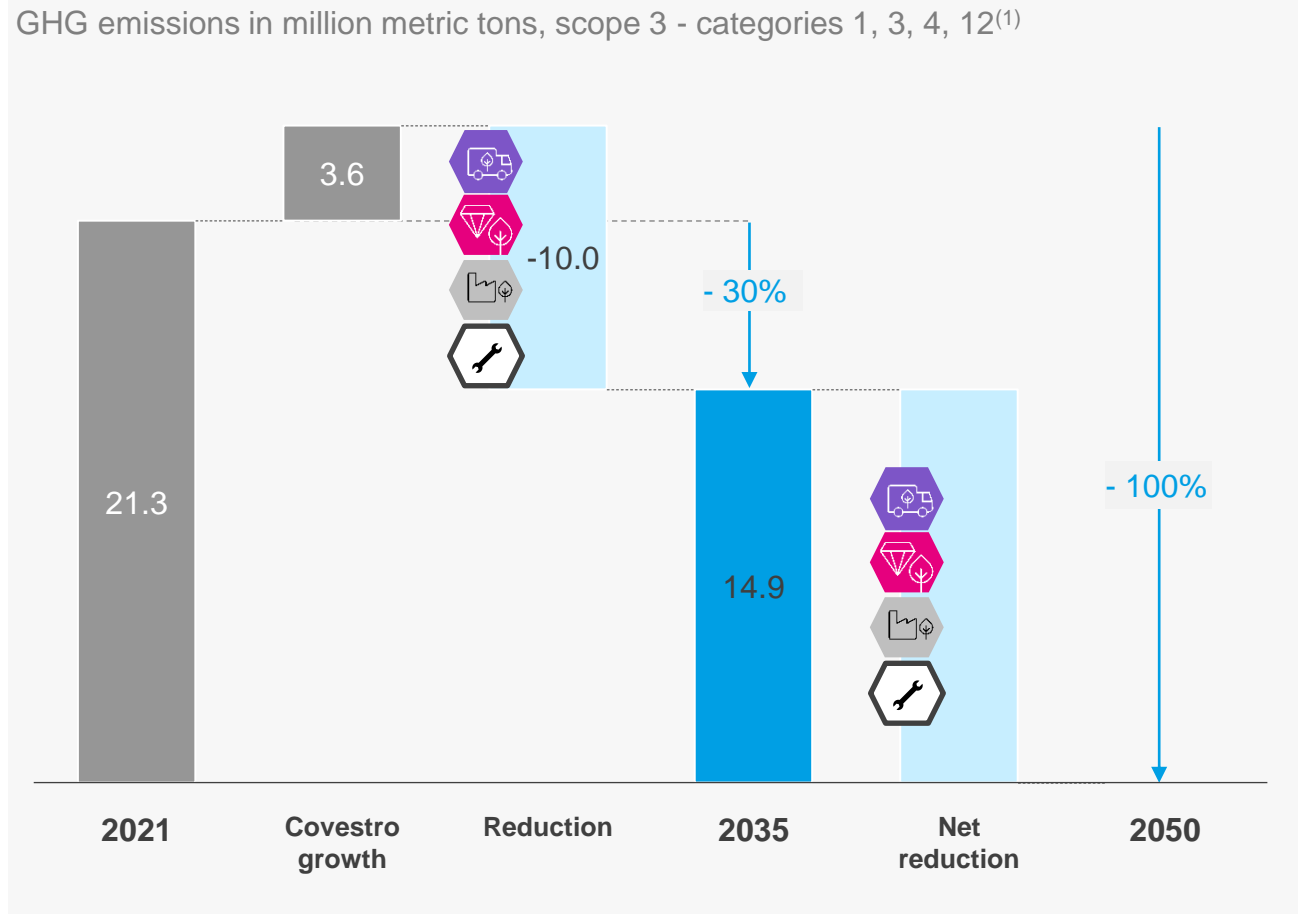


Chemical recycling
for MDI, TDI and
PC developed

Target reduction of 10m tons GHG until 2035 and net-zero until 2050



Climate neutrality target for GHG emissions scope 3



EMISSION REDUCTION MEASURES

- Four main levers make a vital contribution to reduce scope 3 GHG emissions:
 - Supplier scope 1&2 reduction
 - Advancing MAKE projects
 - Profitable sales of products based on alternative raw materials
 - Other measures
- Contribution of different levers can vary depending on technical realization of MAKE projects
- Scope 3 emissions represent ~80% of Covestro's 2023 greenhouse gas emissions
- Strict commitment to net-zero underlines consistent implementation of the green transformation
- Net-zero 2050 target in line with SBTi and 1.5° goal

