



Solid performance and an increasingly challenging environment

Roadshow presentation



Covestro investment highlights

Group financials Q2'22

Segment overview

Background information

Covestro is diversified across geographies and end-markets



Key performance indicators and sales split



Sales
2021



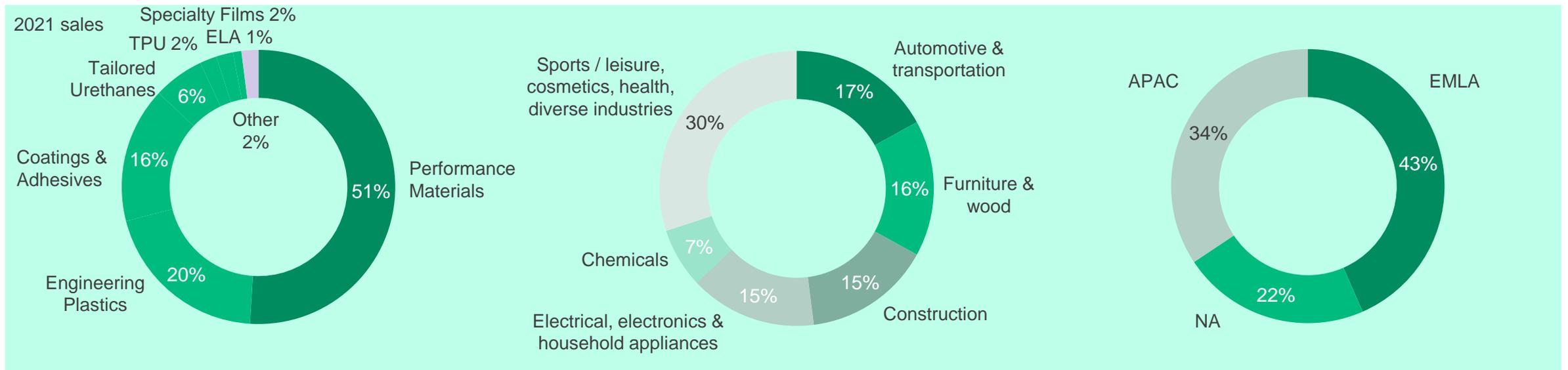
EBITDA
2021



FOCF
2021



ROCE above WACC
2021

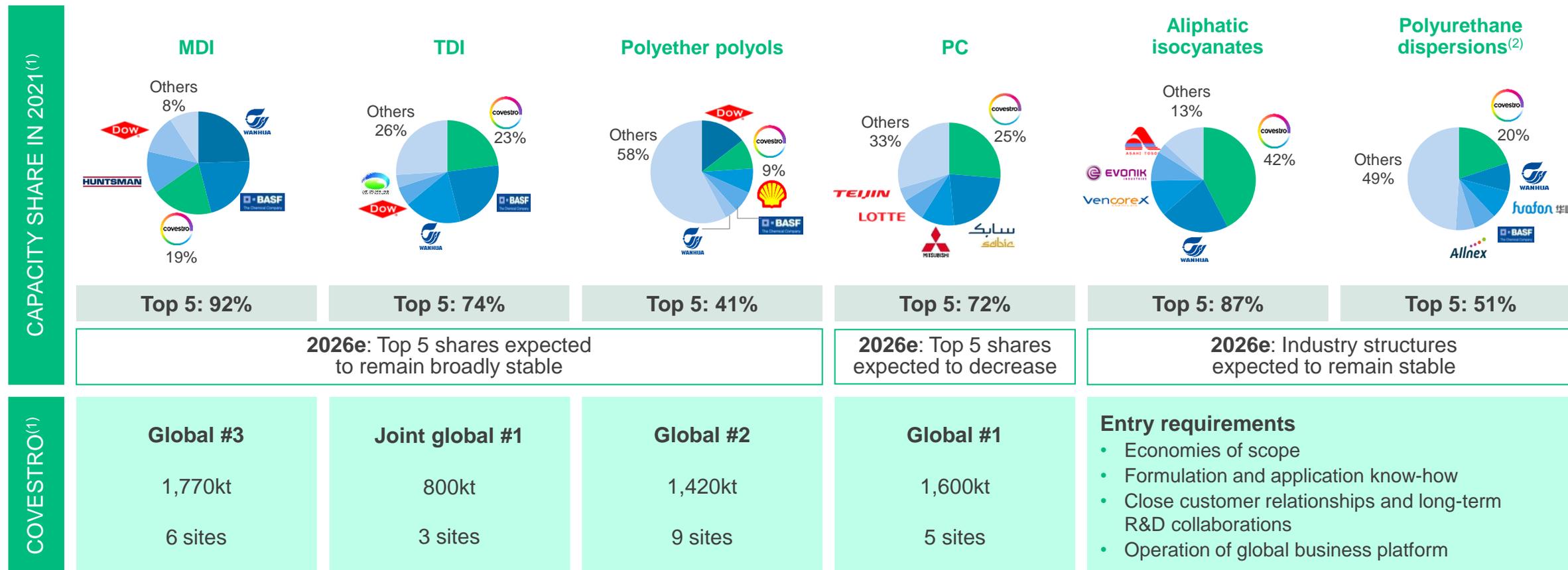


Covestro is a global leader across its entire portfolio

World-wide industry positions and production capacities



#1 IN KEY MARKETS



Our strategy – setting the path for tomorrow



BECOME THE BEST OF WHO WE ARE



Transform the company to exploit its full potential



DRIVE SUSTAINABLE GROWTH



Address sustainability in a profitable way



BECOME FULLY CIRCULAR



Accelerate the transition to a fossil-free economy

ADVANCE DIGITALIZATION

EXPAND 'WE ARE 1' CULTURE

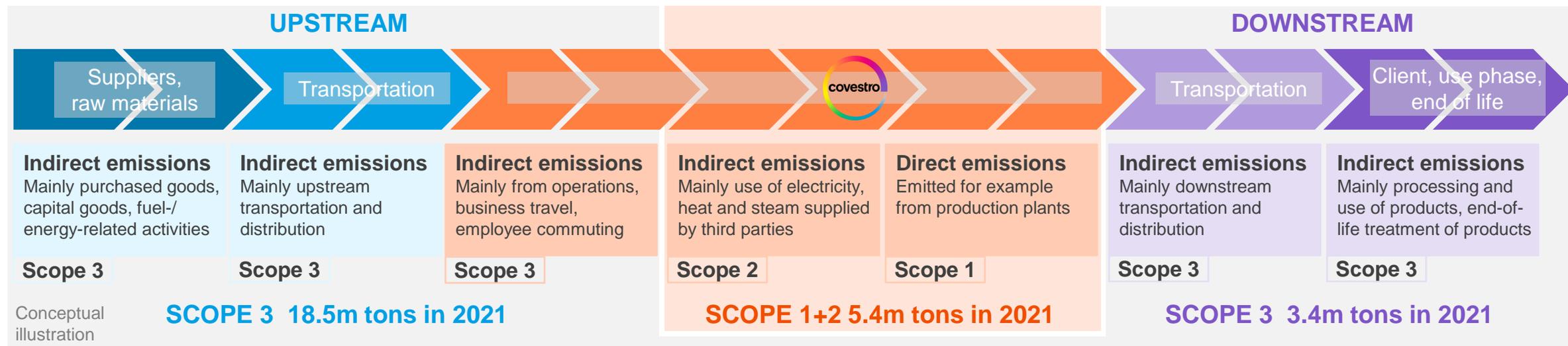
! MILESTONE
LEAP transformation ongoing

! MILESTONE
Integration of RFM

! MILESTONE
Target climate neutrality in 2035

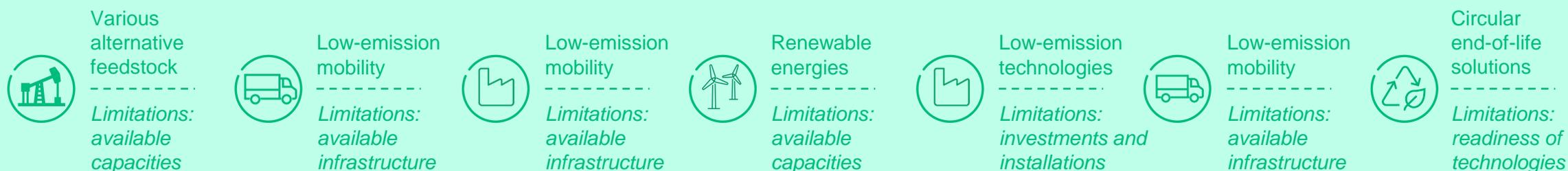
Climate neutrality with existing technologies and assets

Covestro greenhouse gas emissions



EXISTING OPTIONS AND CURRENT LIMITATIONS TO REDUCE GHG EMISSIONS

Selective examples only

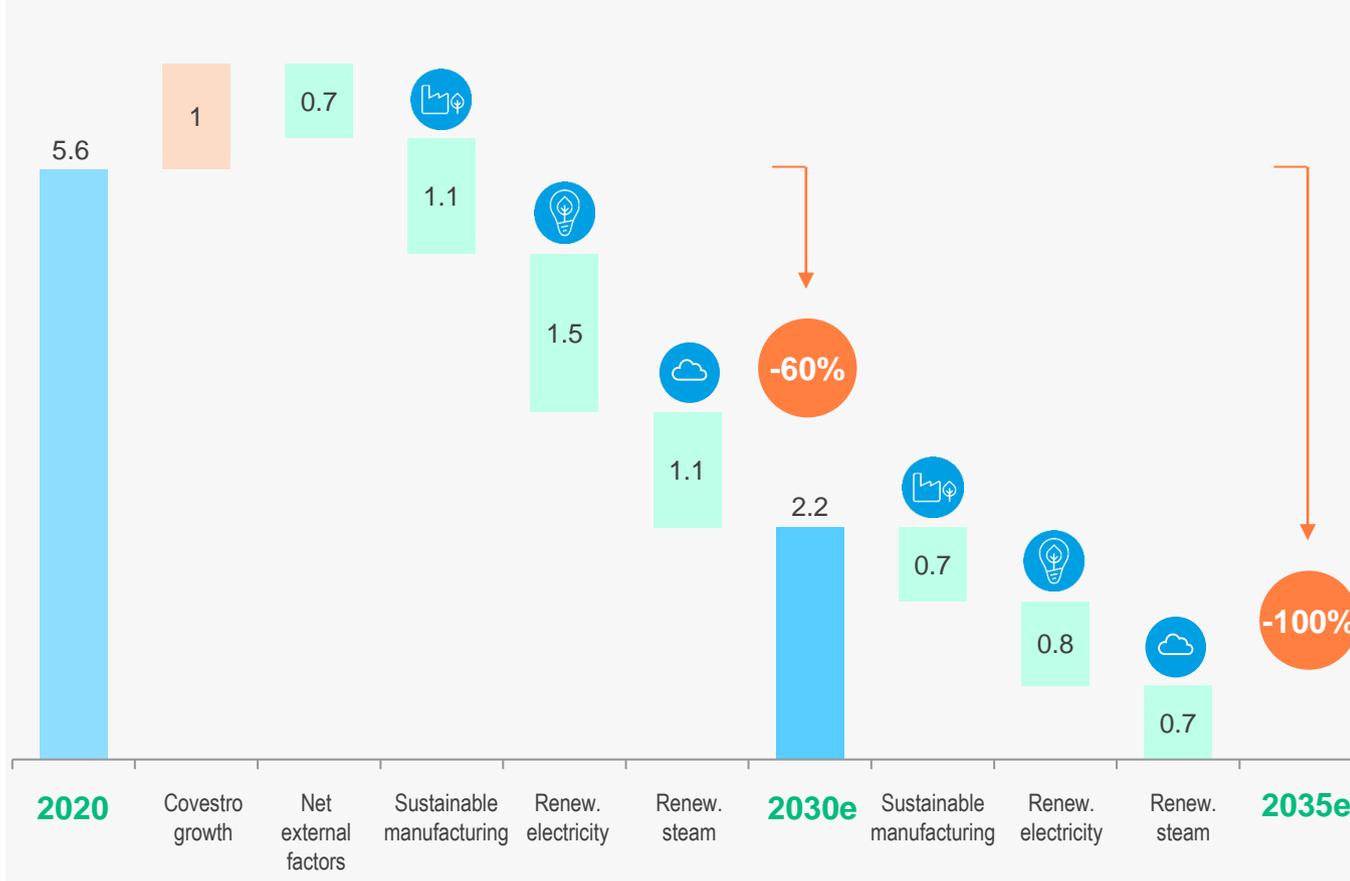


Sustainable manufacturing and renewable energy to lead path



New climate neutrality target for GHG emissions scope 1 and 2

GHG emissions in million metric tons, scope 1 and 2



EMISSION REDUCTION MEASURES

- Three main levers make a vital contribution to reduce GHG emissions:
 - More sustainable manufacturing (scope 1 and 2)
 - Renewable electricity (scope 2)
 - Renewable steam (scope 2)
- Net external factors comprise known future changes in the energy mix of public grids (e.g. nuclear exit in Germany and Belgium) and in public energy allocation schemes (e.g. EEG in Germany)
- Roadmap for 2030 interim target based on identified 'lighthouse projects'
- Further roadmap until 2035 climate neutrality target in preparation based on similar key measures; no negative impact from business growth as future growth investment are required to support climate neutral growth latest by 2030

Numerous measures effectively reduce GHG emissions



New climate neutrality target for GHG emissions scope 1 and 2



MORE SUSTAINABLE MANUFACTURING



Reducing nitrous oxide emissions by installation of highly efficient catalysts



Optimizing production processes to increase energy efficiency



Employing digital technologies for efficient production control



RENEWABLE ELECTRICITY



Onshore wind energy, e.g. PPA with ENGIE since 2021 for 45% of site's electricity in Antwerp



Offshore wind energy, e.g. PPA with Ørsted starting 2025 for 10% of sites' electricity in Germany



Solar energy, e.g. PPA with Datang since 2021 for 10% of site's electricity in Shanghai



RENEWABLE STEAM



Converting steam generation from fossil to renewable energy sources



Develop options to electrify steam generation based on renewable energies



Develop options to use e.g. biogas or green hydrogen as energy source to generate steam

Re-shaping the PU value chain for soft foams into a closed loop



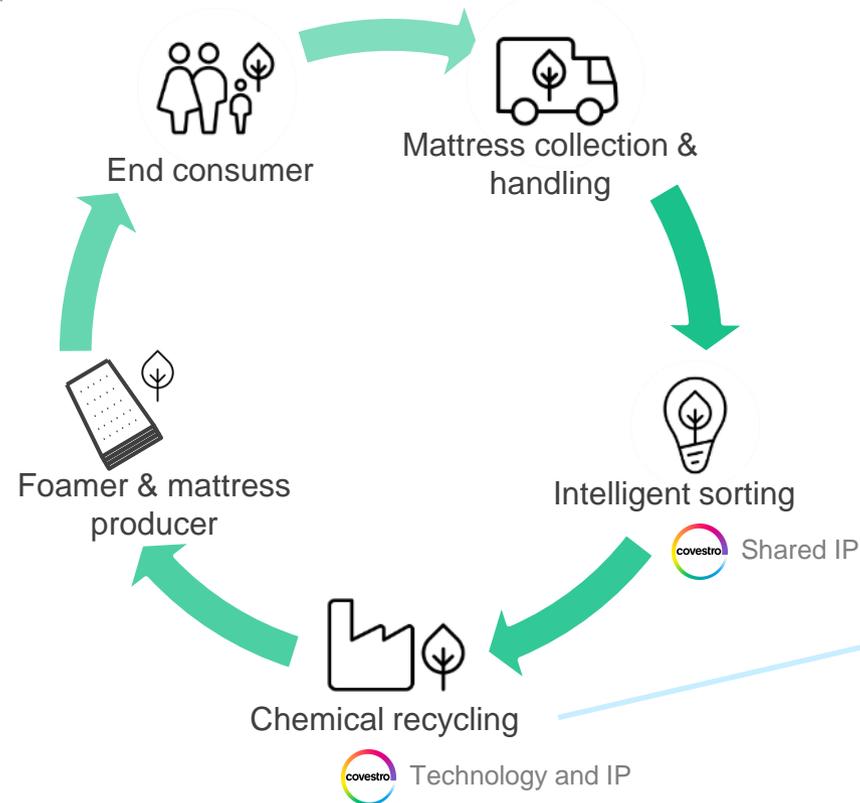
End-of-life solutions in cross-industry collaborations

COVESTRO TECHNOLOGY

- Chemical recycling of polyurethane (PU) mattress foams
- Proprietary process for recovering *both* PU components polyol and TDA
 - rPolyol in high purity and quality enables high content of recycled raw material in existing plants
 - rTDA fulfills specifications for conversion into TDI in existing plants
- Preliminary LCA with significant improvement of the CO₂ footprint compared to fossil route, meeting high customer and consumer demand
- Shared IP on high accuracy, high yield foam sorting – process to be covered by industrial partner

FUTURE PU SOFT FOAM LOOP

Conceptual illustration



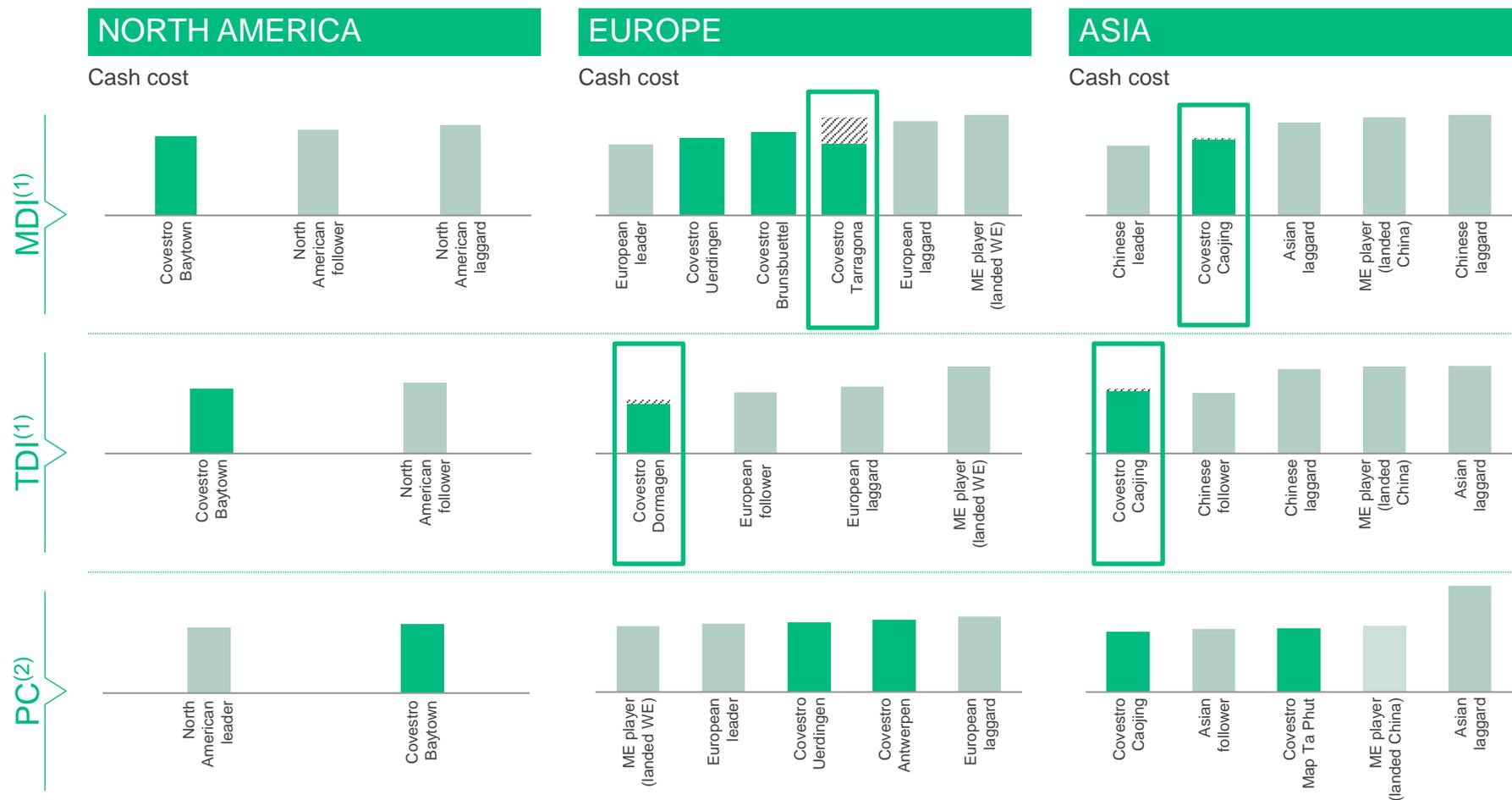
INDUSTRIAL SCALE-UP

-  Q1 2021 **Pilot plant** started up
-  mid 2020s **Commercial plant** in early planning
-  early 2030s **Further scale-up** subject to demand and technology

