

Q3 target achieved in recessionary environment

Roadshow presentation



Covestro investment highlights

Group financials Q3'22

Segment overview

Background information

Covestro is diversified across geographies and end-markets



Key performance indicators and sales split



Sales
2021



EBITDA
2021

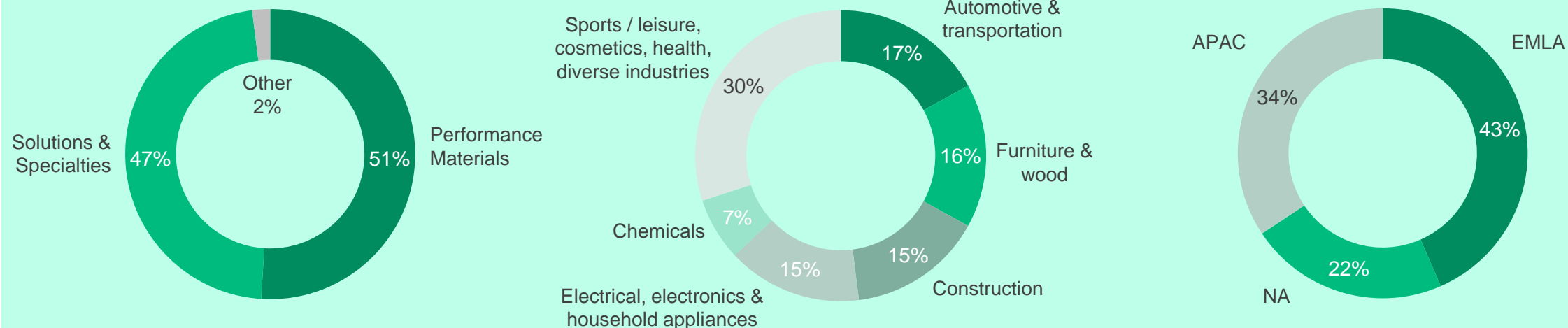


FOCF
2021



ROCE above WACC
2021

2021 sales



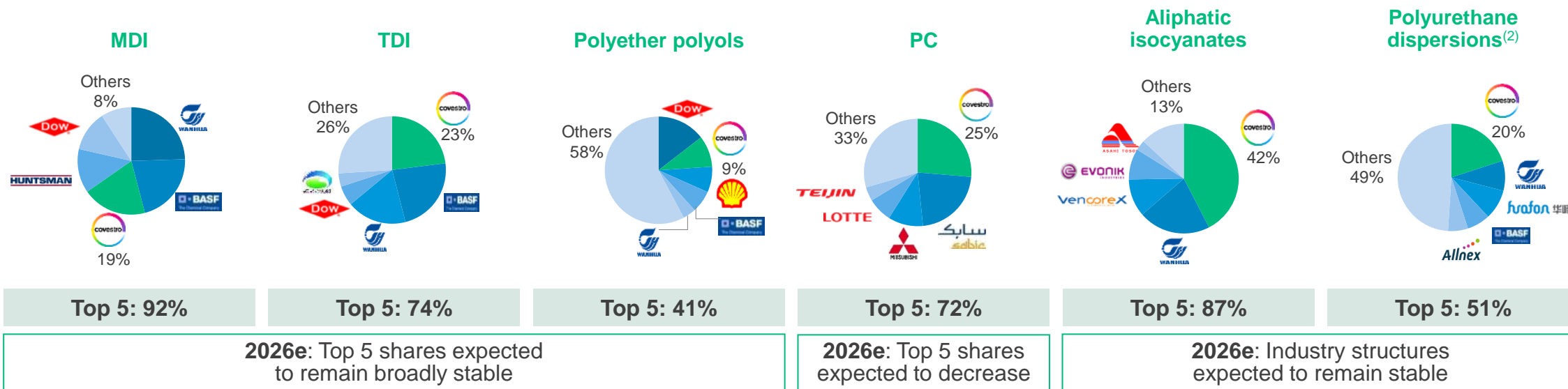
Covestro is a global leader across its entire portfolio



World-wide industry positions and production capacities

#1 IN KEY MARKETS

CAPACITY SHARE IN 2021⁽¹⁾



COVESTRO⁽¹⁾

Global #3	Joint global #1	Global #2	Global #1	Entry requirements <ul style="list-style-type: none"> Economies of scope Formulation and application know-how Close customer relationships and long-term R&D collaborations Operation of global business platform
1,770kt	800kt	1,420kt	1,600kt	
6 sites	3 sites	9 sites	5 sites	

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

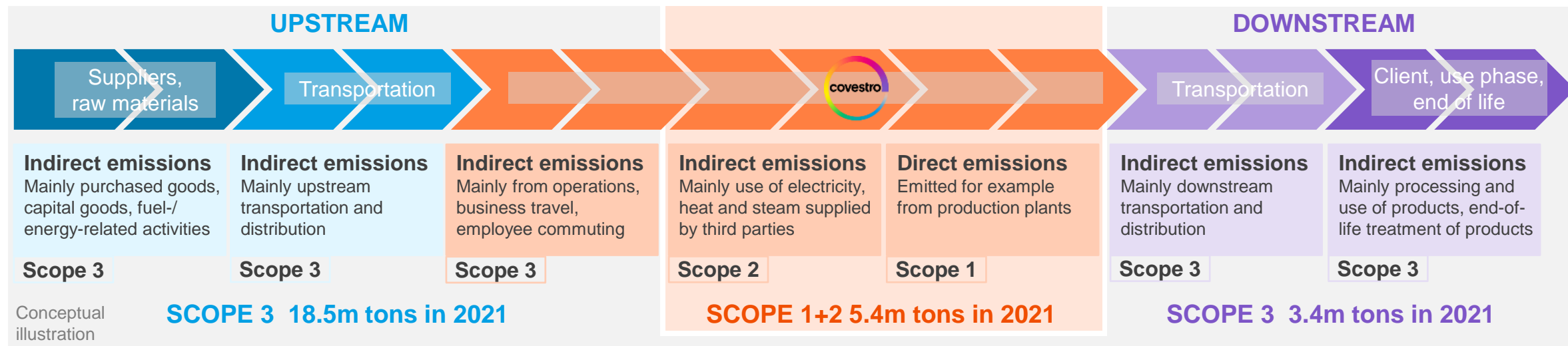
! MILESTONE
LEAP transformation ongoing

! MILESTONE
Integration of RFM

! MILESTONE
Target climate neutrality in 2035

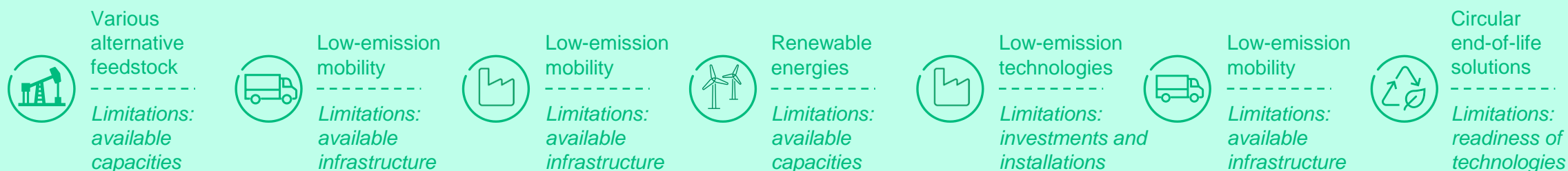
Climate neutrality with existing technologies and assets

Covestro greenhouse gas emissions



EXISTING OPTIONS AND CURRENT LIMITATIONS TO REDUCE GHG EMISSIONS

Selective examples only

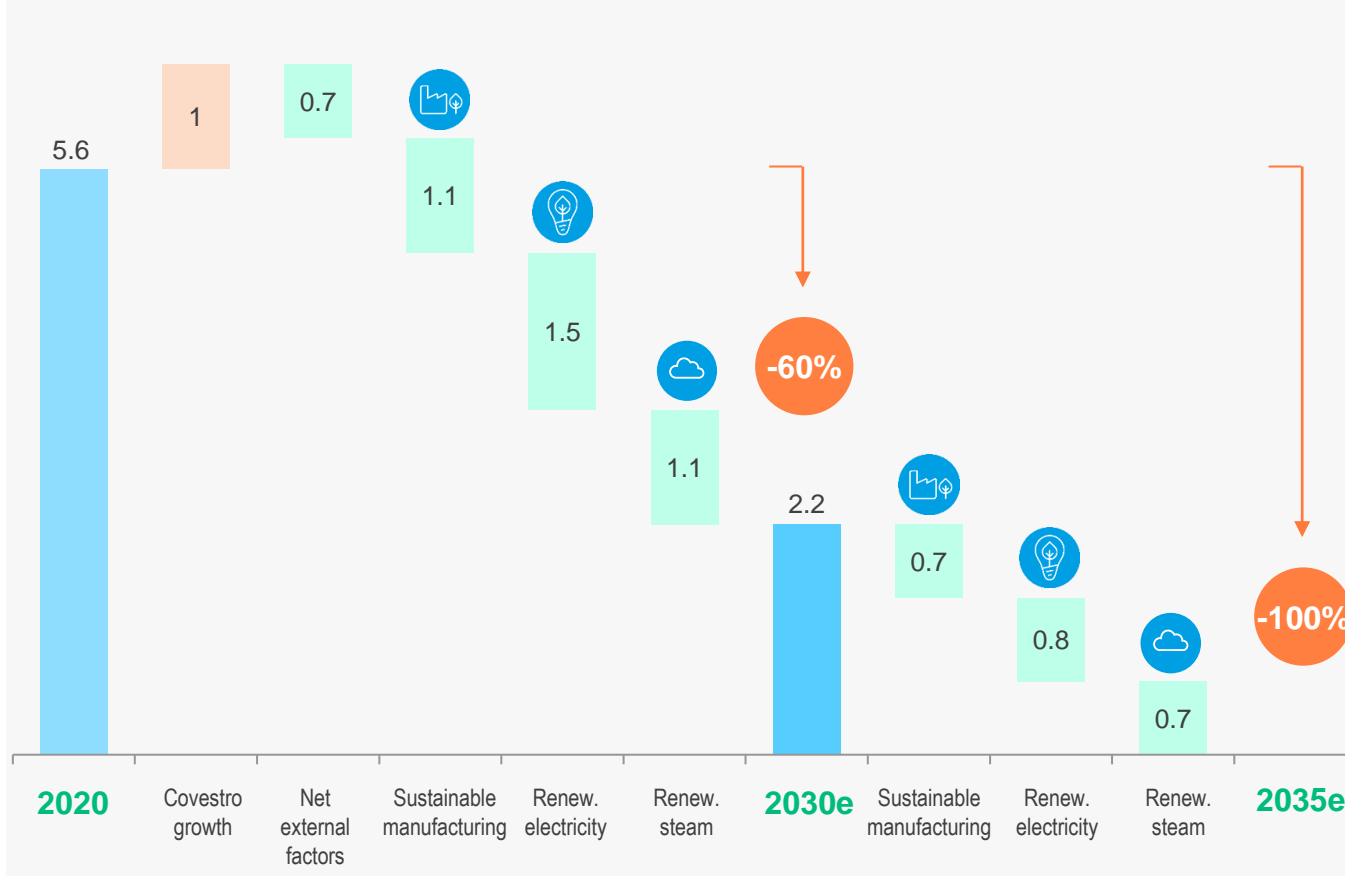


Sustainable manufacturing and renewable energy to lead path



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



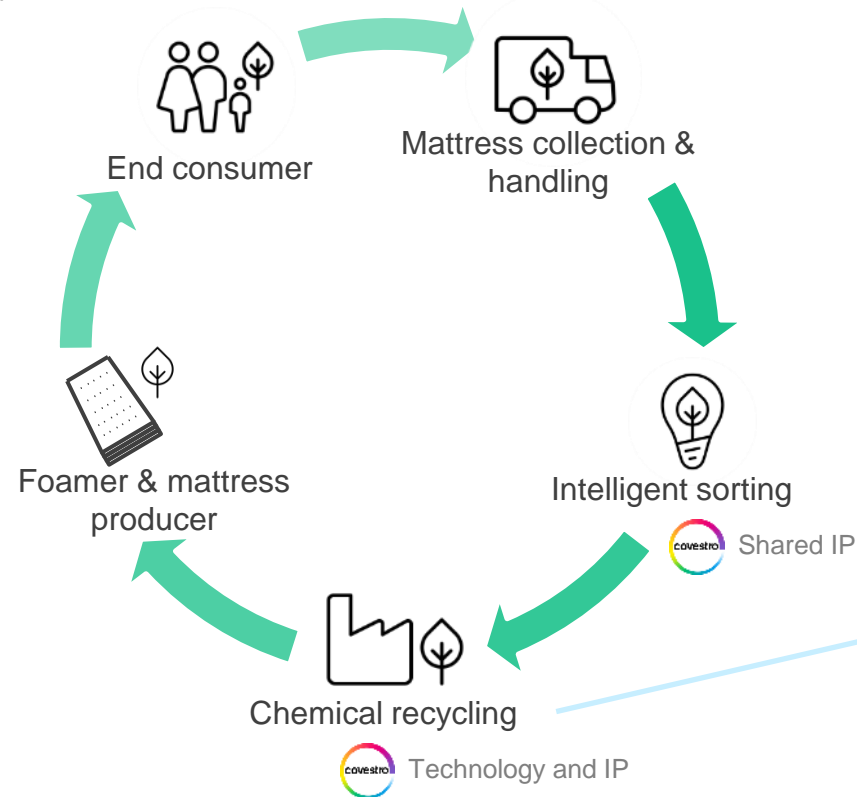
End-of-life solutions in cross-industry collaborations

COVESTRO TECHNOLOGY




- Chemical recycling of polyurethane (PU) mattress foams
- Proprietary process for recovering *both* PU components polyol and TDA under the new brand label **Evocycle® CQ** (circular intelligence)
 - 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