Strategic levers supporting transformation towards climate neutrality



Target for GHG emissions scope 3



FOCUS ON SUPPLIERS



Broaden engagement with suppliers that achieve scope 1&2 reductions



Identify first mover supplier



Develop strategy on CO₂ reduced top raw materials



ADVANCING MAKE PROJECTS



Continue innovation & digital R&D in renewable technologies



Prove technical feasibility of own technologies



Execute investments according to strategy-based asset planning



FOCUS ON CUSTOMERS



Identify first mover customers to deliver climate neutral products



Enhance value proposition & active customer engagement



Secure access to strategic waste feedstock



OTHER MEASURES



Green logistics initiatives



Primary energy generation



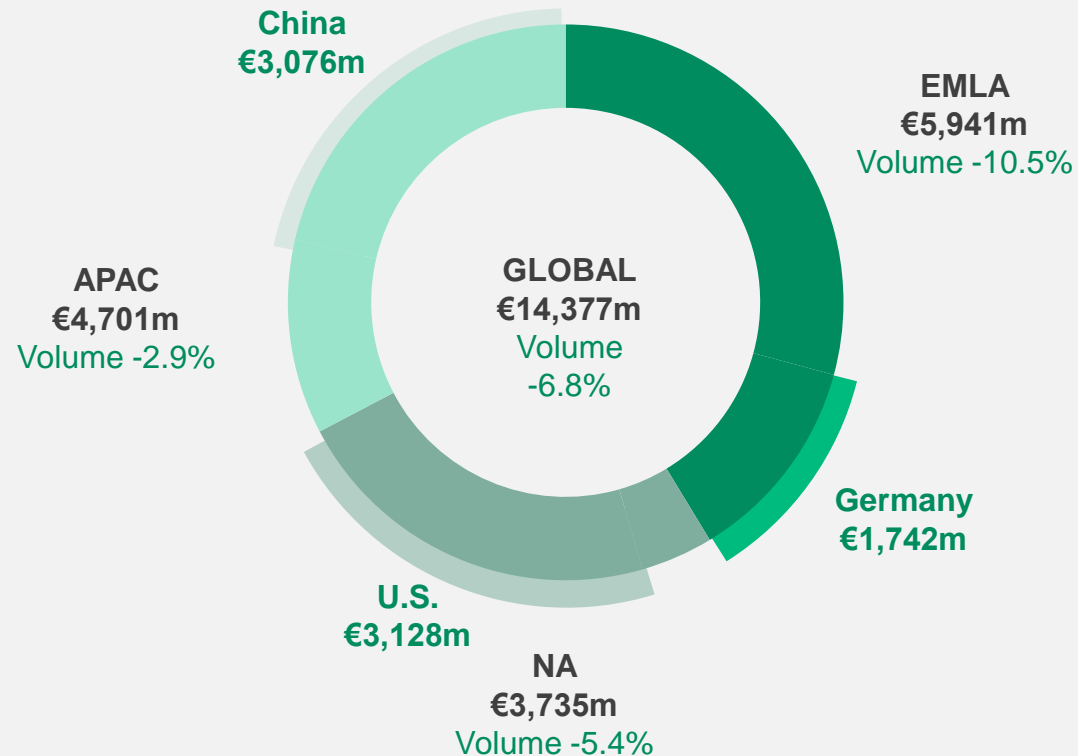
Increased recycling quota

Ongoing weak global demand

FY 2023 – Regional split



Sales Volume Y/Y



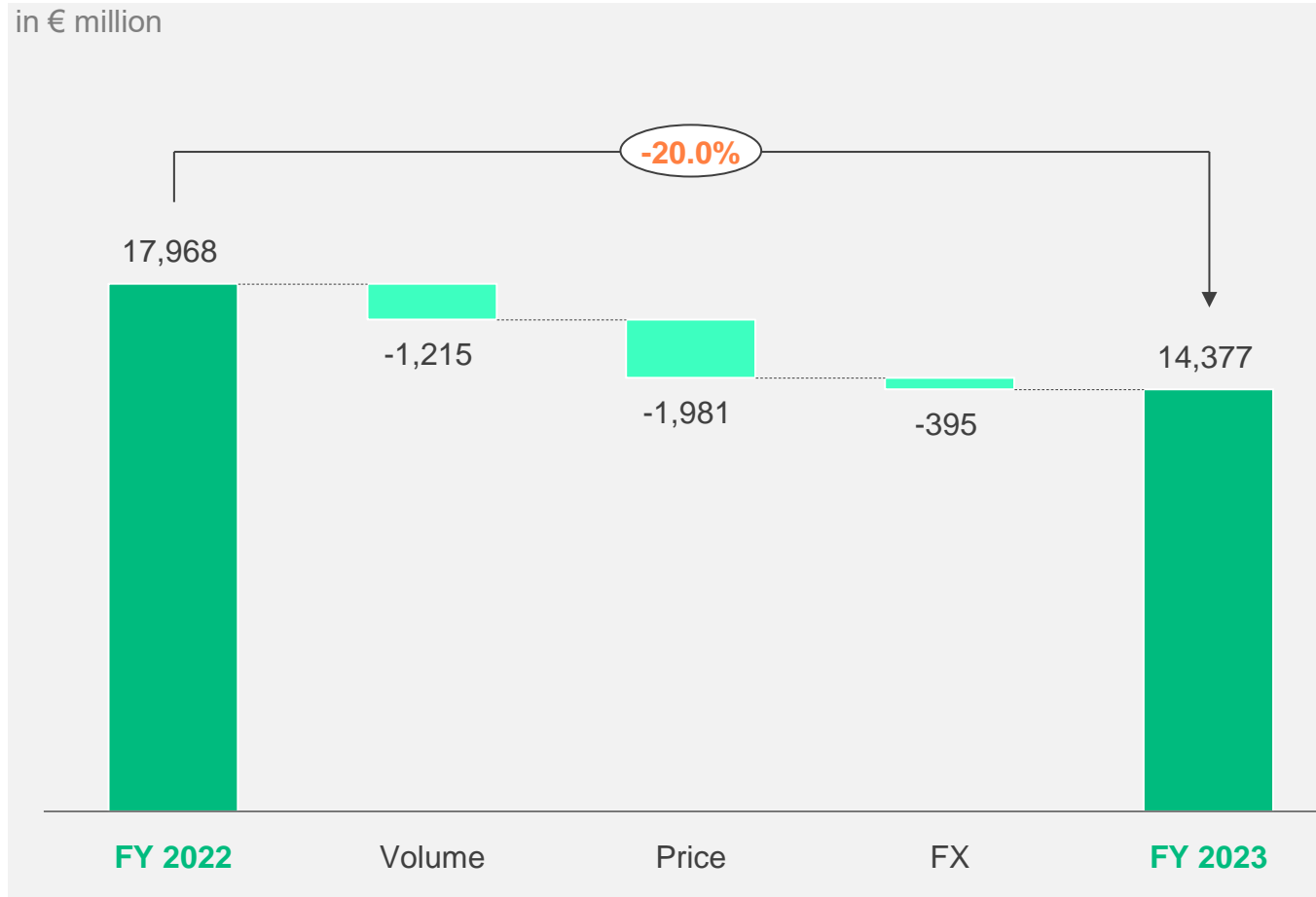
HIGHLIGHTS

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

Sales decrease driven by strong price and volume decline



FY 2023 – Sales bridge



HIGHLIGHTS

Volume negative

- Volume decline of 6.8% Y/Y

Pricing negative

- Pricing affected sales by -11.0%
- Performance Materials strongly affected (-15.7% Y/Y) whereas Solutions & Specialties only with decline (-6.4% Y/Y)

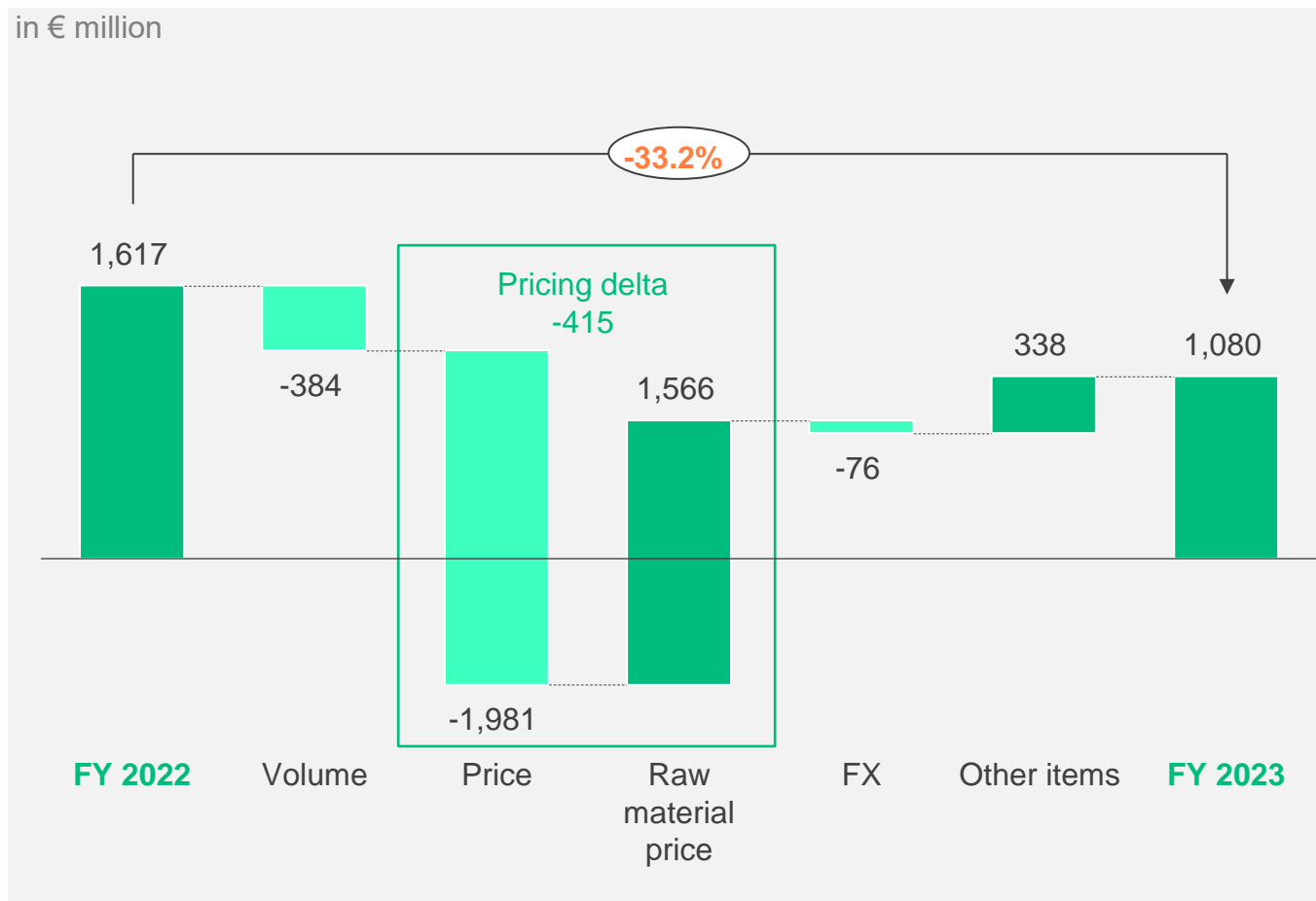
FX negative

- FX affected sales by -2.2% Y/Y mainly driven by RMB, USD, INR and JPY

Earnings decline counterbalanced by significant fix cost reduction



FY 2023 – EBITDA bridge



HIGHLIGHTS

Negative volume

- Volume leverage⁽¹⁾ of only 32%
- Volume leverage below long-term average due to low margins per ton reflecting the stage of the cycle