Leading cost positions across markets and regions



Covestro cash cost positions



/// Cash cost improvements based on investment projects

HIGHLIGHTS

- **Covestro MDI** is one of the low-cost producers. Investment in Tarragona plant will significantly further improve cost position. MDI industry with cost advantage of ~35% between the best and the average 5 least competitive plants
- **Covestro TDI** is the global cost leader with cost advantage of ~50% versus the average of 5 least competitive plants
- **Covestro Polycarbonates** is one of the joint cost leaders with cost advantage of ~60% versus the average of 5 least competitive plants

Covestro supports future sustainable growth

Long term product trends



APPLICATIONS



INDUSTRY TRENDS

Electric vehicles pushing demand in E&P

- Battery Electric Vehicles to use 2 up to 5 times⁽¹⁾ more polycarbonates than conventional vehicles
- Trend to continue or accelerate for future BEV generations and increase in demand up to 1 Mio to⁽²⁾ in PC grades from 2022-2026



Thermal Insulation

- Polyurethane-based insulation one of the best options to reach future high energy efficiency standards
- Demand increase of PU used in construction for future high-energy efficient buildings could increase global MDI growth rates by 1pp per year⁽²⁾



Wind energy

- Covestro polyurethane infusion resin contributes to 8% reduction⁽³⁾ in wind blade manufacturing cost and is expected to take ~10% market share of the wind resin market dominated by epoxy resins until 2032
- Our overall wind solutions for blades will result in 30% lower maintenance and 2-year life-time extension⁽³⁾

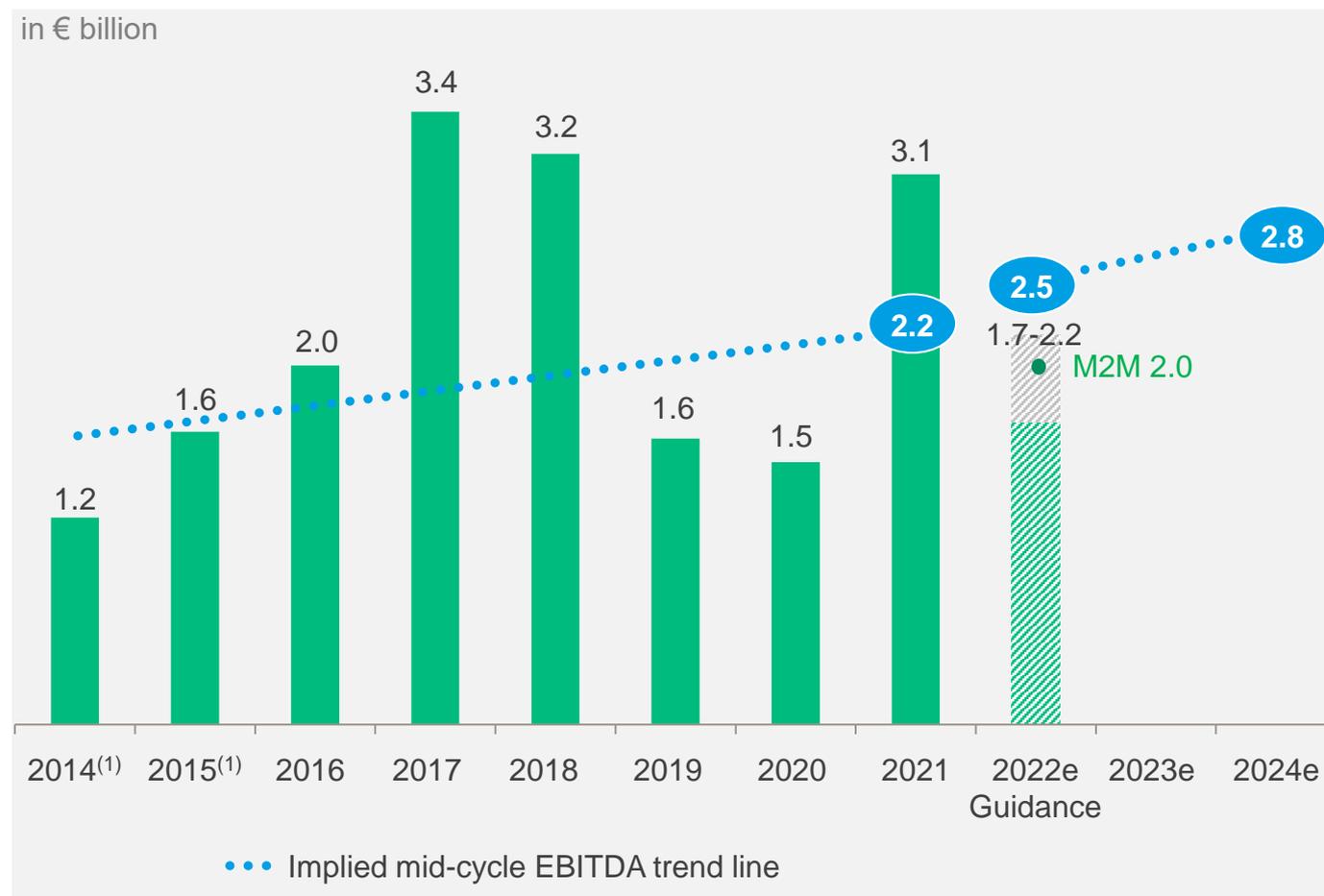
COVESTRO BENEFIT

Favourable mid to long term outlook for product portfolio of Covestro

Guidance revision reflects higher energy cost & lower GDP



EBITDA development between 2014 and 2022e



HIGHLIGHTS

EBITDA guidance of €1,700m - 2,200m in FY 2022

- Adjusted Earnings guidance reflects currently prevailing risks in a volatile environment
- Mark-to-market (M2M) EBITDA in FY 2022 of ~€2.0bn as of July 2022⁽³⁾

Assumptions for FY 2022 guidance:

- Global GDP of ~2%⁽²⁾
- €/USD around 1.10 level
- Energy cost around €2.2bn
- No severe impact from a potential gas curtailment

EBITDA sensitivities

- 2017-2021 average volume sensitivity: 1pp change in sales volume (in €) equals around +/- €70m
- 2022 FX sensitivity: 1pp change equals +/- €9m for CNY/EUR and +/- €4m for USD/EUR

EBITDA guidance update due to deteriorating environment

Revised FY 2022 guidance



	FY 2021	Updated guidance FY 2022 (as of May 3, 2022)	Updated guidance FY 2022 (as of July 29, 2022)
EBITDA	€3,085m	€2,000m – 2,500m	€1,700m – 2,200m
FOCF	€1,429m	€400m – 900m	€0 – 500m
ROCE above WACC ⁽¹⁾	12.9pp	1 – 5pp	-2 – +2pp
GHG emissions (scope 1 and 2)	5.2m tons	5.5m – 6.0m tons	5.3m – 5.8m tons

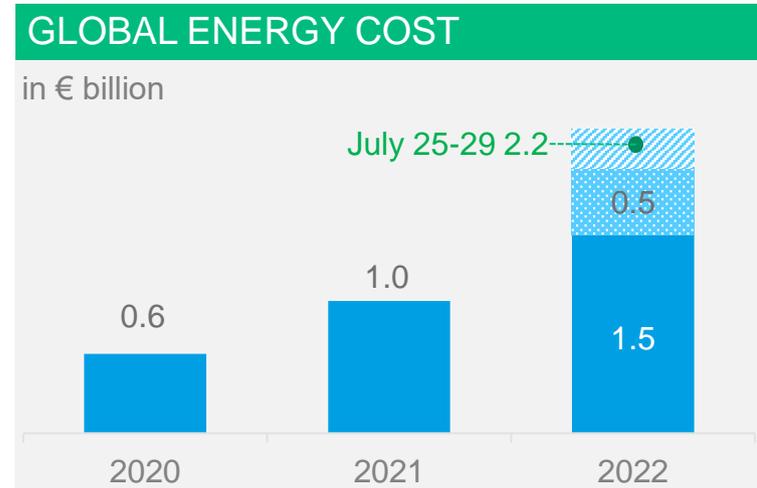
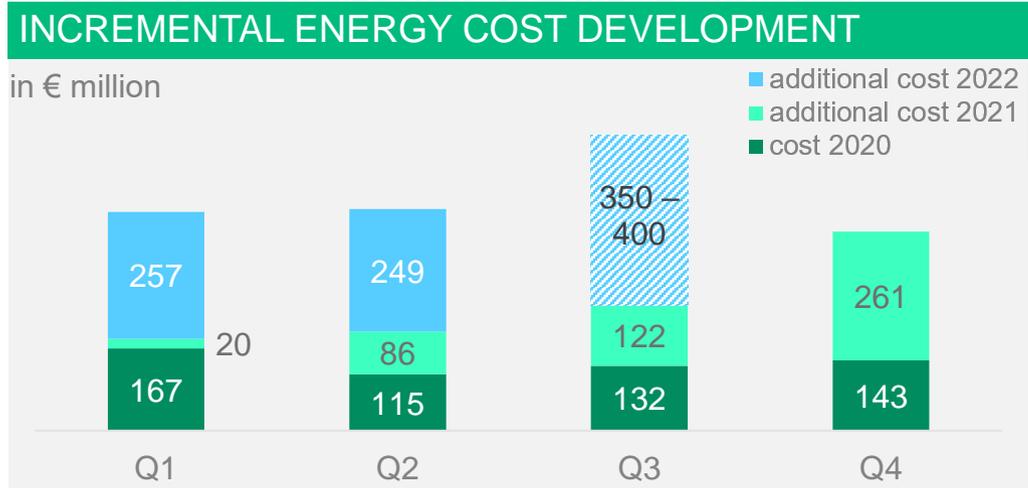
Additional financial expectations

EBITDA Q3	€862m	-	€300m – 400m
D&A	€823m	~€950m	~€950m
Financial result	€-77m	~€-90m	~€-140m
P&L (effective) tax rate	25.9%	24 – 26%	24 – 26%
Capex ⁽²⁾	€764m	~€1,000m	~€1,000m

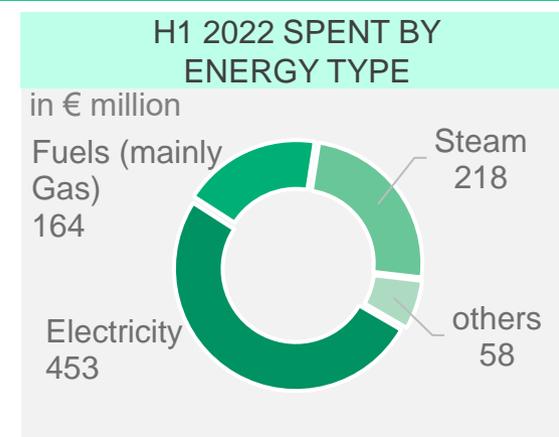
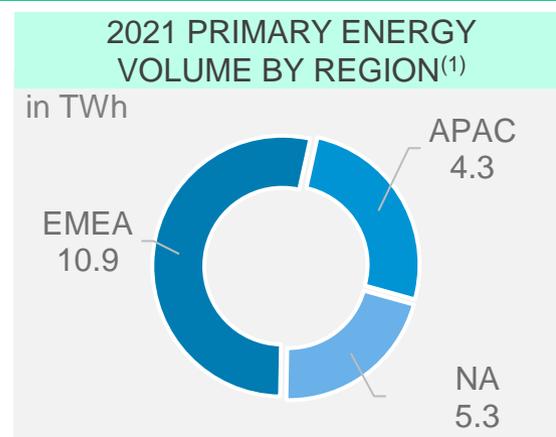
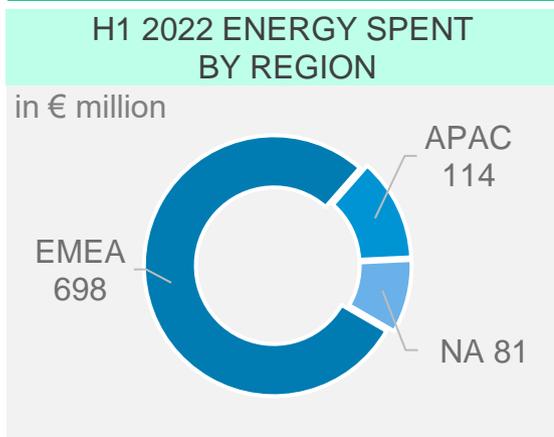
Global energy cost more than tripled within two years



Energy cost development



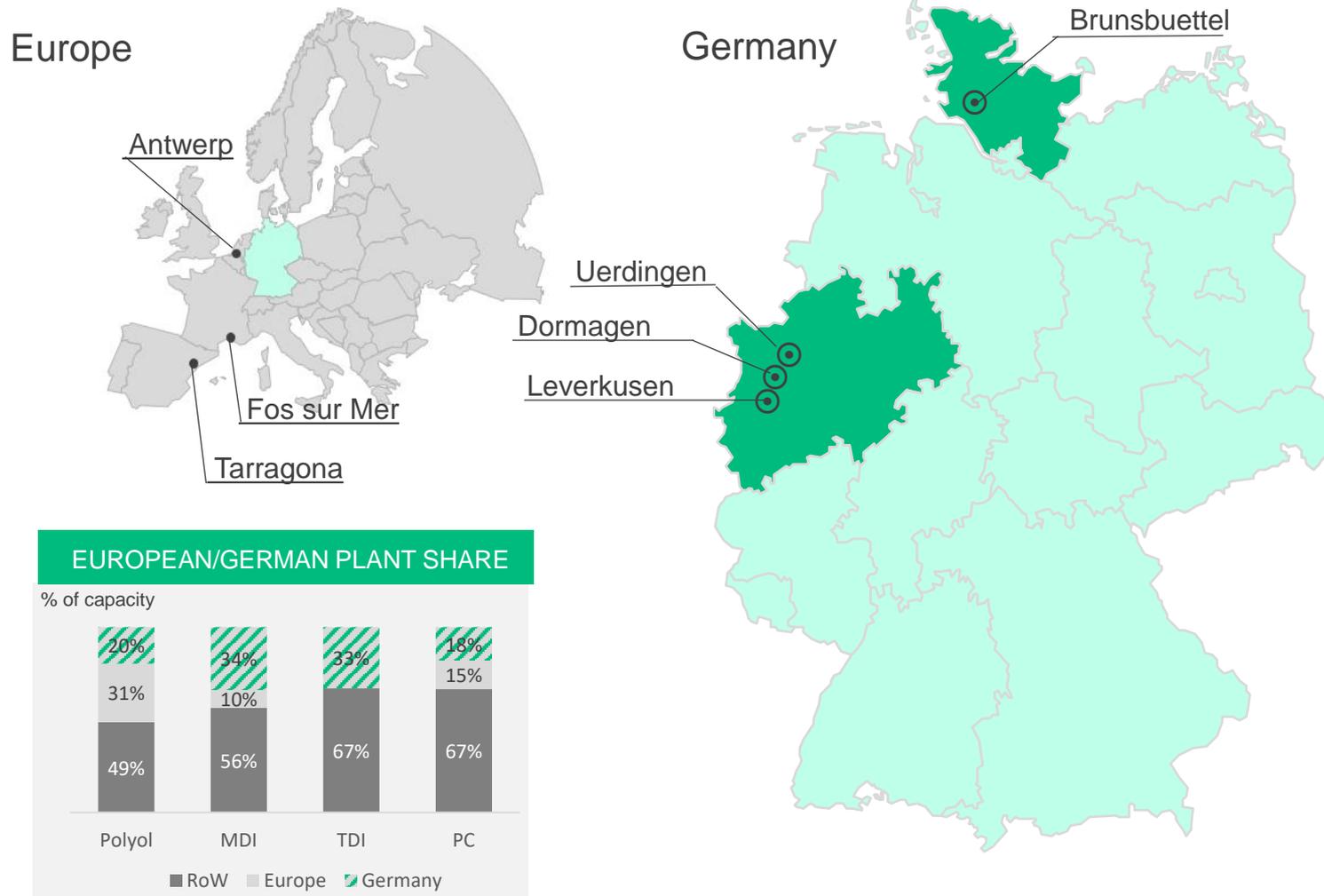
- ### HIGHLIGHTS
- Global energy bill in 2022 initially estimated at €1.5bn, up to €2.0bn has been imbedded in our revised forecast of May, as of July 2022 a further increase to around €2.2bn is included
 - Total energy cost of €2.2bn based on the average prices of the week July 25-29, 2022, flat forward
 - Situation in EU remains extremely volatile
 - Covestro purchases energy under spot market conditions with no hedges



Potential impact of gas supply curtailment on German sites



European major sites locations



HIGHLIGHTS

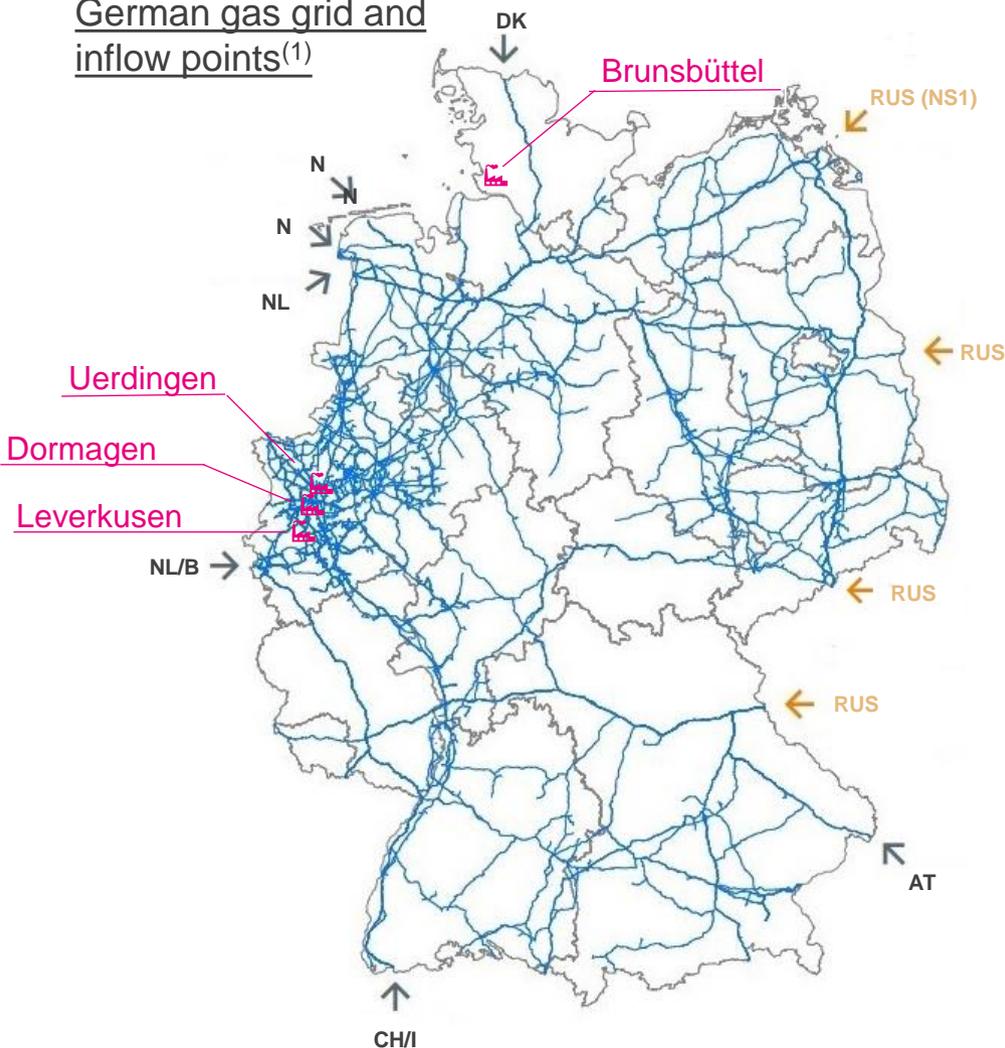
- Covestro runs multiple large production sites for its core products in Europe
- A potential gas shortage situation will predominantly effect the German sites⁽¹⁾
- Gas distribution would be allocated by the Federal Network Agency – no curtailment has been introduced yet
- Covestro sites in Germany represent ~25% of global Covestro production capacity in Covestro core products
- Curtailment of 10-40% possible, based on a scenario with ~25% reduction of gas supply to the German plants would have an estimated low to mid-double-digit € million EBITDA impact per month⁽²⁾
- Covestro plants in Belgium, France and Spain expected to be affected at limited extend only⁽¹⁾

