



Covestro: Managing challenging times

Annual Press Conference

March 2, 2023



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Your hosts today

Welcome



Dr. Markus Steilemann
Chief Executive Officer



Dr. Thomas Toepfer
Chief Financial Officer

Fiscal 2022 shaped by geopolitical crises



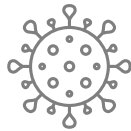
Inflation



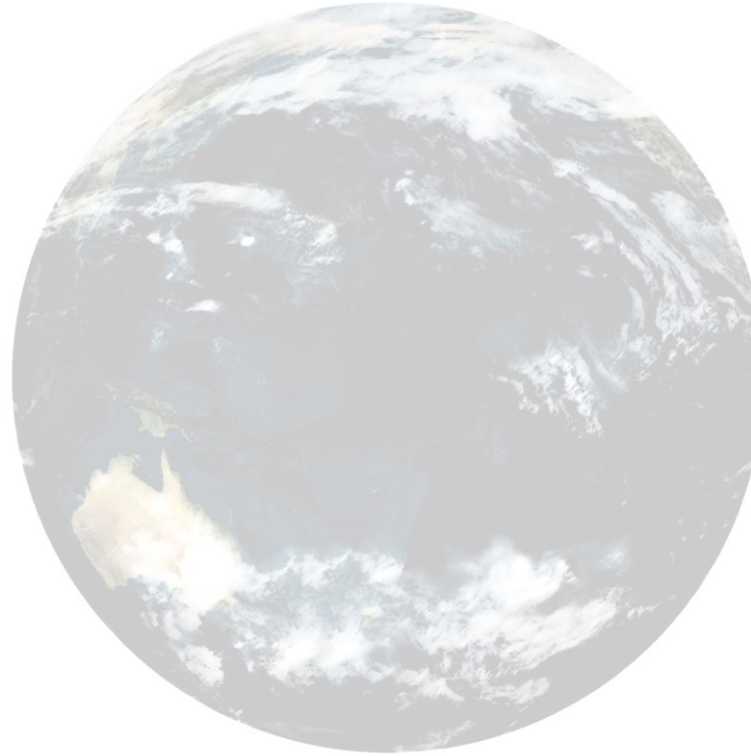
War in Europe



Energy crisis



Covid-19



**Slowing
global economy**

**Long-term
financing secured**

**Greater independence from
global supply chains through
regional positioning**

**Optimization of
working capital**

**Ideally positioned to
achieve future growth**

A high-resolution image of the Earth from space, showing a curved horizon with blue oceans, white clouds, and green landmasses.

**Strategy “Sustainable Future”
bears through challenges**

**Expansion of
industrial
biotechnology**

Development of CQ

**Investments
in energy efficiency**

**Greater independence
from fossil resources**

Consistent action during energy crisis in Europe

Energy demand reduced and efficiency improved in the long term



Price-optimized electricity management for energy-intensive chlorine production by interdisciplinary team

Energy-efficient heating concept



Investments in energy efficiency projects

Fuel switch from gas to oil



Weaker global demand slows growth

Development in core industries



Key customer industries		2019 Y/Y	2020 Y/Y	2021 Y/Y	2022 Y/Y ⁽¹⁾	2023e Y/Y ⁽²⁾
Global GDP		+2.5%	-3.5%	+6.1%	+3.1%	+1.5%
Automotive EV / BEV		-5.0% +21.6%	-15.9% +29.2%	+3.0% +105.9%	+6.1% +69.8%	+4.6% +42.5%
Construction Residential		+2.0% +1.6 %	-1.8% -1.0%	+3.4% +4.5%	+1.2% +0.8%	+0.8% -0.2%
Furniture Soft furniture		+2.0% -1.8%	-4.8% -4.4%	+8.8% +8.2%	-3.6% -5.2%	+0.3% + 0.2%
Electrical, electronics & household appliances Appliances		+4.0% +11.2%	+4.5% +2.4%	+16.6% +9.2%	+4.9% -1.9%	+2.0% +3.7%

2022: Earnings affected by external market environment

Key financial figures for fiscal year 2022



GROUP SALES

€ **18** bn

+13.0%

EBITDA

€ **1.6** bn

-47.6%

FOCF

€ **138** m

-90.3%

NET INCOME

€ **-272** m

2021: € 1.6bn

ROCE above WACC

-5.0 PP

2021: 12.9 PP

2022: Progress towards more sustainability

Further milestones achieved



GHG emissions



4,7 m tons

CO₂ equivalents

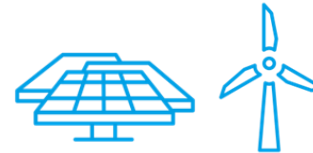
Renewable energy



12 %

Share of global electricity use

Power Purchase Agreements (PPAs)



~30 %

Of Covestro's annual electricity requirements in Shanghai via wind and solar from 2023 on

