Managing challenging times

Financial Highlights
Q4/FY 2022

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 2022 Highlights

FINANCIAL HIGHLIGHTS

Sales
€18bn

FOCF
€138m

EBITDA
€1.6bn

Shareholder return(1)
€801m

NON-FINANCIAL HIGHLIGHTS

GHG emissions (Scope 1 & 2)
-12%(2)
4.7m tons

PPAs
Power purchase agreement (PPA) for 300 GWh / ~30% of Shanghai site starting 2023

Renewable Energy
12% of renewable energy share

Covestro Culture
Certified top employer(3)

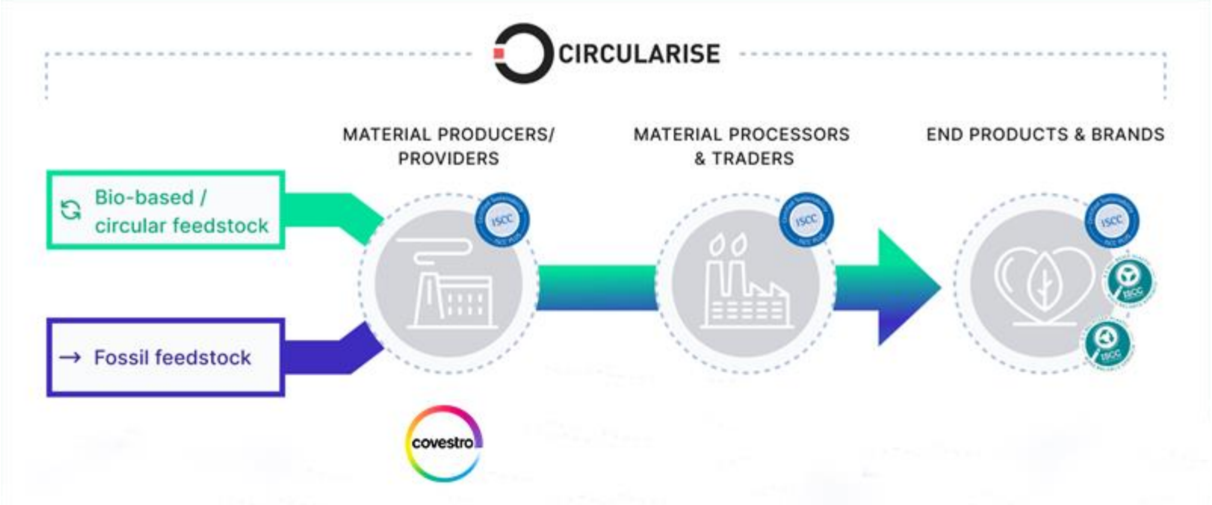
Circularity
11 sites across APAC and EMLA ISCC+ certified

Notes:
(1) in dividends & share buyback
(2) since reference year 2020
(3) Top Employers Institute rating in Germany, US and China

Covestro and Circularise partner in ISCC PLUS certification

Covestro advances on its path to circularity

BLOCKCHAIN SYSTEM COMPLEMENTS ISCC PLUS ALONG VALUE CHAIN



HIGHLIGHTS

- Successful completion of a project with Circularise, a digital pioneer in blockchain technology for end-to-end traceability of circular solutions
- Project involved 10 companies from the chemical industry and respective downstream sectors to bridge the inter-company gap for the smart and secure bookkeeping of mass balance certifications
- Customers are requesting digital certification systems to validate sustainability data on materials
- ISCC PLUS certification ensures sustainable material traceability and verification of data at individual sites and across the value chain
- Simplified digital information transfer will grow the acceptance of mass balancing across the value chain
- Through the mass balance approach fossil feedstock is partially replaced by a bio-circular alternative

Covestro improves supply & cost position on MDI production

Performance Materials chlorine supply

Covestro Tarragona facts:

- MDI site since 1971
- Nameplate capacities:
  - 170kt MDI
  - 125kt chlorine[3]
  - 140kt caustic soda[3]
  - 90kt hydrochloric acid[3]
- Largest MDI production in southern Europe
- Serving Spain, Portugal, France + export hub

HIGHLIGHTS

New world-scale chlorine plant in Tarragona

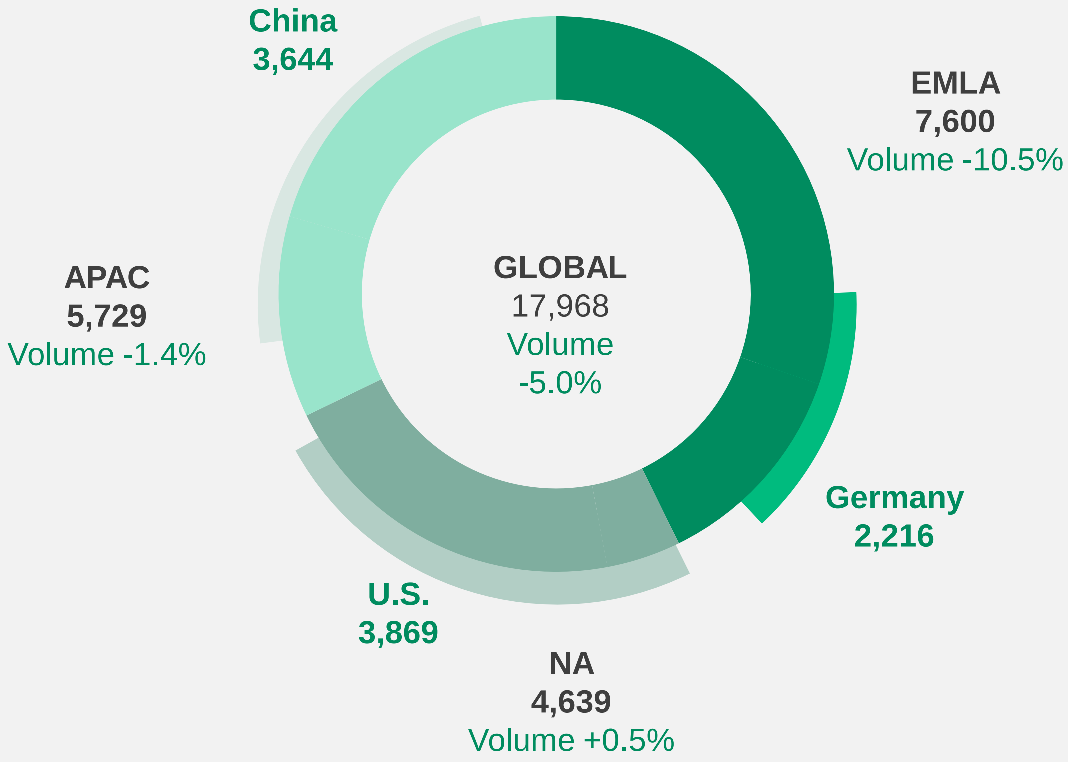
- Successful start up of the first world scale chlorine plant using Covestro's patented energy efficient oxygen depolarized cathode (ODC) technology[1]
- Proprietary chlorine production replaces third party supplies employing conventional chlor-alkali electrolysis
- Significant increase of independence and efficiency of MDI production
- Investment of ~€200m and creation of 50 new jobs
- European chlorine capacity increasing by 125kt to 1.4m tons[3] (1.1m tons based on salt and 0.3m tons based on hydrochloric acid)
- Covestro global chlorine capacity rising to 2.3m tons[3] (1.4m tons based on salt and 0.9m tons based on hydrochloric acid)
- Mid-double-digit € million EBITDA contribution from reduced cost for chlorine and additional sales of caustic soda and hydrochloric acid
- Significant progress on Covestro's goal of energy savings of 25% and avoidance of 22,000 tons of CO_2 emissions compared to the conventional process[2]

Notes: (1) Technology developed by Covestro in collaboration with thyssenkrupp nucera
(2) based on the energy mix at the start of construction planning in 2018
(3) dry-metric tons, concentrated substance with no dilution