Production sites of Covestro located in favorable position

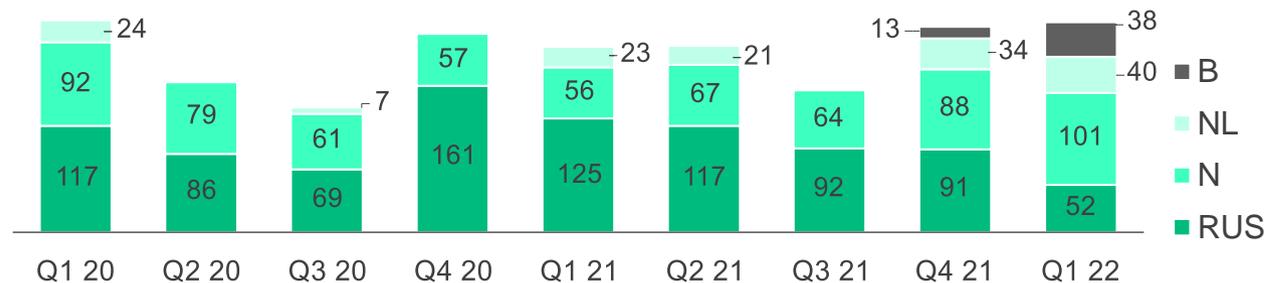


Gas supply infrastructure and location of German sites

German gas grid and inflow points⁽¹⁾



QUARTERLY NET GAS IMPORTS TO GERMANY BY SOURCE⁽²⁾



HIGHLIGHTS

- New gas supply situation shows increased imports from Benelux and Nordic countries to cover for reduced imports from Russia
- Gas grid setup is based on the old flow pattern (East to West), an inverted flow direction with own LNG terminals and increased imports from N/NL/B needs to be simulated/tested and might result in necessary infrastructure adjustments first
- Covestro sites in Germany are in a favorable location in North Rhine Westfalia (West) and Schleswig Holstein (North) compared to the average industrial consumer

Majority of cash allocated to growth

Balanced use of cash



<h3>CAPEX</h3> 	<h3>DIVIDEND</h3> 	<h3>PORTFOLIO</h3> 	<h3>SHARE CAPITAL</h3> 
<ul style="list-style-type: none">• Covestro's industry and cost leadership make growth investment the most value-creating use of cash• Capex above D&A during the next five years• Maintenance capex to secure safe, reliable and efficient operations	<ul style="list-style-type: none">• Policy: 35-55% payout of net income• 2021 dividend of €3.40 per share, dividend yield 2021 of 6.3%⁽¹⁾	<ul style="list-style-type: none">• Acquisition of DSM's Resins and Functional Material (RFM) business for EV €1.55bn with attractive high margins (~€0.9bn sales)• Less attractive low-margin businesses divested (~€0.6bn sales)• Further pursue options of value enhancing bolt-on acquisition for Solutions & Specialties segment	<ul style="list-style-type: none">• Share buyback of €1.5bn executed in 2017-2018• Capital increase of €447m executed in 2020 in context of RFM acquisition• Authorization for share buyback program for up to 10% of share capital in place• Share buyback of €0.5bn announced on February 28, 2022, under execution since March 2022
€4.0bn invested in capex	€2.3bn dividends	€1.5bn net investments	€1.1bn share capital reduced

Average capex at or slightly above D&A

Group capex and D&A outlook

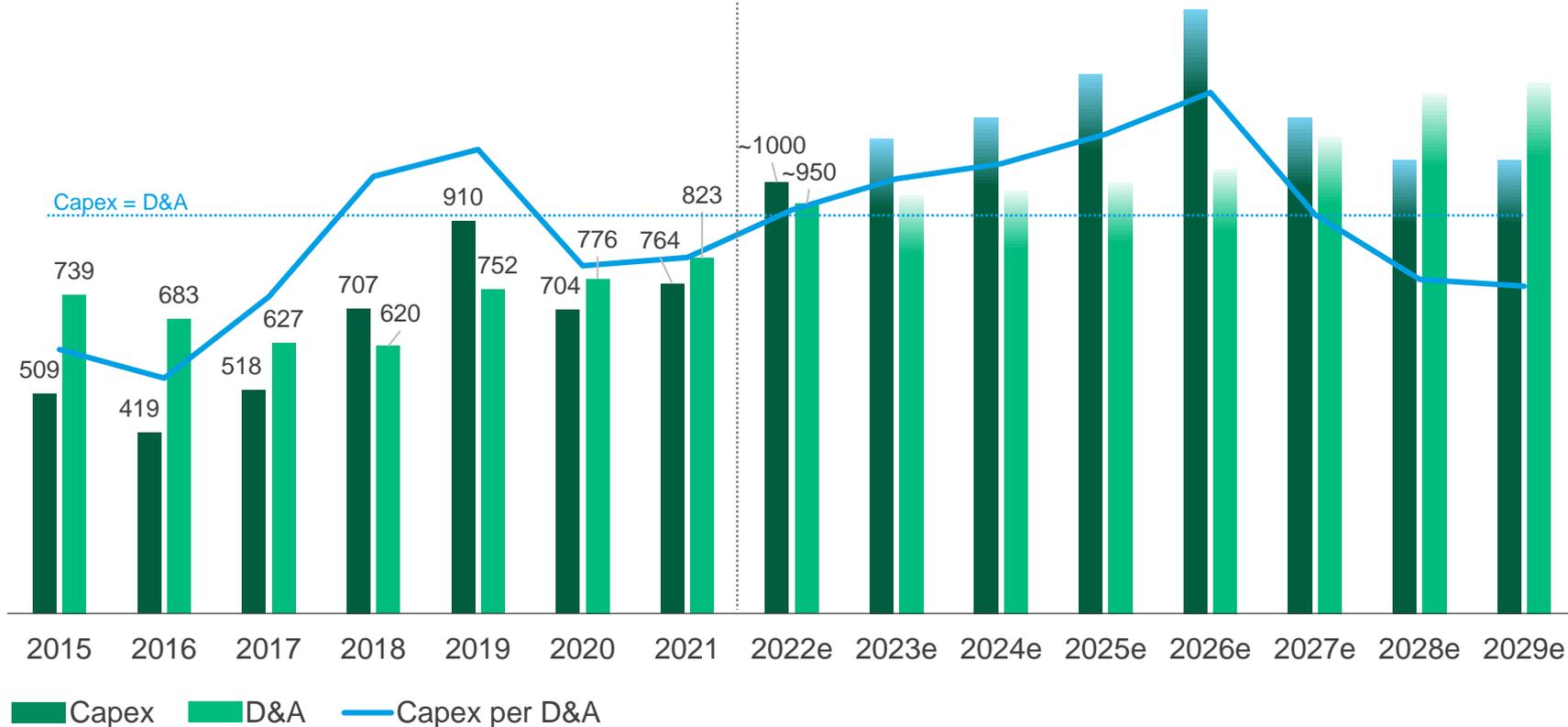


HISTORIC

PROJECTION

HIGHLIGHTS

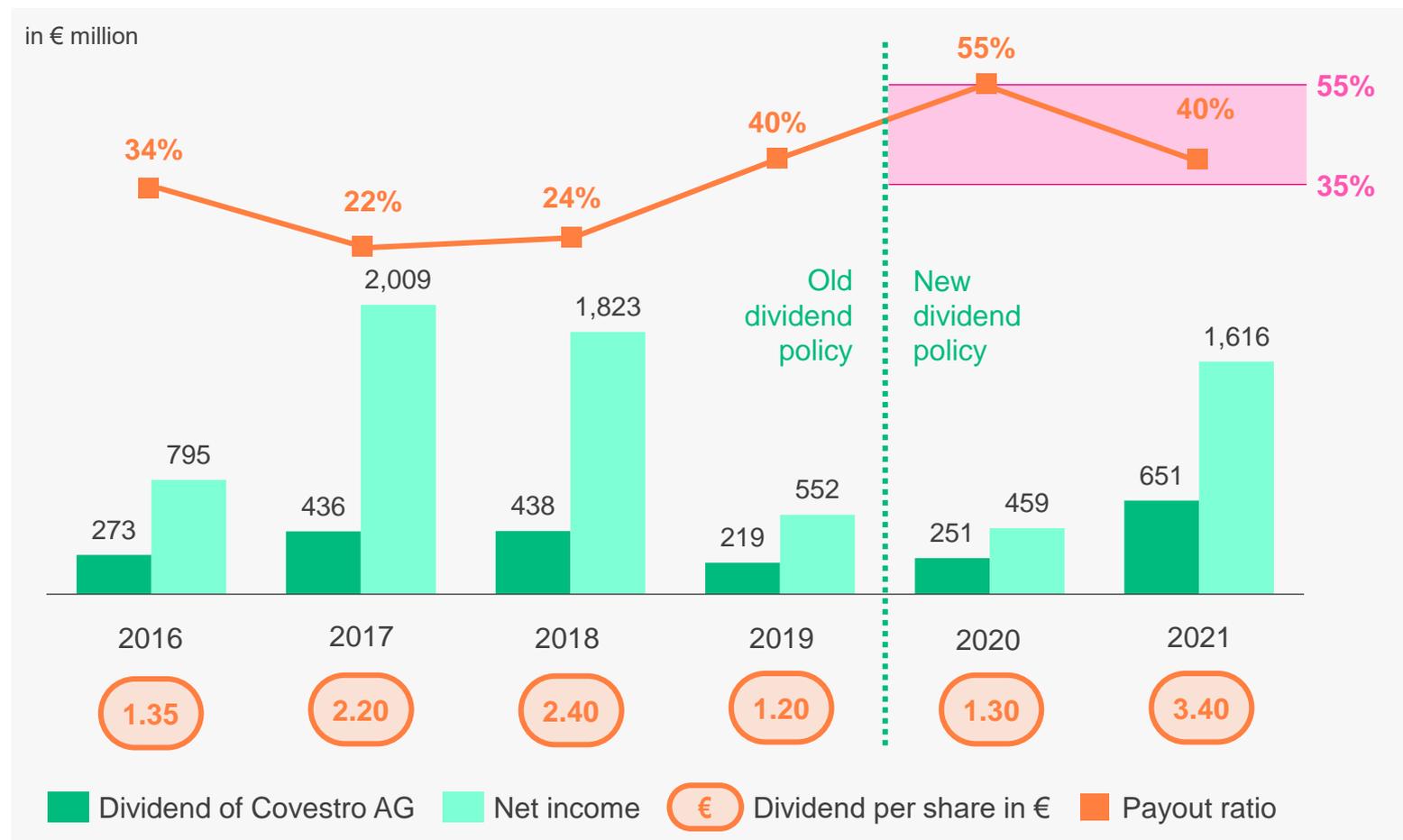
in € million



- 2022e: capex around €1,000m, D&A around €950m
- 2023e: capex slightly above D&A
- 2024e-2026e: supporting growth investment into MDI world-scale asset with capex above D&A
- Outer years: capex again below D&A-level
- Invest in Circular Economy projects almost €1bn over ten years
- Maintenance capex at ~€400m p.a. in 2022e, slightly increasing over time

Record dividend and 40% payout ratio

Dividend development



HIGHLIGHTS

- Committed to a payout ratio of 35% to 55%, related to dividend over net income
 - Higher payout intended in years with peak earnings, while ratio towards lower end
 - Lower payout intended in years with trough earnings, while ratio towards upper end
- For FY 2021, dividend of €3.40 per share

Ongoing shift to high-margin business

Portfolio management



DIVESTMENTS

Cumulated, in € million

Dubai system house⁽¹⁾

July 2021

Europe Polycarbonates sheets business

September 2019

Europe system houses

June 2019

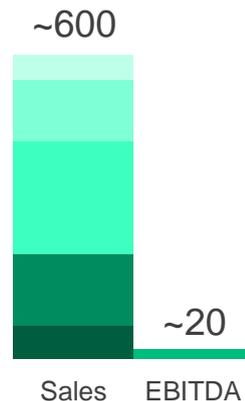
USA Polycarbonates sheets business

August 2018

NA Polyurethanes spray foam business

April 2017

Closing



Business divested at average EV/EBITDA >10x

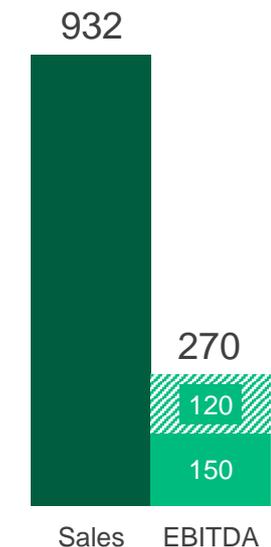
Portfolio analysis ongoing, further minor divestments possible

ACQUISITIONS

in € million

DSM Resins & Functional Materials business

April 2021



Highly complementary business acquired at EV/EBITDA⁽²⁾ of 6x

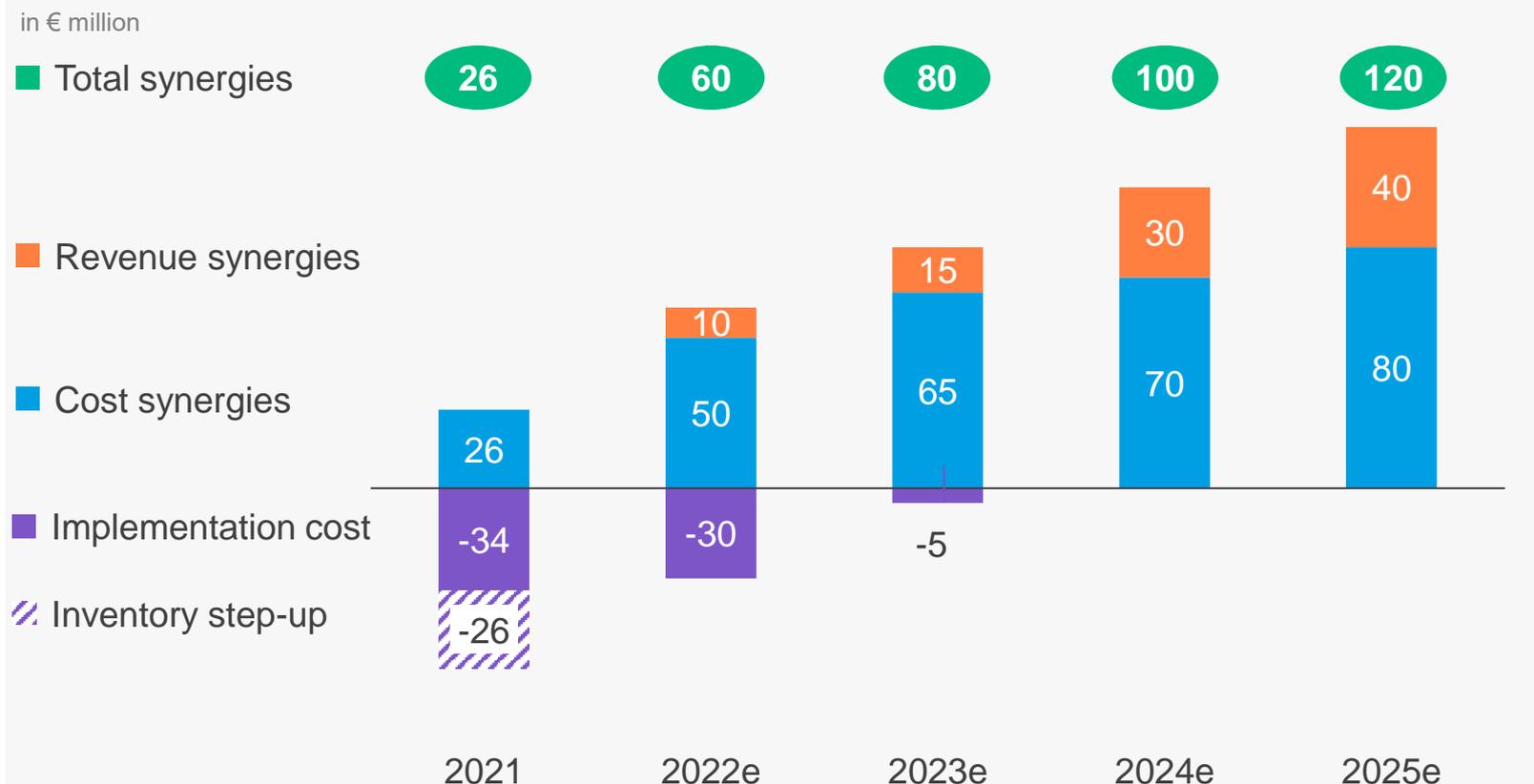
Further pursue value-enhancing bolt-on acquisition options with attractive IRR for Solutions & Specialties segment

Synergies fully confirmed and ahead of plan at lower cost



RFM synergies and implementation cost

EBITDA IMPACT



HIGHLIGHTS

SYNERGIES

- Confirming identified synergies of €120m or 12% of RFM sales
- Positive EBITDA impact of €80m from cost and €40m from revenues
- Initial synergy potentials successfully detailed and validated
- Realization of synergies ahead of initial plan (initially €10m in 2021 and 50m€ in 2022)
- Implementation cost incl inventory step-up of €105m (initially €155m, reduced from lower severance need)

OPERATIONS

- RFM operational performance fully in line with expectations
- 94% of new employees feel welcome at Covestro

So far, 30% of share buyback program accomplished, 70% to go



Execution of share buyback

PROGRAM

February 28, 2022

Total volume
€0.5bn

Two-year
timeframe

SHARE BUYBACK TRANCHEs

March 21 – April 6, 2022

May 10 – July 23, 2022



FIRST TRANCHE DETAILS

- 1.606m shares purchased
- Average share price €46.70
- ~15% of share buyback completed

SECOND TRANCHE DETAILS

- 1.874m shares purchased
- Average share price €39.97
- ~30% of share buyback completed

Solid performance - increasingly challenging environment



Highlights

1

Record sales of €4.7bn in Q2 2022

driven by significant price increases mitigating extraordinary inflationary pressure

2

EBITDA above guidance range in Q2 2022

due to faster than expected normalization of Covid situation in China

3

Guidance revision reflects challenges in H2 2022

EBITDA guidance reduced from €2.0 – 2.5bn to €1.7 – 2.2bn

4

Record dividend payout of €3.40 per share

payout ratio of 40%

5

Two-year share buyback of €500m

with €150m bought back during the first four months



-  Covestro investment highlights
-  **Group financials Q2'22**
-  Segment overview
-  Background information