Circular economy



11

Sites in APAC and EMLA ISCC+ certified

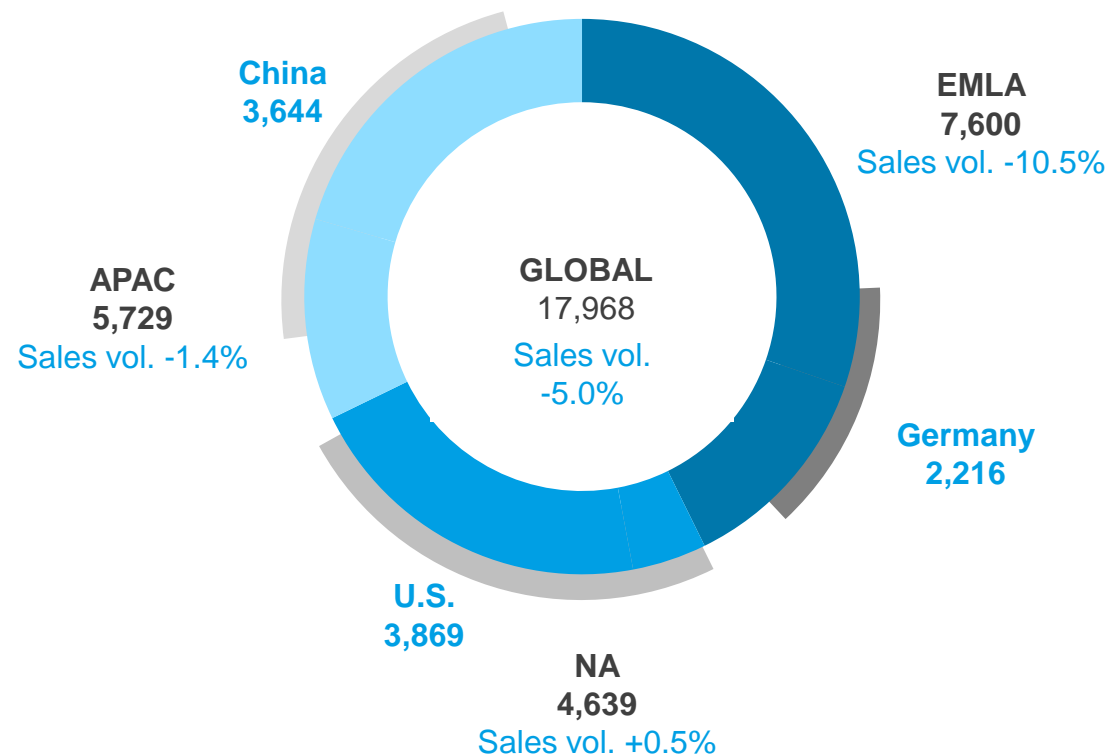
**Solid balance sheet
despite negative
net income**

Record sales despite lower volumes

FY 2022 – Group sales increased by 13% (Y/Y)



Sales in € million
Sales volume Y/Y in %



Sales volume decline due to recessionary environment, particularly in Europe



Strong volume growth in construction industry in NA and APAC



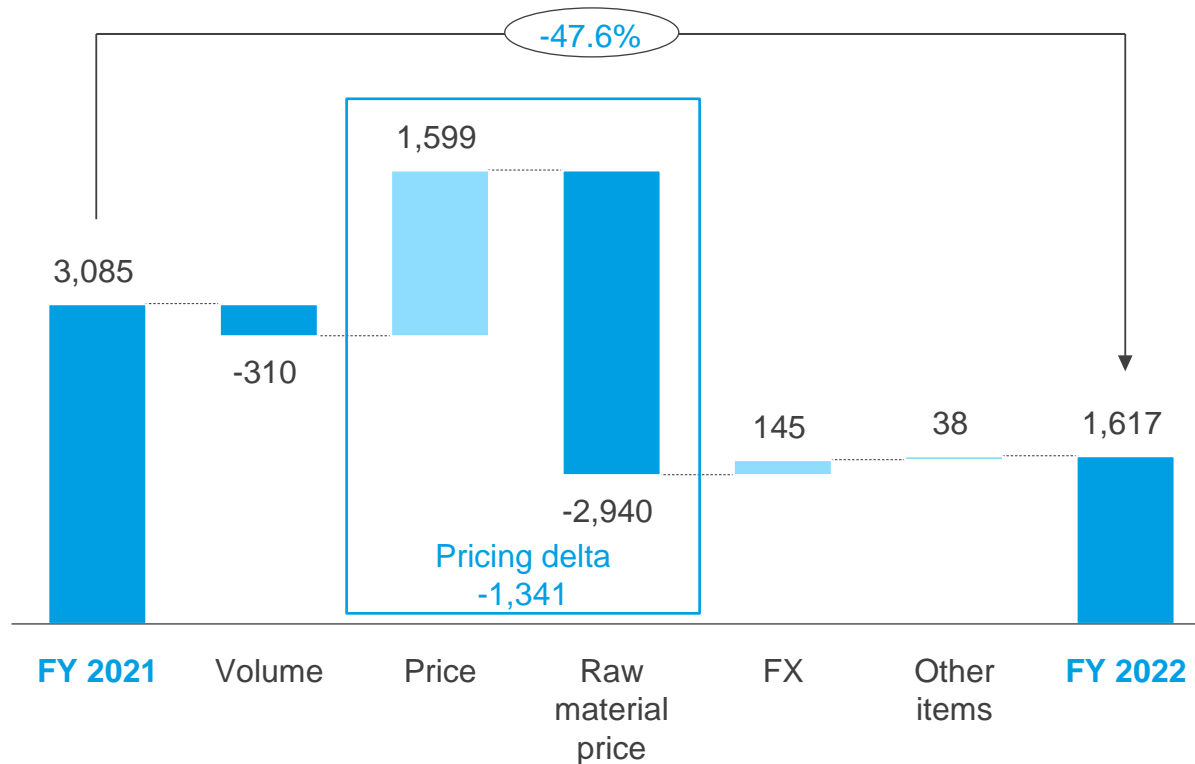
Slight volume growth in automotive industry in NA and APAC

