



# Strong earnings momentum continues

Financial Highlights  
Q2 2021



# Forward-looking statements

This presentation may contain forward-looking statements based on current assumptions and forecasts made by Covestro AG.

Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Covestro's public reports, which are available on the Covestro website at [www.covestro.com](http://www.covestro.com).

The company assumes no liability whatsoever to update these forward-looking statements or to adjust them to future events or developments.

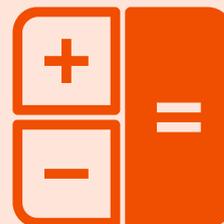
# Financial highlights Q2 2021



**+35.0%**  
Core volume  
growth



**€817m**  
EBITDA



**€374m**  
FOCF



**RFM**  
consolidated  
for first time



**FY 2021**  
Raised  
earnings guidance  
on July 12

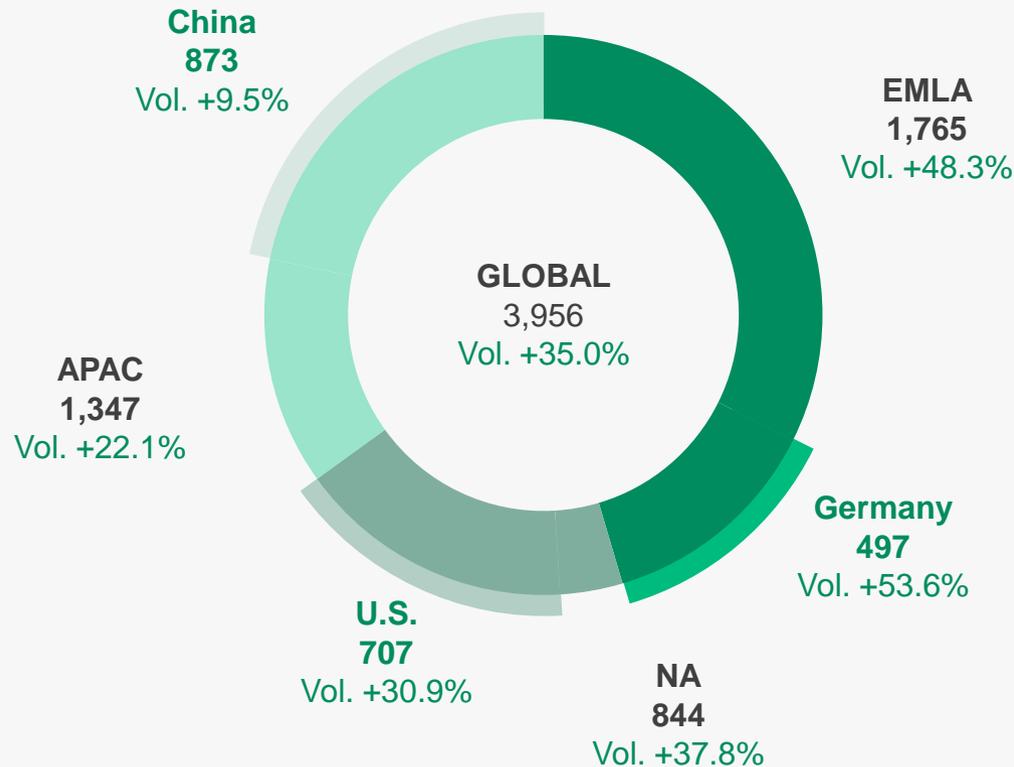


# Continued rebound limited by availability

## Q2 2021 – Regional split



Sales in € million  
Core volume growth Y/Y in %



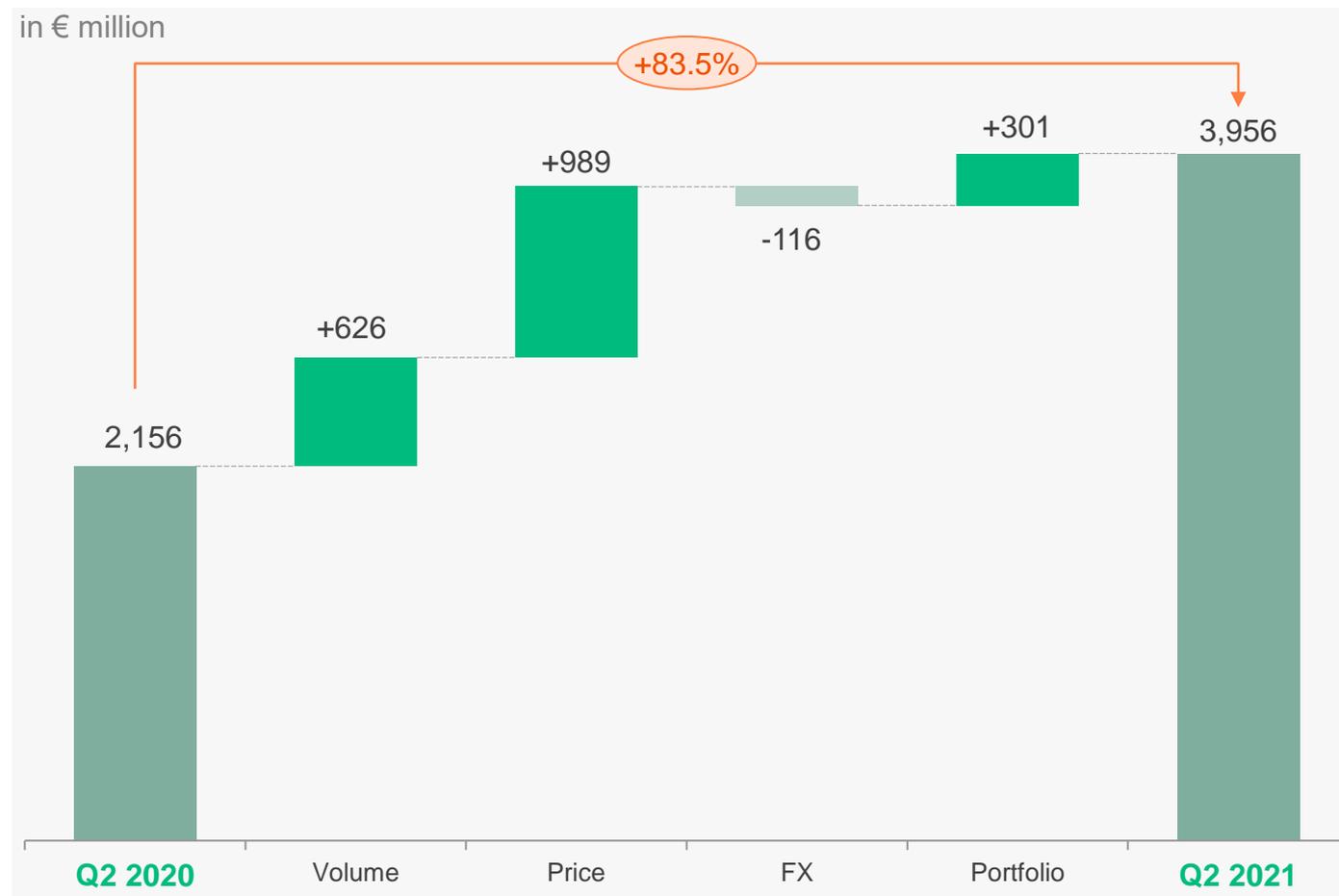
### CORE VOLUME GROWTH Y/Y

- Globally strong rebound compared to exceptionally weak prior year as well as first-time consolidation of acquired RFM business (contributing ~10pp), yet core volumes constrained by product availability:
  - Furniture/wood c. +20%, driven by EMLA and NA
  - Construction c. +13%, driven by EMLA and APAC
  - Auto/transport c. +88%, strong growth globally
  - Electro c. +18%, driven by EMLA and APAC