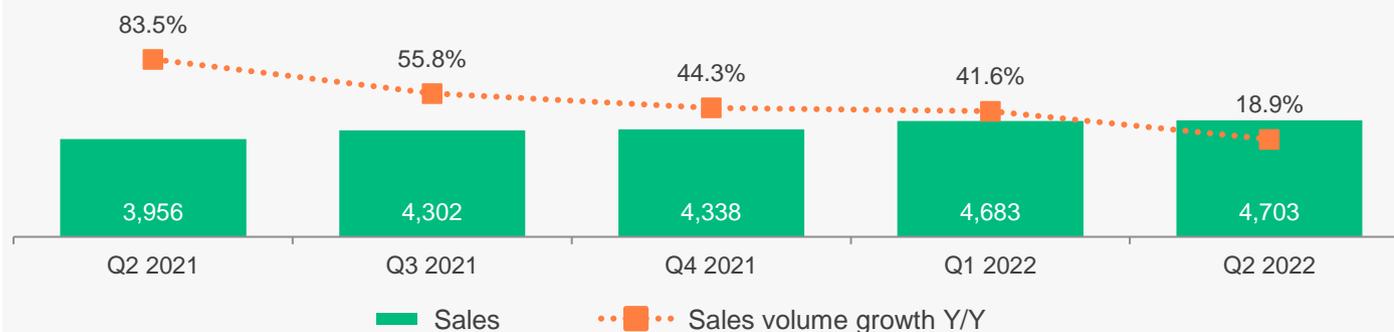
Solid growth in sales

Group results – Highlights Q2 2022



SALES⁽¹⁾

in € million / changes Y/Y

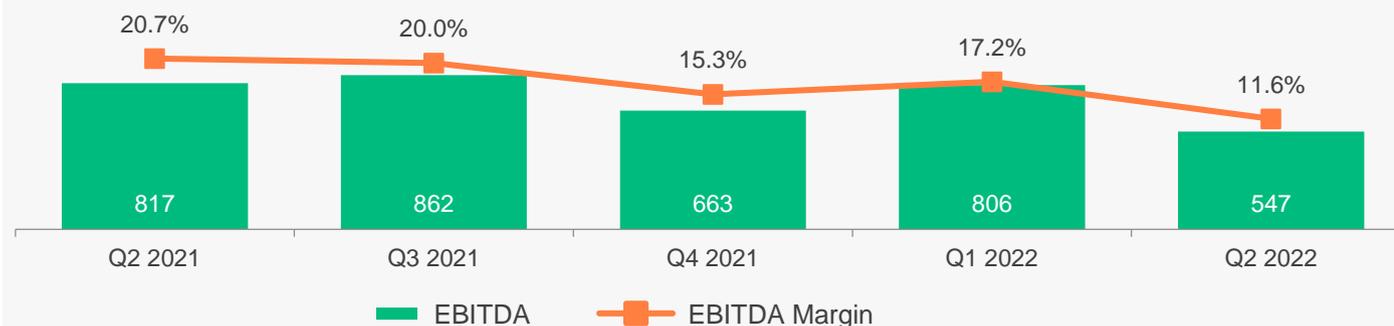


HIGHLIGHTS

- In Q2 2022, Covestro posted highest quarterly sales in its history
- Year-on-year increase mainly attributable to higher prices of €0.6bn
- Sequential sales increase attributable to higher prices and FX compensating lower volumes

EBITDA AND MARGIN

in € million / margin in percent



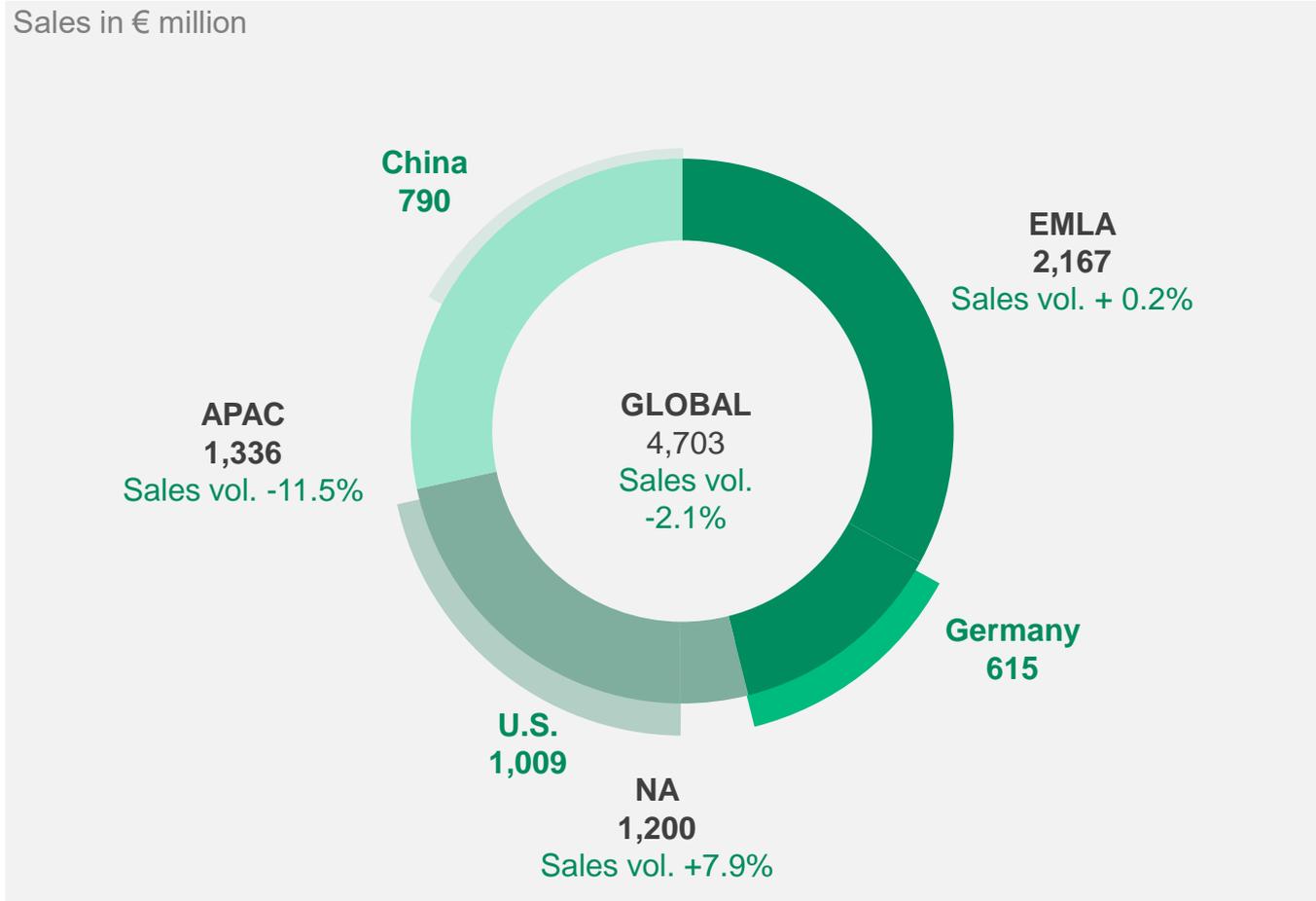
HIGHLIGHTS

- Q2 2022 impacted by lower volumes driven by Covid lockdown in China and declined pricing delta from higher raw material cost
- Along with record quarterly sales EBITDA margin decreased to 11.6%

Slight volume decline due to Covid lockdown in China



Q2 2022 – Regional split

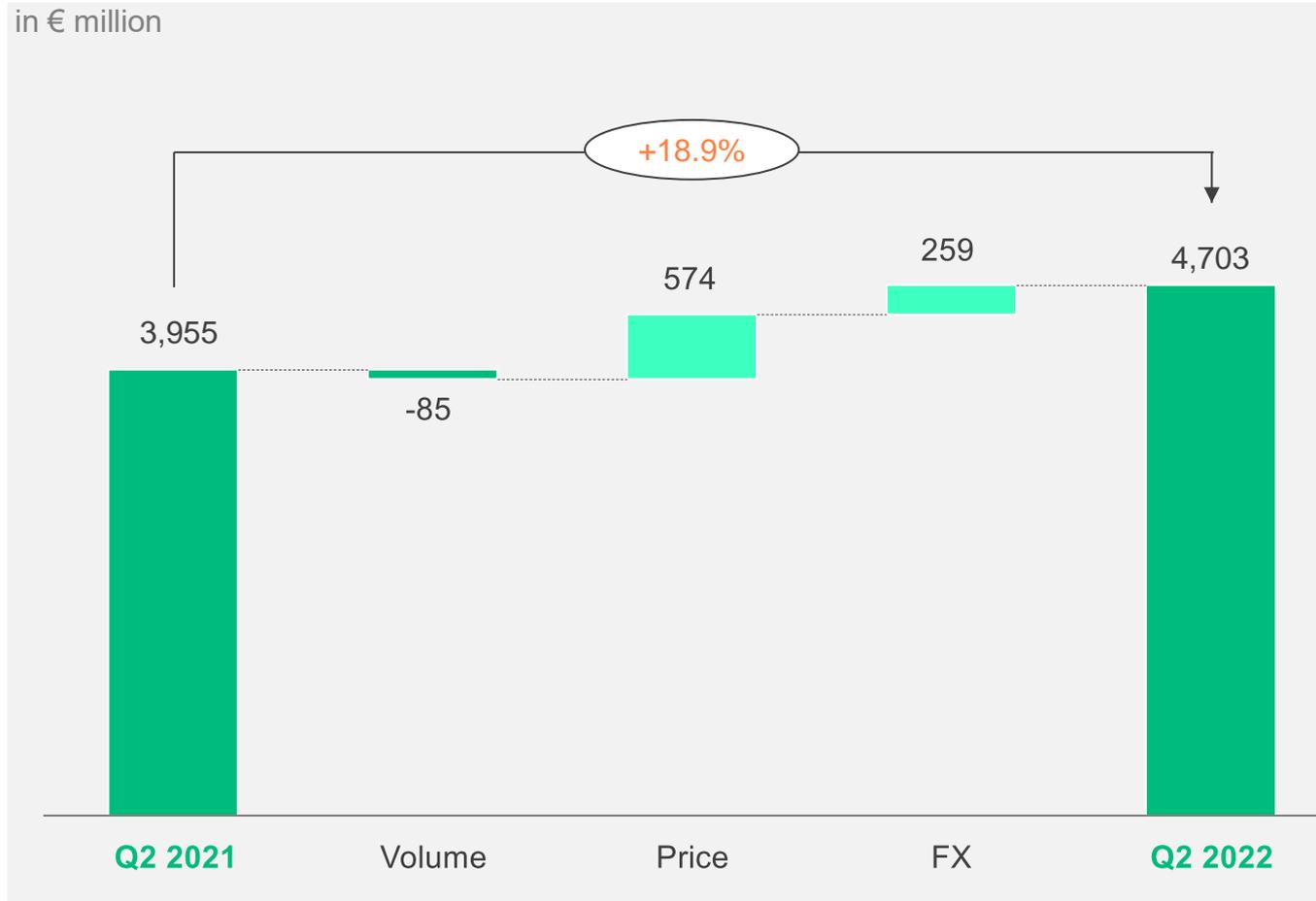


HIGHLIGHTS

- Sales volume decline, driven by Covid lockdown in China:
 - Auto/transport low double-digit % decline
 - Furniture/wood low single-digit % decline
 - Electro low double-digit % decline
 - Construction flat to low single-digit % decline
- NA: Strong sales volume growth after the prior year had been impacted by winter storm Uri and mainly derived from volume growth in construction
- EMLA: Positive volume growth from polyol business in furniture benefitting from competitor outages offset by volume decline in auto/transport and appliances
- APAC: Due to the Shanghai Covid lockdown strong sales volume decline across all industries

Sales increase driven by price and FX

Q2 2022 – Sales bridge



HIGHLIGHTS

Volume slightly negative

- Volume contribution of -2.1% Y/Y

Pricing highly positive

- Higher selling prices largely compensating higher energy and raw material costs pushed sales up +14.5% Y/Y
- Strong price increases enforced by both PM (+17.5% Y/Y) and S&S (+11.8% Y/Y)

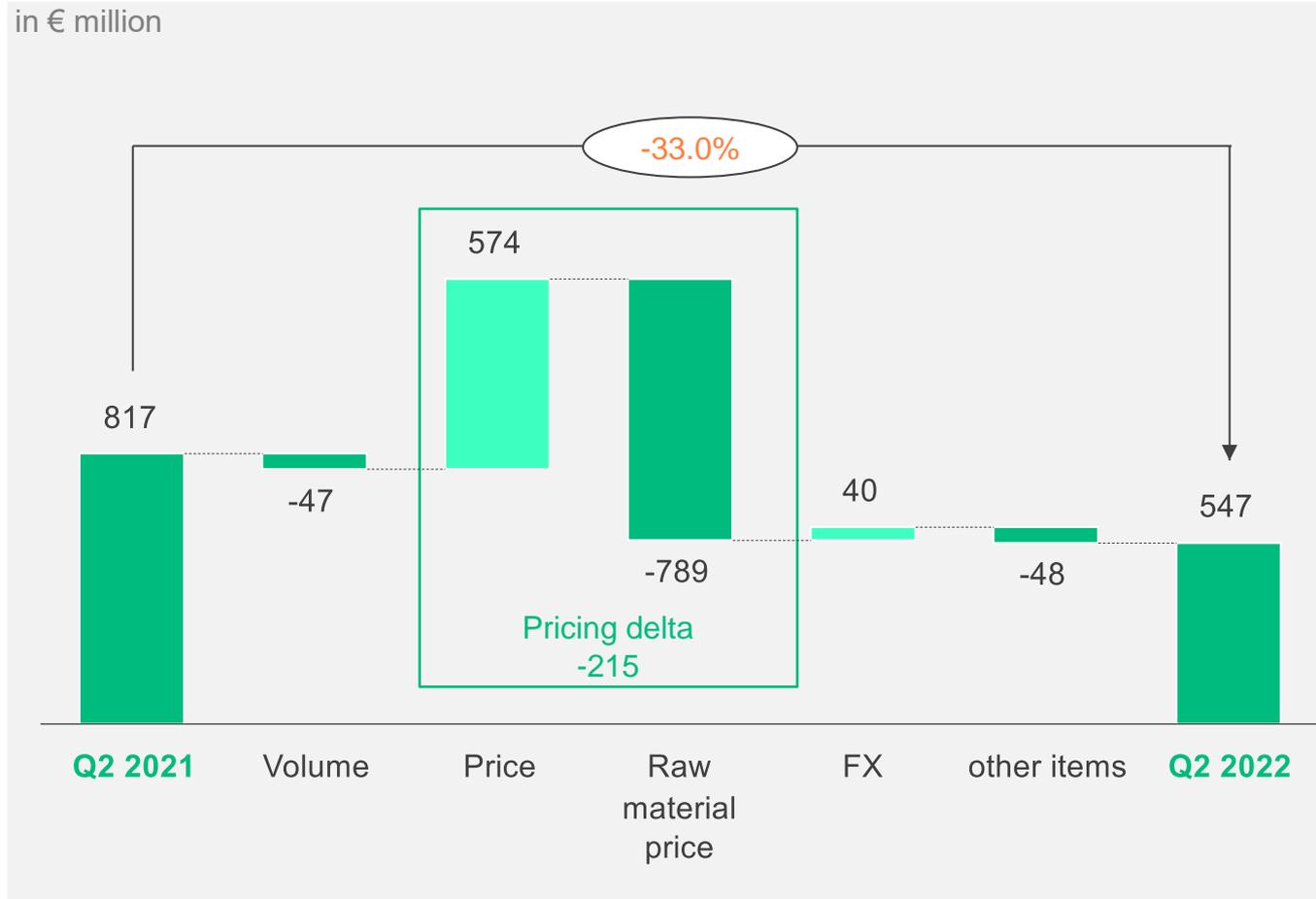
FX positive

- FX affected sales by +6.5% Y/Y mainly driven by stronger USD and RMB

Earnings decreased mainly due to negative pricing delta



Q2 2022 – EBITDA bridge



HIGHLIGHTS

Negative volume leverage⁽¹⁾

- Negative volume leverage of 55%

Negative pricing delta as expected

- Raw material and energy cost increases could to a meaningful extend be compensated by sales price increases

Other items driven by:

- Lower provisions for variable compensation of €73m
- Significant increase of fixed costs among other things due to freight and logistic, wage and R&D cost increases

Temporarily high working capital to sales ratio

Historical FOCF development



in € million

	H1 2018	H1 2019	H1 2020	H1 2021	H1 2022
	728	-100	-225	692	-445
EBITDA	+2,048	+901	+379	+1,560	+1,353
Changes in working capital^(1,4)	-625	-30 ⁽⁴⁾	-187 ⁽⁴⁾	-580	-695
Capex⁽²⁾	-241	-384	-286	-289	-330
Income tax paid	-335	-223	-102	-176	-360
Other effects⁽⁴⁾	-119	-364 ⁽⁴⁾	-29 ⁽⁴⁾	+177	-413

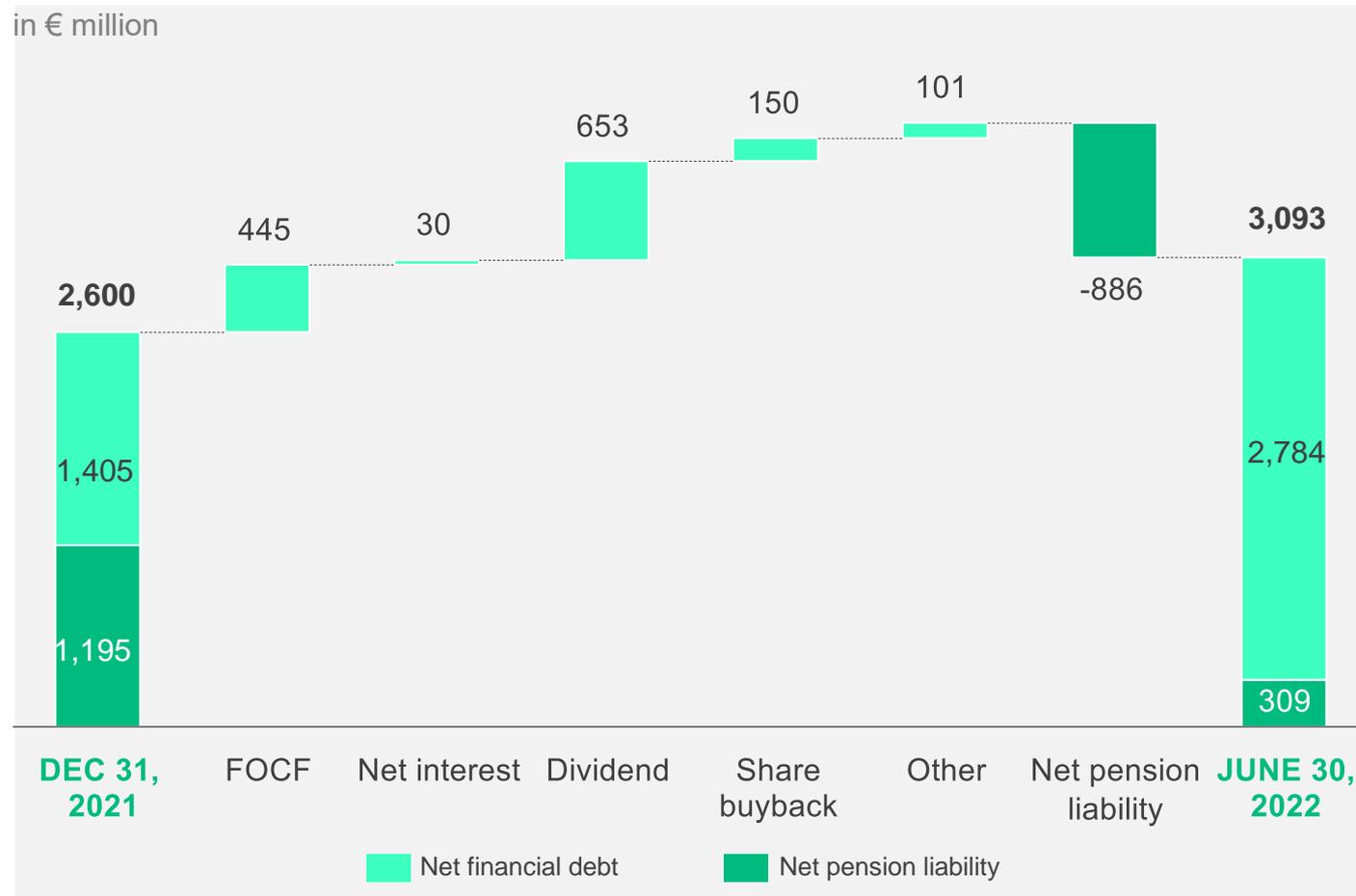
HIGHLIGHTS

- FOCF decreased to €-445m, including €475m bonus payout for FY 2021
- Working capital to sales ratio⁽³⁾ increased to 21.3%, driven by higher sales and raw material prices impacting receivables and inventories while last twelve months' sales based on lower average prices
- Capex of €330m on budget and in line with FY 2022 guidance
- Income tax paid of €360m reflects unfavorable geographical mix and higher pre-payments that were based on taxable income in 2021