EBITDA impacted by high energy and raw material costs



FY 2022 – EBITDA bridge

in € million



Increasingly limited possibility to adjust prices throughout the year



Selling prices cannot compensate for increased energy and raw material costs



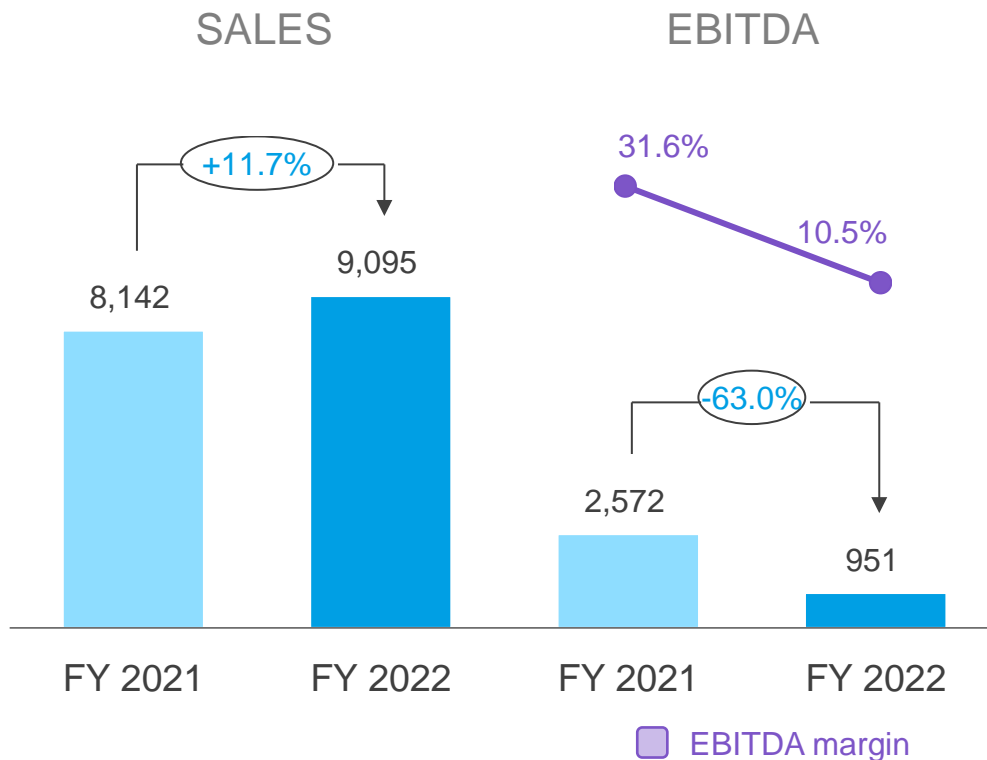
Negative volume effect of 5% due to slowing demand