Volume decline due to demand weakness in Europe

FY 2022 – Regional split

Sales in € million
Volume Y/Y

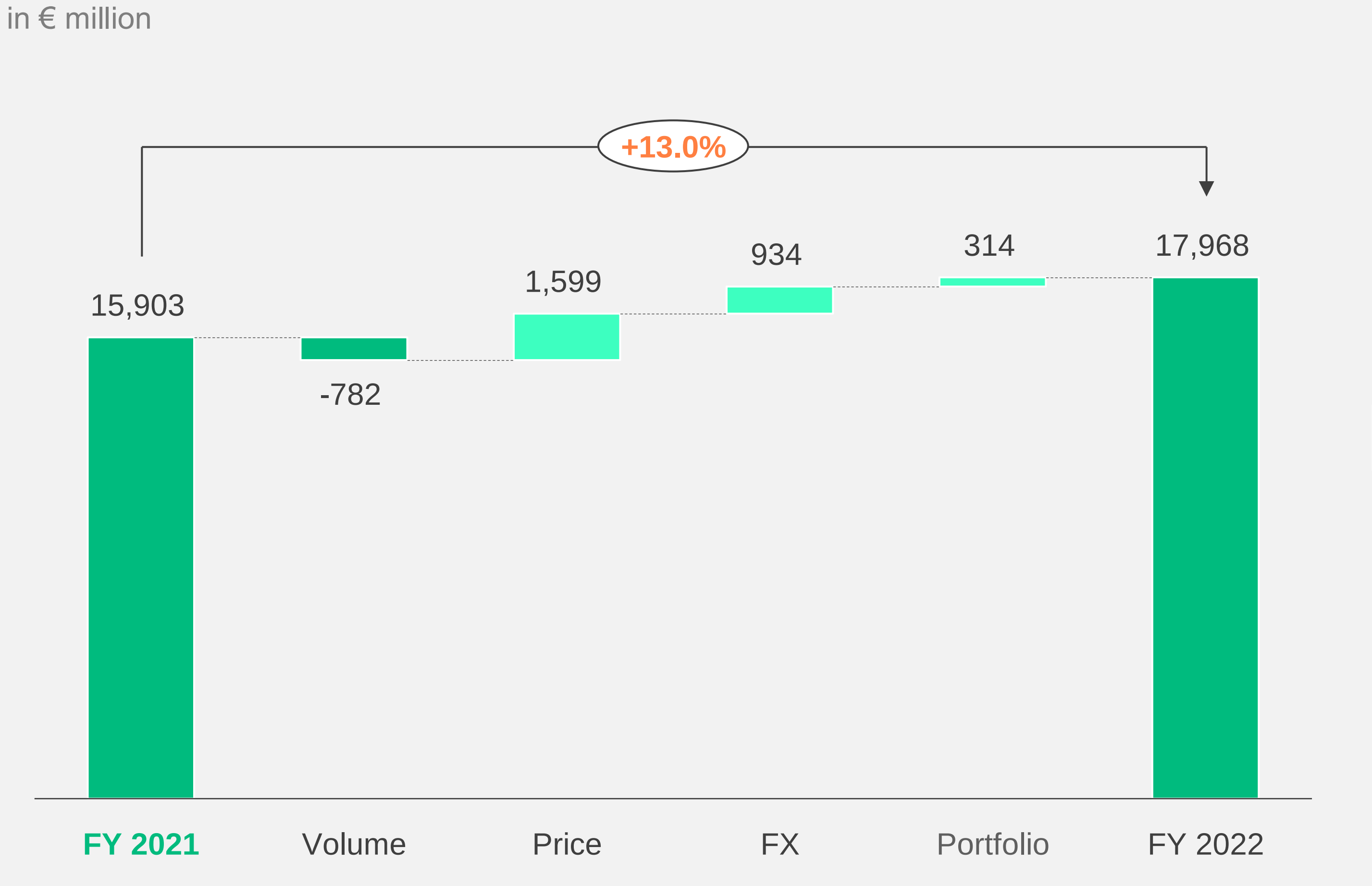


HIGHLIGHTS

- Volume decline year-over-year driven by a globally weaking economic climate and destocking:
  - Electro — low double-digit % decline
  - Furniture/wood — high single-digit % decline
  - Auto/transport — low single-digit % decline
  - Construction — low single-digit % increase
- EMLA: Within increasingly weakening economic environment significant decline in electro, furniture and construction; auto/transport only with slight decline due to improving chip supply in 2H 2022
- NA: Strong volume growth in construction, slight growth in auto/transport, flat development in electro, slight decline in furniture/wood
- APAC: Significant growth in construction; auto/ transport slightly positive benefitting from stimulus program despite Covid impact, furniture with slight and electro with significant decline

Sales increase mainly driven by price and FX

FY 2022 – Sales bridge



HIGHLIGHTS

Volume negative

- Volume contribution of -5.0% Y/Y

Pricing positive

- Higher selling prices that partially compensated higher energy and raw material costs pushed sales up +10.1% Y/Y
- Price increases enforced by both Performance Materials (+10.9% Y/Y) and Solutions & Specialties (+9.4% Y/Y)

FX positive

- FX affected sales by +5.9% Y/Y mainly driven by stronger USD and RMB

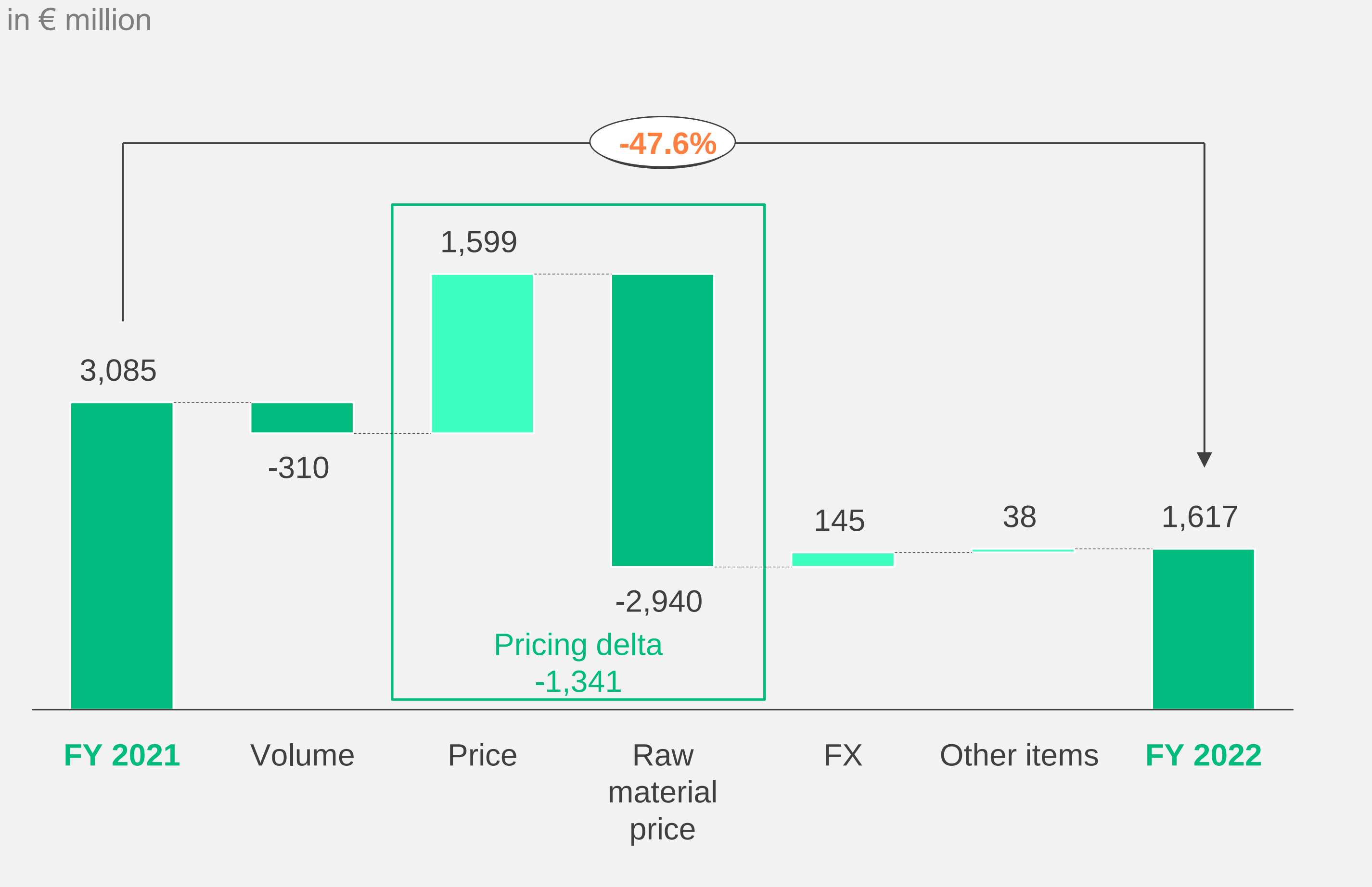
Portfolio positive

- RFM(1) increased sales by +2.0% Y/Y

Notes: (1) Full consolidation of acquired RFM business as of April 1, 2021

Earnings hit by significantly negative pricing delta

FY 2022 – EBITDA bridge



HIGHLIGHTS

Negative volume leverage[1]
- Negative volume leverage of 40%

Negative pricing delta
- Raw material and energy cost pass-through ability declined during course of the year, leading to only 54% compensation of cost increases