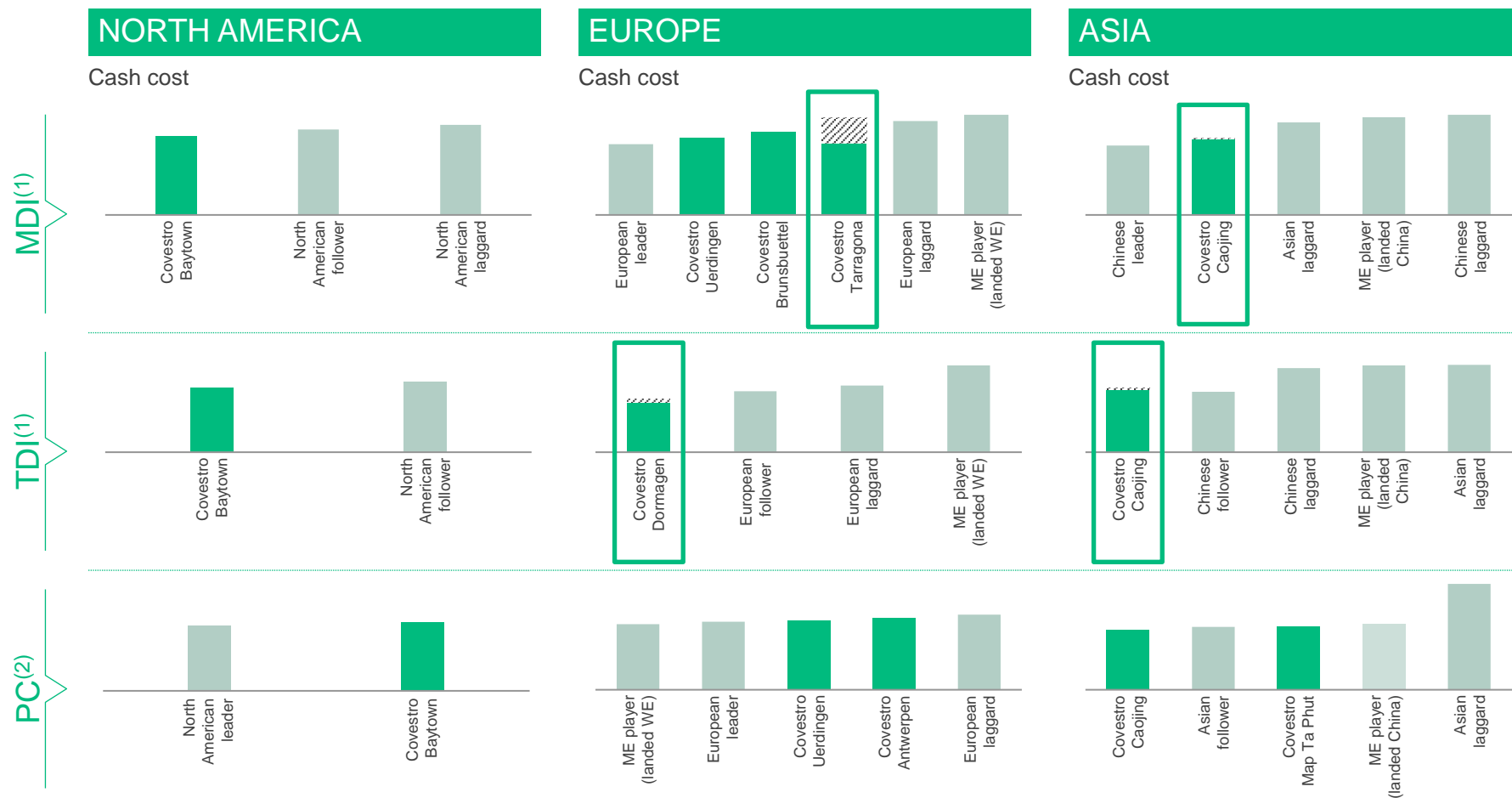
INDUSTRIAL SCALE-UP

- 
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



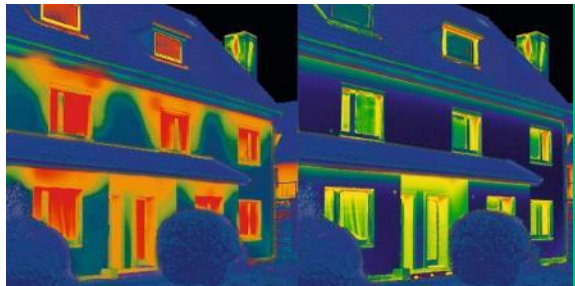
APPLICATIONS



INDUSTRY TRENDS

Electric vehicles pushing

- 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

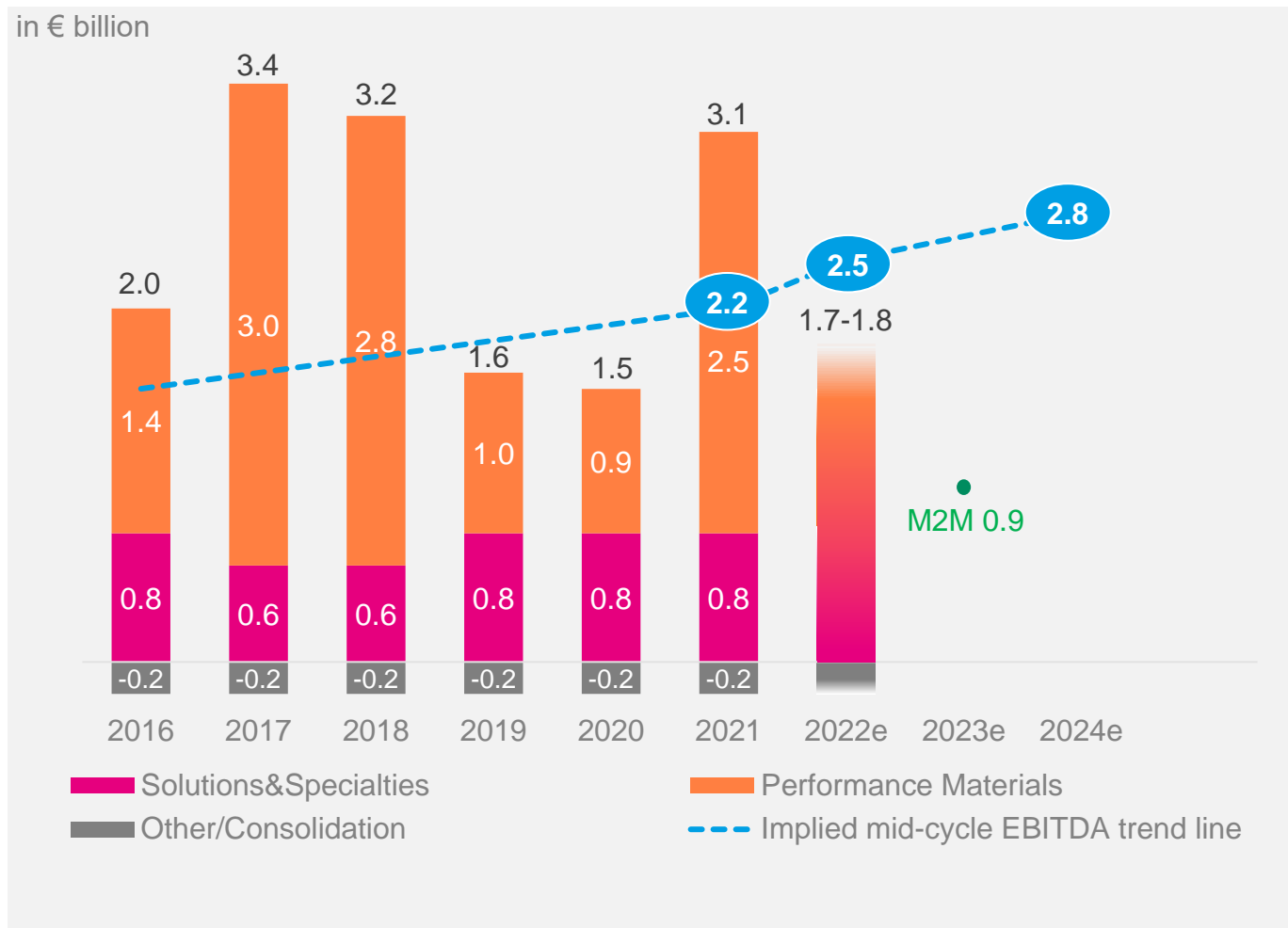
- Covestro polyurethane infusion resin contributes to 8% reduction⁽³⁾ in wind blade manufacturing cost and is expected to take ~10% market share of the wind resin market dominated by epoxy resins until 2032
- Our overall wind solutions for blades will result in 30% lower maintenance and 2-year life-time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

COVESTRO BENEFIT

Favourable mid to long term outlook for product portfolio of Covestro

EBITDA guidance for FY 2022 narrowed

EBITDA development between 2016 and 2024e



HIGHLIGHTS

M2M 2023:

- Mark-to-market (M2M) EBITDA in FY 2023 of ~€0.9bn based on September 2022 margins reflecting current recessionary environment and high energy costs

Mid-cycle EBITDA:

- Mid-cycle definition: Respective year's EBITDA performance under average market conditions
- Strong increase from €2.2bn to €2.5bn in 2022 from EBITDA impact of RFM acquisition
- Increase driven by LEAP transformation and growth of Covestro core products (1pp change in sales volume equals around +/- €70m)

EBITDA Solutions & Specialties in FY 2022

- FY 2022 EBITDA expected to improve compared to 2021

EBITDA guidance narrowed in recessionary environment

Revised FY 2022 guidance



	FY 2021	Recent guidance FY 2022 (as of July 29, 2022)	Updated guidance FY 2022 (as of Oct 25, 2022)
EBITDA	€3,085m	€1,700m – 2,200m	€1,700m – 1,800m
FOCF	€1,429m	€0 – 500m	€0 – 100m
ROCE above WACC ⁽¹⁾	12.9pp	-2 – +2pp	-2 – -1pp
GHG emissions (scope 1 and 2)	5.2m tons	5.3m – 5.8m tons	5.0m – 5.4m tons

Additional financial expectations

D&A	€823m	~€950m	~€950m
Financial result	€-77m	~€-140m	~€-160m
P&L (effective) tax rate	25.9%	24 – 26%	~26% ⁽⁴⁾
Capex ⁽²⁾	€764m	~€1,000m	~€900m

HIGHLIGHTS

Assumptions for FY 2022 guidance:

- Global GDP growth of ~3%⁽³⁾
- €/USD around 1.0 level
- Energy cost around ~€2.1bn
- No severe impact from a potential gas curtailment

2022 FX sensitivities

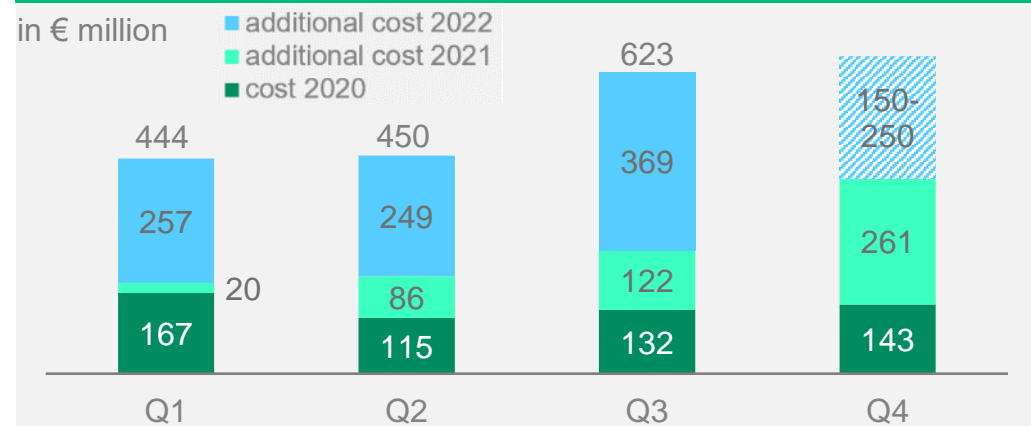
- 1pp change equals
+/- €9m for CNY/EUR
+/- €4m for USD/EUR

Global energy cost more than tripled within two years

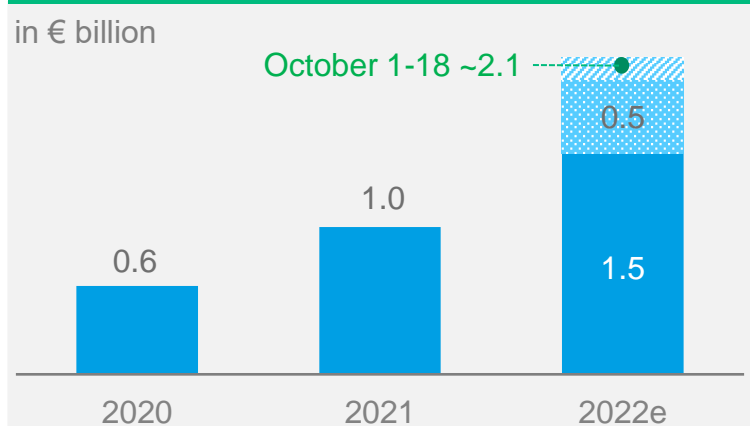
Energy cost development



INCREMENTAL ENERGY COST DEVELOPMENT



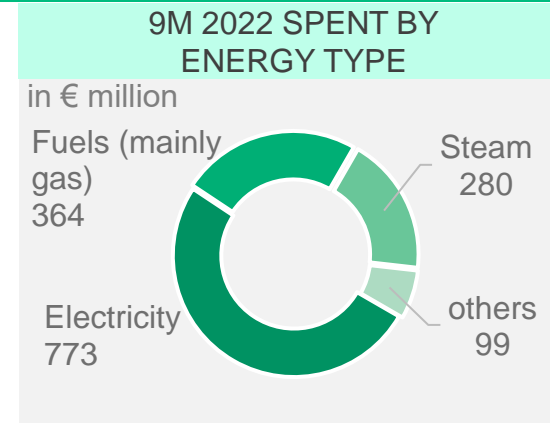
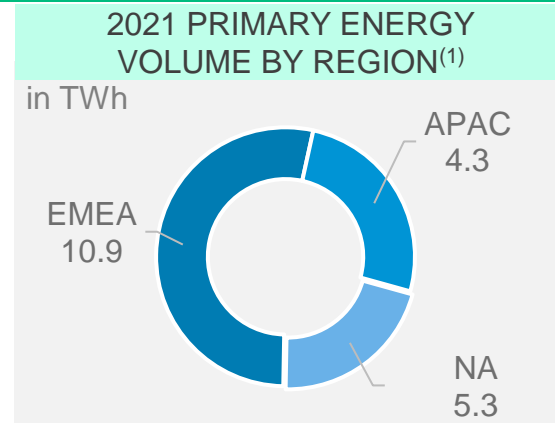
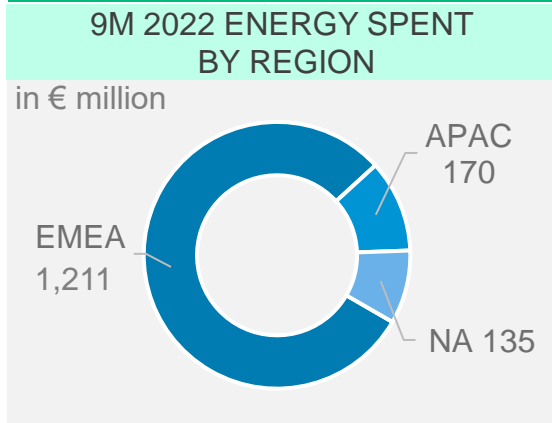
GLOBAL ENERGY COST



HIGHLIGHTS

- Global energy bill in 2022 initially estimated at €1.5bn, revised forecast in May included up to €2.0bn, as of July 2022 a further increase to around €2.2bn was embedded
- Total energy cost of €~2.1bn based on the average prices of October 1-18, 2022 also influenced by lower volumes
- Situation in EU remains extremely volatile
- Covestro purchases energy under spot market conditions with no hedges

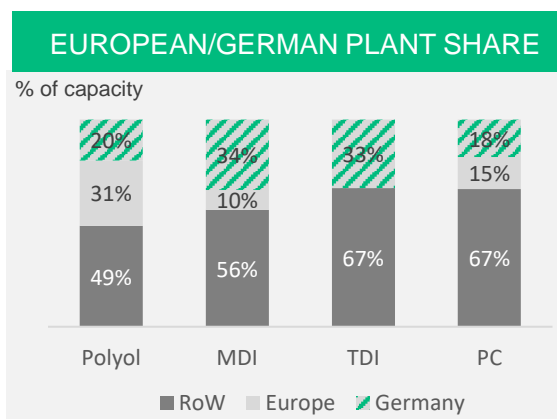
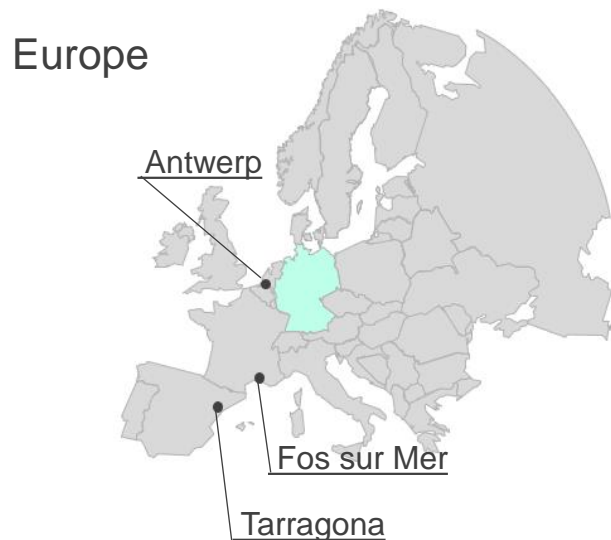
ENERGY BREAKDOWN



Potential impact of gas supply curtailment on German sites



European major sites locations



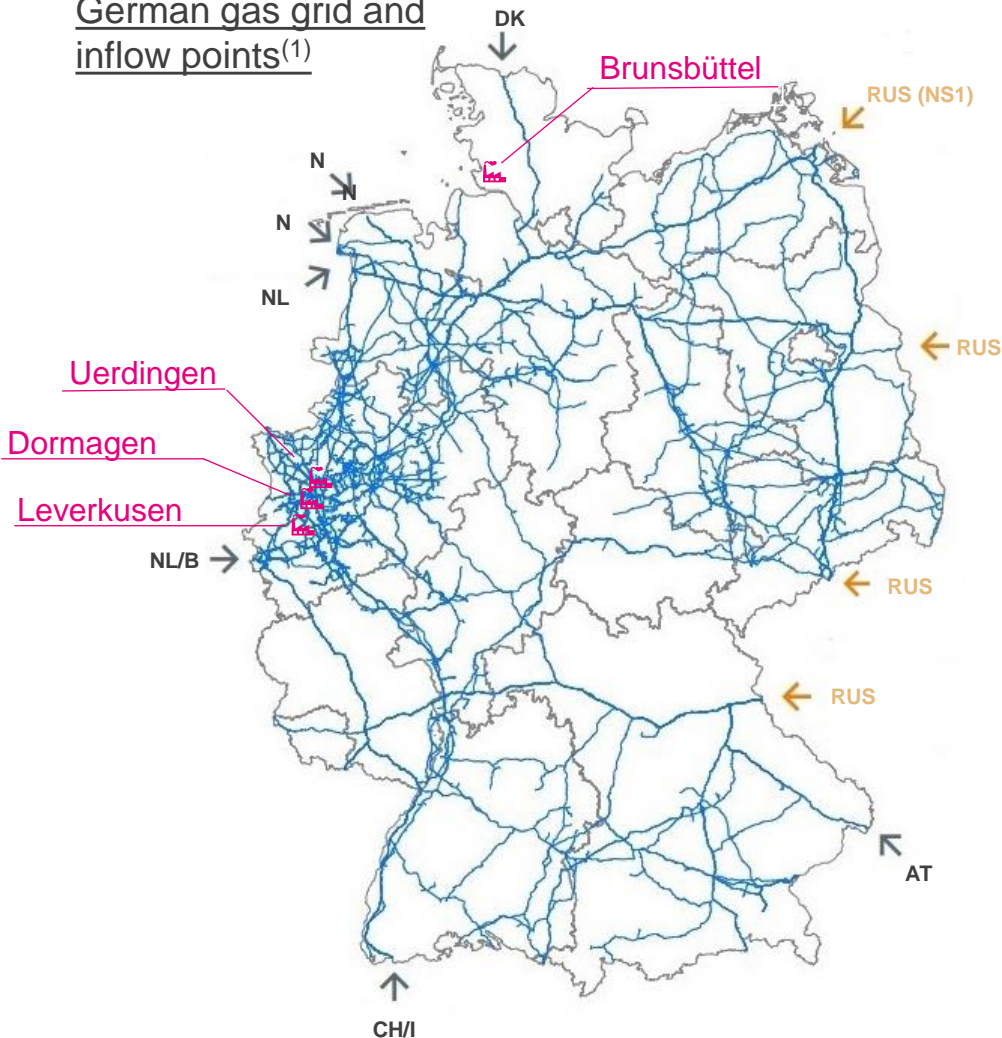
HIGHLIGHTS

- 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
- Covestro plants in Belgium, France and Spain expected to be affected at limited extend only⁽¹⁾

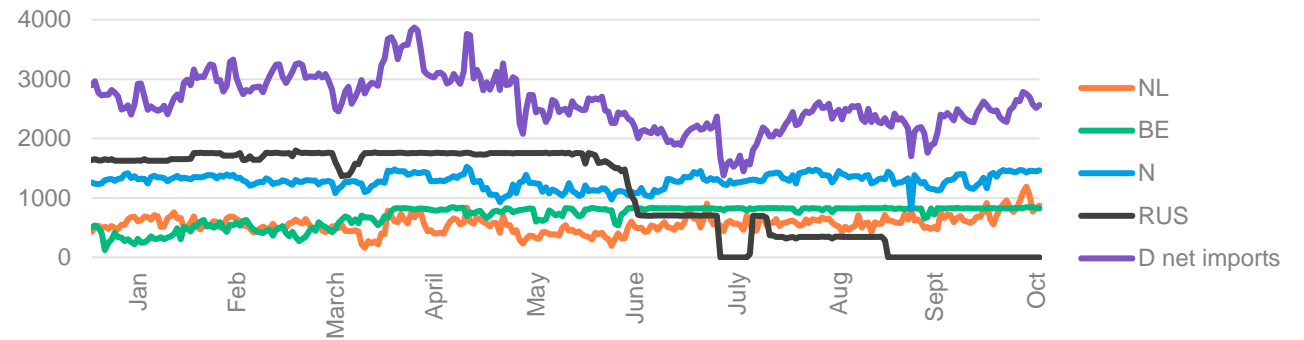
Production sites of Covestro located in favorable position

Gas supply infrastructure and location of German sites

German gas grid and inflow points⁽¹⁾



2022 NET GAS IMPORTS TO GERMANY BY SOURCE⁽¹⁾



HIGHLIGHTS

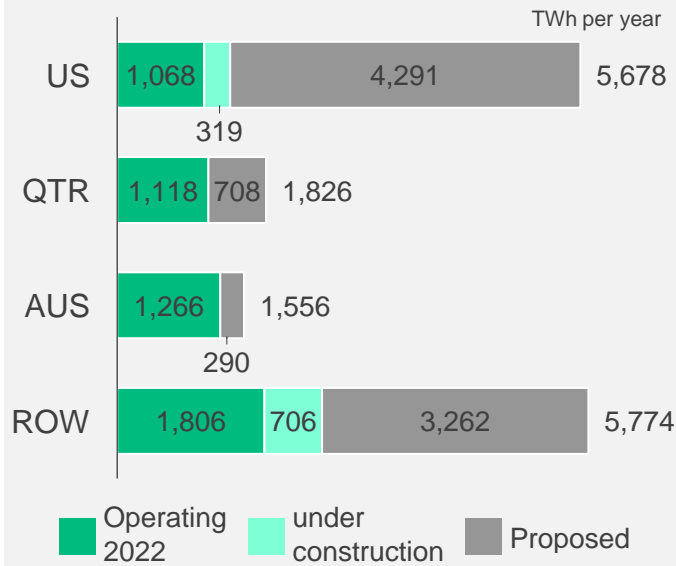
- New gas supply situation shows increased imports from Benelux and Nordic countries to cover for reduced imports from Russia
- Gas grid setup is based on the old flow pattern (East to West), an inverted flow direction with own LNG terminals and increased imports from N/NL/B needs to be simulated/tested 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