Negative pricing delta

- Strong margin decline due to unfavorable supply-demand situation

Other items

- Significantly lower operational cost
- Book gains from the divestment of the Additive Manufacturing business of €35m
- Expenses/provisions for closure/discontinuation of different business activities of €26m
- Higher provisions for short- and long-term variable compensation of €166m

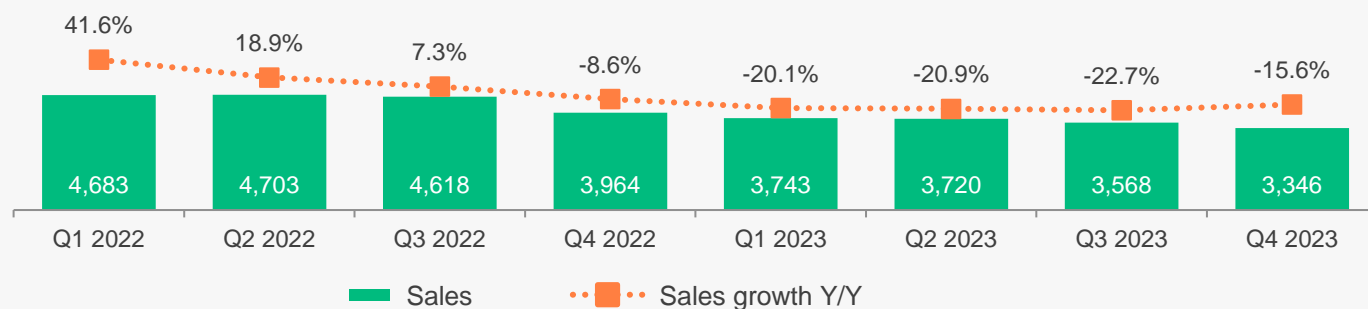
Seasonality and price pressure affecting sales and EBITDA



Group results – Highlights Q4 2023

SALES

in € million / changes Y/Y

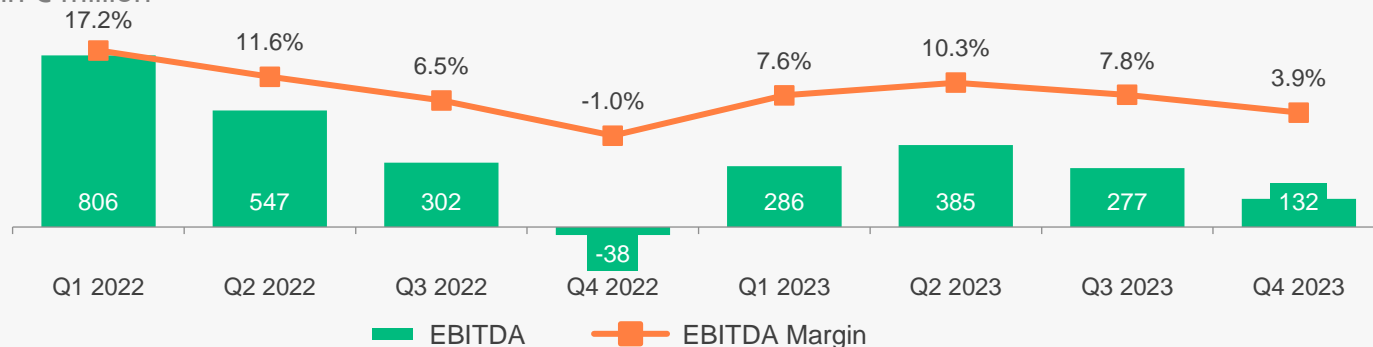


HIGHLIGHTS Q4 2023

- Year-on-year sales decline (-15.6%) mainly attributable to negative pricing (-15.7%) and FX (-3.0%) but with positive volume (+3.1%)
- Sequentially, seasonally declining sales development with positive volume development but negative effects of pricing and currency

EBITDA AND MARGIN

in € million



HIGHLIGHTS Q4 2023

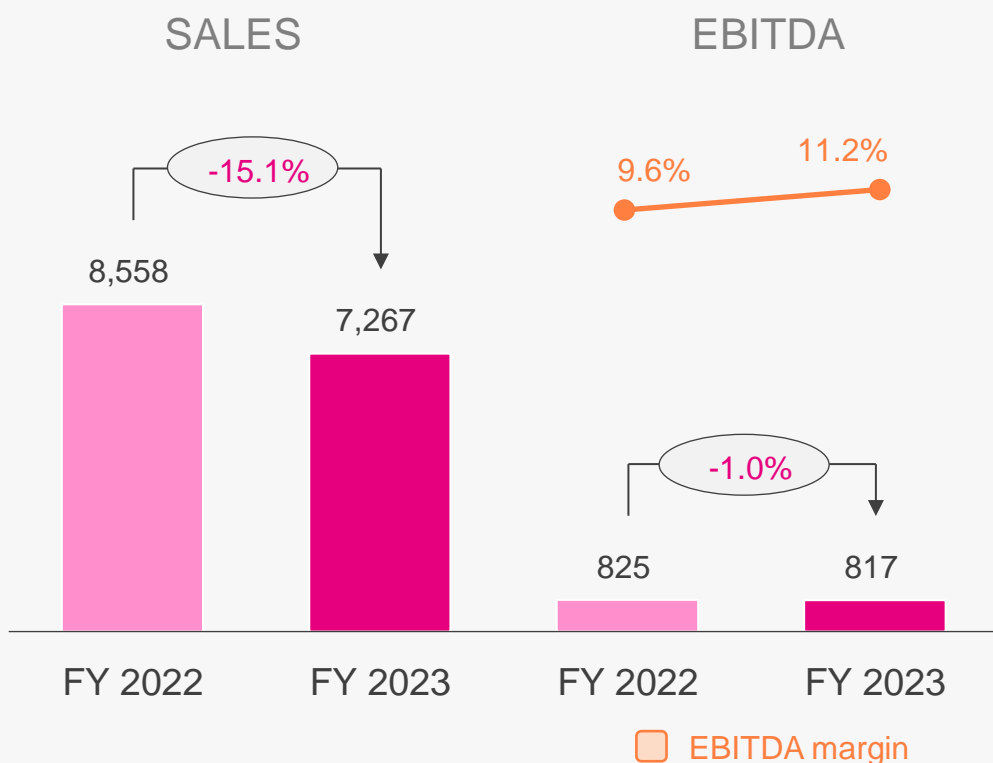
- Year-on-year EBITDA improved strongly based on positive volume and lower idle costs despite negative pricing delta and FX
- Sequentially, earnings declined due to negative pricing delta and seasonally lower volumes
- EBITDA margin declined to 3.9% in Q4 2023

Resilient EBITDA despite lower sales

Solutions & Specialties segment



in € million



HIGHLIGHTS

2023

- Sales decline less pronounced compared to group level
- Volume decline of 6.2% Y/Y due to recessionary environment
- EBITDA benefitted from lower raw material costs
- EBITDA margin improved by 160bp
- RFM integration ahead of plan