  - Divers c. +55%, including total RFM volumes
- APAC: high growth rates in all key industries – except single-digit growth in furniture/wood – driven by strong demand rebound outside of China
- EMLA: high growth rates in all key industries, even triple-digit growth rate in auto/transport
- NA: high growth rates in all key industries except single-digit growth in construction, limited by constrained product availability

# Higher prices and volumes drive sales growth



## Q2 2021 – Sales bridge



### HIGHLIGHTS

#### Volumes highly positive

- Volume increased by +29.0% Y/Y (in €) driven by all three segments, compared to weak prior year
- Core volume growth adjusted for RFM of c. 25% Y/Y (in kt); difference to sales volume effect due to favorable product and regional mix
- Volume growth limited by constrained product availability, mainly in U.S. and Europe

#### Pricing highly positive

- Higher selling prices, mainly in PUR and PCS, drove sales by +45.9% Y/Y

#### FX negative

- FX affected sales by -5.4% Y/Y mainly driven by weaker USD, JPY, CNY, and INR

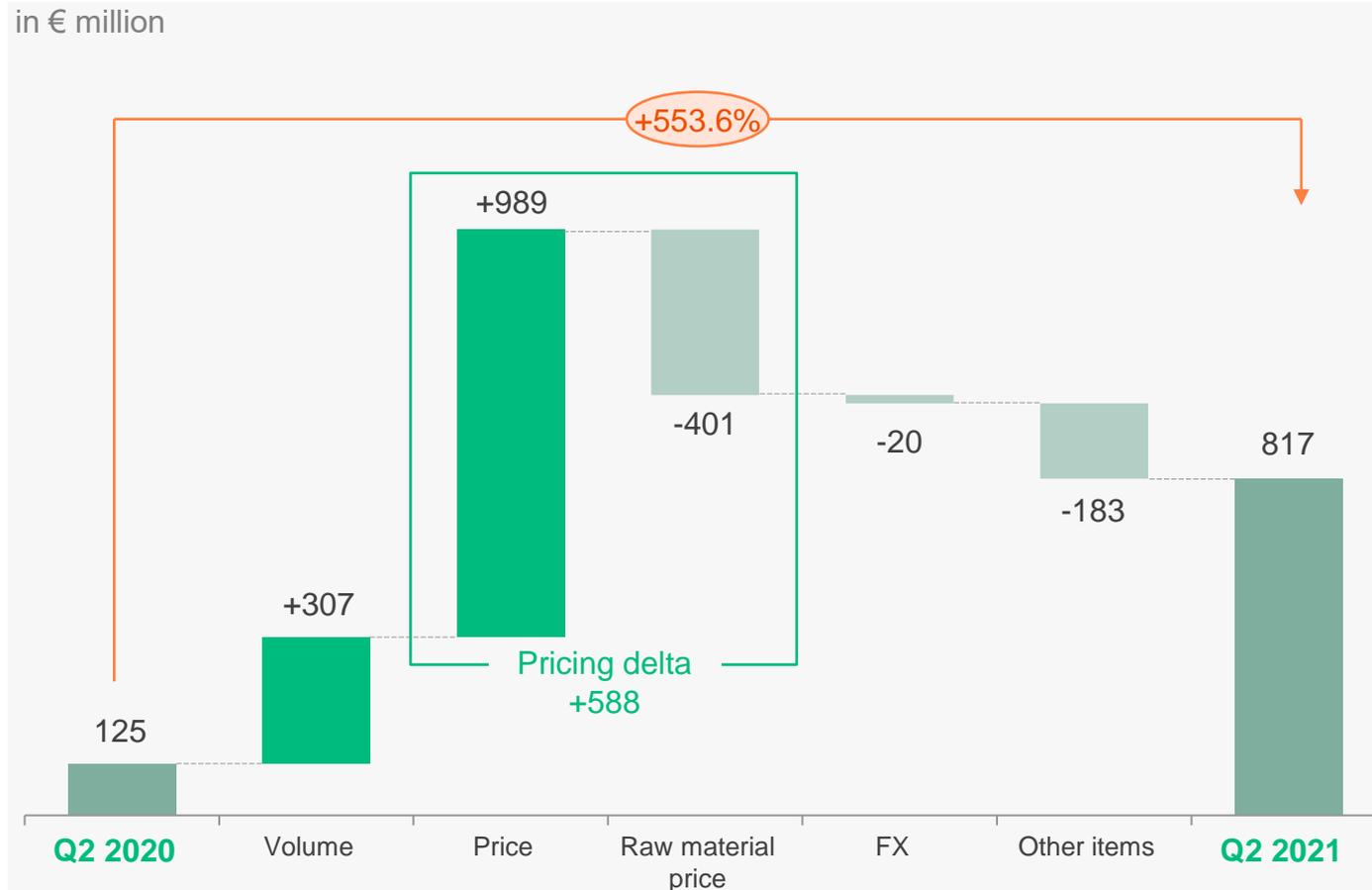
#### Portfolio positive

- RFM<sup>(a)</sup> increased sales by +14.0% Y/Y

# Soaring earnings due to positive pricing delta and volume growth



## Q2 2021 – EBITDA bridge



### HIGHLIGHTS

#### Positive volume leverage<sup>(a)</sup>

- Attractive volume leverage of 49%
- Prior year basis heavily burdened by global coronavirus pandemic