LNG balancing should re-establish European competitiveness



LNG capacities & shipping costs

TOP LNG EXPORT COUNTRIES⁽¹⁾

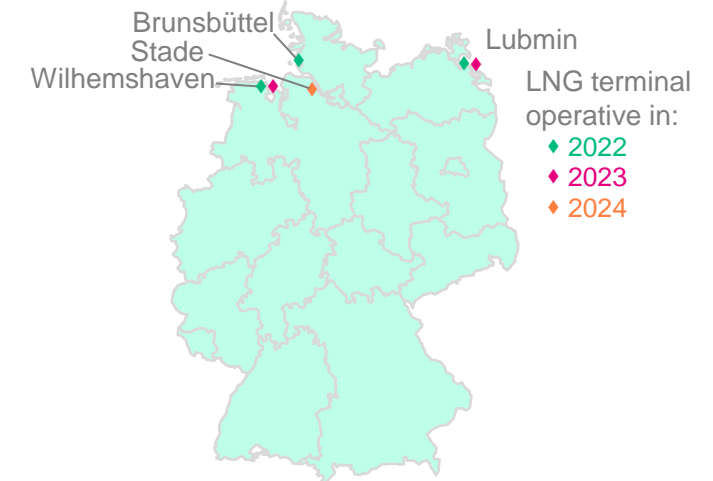


LNG TRANSPORTATION⁽³⁾



Transport capacity ~1,100 TWh
@ av. sailing time of 25d total capacity ~16,000TWh/a

GERMAN LNG IMPORT OPTIONS⁽⁴⁾



German import capacity by 2024: 300TWh
EU import capacity 2022: 1,600 TWh

Pricing factor: x1

Pricing methodologies:

- Henry Hub US
- Bilateral agreements on government or company level

Pricing factor: x0.8-1⁽¹⁾

Pricing elements for LNG transportation⁽²⁾:

- Liquefaction: ~50%
- Shipping: ~25 %
- Regasification/Distribution: ~25%

Delivered cost: x1.8-2





Covestro estimates long-term LNG price clearly below €100 per MWh

European assets remain competitive & global LNG balancing is faster than production relocation

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
<p>€4.0bn invested in capex</p>	<p>€2.3bn dividends</p>	<p>€1.5bn net investments</p>	<p>€1.1bn share capital reduced</p>

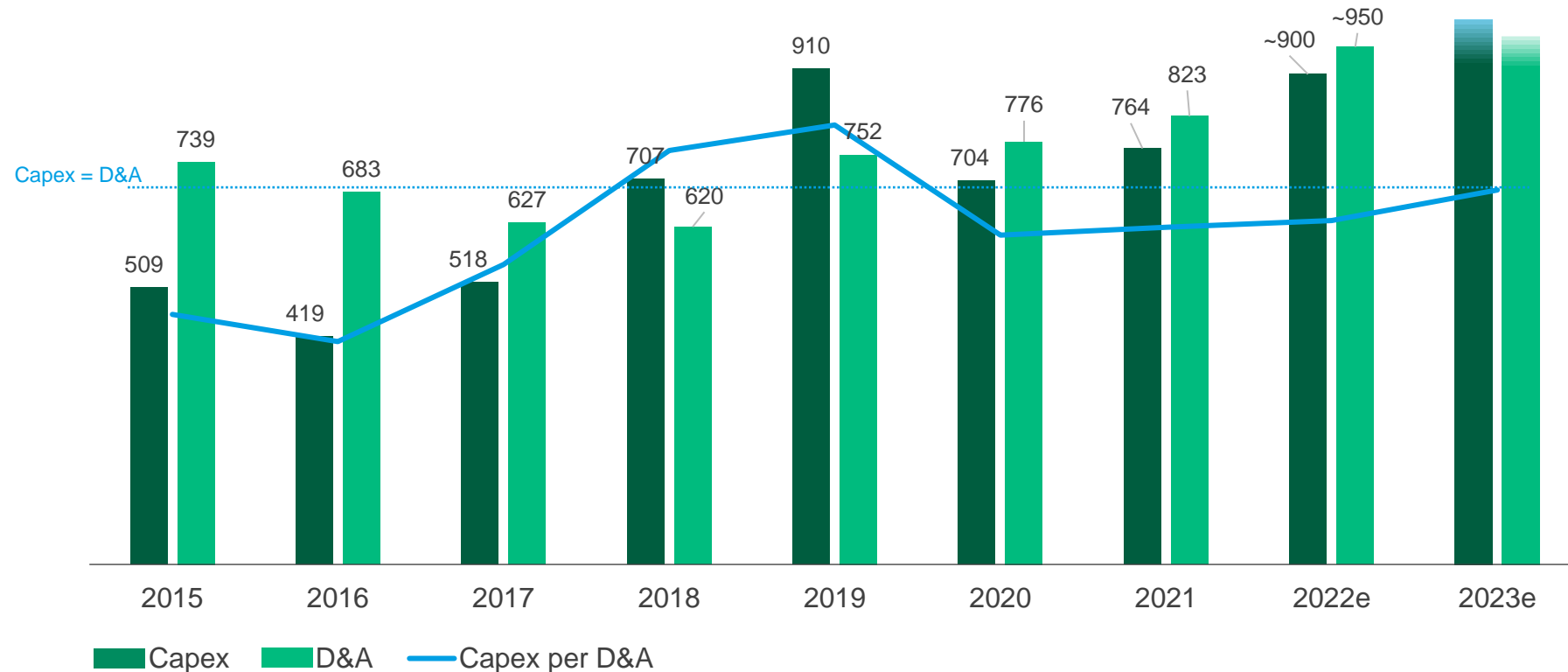
Significant investments into growth

Group capex and D&A



HISTORIC AND PROJECTION

in € million

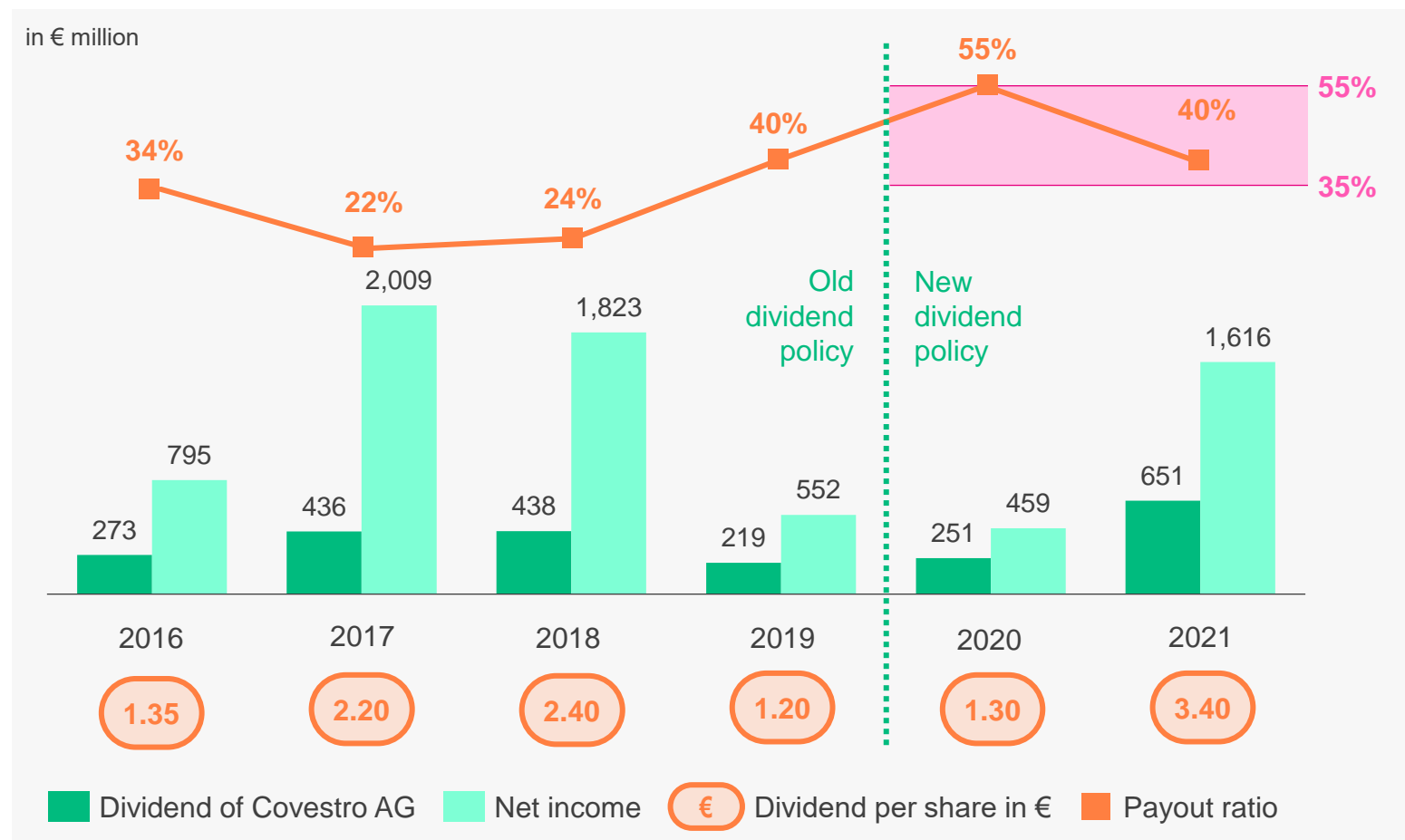


HIGHLIGHTS

- Growth capex of around €2.5bn from 2015 to 2022
- Maintenance capex around €400m p.a.
- Planned investments in Circular Economy projects of almost €1bn between 2021 and 2030

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

Additive Manufacturing business

📅 Q1 2023 expected

Dubai system house⁽¹⁾

📅 July 2021

Europe Polycarbonates sheets business

📅 September 2019

Europe system houses

📅 June 2019

USA Polycarbonates sheets business

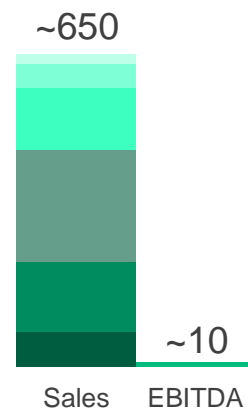
📅 August 2018

NA Polyurethanes spray foam business

📅 April 2017

📅 Closing

Cumulated, in € million



Business divested at average EV/EBITDA >20x

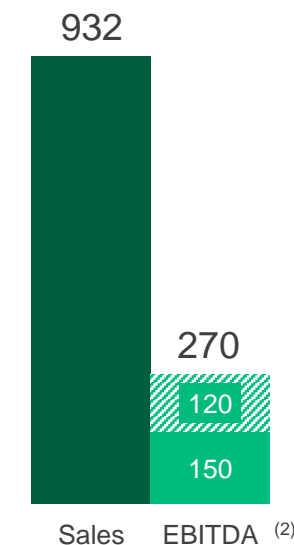
Portfolio analysis ongoing, further minor divestments possible

ACQUISITIONS

DSM Resins & Functional Materials business

📅 April 2021

in € million



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

(1) Covestro with 51% joint venture share

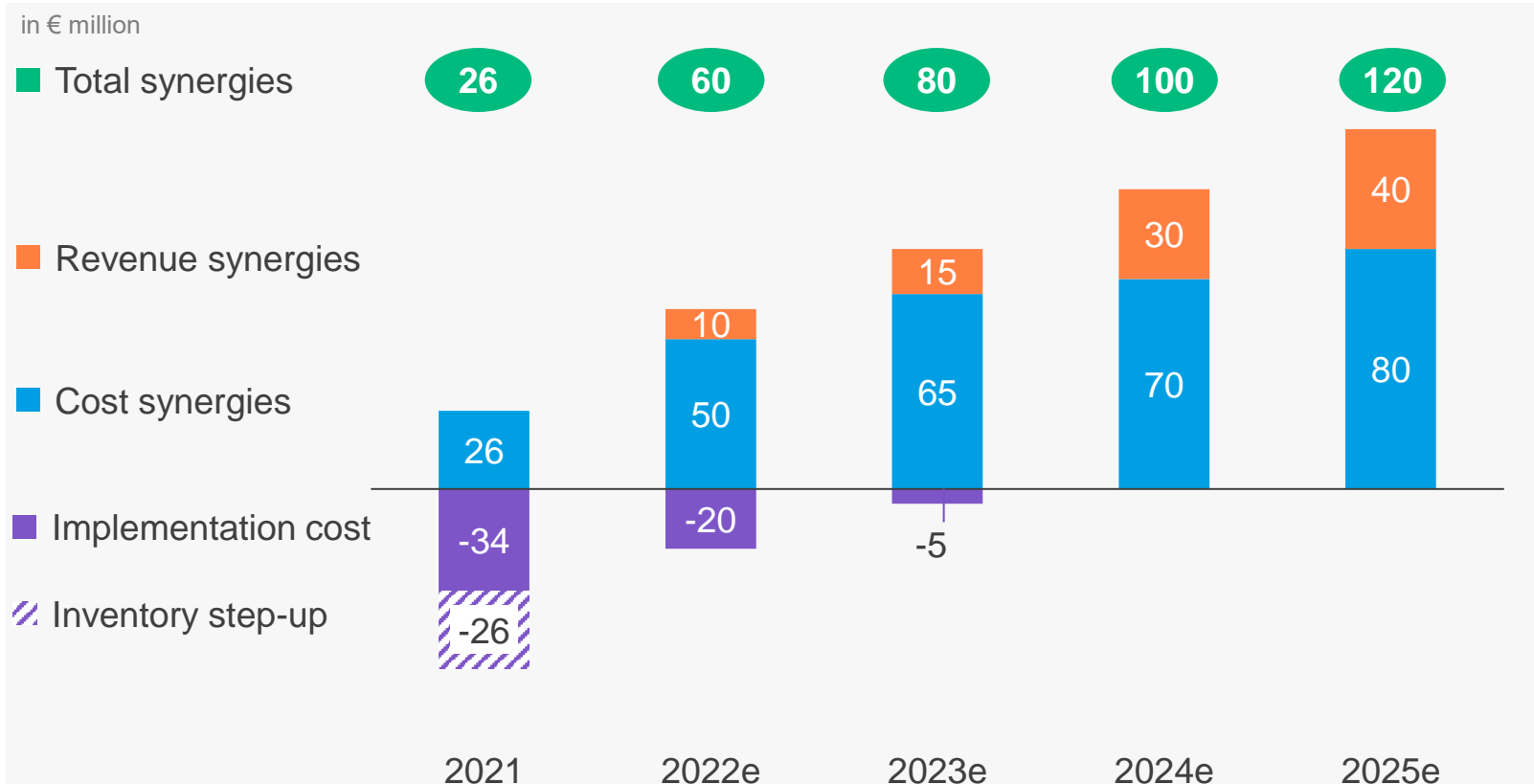
(2) Based on 2020 sales / approximate stand-alone EBITDA in 2021 (€150m) and full synergies (€120m)
Listed transactions with materiality; All sales and EBITDA refer to the last fiscal year prior to closing
IRR: Internal rate of return

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 €85m (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

Q3 target achieved in recessionary environment



Highlights

1

Continuously high sales of €4.6bn in Q3 2022
driven by price increases despite lower volumes

2

EBITDA within guidance range in Q3 2022
despite recessionary environment and high energy & raw material prices

3

Positive FOCF of €33m in Q3 2022
improving 9M FOCF to €-412m




4

FY guidance narrowed
EBITDA guidance within the range of €1.70 – 1.80bn

5

Ambitious sustainability & circularity vision
presented on world leading plastics fair K 2022



-  Covestro investment highlights
-  **Group financials Q3'22**
-  Segment overview
-  Background information

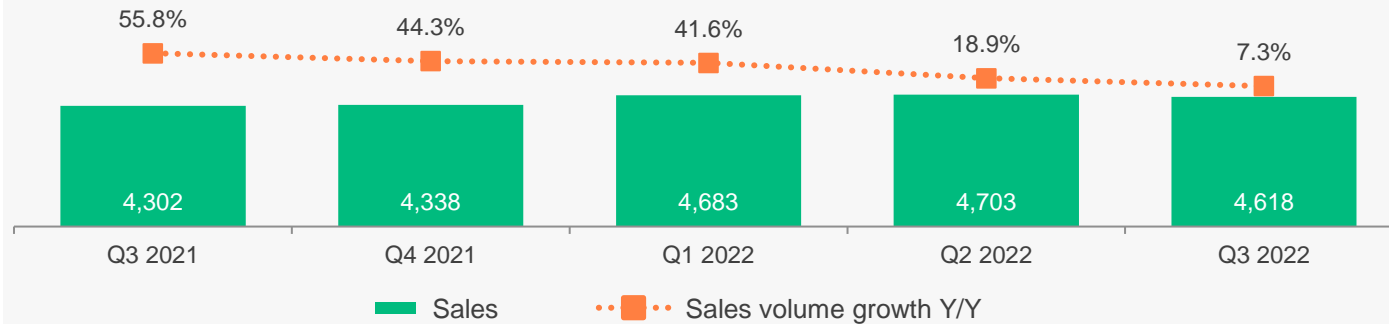
Continuously high sales

Group results – Highlights Q3 2022



SALES

in € million / changes Y/Y

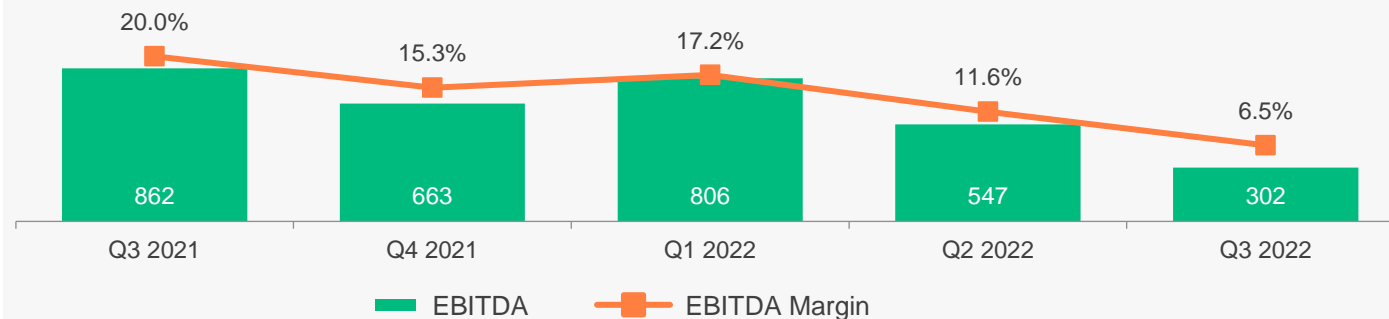


HIGHLIGHTS

- In Q3 2022, Covestro achieved third highest quarterly sales in its history
- Year-over-year volume decline compensated by price increase