Weakening EBITDA in volatile market environment

Segment Performance Materials



in € million



2022: weakening demand over the course of the year



Significantly negative pricing delta due to high raw material and energy costs



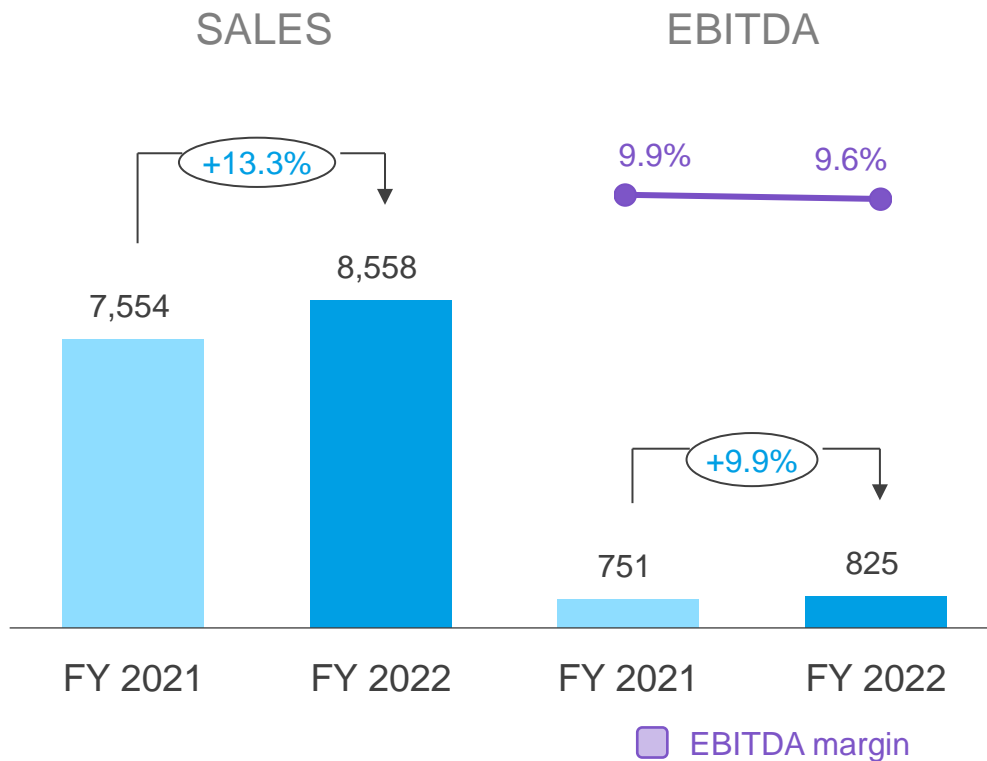
EBITDA forecast 2023: significantly below previous year

Increased earnings despite challenging environment

Segment Solutions & Specialties



in € million



2022: almost stable EBITDA margin



RFM integration succeeds faster than planned



EBITDA outlook for 2023 around previous year

Net income impacted by exceptional impairments

FY 2022 – Net income



in € million	FY 2021	FY 2022	(Δ Y/Y)
EBITDA	3,085	1,617	(-47.6%)
Impairments	823	1,350	(64.0%)
<i>thereof exceptional</i>	-2	-463	(>100%)
Financial result	-77	-137	(+77.9%)
Taxes	-566	-411	(-27.4%)
<i>thereof impairments</i>	-3	-255	(>100%)
Of which attributable to noncontrolling interest	3	-9	.
Net income	1,616	-272	



Exceptional impairments of noncurrent assets in the amount of € 463 million



Adjustments of deferred tax assets in the amount of € 255 million



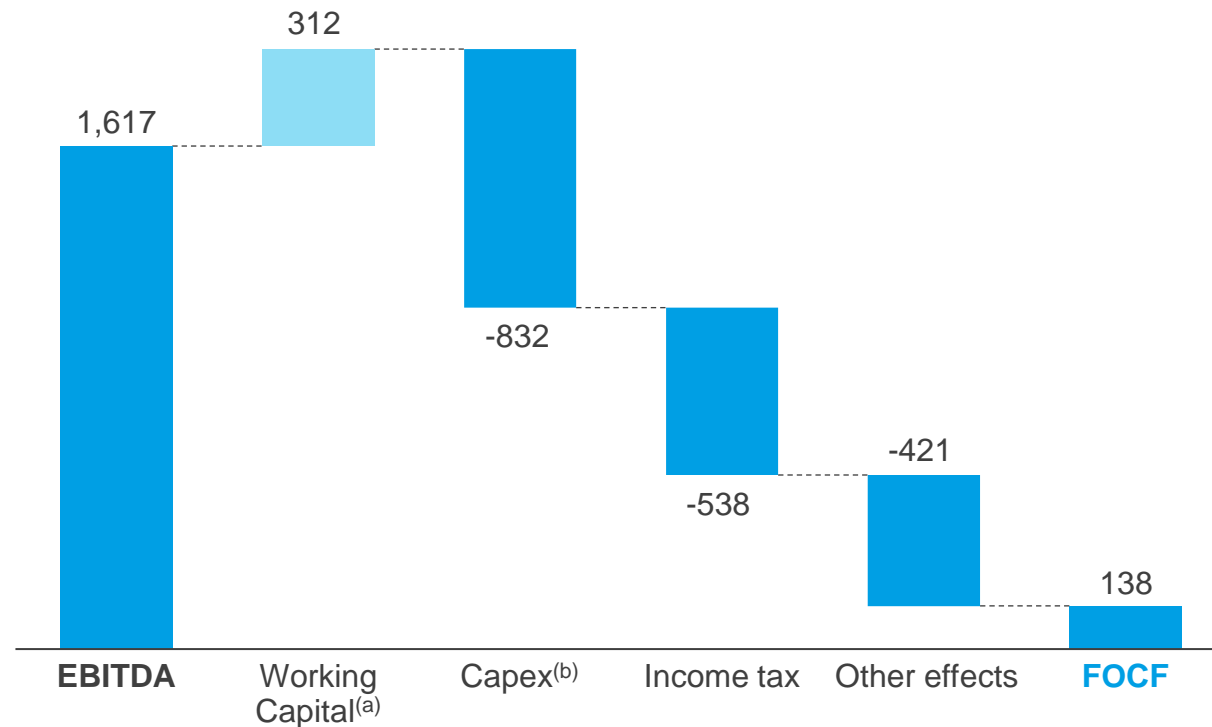
In line with dividend policy: no payout for FY 2022