#### Highly positive pricing delta

- Vast majority contributed by PUR

#### Slightly negative FX

- Mainly translational effects

#### 'Other items' include:

- €-122m linked to higher provisions for variable compensation
- €-35m negative one-time effects related to first-time consolidation of acquired RFM business
- €-10m negative one-time effects related to LEAP transformation program

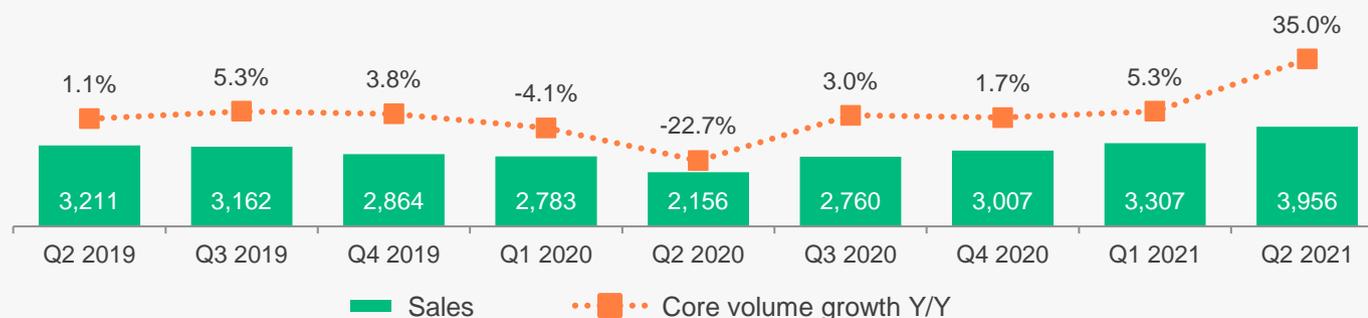
# EBITDA continues on high level

## Group results – Highlights Q2 2021



### SALES AND CORE VOLUME GROWTH<sup>(a)</sup>

in € million / changes Y/Y

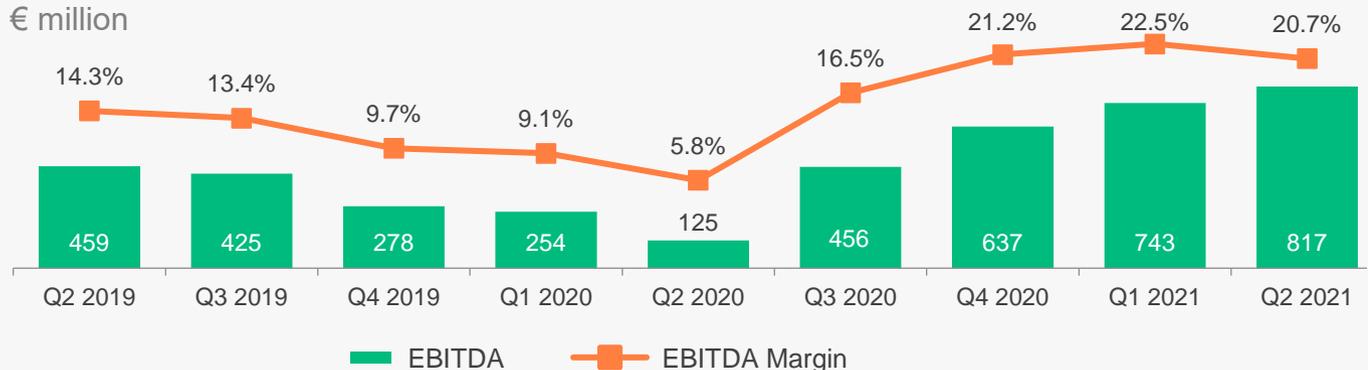


### HIGHLIGHTS

- In Q2'21, Covestro posted highest quarterly sales in its history
- Sequentially, the increase is mainly attributable to higher prices of €0.4bn and RFM<sup>(b)</sup> sales of €0.3bn
- Prior year heavily burdened by impact of coronavirus pandemic globally

### EBITDA AND MARGIN

in € million



### HIGHLIGHTS

- Sequentially, EBITDA margin declined mainly due to effects from first-time consolidation of acquired RFM business
- EBITDA margin of 20.7% in Q2 2021 still well below historic peak of 28.1% in Q1 2018

# Polyurethanes – dynamic rebound of industry demand



## Segment results – Highlights Q2 2021

### SALES AND CORE VOLUME GROWTH<sup>(a)</sup>

in € million / changes Y/Y

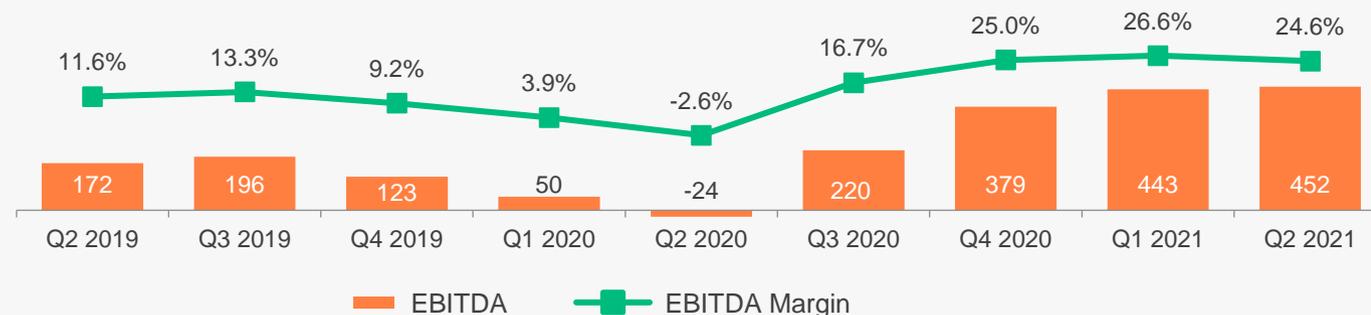


### HIGHLIGHTS

- Core volume growth (in kt) of +27.8% Y/Y driven by strong recovery of all key industries compared to weak prior year, however, limited by continued constrained product availability and shortages of feedstocks
- Sales increased by 101.6% Y/Y driven by price (+78.5%) and volume (+29.1%); negatively affected by FX (-6.0%)