OUTLOOK 2024

- EBITDA significantly⁽¹⁾ above 2023 level
- Further EBITDA margin expansion

SEGMENT PROFILE

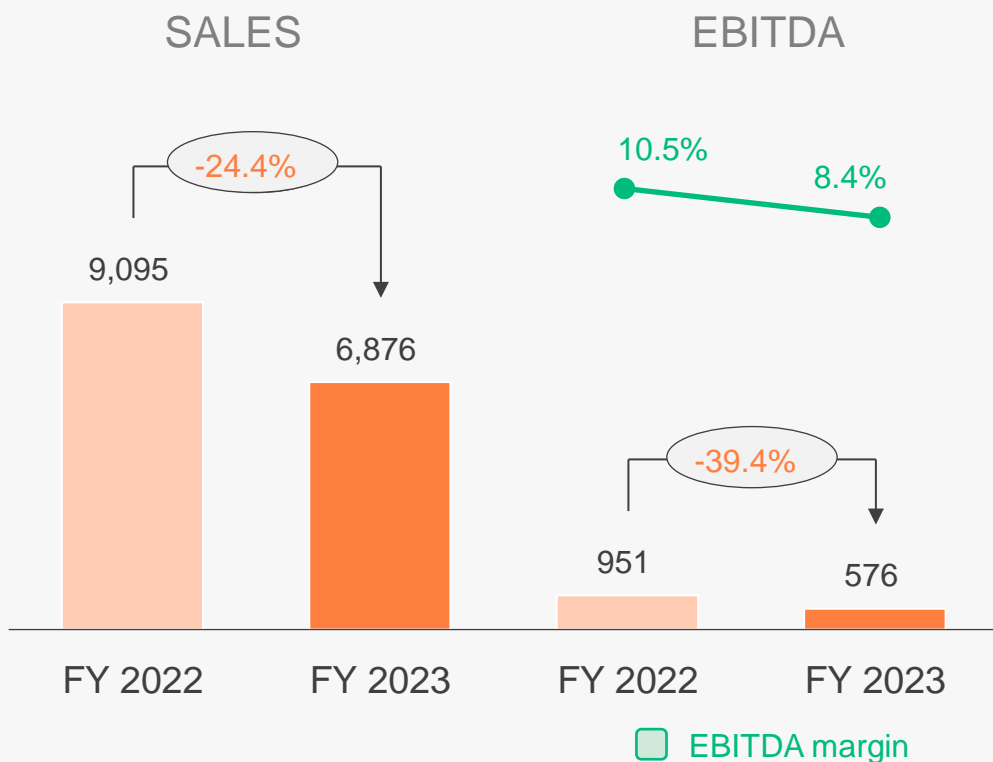
- **Success factors** – Market innovative products and manage complexity
- **Products** – Coatings and Adhesives raw materials, Polycarbonate compounds, Specialty-MDI and -polyols, Specialty Films, Elastomers and Thermoplastic Polyurethanes

EBITDA down due to negative pricing delta and lower volumes



Performance Materials segment

in € million



HIGHLIGHTS

2023

- Weak demand and technical limitations resulting in lower volumes
- Negative pricing delta despite lower raw material and energy prices caused by oversupply

OUTLOOK 2024

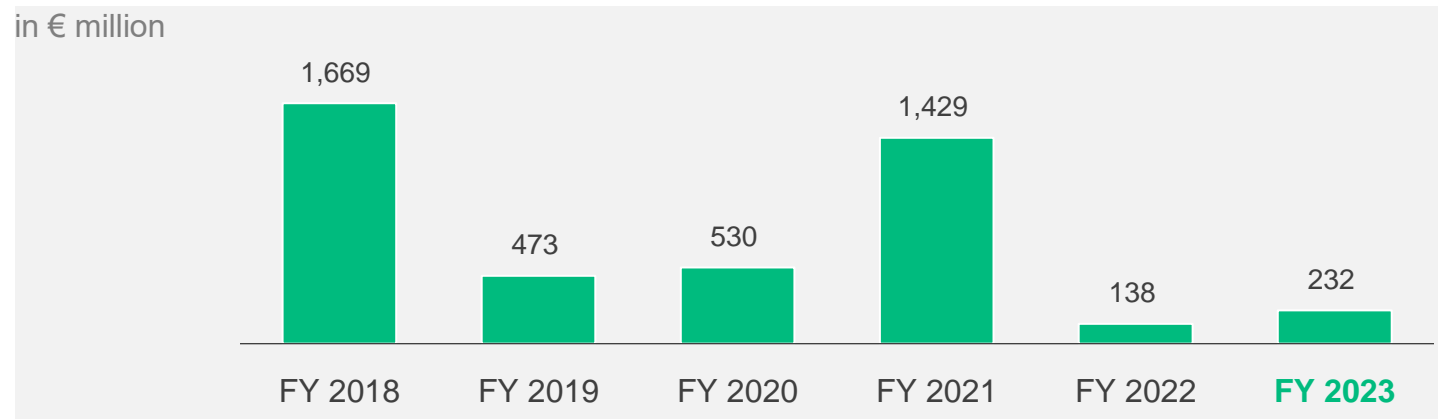
- EBITDA between €400m and €800m
- Focus on asset utilization and cost leadership
- 1H 2024 with continuously low margins
- 2H 2024 some margin recovery expected

SEGMENT PROFILE

- **Success factors** – Leverage leading cost position with highest possible asset utilization
- **Products** – Standard MDI, TDI, long chain polyols, standard Polycarbonate resins and basic chemicals

Solid FOCF in a trough year

Historical FOCF development



EBITDA	+3,200	+1,604	+1,472	+3,085	+1,617	1,080
Changes in working capital⁽¹⁾	-167	+437 ⁽³⁾	-100 ⁽³⁾	-727	+312	+250
Capex⁽²⁾	-707	-910	-704	-764	-832	-765
Income tax paid	-574	-296	-155	-546	-538	-383
Other effects⁽³⁾	-83	-362 ⁽³⁾	+17 ⁽³⁾	+381	-421	+50

HIGHLIGHTS

- Q4 2023 FOCF of €73m
- FY 2023 FOCF increase driven by continuous working capital management throughout the year despite declining EBITDA
- Working capital to sales ratio⁽⁴⁾ increased to 16.6% (FY 2022: 15.1%), driven by steadily declining sales despite lower year-end inventories
- FY 2023 capex of €765m slightly below guidance due to efficiencies
- FY 2023 income taxes influenced by unfavorable geographical earnings mix; tax payments include a settlement of a German tax audit for fiscal years 2016-18
- Other effects: FY 2022 included payout of bonus provisions of €475m; no bonus payout in FY 2023



Net losses due to unfavorable geographical earnings mix

P&L statement FY 2023

In € million	FY 2022	FY 2023	% of FY'23 SALES	Δ Y/Y
Sales	17,968	14,377	100%	-20.0%
EBITDA	1,617	1,080	7.5%	-33.2%
D&A excl. impairments	-888	-849	-5.9%	-4.4%
Impairments	-462	-45	-0.3%	-90.3%
EBIT	267	186	1.3%	-30.3%
Financial result	-137	-113	-0.8%	-17.5%
EBT	130	73	0.5%	-43.8%
Income taxes excl. DTA adjustments	-156	-36	-0.3%	-76.9%
DTA adjustments	-255	-239	-1.7%	-6.3%
Net income⁽¹⁾	-272	-198	-1.4%	-27.2%
Earnings per share (in €) ⁽²⁾	-1.42	-1.05	-	-26.1%

