Managing the crisis

Financial Highlights
Q1 2020
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 Q1 2020

-4.1% Core volume growth

€254m EBITDA

€-249m FOCF

€0.11 EPS

July 30 New date for AGM

FY 20 Guidance updated

July 30 New date for AGM

FY 20 Guidance updated
Severe impact of pandemic with distinct regional differences

Covestro core volume development versus prior year

- Strongest Y/Y decline mid of April, recently stabilizing
- Earliest volume impact globally
- Strongest Y/Y decline in February, recovering since to pre-pandemic levels
- Varying volume impacts by country
- Strongest Y/Y decline mid of April, recently stabilizing
- Latest volume impact globally
- Falling trend since mid of March

Changes Y/Y, 7-day averages

-100% -75% -50% -25% 0% +25% +100%

January February March April

2020

Impact of Chinese New Year date differences in 2019 and 2020

Global

China

Europe

U.S.
Severe impact of pandemic across all industries

Overview of Covestro key industries (a)

Sources: LMC, IHS, Marklines, Automotive News Europe/USA, Automotive Production, OEM press releases and local reports

Sources: Own illustration based on Oxford Economics data

Sources: Own illustration based on Press releases OEMs

Sources: B+L, Feri, GlobalData, press releases/associations, MIS estimation

Note: Status as of April 22, 2020
(a) Based on Covestro 2019 Annual Report, percentage based on global FY 2019 sales, numbers rounded
Early and decisive measures taken to manage the crisis

Coronavirus pandemic impact on Covestro

**Human resources**
- 21 employees infected (14 in Germany, 7 RoW)
- 12 recovered
- Working from home mandatory for all non-production employees in Germany since mid of March\(^{(a)}\)

**Financial impact in Q1 2020**
- In China, core volumes declined by almost 30% Y/Y
- In Europe, core volumes started to decline end of March
- Estimated impact on global core volumes of -8% Y/Y and on EBITDA of around €-80m

**Current asset utilization**
- EMLA: PUR & PCS at ~70%, CAS at reduced rates
- NAFTA: Baytown at reduced rates
- APAC: after achieving full rates mid of March now again with reduced rates

**Management measures in 2020**
- Cost savings: additional >€100m short-term initiatives for 2020 (in total >€300m savings)
- Capex: reduction of €200m to €700m (in total €400m)
- Strong liquidity of €3.7bn secured (cash plus RCF)

\( (a) \) Different measures taken per country
Early and decisive measures taken to manage the crisis

Short- and long-term cost improvements

<table>
<thead>
<tr>
<th>Short-term measures</th>
<th>Long-term measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Additional savings</strong></td>
<td><strong>Efficiency program “Perspective”</strong></td>
</tr>
<tr>
<td>Initial target of €200m cost savings in 2020, published in February</td>
<td>✔ Streamline standard business</td>
</tr>
<tr>
<td>Half contributed by cost avoidance vs. budget, half contributed by various cost reductions</td>
<td>✔ Extend differentiation</td>
</tr>
<tr>
<td><strong>In response to Coronavirus pandemic</strong></td>
<td>✔ Target areas: E2E supply chain, procurement, commercial, general and administration</td>
</tr>
<tr>
<td>Target increased to more than €300m(^{(a)}) in 2020, published in April</td>
<td>✔ Reduce ~900 FTE globally in non-production areas on track, reduce to ~16,800 FTE by year end 2020</td>
</tr>
<tr>
<td>Lower Opex in line with reduced Capex budget, lower travel and supply chain costs, various contingency measures</td>
<td>✔ Achieve cumulative savings of €350m until end of 2021(e) on track</td>
</tr>
</tbody>
</table>

\(>€300m\) in 2020\(^{(a)}\)  \(>€100m\) \(Y/Y\) in 2020

Note: \((a)\) Total sum, in a \(Y/Y\) comparison short-term cost savings of more than €200m
Declining volumes due to Coronavirus pandemic in China

Q1 2020 – Regional split

Sales and core volume growth\(^{(a)}\)

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales (€ million)</th>
<th>Core Volume Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>388</td>
<td>-28.8%</td>
</tr>
<tr>
<td>APAC</td>
<td>739</td>
<td>-16.7%</td>
</tr>
<tr>
<td>U.S.</td>
<td>617</td>
<td>+7.4%</td>
</tr>
<tr>
<td>NAFTA</td>
<td>744</td>
<td>+5.8%</td>
</tr>
<tr>
<td>Germany</td>
<td>385</td>
<td>-3.8%</td>
</tr>
<tr>
<td>EMLA</td>
<td>1,300</td>
<td>+1.3%</td>
</tr>
<tr>
<td>Global</td>
<td>2,783</td>
<td>-4.1%</td>
</tr>
</tbody>
</table>