### EBITDA AND MARGIN

in € million / margin in percent



### HIGHLIGHTS

- Compared to prior year, EBITDA increase driven by strong positive pricing delta in all three product groups and higher volumes, compensating higher provisions for variable compensation
- Sequentially, earnings virtually unchanged due to stable product margins on high levels
- EBITDA margin of 24.6% in Q2 2021 still well below historic peak of 32.7% in Q1 2018

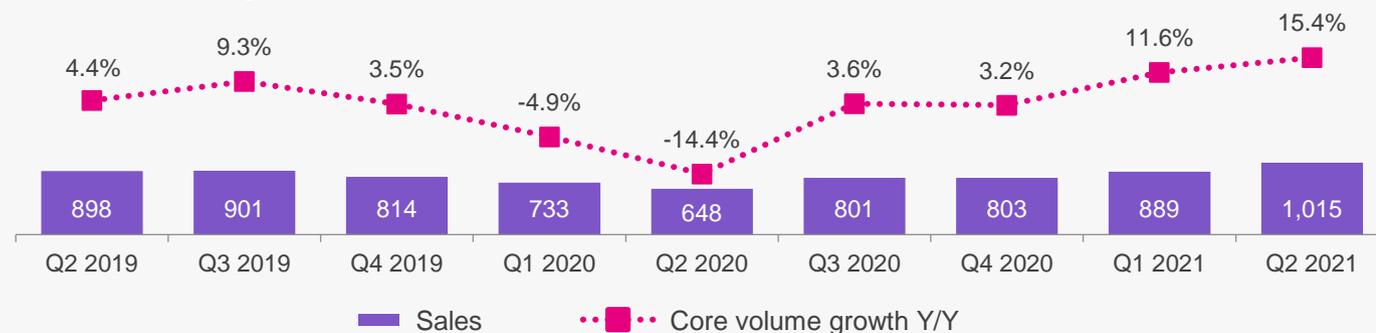
# Polycarbonates – defending high margins

## Segment results – Highlights Q2 2021



### SALES AND CORE VOLUME GROWTH<sup>(a)</sup>

in € million / changes Y/Y



### HIGHLIGHTS

- Core volume growth (in kt) of 15.4% Y/Y largely driven by strong recovery of auto/transport compared to weak prior year
- Sales grew by +56.6% Y/Y driven by price (+33.3%) and volume (+28.1%); negatively affected by FX (-4.8%)

### EBITDA AND MARGIN

in € million / margin in percent



### HIGHLIGHTS

- Compared to prior year, EBITDA increased mainly due to positive pricing delta and higher volumes, compensating higher provisions for variable compensation
- Sequentially, further EBITDA and margin increase supported by improving product mix
- EBITDA margin of 25.6% in Q2 2021 still well below historic peak of 30.3% in Q3 2018

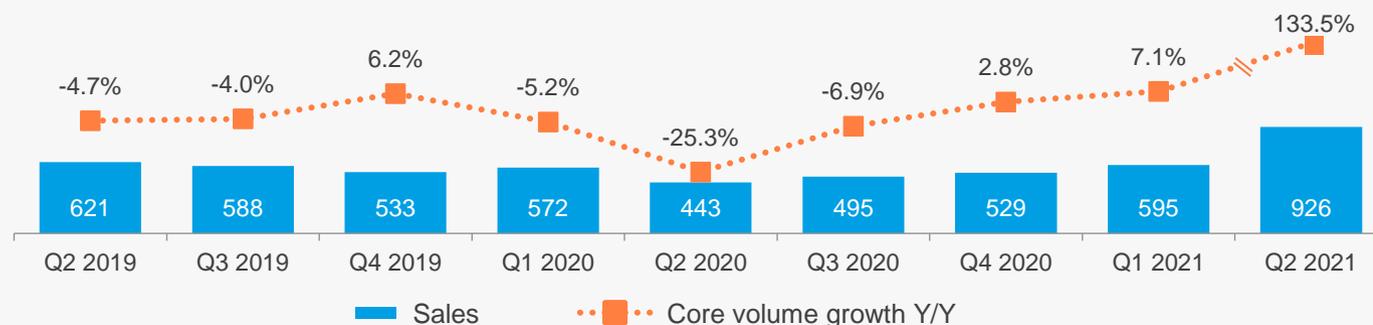
# Coatings, Adhesives, Specialties – positive pricing delta



## Segment results – Highlights Q2 2021

### SALES AND CORE VOLUME GROWTH<sup>(a)</sup>

in € million / changes Y/Y



### HIGHLIGHTS

- Core volume growth (in kt) of 133.5% Y/Y, including ~100pp from RFM<sup>(b)</sup>
- Underlying CAS business driven by strong recovery of auto/transport compared to weak prior year, however, limited by feedstock constraints
- Sales grew by +109.0% Y/Y, driven by portfolio (+67.9%, RFM<sup>(b)</sup>), volume (+34.4%) and price (+13.2%); negatively affected by FX (-6.5%)

### EBITDA AND MARGIN

in € million / margin in percent



### HIGHLIGHTS

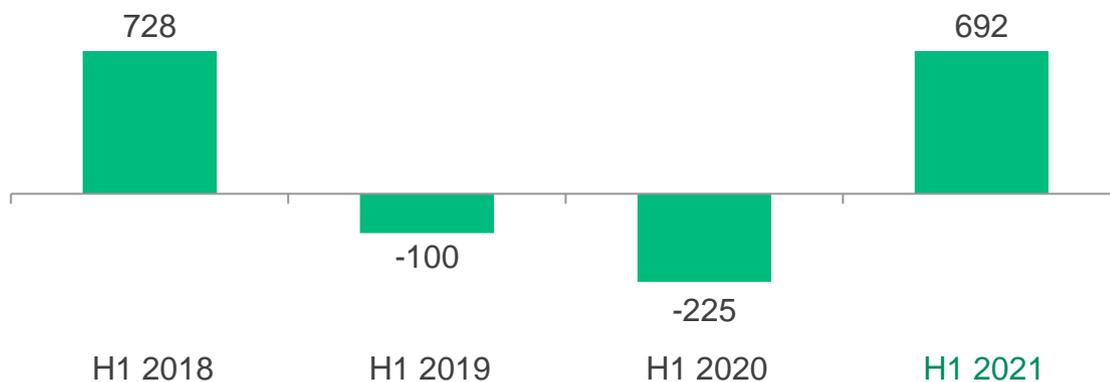
- Q2'21 EBITDA includes negative one-time effects of €-35m related to RFM<sup>(b)</sup>
- Q2'21 EBITDA of €169m and margin at 18.3% if adjusted for RFM-related<sup>(b)</sup> one-time effects
- Compared to prior year, EBITDA increase mainly due to higher volumes and positive pricing delta, compensating higher provisions for variable compensation