Positive cash flow in a challenging environment

FY 2022 – FOCF bridge



in € million



Positive effect of € 312 million from consistent working capital management



Continuous investment in growth and maintenance



€ 538 million income tax paid due to unfavorable geographical mix FY 2022

Stable liquidity base expanded in fiscal 2022

ESG-oriented financing measures emphasize commitment to sustainability



Green Financing Framework

**Green
Bond**



€ 500 m

**Schuldschein
Loan**



~ € 650 m

Ongoing economic and geopolitical challenges

Full year guidance 2023



EBITDA
Significantly below
previous year

FOCF
Significantly below
previous year

GHG emissions^(a)
Around
previous year^(b)

ROCE above WACC
Significantly below
previous year

Driving sustainable growth

Focused on sustainable growth (1/2)

Portfolio consistently geared towards growth markets



Wind energy: significant rise in demand

With the globally planned capacity expansion, the demand for materials for wind turbines and rotor blades will increase by around 10% per year until 2030

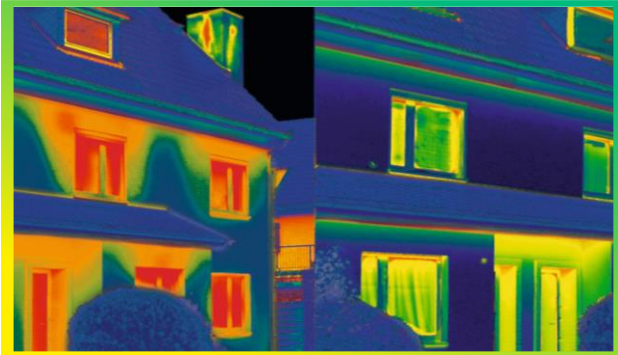


E-mobility: continuously increasing demand

Electric vehicles require two to five times^(a) as much polycarbonate as conventional vehicles

Focused on sustainable growth (2/2)

Portfolio consistently geared towards growth markets



Thermal insulation: strong growth forecast

Steady increase in global growth rates expected for MDI



Packaging market in transition

EU legislation mandates recyclability of packaging by 2030, paper coatings in food sector increasingly important

Improvement of supply and cost position for MDI

Targeted optimization of production capacities to ensure sustainable growth



First world-scale plant based upon highly innovative and energy-efficient ODC (oxygen depolarized cathode)^(a)



In-house chlorine production strengthens independence



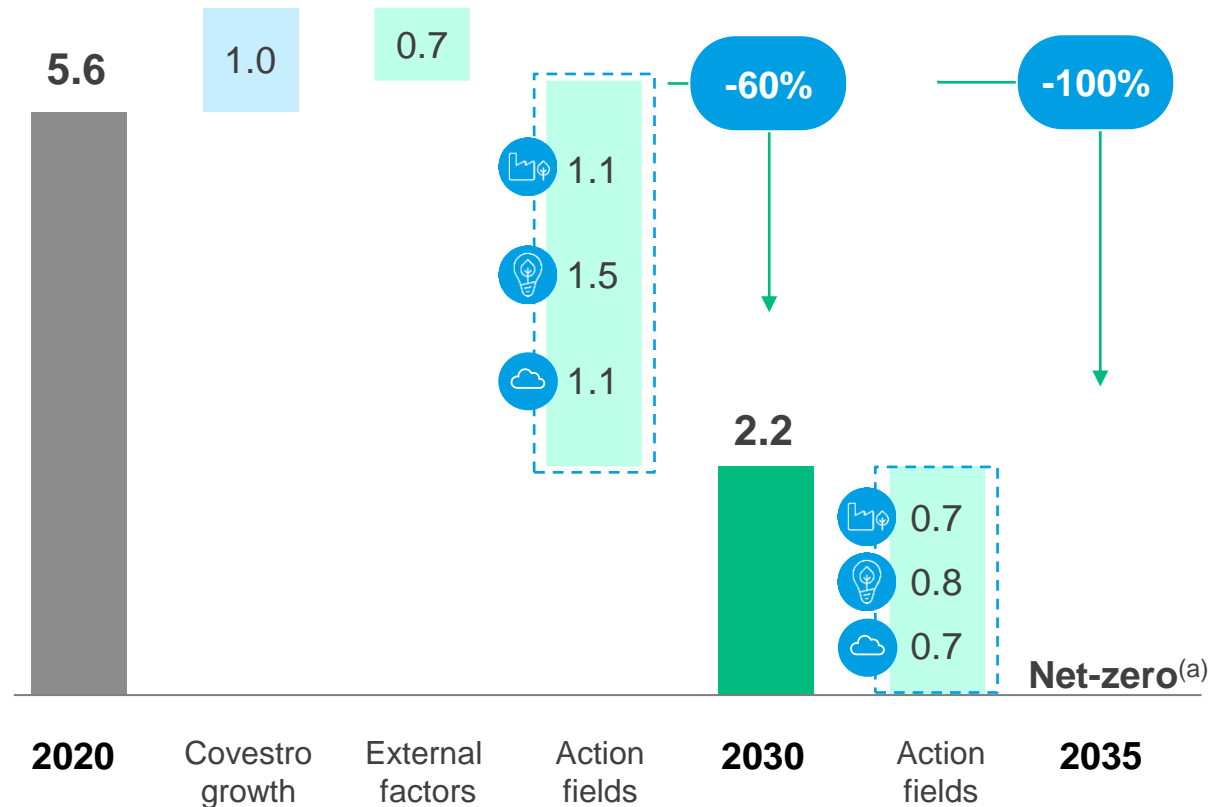
Significant increase in the efficiency of MDI production