Seasonally high total debt after dividend and bonus payments



June 30, 2022 – Total net debt



HIGHLIGHTS

- Net pension liability as difference of pension provisions of €473m and net defined benefit assets of €164m decreased by €886m, mainly due to higher interest rates
- Net pension liability as difference of pension provisions of €473m and net defined benefit assets of €164m
- Total net debt to EBITDA ratio⁽¹⁾ of 1.1x at the end of Q2 2022 compared to 1.2x at the end of Q2 2021.
- Committed to a solid investment grade rating
- Payout of €651m dividend to Covestro shareholders following the AGM resolution
- Two-year share buyback of €500m, €150m executed
- Undrawn syndicated revolving credit facility (RCF) of €2.5bn in place with ESG element



- Covestro investment highlights
- Group financials Q2'22
- **Segment overview**
- Background information

Standard products with reliable supply and lowest cost

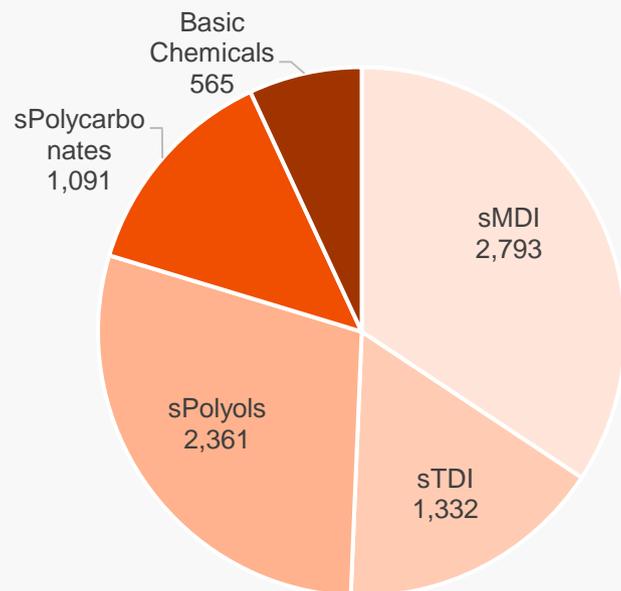


Performance Materials

PRODUCTS

Polyurethane and polycarbonate standard products as well as basic chemicals

SALES 2021 (in € thousand)



SUCCESS FACTORS

Ensure high asset utilization

Integrated end-2-end planning and steering of entire supply chain and large-scale production to optimize output



Supply customers reliably

to be customers' preferred supplier



Strengthen superior cost position

Standardized offerings and lean order management for focused customer and product portfolio



Customer centricity
for
standard
products

BENEFITS FOR GROUP

- Maintain leadership in Covestro core industries
- Implement growth strategy while building on vision of full circularity
- Create critical mass for Covestro in standard product offerings
- Supply downstream Business Entities at market-based prices

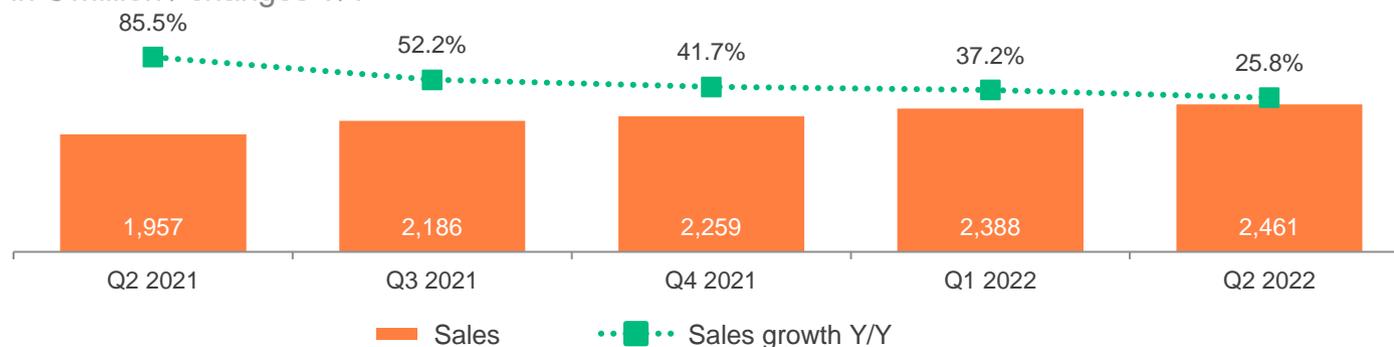
Performance Materials – significantly declining EBITDA



Segment results – Highlights Q2 2022

SALES⁽¹⁾

in € million / changes Y/Y

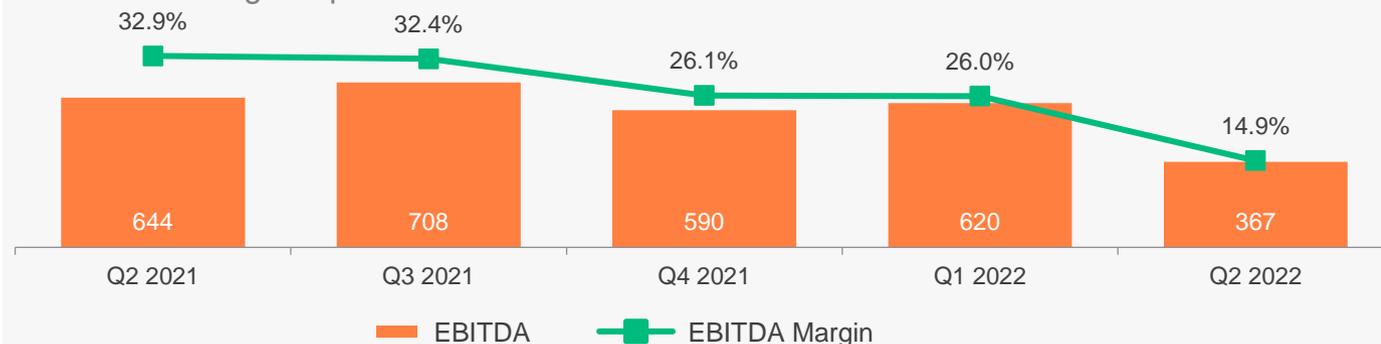


HIGHLIGHTS

- Sales increased by +25.8% Y/Y driven by price (+17.5%), volume (+1.6%) and FX (+6.7%)
- Sales volume growth of 1.6% Y/Y supported by growth in NA & EMEA and burdened by Covid lockdown in China

EBITDA AND MARGIN⁽¹⁾

in € million / margin in percent



HIGHLIGHTS

- Compared to prior year, EBITDA decrease mainly driven by negative pricing delta mitigated by positive FX and volume growth

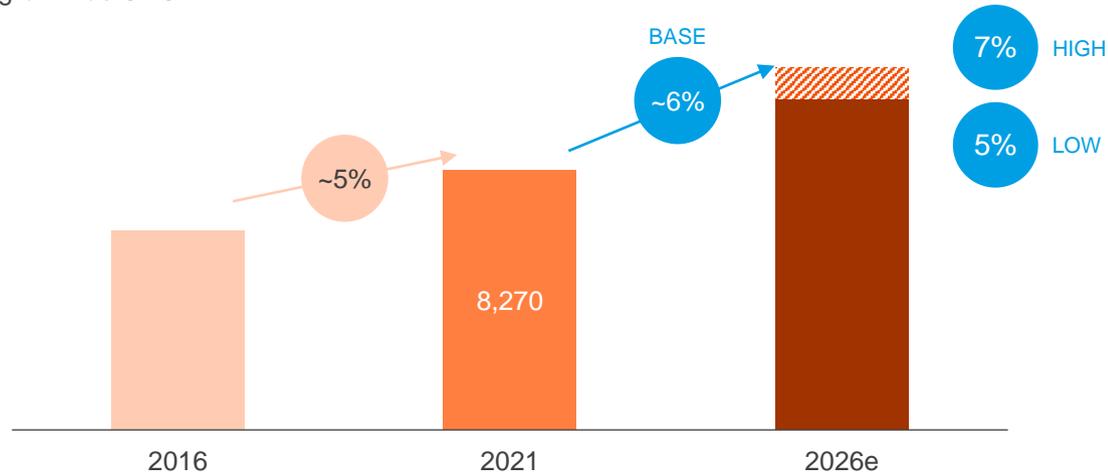
MDI demand growth to exceed supply growth



Performance Materials: MDI industry demand and supply

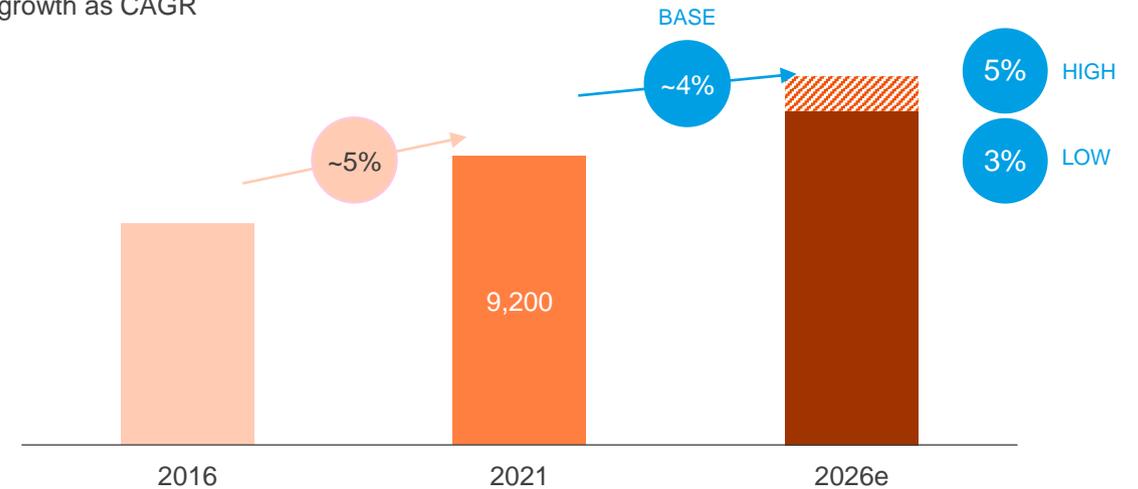
MDI DEMAND DEVELOPMENT (2016 - 2026e)

in kt⁽¹⁾
% growth as CAGR



MDI SUPPLY DEVELOPMENT (2016 - 2026e)

in kt⁽²⁾
% growth as CAGR



HIGHLIGHTS

- Further customer industry growth makes structurally sound demand remain at ~6%, outgrowing supply growth
- Covestro additions until 2026e: Tarragona, Spain (50kt, 2025e)
- Covestro MDI volumes expected to grow slightly below market trend until new world-scale capacity comes on stream

Investment into world-scale asset enables further growth



Performance Materials: MDI investment

Recap

- In October 2018, initial plans of MDI investment published
- In January 2020, project evaluation in Baytown, USA put on hold

Market environment

- Projected MDI demand growth outstripping supply growth, leading to global capacity utilization above 90 percent
- Covestro with fully utilized MDI world-scale assets in all regions
- Production technology as distinct industry entry hurdle

Update and next steps

- Covestro resumes investment into MDI world-scale asset
- Installing highly energy-efficient AdiP technology(1) reduces energy-related CO2 emissions by up to 35 percent(2)
- Location either USA or China, further decision after finalization of current project stage
- Planned ramp-up by 2026



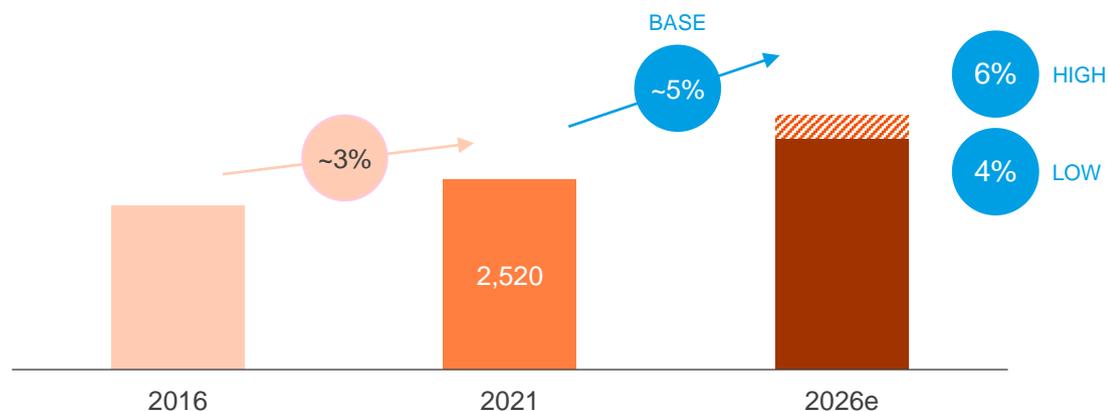
TDI market moving into balance

Performance Materials: TDI industry demand and supply



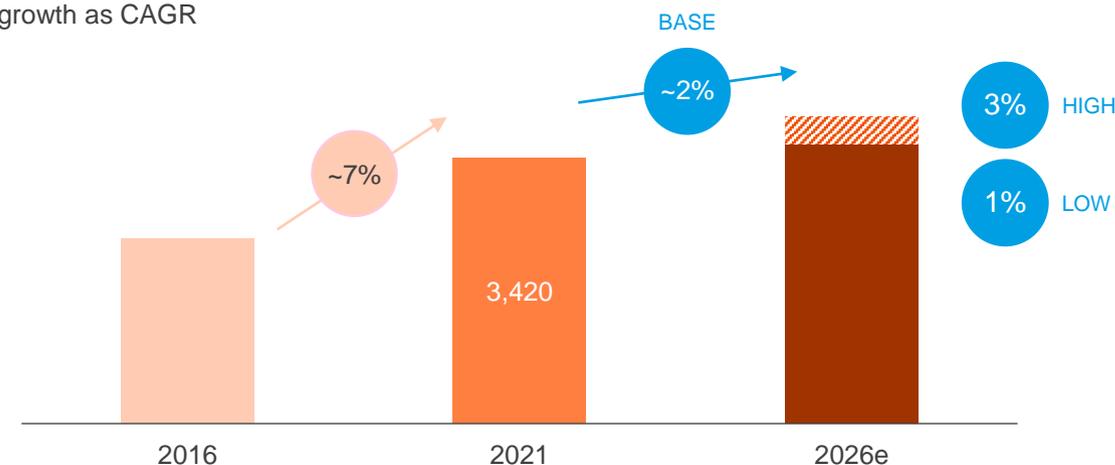
TDI DEMAND DEVELOPMENT (2016 - 2026e)

in kt⁽¹⁾
% growth as CAGR



TDI SUPPLY DEVELOPMENT (2016 - 2026e)

in kt⁽²⁾
% growth as CAGR



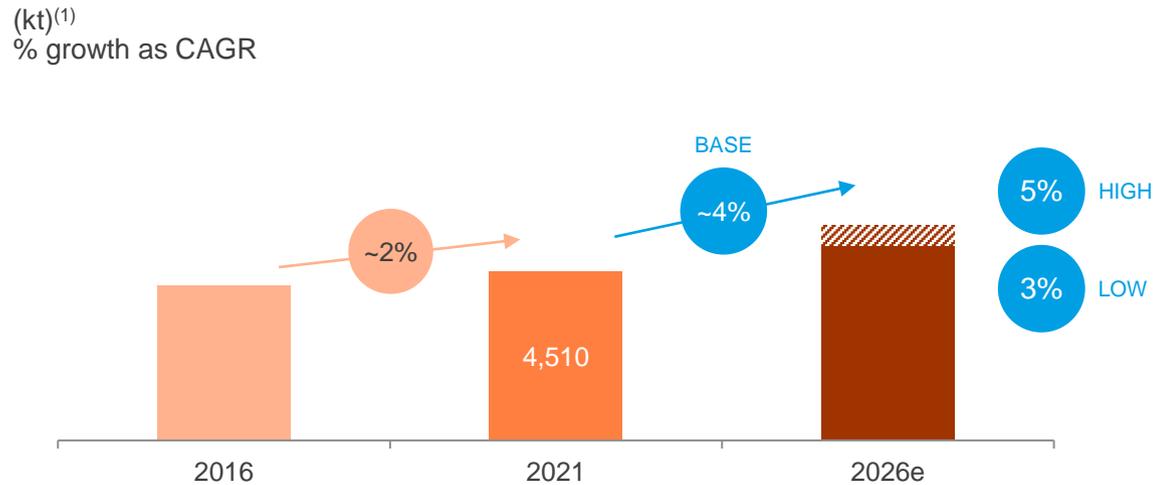
HIGHLIGHTS

- Only major addition expected until 2025 Wanhua-Fujian (250kt, not before end-2023e), new Cangzhou Dahua plant not before 2026e
- With that, demand growth outstripping supply growth, bringing demand and supply back into balance
- Covestro with further debottleneckings after 2026e, allowing Covestro TDI volumes to grow with market trend
- Favorable cash cost position puts Covestro in strong competitive position even in low cycles

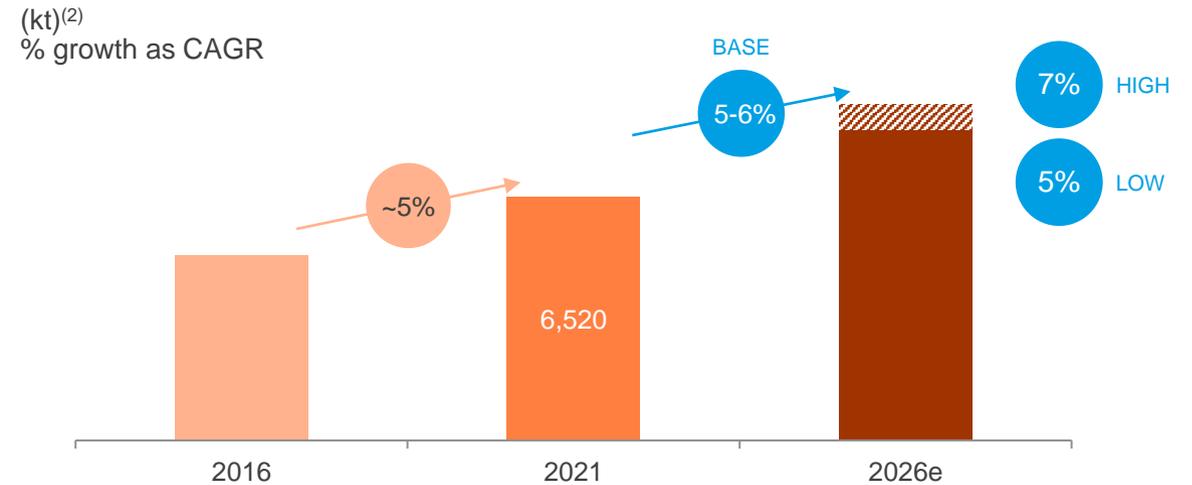
Execution risks may limit future capacity additions