# €0.7bn free operating cash flow in first half-year

## Historical FOCF development



in € million



	H1 2018	H1 2019	H1 2020	H1 2021
<b>EBITDA</b>	+2,048	+901	+379	+1,560
<b>Changes in working capital<sup>(a)</sup></b>	-625	-30 <sup>(d)</sup>	-187 <sup>(d)</sup>	-580
<b>Capex<sup>(b)</sup></b>	-241	-384	-286	-289
<b>Income tax paid</b>	-335	-223	-102	-176
<b>Other effects</b>	-119	-364 <sup>(d)</sup>	-29 <sup>(d)</sup>	+177

### HIGHLIGHTS

- In Q2'21, FOCF increased to €374m (€24m in Q2'20) driven by significantly higher earnings
- In H1'21, EBITDA increase boosted FOCF development despite negative contribution from working capital
- Working capital to sales ratio<sup>(c)</sup> at 20.9%
- Capex of €289m on budget and in line with FY 2021 guidance
- Income tax paid of €176m reflect lower income level in previous quarters
- 'Other effects' reflect provisions for variable compensation, cash-effective only in 2022

Note:

(a) Working capital includes changes in inventories, trade accounts receivable and trade accounts payable

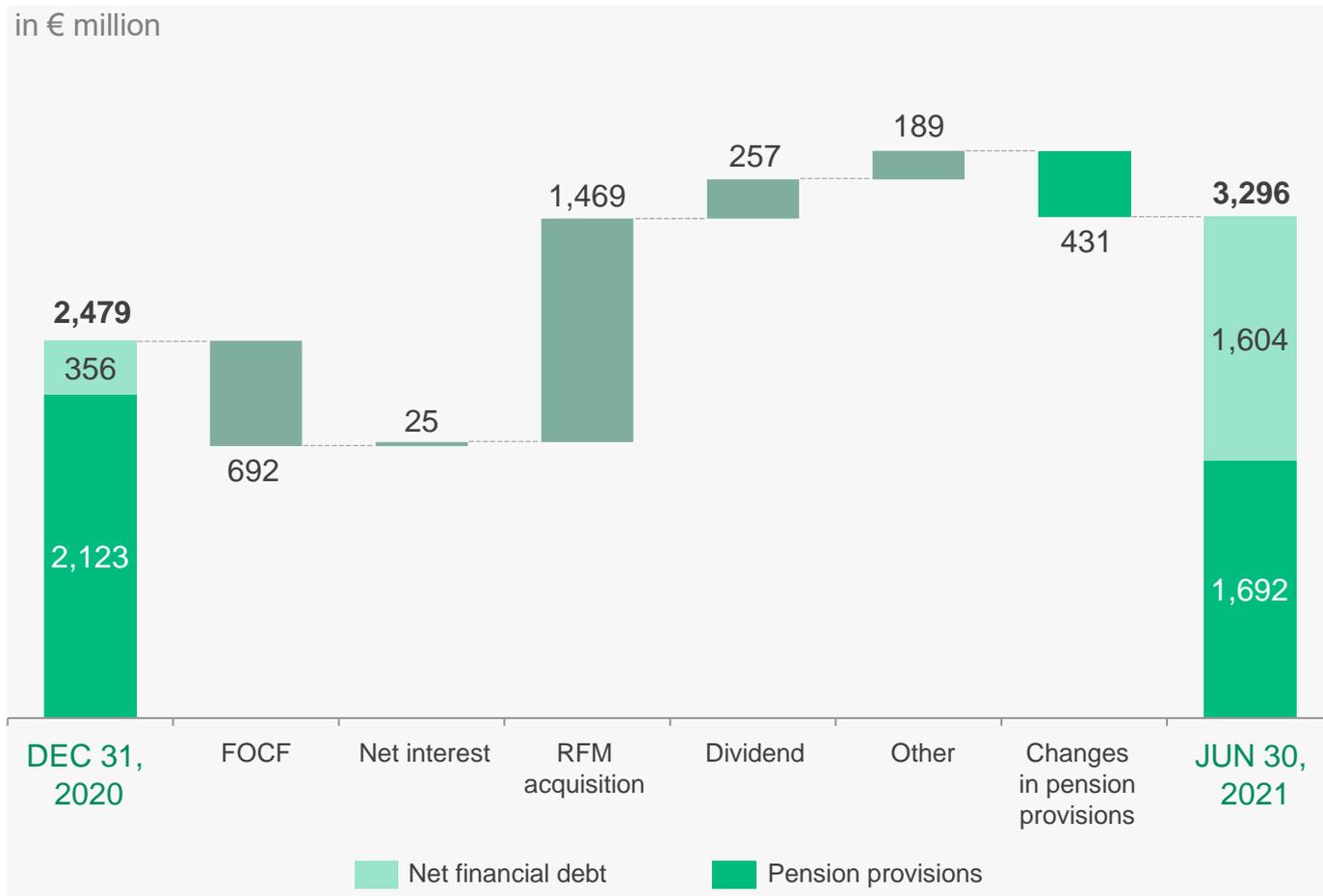
(b) Cash-relevant capex

(c) Method of calculation: Working Capital on June 30, 2021, divided by sales of last four quarters

(d) Prior year figures restated following change in presentation for rebates granted to customers, affecting trade accounts payable