Progress on the road to climate neutrality

Roadmap until 2035



Greenhouse gas emissions in million t, scope 1 and 2



Further PPAs concluded



Feasibility study on heat pumps



Tarragona: Savings of up to 22,000 tons of CO₂ emissions per year

Driving circular economy

Important levers to achieve circular economy

Market, customer and circularity must change together



Changing markets and creating incentives for recyclable products



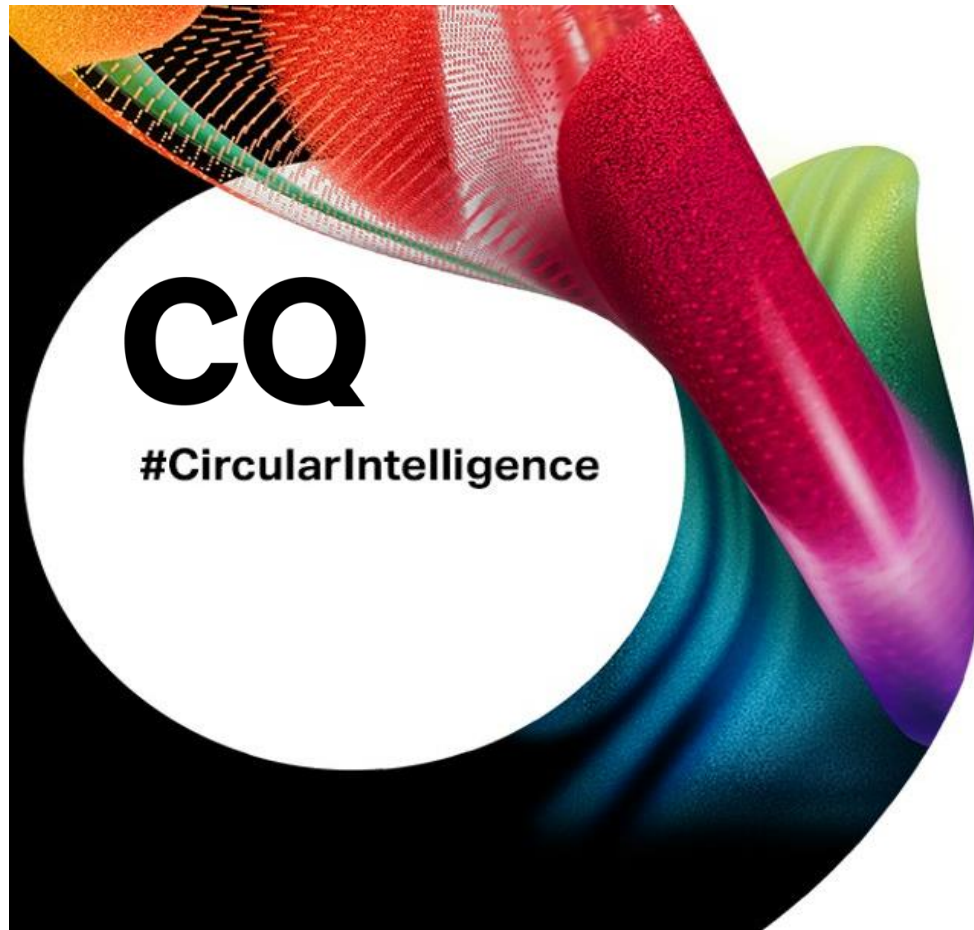
Circular products for CO₂ reduction in key industries