Core volume growth Y/Y

- **APAC**: double-digit decline in all major customer industries due to peak of Coronavirus pandemic in China in February
- **EMLA**: pronounced weakness in automotive demand counterbalanced by strong growth in electronics and multiple other industries
- **NAFTA**: strong growth in wood & furniture and in construction compensated for negative development in automotive
- **Global**: double-digit decline in automotive and electronics could not be compensated by positive growth in multiple other industries
- Core volume growth not adjusted for portfolio changes, accounting for more than 1pp

\(^{(a)}\) Core volume growth not adjusted for portfolio changes
Significant sales decline driven by price and volume pressure

Q1 2020 – Sales bridge

in € million

-12.3%

3,175

-89

-290

+27

-40

2,783

Q1 2019

Volume

Price

FX

Portfolio

Q1 2020

Highlights

Negative pricing
• Lower selling prices, mainly in PUR and PCS, negatively impacted sales by -9.1% Y/Y

Slight volume decrease
• Triggered by Coronavirus pandemic, sales volume decrease (in €) of -2.7%

Positive FX
• FX benefited sales by +0.8% Y/Y mainly due to a stronger USD

Portfolio changes
• Slight negative impact of -1.3% Y/Y
• CAS: Thermoplastic PU business DCP\(^{(a)}\) fully consolidated as of 1\(^{st}\) April 2019 (Q1 2020 impact of €+7m)
• PUR: European system houses divested as of 1\(^{st}\) November 2019 (Q1 2020: €-16m)
• PCS: European sheets divested as of 2\(^{nd}\) January 2020 (Q1 2020: €-31m)

Notes:
(a) Stake increase in DIC Covestro Polymer Ltd. (DCP), a thermoplastic PU business (CAS) in Japan, as of April 1\(^{st}\), 2019
EBITDA hit by continuing margin pressure and lower volumes

Q1 2020 – EBITDA bridge

in € million

<table>
<thead>
<tr>
<th>Q1 2019</th>
<th>Volume</th>
<th>Price</th>
<th>Raw material price</th>
<th>FX</th>
<th>Other items</th>
<th>Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>442</td>
<td>-54</td>
<td>290</td>
<td>+140</td>
<td>+4</td>
<td>+12</td>
<td>254</td>
</tr>
</tbody>
</table>

Pricing delta -€150m

Highlights

- Pronounced decline in contribution margin
  - Negative pricing delta, mainly in PUR and PCS, due to intense competitive pressure
- Negative volume leverage\(^{(a)}\)
  - Impact of €54m
- Positive FX
  - Positive effect of +0.8% Y/Y mainly due to a stronger USD
- Other items
  - Short-term cost savings partly counterbalanced by provisions for restructuring program

\(^{(a)}\) Method of calculation: EBITDA volume contribution / sales volume contribution
Polyurethanes – margin declining towards trough levels
Segment results – Highlights Q1 2020

Sales and core volume growth
in € million / changes Y/Y

<table>
<thead>
<tr>
<th></th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
<th>Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,476</td>
<td>1,498</td>
<td>1,478</td>
<td>1,336</td>
<td>1,274</td>
</tr>
<tr>
<td>Core volume growth Y/Y</td>
<td>-0.2%</td>
<td>0.7%</td>
<td>5.1%</td>
<td>3.6%</td>
<td>-3.6%</td>
</tr>
</tbody>
</table>

EBITDA and Margin
in € million / margin in percent

<table>
<thead>
<tr>
<th></th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
<th>Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>157</td>
<td>172</td>
<td>196</td>
<td>123</td>
<td>50</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>10.6%</td>
<td>11.6%</td>
<td>13.3%</td>
<td>9.2%</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

Highlights

• Core volume decline (in kt) of -3.6% Y/Y, mainly driven by MDI and TDI
• Demand growth in key industries hampered by Coronavirus pandemic effect
• Sales decreased by -13.7% Y/Y, driven by price (-10.8%) and volume (-2.5%)

Highlights

• Compared to prior year, EBITDA declined due to lower volumes and pronounced negative pricing delta
• Sequentially, EBITDA margin declined to 3.9% vs. 9.2% in Q4 2019 due to lower volumes and continuing margin pressure
Polycarbonates – sequential margin improvement
Segment results – Highlights Q1 2020

Sales and core volume growth
in € million / changes Y/Y

<table>
<thead>
<tr>
<th></th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
<th>Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>860</td>
<td>898</td>
<td>901</td>
<td>814</td>
<td>733</td>
</tr>
<tr>
<td>Core volume growth Y/Y</td>
<td>-6.3%</td>
<td>4.4%</td>
<td>9.3%</td>
<td>3.5%</td>
<td>-4.9%</td>
</tr>
</tbody>
</table>