# Solid balance sheet after RFM closing

June 30, 2021 – Total net debt



## HIGHLIGHTS

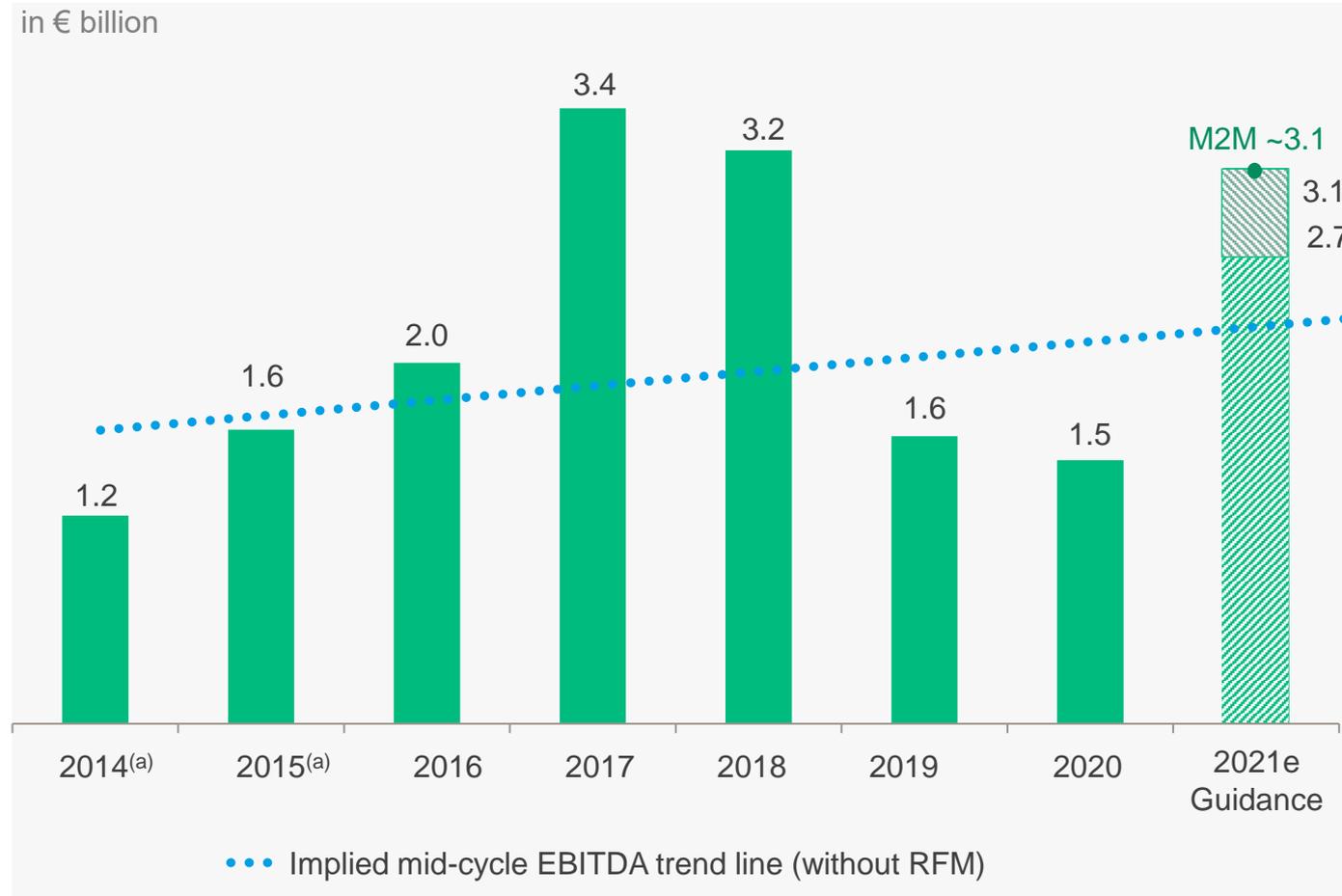
- Pension provisions decreased by €431m mainly resulting from higher discount rates in Germany
- Total net debt to EBITDA ratio<sup>(a)</sup> of 1.2x at end of Q2 2021 vs. 2.9x at end of Q2 2020
- Equity ratio of 45% at end of Q2 2021 vs. 44% at end of FY 2020
- Committed to a solid investment grade rating

### Liquidity at attractive rates

- Cash outflow for acquisition of RFM (less acquired cash) of €1.5bn as planned on April 1, 2021
- Balance sheet with €1.4bn in cash, cash equivalents and current financial assets
- Undrawn syndicated revolving credit facility (RCF) of €2.5bn in place with ESG element

# Well above mid-cycle earnings level in 2021

## EBITDA development between 2014 and 2021e



### HIGHLIGHTS

#### Historic development

- Cyclical driven by supply-demand balance
- 2017 peak due to very high industry utilization
- 2020 burdened by globally declining GDP, followed by strong demand rebound in 2021

#### EBITDA guidance of €2,700m – 3,100m in FY 2021

- Upgraded earnings guidance (as of July 12) reflects further improved margin outlook for H2 2021
- Includes RFM acquisition, closed on April 1, 2021
- Mark-to-market (M2M) EBITDA in FY 2021 of ~€3.1bn based on June 2021

#### EBITDA sensitivities for FY 2021

- Volume sensitivity: 1pp change in core volumes equals around +/- €60m, excluding RFM
- FX sensitivity: 1pp change equals +/- €6m for CNY/EUR and +/- €4m for USD/EUR

# Raised 2021 earnings outlook confirmed

Updated FY 2021 guidance, as of July 12, 2021



	FY 2020	Previous guidance FY 2021 (as of April 13, 2021)	Updated guidance FY 2021 (as of July 12, 2021)
Core volume growth	-5.6%	10 – 15% (t/o ~6%p RFM)	10 – 15% (t/o ~6%p RFM)
FOCF	€530m	€1,300m – 1,800m	€1,600m – 2,000m
ROCE	7.0%	12 – 17%	16 – 20%

## Additional financial expectations

EBITDA FY	€1,472m	€2,200m – 2,700m	€2,700m – 3,100m
EBITDA Q3	€456m	n.a.	€760m – 860m
D&A	€776m	~€900m	~€900m
Financial result	€-91m	~€-100m	~€-100m
P&L (effective) tax rate	25.0%	24 – 26%	24 – 26%
Capex <sup>(a)</sup>	€704m	~€800m	~€800m
Average number of outstanding shares (in million)	184.9	193.2	193.2

# Strong earnings momentum continues

## Highlights Q2 2021



1

Volume growth reflects strong rebound

and first-time consolidation of acquired RFM business, limited by constrained product availability