Other items:
- Lower provisions for variable compensation of €481m
- €86m from lower cost from RFM integration and LEAP restructuring
- Significant increase of fixed costs among others due to freight, logistic and salary increases

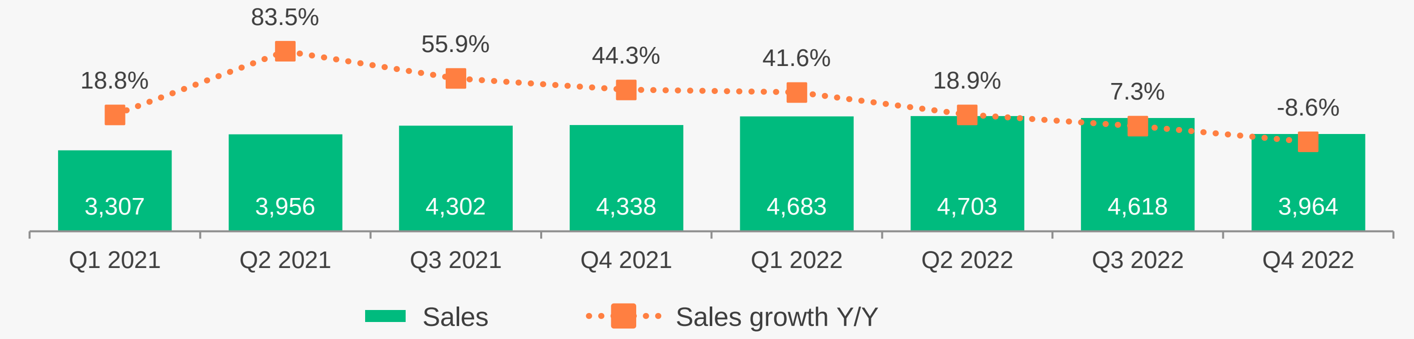
Notes: (1) Method of calculation: EBITDA volume contribution / sales volume contribution

EBITDA decrease Q/Q resulting from demand weakness

Group results – Highlights Q4 2022

SALES[1]

in € million / changes Y/Y

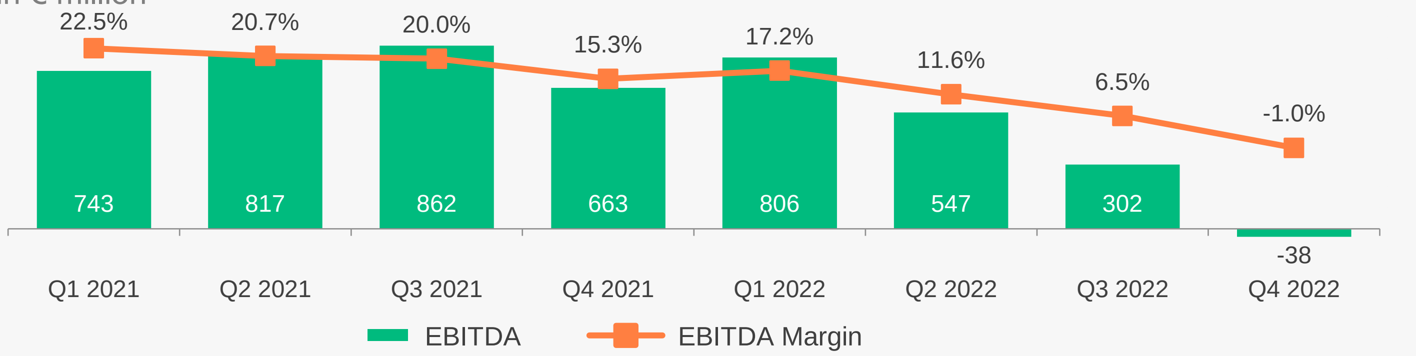


HIGHLIGHTS

- Year-on-year sales decline mainly attributable to weaking demand and resulting lower sales volume
- Sequentially, negative sales development due to slight reductions in price & currency and strong decline in volume

EBITDA AND MARGIN[1]

in € million



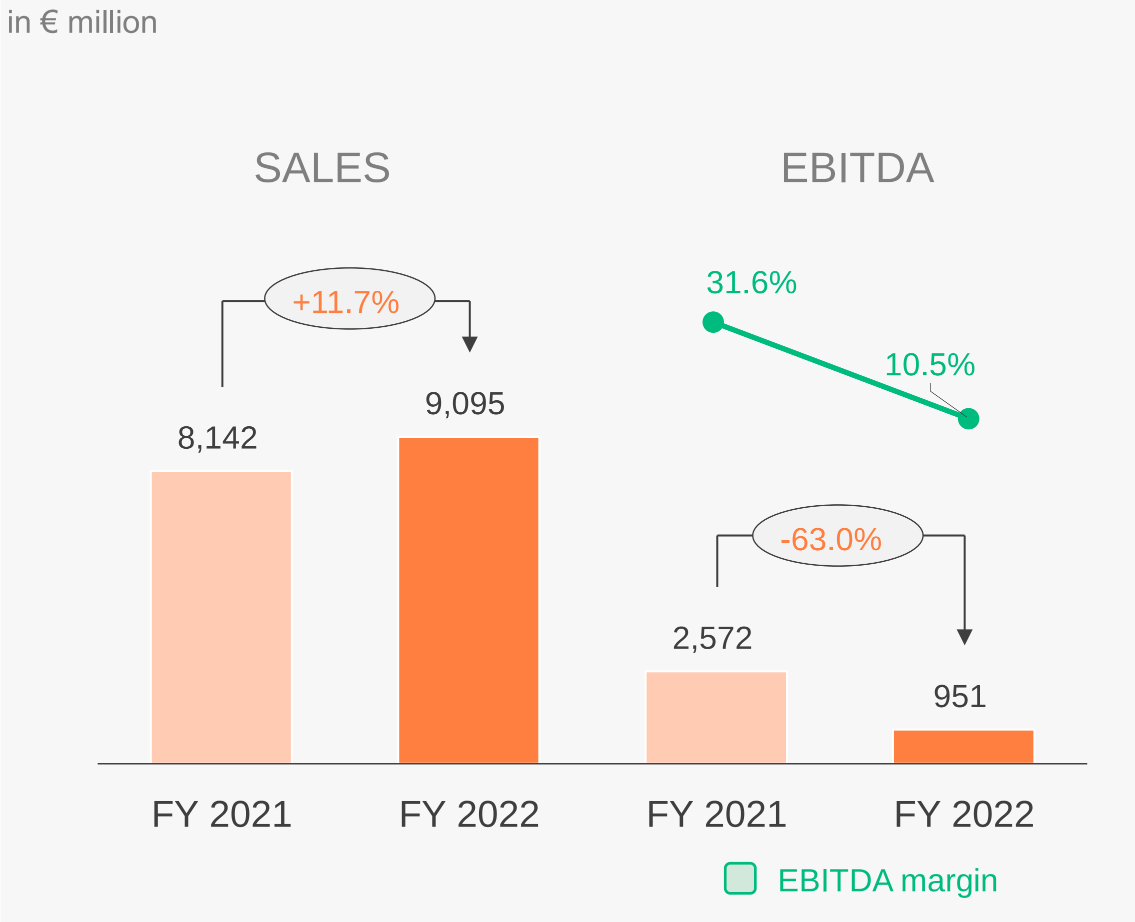
HIGHLIGHTS

- Sequentially, earnings decreased due to negative pricing delta from significant demand weakness after prolonged destocking on customer side
- EBITDA margin decreased to -1.0% in Q4 2022 marking an all-time historical low

Notes: (1) Full consolidation of acquired RFM business as of April 1, 2021

Strong EBITDA decline caused by negative pricing delta

Performance Materials segment



HIGHLIGHTS

2022

- Continuously weakening demand throughout 2022 also from pronounced destocking
- Negative pricing delta driven by raw material and energy price increases going along with low pass-through ability