Performance Materials: Polycarbonates (PC) industry demand and supply

PC DEMAND DEVELOPMENT (2016 - 2026e)



PC SUPPLY DEVELOPMENT (2016 - 2026e)



INDUSTRY HIGHLIGHTS

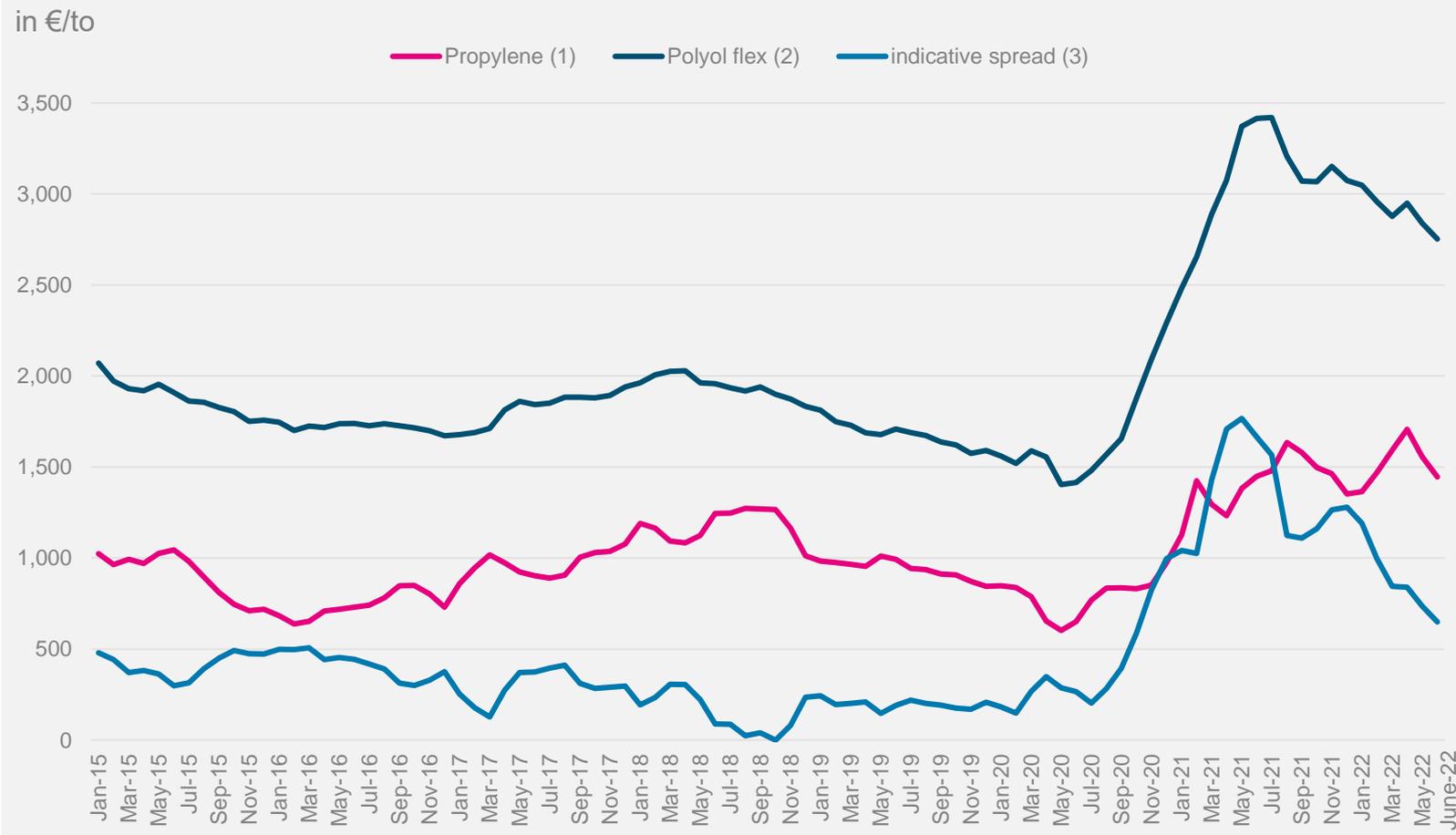
- Structurally sound demand growth of ~4% based on global GDP growth
- Major additions⁽³⁾ expected until 2025e: Hainan Huasheng, ZPC, SABIC-Sinopec, Wanhua, Shemna
- Numerous announced projects with high uncertainties regarding actual timing and scope
- Covestro additions: Focus on strengthening differentiated business with shift of merchant standard-polycarbonates to feedstock of differentiated polycarbonates

Polyol market and margin development

Performance Materials: Polyol margins started to normalize



POLYOL SPREADS OVER PROPYLENE (2015 - 2022)⁽⁴⁾



HIGHLIGHTS

- Covestro has secured access to the strategic raw material propylene oxide (PO) at costs (propylene + fixed costs) until 2050 and owns 50% of the European JV (140kt PO + 350kt styrene) in Maasvlakte
- Global polyol capacity of Covestro 1.4m tons/year mainly geared towards US and Europe
- Polyol production usually follows batch process exhibiting utilization rates of 70-90%
- Competitive advantage for Covestro through patented proprietary technology for long-chain polyols

Differentiation based on customer proximity and innovation

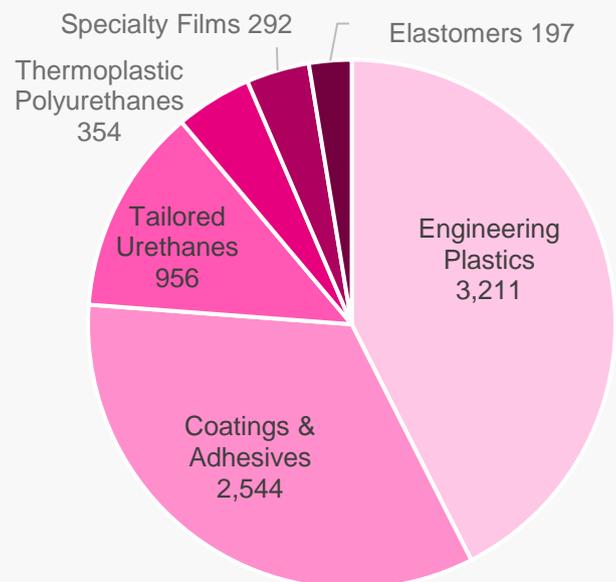


Solutions & Specialties

PRODUCTS

Differentiated polymer products

SALES 2021 (in € thousand)



SUCCESS FACTORS

Implement a pull supply chain

Use deep customer understanding to deliver unique value to customers



Lead in innovation

Continuously innovate products and applications in order to maximize value proposition to customers



Manage complexity

Efficiently steer customers and products at a small scale and balance cost of each solution against value for the customer



Customer centricity for solutions and specialty products

BENEFITS FOR GROUP

- Maintain leadership in differentiated niche applications
- Implement growth strategy while building on vision of full circularity
- Improve earnings margin from relatively low starting point

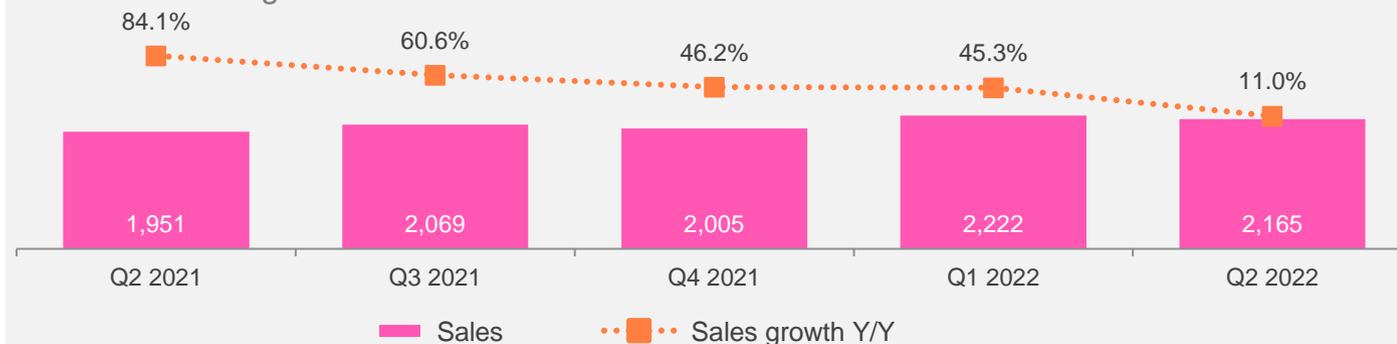
Solutions & Specialties – resilient earnings development



Segment results – Highlights Q2 2022

SALES⁽¹⁾

in € million / changes Y/Y



HIGHLIGHTS

- Sales grew by +11.0% Y/Y, price (+11.8% Y/Y), FX (+6.5%) and volume (-7.3%)
- Sequential sales decline due to significantly lower volumes despite favorable pricing and FX

EBITDA AND MARGIN⁽¹⁾

in € million / margin in percent



HIGHLIGHTS

- Q2 2022 EBITDA includes €-6m one-time effects related to RFM⁽²⁾
- Compared to prior year, EBITDA decreased slightly due to negative volume effect which could not be fully compensated by lower fixed cost

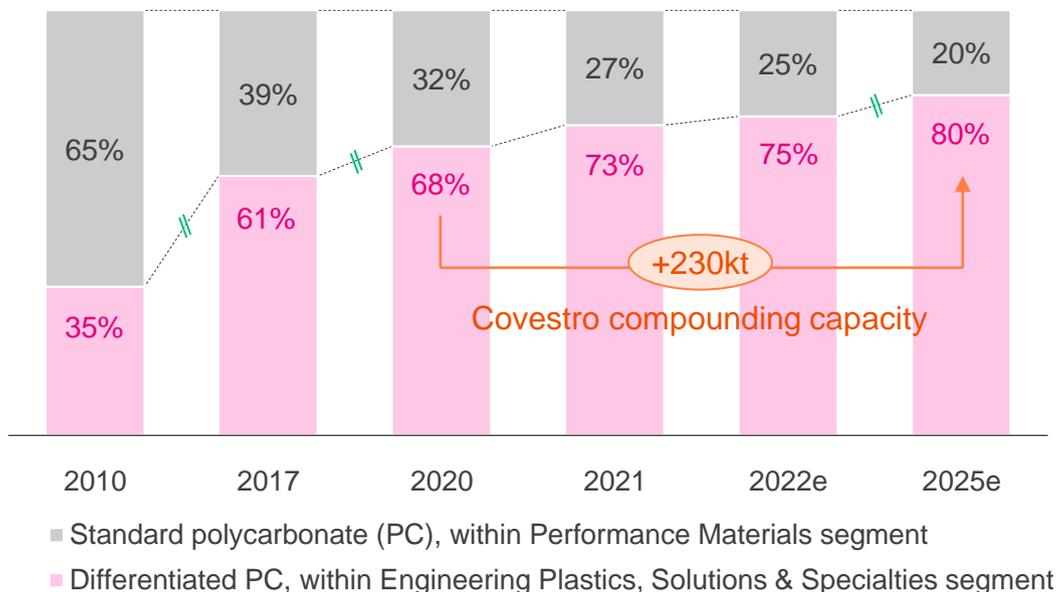
Shifting from standard to differentiated polycarbonate



Solutions & Specialties: high-growth contributor Engineering Plastics

POLYCARBONATE 2021 SALES €4.3bn

Covestro polycarbonate volume split by segment



Refining standard polycarbonate from Performance Materials into differentiated grades in Solutions & Specialties

ENGINEERING PLASTICS (EP) INDUSTRY +7% CAGR 2021-2026

CUSTOMER INDUSTRIES



Electro

EP sales share 2021: 46%
CAGR 2021-2026e: 6%



Auto & transport

EP sales share 2021: 41%
CAGR 2021-2026e: 9%



Healthcare

EP sales share 2021: 10%
CAGR 2021-2026e: 5%

GROWTH DRIVERS

- Strong demand in communication infrastructure, audio, LED, power supply and small appliances
- New opportunities from 5G, intelligent connectivity and electrical integration
- Global trends towards BEV boost total LV production
- Number of produced BEV expected to grow strongly, with higher PC content per unit compared to conventional LV
- Aging population with increasing healthcare access in emerging markets
- Trend towards home healthcare devices and wearable monitor devices

Strong demand for differentiated polycarbonate grades across several customer industries

Doubling sales by 2025

Solutions & Specialties: high-growth contributor Specialty Films



SPECIALTY FILMS		
	Total Sales 2021 292m	CAGR 2021-2026e ~16%
TARGET	<ul style="list-style-type: none">• Doubling sales by 2025e versus Sales 2020 of €240m	
APPROACH	<ul style="list-style-type: none">• Elevating market share from differentiation via quality and service with customer-tailored applications• Strong competitive advantage from technical expertise and filled innovation pipeline• Excellent customer relationships promoting joint developments with long-term contracts	
INVESTMENT	<ul style="list-style-type: none">• Enabling growth with investment of almost €200m between 2020 and 2025e	

BUILD AGGRESSIVELY MEDICAL BUSINESS



Making use of IP portfolio to outgrow the industry with more than 20% sales growth per year

DEVELOP AUGMENTED REALITY BUSINESS



Growing within emerging market of holographic light guiding: accelerating markets of virtual displays in glasses and head-up displays in vehicles

Covestro strengthens Solutions & Specialties



With investments in high-margin areas

COATINGS & ADHESIVES INVESTS IN DISPERSIONS



-  Invest: mid double-digit million €
-  Production readiness: ramp-up 2024
-  Expected EBITDA contribution: low to mid double-digit million €

- Business Entity Coatings and Adhesives adds new plant for water-based polyurethane dispersions (PUD) in Caojing (China)
- Environmentally compatible coatings and adhesives support sustainable customer growth
- Plant comprises line for polyester resins as raw material and PUD production line producing versatile portfolio of products
- Technology for PUDs combines know-how of Covestro and the recently acquired RFM business

ELASTOMERS INVESTS IN COMPLEMENTING ASSETS



-  Invest: high double-digit million €
-  Production readiness: 3 steps 2022-2024
-  Expected EBITDA contribution: low to mid-double digit million €

- Business Entity Elastomers complements production infrastructure for high-value products
- Announcement of naphthylene diisocyanate (NDI) expansion in Map ta Phut (Thailand) end 2020
- NDI prepolymer line operational at our Barcelona site (Spain) since May 2022
- Groundbreaking new elastomer line in Caojing (China) in Q2'22
- Expansions to support customer growth in high-performance elastomers Baytec® and Vulkollan®

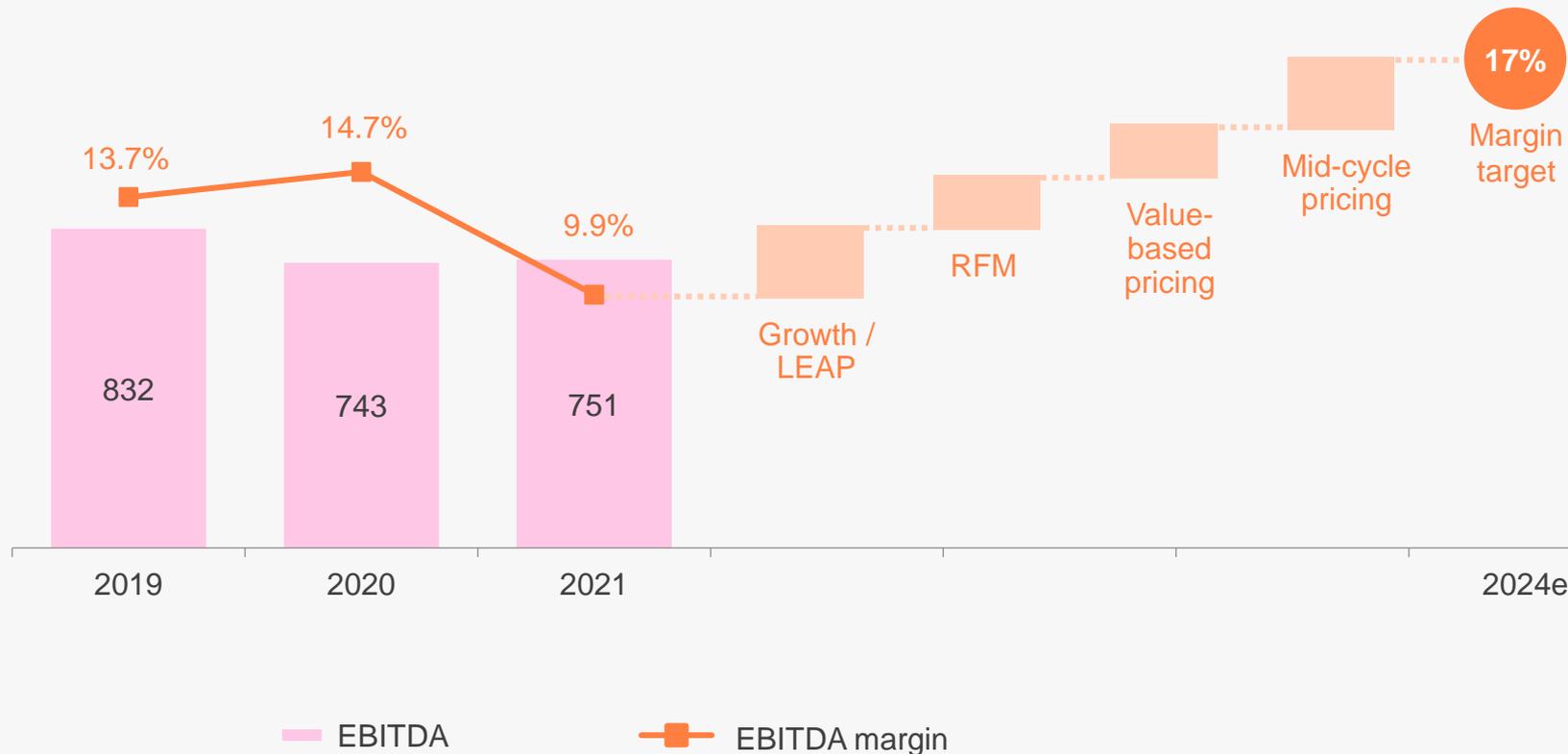
Covestro strives to deliver a 17% EBITDA margin in 2024

EBITDA margin to grow to 17% in 2024

Solutions & Specialties segment target

EBITDA AND MARGIN – SOLUTIONS & SPECIALTIES

in € million



TARGET MARGIN

- In 2021, margin impacted by above-average Performance Materials market prices as basis for inter-segment charges
 - In 2022, significant EBITDA increase expected
 - In 2024, EBITDA margin target of 17% driven by:
 - Fixed cost dilution due to strong growth, LEAP transformation
 - RFM integration and synergies
 - Focus on value-based pricing
- Based on mid-cycle inter-segment charges and excluding raw material price-indicated sales inflation



-  Covestro investment highlights
-  Group financials Q2'22
-  Segment overview
-  **Background information**