HIGHLIGHTS

Impairments

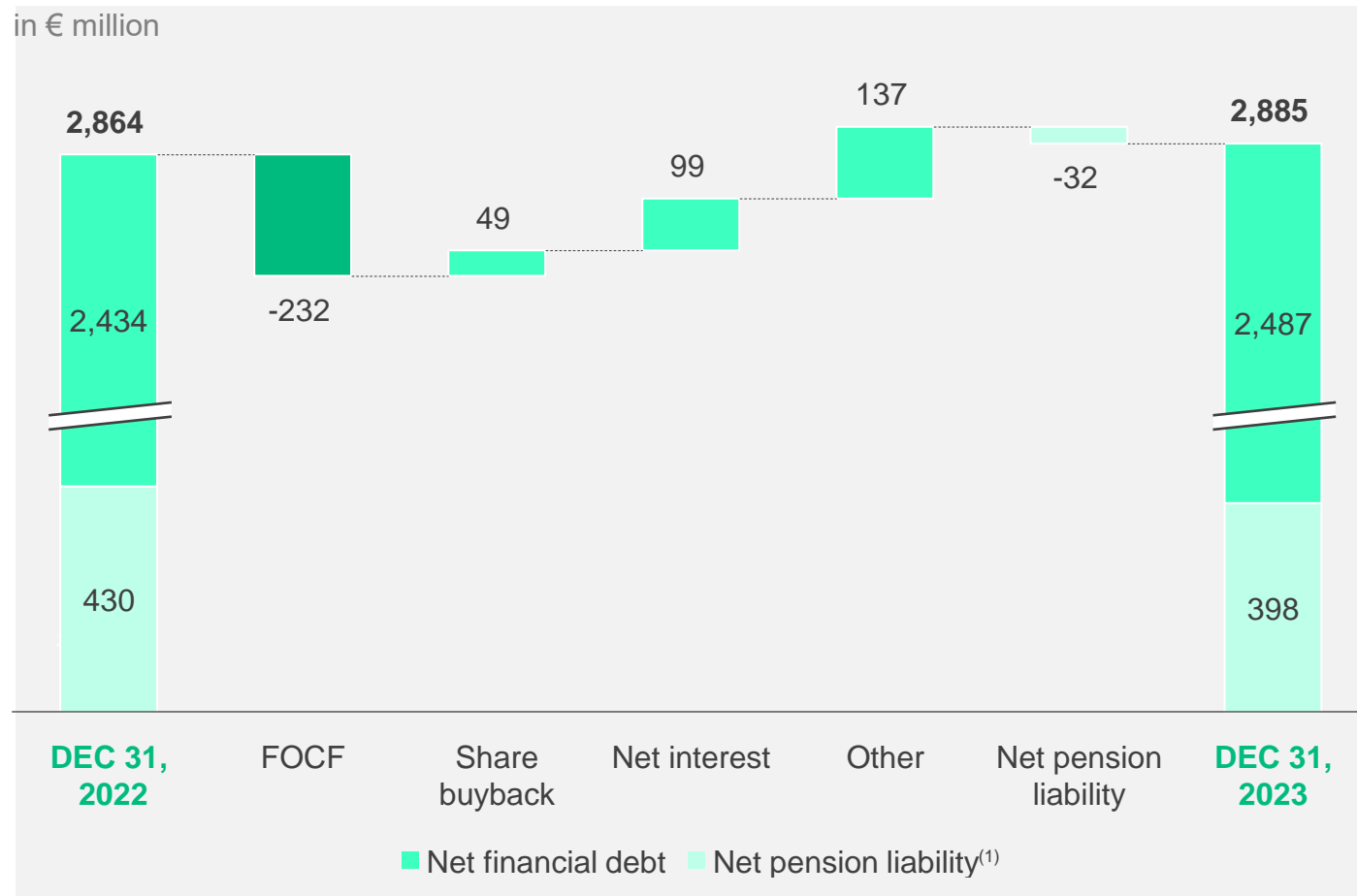
- Impairment loss of €31m due to discontinuation of Maezio[®] product line and related site closure in Q1 2023

Deferred tax assets (DTA)

- Not recognized deferred tax assets on tax loss carryforwards and temporary differences
- DTA adjustments of €239m in FY 2023 due to negative earnings mainly in Germany and Switzerland

Total net debt stable

December 31, 2023 – Total net debt



HIGHLIGHTS

- Total net debt to EBITDA ratio⁽²⁾ of 2.7x at the end of FY 2023 compared to 1.8x at the end of FY 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 lease contracts
- No financial covenants in place
- Solid investment grade rating of Baa2 with stable outlook confirmed by Moody's in June 2023

Still depressed outlook for core industries going into 2024

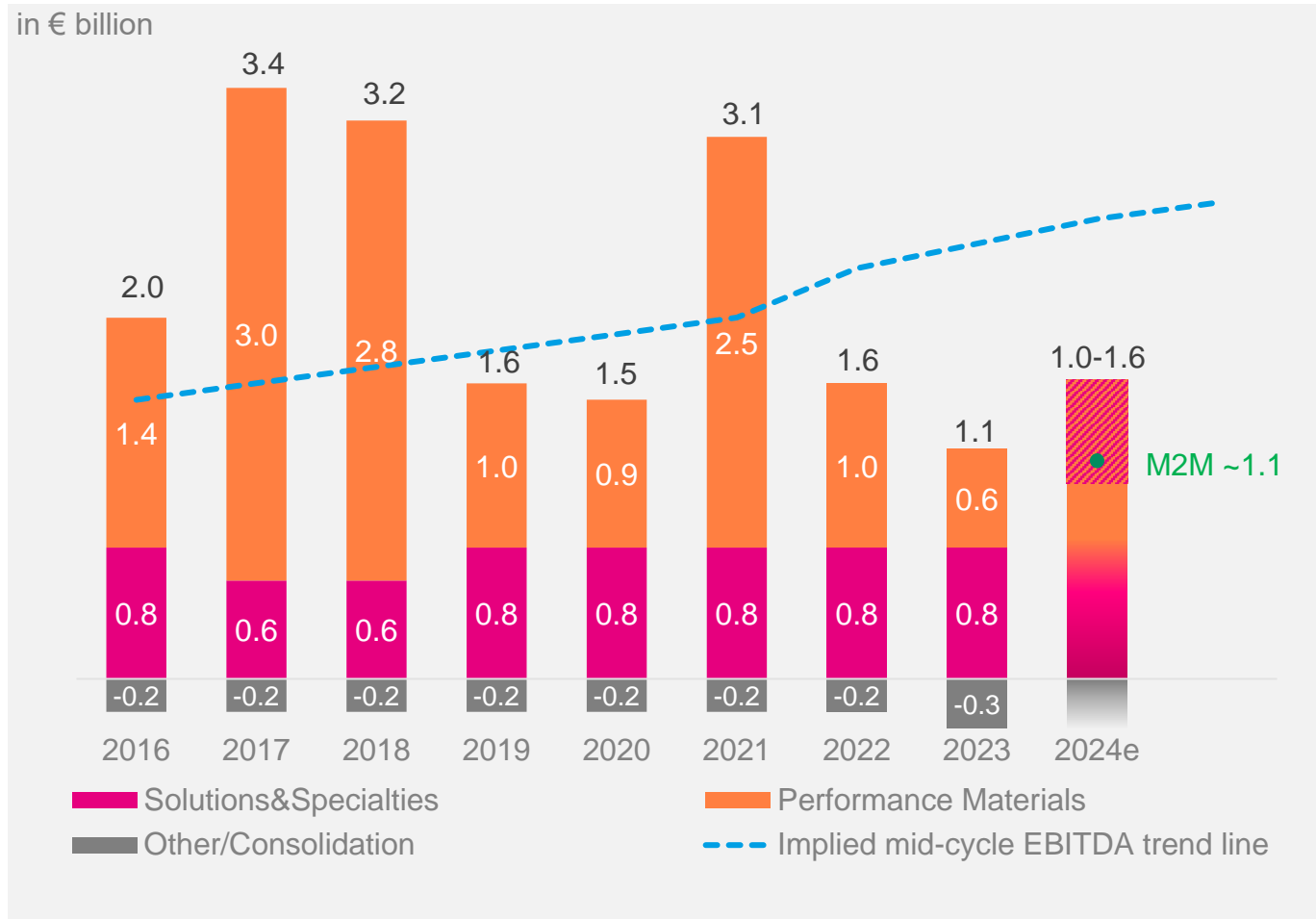


Global demand development

KEY CUSTOMER INDUSTRIES		2022 Y/Y	2023 Y/Y ⁽¹⁾	2024e ⁽²⁾
Global GDP		+3.1%	+2.7%	+2.4%
Automotive EV / BEV		+7.1% +72.8%	+10.2% +29.8%	 +0.8% +28.9%
Construction Residential		+0.7% +0.2%	-2.4% -4.3%	 -2.5% -5.8%
Furniture Soft furniture		-3.6% -5.2%	-3.7% -3.8%	 +0.1% +0.5%
Electrical, electronics and household appliances Appliances		-0.9% -1.3%	-0.9% +7.2%	 +1.5% +1.4%