Using circular raw materials

Circularity considered comprehensively

Sustainable products and technologies labeled with CQ



Consist of at least 25% alternative, non-fossil raw materials



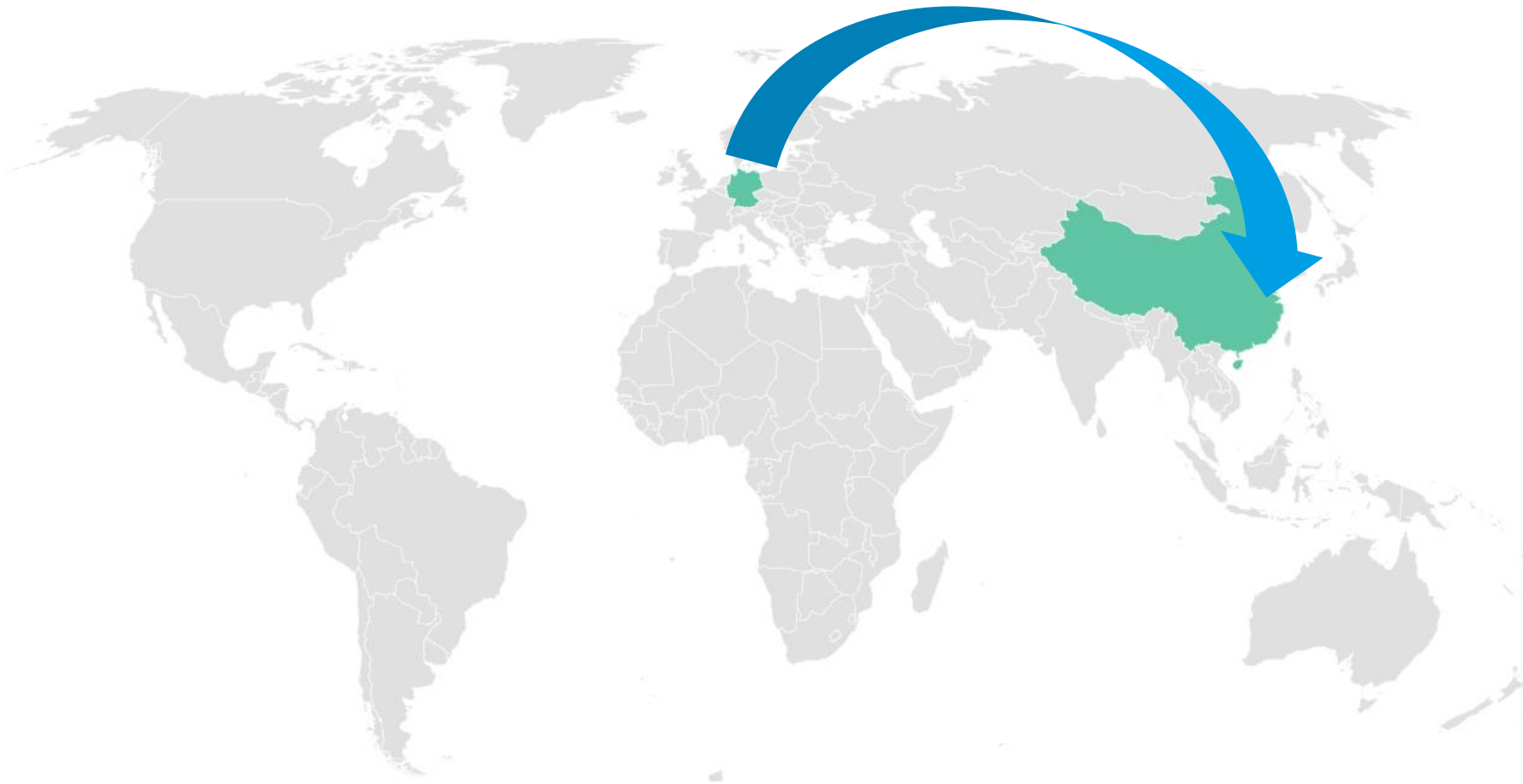
Addresses customer need to reduce own scope 3 emissions