EBITDA AND MARGIN

in € million / margin in percent



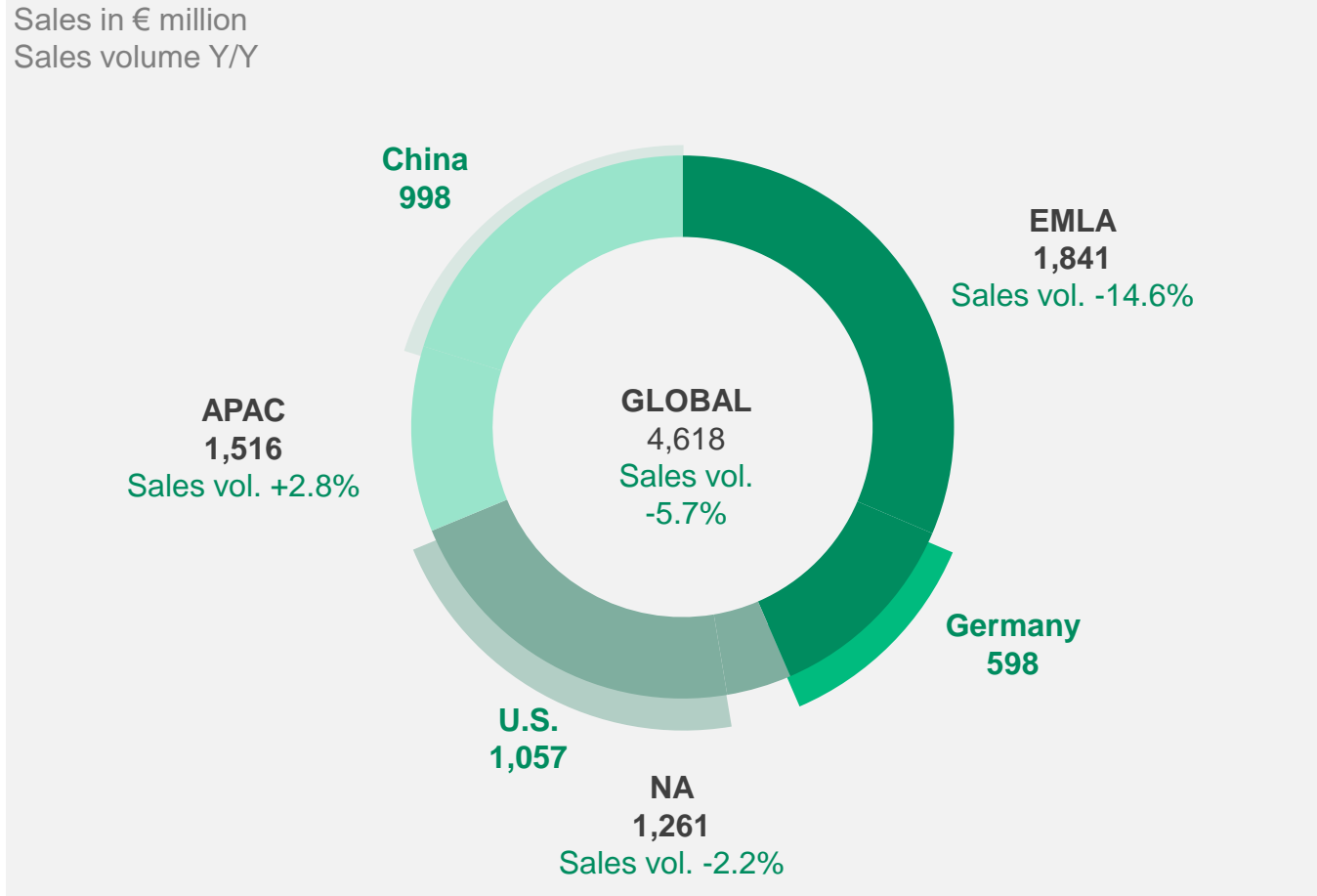
HIGHLIGHTS

- Q3 2022 impacted by high raw material and energy prices as well as by lower volumes driven by weakening demand
- Higher prices year-over-year partially offset EBITDA reduction

Volume decline due to demand weakness in Europe



Q3 2022 – Regional split

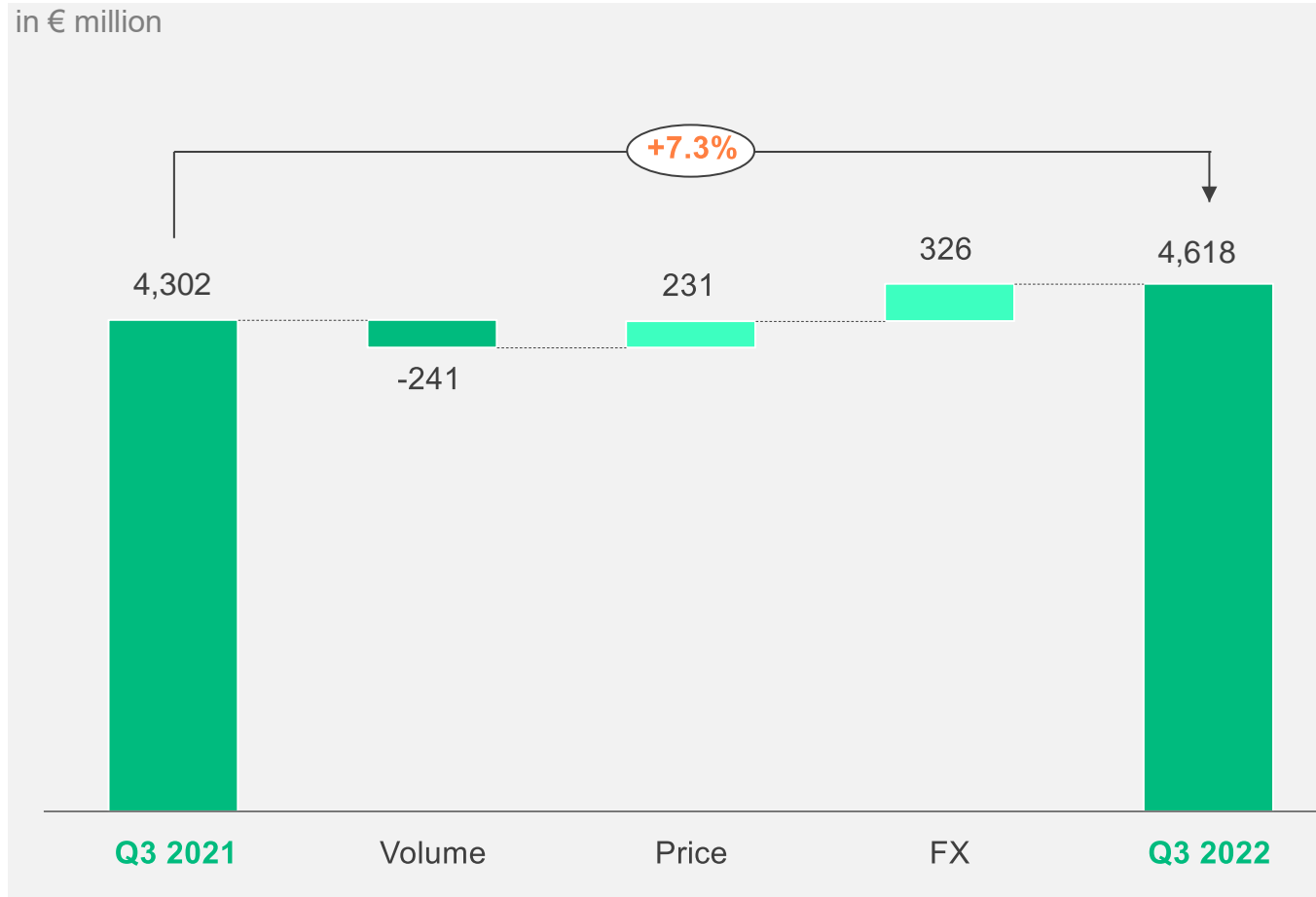


HIGHLIGHTS

- Sales volume decline year-over-year driven by European recessionary environment:
 - Auto/transport high single-digit % increase
 - Furniture/wood low double-digit % decline
 - Electro low double-digit % decline
 - Construction flat
- EMLA: Within recessionary environment significant decline in electro, furniture and construction; auto/transport with significant increase
- NA: Significant sales volume growth in construction, slight growth in auto/transport while significant decline in furniture/wood and electro
- APAC: Significant growth in construction, furniture and auto/transport with auto/transport benefitting from stimulus program and easing chip shortage; electro with significant decline

Sales increase driven by price and FX

Q3 2022 – Sales bridge



HIGHLIGHTS

Volume negative

- Volume contribution of -5.7% Y/Y

Pricing positive

- Higher selling prices that partially compensated higher energy and raw material costs pushed sales up +5.4% Y/Y
- Price increases enforced by both PM (+5.2% Y/Y) and S&S (+5.7% Y/Y)

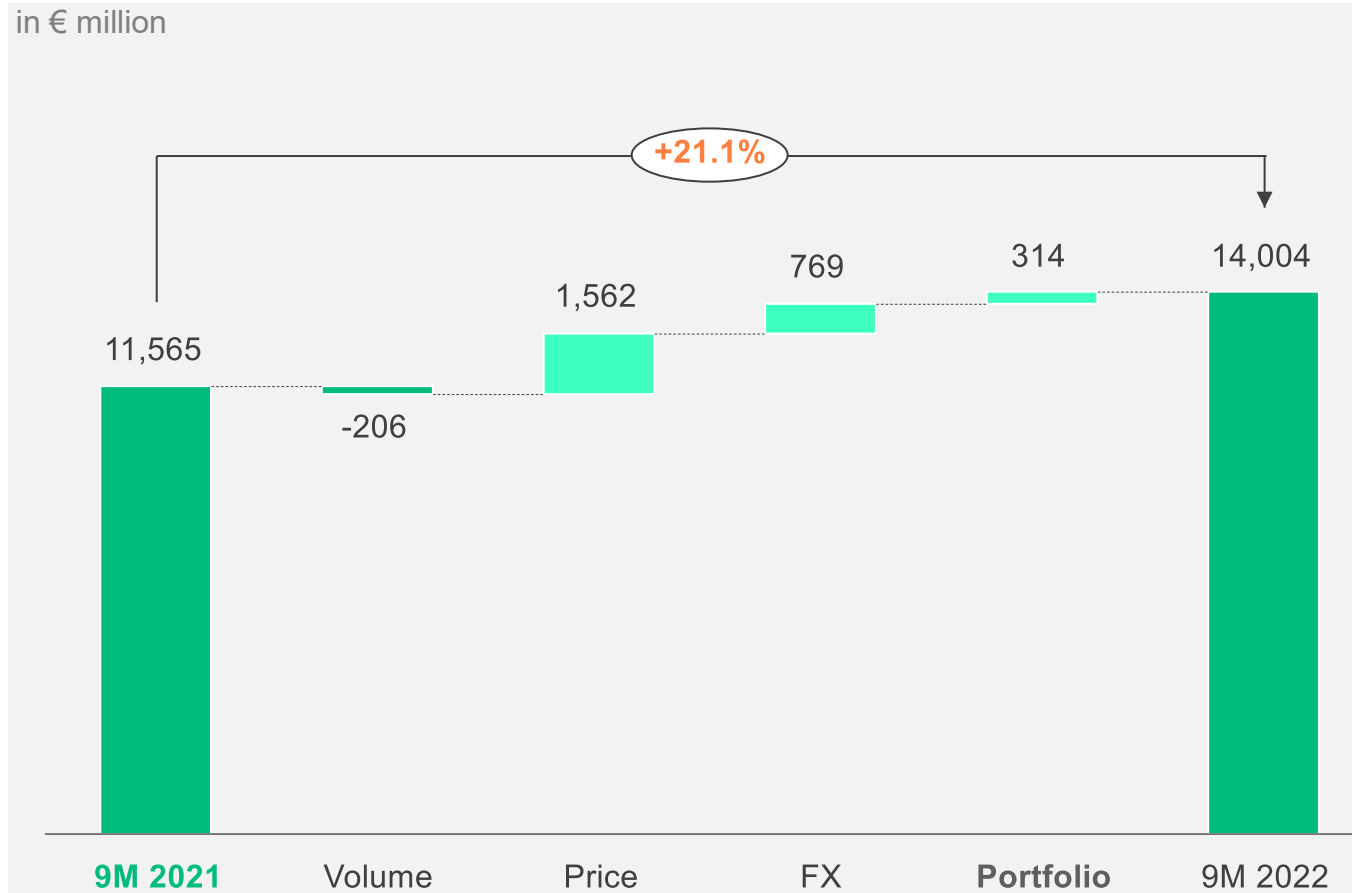
FX positive

- FX affected sales by +7.6% Y/Y mainly driven by stronger USD and RMB

Sales increase mainly driven by price and FX



9M 2022 – Sales bridge



HIGHLIGHTS

Volume negative

- Volume contribution of -1.8% Y/Y

Pricing positive

- Higher selling prices that partially compensated higher energy and raw material costs pushed sales up +13.5% Y/Y
- Price increases enforced by both PM (+15.6% Y/Y) and S&S (+11.6% Y/Y)

FX positive

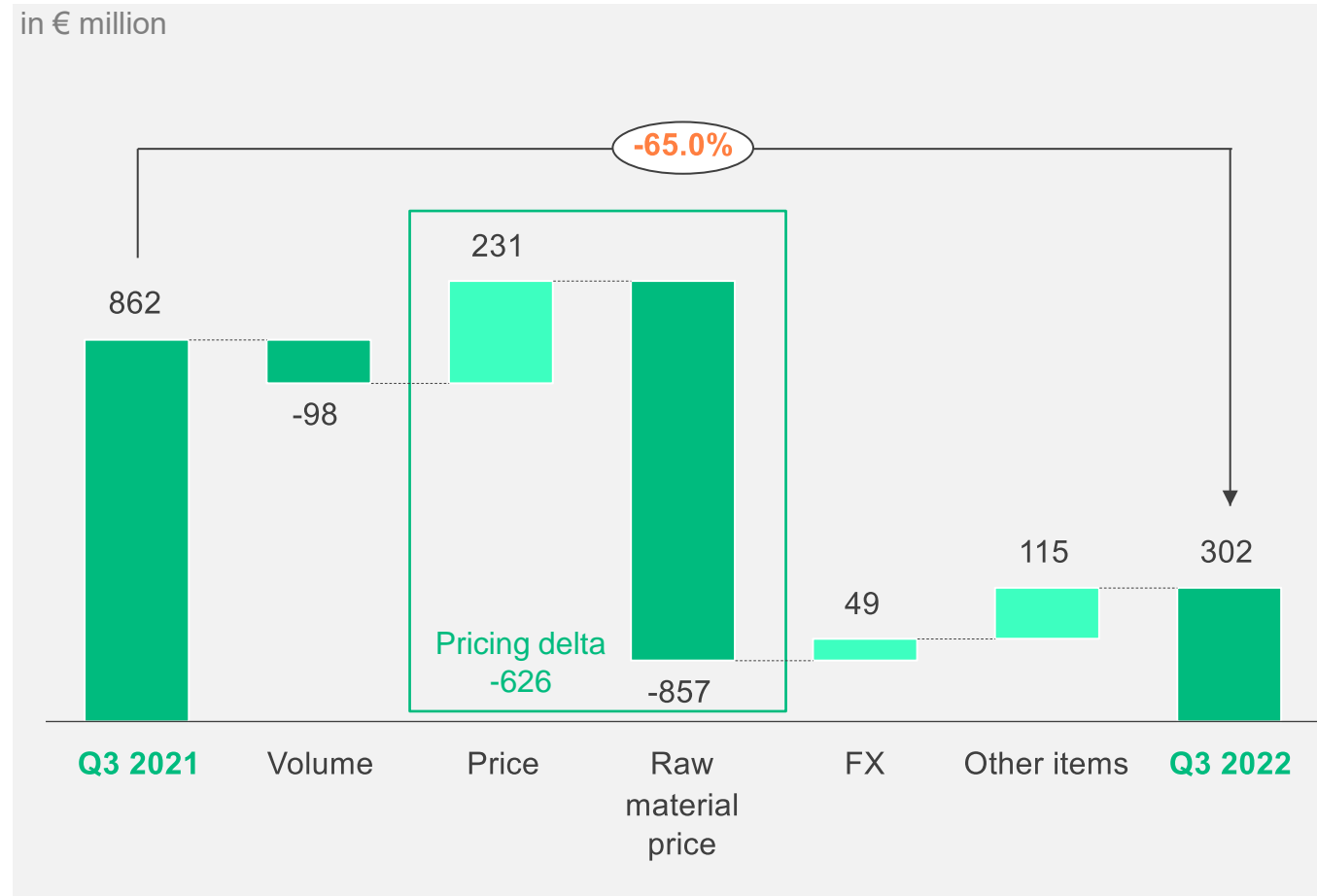
- FX affected sales by +6.7% Y/Y mainly driven by stronger USD and RMB

Portfolio positive

- RFM⁽¹⁾ increased sales by +2.7% Y/Y

Earnings decreased mainly due to negative pricing delta

Q3 2022 – EBITDA bridge



HIGHLIGHTS

Negative volume leverage⁽¹⁾

- Negative volume leverage of 41%

Negative pricing delta widened

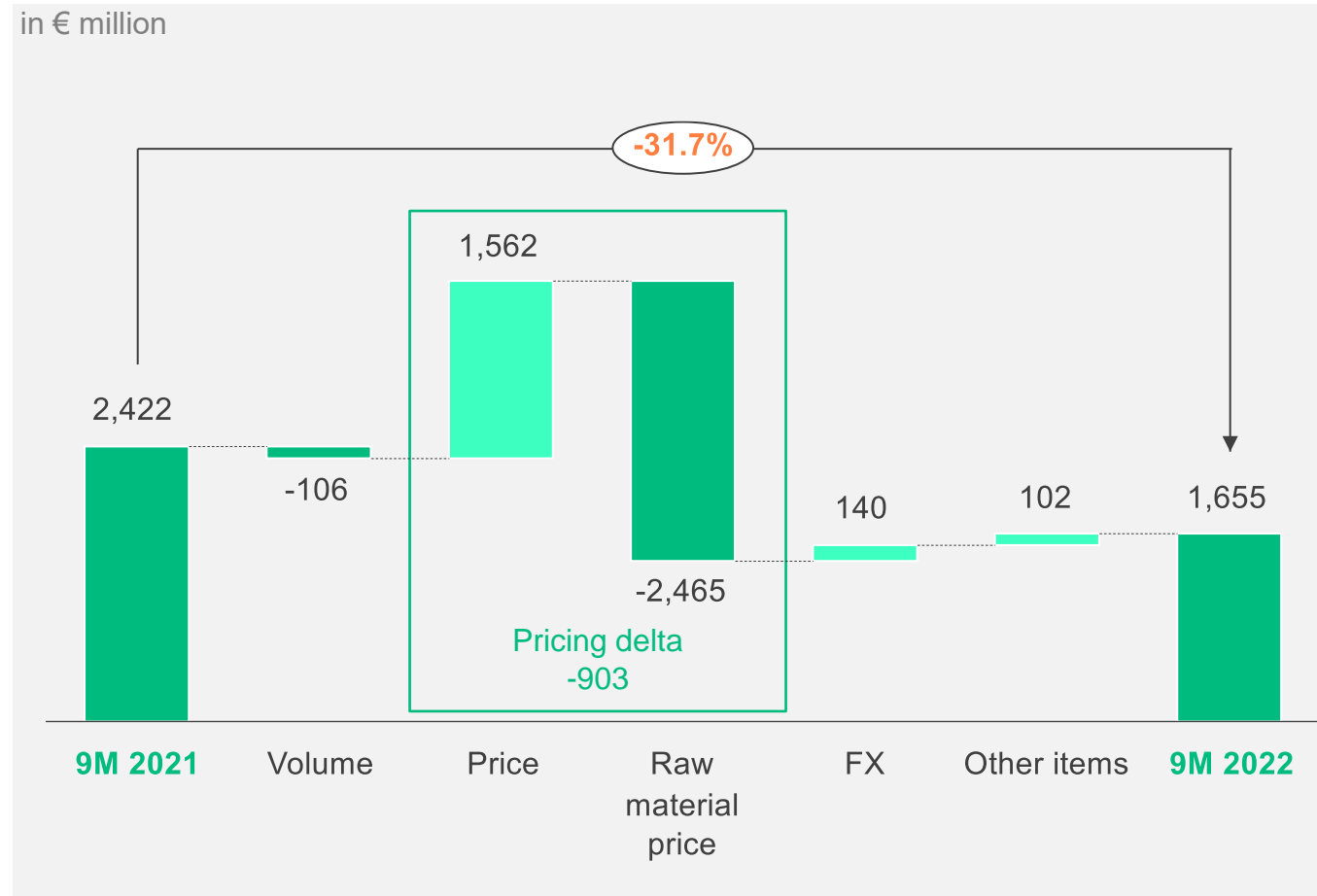
- Raw material and energy cost increases could only be compensated partially by sales price increases