FY 2024 EBITDA expected between €1.0 to 1.6bn

EBITDA development between 2016 and 2024e



HIGHLIGHTS

Mark-to-market (M2M):

- Mark-to-market (M2M) EBITDA in FY 2024 around €1.1bn; theoretical calculation based on January 2024 margins flat forward and budget assumptions for 2024

Mid-cycle EBITDA:

- Mid-cycle definition: Respective year's EBITDA performance under average market conditions
- In 2022, mid-cycle EBITDA additionally increased due to RFM acquisition
- Mid-cycle EBITDA expected to increase yearly based on capacity additions

Outlook reflecting ongoing weak demand environment

Full year guidance 2024



	FY 2023	GUIDANCE FY 2024
EBITDA	€1,080m	€1,000 to 1,600m
FOCF	€232m	€0 to 300m
ROCE above WACC ⁽¹⁾	-6.1pp	-7 to -2pp
GHG emissions (scope 1 and 2)	4.9m tons	4.4 to 5.0m tons

Additional financial expectations

Sales	€14.4bn	€14.0 to 15.0bn
EBITDA Q1	€286m	€180 to 280m
D&A	€894m	~€850m
Financial result	€-113m	€-120 to -160m
Income tax	€275m	€250 to 350m
Capex ⁽²⁾	€765m	~€800m

HIGHLIGHTS

2024 FX sensitivity

- 1pp change equals
+/- €10m for CNY/EUR (basis 7.90)
+/- €5m for USD/EUR (basis 1.10)

FOCF range

- Smaller range compared to EBITDA due to counterbalancing working capital effects

GHG emissions

- GHG range mainly driven by expected increase in production volumes offset by EEG exit in Germany

Income tax

- Income tax driven by unfavorable geographical earnings mix (non-deductible losses in Germany)
- Long-term tax rate estimated between 24-26%⁽³⁾