Outlook 2023

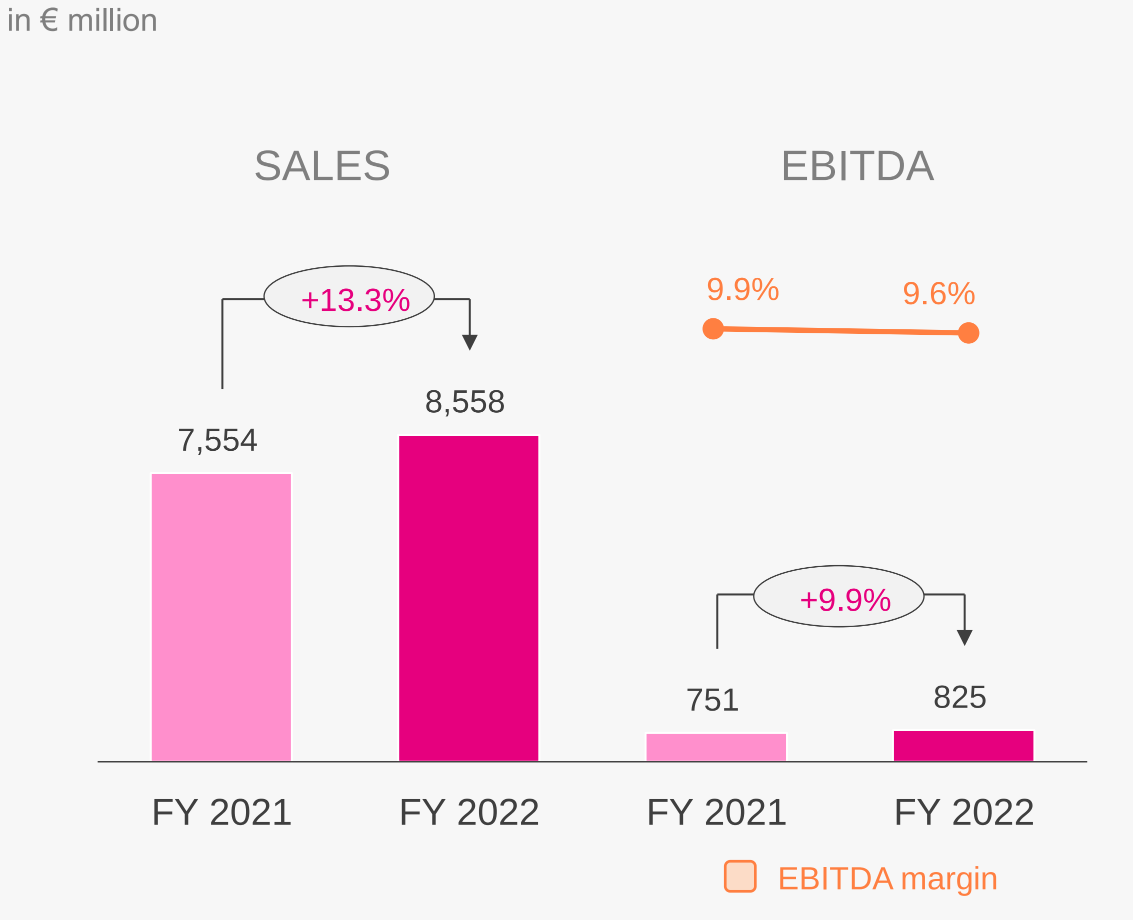
- EBITDA expected to significantly decrease Y/Y
- Weak demand causes low utilization rate and high margin pressure
- 2H 2023 expected to show recovery on volumes and margins

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

Higher EBITDA in line with stronger sales

Solutions & Specialties segment



HIGHLIGHTS[1]

2022

- Sales increase in line with group level
- Volume decline of 6.3% Y/Y due to recessionary environment
- EBITDA increase due to lower costs with neutral pricing delta
- RFM integration and contribution ahead of plan

Outlook 2023

- EBITDA around 2022 level
- Margin expected to remain around 2022 level with negative volume trends being offset by positive pricing delta

SEGMENT PROFILE

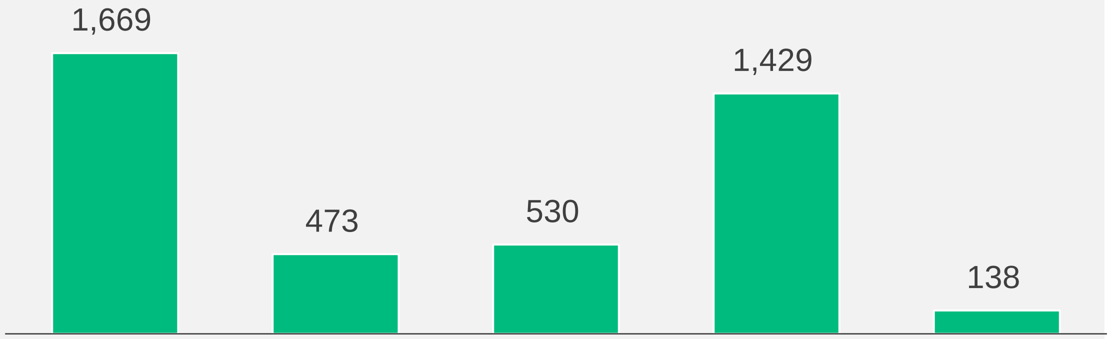
- Success factors – Market innovative products and manage complexity
- Products – Coatings and adhesives raw materials, polycarbonate compounds, Specialty-MDI and -polyols, specialty films, elastomers and thermoplastic polyurethanes

Notes: (1) Full consolidation of acquired RFM business as of April 1, 2021

Positive FOCF in a challenging year

Historical FOCF development

in € million



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
EBITDA	+3,200	+1,604	+1,472	+3,085	+1,617
Changes in working capital[1,4]	-167	+437[4]	-100[4]	-727	+312
Capex[2]	-707	-910	-704	-764	-832
Income tax paid	-574	-296	-155	-546	-538
Other effects[4]	-83	-362[4]	+17[4]	+381	-421

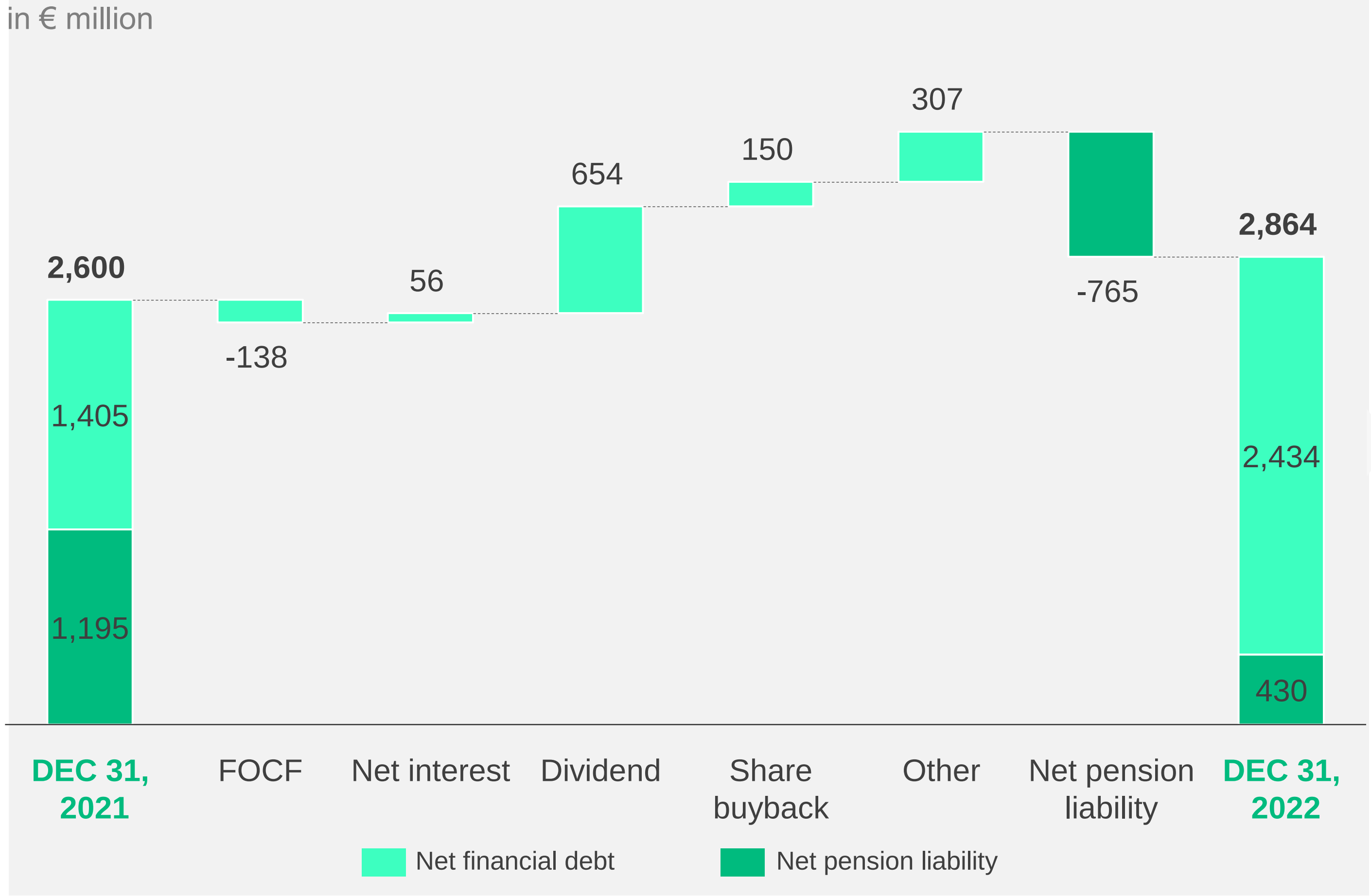
HIGHLIGHTS

- In Q4, FOCF of €550m, significantly improved vs 9M 2022 after working capital initiative
- Resulting FY 2022 FOCF €138m
- Other effects include €475m bonus payout for successful FY 2021
- Working capital to sales ratio[3] decreased to 15.1% mainly due to working capital initiative reducing inventories along with destocking trend of our customers
- Capex of €832m on lower end of the FY 2022 guidance resulting from capex agility program
- Income tax paid of €538m reflects unfavorable geographical mix