Other items driven by:

- Lower provisions for variable compensation of €202m
- Significant increase of fixed costs among other things due to freight, logistic and wage increases

Earnings hit by rising negative pricing delta

9M 2022 – EBITDA bridge



HIGHLIGHTS

Negative volume leverage⁽¹⁾

- Negative volume leverage of 51%

Negative pricing delta

- Raw material and energy cost increase pass-on reduced quarter by quarter leading to only partial compensation of cost increases by sales price increases

Other items driven by:

- Lower provisions for variable compensation of €329m
- Positive effect of €70m from RFM integration and LEAP restructuring
- Significant increase of fixed costs among other things due to freight, logistic and wage increases

Continuously high working capital valuation level

Historical FOCF development



in € million

	9M 2018	9M 2019	9M 2020	9M 2021	9M 2022
	1,306	143	136	1,073	-412
EBITDA	+2,907	+1,326	+835	+2,422	+1,655
Changes in working capital^(1,4)	-568	+11 ⁽⁴⁾	-119 ⁽⁴⁾	-936	-571
Capex⁽²⁾	-429	-603	-463	-472	-543
Income tax paid	-505	-265	-115	-309	-446
Other effects⁽⁴⁾	-99	-326 ⁽⁴⁾	-2 ⁽⁴⁾	+368	-507

HIGHLIGHTS

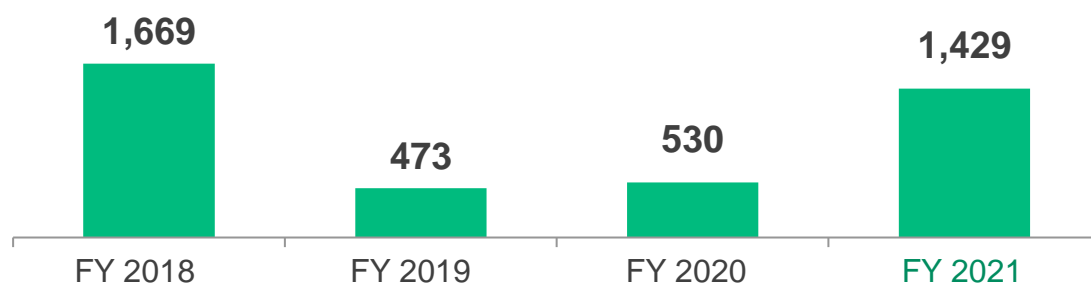
- Positive Q3 FOCF of €33m, slightly improved 9M FOCF to €-412m including €475m bonus payout for successful FY 2021
- Working capital to sales ratio⁽³⁾ slightly decreased to 20.6%, still impacted by higher sales and raw material prices impacting receivables and inventories while last twelve months' sales based on lower average prices
- Capex of €543m on budget and in line with FY 2022 guidance
- Income tax paid of €446m reflects unfavorable geographical mix

Strong free operating cash flow despite higher working capital



Historical FOCF development full-year

in € million



	FY 2018	FY 2019	FY 2020	FY 2021
EBITDA	3,200	1,604	1,472	3,085
Changes in working capital⁽¹⁾	-167	+437	-100	-727
Capex⁽²⁾	-707	-910	-704	-764
Income tax paid	-574	-296	-155	-546
Other effects	-83	-362	+17	+381

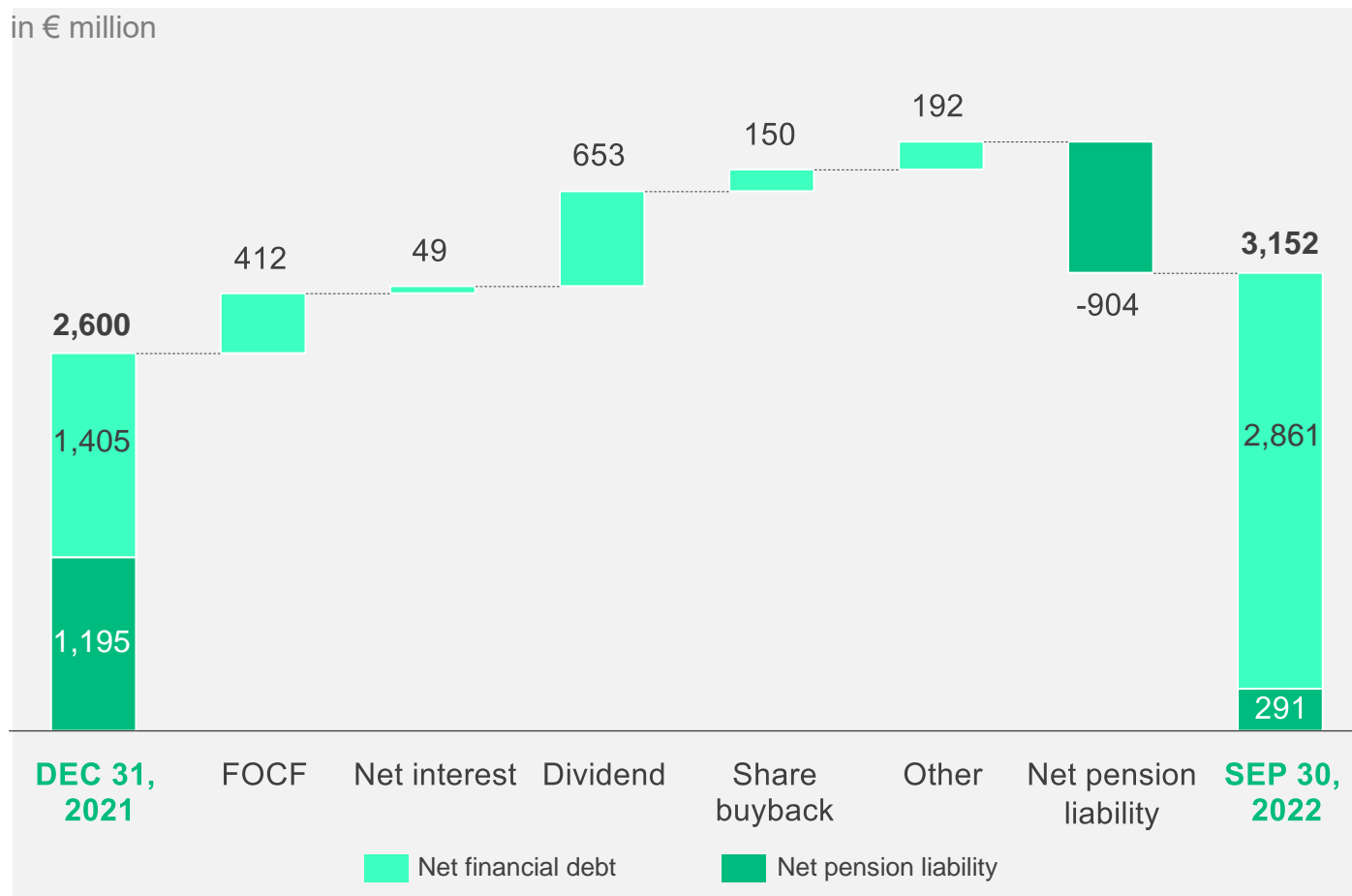
HIGHLIGHTS

- In Q4 2021, FOCF of €356m below previous year (€394m in Q4 2020) as positive contributions from working capital⁽¹⁾ and higher earnings were eaten up by significantly higher income tax paid and higher capex
- In FY 2021, the EBITDA increase boosted FOCF development despite negative contribution from working capital⁽¹⁾
- Working capital to sales ratio⁽³⁾ at 18.6%
- Capex of €764m ended up slightly below budget
- Higher income tax paid in line with higher pre-tax income level
- ‘Other effects’ reflect provisions for variable compensation, cash-effective only in 2022

Net debt burdened by dividend payout and negative FOCF



September 30, 2022 – Total net debt



HIGHLIGHTS

- Net pension liability as difference of pension provisions of €420m and net defined benefit assets of €129 decreased by €904m, mainly due to higher interest rates
- Total net debt to EBITDA ratio⁽¹⁾ of 1.4x at the end of Q3 2022 compared to 1.0x at the end of Q3 2021.
- Other driven by the renewal of finance lease and change in derivative FX instruments
- Payout of €651m dividend to Covestro shareholders following the AGM resolution
- €150m share buyback of announced 2-years €500m program completed
- Committed to a solid investment grade rating



- Covestro investment highlights
- Group financials Q3'22
- **Segment overview**
- Background information

Standard products with reliable supply and lowest cost

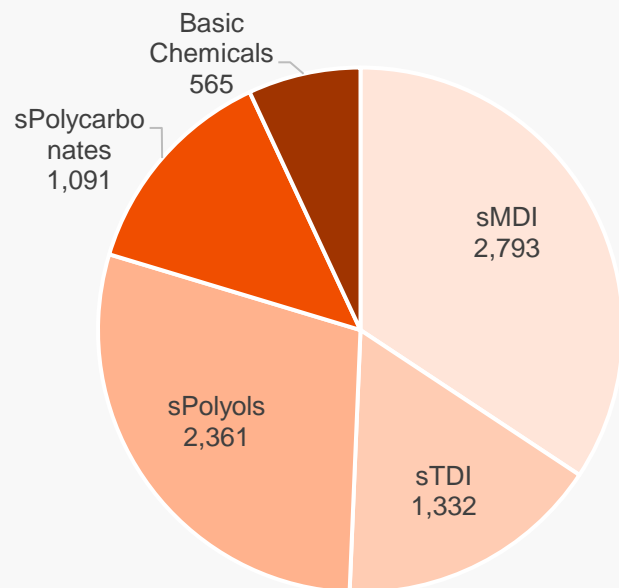
Performance Materials



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

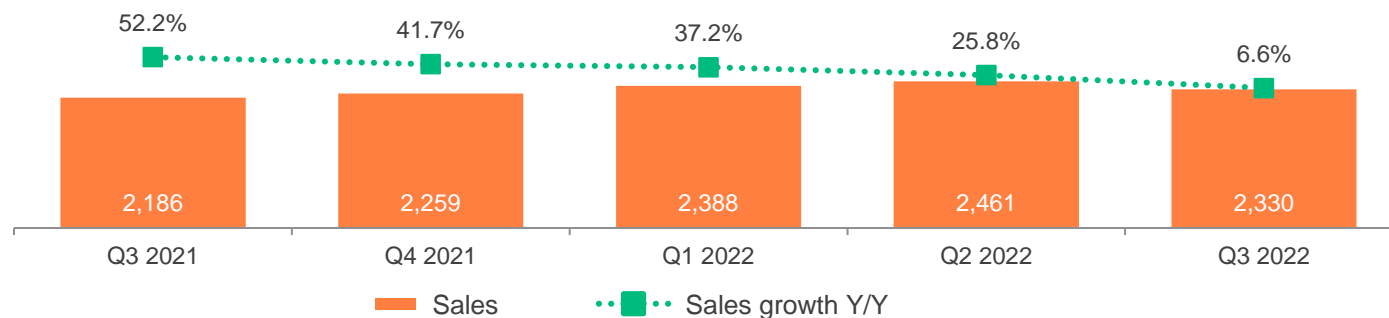
Performance Materials – significantly declining EBITDA



Segment results – Highlights Q3 2022

SALES

in € million / changes Y/Y

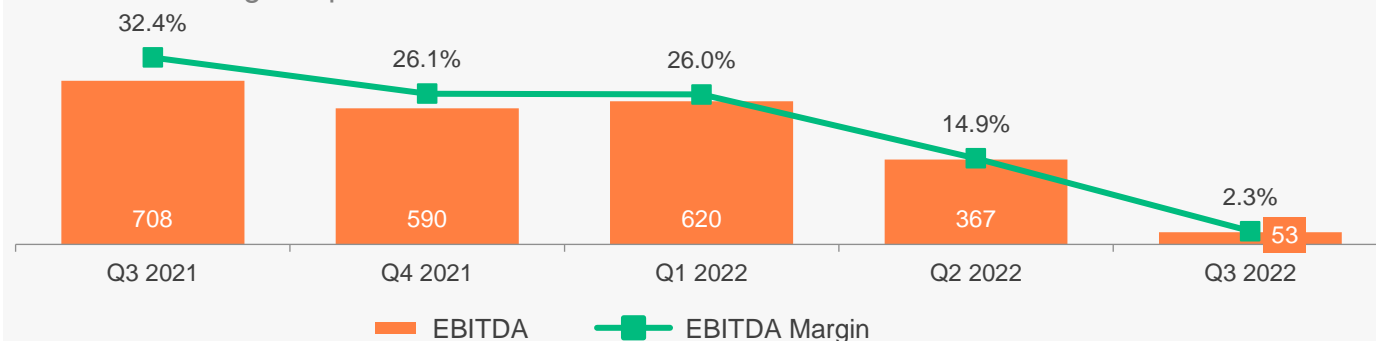


HIGHLIGHTS

- Sales increased by +6.6% Y/Y driven by FX (+7.6%), price (+5.2%), counterbalanced by volume (-6.2%)
- Sales growth significantly supported by growth in NA, APAC contributed positively and burdened by slight decline in EMLA due to the energy crisis situation

EBITDA AND MARGIN

in € million / margin in percent



HIGHLIGHTS

- Compared to prior year, EBITDA decrease mainly driven by significant negative pricing delta
- Unprecedented energy & raw material prices in Europe main driver for drop in EBITDA quarter-over-quarter

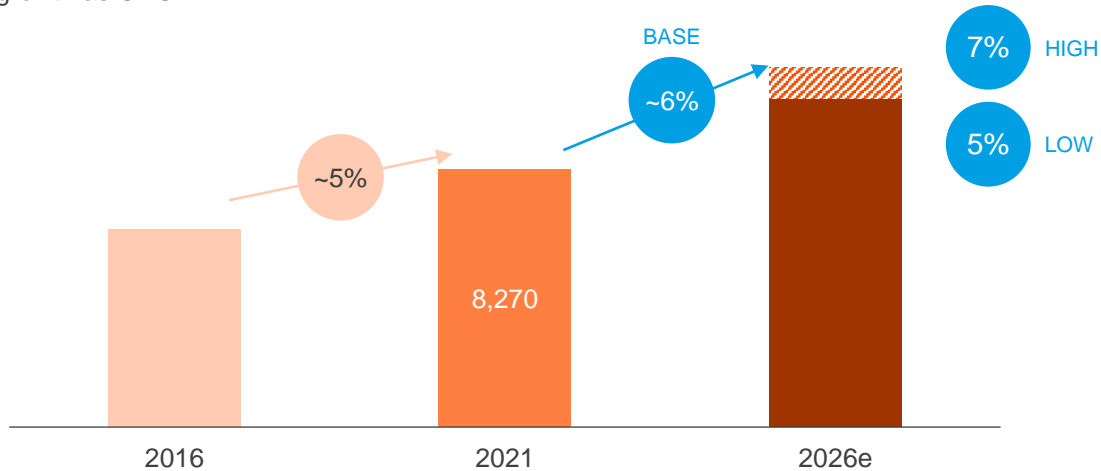
MDI demand growth to exceed supply growth



Performance Materials: MDI industry demand and supply

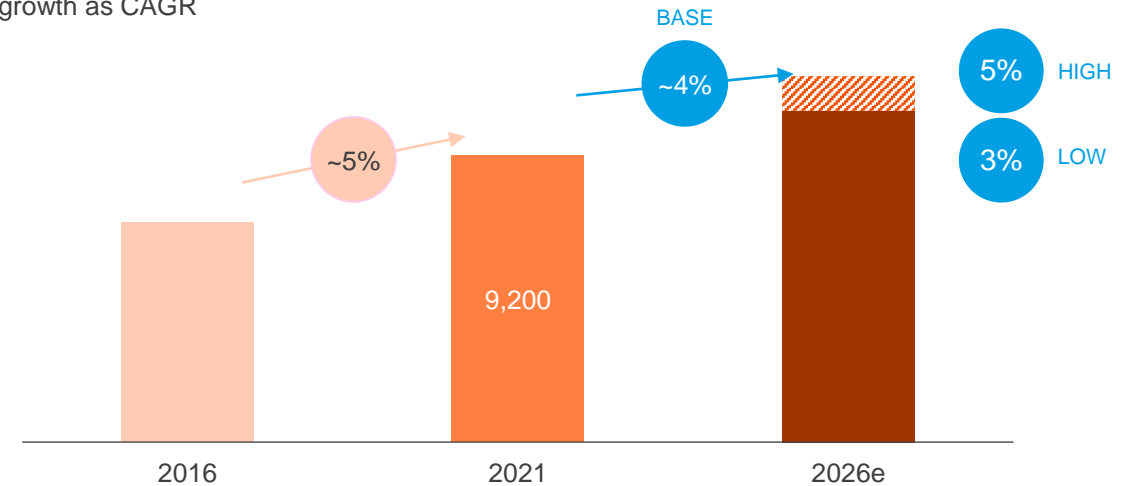
MDI DEMAND DEVELOPMENT (2016 - 2026e)

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 with further debottleneckings after 2026e