EBITDA and Margin
in € million / margin in percent

<table>
<thead>
<tr>
<th></th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
<th>Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>155</td>
<td>154</td>
<td>132</td>
<td>95</td>
<td>109</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>18.0%</td>
<td>17.1%</td>
<td>14.7%</td>
<td>11.7%</td>
<td>14.9%</td>
</tr>
</tbody>
</table>

Highlights

- Core volume decline (in kt) of -4.9% Y/Y driven by all key industries except construction
- Double-digit volume decline in APAC as a result from Coronavirus pandemic in China
- NAFTA and EMLA with positive volume growth
- Sales decreased by -14.8% Y/Y, driven by price (-9.6%) and volume (-2.6%)

Highlights

- Compared to prior year, EBITDA decreased Y/Y due to pronounced negative pricing delta and lower volumes
- Sequentially, EBITDA margin increased Q/Q to 14.9% vs. 11.7% driven by slightly positive pricing delta and lower cost
Coatings, Adhesives, Specialties – high margin level defended

Segment results – Highlights Q1 2020

Sales and core volume growth
in € million / changes Y/Y

-0.1%  -4.7%  -4.0%  6.2%  -5.2%
627  621  588  533  572
Q1 2019 Q2 2019 Q3 2019 Q4 2019 Q1 2020

EBITDA and Margin
in € million / margin in percent

23.3%  24.2%  18.9%  11.6%  22.7%
146  150  111  62  130
Q1 2019 Q2 2019 Q3 2019 Q4 2019 Q1 2020

Highlights

- Demand burdened by Coronavirus pandemic and continued automotive weakness led to negative core volume growth of -5.2%
- Sales decreased by -8.8% Y/Y driven by volume (-7.1%) and price (-3.9%)

Highlights

- Compared to prior year, EBITDA decreased by 11% due to negative volume leverage and lower prices
- Sequentially, EBITDA margin increased to 22.7% vs. 11.6% in Q4 2019 driven by lower costs
Cash flow burdened by seasonal working capital increase

Historical FOCF development per quarter

<table>
<thead>
<tr>
<th>Quarter</th>
<th>EBITDA</th>
<th>Changes in working capital</th>
<th>Capex(a)</th>
<th>Income tax paid</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2017</td>
<td>+846</td>
<td>-441</td>
<td>-74</td>
<td>-29</td>
<td>-91</td>
</tr>
<tr>
<td>Q1 2018</td>
<td>+1,063</td>
<td>-544</td>
<td>-88</td>
<td>-56</td>
<td>-11</td>
</tr>
<tr>
<td>Q1 2019</td>
<td>+442</td>
<td>-257</td>
<td>-165</td>
<td>-79</td>
<td>+14</td>
</tr>
<tr>
<td>Q1 2020</td>
<td>+254</td>
<td>-281</td>
<td>-139</td>
<td>-90</td>
<td>+7</td>
</tr>
</tbody>
</table>

Note:
(a) Cash-relevant capex
(b) Method of calculation: WC on March 31, 2020 divided by sales of last four quarters

Highlights

- Usual seasonal working capital increase while continuing strict inventory management
- Working capital to sales ratio(b) at 18.7%
- Slight reduction of inventories in kilotons Y/Y
- Capex of €139m on high level, but below run rate for full year guidance
- High cash tax rate above P&L tax rate of 25.0% due to phasing of tax payments
Solid balance sheet
March 31st, 2020 – Total net debt

in € million

Dec. 31, 2019 | FOCF | Interest | Others | Changes in pension provisions | March 31, 2020
--- | --- | --- | --- | --- | ---
2,954 | 249 | 12 | 41 | -530 | 2,726
1,965 | 989 |

Highlights

- Pension provisions decreased by €530m mainly resulting from higher discount rates in Germany
- Total net debt to EBITDA ratio\(^{(a)}\) of 1.9x end of Q1 2020 vs. 1.8x end of 2019
- Solid equity ratio of 47% end of Q1 2020 vs. 46% end of 2019
- Committed to an solid investment grade rating

Liquidity at attractive rates

- Balance sheet with €1.2bn in cash and cash equivalents, partially funded through:
  - short-term working capital lines of €500m
  - European investment bank (EIB) €225m loan for R&D activities
- Undrawn syndicated revolving credit facility (RCF) of €2.5bn in place with ESG element for the first time

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Note: (a) Method of calculation: Total net debt on March 31, 2020 divided by EBITDA of last four quarters.
Approaching trough levels
Historical EBITDA development and FY 2020 guidance

EBITDA bridge assumptions for FY 2020

EBITDA reference FY 2019: €1.6bn
- Pricing delta: minus ~€0.4bn(b)
- Others: plus ~€0.1bn
- FX: neutral