Transform to perform

FY 2023 Highlights



1

Sales decreased to €14.4bn

caused by lower prices, lower volumes and unfavorable FX

2

EBITDA FY 2023 of €1.1bn in line with guidance

burdened by negative pricing delta, lower volumes and FX

3

Solid FY 2023 FOCF of €232m

supported by successful working capital management

4

FY 2024 guidance announced

with an expected EBITDA of €1.0 to 1.6bn

5

Covestro continues climate neutrality pathway

by announcing scope 3 GHG emission targets with climate neutrality until 2050



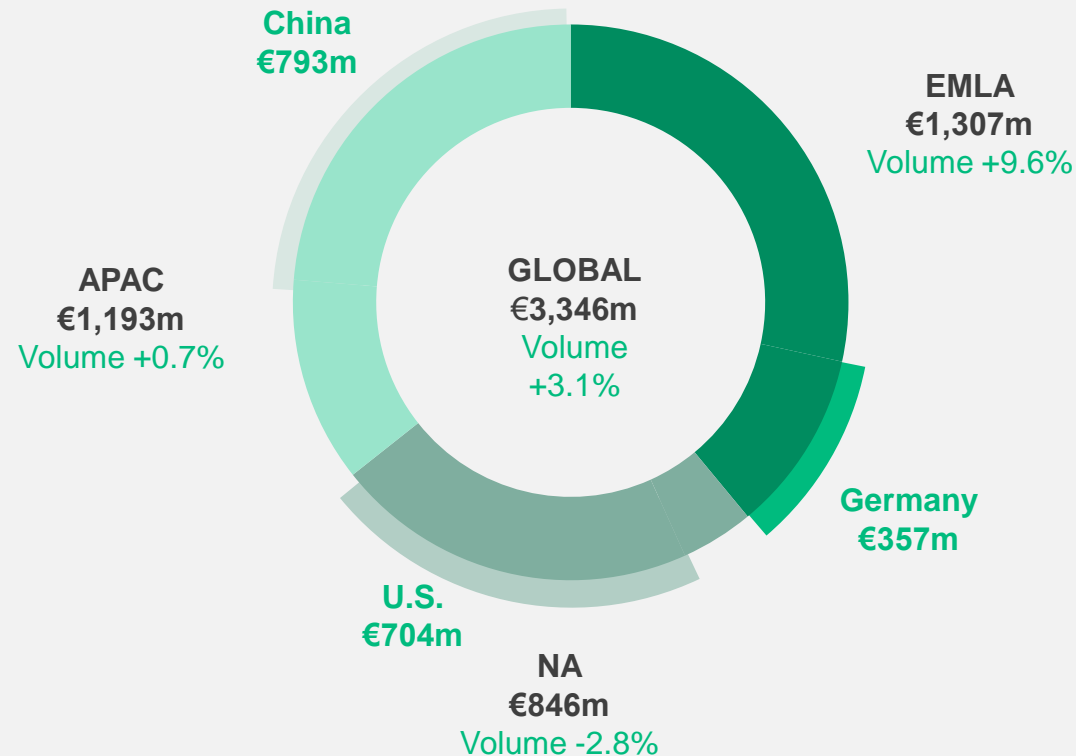
Appendix

Positive volume development

Q4 2023 – Regional split



Sales volume Y/Y



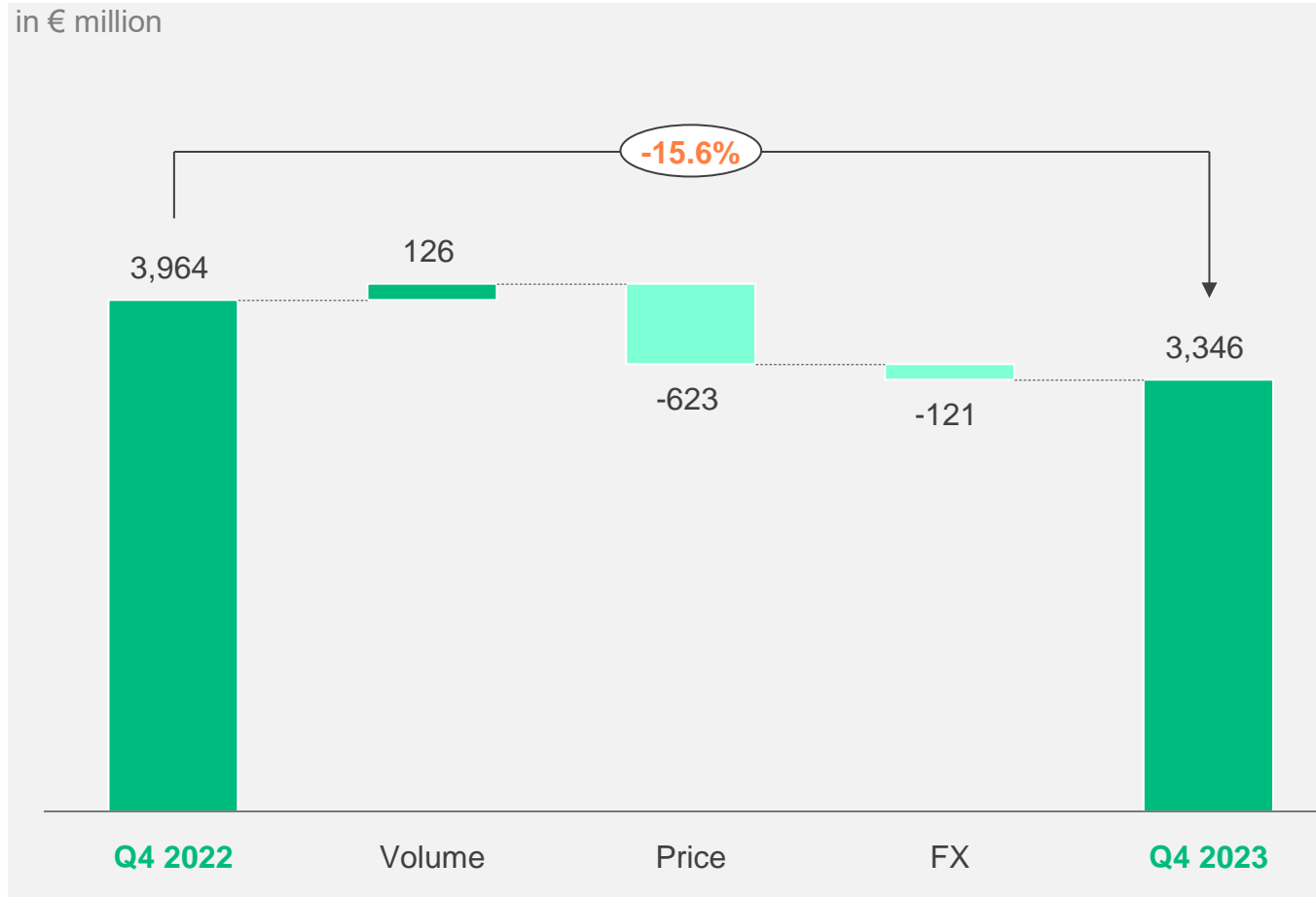
HIGHLIGHTS

- Year-on-year volume development in the different industries:
 - **Construction** low teens % increase
 - **Furniture/wood** high single-digit % increase
 - **Auto** low single-digit % increase
 - **Electro** low single-digit % increase
- **EMLA:** Resolution of most chlorine issues leading to increased production rates in Q4 2023 with significant increase in construction, electro and furniture while auto was flattish
- **NA:** Electro and construction with slight increase, auto flat, furniture with slight decline
- **APAC:** Furniture and auto exhibiting significant growth, electro flat while construction with ongoing significant decline

Sales decrease due to pricing pressure but positive volumes



Q4 2023 – Sales bridge



HIGHLIGHTS

Volume positive

- Volume increase of 3.1% Y/Y

Pricing negative

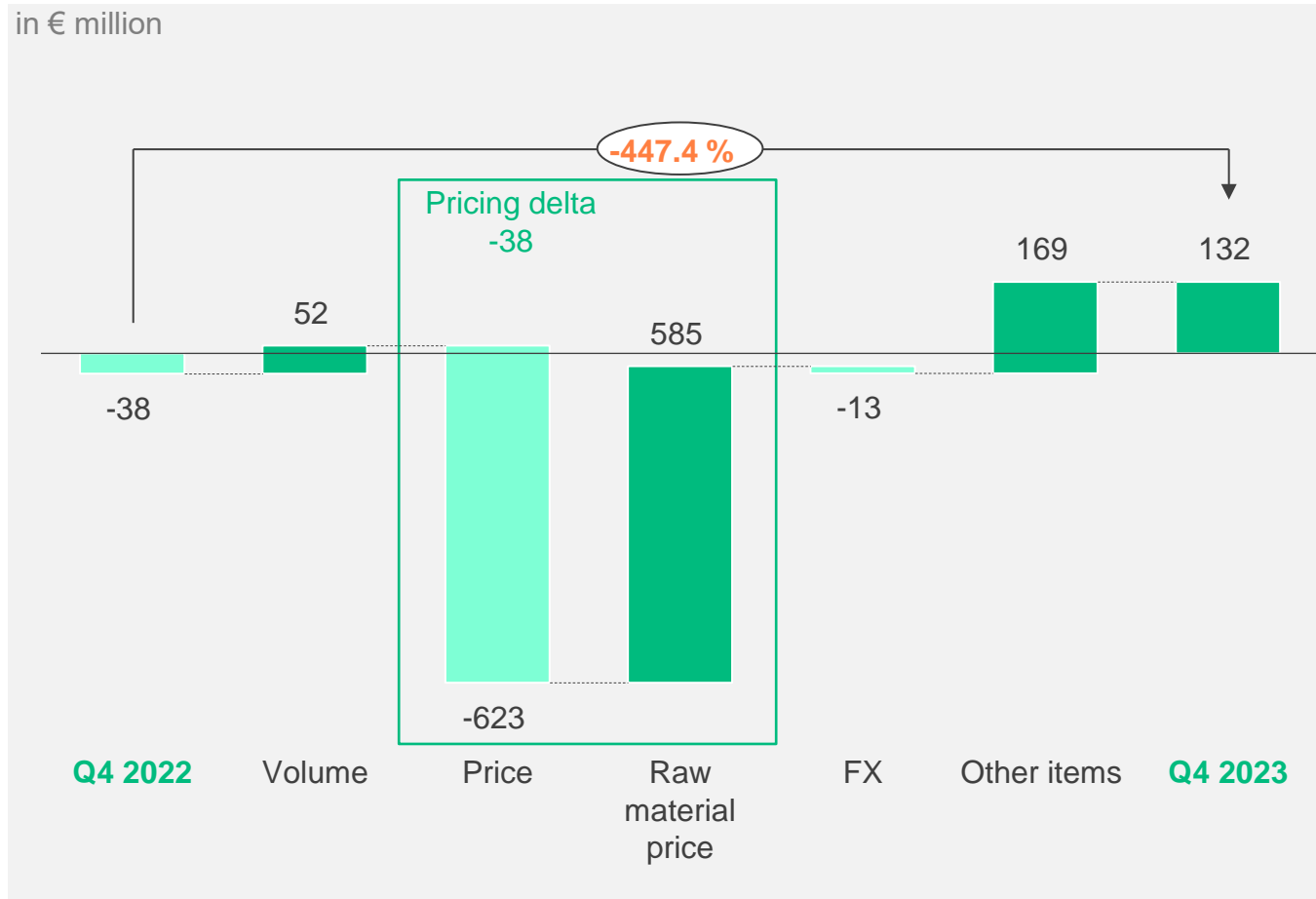
- Performance Materials strongly affected (-22.0% Y/Y), Solutions & Specialties with significant decline as well (-10.2% Y/Y)

FX negative

- FX affected sales by -3.0% Y/Y mainly driven by RMB, USD, INR and JPY

EBITDA increase mainly from significantly reduced fixed cost

Q4 2023 – EBITDA bridge



HIGHLIGHTS

Low volume leverage⁽¹⁾

- Volume leverage of 41%
- Volume leverage below long-term average due low margins per ton reflecting the stage of the cycle

Slightly negative pricing delta

- Raw material and energy prices significantly down compared to Q4 2022
- Strongly declining prices due to declining raw material prices and ongoing weak demand

Other items driven by:

- Significantly reduced operational cost
- Provisions for advisory cost of €21m
- Higher provisions for variable compensation of €52m