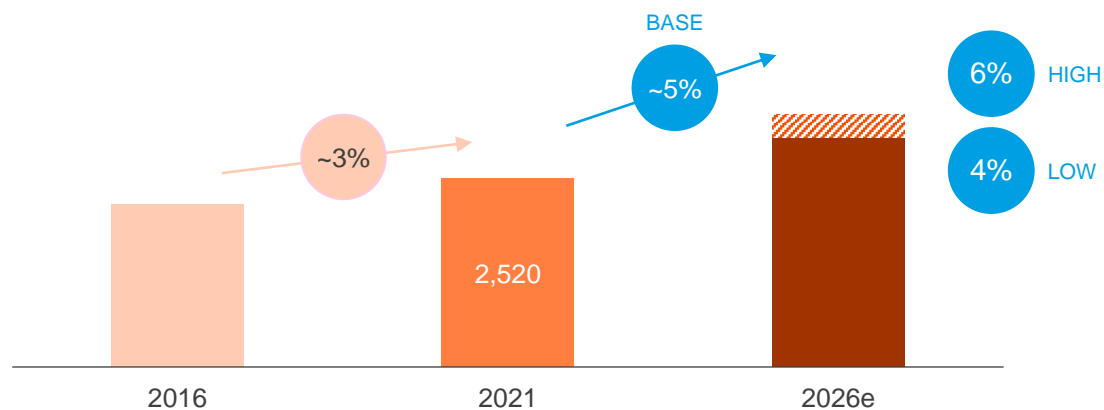
TDI market moving into balance

Performance Materials: TDI industry demand and supply



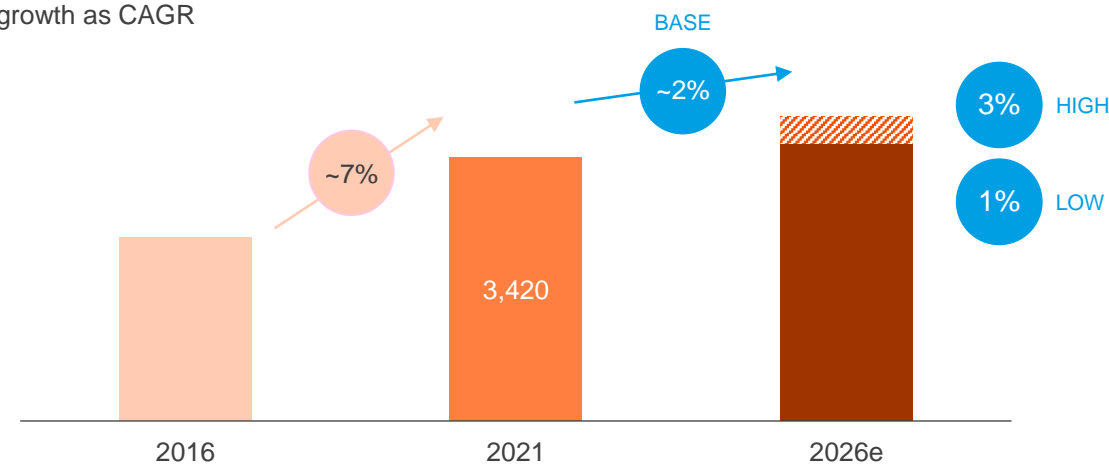
TDI DEMAND DEVELOPMENT (2016 - 2026e)

in kt⁽¹⁾
% growth as CAGR



TDI SUPPLY DEVELOPMENT (2016 - 2026e)

in kt⁽²⁾
% growth as CAGR



HIGHLIGHTS

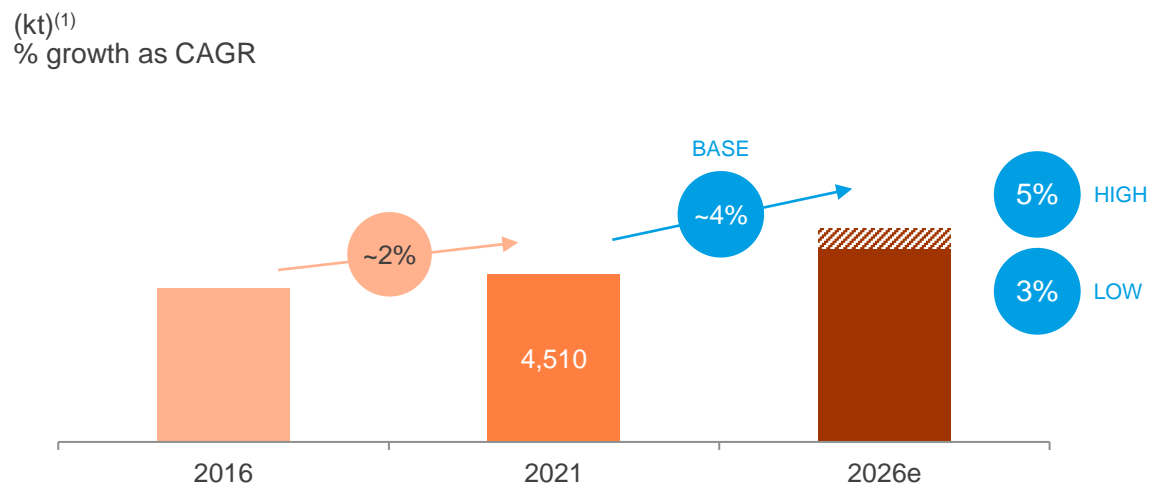
- Only major addition expected until 2025 Wanhua-Fujian (250kt, not before end-2023e), new Cangzhou Dahua plant not before 2026e
- With that, demand growth outstripping supply growth, bringing demand and supply back into balance
- Covestro with further debottleneckings after 2026e, allowing Covestro 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

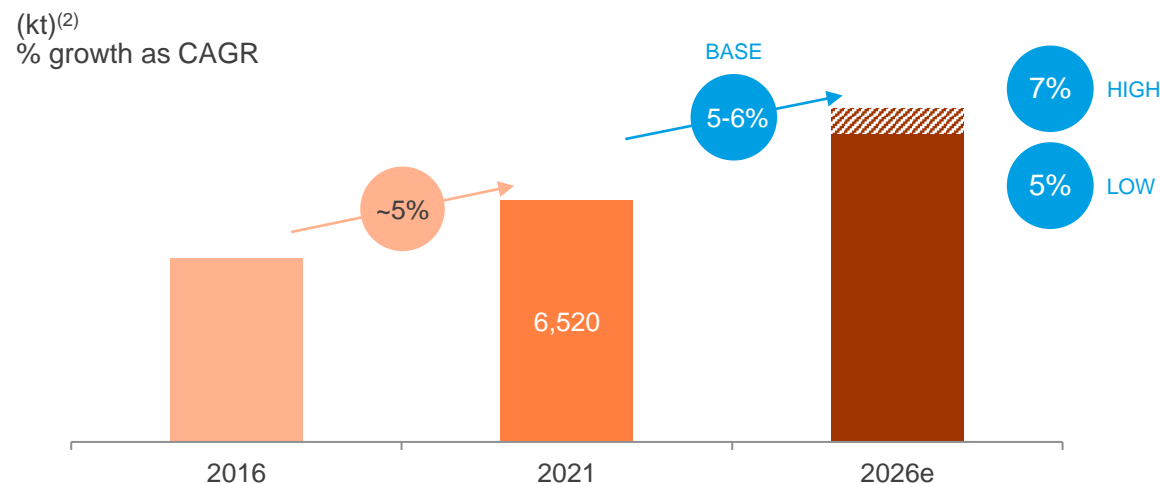


Performance Materials: Polycarbonates (PC) industry demand and supply

PC DEMAND DEVELOPMENT (2016 - 2026e)



PC SUPPLY DEVELOPMENT (2016 - 2026e)



INDUSTRY HIGHLIGHTS

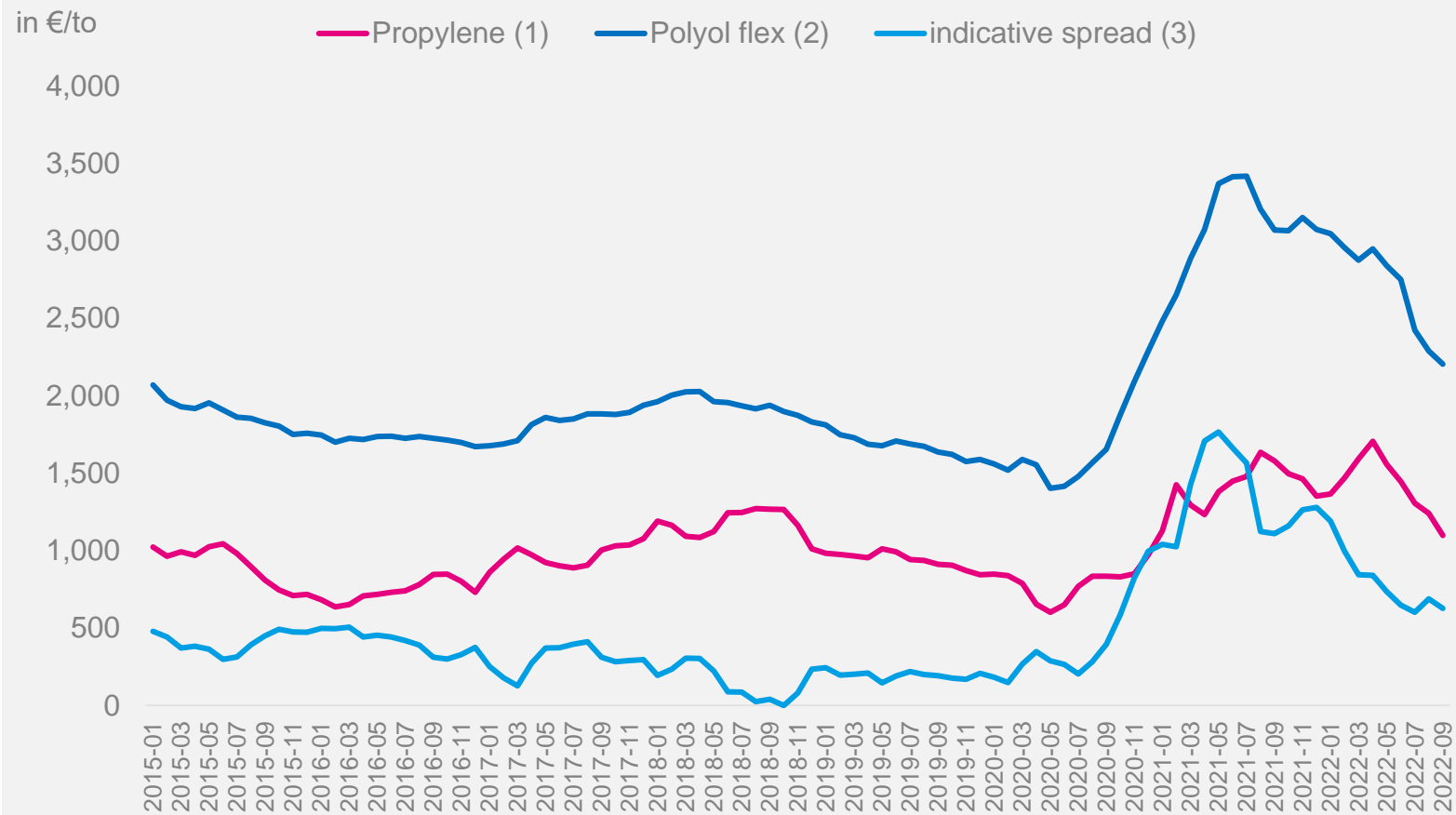
- Structurally sound demand growth of ~4% based on global GDP growth
- Major additions⁽³⁾ expected until 2025e: Hainan Huasheng, ZPC, SABIC-Sinopec, Wanhua, Shemna
- Numerous announced projects with high uncertainties regarding actual timing and scope
- Covestro additions: Focus on strengthening differentiated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

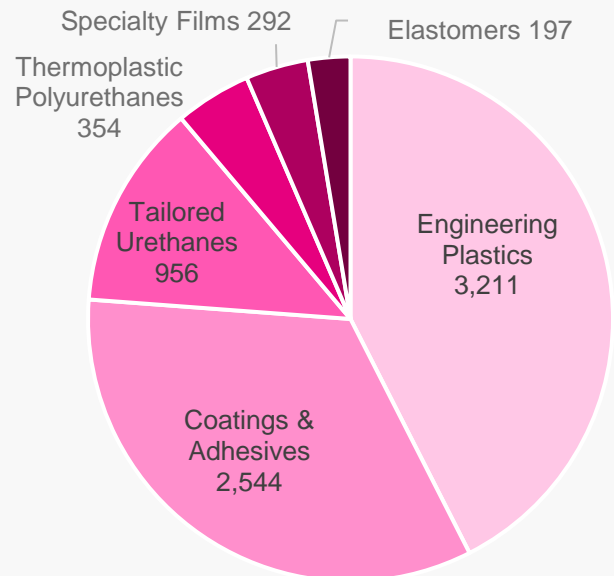


Solutions & Specialties

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

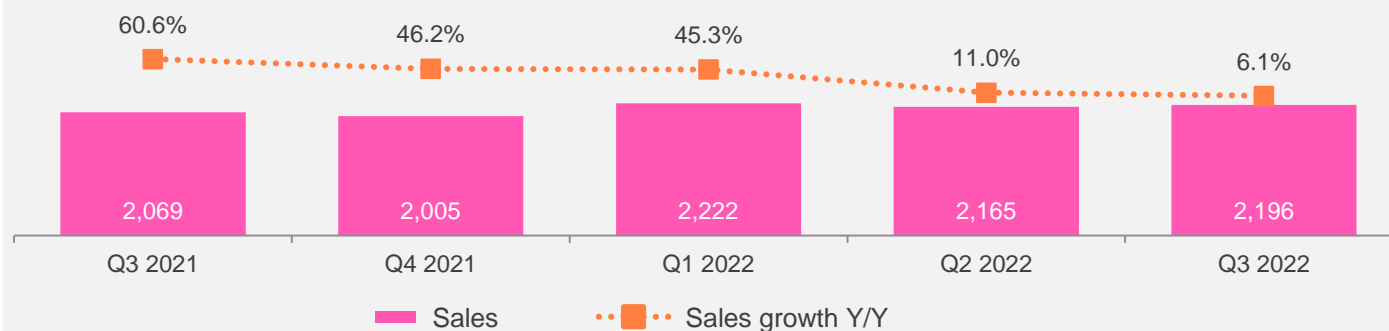
Solutions & Specialties – improved earnings development



Segment results – Highlights Q3 2022

SALES

in € million / changes Y/Y

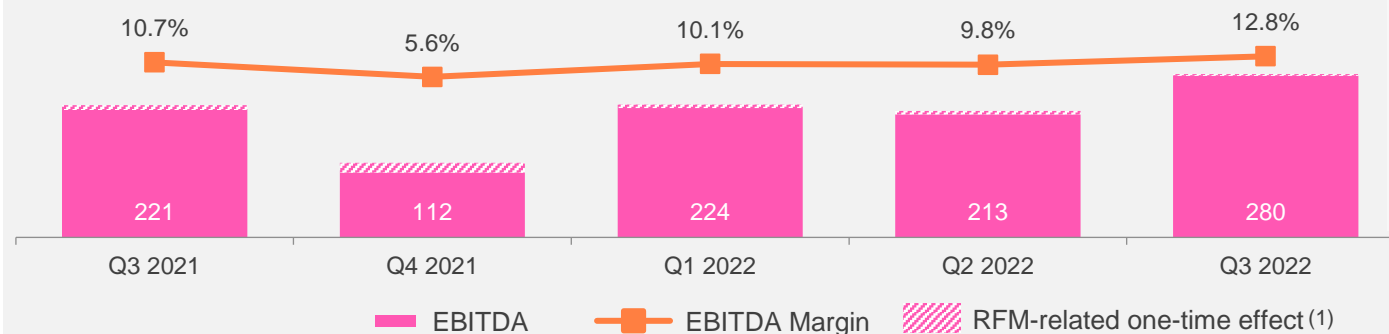


HIGHLIGHTS

- Sales grew by +6.1% Y/Y, FX (+7.6%), price (+5.7%) counterbalanced by volume (-7.2%)
- Sales increase due to resilient pricing and FX compensating lower volumes

EBITDA AND MARGIN

in € million / margin in percent



HIGHLIGHTS

- Positive EBITDA effect due to lower inter-segment transfer prices mainly in Engineering Plastics
- Compared to prior year EBITDA increased significantly due to lower bonus provisions and positive FX

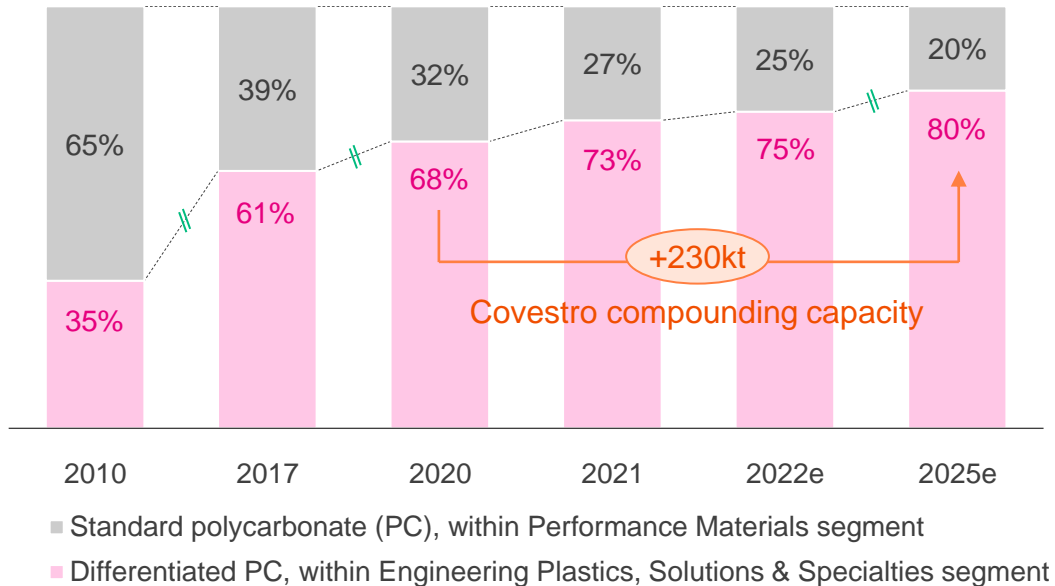
Shifting from standard to differentiated polycarbonate



Solutions & Specialties: high-growth contributor Engineering Plastics

POLYCARBONATE 2021 SALES €4.3bn

Covestro polycarbonate volume split by segment



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

CUSTOMER INDUSTRIES

GROWTH DRIVERS



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%

- 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

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

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



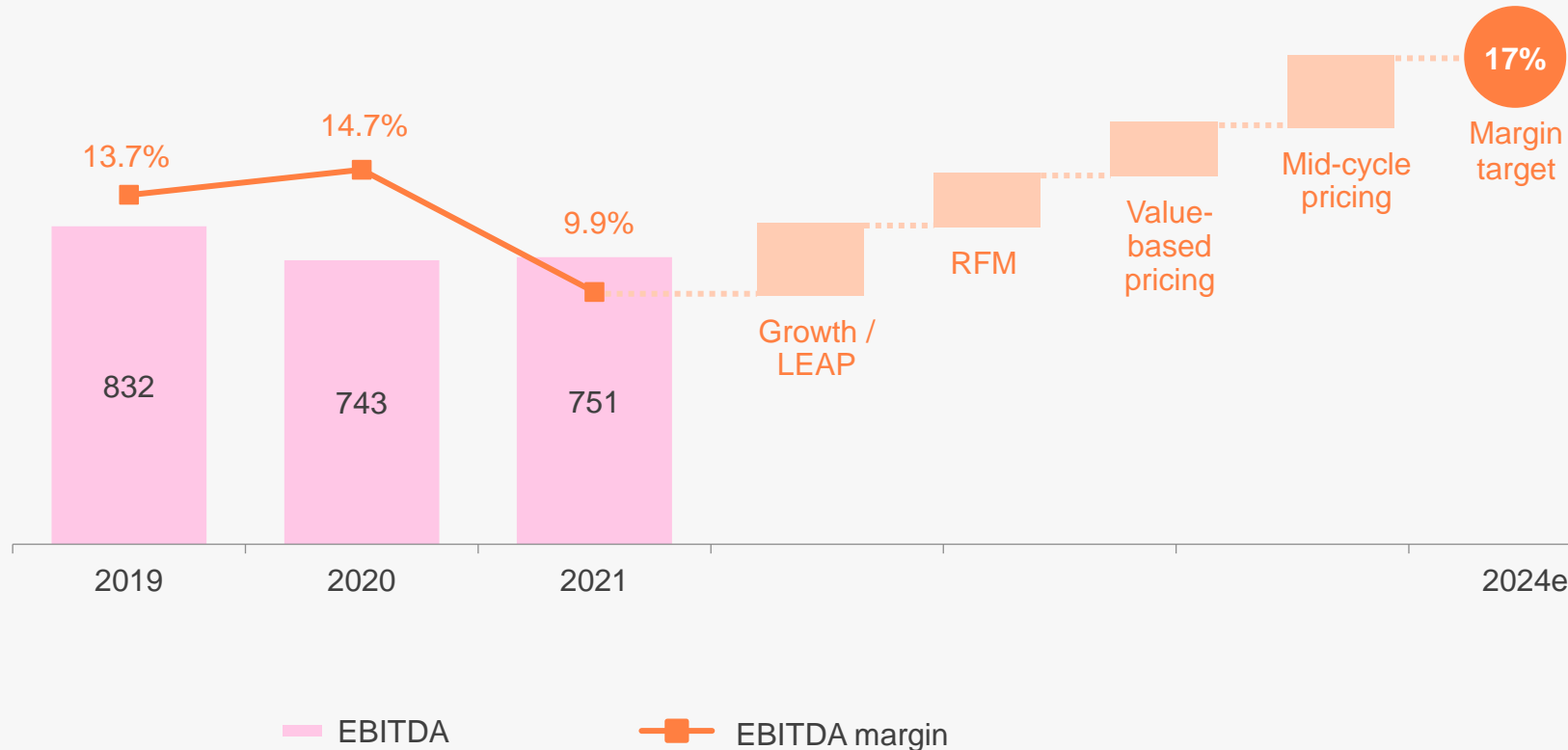
Growing within emerging market of holographic light guiding: accelerating markets of virtual displays in glasses and head-up displays in vehicles