Target: offer all products in climate-neutral version

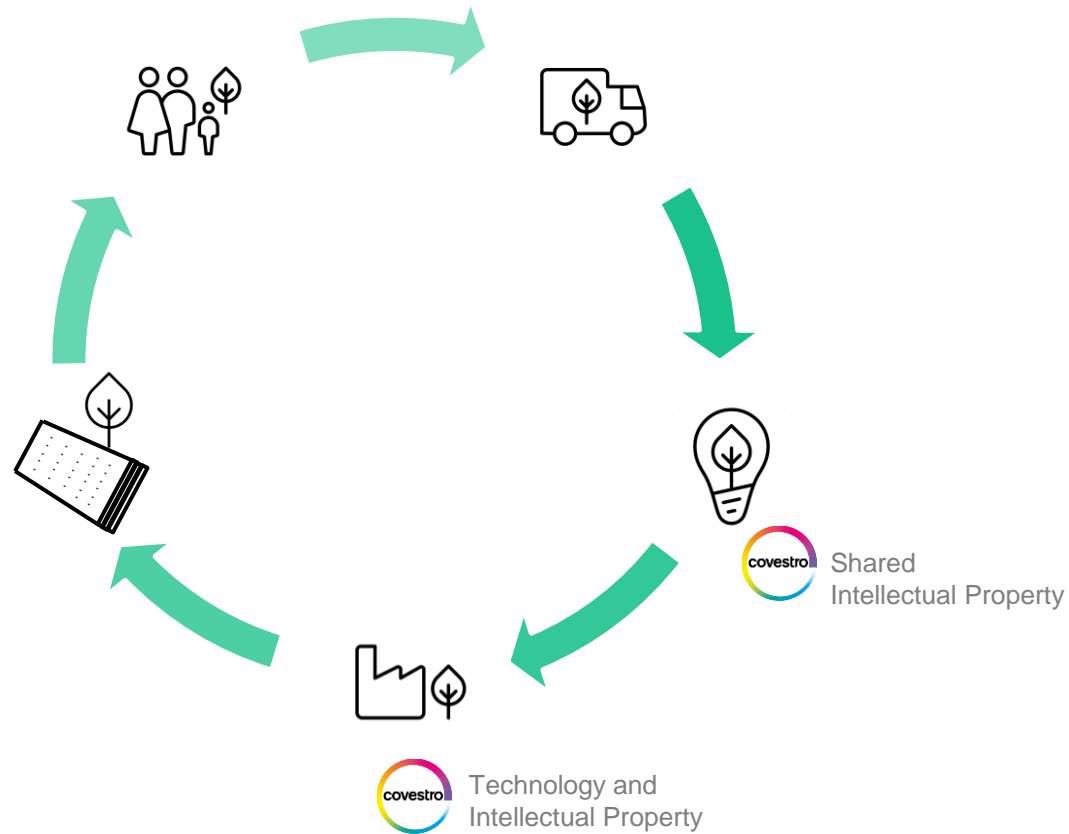
In the EU, 40 million old mattresses are discarded each year

Lined up like dominoes, they reach from Leverkusen to Shanghai^(a)



Evocycle[®] CQ takes recycling to the next level

Evocycle[®] CQ Mattress fully circularizes value chain



Full recycling of soft foam mattresses



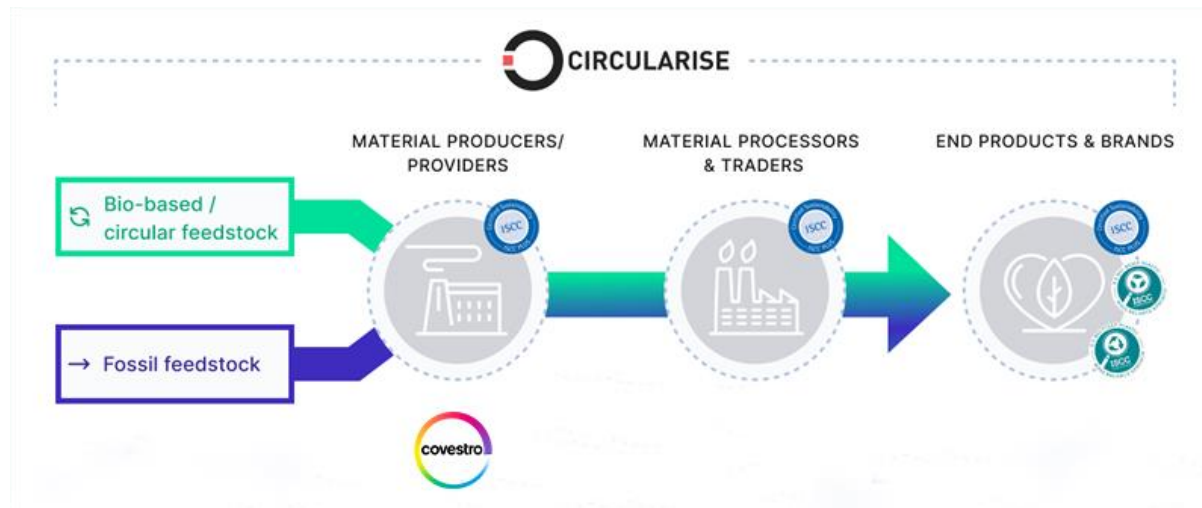
Intelligent solution to separate different PU foams



Significant improvement of CO₂ footprint

Groundbreaking cooperation with Circularise

Blockchain system enables ISCC PLUS certification across value chains



Pilot project with 10 companies



Blockchain system to complement ISCC+ certification



Sustainability information more efficiently shared

Industrial biotechnology: alternative raw materials and recycling

Covestro research unit explores recycling of plastic waste through enzymes



Production of aniline based on plant biomass



More gentle process with reduced solvent requirement



Enzymatic recycling for targeted recycling of end-of-life products and plastic waste

Solid foundation for profitable and sustainable growth

Summary and outlook



1

Stability: Even in challenging environment

“Sustainable Future” and solid balance sheet form strong foundation

2

Sustainable growth: Geared towards future markets

Well positioned for sustainable and profitable growth

3

Circular economy: Further expanding innovative technologies

Covestro continues to pioneer the implementation of the circular economy



Time for your questions!