EBITDA based on stable volumes Y/Y: ~€1.3bn
- Volume leverage: 1pp change in core volumes equals around +/- €50m
- FX sensitivity: 1pp change equals +/- €6m for CNY/EUR and +/- €4m for USD/EUR

Core Volume Growth and margin development scenarios

High-end scenario
- Core volumes decline mid-single-digit Y/Y and margin slightly up(b)

Low-end scenario
- Core volumes decline low-double-digit Y/Y and margin slightly down(b)

in € million,
Core volume growth in %

<table>
<thead>
<tr>
<th>Year</th>
<th>Core Volume</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015(a)</td>
<td>1,641</td>
<td>+2.7%</td>
</tr>
<tr>
<td>2016</td>
<td>2,014</td>
<td>+7.5%</td>
</tr>
<tr>
<td>2017</td>
<td>3,435</td>
<td>+3.4%</td>
</tr>
<tr>
<td>2018</td>
<td>3,200</td>
<td>+1.6%</td>
</tr>
<tr>
<td>2019</td>
<td>1,604</td>
<td>+2.0%</td>
</tr>
<tr>
<td>2020e</td>
<td>700-1,200</td>
<td></td>
</tr>
</tbody>
</table>

Note:
(a) EBITDA 2015 on adjusted basis
(b) based on margin levels in March 2020
Basic assumptions FY 2020: Exchange rate of EUR/USD ~1.10, EUR/RMB ~7.7 and a global GDP decline of ~3% Y/Y
Guidance update due to current circumstances

Updated FY 2020 guidance

<table>
<thead>
<tr>
<th>Core volume growth</th>
<th>FY 2019</th>
<th>Initial guidance FY 2020</th>
<th>Updated guidance FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+2.0%</td>
<td>Low-single-digit percentage range increase Y/Y</td>
<td>Below previous year</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FOCF</th>
<th>€473m</th>
<th>€0 – 400m</th>
<th>€-200 to +300m</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROCE</td>
<td>8.4%</td>
<td>2 – 7%</td>
<td>-1% to +4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Additional financial expectations</th>
<th>FY 2019</th>
<th>Initial guidance FY 2020</th>
<th>Updated guidance FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA FY</td>
<td>€1,604m</td>
<td>€1,000 – 1,500m</td>
<td>€700 – 1,200m</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>€752m</td>
<td>~€770m</td>
<td>~€770m</td>
</tr>
<tr>
<td>Financial result</td>
<td>€-91m</td>
<td>~€-105m</td>
<td>~€-105m</td>
</tr>
<tr>
<td>P&amp;L (effective) tax rate</td>
<td>26.8%</td>
<td>24 – 26%</td>
<td>24 – 26%</td>
</tr>
<tr>
<td>Capex(a)</td>
<td>€910m</td>
<td>~€900m</td>
<td>~€700m</td>
</tr>
</tbody>
</table>

Notes: (a) Cash-relevant capex
Basic assumptions FY 2020: Exchange rate of EUR/USD ~1.10; EUR/RMB ~7.97; and a global GDP decrease of ~3% Y/Y
Initial guidance based on forecasts made on February 14, 2020; Updated guidance based on ad-hoc release April 15, 2020.
Managing the crisis

Highlights Q1 2020

1. Spreading Coronavirus pandemic drives core volumes down with numerous country lockdowns severely impacting demand

2. EBITDA guidance achieved despite higher than expected impact from decreasing volumes due to Coronavirus pandemic

3. Early and decisive measures taken to manage the crisis taking care of employees’ safety, increase short-term cost savings and further reduce capex

4. FY 2020 guidance updated now incorporating full year impact of Coronavirus pandemic

5. Annual General Meeting with new date and format to now take place virtually on July 30, 2020
Upcoming IR events

Find more information on covestro.com/en/investors

### Reporting dates

- **July 23, 2020**
  - Half-Year Financial Report 2020
- **October 27, 2020**
  - Q3 2020 Interim Statement
- **February 23, 2021**
  - Annual report 2020

### Annual General Meeting (new date)

- **July 30, 2020**
  - Annual General Meeting, virtual format

### Sellside event

- **May 27, 2020**
  - Sellside Round Table with CEO and CFO, virtual format

### Broker conferences

- **May 14-15, 2020**
  - Citi Chemical Conference, virtual format
- **May 20, 2020**
  - Morgan Stanley ChemTech Day, virtual format
- **June 3-4, 2020**
  - Deutsche Bank, dbAccess Berlin Conference, virtual format
- **June 8, 2020**
  - JP Morgan, European Materials Conference, virtual format
- **June 10, 2020**
  - Exane, European CEO Conference, virtual format