Led by a diverse, international management team

Covestro senior management since July 1, 2021



BOARD OF MANAGEMENT



Chief Executive Officer

Dr Markus Steilemann
Nationality: German



Chief Financial Officer

Dr Thomas Toepfer
Nationality: German



Chief Commercial Officer

Sucheta Govil
Nationality: British
with Indian origin



Chief Technology Officer

Dr Klaus Schäfer
Nationality: German

BUSINESS ENTITIES



Performance Materials

Hermann-Josef Dörholt
Nationality: German
Based in Leverkusen,
Germany



Tailored Urethanes

Christine Bryant
Nationality: US-American
Based in Pittsburgh,
USA



Coatings and Adhesives

Dr Thorsten Dreier
Nationality: German
Based in Leverkusen,
Germany



Engineering Plastics

Lily Wang
Nationality: Chinese
Based in Shanghai,
P.R. China



Specialty Films

Dr Aleta Richards
Nationality: US-American
Based in Dormagen,
Germany



Elastomers

Dr Thomas Braig
Nationality: German
Based in Romans-sur-Isère,
France



Thermoplastic Polyurethanes

Dr Andrea Maier-Richter
Nationality: German
Based in Dormagen, Germany

Covestro rating results and index membership

as July 2022

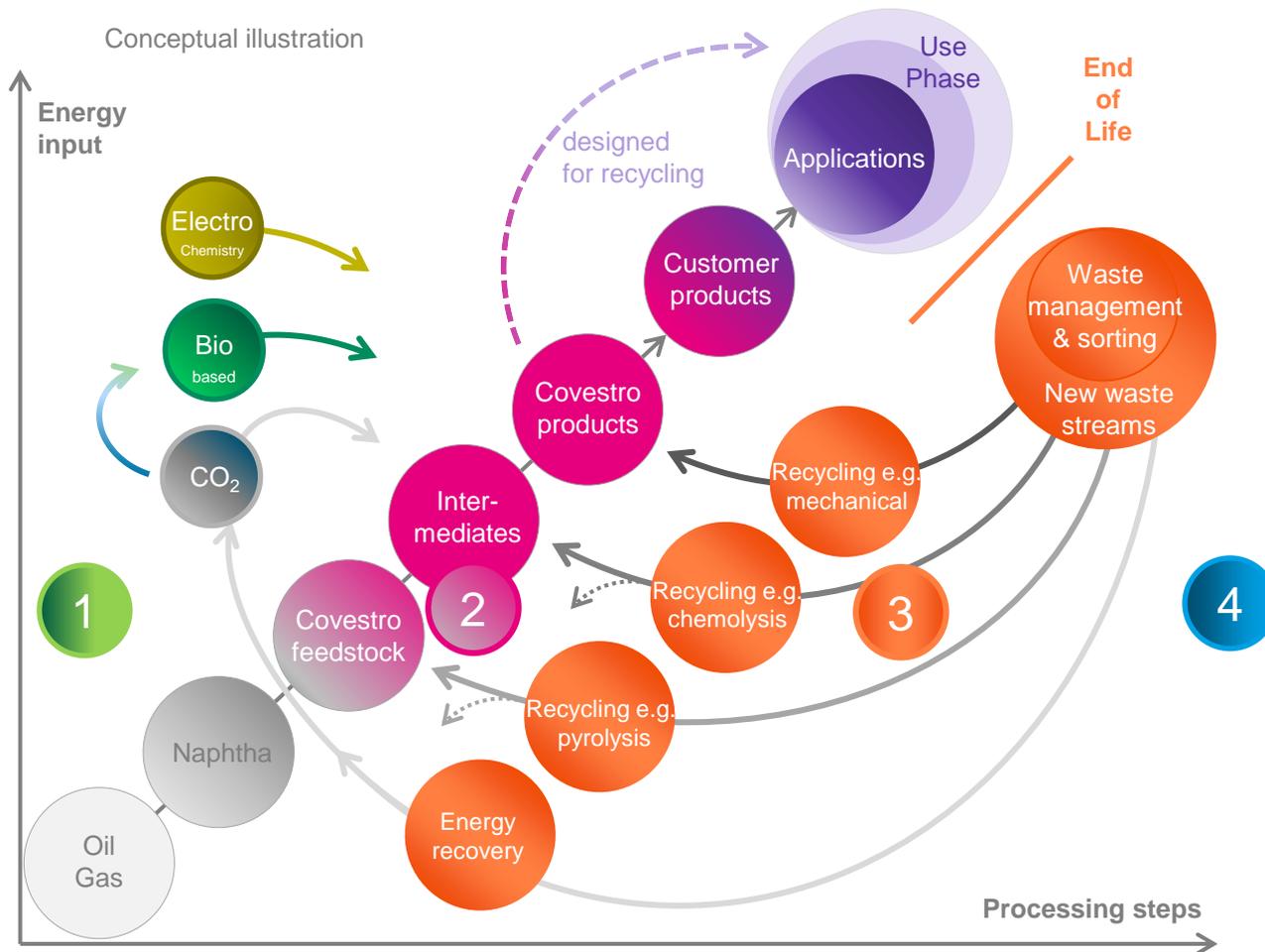


Key Rating	Scoring Range (Worst → Best)	2016	2017	2018	2019	2020	2021	2022	Distinction	
CDP CLIMATE	D- to A	-	-	-	-	-	A-		Leadership Level (1)	
ecoVadis SUPPLIER SUSTAINABILITY RATINGS	0 to 100	73				80		72	(2)	
MSCI ESG	CCC to AAA	A	A	A	A	A	A		Above Average	
SUSTAINALYTICS	100 to 0	74	75		80	23.3	20.0	18.3	20.9	(3)

(1) Leading within the chemical industry in managing the most significant climate related questions
 (2) Covestro belongs to the Top 5% within the chemical industry
 (3) Covestro is identified as a TOP ESG performer of Sustainalytics' ESG Risk Ratings out of more >4,000 comprehensive companies.
 Covestro belongs to the Top 5% within the chemical industry although Sustainalytics identifies a higher ESG risk for the chemical industry.

Closing material and carbon loops

Circular and climate neutral economy



COVESTRO APPROACH TO CIRCULARITY

- 1 Renewable energy
- 2 Alternative raw materials
- 3 Innovative recycling for end-of-life solutions
- 4 Cross-industry collaborations



Progress on vision of full circularity

Broadened portfolio of sustainable products along the value chain of Covestro



SUSTAINABLE RAW MATERIALS

- MoU with Fortescue Future Industries for supply of equivalents of 100.000 to/a of Hydrogen and – derivatives esp. Ammonia to APAC and NA
- Green hydrogen is made from renewable energy and a key resource to de-carbonize energy intensive industries
- Start of broader strategic partnership to accelerate the green energy transition



BIOBASED COATING INTERMEDIATE

- Joint development of a commercial process technology for plant-based version of the chemical intermediate hexamethylen-diamine (HMDA) between Covestro and Genomatica
- Advancement to full commercial scale production planned
- HMDA is a key intermediate raw material for high performance coatings



RENEWABLE PRODUCTS

- Supply of certified renewable basic raw materials for core products PC, MDI & TDI
- ISCC+ certification successfully extended to 5 of 16 major sites in EMEA and APAC
- Renewable product portfolio with strongly reduced CO2 footprint⁽¹⁾ for TDI and climate neutral⁽¹⁾ versions of MDI and PC
- Renewable products are identical to their fossil-based grades

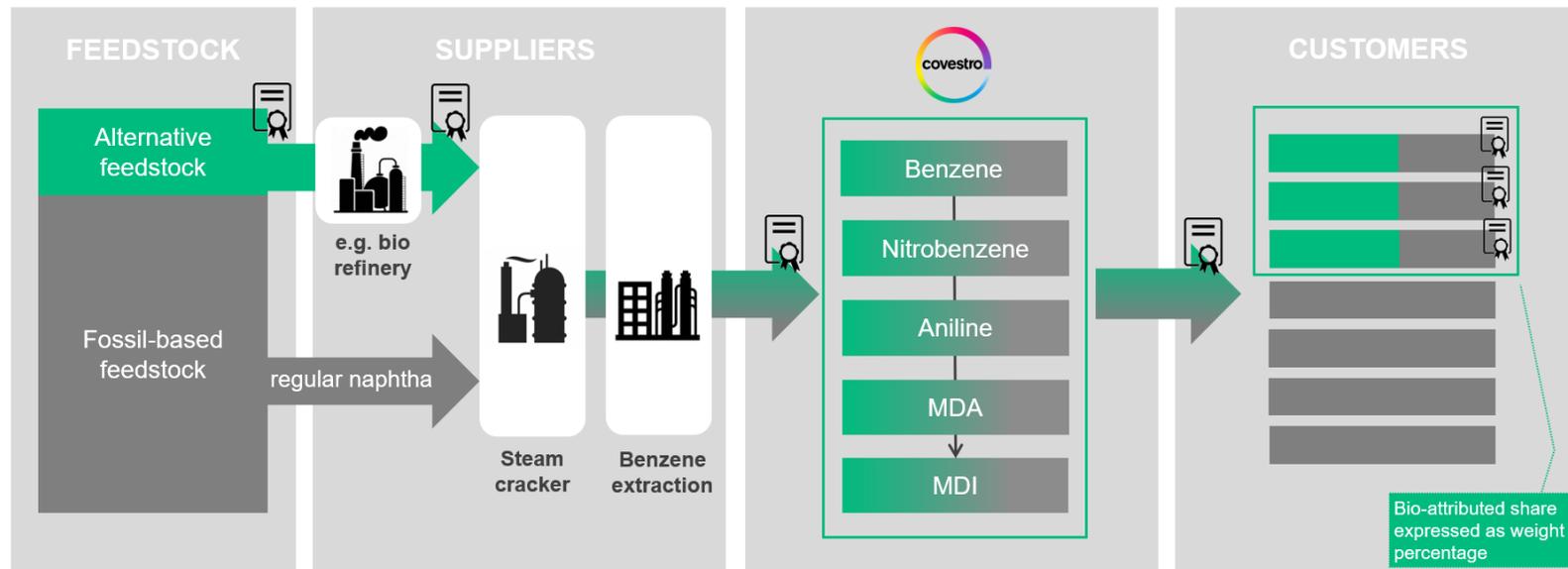
Certified alternative feedstock lower attributed CO₂ footprint



Mass balance approach

EXAMPLE MDI

Conceptual illustration



ISCC Plus certification

MASS BALANCE APPROACH

Principle

- Mass balance is a chain of custody method
- Fossil and alternative feedstock mixed in production but separated in bookkeeping
- Tracks materials through the value chains and allows attribution of alternative feedstock to selected end products
- ISCC standard applies to all stages of the value chain and is recognized worldwide

Advantages

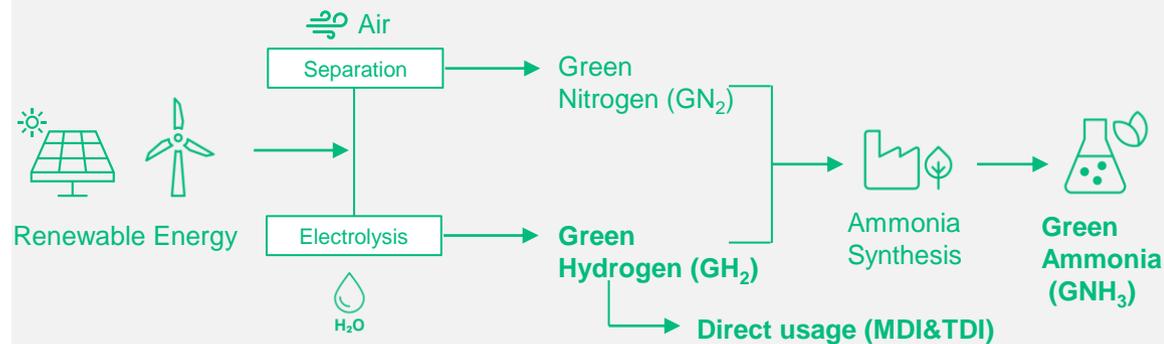
- Alternative raw materials are introduced into the value chain as drop-in solution
- Taking advantage of existing chemical infrastructure with its high efficiency and economies of scale
- Product quality and properties remain the same

Green Hydrogen as enabler for reduced GHG emissions



Covestro with strong focus on securing important volumes of green hydrogen/-derivatives

GREEN HYDROGEN/-DERIVATIVE PRODUCTION



EXPOSURE OF COVESTRO TO HYDROGEN/-DERIVATIVES

Importance of hydrogen/-derivatives for Covestro

- Ammonia and hydrogen are key basic raw materials for production of Covestro core products MDI and TDI

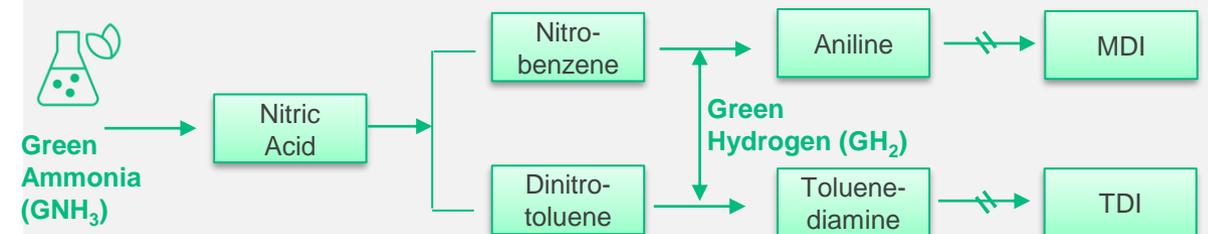
Activities of Covestro on Hydrogen

- CTO is a member of the German Hydrogen Council since 2020
- Venture capital engagement in Hydrogenious LOHC Technologies

COVESTRO ACTIVITIES FOCUSED ON GH₂/GNH₃ SOURCING

- Efficient way of reducing emissions to comply with our target of net-zero by 2035
- MoU with Fortescue Future Industries for supply of equivalents of 100.000 to/a of hydrogen derivative ammonia, esp. to APAC and NA
- Membership in H2Global Foundation to further fostering the production and use of green hydrogen nationally and internationally

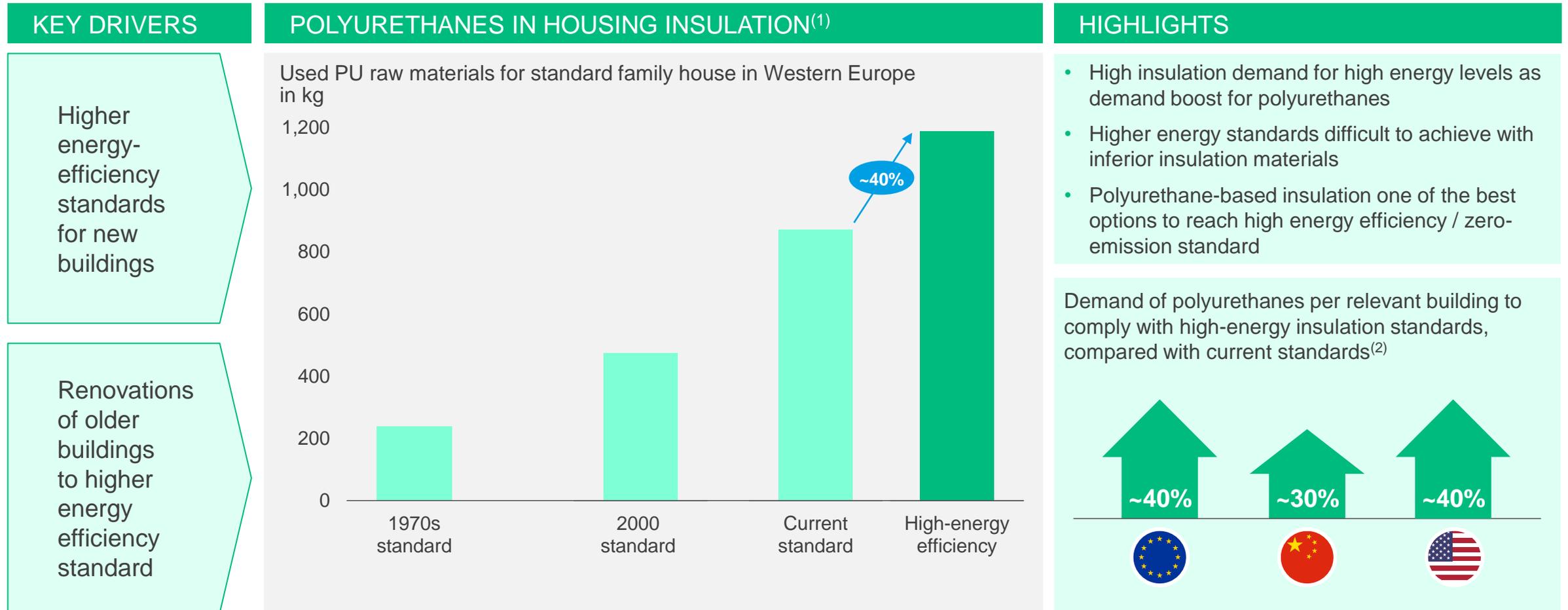
GREEN HYDROGEN/-DERIVATIVE USAGE IN COVESTRO