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 Q3'22
-  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 ESG rating results and index membership

As of October 2022

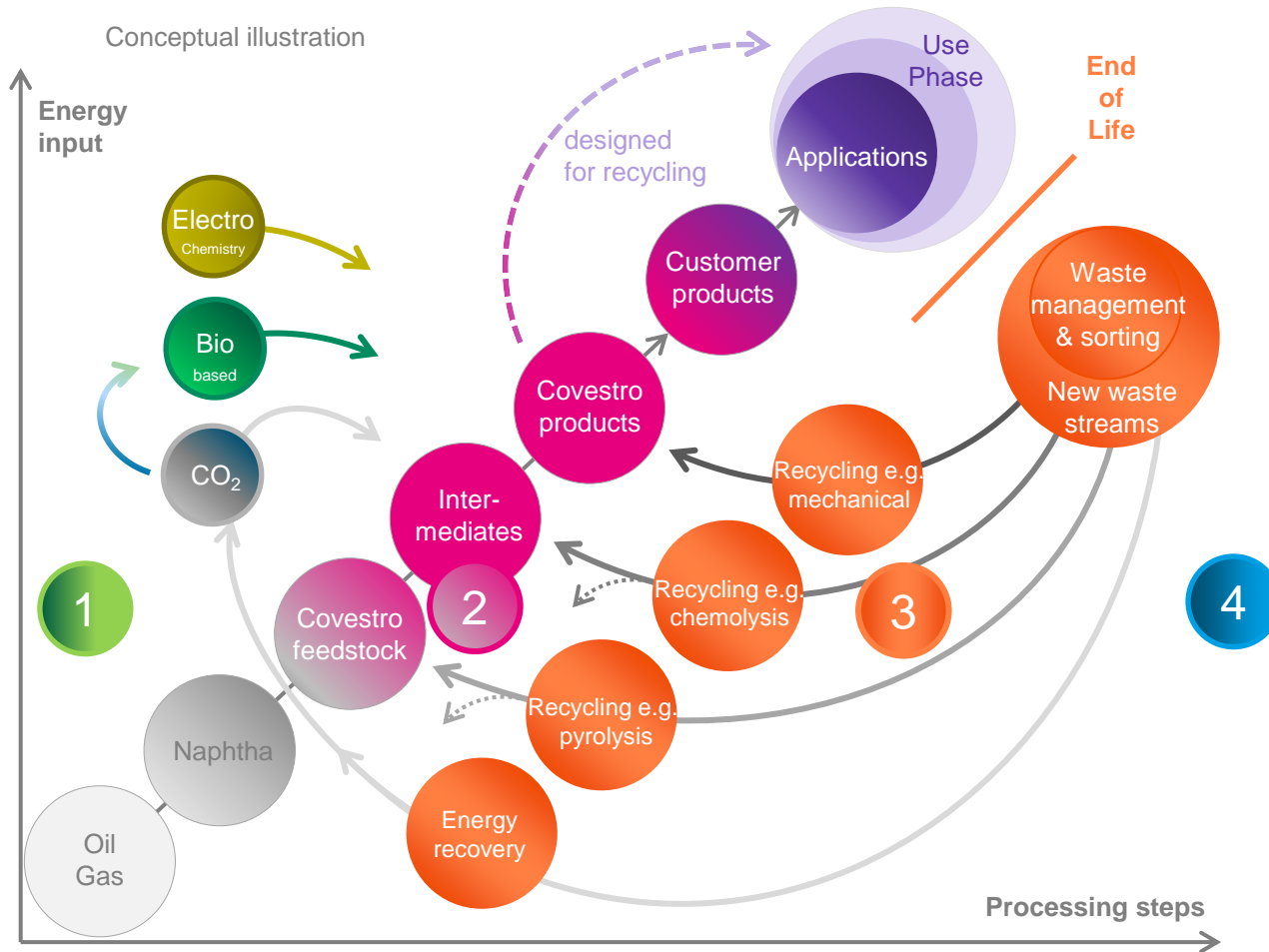


ESG Ratings & Indices	Scoring Range (Worst → Best)	2016	2017	2018	2019	2020	2021	2022	Distinction	
CDP CLIMATE	D- to A	-	-	-	-	-	A-	Exp. Dez. 2022	Leadership Level (1)	
ecoVadis SUPPLIER SUSTAINABILITY RATINGS	0 to 100	73				80		72	(2)	
MSCI ESG	CCC to AAA	BBB	BBB	A	A	A	A	AA	(3)	
SUSTAINALYTICS	100 to 0	74	75		80	23.3	20.0	18.3	20.9	(3)
FTSE Russell	Excluded / Listed	Listed	Listed	Listed	Listed	Listed	Listed	Listed		

(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

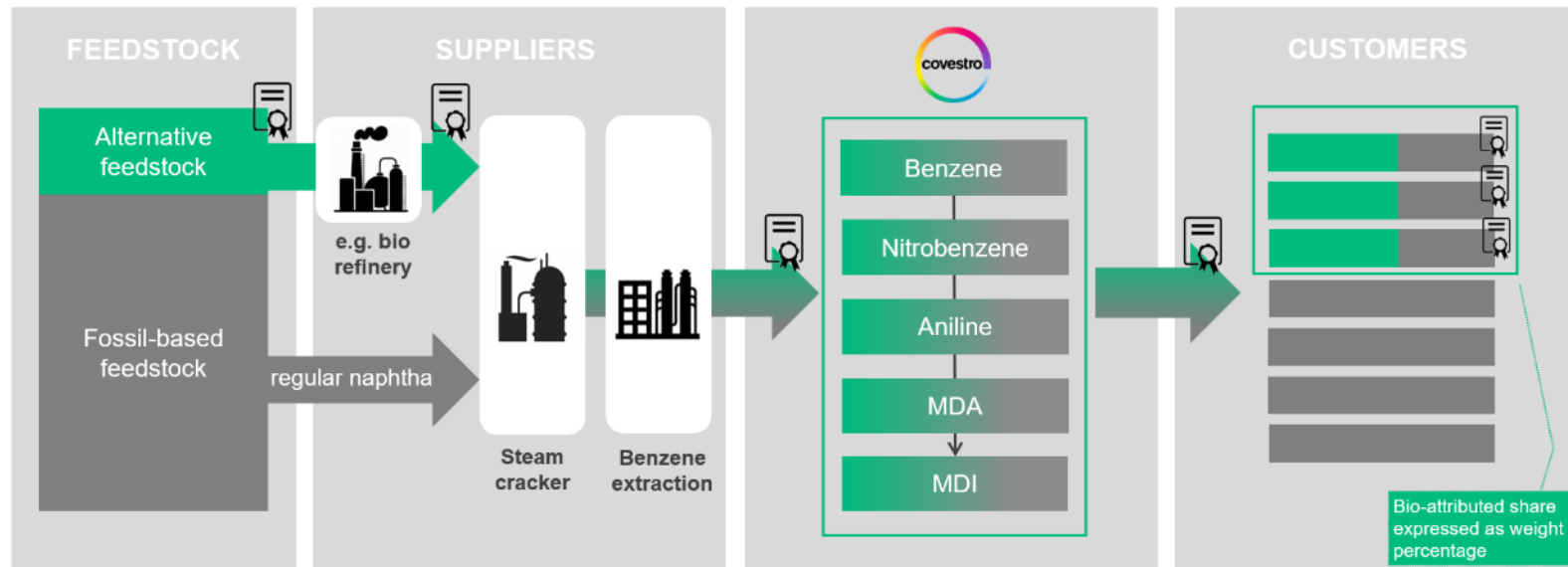
Certified alternative feedstock lower attributed CO₂ footprint



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

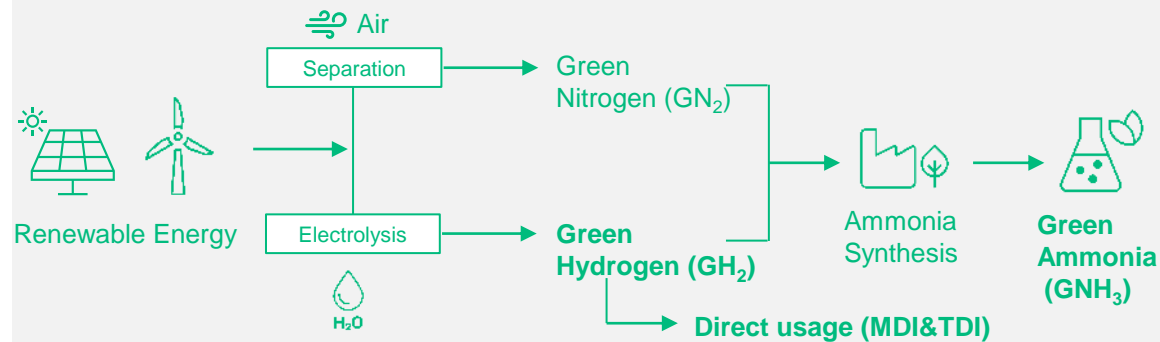
- Alternative raw materials are introduced into the value chain as drop-in solution
- Taking advantage of existing chemical infrastructure with its high efficiency and economies of scale
- Product quality and properties remain the same

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

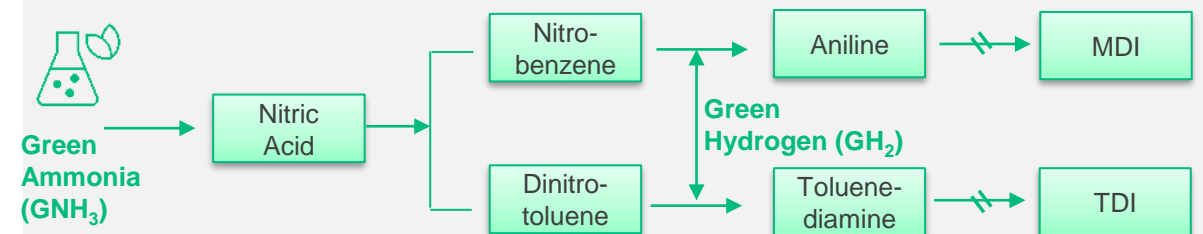
Activities of Covestro on Hydrogen

- 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

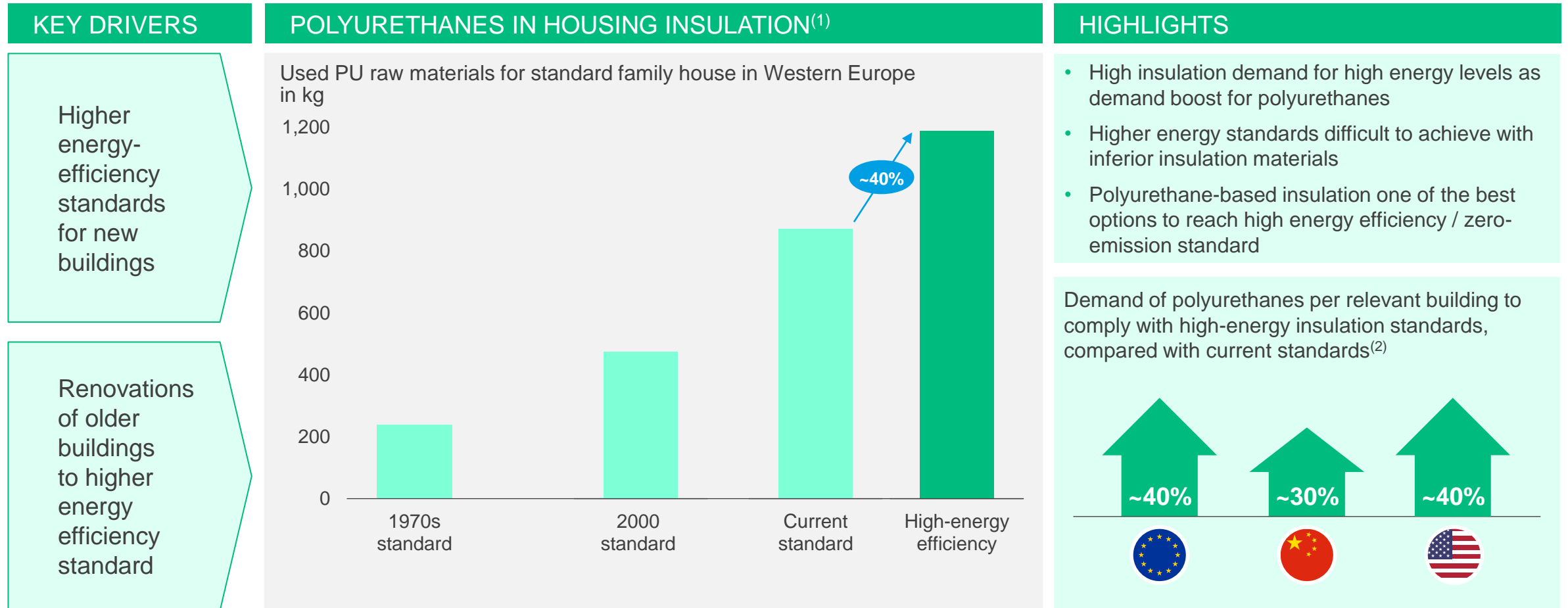
GREEN HYDROGEN/-DERIVATIVE USAGE IN COVESTRO