2

Soaring EBITDA driven by positive pricing delta and volume growth

with continuing momentum into Q3 2021

3

Strong cash generation

based on high earnings and positive cash phasing effects

4

Raised 2021 earnings outlook confirmed

now well above mid-cycle levels

5

Transformation program LEAP well on track

with new organizational set-up implemented on July 1, 2021



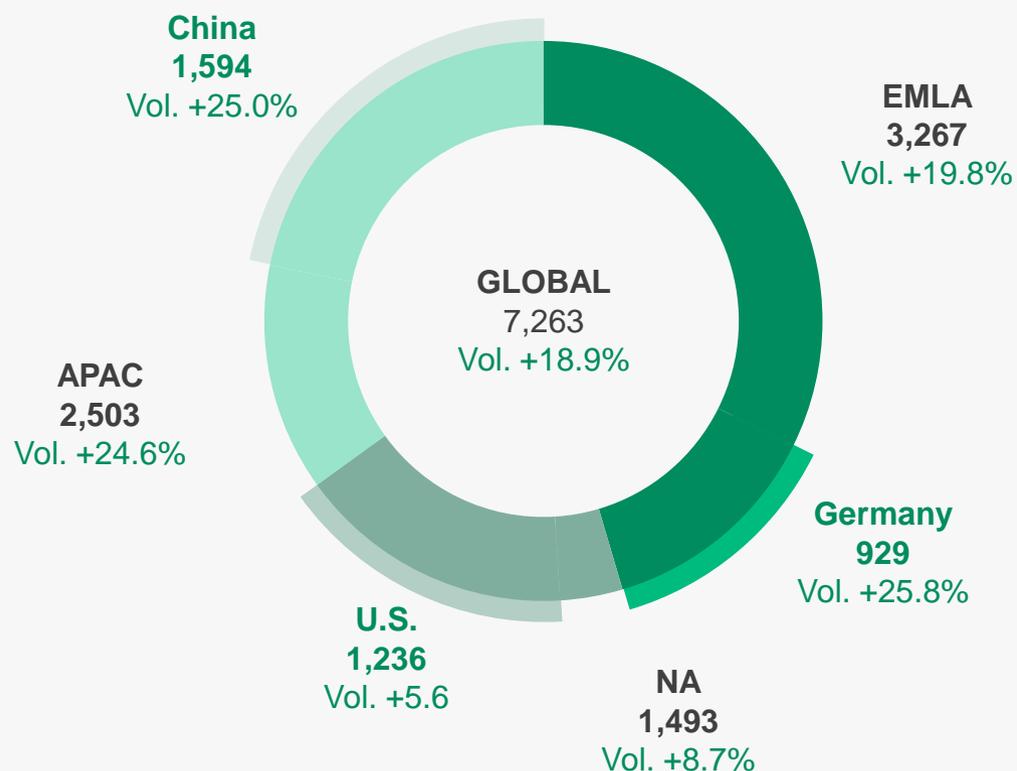
# Appendix

# Strong rebound limited by availability

## H1 2021 – Regional split



Sales in € million  
Core volume growth Y/Y in %



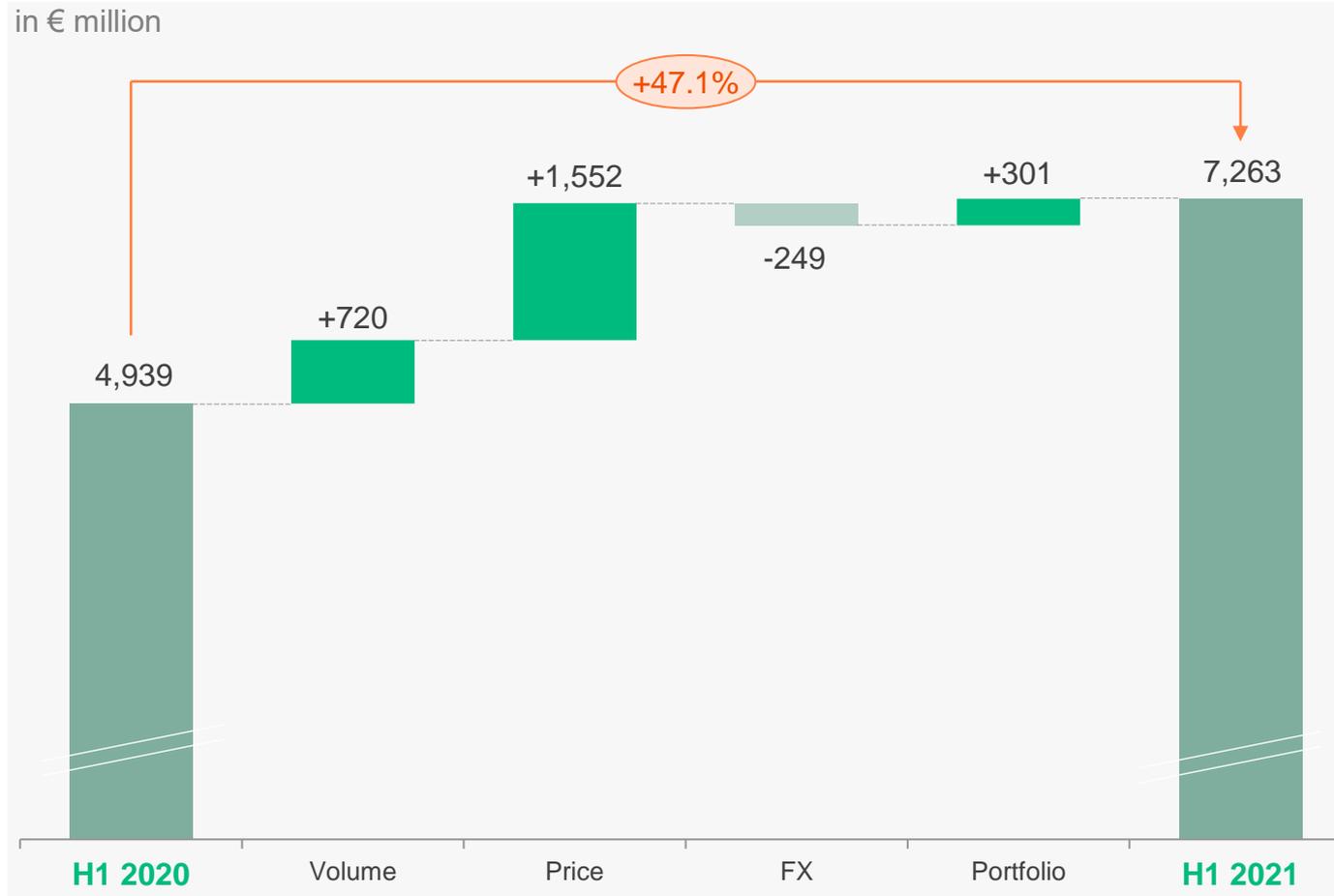
### CORE VOLUME GROWTH Y/Y

- Globally strong rebound compared to exceptionally weak prior year as well as first-time consolidation of acquired RFM business (contributing ~5pp), yet core volumes constrained by product availability:
  - Furniture/wood c. +8%, while APAC up 17%
  - Construction c. +8%, driven by EMLA and APAC
  - Auto/transport c. +42%, strong growth globally
  - Electro c. +19%, with growth in all regions
  - Divers c. +25%, including total RFM volumes
- APAC: double-digit growth rates in all key industries led by strong demand rebound in China
- EMLA: double-digit growth rates in all key industries except single-digit growth in furniture/wood, limited by constrained polyols availability
- NA: double-digit growth rates in auto/transport and electro; declining volumes in construction and furniture/wood due to constrained product availability