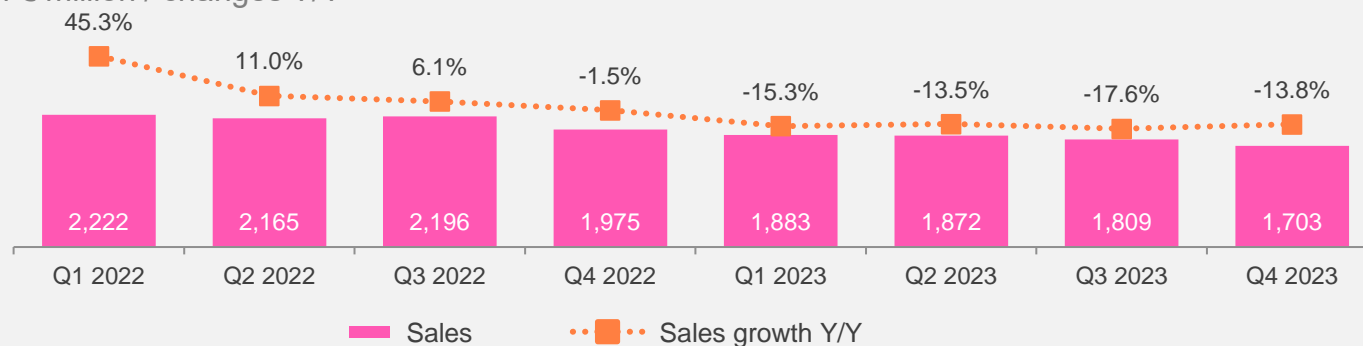
Solutions & Specialties – Q4'23 EBITDA seasonally down



Segment results – Highlights Q4 2023

SALES

in € million / changes Y/Y

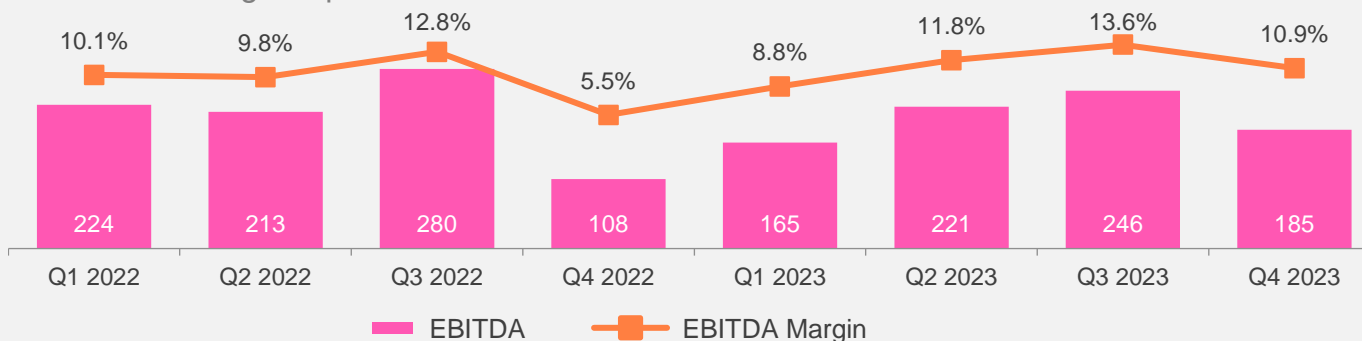


HIGHLIGHTS Q4 2023

- Sales declined by 13.8% Y/Y, mainly driven by lower prices (-10.2%), unfavorable FX (-3.3%) while stable volumes (-0.3%)
- Sequentially, sales strongly declined in EMLA and NA whereas APAC showed a flat sales development; sales decline in EMLA and NA mainly attributable to volume decline

EBITDA AND MARGIN⁽¹⁾

in € million / margin in percent



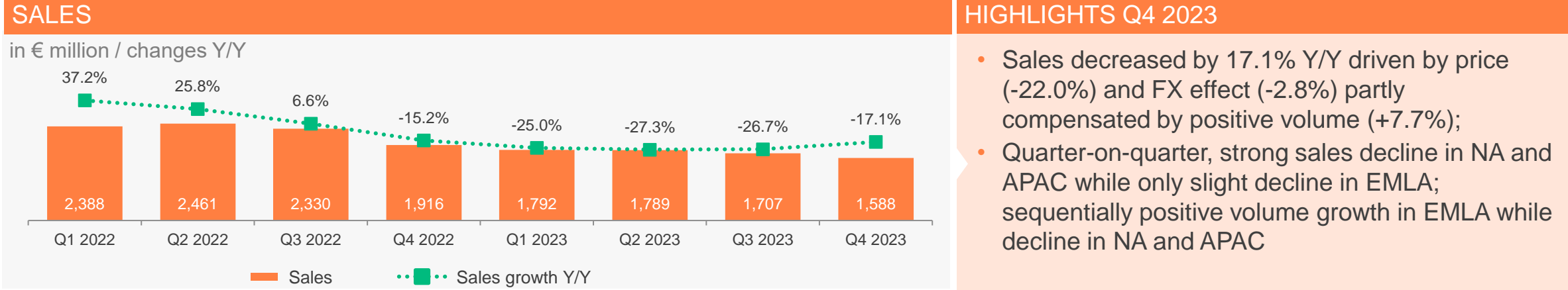
HIGHLIGHTS Q4 2023

- Compared to prior year, EBITDA improved due to positive pricing delta despite negative volume and FX
- Quarter-on-quarter seasonally lower EBITDA driven by negative volumes while positive pricing delta as an effect of lower raw material cost
- EBITDA margin seasonally declined to 10.9% in Q4 2023

Performance Materials – hitting low season in weak environment

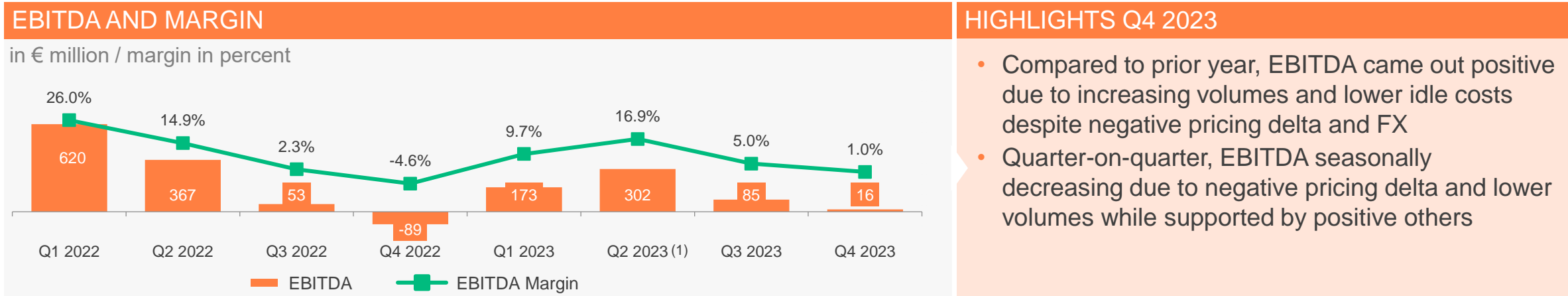


Segment results – Highlights Q4 2023



HIGHLIGHTS Q4 2023

- Sales decreased by 17.1% Y/Y driven by price (-22.0%) and FX effect (-2.8%) partly compensated by positive volume (+7.7%);
- Quarter-on-quarter, strong sales decline in NA and APAC while only slight decline in EMLA; sequentially positive volume growth in EMLA while decline in NA and APAC



HIGHLIGHTS Q4 2023

- Compared to prior year, EBITDA came out positive due to increasing volumes and lower idle costs despite negative pricing delta and FX
- Quarter-on-quarter, EBITDA seasonally decreasing due to negative pricing delta and lower volumes while supported by positive others

Upcoming IR events



Find more information on covestro.com/en/investors

REPORTING DATES

- | | |
|--------------------|---------------------------------|
| • April 30, 2024 | Q1 2024 Quarterly Statement |
| • July 30, 2024 | 2024 Half-Year Financial Report |
| • October 29, 2024 | Q3 2024 Quarterly Statement |

ANNUAL GENERAL MEETING

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

SELLSIDE EVENT

- | | |
|-----------------|---------------------------------------|
| • March 6, 2024 | Sellside Round Table with CEO, London |
|-----------------|---------------------------------------|

BROKER CONFERENCES

- | | |
|--------------------|---|
| • March 21, 2024 | J.P. Morgan European Chemicals Forum, London |
| • April 9-10, 2024 | HSBC Global Investment Summit 2024, Hong Kong |