Higher insulation standards increase demand for polyurethanes



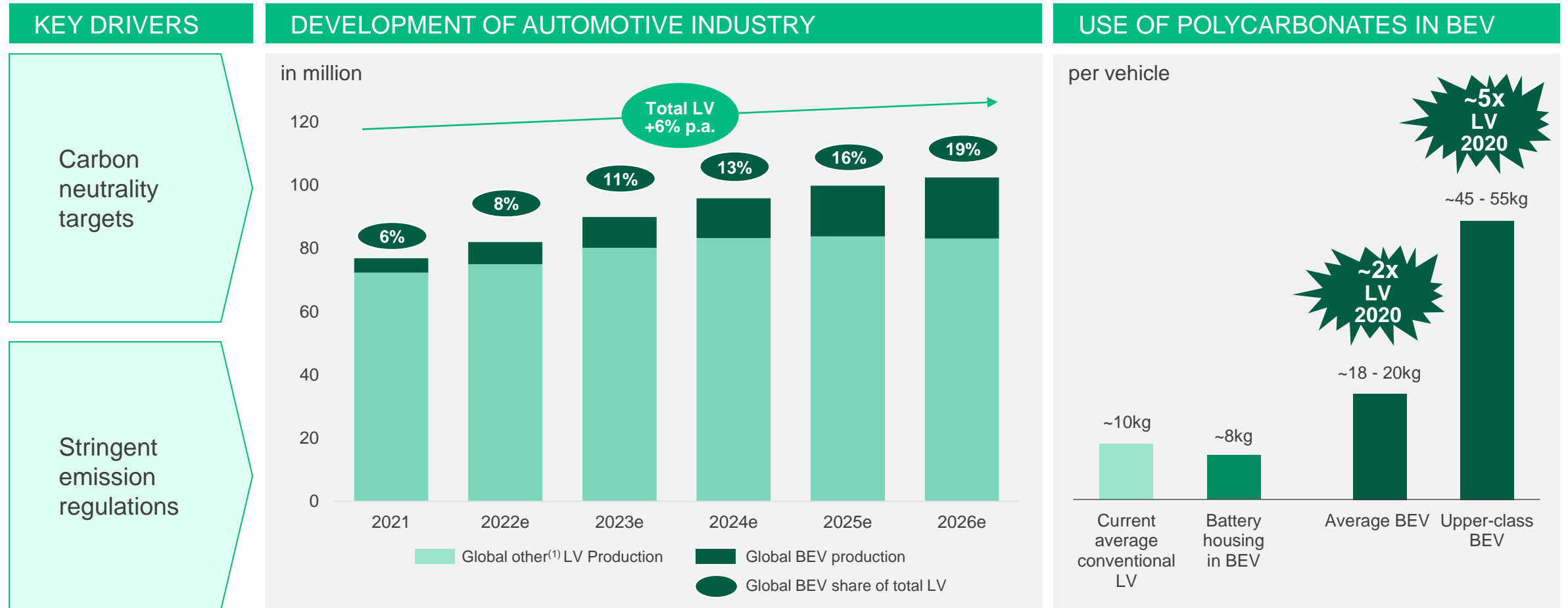
Building insulation market outlook



Auto production growth and increasing BEV share boost demand



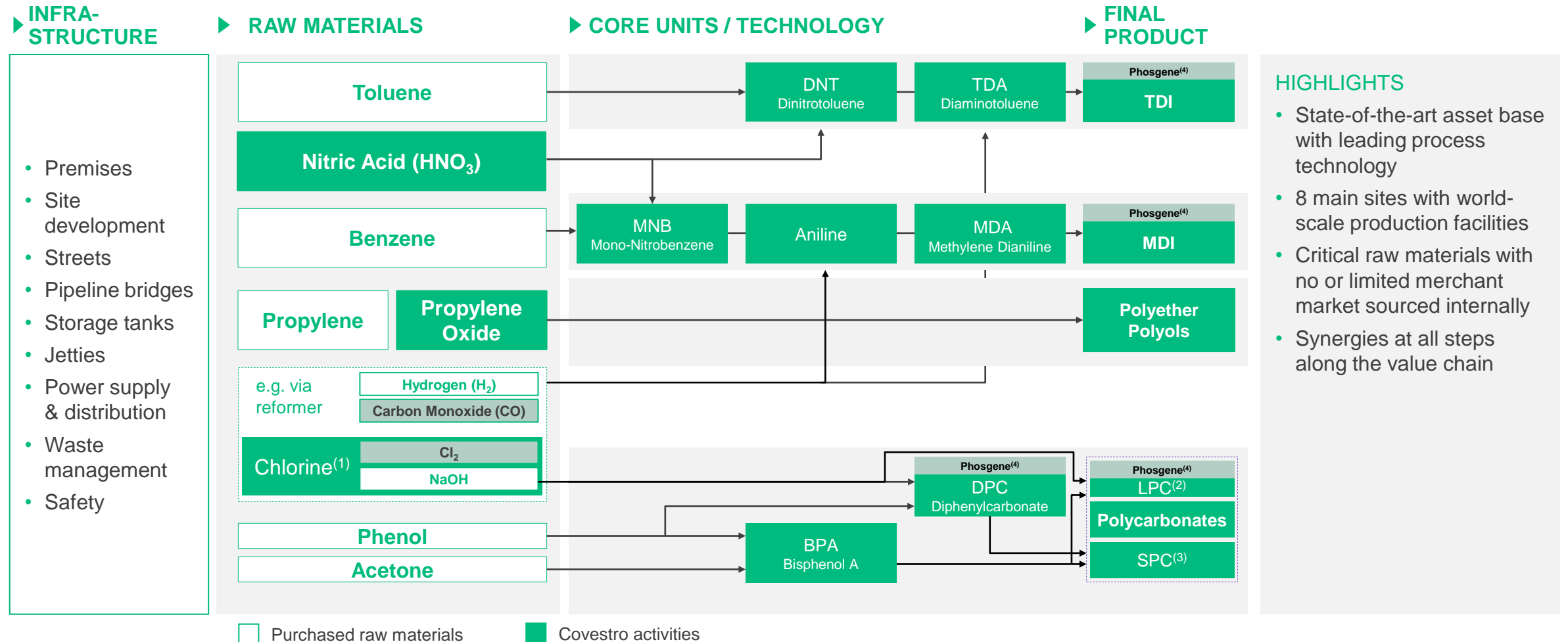
Global electric vehicle market outlook



Synergies in scale, process technology and chemical know-how



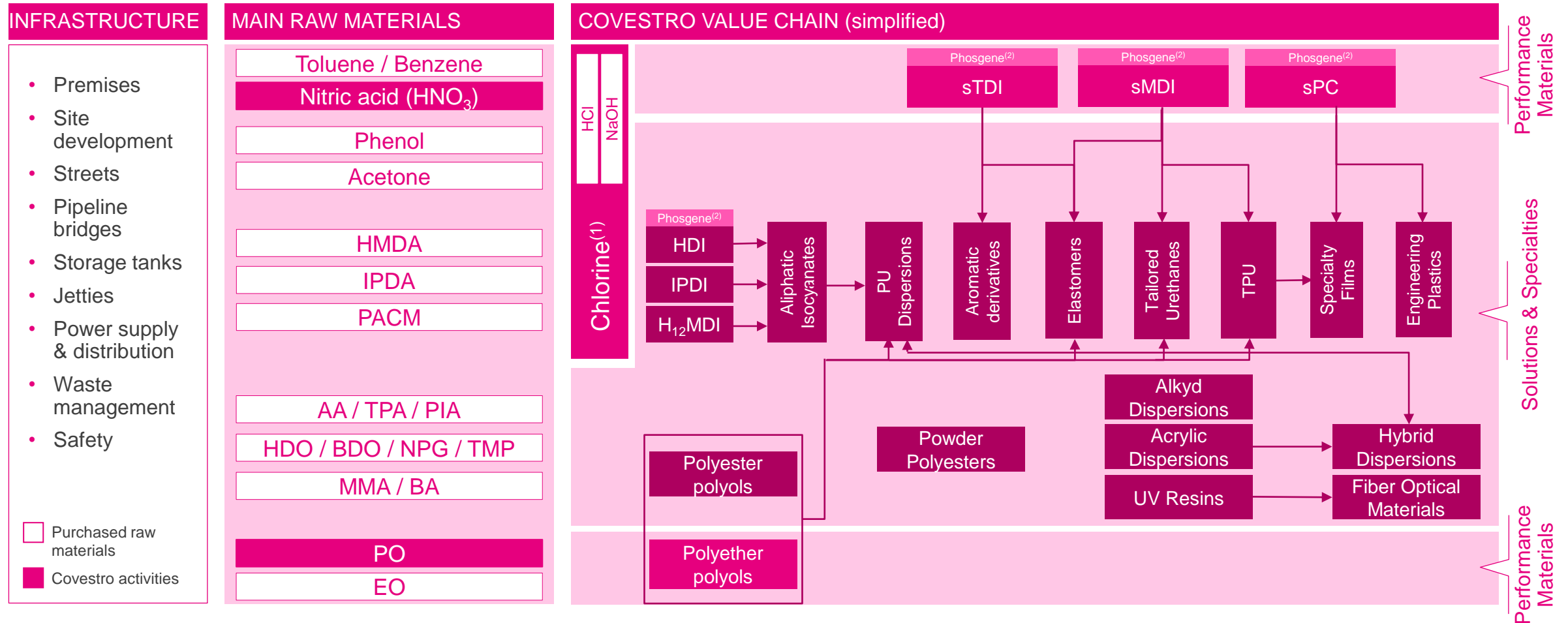
One chemical backbone across all segments



Synergies from chemical backbone and complementary technologies



Solutions & Specialties backward integration and value chain



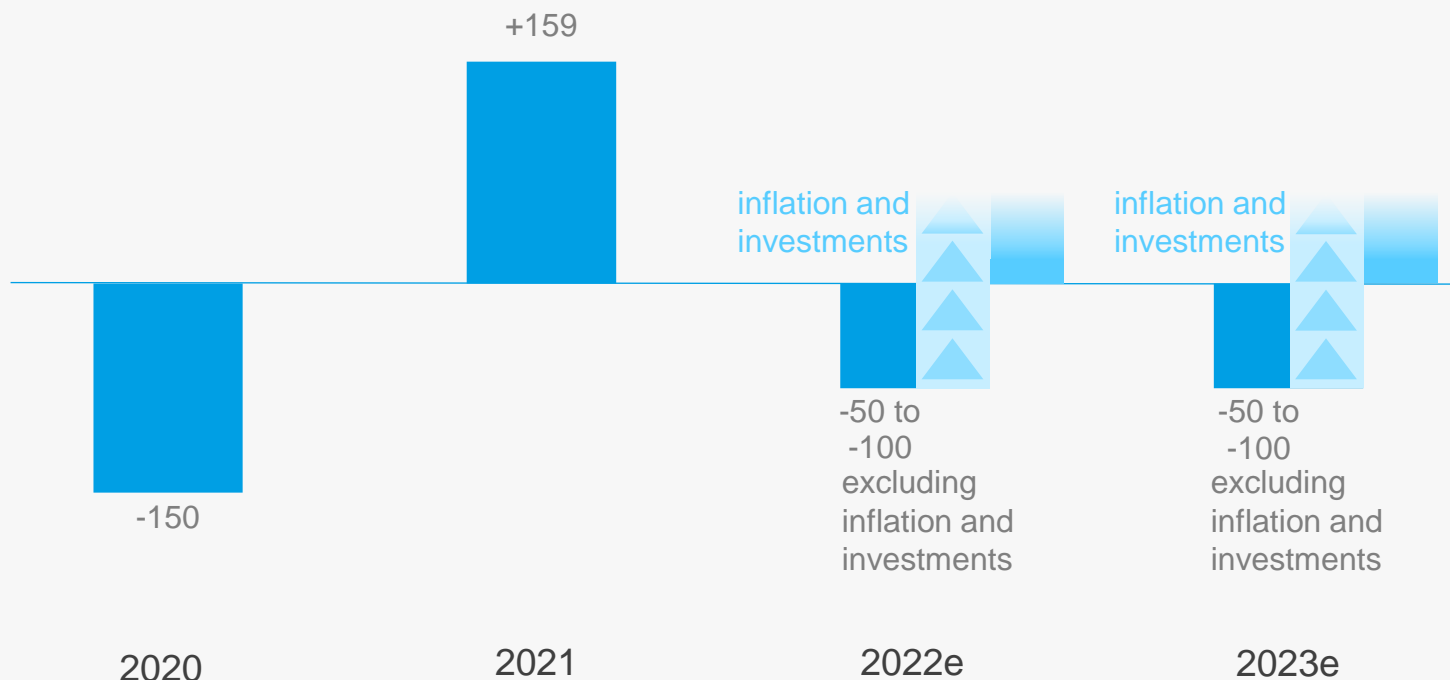
Manage fixed costs despite high inflation and investments



Transformation program LEAP in 2021-2023

FIXED COST DEVELOPMENT Y/Y EXCLUDING INCENTIVE SCHEMES

in € million



HIGHLIGHTS

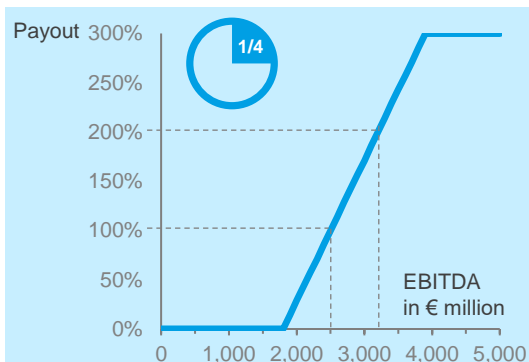
- In 2021, cost development on expectation; mainly driven by higher maintenance costs, salary increase, investments in digitalization and circularity
- In 2022 and 2023, expected net cost increase resulting from
 - High inflation (e.g. logistic, labor costs, etc.) as well as growth (e.g. MDI project) 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

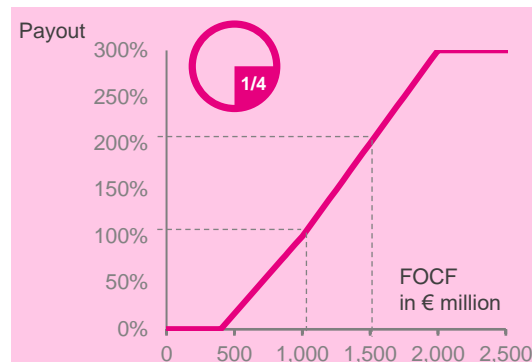


Group Profit Sharing Plan (PSP) as of 2022

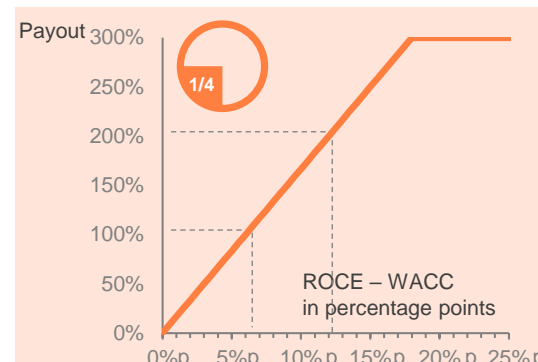
UNIFORM BONUS SYSTEM



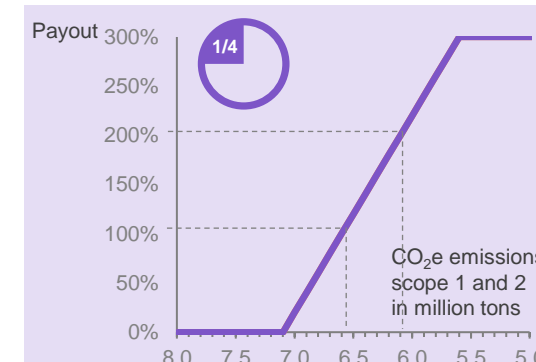
EBITDA (€ mio)				
Value	1,800	2,500	3,200	3,900
Payout	0%	100%	200%	300%



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

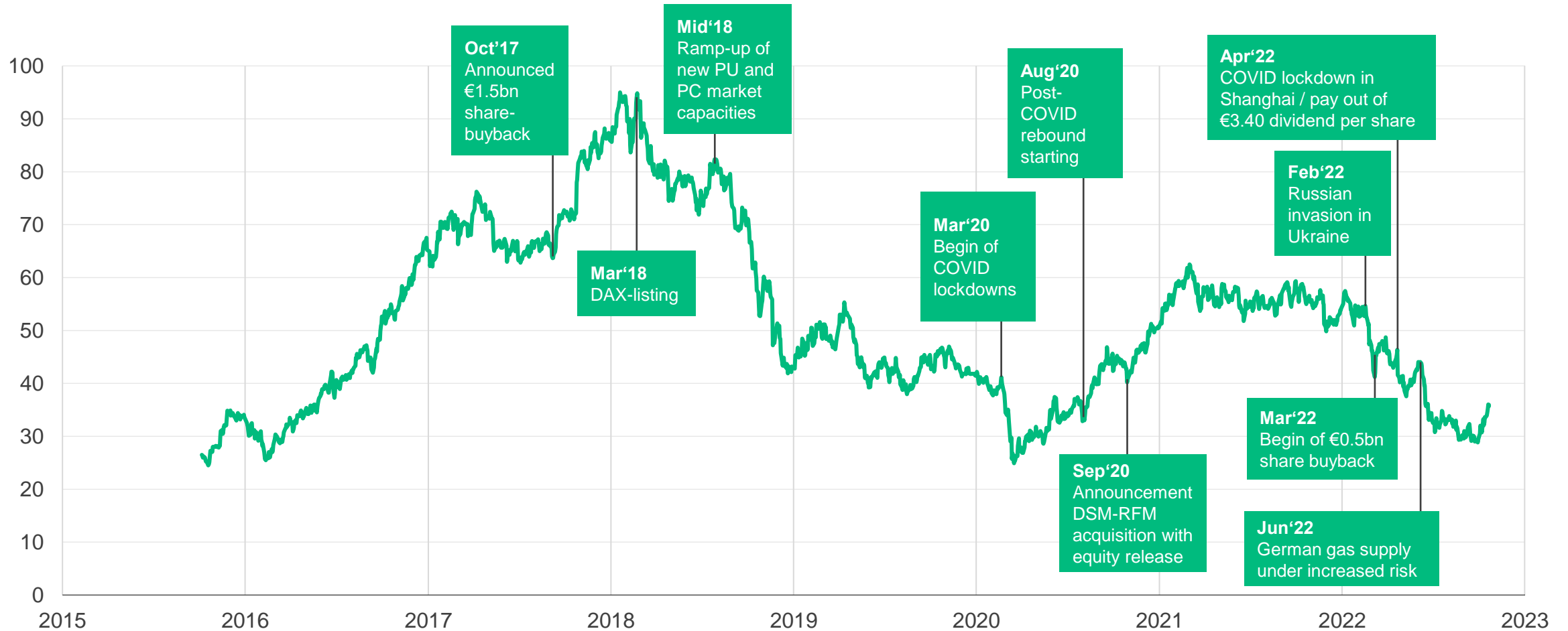
Development of last five years



		2017	2018	2019	2020	2021
Sales	(€ million)	14,138	14,616	12,412	10,706	15,903
• Volume y/y	(%)	+4.3	+2.3	+0.8	-5.1	+6.5
• Price y/y	(%)	+16.1	+4.5	-17.3	-5.7	+34.7
• FX y/y	(%)	-1.6	-3.0	+1.9	-1.6	-0.8
• Portfolio y/y	(%)	0.0	-0.4	-0.5	-1.3	+8.1
EBITDA	(€ million)	3,435	3,200	1,604	1,472	3,085
• Performance Materials		3,048	2,825	942	896	2,572
• Solutions & Specialties		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

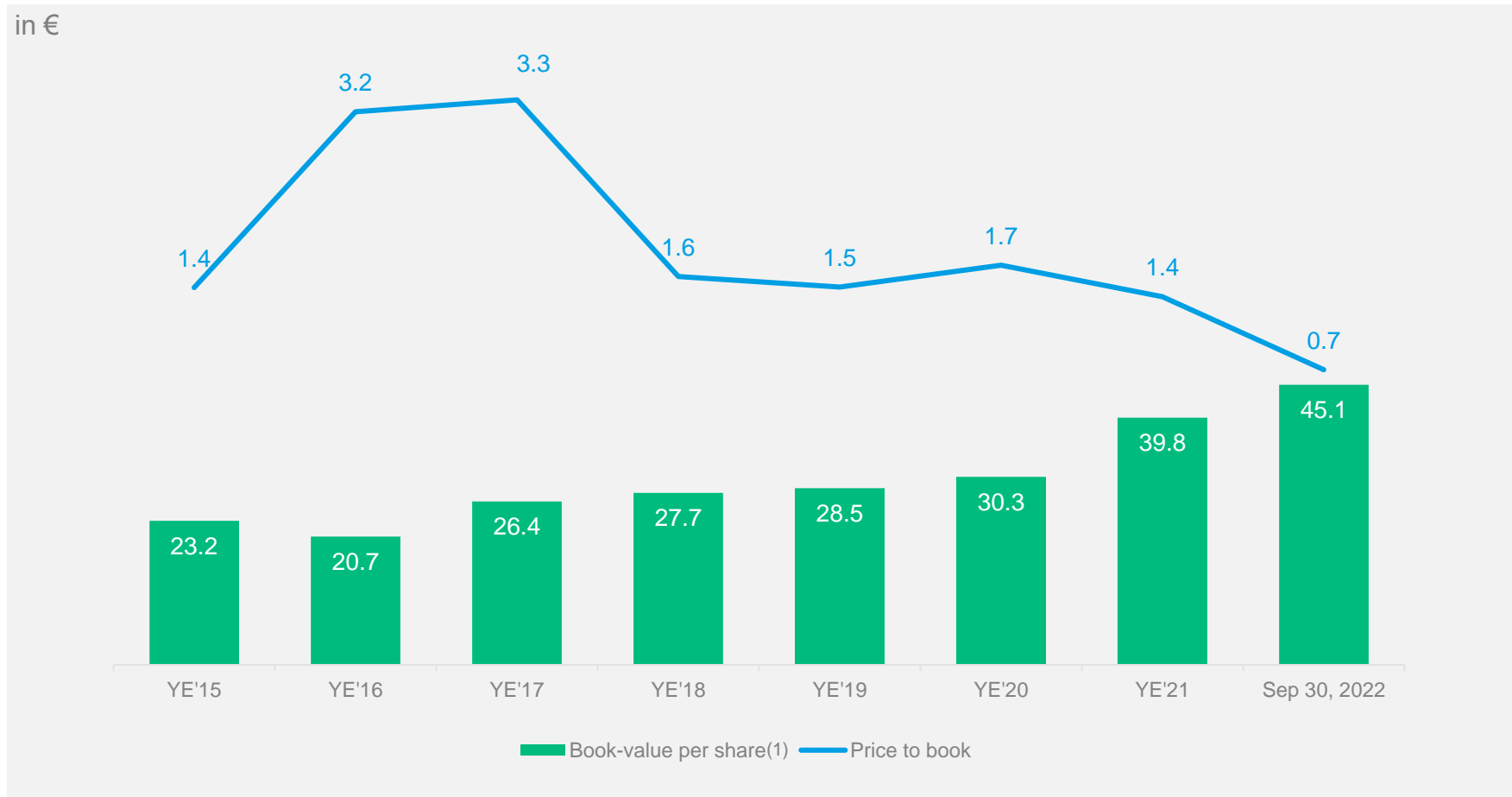
Covestro € share price since IPO





Historically low price to book value

Book-value per share and price to book development



HIGHLIGHTS

Book value per share increased by 14% p.a.

- based on the CAGR between 2016 and September 30, 2022

ROE of 16%

- on average between 2016 and 2021

Cumulated dividend of €11.85 per share

- based on the dividends for fiscal years 2016 to 2021

Upcoming IR events



Find more information on covestro.com/en/investors

REPORTING DATES

- | | |
|------------------|---------------------------------|
| • March 2, 2023 | 2022 Annual Report |
| • April 28, 2023 | Q1 2023 Quarterly Statement |
| • August 1, 2023 | 2023 Half-Year Financial Report |

ANNUAL GENERAL MEETING

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

- | | |
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| ▪ November 8, 2022 | UBS European Conference 2022, London |
| ▪ November 16, 2022 | Société Générale, European ESG – SRI Conference, Paris |
| ▪ November 17, 2022 | HSBC Luxembourg Day, Luxembourg |
| ▪ November 21, 2022 | DZ Bank Equity Conference, Frankfurt |
| ▪ November 30, 2022 | BofA Materials & Infrastructure Conference 2022, London |
| ▪ December 1, 2022 | Société Générale, The Premium Review Conference, Paris |
| ▪ December 5, 2022 | Berenberg European Conference 2022, London |
| ▪ January 10-11, 2023 | Commerzbank & ODDO BHF German Investment Seminar 2023, New York |
| ▪ January 17, 2023 | UniCredit & Kepler Cheuvreux, 22nd German Corporate Conference, Frankfurt |



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.