Notes:
(1) Working capital includes changes in inventories, trade accounts receivable and trade accounts payable
(2) Cash-relevant capex
(3) Method of calculation: Working Capital on Dec 31, 2022, divided by sales of last four quarters
(4) Information was restated for fiscal year 2019-2020 for the change in presentation for rebates granted to customers, affecting trade and other liabilities

Net debt burdened by dividend and bonus payout

FY 2022 – Total net debt



HIGHLIGHTS

- Net pension liability decreased by €765m(1), mainly due to higher interest rates
- “Other” driven by the renewal of finance lease, cash outflows for noncurrent financial assets and change in derivative FX instruments
- Payout of €651m dividend to Covestro shareholders following the AGM resolution for FY 2021
- FOCF includes €475m bonus payout for successful FY 2021
- €150m share buyback executed part of the two year €500m program until February 2024
- Total net debt to EBITDA ratio(2) of 1.8x at the end of FY 2022 compared to 0.8x at the end of FY 2021.
- Committed to a solid investment grade rating

Notes: (1) as difference of pension provisions and net defined benefit assets
(2) Method of calculation: Total net debt on Dec. 31 divided by EBITDA of last four quarters

Negative net income due to impairments on assets and on deferred taxes

P&L statement FY 2022

in million €	FY 2021	FY 2022	% of FY2022 sales	Δ Y/Y
Sales	15,903	17,968	100 %	+13.0 %
EBITDA	3,085	1,617	9.0 %	-47.6 %
D&A excl. impairments	-821	-888	-4.6 %	8.9 %
Impairments	-2	-462	-2.6 %	-
EBIT	2,262	267	1.5 %	-88.2 %
Financial result	-77	-137	-0.8 %	-
EBT	2,185	130	0.7 %	-94.1 %
Taxes excl. DTA	-566	-156	-0.9 %	-
DTA adjustments	-3	-255	-1.4 %	-
Net income	**1,617**	**-272**	-1.5 %	-
Earnings per share (in €)(1)	8.37	-1.42	-	-
Dividend per share (in €)(1)	3.40	0.00	-	-

HIGHLIGHTS

Impairments

- Impairment tests triggered by deterioration of business prospects caused by energy crisis and decline in demand

Deferred tax assets (DTA)

- Deterioration of business prospects also led to adjustments of deferred tax assets(2)
- Theoretical effective tax rate 2022 of 26.3% without DTA adjustments and impairments

Dividend policy unchanged

- Payout of 35-55% of net income as dividend to shareholders

Provisions for bonus

- No bonus provisions were recognized for FY 2022 due to negative ROCE above WACC

Notes: (1) The dividend/earnings per share YTD 2022 are based on 190,933,438 shares, whereas the calculation of earnings per share for YTD 2021 is based on 193,165,396 shares
(2) mainly tax loss carry-forwards

Global demand outlook remains weak

Global demand development

KEY CUSTOMER INDUSTRIES	2020 Y/Y	2021 Y/Y	2022 Y/Y[1]	2023e Y/Y[2]
Global GDP	-3.5%	+6.1%	+3.1%	+1.5%
Automotive	-15.9%	+3.0%	+6.9%	+4.6%
EV / BEV	+29.2%	+105.9%	+69.8%	+42.5%
Construction	-1.8%	+3.5%	+1.2%	+0.8%
Residential	-1.0%	+4.5%	+0.8%	-0.2%
Furniture	-4.8%	+8.8%	-3.6%	+0.3%
Soft furniture	-4.4%	+8.2%	-5.2%	+0.2%
Electrical, electronics and household appliances	+4.5%	+16.6%	+4.9%	+2.0%
Appliances	+2.4%	+9.2%	-1.9%	+3.7%

(1) as of February 2023
(2) GDP estimate by IHS as of February 2023; automotive estimate by LMC as of February 2023; construction estimate by B+L as of February 2023; furniture estimate by CSIL as of February 2023; EE&A estimate by Oxford Economics as of December 2022 (sub-industry ‘appliances’ mainly include refrigerators and freezers)

Outlook reflecting current economic climate

Full year guidance 2023

	FY 2022	Guidance FY 2023
EBITDA	€1,617m	significantly[4] below previous year
thereof Solutions & Specialties	*€825m*	*around[4] previous year*
FOCF	€138m	significantly[4] below previous year
thereof Solutions & Specialties	*€195m*	*significantly[4] above previous year*
ROCE above WACC[1]	-5.0 pp	significantly[4] below previous year
GHG emissions (scope 1 and 2)	4.7m tons	around[4] previous year
Additional financial expectations		
EBITDA Q1	€806m	€100 to 150m
D&A	€1,350	~€850m
Financial result	€-137m	€-160 to -200m
Capex[2]	€832m	~€800m

HIGHLIGHTS

2023 FX assumptions

- €/USD around 1.05 level
- 1pp change equals
  +/- €8m for CNY/EUR
  +/- €4m for USD/EUR

Mark-to-market

- Mark-to-market (M2M) EBITDA in FY 2023 of €1.0bn based on January 2023 margins flat forward

GHG emissions

- 0.4m tons increase in GHG emission by external factors neutralized by 0.4m tons savings through our CO_2 reductions measures

P&L tax rate

- Long-term tax rate estimated between 24-26%[3]

Notes:
(1) Weighted average cost of capital (WACC): 7.0% in FY 2022 and 7.6% in FY 2023e
(2) Cash-relevant capex
(3) Covestro estimate
(4) Definitions: significantly = double-digit percentage / around = single-digit percentage deviation

Managing challenging times

Highlights

1. **Record sales of €18.0bn in FY 2022**
   driven by price increases despite significant weaker demand and lower volumes

2. **EBITDA slightly below guidance range for FY 2022**
   despite recessionary environment and high energy & raw material prices

3. **FOCF of €138m exceeding guidance of €0-100m**
   resulting from €550m improved FOCF in Q4

4. **€801m return to shareholders**
   comprising dividend payout of €651m and share buyback of €150m

5. **Increasing share of renewable energy**
   with 12% of renewable energy in 2022, expected to increase to 16-18% in 2023

Questions & Answers

Q4/FY 2022 Earnings Call

Remarks:

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

Appendix

Upcoming IR events

Find more information on covestro.com/en/investors

REPORTING DATES

• April 28, 2023	Q1 2023 Quarterly Statement
• August 1, 2023	2023 Half-Year Financial Report
• October 27, 2023	Q3 2023 Quarterly Statement