Higher insulation standards increase demand for polyurethanes



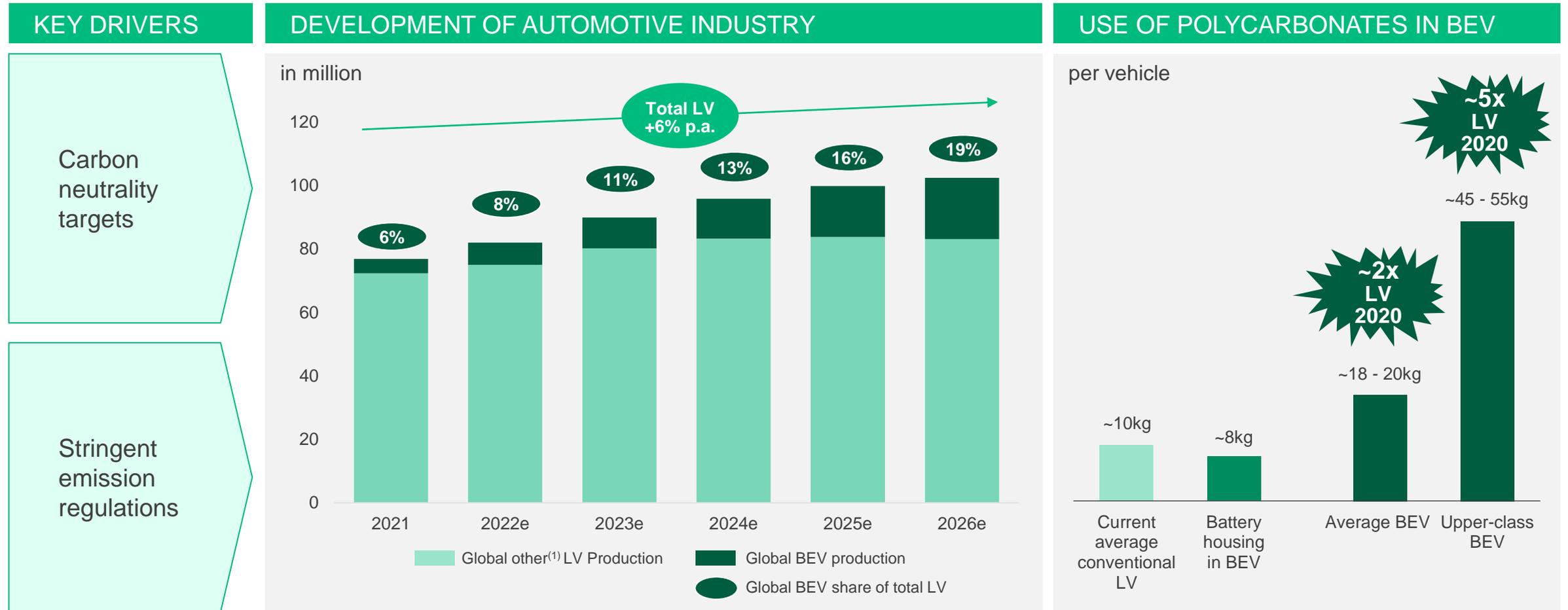
Building insulation market outlook



Auto production growth and increasing BEV share boost demand



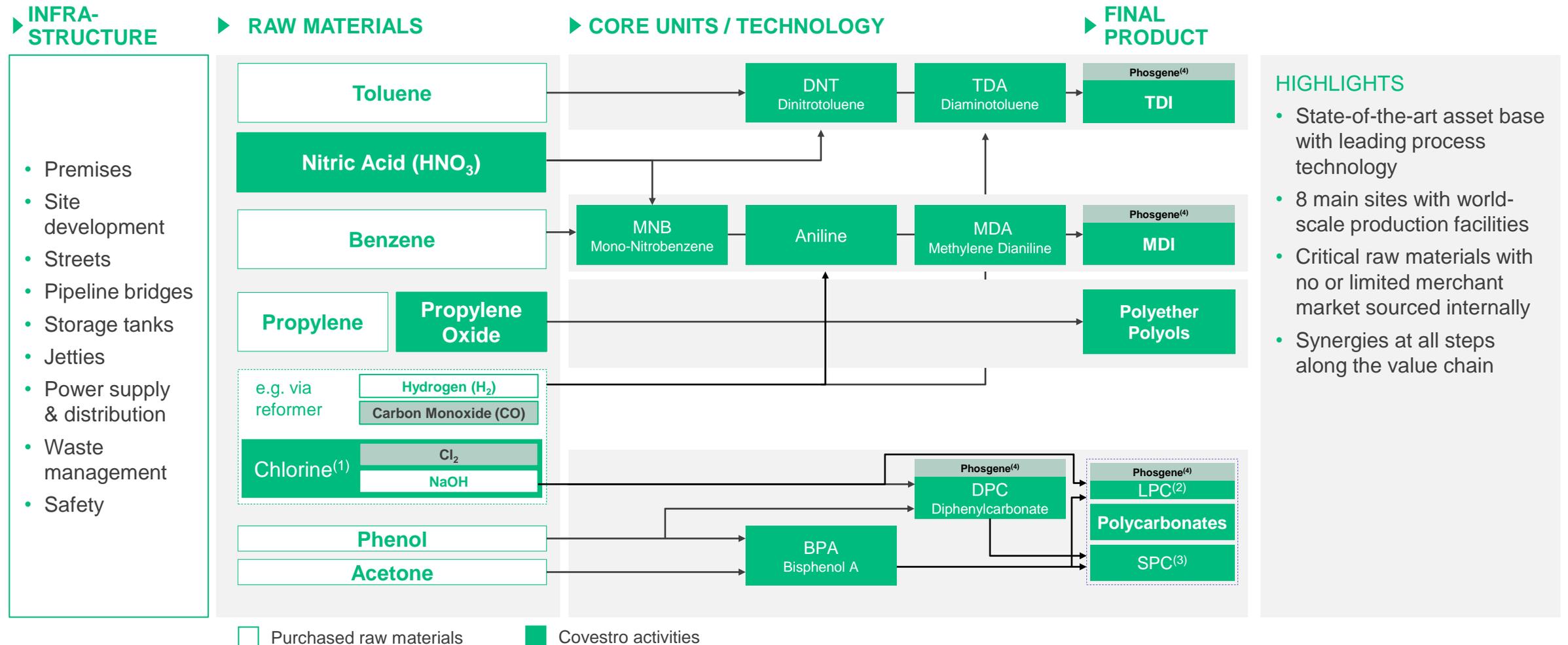
Global electric vehicle market outlook



Synergies in scale, process technology and chemical know-how



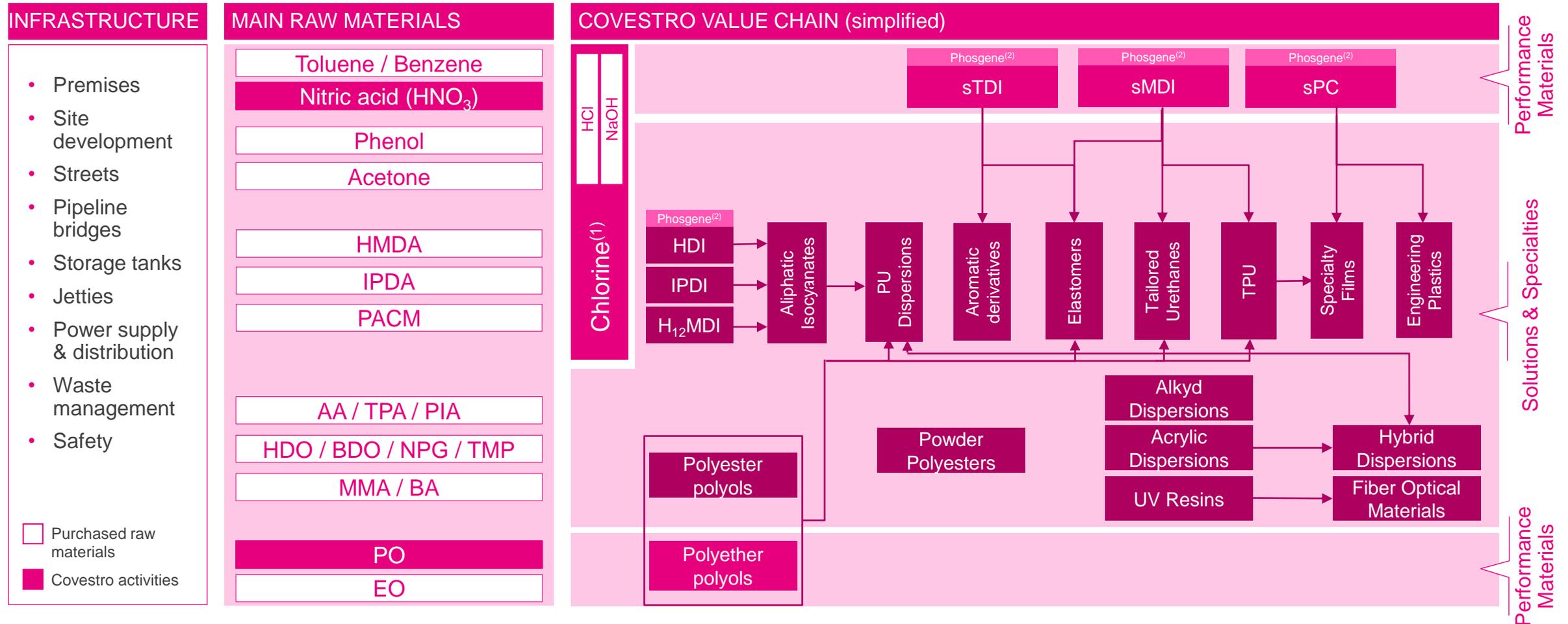
One chemical backbone across all segments



Synergies from chemical backbone and complementary technologies



Solutions & Specialties backward integration and value chain



Accountable for all business-specific, success-critical resources



New LEAP set-up of Business Entities

FORMER BUSINESS UNITS (BUs)



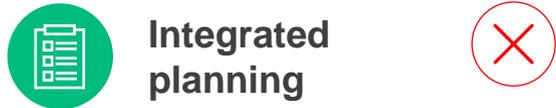
Sales and marketing



Sales, marketing and R&D already part of former BUs



Research & development



Integrated planning



Integrated planning, raw material purchasing and production not responsibilities of former BUs



Raw material purchasing



Production



NEW BUSINESS ENTITIES (BEs)



Sales and marketing remain within the BEs



BE-specific research and development included, cross-BE areas centralized



Integrated planning part of the BEs, supply chain and logistics remain centralized



Purchasing of BE-specific raw materials, remaining purchasing activities as central function



Production facilities of respective product groups embedded within the BEs



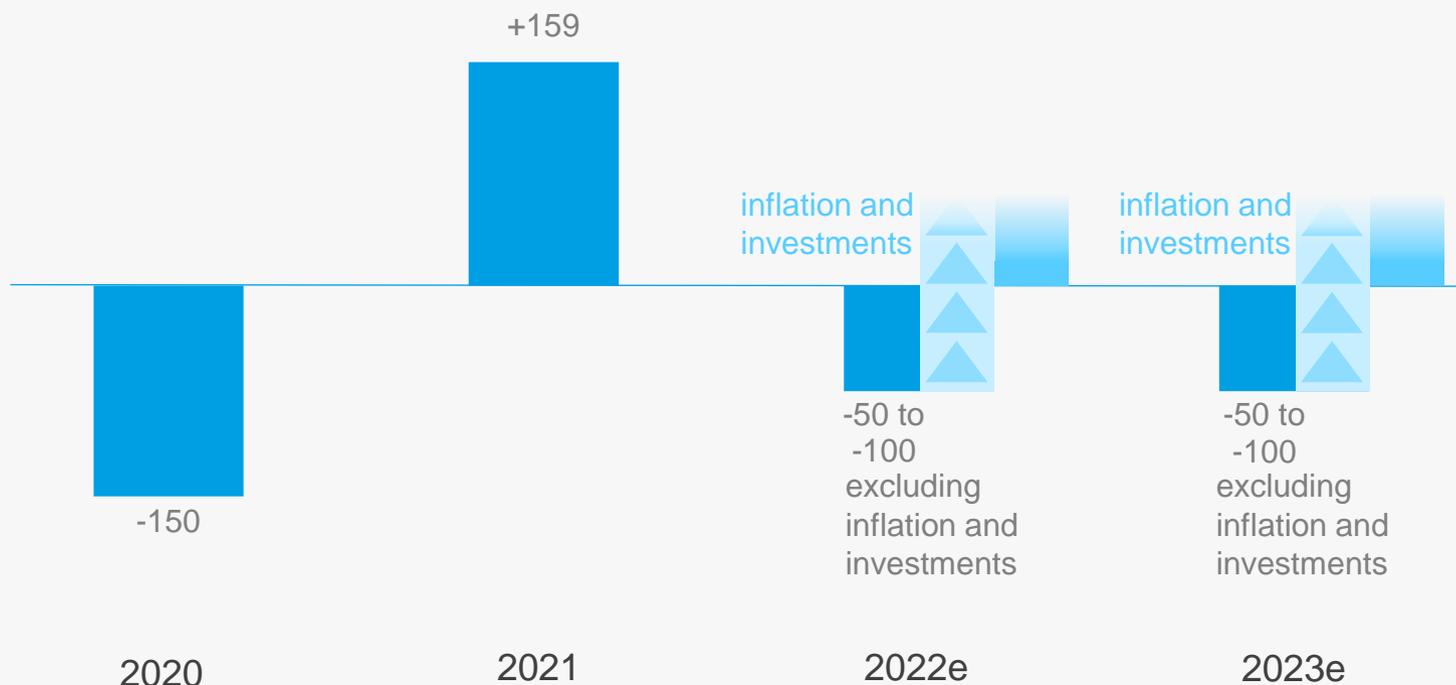
Manage fixed costs despite high inflation and investments



Transformation program LEAP in 2021-2023

FIXED COST DEVELOPMENT Y/Y EXCLUDING INCENTIVE SCHEMES

in € million



HIGHLIGHTS

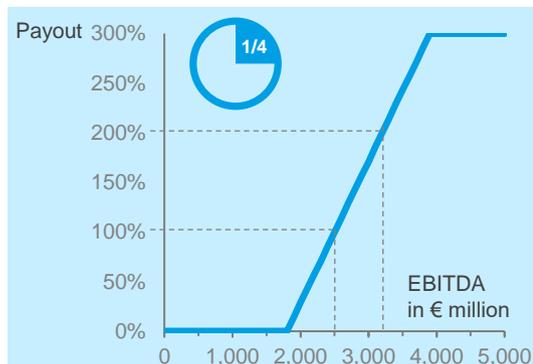
- In 2021, cost development on expectation; mainly driven by higher maintenance costs, salary increase, investments in digitalization and circularity
- In 2022 and 2023, expected net cost increase resulting from
 - High inflation (e.g. logistic, labor costs, etc.) as well as growth (e.g. MDI project) and climate-related investments
 - Partly counterbalanced by planned cost reductions of €50m to €100m p.a. through LEAP execution

Entire organization aligned for performance and sustainability



Group Profit Sharing Plan (PSP) as of 2022

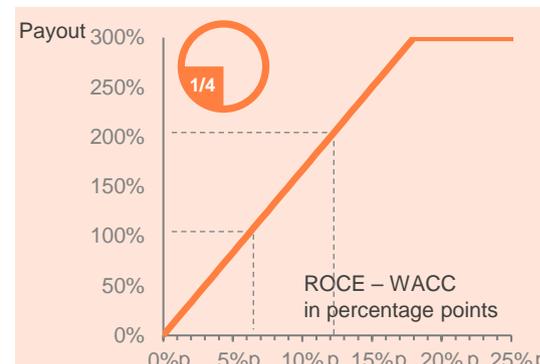
UNIFORM BONUS SYSTEM



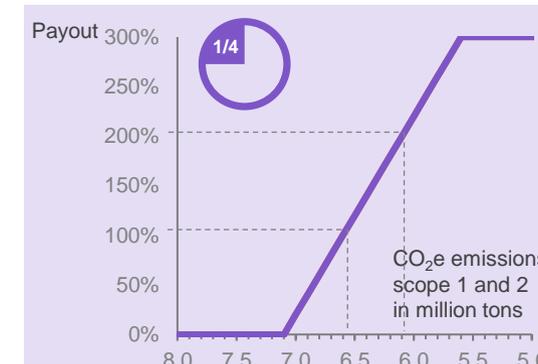
EBITDA (€ mio)				
Value	1,800	2,500	3,200	3,900
Payout	0%	100%	200%	300%



FOCF (€ mio)				
Value	400	1,000	1,500	2,000
Payout	0%	100%	200%	300%



ROCE above WACC (pp.)				
Value	0	6	12	18
Payout	0%	100%	200%	300%



Absolute CO ₂ e emissions Scope 1&2 (mt)				
Value	7.1	6.6	6.1	5.6
Payout	0%	100%	200%	300%

HIGHLIGHTS

- Full alignment of all employees (including Board) along the same KPIs
- Criteria with full focus on performance, shareholder value creation and sustainability
- 100% payout, as percentage of annual base salary, linked to hierarchy level
- Total payout at Group level for 0%, 100% and 250% achievement is €0m, ~€0.2bn and ~€0.5bn
- Max. payout capped at 250%

Significant value creation since IPO

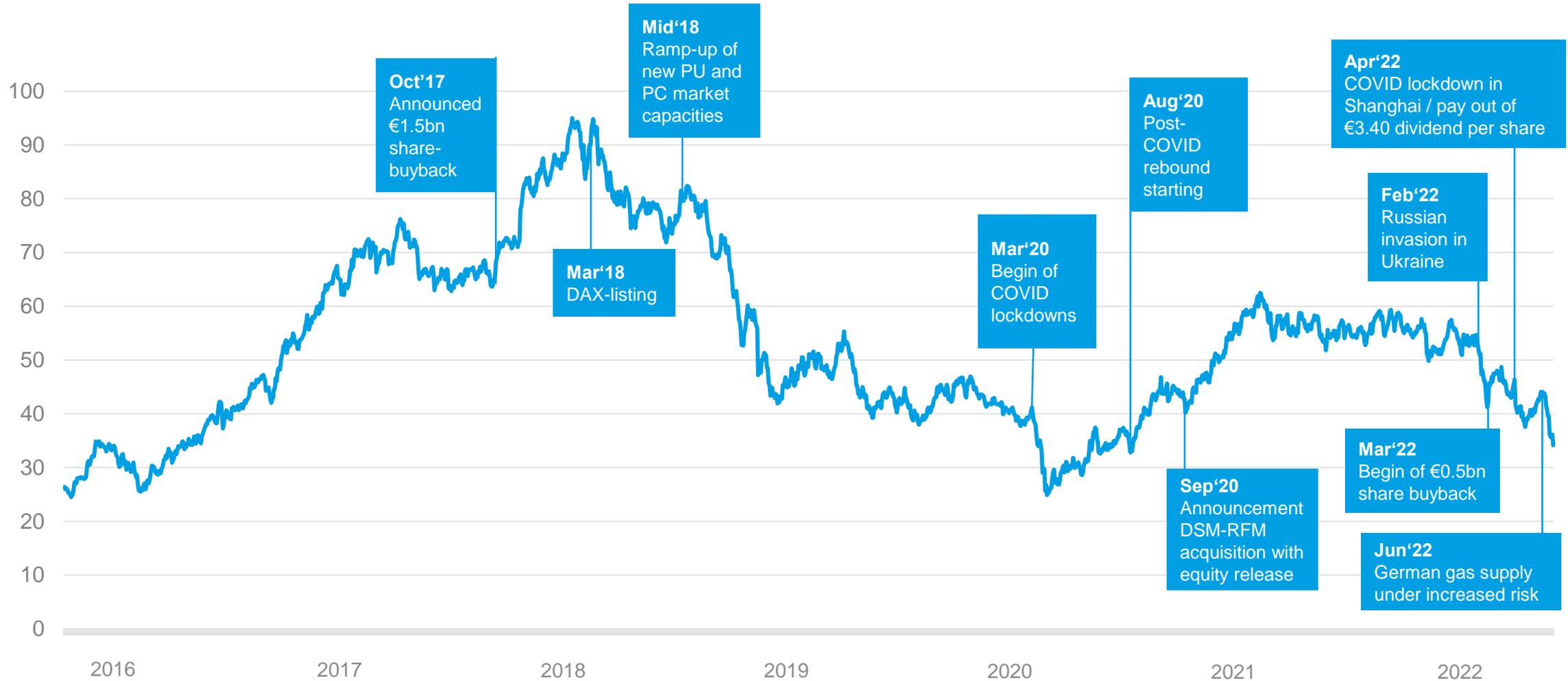
Development of last five years



		2017	2018	2019	2020	2021
Sales	(€ million)	14,138	14,616	12,412	10,706	15,903
• <i>Volume y/y</i>	(%)	+4.3	+2.3	+0.8	-5.1	+6.5
• <i>Price y/y</i>	(%)	+16.1	+4.5	-17.3	-5.7	+34.7
• <i>FX y/y</i>	(%)	-1.6	-3.0	+1.9	-1.6	-0.8
• <i>Portfolio y/y</i>	(%)	0.0	-0.4	-0.5	-1.3	+8.1
EBITDA	(€ million)	3,435	3,200	1,604	1,472	3,085
• <i>Performance Materials</i>		3,048	2,825	942	896	2,572
• <i>Solutions & Specialties</i>		626	585	832	743	751
Earnings per Share	(€)	9.93	9.46	3.02	2.48	8.37
Capex	(€ million)	518	707	910	704	764
Free operating cash flow (FOCF)	(€ million)	1,843	1,669	473	530	1,429
ROCE	(%)	33.4	29.5	8.4	7.0	19.5
Net financial debt	(€ million)	283	348	989	366	1,404
Employees ⁽¹⁾	(FTE)	16,176	16,770	17,201	16,501	17,909

Historical share price performance

Covestro € share price since IPO



Upcoming IR events



Find more information on covestro.com/en/investors

REPORTING DATES

- | | |
|--------------------|-----------------------------|
| • October 25, 2022 | Q3 2022 Quarterly Statement |
| • March 2, 2023 | 2022 Annual Report |
| • April 28, 2023 | Q1 2023 Quarterly Statement |

ANNUAL GENERAL MEETING

- | | |
|------------------|------------------------|
| • April 19, 2023 | Annual General Meeting |
|------------------|------------------------|

BROKER CONFERENCES

- | | |
|----------------------|--|
| • September 6, 2022 | ODDO BHF Corporate Conference, Frankfurt |
| • September 14, 2022 | Crédit Suisse Annual Specialties & Basics Conference, New York |
| • September 19, 2022 | Berenberg & Goldman Sachs Annual German Corporate Conference, Munich |
| • September 21, 2022 | Baader Investment Conference, Munich |



Disclaimer

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.