# Higher prices and volumes drive sales growth



## H1 2021 – Sales bridge



### HIGHLIGHTS

#### Volume positive

- Volume increased by +14.6% Y/Y (in €) – excluding RFM<sup>(a)</sup> – driven by all three segments, compared to weak prior year
- Volume growth limited by constrained product availability, mainly in U.S. and Europe

#### Pricing highly positive

- Higher selling prices, mainly in PUR and PCS, drove sales by +31.4% Y/Y

#### FX negative

- FX affected sales by -5.0% Y/Y mainly driven by weaker USD, CNY, BRL, INR and JPY

#### Portfolio

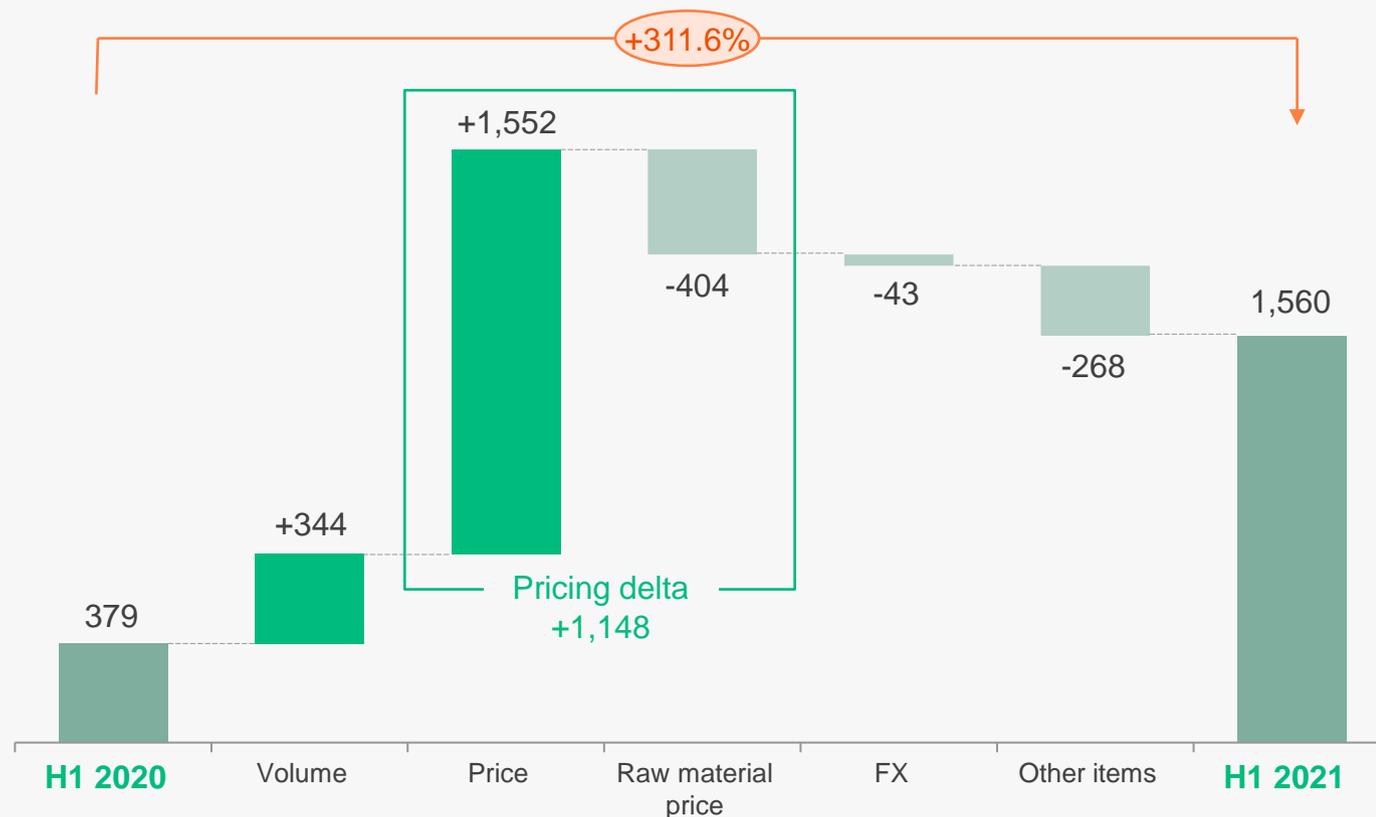
- RFM<sup>(a)</sup> increased sales by +6.1% Y/Y

# Significant earnings increase driven by positive pricing delta

## H1 2021 – EBITDA bridge



in € million



### HIGHLIGHTS

#### Positive volume leverage<sup>(a)</sup>

- Attractive volume leverage of 48%
- Prior year basis heavily burdened by global coronavirus pandemic

#### Highly positive pricing delta

- Vast majority contributed by PUR

#### Slightly negative FX

- Mainly translational effects

#### 'Other items' include:

- €-227m linked to higher provisions for variable compensation
- €-37m negative one-time effects related to first-time consolidation of acquired RFM business
- €-26m negative one-time effects related to LEAP transformation program

# Upcoming IR events



Find more information on [covestro.com/en/investors](https://covestro.com/en/investors)

## REPORTING DATES

- |                    |                             |
|--------------------|-----------------------------|
| • November 8, 2021 | Q3 2021 Quarterly Statement |
| • March 1, 2022    | 2021 Annual Report          |

## ANNUAL GENERAL MEETING

- |                  |                        |
|------------------|------------------------|
| • April 21, 2022 | Annual General Meeting |
|------------------|------------------------|

## BROKER CONFERENCES

- |                      |   |
|----------------------|---|
| • August 31, 2021    | Commerzbank Annual Corporate Conference (virtual)   |
| • September 22, 2021 | Baader Investment Conference 2021, (Munich/virtual) |

## Virtual Investor Conference

- |                      |                             |
|----------------------|-----------------------------|
| • September 28, 2021 | Virtual Investor Conference |
|----------------------|-----------------------------|