ANNUAL GENERAL MEETING

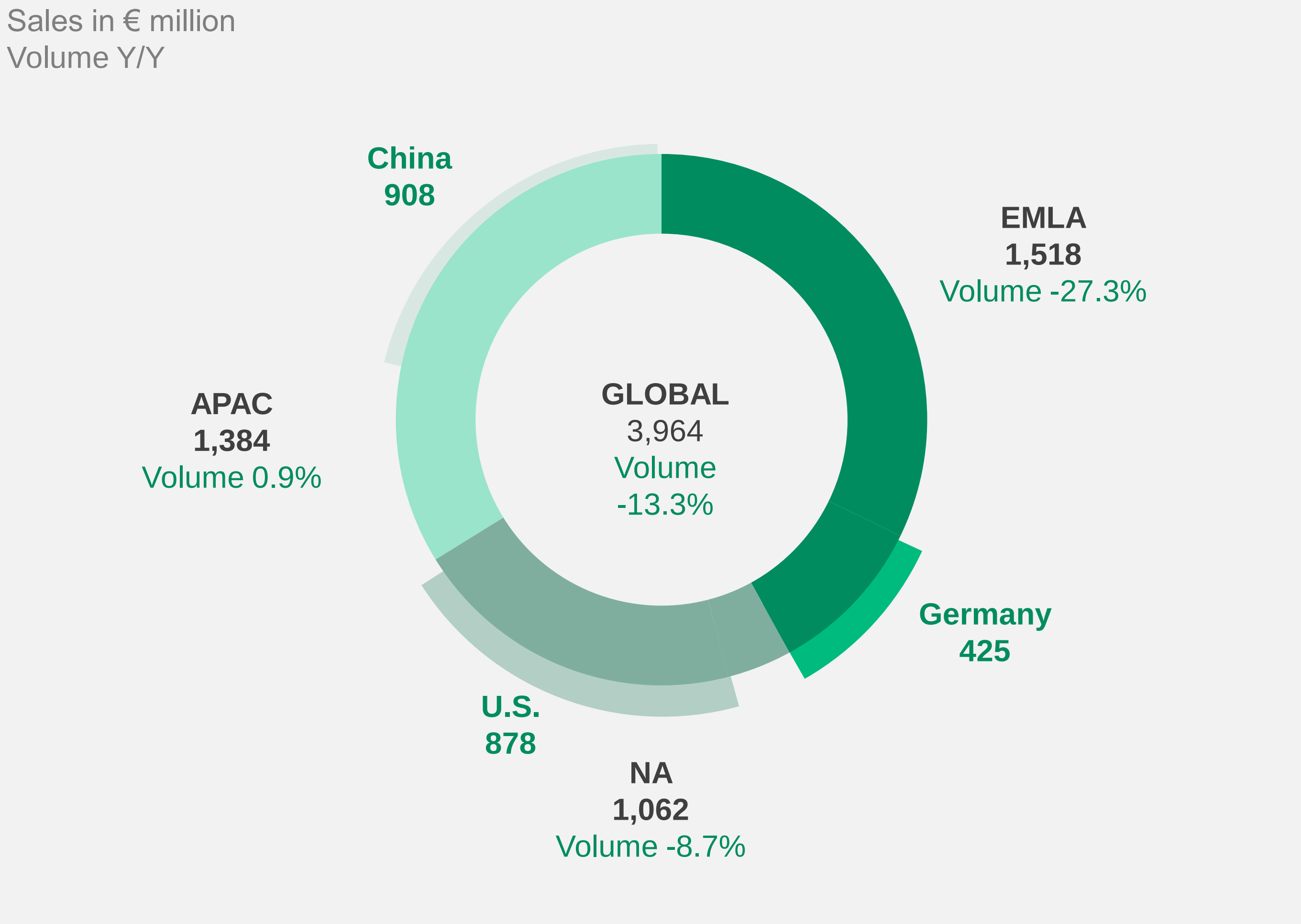
• April 19, 2023	Annual General Meeting

BROKER CONFERENCES

• March 9, 2023	Goldman Sachs 12th Annual European Chemicals and Consumer Ingredients Conference, London
• March 10, 2023	Morgan Stanley China Insight Webinar, virtual

Volume decline mainly in Europe

Q4 2022 – Regional split

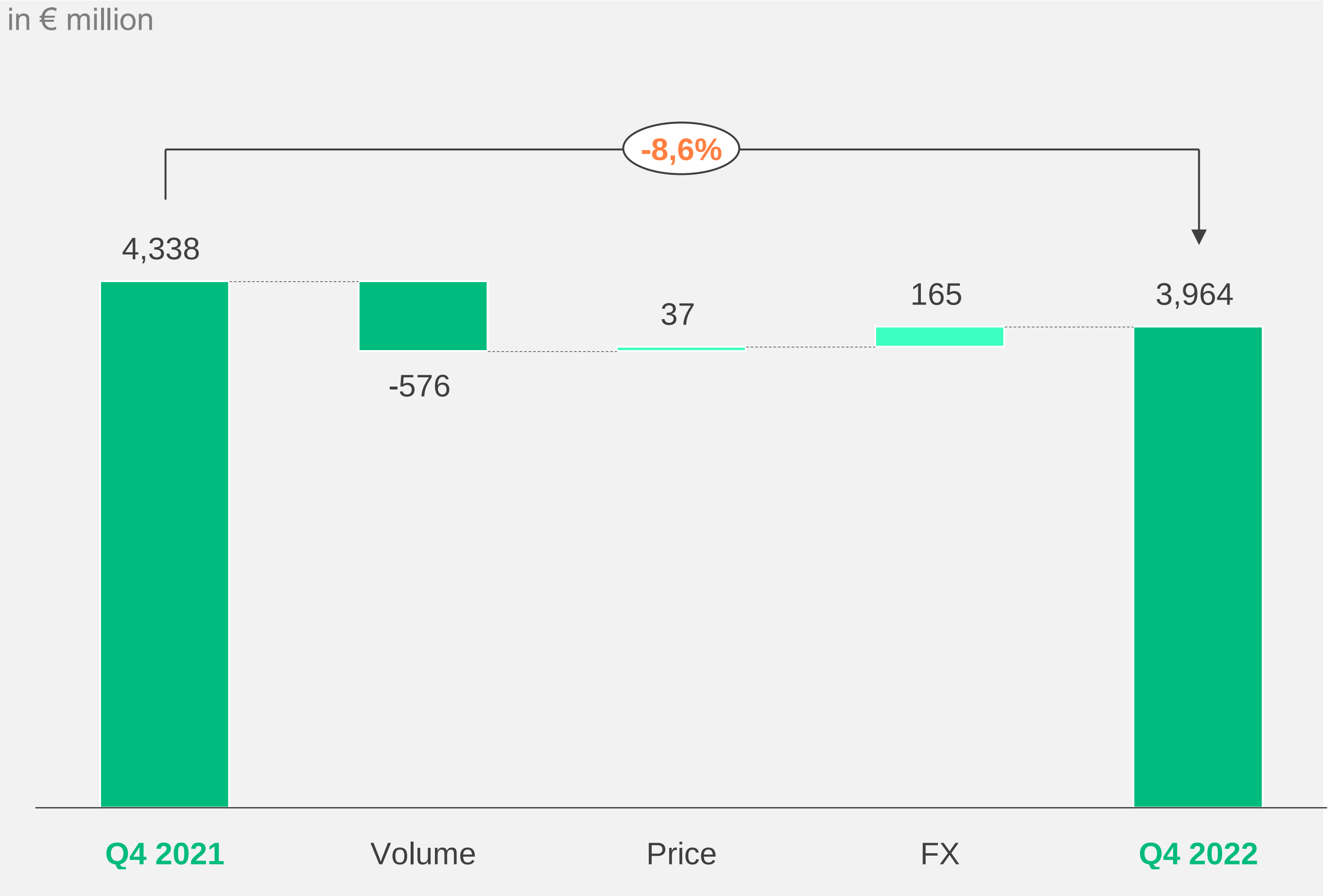


HIGHLIGHTS

- Volume decline quarter-over-quarter driven by European recessionary environment and customer destocking initiatives:
  - Auto/transport — low double-digit % increase
  - Furniture/wood — low double-digit % decline
  - Electro — low double-digit % decline
  - Construction — low double-digit % decline
- EMLA: With significant demand weakness also strong decline in electro, construction and furniture; auto/transport with slight increase caused by improved chip supply and orderbook backlogs
- NA: Slight volume growth in auto/transport while construction, furniture with significant decline and electro with slight volume drop
- APAC: Significant growth in construction and auto/transport, with auto benefitting from stimulus program and easing chip shortage; significant decline in electro and slight drop in furniture

Sales decrease driven by significant volume decline

Q4 2022 – Sales bridge



HIGHLIGHTS

Volume negative

- Volume decline of -13.3% Y/Y

Pricing positive

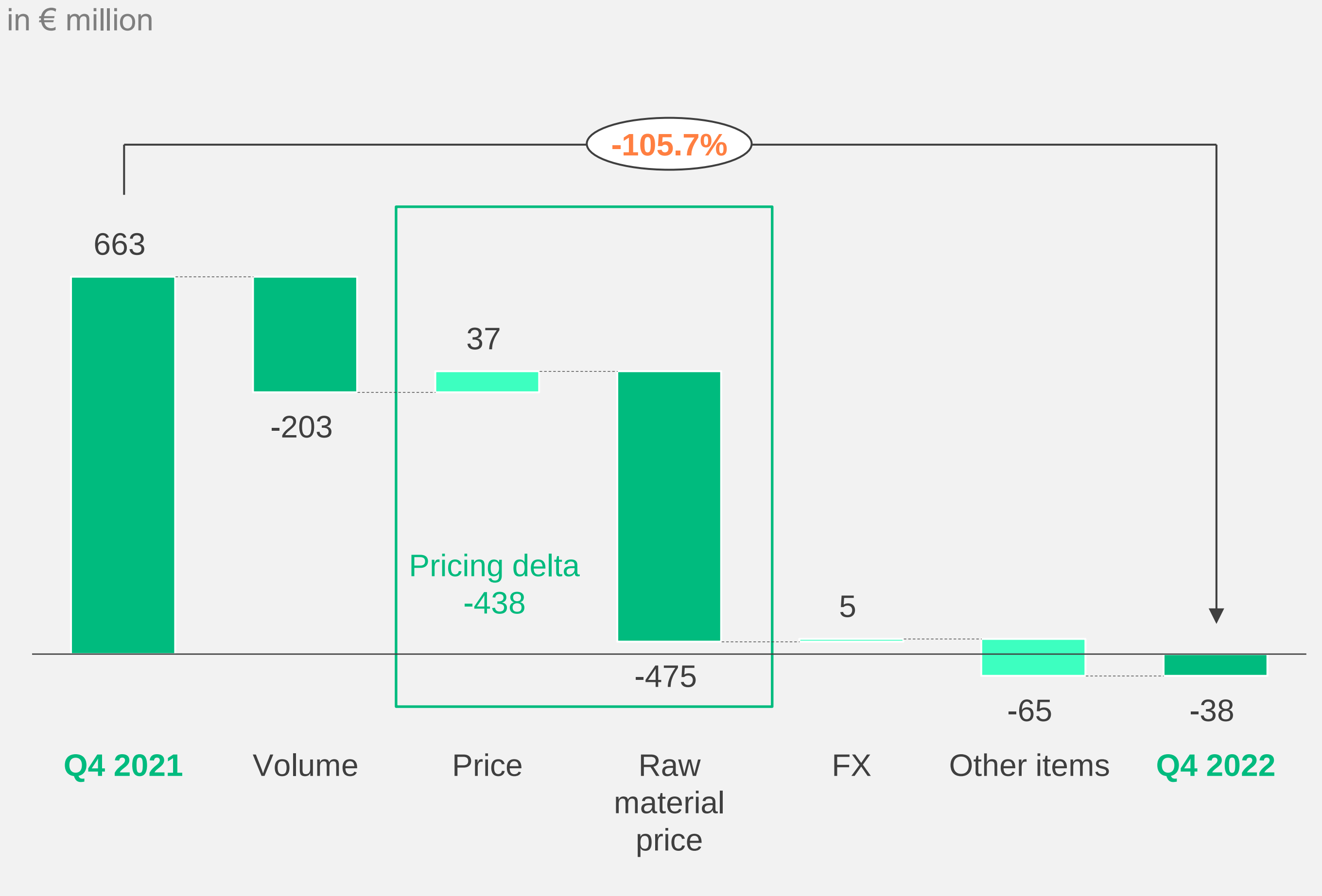
- Price increases enforced by Solutions & Specialties (+3.3% Y/Y) whereas Performance Materials with negative price effect (-1.3% Y/Y)

FX positive

- FX affected sales by +3.8% Y/Y mainly driven by stronger USD and RMB

Lower earnings due to negative pricing delta and lower volumes

Q4 2022 – EBITDA bridge



HIGHLIGHTS

Negative volume leverage(1)

- Negative volume leverage of 35%

Negative pricing delta widened

- Raw material and energy cost increases could not be compensated by sales price increases

Other items driven by:

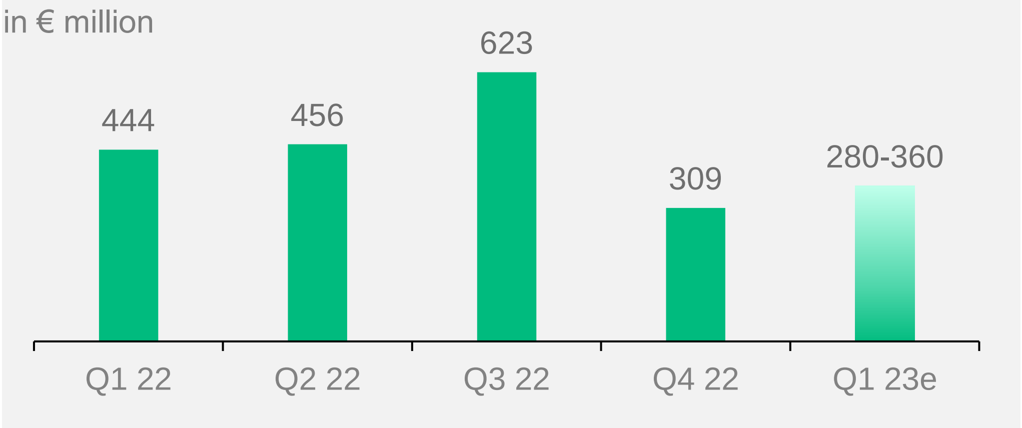
- Lower provisions for variable compensation of €155m
- Downsizing of inventory levels caused idle costs of ~€140m
- Increase of fixed costs among others due to higher maintenance expenditures, R&D and freight costs

Notes: (1) Method of calculation: EBITDA volume contribution / sales volume contribution

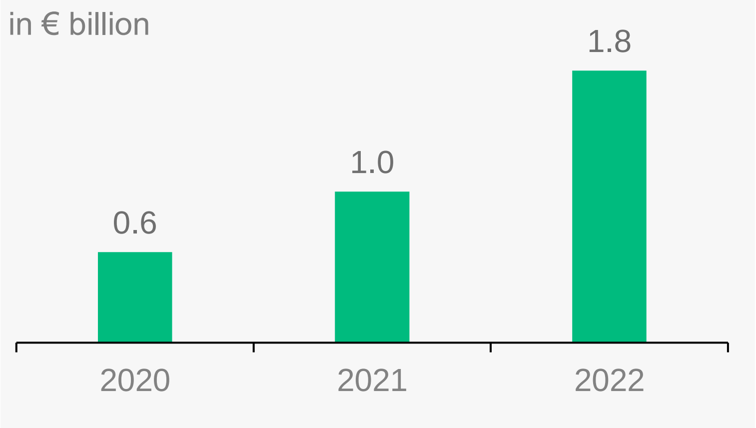
Global energy prices normalizing after tripling within two years

Energy cost development

QUARTERLY ENERGY COST DEVELOPMENT



GLOBAL ENERGY COST

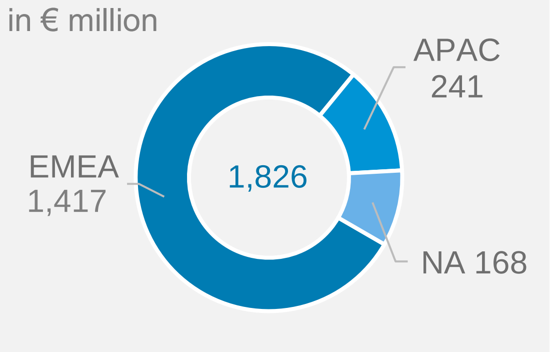


HIGHLIGHTS

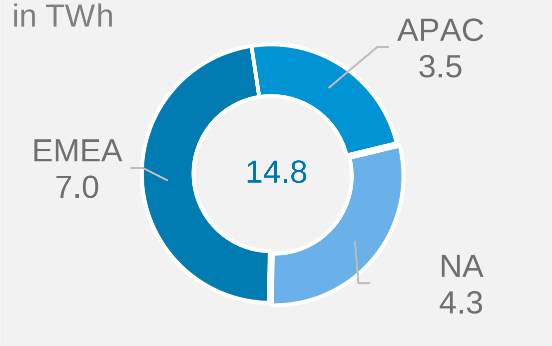
- Global energy bill in 2022 of €1.8bn
- Q4 2022 with reduced cost mainly attributable to lower production volumes in Europe
- Q1 2023 outlook with slight increase vs Q4 due to higher volumes and start up of Tarragona chlorine plant
- In general, Covestro does not hedge its energy purchases
- Energy demand FY2022 reduced by ~7% vs FY2021

ENERGY BREAKDOWN

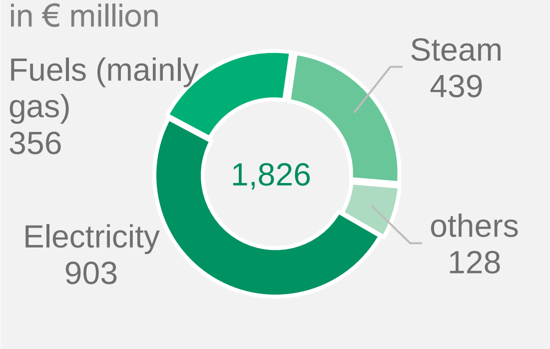
2022 ENERGY SPENT BY REGION



2022 PRIMARY ENERGY VOLUME BY REGION(1)



2022 SPENT BY ENERGY TYPE



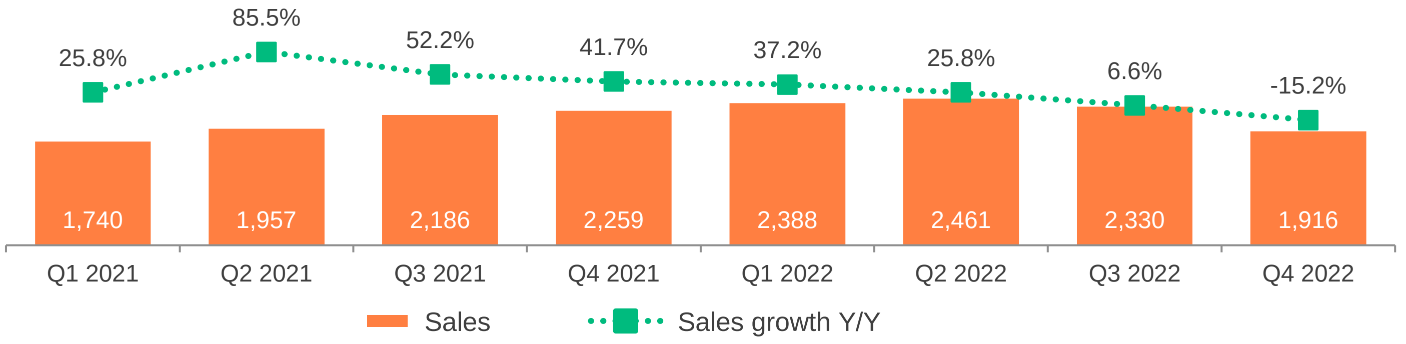
Notes: (1) Total energy consumption

Performance Materials – strongly declining EBITDA

Segment results – Highlights Q4 2022

SALES

in € million / changes Y/Y

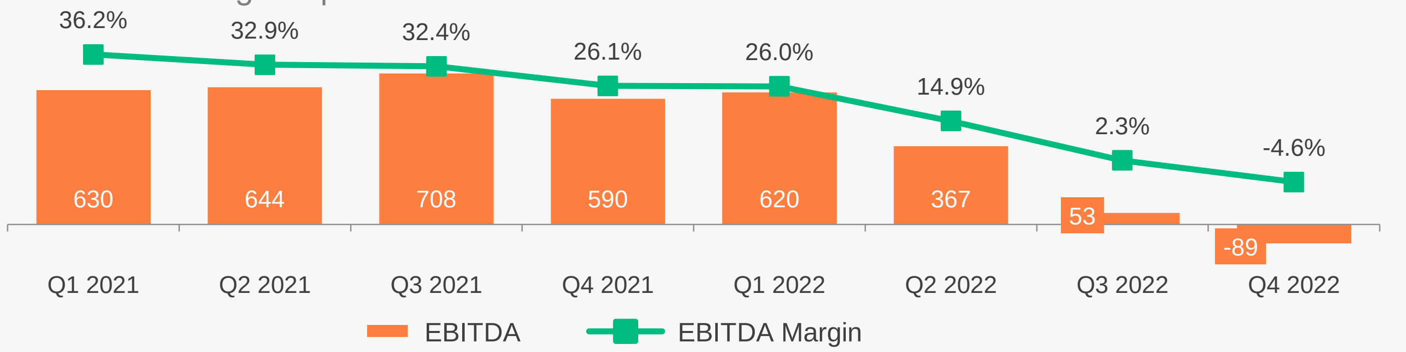


HIGHLIGHTS

- Sales decreased by -15.2% Y/Y driven by volume (-17.5%) and price (-1.3%), marginally counterbalanced by FX (+3.6%)
- Sales decline across all regions with strongest decline in EMLA, followed by NA and a small reduction in APAC.

EBITDA AND MARGIN

in € million / margin in percent



HIGHLIGHTS

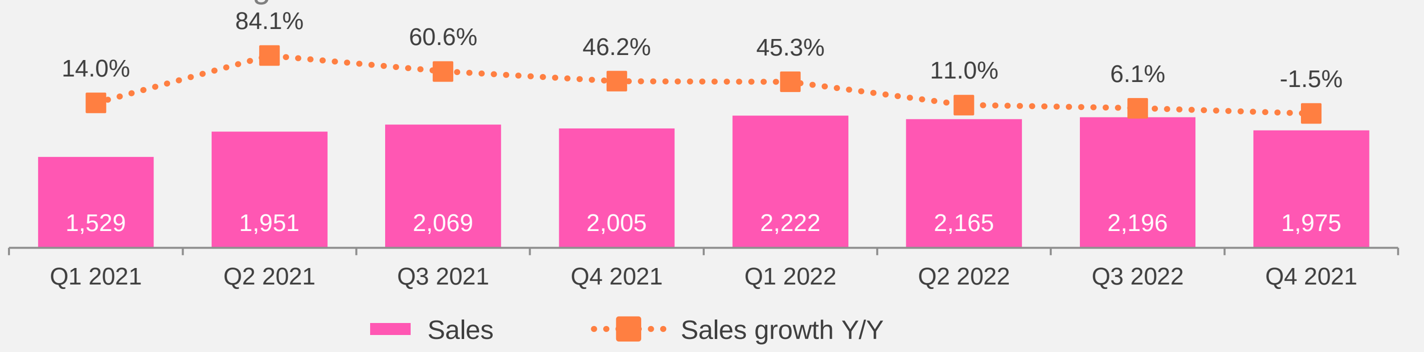
- Compared to prior year, EBITDA decrease mainly driven by significantly negative pricing delta
- Quarter-over-quarter, EBITDA decrease was driven by lower volumes, idle costs and a negative pricing delta
- In 2H 2022, EBITDA suffered from weak demand and additional destocking along the value chain

Solutions & Specialties – flat earnings development

Segment results – Highlights Q4 2022

SALES

in € million / changes Y/Y

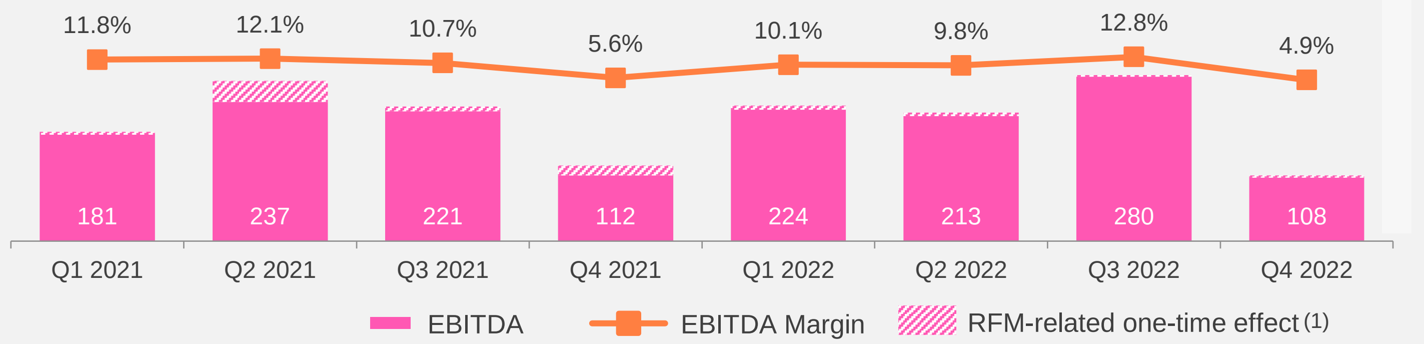


HIGHLIGHTS

- Sales declined by -1.5% Y/Y, mainly driven by volume (-8.9%), almost counterbalanced by FX (+4.1%) and price (+3.3%)
- Sales decline most prominent in APAC and EMLA, whereas NA exhibited positive sales development based on strong pricing and FX

EBITDA AND MARGIN

in € million / margin in percent



HIGHLIGHTS

- EBITDA seasonally lower and almost on previous year level
- Price increases could almost compensate higher raw material and energy costs
- RFM one-time effects €20m in FY 2022

Notes: (1) Full consolidation of acquired RFM business as of April 1, 2021; Q4 2022 EBITDA includes €+4m one-time effects related to RFM